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Organizational Innovation Management

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Abstract

In order to uncover several tactics and ideas for how a manager might lead and manage innovation, this research critically analyzes the notion of organizational innovation in the body of current literature. While some studies focused on organizational structures, flexibility, and capacity as the basis for managing innovation, other models regarded organizational culture, participatory management, and incentives for innovation as the fundamental prerequisites for managers to be able to organize and lead organizational innovation. In addition, the management of organizational innovation was shown to be significantly influenced by endogenous organizational dynamics, such as technical advancement, power and interests in forming organizational transformation, social values, and learning capacity.

Keywords: change, management, organization, innovation, and organizational innovation

Introduction

The modern world's core character underpins a fast-paced, fiercely competitive society where the capacity to impose adjustments and transformations offers the most value. The secret to this skill is a competitive edge in handling creativity and innovation (Drucker, 1985; Woodman et al., 1993). Therefore, developing strategies and mechanisms for increased organizational innovation and creativity is a key concern for leading firms, especially effective managers. The rise of the knowledge economy, technical advancements, and intense non-price rivalry in the industrial and service sectors have all contributed to their belief that innovation is essential to competitiveness.To lead, develop, compete, and survive, organizations—especially those powered by technology—need to be more inventive and pioneering than they were in the past (Jung et al., 2003).

A significant topic of study in the literature on organizational management has been what organizational innovation is and how managers lead, shape, and manage it. Generally speaking, organizational innovation may be approached in three ways: First, according to Gumusluoglu and Ilsev (2009), innovation is seen to be a key component of both better corporate performance and organizational development.This strategy places a strong emphasis on innovation-oriented business strategy and increases organizational capacity to develop new goods. The second approach prioritizes the company's environment and working conditions above just concentrating on innovation management, seeing innovation as more of a result of dynamic organizational growth. The third strategy emphasizes a careful balance between innovation and other contributing variables for effective company success, while acknowledging innovation as a contributing component (Lawson and Samson, 2001).In the literature on advanced management, these varying degrees of emphasis on innovation outline the managers' approaches to leading and overseeing innovation.

While some theories focused on organizational structures, flexibility, and capacity as the basis for managing innovation, other models saw organizational culture, participative management, and incentives for innovation as the fundamental prerequisites for managers to be able to plan and direct organizational innovation.

Additionally, the management of organizational innovation was shown to be significantly influenced by endogenous organizational dynamics, such as technical advancement, power and interests in forming organizational transformation, societal values, and learning capacity (Hage, 1999). Organizational and technological innovations are intertwined, and the adoption of new technology can bring a variety of opportunities and challenges for organizations, dictating changes within organizational forms and managerial practices. This interaction is crucial for the development of organizations' capacity to innovate and utilize new technologies and inventive resources.

Nonetheless, this study's goal is to critically analyze the notion of organizational innovation in the body of current research and to pinpoint several tactics and methods for managers to lead and oversee innovation. In order to do this, the paper's introduction outlines the organizational innovation conceptual framework.Next, in a number of subsections, the

study analyzes and evaluates the elements and methods for managing creativity and innovation at the organizational level. The presentation concluded with some last thoughts on the state of organizational innovation management today.

The Concept of Organizational Innovation

According to Utterback (1994) and Dougherty and Hardy (1996), the term "organizational innovation" often refers to a strategy used by companies to produce new goods, methods, and systems in response to shifting market growth, technical development, and competitive circumstances. Organizational innovation may be defined as "the tendency of the organization to develop new or improved products/services and its success in bringing those products/services to the market" (Gumusluoglu and Ilsev, 2009: 467). It may also be described as an organization's capacity to continually transform concepts and knowledge into new goods, services, or procedures for the benefit of its stakeholders. It is highly helpful to distinguish between organizational innovation and creativity in order to better describe the idea. Accordingly, Amabile (1998) defined innovation as the effective implementation of original ideas inside an organization and creativity as the generation of new and constructive ideas. Additionally, Oldham and Cummings (1996) linked innovation at the organizational level with creativity at the person level. While many studies have acknowledged this difference, other researchers have characterized organizational innovation in combination with individual creativity, recognizing that people are the ultimate source of any new concept (Redmond et al., 1993; Shalley and Gilson, 2004). They defended their assertions by claiming that original ideas from creative staff members might be shared with other staff members and, on a broad scale, result in the creation of cutting-edge organizational goods.

Considerations about Innovations

Three key factors should be taken into account when critically examining the definition given in the body of current research. According to the first point, innovation cannot be characterized in a single, cohesive way. A new product, service, technology, or administrative procedure may all be considered forms of innovation (Hage, 1999). To put it another way, each of these areas of innovation can take one of five general forms: diversification of the current pool of goods and services; newer additions and versions of the existing types; introduction of an entirely new item; enhancement of presentation methods and styles; and creation of participation models.

The second argument is that although organizational innovation's broad conceptual characteristics have remained mostly constant, the types and characteristics of the innovations under investigation have evolved throughout time. Private sector organizations' drastic transformation dominated research trends in the 1980s and 1990s, whereas public sector organizations' gradual transition was the main emphasis in the 1960s and 1970s (Hage, 1999). Furthermore, rather than quantifying the quantity of breakthroughs during a certain time period, subsequent research on innovation focused more on the analytical emphasis on advanced manufacturing methods (Zammuto and Connor, 1992). However, the study of innovation in the advanced management literature has paid less attention to two broad categories of innovation: a) innovations in large-scale technical systems like nuclear energy, electrical railroads, high-speed trains, telephone systems, and coaxial cables; and b) radical innovations in the parts of assembled products like cars, trains, and commercial airplanes (Hage, 1999). The third topic of examination is that the researchers' conceptual structure of "organizational innovation" failed to provide a cogent theoretical foundation for defining the notion with its associated complications. As a result, the phenomena continued to be open to many contextualizations and interpretations. This collection of varied perspectives was divided into three streams by Lam (2004). Although he acknowledged that there were empirical similarities between these strands, their theoretical differences were so great that they impeded the development of a comprehensive understanding of "organizational innovation and interrelations between its different dimensions." Among the three streams are:

Organizational Design Theories: This set of theories defined organizational innovation from the perspective of structural characteristics of organizations. Focusing on the link between structural forms and the propensity of an organization to innovate, scholars like Mintzberg (1979) and Teece (1998) aimed to determine the effects of organizational structural variables on product and processinnovation.

***Theories of Organizational Cognition and Learning*:** These theories, in contrast, defined organizational innovation based on cognitive foundations of organizations at the micro-level. Emphasizing on the learning and organizational knowledge creation process, this camp of research investigated innovation capabilities of organizations depending on the firms‟ capacity to create and exploit new knowledge (Nonaka and Takeuchi, 1995).

***Organizational Change and Adaptation Theories*:** this strand defined innovation as an outcome of the creation of new organizational forms. In the context of technological changes and radical environmental shifts, innovation is considered as a capacity to respond to changes in the external environment,and to influence and shape it (Child, 1997).

Management of Organizational Innovation

Organizational innovation is a complex and risky process and managers dealing with the innovation management have to be aware of the degree of complexity that the process has. As there has been lack of clarity and agreement among the innovation mangers on the strategies and actions for ensuring organizational capability, a bunch of normative theories prescribed different set of rules and techniques to increase organizational innovation. But despite widespread empirical research, advance management literature is yet to see a dominant theory (Wolfe, 1994). Many models have been offered to dissect innovation at the firm level using a host of theories including resource-based view, market orientation (MO), socio-technical approaches, transaction cost economics, cognitive theories and importantly institutional theory. The problem of using so much diverse theories is that the findings of the theories, each of them brings diverse innovation puzzle, do not suggest a complete outline of the factors needed to be taken into account to manage innovation properly. While some theories emphasized on the specific firms or industrial context, others focused on the nature of organizational structure and management complexities in general.

Two prominent theories of innovation management include resource-based view (RBV) and dynamic capability approach. The resource-based view (RBV) does not consider firms as a set of product-market positions, rather treats as a collection of resources and capabilities. It emphasized on the development of resource based capacities difficult for others to imitate orcopy and makes performance difference with other firms based on firm specific,rent-generating and valuable resources and capabilities(Hamel andPrahalad, 1994).Dynamic capabilities theory, as discussed by Teeceand Pisano (1994: 541),advocated for the "subset of the competences/capabilities which allow the firm to create new products and processes and respond to changing marketcircumstances". These theories demand human resources and organizational learning, manufacturingprocessdevelopment, prioritization of R&D and other innovative outlets, the management of and inimitablecapabilities and so on. But these two set of theories have many shortcoming: a) the value of resources may change over time becoming unpredictably; b)knowledge development and study replicationis difficult without aunderstanding of the specific activities underlying capabilities; and c) many resources are complementary and it often complicated to identify which resourcescould account for effective performance(Teeceand Pisano, 1994).

Though there are many set of propositions on how to manage organizational innovation including community of creations model, new knowledge management theories and so on, this paper discussed two prominent approaches to organizational innovation management: ***organizational capability approach*** and ***transformational leadership*** in a more elaborated way.

Organizational Capability and Innovation Performances

Organizational capability approach employed by the managers is the mostly known approach to in innovation management. It suggests that product innovation in the long runis better managed by nurturing and enhancing capabilities of firms as innovation engine. It advocates that superior business performances of the firms depend on the large scale investment in innovation capability instead of investing in the creation of physical assets. The stronger the innovation capability possessed by a firm, the more effective will be their innovation performance(Lawson and Samson, 2001). There are three factors that determine how well a manager could be able to link capability with innovativeness: a)leading innovators should consider innovation capability as more than mere research and development and every single corner of the organization should be restructured facilitating innovation with reward and encouragement; b) successful managers see innovation as competitive advantage and a mechanism for creating new knowledge and link these innovation-stream with the mainstream technologies and capabilities; c) Innovationbreakthrough by means of divergentand chaotic behaviors are accommodated and systematically channelized by the managers despite having even certain level of uncertainty(Garudand Venkataraman, 1999).

Seven elements of organizational capability:

Lowson and Samson (2001) provided a model of organizational capability comprising seven elements:vision and strategy, harnessing the competence base, organizational intelligence, creativity and idea management, organizational structures and systems, culture and climate, and management of technology.

Firstly, **vision and strategy** which is a significant step in the process of institutionalizing innovation. The articulation of a common vision and successful strategy formulation determine the length of innovativeness. A strategy to prevent the dispersion of attention and interest, and realization of innovation strategies by new waysof doing things can increase organizational attention which is critical to innovation strategy. More innovative behaviors are displayed by the firms that adopt an offensive strategy with the intent to create the future. This makes them to be a dominant player able to break their common industrial rules and create new markets by stimulating newer patterns of demand (Markides, 1998).

Secondly, **harnessing the competence base**that involves organizational competence to manage and allocate resources appropriately in the required areas that is fundamental to ensure innovative output (BurgelmanandMaidique, 1988). To nurture competence base efficiently, organizations should develop three key aspects of organizational capability: a)encourage risk taking and entrepreneurship bymobilizing resourcesemploy a variety of funding channelsat various stages of the innovation process; b)stimulate innovation potential and increase number of innovation initiatives by investing and combining resources and knowledge into disparate markets, technologies and products; c)create new innovative practices and models and diffuse local innovation globally by means of electronic platform of business operation.

Thirdly, **organizational intelligence** which is, as defined by Glynn(1996: 1088), "the capability to process, interpret, encode, manipulate and access information in a purposeful, goal-directed manner, so it can increase its adaptive potential in the environment in which it operates". For the innovation process to be facilitated and integrated properly, it is a pre requisite that firms lessen the potential ambiguity and uncertainty of innovation by employing effective intelligence surveillance. At least three factors are important to make organizational intelligence function effectively: a) learning about competitors and learning from customers b)competitive analysis,technological forecasting and environment scanningproactively, and c)eliminate unprofitable options and identify new avenues for investigation by communicating and usingmost relevant, up-to-date information available(Burgelman and Maidique, 1988; Salehand Wang, 1993).

Fourthly, **creativity and idea management**, by allowing untested, unrealized and divergent thinking and by accommodating radical idea capable of creating new businesses or transforming existing business strategy, could harness long term organizational innovation. Being eithervision-driven orknowledge-driven, idea management could improve the success of implementation of the innovative ventures.

Fifthly,favorable **organizationalstructures and systems**conducive to innovation system should be developed by the managers to increase the scope innovation within the organizational sphere. Innovative firms permit employees to break down the rigid barriers by establishing organic and permeable business boundaries(Mairaand Thomas, 1998). In this connection, reward structure is mostly important. While idea generation and radical innovations are influenced by individual rewards,incremental innovations and innovation implementation depend on the group rewards. According to Salehand Wang (1993), an innovative firm creates a motivating reward structure that provides public recognition and financial bonuses, suggestion schemes, "dual ladder" system and so on.

Sixthly, innovation success isvitally conditioned by the **organizational culture and climate.** Lawson and Samson (2001) identified four components of organizational culture and climate: a) tolerance of ambiguity by bringing manageable level of uncertainty, putting tight control over project milestones and initiating effective information management; b) empowerment of employees by investing andrespecting in people‟s ability and exceptionality; c) allocation of creative time by allowing flexible deadlines and permeable environment and d)knowledgesharing and communication among within the company and its network by means of cross-technological, cross-hierarchical and cross-functionalexchanges.

Finally, the ability to expedite**technological competence** to meet theoverall business objectives could profoundly enhance organizational capability to act innovatively. Here the crucial factor is the firm‟s performance in combining both business and innovationstrategy with the technology strategies.R&D performance is heavily influenced by the effectiveness of the linkage between businessstrategy and technological strategy(Roberts, 1995).

Organizational Innovation through Transformational Leadership

One of the key factors in the management and development of organizational innovation, as found by many studies, is the transformational leadership. Though only a few number of studies investigated the relationship between organizational innovation and transformational leadership (e.g., Jung et al., 2003), there are conflicting findings by the researchers. While some studies such as by Jaussi and Dionne (2003) found that individual creative performances did not increase under transformational leadership, some other studies Shin and Zhou (2003) and Gumusluoglu and Ilsev (2009) found that transformational leadership affected followers' creativity positively. Shin and Zhou (2003), using a sample of 260 R&D

employees and their supervisors from 46 companies, discovered that under transformational leadership Korean employees demonstrated more individual-level creativity in a real business setting. Similarly, Gumusluoglu and Ilsev (2009), researching on the Turkish software development companies, found positive correlation between transformational leadership and on creativity at both the individual and organizational levels.

Five methods that transformational leadership influence organizational innovation:

In aggregate, findings on the positive correlation between organizational innovation and transformational leadership suggest that transformational leadership influence organizational innovation in five different ways. These ways might overlap each other or could have cause-effect relations among them.

Promotion of intrinsic motivation: Transformational leadership brings the intrinsic motivation of the employees out. People are most creative primarily via this type of motivation and their ability to generate new ideas depends largely on their perception to the work environment particularly organizational support for innovation. Studies showed that employees who value tradition, security and conformity were highly influenced by the transformational leadership in their creative traits (Shin and Zhou, 2003).

Psychological empowerment: Severalstudies as conducted by Zhou (1998) and Jung et al., (2003) found that creative people demonstrated high performances under personal autonomy. Transformational leadership increases this autonomy by means of allowing psychological empowerment of the employees. Psychological empowerment involves self-confidence building and personal development of the followers (Conger, 1999).

***Innovative organizational climate*:** Transformational leadership influences creativity and innovation of the employees by rebuilding characteristics of their organization and by replacing with innovative organizational climate (Scott and Bruce, 1994). Flexible leaders allow an organizational structure that encourages creativity at the workplace and gives incentives to followers to take risk.

Market success of the innovations: Transformational leaders can also create positive influence on the market success of the innovations by exhibiting strong vision, confidence and power and motivating employees to seek quality oriented and innovative ventures (Jung et al., 2003).

***Boundary spanning and entrepreneurship*:** Transformational leaders also play external roles in augmenting organizational tendencies to act innovatively by means of boundary spanning and entrepreneurship which are particularly important for accelerating market success of the innovative ideas and actions (Howell and Higgins, 1990).

Conclusion

Numerous studies on the management, existence, diffusion, and efficacy of organizational innovations have been produced in recent years due to the academic curiosity of scholars in the field of advanced management as well as the industrial imperative to look for newer options in the competitive market (Pawlowsky, 2001; Lorenz and Valeyre, 2006). Innovation is now essential to competitiveness due to technological advancement, the emergence of the knowledge economy, and intense non-price competition in the industrial and service sectors. Organizations, especially those driven by technology, must be more inventive and pioneering than ever in order to lead, grow, compete, and survive (Jung et al., 2003). Numerous study results are still widely scattered. Because study objectives, conceptual frameworks, and methodologies used by different researchers vary greatly, empirical results are scarcely comparable. Some models considered organizational atmosphere, participative management, and incentives for innovation as the fundamental prerequisites for managers to be able to organize and lead organizational innovation, while other studies focused on structural forms, adaptability, and organizational capability as the foundation of the management of innovation. Additionally, the management of organizational innovation was shown to be significantly influenced by endogenous organizational dynamics, such as technical advancement, power and interests in forming organizational transformation, societal values, and learning capacity (Hage, 1999).Nonetheless, a number of well-known methods have been able to provide managers with several recommendations on how to better organize and oversee the innovation process. The majority of the prescriptions have addressed issues such as organizational competency, innovative structure and culture, transformational leadership, reward and incentive, employee empowerment, and participatory management. However, it is widely believed that firm-specific elements are equally crucial for increased organizational creativity and innovation.

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