
Innovation for Organizational Transformation and Changes: Framework for Research

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Abstract

Innovational practices and its management in organization is a key strategic issue. It is of interest to both the practitioners and researchers across a range of business & management disciplines. During study, it's come out that innovation technique and practices varies from organization to organization. So, work to find out some common definitions, practices and techniques of innovation, studies on Indian companies are required. Drivers and source of innovation and its impact in organizational transformation and changes in business performance are to be widely analyzed in Indian context. The benefit of this research is to provide a research framework to those individual and companies where innovational practices are yet to be implemented and provide a guideline for research toward systematic innovation. Management and researchers can analyze the effective drivers and sources for organizational innovation according to its environment, product category and requirement of their customers.

Keywords - Innovational Practices, Driver of Innovation, Sources of Innovation, Organizational Environment, 3 P's.

Introduction

Innovation comes from the Latin *innovationem*, noun of action from *innovare*. The Etymology Dictionary further explains *innovare* as dating back to 1540 and stemming from the Latin *innovatus*, pp. of *innovare* "to renew or change," from *in-* "into" + *novus* "new". Innovation can therefore be seen as the process that renews something that exists and not, as is commonly assumed, the introduction of something new. Furthermore this makes clear innovation is not an economic term by origin, but dates back to the middle Ages at least. The central meaning of innovation thus relates to renewal. For this renewal to take place it is necessary for people to change the way they make decisions, they must choose to do things differently, make choices outside of their norm.

Innovation typically involves creativity, but is not identical to it: innovation involves acting on the creative ideas to make some specific and tangible difference in the domain in which the innovation occurs. For example, Amabile *et al.*, (1996) propose:

"All innovation begins with creative ideas . . . We define innovation as the successful implementation of creative ideas within an organization. In this view, creativity by individuals and teams is a starting point

for innovation; the first is necessary but not sufficient condition for the second".

A convenient definition of innovation from an organizational perspective is given by Luecke and Katz (2003), who wrote:

"Innovation . . . is generally understood as the successful introduction of a new thing or method . . . Innovation is the embodiment, combination, or synthesis of knowledge in original, relevant, valued new products, processes, or services."

A content analysis on the term "innovation" carried out by Baregheh *et al.*, (2009) within the organizational context, defines innovation as:

"Innovation is the multi-stage process whereby organizations transform ideas into new/improved products, service or processes, in order to advance, compete and differentiate themselves successfully in their marketplace."

Expert Cris Beswick (2010) defines innovation as: "The successful exploitation of an idea that adds value to the customer and commercial return for the creator"

Need of innovation

The need for constant reinvention is a given in today's business environment. And while a breakthrough product or concept can catapult an organization ahead of its competitors, in these fast-paced times, that advantage is often short-lived.

While major product or service breakthroughs make headlines, it's the steady incremental innovations made by employees every day that give an organization the sustained growth it needs.

Principles of innovation

Study of innovational practices in Indian industries of different sector, it was found that the Innovation principles and methods differ according to the sector and product of the organizations. Some of these principles can be summarized as

- Purposeful, systematic innovation begins with the analysis of the sources of new opportunities. Depending on the context sources will have different importance at different times.
- Innovation is both conceptual and perceptual, would be innovators must also go out and look, ask and listen. Innovators work out analytically what the innovation has to be to satisfy an opportunities.
- To be effective, an innovation has to be simple and it has to be focused.
- Effective innovations start small. It shouldn't be grandiose.
- Innovation is work rather than genius. It requires knowledge.

Strategies for sustained innovation

- Establish A clear sense of Direction
- Open Communication.

- Reduce Bureaucracy
- Instill a sense of Ownership
- Make sure recognition and rewards are Consistent
- A tolerance for Risk and Failure
- Eliminate projects and processes that don't work

Elements of creating innovative environment in companies

- Paint an inspiring Vision.
- Build an open, receptive, questioning culture.
- Empower people at all levels.
- Set goals, deadlines and measurements for Innovation.
- Use creativity techniques to generate a large number of Ideas.
- Review, combine, filter and select Ideas.
- Prototype the promising proposals.
- Analyze the results and roll-out the successful projects

Recognition of Problem

In the present era of globalization and modernization, worldwide companies face tough competition in their markets. For making presence in the market most of the international companies continuously use the innovative practices in organization and are ready for value additional changes in their product and services according to the requirement of customers.

Globalization and modernization also create a big impact on Indian market. Still Indian companies are considered as non innovative firms. Many times product of Indian companies is not able to compete with the MNC's product on several parameters. This is only because of the additional and advanced properties of products of such companies giving edge on their Indian competitors. So there is a need of innovational practices in Indian organizations for existence in the market.

Some of the big Indian companies like, Auto giant TATA Motors and Maruti Udyog continuously use innovational activities for value addition in his product category. The result of the same is in term of big dream TATA NANO and advanced small family car Alto K-10 & Ritz.

Indian IT companies HCL Infosystems is very serious in Innovation. Organization frequently value adds in its product to fulfill the requirement of his customer. HCL Mileap and HCL Beanstalk are those products who fulfill the complete requirement of customers of his segment. On the Other hand many of the Indian companies couldn't compete and vanished due to non adoption of such practices or environment. There is a need to understand how the cited companies were able to do it and the others were not.

Review of Literature

According to Juett R. Cooper (1998), Organizational theorists and managers alike have long shown more of an interest in the role of innovation in organizations, primarily because of the crucial role innovation plays in securing sustained competitive advantage (Porter, 1980). As organizations seek to distance themselves from competitors, they develop and/or adopt new products, processes, techniques or procedures. The process is further complicated because as the firm seeks to innovate, other organizations compete directly or indirectly by engaging in innovation themselves (Simon, 1997). More than ever before it is recognized that competing through innovation is not a onetime event. The firm must seek to stay out of the rut – innovate, concurrently. The concurrent nature of this “innovation imperative” is a key driver in the pursuit of competitive advantage because managers must do more than develop, implement or approve innovations; they must serve as the architects of the innovation imperative. Researchers have identified a number of organizational correlates of the adoption of innovation, including organizational structure, market structure, institutionalized expectations, organizational determinants, organizational climate, and leadership (Gopalakrishnan and Damanpour, 1992).

According to David Gurteen (1998), Creativity and innovation are at the cutting edge of Knowledge Management. We have a long way to go to release our creative energy, both at the personal and organizational levels, as there are many blocks to creativity. One of the key tools to overcoming these blocks is the concept of dialogue. Groupware Technology is also evolving into Knowledge Management technology and is playing a major and increasing role. Our challenge today is to build effective technology-based systems that support us in ‘making knowledge productive’ and take into account the ways in which we think and behave.

According to Axel (1999), in times of fast changing markets and fast changing technology, businesses which want to safeguard their future must innovate. If they want to be proactive and develop further by organic means they must engage not just in occasional bursts of innovation, but in continuous change. Three main types of innovation can be pursued for this purpose. First, market innovation – improving the mix of markets and how these are served. Second, product innovation – improving the mix of offers. Third, process innovation – improving the mix of internal operations. In order to achieve and maintain competitive success in today’s turbulent marketplace, top management must spend at least as much time thinking about customers’ needs and how these might be met innovatively as thinking about internal operations. To compete effectively in the future, a business needs to focus beyond the markets it serves presently and to concern itself with market innovation and the “total imaginable market”. Aggressive suppliers from other industries are adopting this wider approach. This is why retailers, brokerage firms, telecommunication and computer services businesses have entered financial services markets. All businesses need to understand the changing needs of their customers. They must develop accurately targeted offers quickly and cost-effectively. Market innovation can help guide this quest by combining product line management with market opportunity analysis.

As per Hill and Collins (2000), it is important for changes managers to understand how both the internal and external environments can influence organizational changes strategies & activities. They suggest that one potential contribution of the model of organization transformation is that it may provide guidance to insight for managers attempting such reconstruction.

According to Johnson (2001), Modern organizations must constantly adapt to survive in today's rapidly changing environment. A stagnant organization that cannot innovate to meet evolving environmental conditions will eventually and it no longer competitive in an increasingly complex and technologically sophisticated economy. Government organizations, as well as private industry, are experiencing similar pressures to reinvent themselves.

Successful implementation of innovations depends on positive weighting on three distinct factors: framing, innovation environment and innovation attributes. Framing refers to the couching of an innovation in terms of the political and strategic imperatives of the organization; while the innovation environment refers to the internal tactical environment for innovation implementation. Innovation attributes refers to the characteristics of the innovation such as trial ability. Neither environment nor attributes itself ensure unequivocal success, although each may lead to partial success.

According to Karlsberg and Adler (2001), Leaders create the psychological environment that fosters sustained innovation at all levels. As a leader, you need to consider your own assumptions about innovation and their role in creating and changing your organization's culture.

According to Drucker (2002), Innovation is real work and it can be and should be managed like any other corporate function. But that doesn't mean it's the same as other business activities. Indeed, innovation is the work of knowing rather than doing.

According to Koudal *et al.*, (2005), Top-performing global companies, much like their competitors, are banking on innovation to drive growth. But, unlike their competitors, they are investing in the product development capabilities, the supply chain process infrastructure, and the sophisticated information systems needed to support and synchronize innovation across the value chain.

According to Baregheh and Jennifer (2009), from Bangor University, U.K., Innovation, and how it is managed, is a key strategic issue. It is of interest to both practitioners and researchers across a range of business and management disciplines. Innovation practices and techniques is varies from organization to organization. It depends on the sector and customer or the product.

According to Prahalad (2010), Organization becomes winners by spotting big opportunities and inventing next practices. Next practices are all about innovation; imagining what the future will look like, identifying the mega opportunities that will arise, and building capability to capitalize on them.

As per Filippetti (2010), a stream of empirical studies has tackled the issue of the heterogeneity across firms by putting forward the concept of innovation modes. This is grounded on the awareness that firm-specific factors play a fundamental part in shaping a complex phenomenon such as innovation. Accordingly, the presence and the source of regularities – patterns – in the innovative behavior should also be investigated at the micro level. The innovation modes research, empirical in nature, aims at grouping firms depending on a number of characteristics of innovation. They include, together with structural characteristics of the firm, several innovative dimensions such as the formal research and development (R&D) activities, collaboration activities, knowledge management and organizational innovation, as well as marketing and service innovation.

According to Wei Xie *et al.* (2010), The main characteristics of world-first innovation in catching-up

countries include: from the demand side, innovation is mainly pulled by the local market, rather than technology-push; from the supply side, innovation cannot isolate itself from the rest of the world – suppliers of key technologies in advanced countries play an important role; inter-firm alliances are an increasingly important way to generate world-first innovation; and downstream integration capabilities are required for followers to mix pieces of technologies together at competitive pricing.

It is probably impossible for anyone company today to capture all value derived from an innovation. The success of followers from developing countries to launch world-first products hinges on the four critical factors:

- Strengths of complementary assets.
- Figuring out ways to meet local market demand without relying on large R&D spending.
- Emphasizing untapped innovation opportunities by multinationals.
- Positioning themselves on the proper points of the globally coordinated network for innovation

Required characteristics of employees for innovation

- Willingness to listen and learn from others
- Enthusiasm for constantly making improvement.
- Comfort in working in teams.
- Ability to take action quickly to solve a problem.
- Interest in coaching other employees.

Drivers of innovation

Systematic programs of organizational innovation are most frequently driven by:

- Improved quality
- Creation of new markets
- Extension of the product range
- Reduced labor costs
- Improved production processes
- Reduced materials
- Reduced environmental damage
- Replacement of products/services
- Reduced energy consumption
- Conformance to regulations

Objectives of Study

The work is aimed to analyze the difference of pre and post innovation practices adopt by big companies of different sector and its impact on sustainable growth of the companies in long time period. The specific objectives and scope will be:

- To study how innovation as tool lead to organizational transformation.
- To study the big opportunities and new business practices invented by the selected companies.
- To identify the key drivers of systematic innovation and study its impact on the business model of the organization.
- To study the business environment created by the selected companies for value creation through innovation.
- To Study the steps taken by company for creating environment for innovation and its impact on business performance of the company.

Significance of Study

Having conducted a comprehensive content analysis, it has to be identified that how different disciplines view innovation from a different standpoint and propose distinct definitions. It could be argued that each discipline requires it own discipline-specific definition. However, as business and research become more inter- and multi-disciplinary, we suggest there is a need for a more generic, integrative definition. This is to enable the development of common meaning and shared understanding of the various dimensions of innovation, identified through our proposed research. To be a major player in world economy, Indian Organizations need to Innovate activities in routine practices. Study of Innovation and its best practices of other organizations will help others to follow. By this Indian companies can adopt the best practices which are suitable according to their environment.

The importance of this study is more to those companies which are still not applying these theories. Study shall find out the drivers and parameters of Innovation which can influence the organizational transformation. Below are some benefits with this study to such companies which are in path of innovating:

- Importance of Innovation for organizational transformation in those companies where innovation practices are yet to be implemented.
- Indian Organization, according to its culture and environment, can analyze that how to implement innovation activities in their environment.
- Organization can also measure the impact of innovation within the organization and outside the organization.
- Indian companies shall be in position to choose different 3 P's (Processes, Parameters and Practices) of innovation according to its sector on the basis of organizational products, culture and requirements of their customers.

- Companies can internally communicate the importance and benefits of Innovational practices.
- Companies can adopt the suitable tool of innovation for making changes.
- Innovation practices are depends on the sectors, so the companies can analyze the importance of different drivers of innovation according to its organizational environment and culture.
- Organization can evaluate the changes in organization cultures and its profitability after adopting innovation practices.

Methodology

Theoretical framework

Despite the multidimensionality of the Innovation construct, a review of the literature reveals that the primary emphasis on empirical research has been on the combined (versus individual) effects of the innovation components. The present study, therefore, follows a component-level approach and examines direct effects of each of Innovation's components – Drivers & Sources - on innovation environment and transformed organization and business performances of company (See Figure 1). By splitting innovation into its drivers and sources into components, we are able to examine more closely the relationships between Drivers of innovations, Sources of innovation, Environment for innovation and transformed organization and its business performances. Specifically, we can determine whether and how each driver and source effects innovational environment for changes and that in turn effects business performances of the organization and how it convert to a transformed organization. The current model also examines indirect effects of Innovational Driver and Sources on transformed organization and its business performances via in-organizational environment of Innovation. This is in keeping with literature that suggests a positive relationship between drivers and sources with environment for innovation in organization (Peter, 2002) and between environment of innovation and transformed organization and its business performance.



Figure 1: Theoretical framework

Sampling, Data collection and Testing

The target population of the study is drawn from the Indian Companies and the MNCs that have Research center in India. We shall focus on the following business sectors: IT, Automobiles, Consumer Durables, FMCG, Banking and Indian Public Sector Units etc. These will be the industries which have exhibited higher levels of innovative activity than the average competitor industry, measured by proportion of innovative companies and expenditure on innovation, and emphasized both product innovation and process innovation. The specific sectors shall identified after in depth literature study and specific companies shall be identified as the criteria mentioned above and using stratified random sampling. Hypothesis testing tools such as ANOVA and Chi-Square shall be used and if required DEA shall be used for comparing productivity matters.

From each sectors, only firms with 1000 or more employees will be chosen on the basis that large firms are more likely to have established innovational activities as opposed to smaller firms. A total of 7 or 8 giant in his field will studied. A questionnaire accompanied by a hand-signed cover letter and a postage-paid return envelope or by hand will be mailed to the person in charge of innovation department or R & D department in each company. Suitable hypothesis shall be formed during the study.

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