Strategic Innovation Management

Zhidebekkyzy Aknur

Lecture 6. Building the fundamentals of a successful innovation management

▶ 1. Setting strategic directions

▶ 2. Innovation goals and objectives

▶ 3. Organizational environment and culture of innovation

▶ 4. Case study: Google

▶ The main **objective** of this lecture is to consider favorable conditions for creating innovations and implement a proper innovation management.

Overview

According to the words of management guru Peter Drucker each organisation needs one key competence: innovation. Innovation is the process by which businesses improve their competitiveness and profitability by creating and/or adopting relevant new products and ideas. Innovations result in the development of new products and services, new features in existing products and services, and new ways to produce or sell them or a different approach to any other process within the company (Beerens et al., 2004, Vemuri et al., 2003, Gellatly and Peters, 1999).

Innovation management begins with defining the strategy and setting innovation objectives. Innovation strategy is a strategy of efficient answer to competition.

• Production strategy may focus on improving production flexibility, reducing lead times, improving working conditions, or reducing labour costs.

• Product strategy may centre on improving product quality, replacing products that are being phased out, or extending the product range.

Market strategy may focus on opening new domestic or foreign markets, or simply on maintaining current market share. Developing successful innovation strategies is often difficult, which explains why many firms choose not to do so, even though the benefits of innovating are widely understood.

Innovation goals

The scope of innovation can be quite varied. Activities ranging from automation of order taking to developing hydrogen-powered automobiles are broadly considered innovations. Specifically, the most important innovations *goals* are the following:

- Increase added value for customers

- Reduce product/ service cost

- Increase innovation hit rate

- Improve product/ service quality

- Increase development efficiency

- Increase rate of product/ service introductions

- Shorten time to market

- Develop new product/ service categories

- Create new business models

Building the appropriate organisational environment

Culture is the sum total of values, norms, assumptions, beliefs and ways of living built up by a group of people and transmitted from one generation to another. *The culture of innovation* can therefore be defined as an organisational culture that values innovation, where there is implicit encouragement for staff to think differently, take calculated risks and challenge the status quo. What are its main characteristics?

• Leadership by visionary, enthusiastic champions of change

• Top management support and encouragement of creativity, both financial and

psychological

• An effective communication system. Leaders share the business vision with their staff and

empower them to optimise their potential in achieving the business goals

• Flexibility towards new thinking and new behaviour patterns. The creative organisation

readily adapts to change and proactively searches for new opportunities

• Customer focus

A creative culture is outwardly focused, looking for ideas among customers, competitors, academe, suppliers, and even industries with a different focus.

The culture of innovation can be developed by:

• Selecting innovative employees,

• Training for creativity and innovation,

• Developing a learning culture,

• Empowering the employees,

• Setting up idea capture schemes,

• Developing managers to support the innovation of others,

• Making creativity a requirement of the job,

• Improving employee participation in decision-making,

• Having appropriate reward systems for innovation,

• Allowing risk-taking as an acceptable mode of practice,

• Encouraging investment in research and development,

• Benchmarking (actively undertaking systematic approaches to locate and assess good practice elsewhere in attempts to improve your own performance).

Obstacles that will need to be addressed if you expect to establish a sustainable culture of innovation:

Lack of a shared vision and/or strategy,

• Innovation not articulated as a company-wide commitment,

Lack of ownership by Senior Leaders,

• Constantly shifting priorities,

• Short-term thinking,

• Internal process focus rather than external customer focus,

• Focus on successes of the past rather than the challenges of the future,

• Unwillingness to change in the absence of a burning platform,

• Politics – efforts to sustain the status quo to support entrenched interests,

• Rewarding crisis management rather than crisis prevention,

• Hierarchy – over-management and review of new ideas,

• Under-funding of new ideas in the name of sustaining current efforts,

• Workforce workloads (i.e. too much to do, not enough time),

• Risk aversion (i.e. punishment for "failure"),

• Inelegant systems and processes,

• Analytical thinking ("data is God"),

• Absence of user-friendly idea management processes,

• Unwillingness to acknowledge and learn from past "failures",

• Inadequate understanding of customers,

• Innovation not part of the performance review process,

• Lack of skilful brainstorm facilitation,

• Lack of "spec time" to develop new ideas and opportunities,

• Inadequate "innovation coaching",

• No creative thinking training,

• No reward and recognition programs,

• "Innovation" relegated to R&D.

- Further reading: Chapter 4 - **BUILDING THE FUNDAMENTALS OF A SUCCESSFUL INNOVATION MANAGEMENT, pp. 50-73**

- Innovation management / authors Borut Likar ... [et al.] ; editor Borut Likar, co-editors Peter Fatur, Urška Mrgole ; translation Arslingue K. Žontar, TEFL, TBE. - 1st. ed. - El. knjiga. - Ljubljana: Korona plus - Institute for Innovation and Technology, 2013

Questions:

- 1. What is the first step in establishing a successful innovation management?

- 2. What are the innovation goals?

- How to create favorable conditions for innovations in an organization?

- How to overcome resistance to changes in an organization?

- **Literature:**
1. Melissa Schilling: Strategic Management of Technological Innovation, McGrawHill, International Edition 2011.
2. Tidd, J., Bessant, J.R. 2014. Strategic innovation management. Wiley, Hoboken.
3. Innovation management / authors Borut Likar ... [et al.] ; editor Borut Likar, co-editors Peter Fatur, Urška Mrgole ; translation Arslingue K. Žontar, TEFL, TBE. - 1st. ed. - El. knjiga. - Ljubljana: Korona plus - Institute for Innovation and Technology, 2013
4. Kupeshova S. Innovation Management. Almaty, "Kazakh universiteti". 2011. - 160 c.

Thank you for your attention!