



Everyone has his or her own view as to what constitutes innovation. Is innovation only about new to the world products or services? Is invention innovation?

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Austrian economist, Joseph Schumpeter¹, defined innovation over 70 years ago as:

1. The introduction of a good (product), which is new to consumers, or one of higher quality than was available in the past.
2. Methods of production, which are new to a particular branch of industry. These are not necessarily based on new scientific discoveries and may have, for example, already been used in other industrial sectors.
3. The opening of new markets.
4. The use of new sources of supply.
5. New forms of competition, that leads to the restructuring of an industry.

The OECD² defined innovation in 1981 as consisting “of all those scientific, technical, commercial and financial steps necessary for the successful development and marketing of new or improved manufactured products, the commercial use of new or improved processes or equipment or the introduction of a new approach to a social service. R&D is only one of these steps.”

Both these definitions, and the descriptions set out in Box 1, include some common words, such as ‘new’, ‘introduction’, ‘products’, ‘markets’ and ‘processes’, although none in its entirety fully describes truly the essence of innovation. Why? I believe that innovation is more than mere words. Innovation is a mind-set, a culture, a desire to do better, a willingness to take risks and yes, the celebration of failure! Think of Apple and Google, both companies which are considered to be truly innovative.



Box 1

There are a number of differing views as to what constitutes innovation, including the following:

- “Innovation is the successful exploitation of new ideas” – Innovation Unit (2004) UK Department of Trade and Industry.
- “Industrial innovation includes the technical, design, manufacturing, management and commercial activities involved in the marketing of a new (or improved) product or the first commercial use of a new (or improved) process or equipment” – Chris Freeman (1982) *The Economics of Industrial Innovation*, 2nd edition, Pinter, London.
- “Innovation is the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or service. It is capable of being presented as a discipline, capable of being learned, capable of being practised” – Peter Drucker (1985) *Innovation and Entrepreneurship*, Harper & Row, New York.
- “Companies achieve competitive advantage through acts of innovation. They approach innovation in its broadest sense, including both new technologies and new ways of doing things” – Michael Porter (1990) *The Competitive Advantage of Nations*, Macmillan, London.
- “An innovative business is one which lives and breathes “outside the box”. It is not just good ideas, it is a combination of good ideas, motivated staff and an instinctive understanding of what your customer wants” – Richard Branson (1998) DTI Innovation Lecture.

The European Innovation Progress Report, 2006³ defines innovation as being “about change and the ability to manage change over time. Innovation can be about the successful exploitation of new ideas in the form of a new or improved product or service but it can also be about the way in which a product or service is delivered. Equally, innovation can be about creatively positioning (or marketing) an existing product, or about changing the business model (a new paradigm).”

Ahmed and Shepherd⁴ “discern a number of characteristics”, and these are set out in Box 2. These, it will be noted, go even further and look outside the firm as well. Indeed, innovation can also be considered as a non-business activity, think of legislation, the changes in fashion, the advancement of knowledge, for example.

In answer to the two questions posed above, innovation is more than the introduction of new to the world products or services and invention is only one element of innovation.

Having considered different definitions of innovation, it is now worthwhile looking at the realities. For business innovation, the “4Ps” approach can be used to explore opportunities for innovation.”⁵ Essentially, the “4Ps” relate to innovation focusing on the product, process, position or paradigm. The first two are obvious, with numerous examples, including revised or new computer operating systems, new car models, (product), or extensions of product ranges, improved operations (process). Position considers the target consumer and the purchase decision rationale. Examples include low-cost airlines and on-line customisation of products. Paradigm is a more difficult concept. It is defined as “how we frame what we do.”⁵ Examples include new platforms, such as IBM, reinventing itself as a consultancy business, or iTunes.

Innovation can be further split into incremental, radical and discontinuous. The former, generally more prevalent is ‘doing something better’.

Radical innovation, which is more elusive, is doing something different.

The most elusive, and potentially threatening is discontinuous innovation. This results in significant change, often from the emergence of completely new, unpredictable markets or as a result of a new technological breakthrough. It might come from a change in market behaviour (think of real fur coats!), or be a result of a terrorist event (World Trade Centre, 9/11). Alternatively,

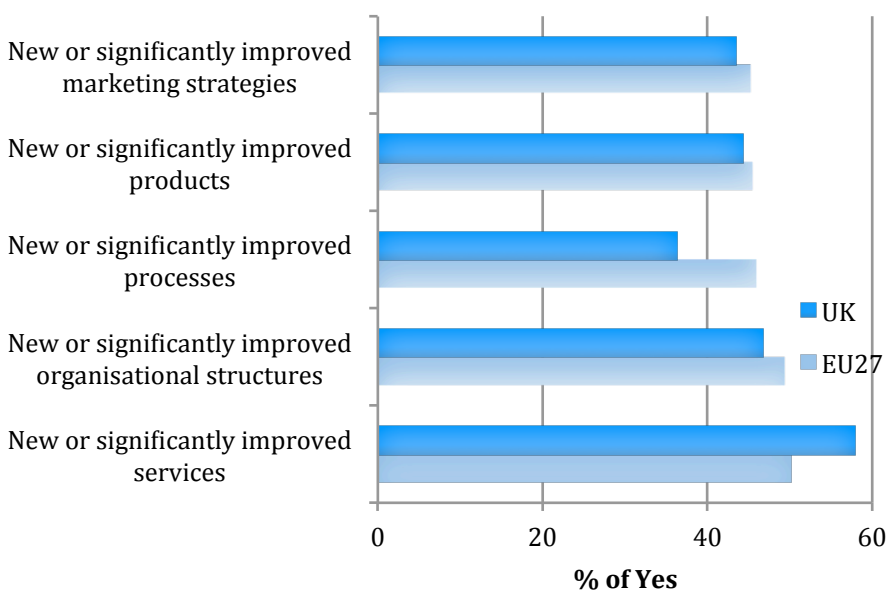
Box 2

Ahmed and Shepherd's characteristics are:

- “Innovation as creation (invention): The focus is on use of resources (people, time and money) to invent or develop a new product, service, new way of doing things, new way of thinking about things.
- Innovation as diffusion and learning: The focus is on acquiring, supporting or using a product, service or ideas.
- Innovation as an event: The focus of attention here is on a discrete event, such as the development of a single product, service, idea or decision.
- Innovation as a (stream of innovations) trajectory: This is recognition that a single act of innovation (as that in a discrete event) can facilitate a family of innovations to be derived from the original source.
- Innovation as change (incremental or radical): Innovation enacts change. Some innovations are minor adjustments whilst other innovations are radical or discontinuous in nature.
- Innovation as a (firm-level) process: In this view innovation is not a single act, but a series of activities that are carried out by a firm to lead to the production of an outcome (namely, the innovation).
- Innovation as a context (region, nature, etc.) level process. This view sees innovation as an act beyond the confines of an individual or firm. The view captures institutional frameworks, socio-political networks, and proximal factor endowments as important factors in the act of innovation. The focus is switched from the firm to the peculiar endowments and characteristics of a specific context (region, nation, etc.)”

Chart 1

Has your company introduced any of the following innovations since 2006?



Source: Innobarometer 2009: Analytical Report⁶

it could be business model innovation – Amazon springs to mind. But the essence of discontinuous innovation is that it tends to be unpredictable.

This form of innovation will change the organisation in many ways. New technology may be needed as well as, new processes, new customers, new knowledge, and possibly a new business model. Incremental innovation fit into existing core competencies and the core business.

There is an unresolved debate as to whether companies need both sorts to compete in the long-term, but certainly, incremental innovation is required as a minimum.

Research undertaken in 2009 (see Chart 1) shows the percentage of respondents who have undertaken the identified forms of innovation, with new or significantly improved services being undertaken by 50% of the 5,238 enterprises interviewed across Europe. Responses from UK organisations are also shown for comparison.

Having regard to the above comments, when considering innovation, we look at five main areas:

- Innovation strategy;
- Ideas;
- Prioritisation;
- Implementation; and
- People and organisation.

It is only by linking and analysing these five elements (three of which, ideas, prioritisation and implementation form the phases of

