Innovation: The Key Driver for Growth & Sustainability in Organisations

Ashish Mohanty[1] , Sasmita Mohanty[2]
Asst. Professor, Asian School of Business Management, Bhubaneswar[1]
Asst. Professor, School of Hotel Management, S "O" A University, Bhubaneswar[2]

Abstract

Innovation and creativity at work have emerged as central concerns in recent years amongst applied researchers and practicing managers alike. In today's dynamic marketplace, Innovation is an essential mantra to enhance business competitiveness and sustainability. A developing business environment that supports innovation can not only contribute to employment creation but also to overall economic growth. Also, promoting multiple and varied forms of workplace innovation is critical because organizations today operate in challenging environments, prompting the need for increased flexibility and knowledge-based work.

Meeting the innovation challenge requires taking a systemic approach – focusing on the people involved, the methods they are applying, the environment within which they are working, as well as the desired innovative results. Indeed, a great deal of research and experience shows that those who attempt to make change or innovation happen without considering people and place are doomed to failure.

This paper expands on this line of thinking on the organizational innovation and aims to explore on how the supportive work environment and innovation is fostered in firms for growth and sustainability.

Key words: Innovation, Creativity, Rules of Innovation and Supportive Environment.

Introduction

Management research confirms that organizations that meet the innovation challenge out perform their competitors in terms of market share, profitability, growth and market capitalization (Tidd, Bessant, & Pavitt, 2005). Innovative organizations are better able to mobilize the knowledge, skills, and experiences of people, and successfully create new products, services and ways of getting things done faster, better and cheaper. Although creativity is innovation's precursor, both are key issues for organizational survival and growth.

Innovation is increasingly seen as a key strategic priority due to its potential to create sustainable competitive advantage. Barsh, Capozzi, and Davidson (2008), for example, found that 70% of senior executives identified innovation as one of their top three drivers for improving organizational performance. So, if innovation is so important, what practices and knowledge do organizations apply to meet the challenge?

Many organizations apply a specific method, process or procedure to produce innovative outcomes. These run the gambit from project management and new product development methods to idea management and suggestion programs. Others focus their efforts on innovative outcomes – setting clear and stretch targets for revenue from new products and services. Some concentrate on the unique role that leaders play in sponsoring innovation or selecting and encouraging the "right" people to play on innovation initiatives. A few organizations focus on creating work environments that support creativity and innovation. Even fewer organizations address the challenge by taking a blend of both strategic and tactical reviews of best practices, and then customize their solutions to address their unique needs and situations.

Given all the challenges organizations must face when managing for innovation, the most productive way forward is to consider the whole system of change and creativity, rather than only focusing on a single part (Isaksen & Tidd, 2006). In fact, there is emerging evidence that high-performing innovative organizations work on all the key elements, including: deliberately managing the innovation process; engaging in leadership practices that include and involve a diverse collection of skills, styles, and talents; and intentionally working to establish appropriate conditions to encourage and sustain creative efforts (Davis, 2000).

But the innovation in many organizations is often hindered far more often than it is aided and abetted (Amabile, 2004). Hence, to go into the feature, process about organizational innovation and explore measures to foster innovation within firms is a critical aspect of organizational effective management. In response to the increasing demand of research in this filed, based on reviewing the available innovation literature, this paper attempt to identify the factors that influence innovation in organizational settings and uncover the function mechanism of antecedent factors of innovation ,as well as to take into consideration the organizational strategy which to promote organization's independent innovation.

Various scholars have recognized the importance of innovation to organization's competence As Amabilea (2004) proposed that Creativity and innovation have come to be seen as a key goal of many organizations. But both of the concepts have been defined in various ways, they have nevertheless uniform definition and understanding in academics. Kanter (1988) indicated that innovation has to do with the production or adoption of useful ideas and idea implementation. In recent years, the concept of innovation has become more complicated as well. West (2001) note that "the intentional introduction and application of ideas, processes, products or procedures which are new and benefit to the job, the work team or the organization". Scott (1994) proposed that innovation include several processes, such as problem recognition, idea generation, and idea completing and prototype production. It includes such activities as generation of new ideas, evaluation of ideas, idea development and implementation (Mumford et al., 2002).Though some researchers make a distinction between creativity and innovation, with the former referring to the invention of an idea and the latter referring to that idea's application, or regarding the former as one simply part of the latter, generally, the two terms are often used interchangeably in most relevant research.

Literature Review

Companies are increasingly investing in innovation because of its overall impact on performance and daily processes to employees' functions. Innovation typically requires persistent teamwork focused on gradual improvement in delivering value to the company and in some cases final consumers (Tjosvold & Yu, 2007). Innovation can be defined as the implementation of new ideas, processes, products or services (Thompson, 1965). The term innovation continues to be a focal point in companies and governments alike. Too much innovation can be bad for a company (Davila *et al*, 2006).

To foster innovation in any company, it is important to attract and recruit people who will be innovative. Companies need to develop techniques and instruments to identify innovative people and employ them. Although some people may be more innovative than others, it is the relationship between people and their environment that ultimately determine their level of innovativeness. If an innovative person is put in an environment that does not foster creativity he or she will find it difficult, if not impossible to be innovative on an on going basis (Davila, *et al*, 2006 p.253).

Previous empirical and theoretical studies have shown companies performance based on net profit or loss margin (Koene *et al.*, 2002), total sales, and percentage of goals met during the fiscal year (Jing & Avery, 2008). In their research, they both used net profit margin as the sole criteria to show company performance. Barling et al, 1996 compared leadership types and its impact on company bottom line. The type of leadership in the research was transformational. Another measurement of company performance studied was the percentage of goals met regarding business units in companies (Howell & Avolio, 1993). While the results are similar in all the studies, the selection of measuring company performance solely on the financials is narrow. Keeping in view on the above researches done so far, the researchers of this study are of the opinion that innovation and supportive environment for employees are also the key ingredients in promoting growth and sustainability within organization.

Objective of the Study

The objective of the study is to find out how creativity and innovation within a supportive environment helps the firms to grow and sustain in the long run.

Research Design

The research design is a based on conceptual framework which provides the structure/content for the whole study based on literature and personal experiences of previous researchers.

Driving Success: How to innovate determines what to Innovate

For any organization, innovation represents not only the opportunity to grow and survive but also the opportunity to significantly influence the direction of the industry. Apple Computers took the industry by surprise when it launched iTunes and iPod, not so much because these were innovations that nobody had ever thought of before in the PC arena.

As innovation leaders like Apple, Toyota, Dell, Nucor Steel, Sony, and others have shown, making important changes to key parts of the dominant business model or the essential technology can redirect the competitive vectors of an entire industry. Innovation provides the opportunity for a company to put its mark on the evolution of business. By setting the rules of the game in their industries, these companies have taken a leadership position and play the game that favors them the most.

Innovation is not only a weapon in competitive markets; it has proven itself as an important source to redefine philanthropy and government under the umbrella of social innovation and social entrepreneurship. Nokia's management has frequently said that its real business isn't phones; it's innovation. In Nokia's case, innovation is a capability fused to the core of the organization; the company calls its culture of continuous innovation "renewal."The ability to innovate has taken Nokia from the equivalent of an approximately $6 billion company in 1994 to an approximately $36 billion company in 2003.

Superior innovation provides a company the opportunities to grow faster, better, and smarter than their competitors—and ultimately to influence the direction of their industry. For the CEO, this is growth on the company's own terms.

The following case study shows how the role of innovation at Coca-Cola provides insight into the importance and challenges of harnessing innovation and its affect on organization's growth.

Company: Coca-Cola

In the 1990s, Coca-Cola appeared unstoppable with earnings growth of 15–20 percent per year. However, the Coke juggernaut sputtered, and from 1998–2000, the company turned in three straight years of falling profits. It was the worst downturn in recent memory. There were a myriad of factors contributing to the decline, including soft demand in some regional markets and a strong dollar weakening overseas markets. But Coca-Cola's major problem was that global demand for Coke was sagging. One of the first signals was in the 1980s when Snapple took the U.S. by storm. Coke's sales volume fell 2 percent in the U.S. (the most mature market). Elsewhere in the world, growth slowed. The markets were changing with local brands springing up to fit local tastes.

The beverage industry was changing, with greater value placed on novelty. It used to be that all a beverage had to do was to refresh. New demands emerged: *keep me growing* from the kids; *keep me going* from the young adults; and *keep me interested* from the adults. To survive and grow required the ability to systematically innovate and deliver new products. For Coca-Cola, this meant moving away from a single core product and becoming a total beverage company. Coca-Cola realized that it needed new products to match new trends in beverage tastes. This was a fundamental change in business strategy because historically its strength was having one hugely successful core product. Competitors had chipped away at that strength by introducing the new beverages. Most notably, Pepsi had beaten Coca- Cola to market with nearly every big product innovation in recent years, from diet cola in the 1980s to cola with a lemon twist in 2001 (with Cherry Coke and Vanilla Coke being the exceptions in Coca-Cola's favor).

Coca-Cola responded with a shift away from its traditional Atlanta based operating mentality. The company's strategy under Doug Daft, CEO from 1999–2004, had been to catch up quickly by employing what we label as a Play-to-Win innovation strategy—a strategy that relies heavily on a combination of incremental and breakthrough innovation. The company began to employ innovation on both its technology and business models. Coca-Cola undertook the difficult task of creating an innovative culture across the company. To support that, the company created new organizations (referred to as *innovation centers*) and new innovation processes— no easy task for a company that, historically, had grown through narrow focus and standardization. Now the company was operating in a decentralized environment that had been unthinkable in previous years. The new mandate changed to "Think Local, Act Local." Coke Japan had been creating products and campaigns at a blinding speed, calling on Atlanta only for final approval and funding. Likewise, operations in Mexico had developed and launched a new milk drink and managed it by themselves.

Coke has identified 32 possible beverage occasions each day. In addition, several new types of beverage types emerged: sports, water, teas, health, and the mom and kids categories. Coca-Cola's portfolio of brands has grown to include Dasani bottled waters in the U.S. (and the U.K. although with some PR problems), Qoo juice drinks in Asia, and a guarana-flavored drink in Brazil. These new products are the direct result of a shift in the basis of competition in the industry. Coke continues to play catch-up in the market, and Daft stepped down after just five years. Will the new approach to innovation it created be sufficient to pull itself out of its problems and into the lead? Stay tuned; a lot depends on how well Coke manages and sustains innovation.

From the above case study we analyzed that how Coca-Cola which was making loss for three consecutive years transformed itself from a loss making company to profit center by employing Play-to-Win innovation strategy—a strategy that relies heavily on a combination of incremental and breakthrough innovation.

Rules of Innovation

In companies that innovation produces best in class results, key success is tied to how well the CEO and the senior management team do the following (these are known as the *Seven Innovation Rules*):

1. Exert strong leadership on the innovation strategy and portfolio decisions.

Clear direction from the top of the organization permeates throughout the organization to motivate, support, and reward the activities that encourage innovation as well as the innovations themselves.

2. **Integrate innovation into the company's basic business mentality**.

Innovation is not a rabbit you pull from a hat on special occasions; it must be an integral part of the way a company operates every day.

3. **Align the amount and type of innovation to the company's business**.

Innovation *may* or *may not* be the key to success for your overall business strategy; you have to determine the types and amounts of innovation needed to support the business strategy—and more is not necessarily better.

4. **Manage the natural tension between creativity and value capture**.

A company needs strength in both. Creativity without the ability to translate it into profits (for example, execution and value capture) can be fun but it is unsustainable; profits without creativity is rewarding but only works in the short-term.

5. **Neutralize organizational antibodies**.

Innovation necessitates change, and change stimulates explicit routines and cultural norms that act to block or negate change.

6. **Recognize that the basic unit (or fundamental building block) of innovation is a *network* that includes people and knowledge both inside and outside the organization**.

A successful organization excels at fusing its internal resources with selected portions of the vast resources of the world's capitalist economy.

7. **Create the right metrics and rewards for innovation**.

People react to positive and negative stimuli, and your company's innovation is no exception. You will never achieve the level of innovation that you need if people do not have the proper rewards.

Organisational Innovation and Supportive Environment

King & Anderson(1995) indicated that three level factors: Individual, team and organization are essential facets for organisational innovation. Many researchers are striving to explore the wide range of factors at the three levels of analysis found to be associated with innovation in the workplace. A variety of authors have examined the relationship among individual feature and innovation. Such research result point to the same set of critical individual factors involved in promoting and implementing innovations, which cover five-factor traits, generative thinking, conscientiousness, style of solving problem, self-discipline and so on. At group level, a substantial body of research has now accumulated on such factors as team task feature, team background, team structure, team processes and relationship between teams, which have been consistently found relative to innovation across several primary studies. With respect to the organizational level, the major factors enhancing innovation has been studied involves strategy, structure and systems, organizational culture, organizational climate for innovation, resources and skills, teamwork, Leadership and ‘‘in-house’’ research and the like. The organizational final innovation performance lies on the match between individual or team innovative behavior, market demand and organizational target. It is not enough to only consider the individual, team and organization level factors separately to propel innovation. We believe it is important to consider the effects of each of these factors and their interrelationships in making the organization more innovative.

In seeking to understand how innovation is fostered in a work environment, previous studies have put the primary emphasis on psychological tools and management practices (Lapierre, 2003). A variety of authors have examined the relationship among individual behavior feature, cognitive ability and innovation. Organizations, which provided a supportive innovation context for creativity, tend to reap greater benefits from employees who are innately creative.

Climate for innovation is a cognitive interpretation of an organizational innovation-motivating situation. Individuals will respond primarily to cognitive representations of innovation environments rather than to processes involve several kinds of interactions. Innovation process is a social and cognitive process with the elements of the process being events that occur within person and between people. For innovation team, its outputs are innovative behavior and innovative products. On organizational level, the final innovation performance lie on the match between individual or team innovative outputs and the outer market demand.

Conclusion

There is no simple universal formula for successful innovation: it is nonlinear and works at many levels. It is important for every company to imbibe the culture of innovation as a fundamental part of growth. Innovation is uniquely human and cannot be done by machines. Innovations are not random; they occur in relation to the past, present, and future conditions of an organization. Companies that understand this basic truth stand to gain in the long term.

In conclusion, innovation should be at the heart of every initiative by a company and should be hierarchy agnostic. In other words, it needs to be adopted as a ‘way of life’ among all stakeholders in a company, in order to ensure the company’s success and growth in a rapidly evolving marketplace.

The researchers tried to go into the feature and process in organizational innovation, as well as how innovation plays an important role in organizational growth with the help of a case study;

nevertheless, there are still few related researches in our country. In this paper, based on former theories, we summarize the key factors for organizational innovation and creating supportive environments for employee innovative behavior. The work might assist the managers in organizational innovation management.

References

1. Amabile, T. M., Conti, R., Coon, H., Lazenby, J., & Herron, M.Assessing the work environment for creativity [J].Academy of Management Journal, 1996(39):1154-1184.

2. Amabile, T. M.. Motivating creativity in organizations: On doing what you love and loving what you do. [J]. California Management Review, 1997(40) : 39–58.

3. Amabilea, T M., Elizabeth A. Schatzela, Kramer,Leader behaviors and the work environment for creativity: Perceived leader support [J].The Leadership Quarterly,2004 (15) :5–32

4. Anderson, N., & West, M. A.Measuring climate for group innovation: Development and validation of the Team Climate Inventory [J]. Journal of Organizational Behavior, 1998 (19): 235- 258.

5. Barling, J., Weber, T. & Kelloway, E.K. (1996). Effect of transformational leadership training on Attitudinal and financial outcomes: A field experiment. Journal of Applied psychology, 87(3) 488-496

6. Barsh, J., Capozzi, M. M., & Davidson, J. (2008). Leadership and innovation. *The McKinsey Quarterly, 1*, 37-47.

7. Davila, T., Epstein, M.J. & Shelton, R. (2006). *Making Innovation Work: How to manage it, Measure it, and Profit from it.* Pennsylvania, (p. 262-263) Wharton school publishing.

8. Davis, T. (2000). *Global innovation and growth survey*. London, UK: PricewaterhouseCoopers.
9. Howell, J.M. & Avolio, B.J. (1993). Transformational leadership, transactional leadership, focus of control and support for innovation: Key predictors of consolidated business unit performance. *Journal of Applied Psychology*, *78*(6) 891-902.

10. Isaksen, S. G., & Tidd, J. (2006). *Meeting the innovation challenge: Leadership for transformation and growth.*Chichester, UK: Wiley.

11. Jing, F.F. & Avery, G.C. (2008). Missing Links in Understanding The Relationship Between Leadership and Organizational Performance. *International Business & Economics Research Journal*, *7*, (5) 67-78.

12. Koene, B.A.S., Vogelaar, A.L.W. & Soeters, J.L. (2002). Leadership effects on Organizational Climate & Financial performance: Local Leadership in chain Organizations. *Leadership Quarterly*, *13*, 193-215.

13. Kanter, R.. The change masters. 1988,New York: Simon & Schuster.

14. King, N., & Anderson, N. Managing innovation and change: A critical guide for organizations.2002 [M].London:Thompson.

15. Lapierre and V. Giroux, Creativity and Work Environment in a High-Tech Context [J]. Creativity and innovation management, 2003 (12):11–24

16. Mumford, M. D., Scott, G. M., Gaddis, B., & Strange, J. M.. Leading creative people: Orchestrating expertise and relationships[J]. Leadership Quarterly, 2002 (13):705- 750.

17. Scott, Susanne G., Bruce,Determinants of innovation behavior:a path model of individual innovation in the workplace,Academy of Management Journal, 1994, Vol. 37(3) : 580-607

18. Thompson, V. A. (1965). Bureaucracy and Innovation. *Administrative Science Quarterly*,*10*(1), 1-20.

19. Tjosvold, D. & Ziyou, Y. (2007). Group Risk Taking: The Constructive Role of Controversy in China. Group Organization Management *32*, 653-674.

20. Tidd, J., Bessant, J., & Pavitt, K. (2005). *Managing innovation: Integrating technological, market andorganizational change* (3rd ed.). Chichester, UK: Wiley.

21. West, M. A.Sparkling fountains or stagnant ponds: an integrative model of creativity and innovation implementation within groups[J]. Applied Psychology, 2001(51): 355–386

22. www.siliconindia.com/...articles/Driving_Innovation_at_the_Workplace

23. ptgmedia.pearsoncmg.com/images/9780131497863/.../0131497863.pdf