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## ATTAINING ORGANIZATIONAL INNOVATIONS: Better Smart than Fast

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### 1 INTRODUCTION

Is never-ending innovation really the key to the ultimate success? Reading marketing and technological innovation literature, it is easy to get the impression that businesses today cannot survive without the continuously innovating processes and technology that new products are based upon. Yet, it seems that truly successful businesses know better. Asked about the rate of innovation and measuring innovation process success, the executive director of development in a successful manufacturing company responded:

*Sure, we do set goals, we do measure, and we do assess the rate of innovation. But this is only for incremental innovation, small ideas that improve daily working practices and result in minor product changes. We are situated in a mature industry with narrow profit margins and products with approximately 5 to 7 years of shelf-life....So our development goals are not oriented toward rapid renewal of product lines and our activities are not labeled with aching urge to replace existing products. Rather, we are harvesting our crops from well-designed products throughout the life-cycle and definitely don't cut the mature stage too early as it is the most profitable stage. Also we don't cut the development cycles as the teething troubles do more harm than good to our image. We are even so working hard on figuring out the future trends and*

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*steadily and prudently updating our product portfolio—when the time is right and with the features and products that are aligned with customers' needs and which promise the best margins.*

This echoes Gottfredson and Aspinall (2005) on the topic of innovation versus complexity. They suggest that firms can identify the point at which innovation maximizes profits and revenues and argue that, for most firms, the number of product and service offerings that would optimize profits and revenues is considerably lower than the number they offer today. Continual launches of line extensions add complexity throughout operations, and as the costs of managing that complexity multiply, margins shrink. Firms that fail to check proliferating and overly customized products lose efficiency and confuse their customers.

After thinking about this, “24/7 innovation” seems like hype. It appears that the best way to success is to make competition irrelevant by redesigning buyer value to expand existing markets and create entirely new ones (Kim and Mauborgne 1997), while simultaneously keeping in mind the product portfolio and tracking how new products grow in complexity from the consumer, operational, supply chain, and financial criteria. Looking at the *inside* face of the innovation, we can see the same issue with regard to processes and operations. Continuous organizational, business process, and IT innovations: yes, but only to the point where it doesn't start to burden the organization's ability to sense and respond to challenges that will truly add value.

The natural question is, how do we get to the point of being a smart innovator? The existing literature argues that this is the case of knowledge management (KM), which as a field is concerned with how to create, mobilize, store, retrieve, and apply organizational know-how with the goal of attaining business objectives (Desouza and Awazu 2005). The results of good KM practices are tempting: improved decision making, accelerated learning, improved innovation assimilation, increased productivity, and minimized re-invention and duplication are just a few of the commonly cited benefits (see Wing and Chua 2005).

These factors are associated with the organization's capacity to absorb innovation as it moves through assimilation stages of initiation, adoption, adaptation, acceptance, routinization, and infusion (Cooper and Zmud 1990). In the initiation and adoption phases, acquisition of facts and learning skills are especially relevant. In the adoption and adaptation phases, imbibing knowledge and skill of understanding is important. Using knowledge is crucial in the adaptation, acceptance, and routinization phases. Finally, exploitation of knowledge and new knowledge creation relate to the routinization and infusion phases of innovation assimilation (Sherif and Menon 2004; Zahra and George 2002).

KM practices can thus lead to wisdom and result in more successful innovation. For smarter innovation, organizations should be constantly and consciously paying attention and introducing such management interventions that lead to creation of new, and utilization of existing, knowledge. The aim of this paper is to consider the organizational interventions that can be deployed in order to innovate smartly. In order to encourage development of the field, another aim is to ask some of the questions that the research has yet to answer.

The findings presented are based on extant literature and are enriched with our experience from several research and consulting projects.

## 2 IMPLEMENTING KNOWLEDGE MANAGEMENT FOR SMARTER INNOVATION

As actual implementation of knowledge management can be seen as diffusion and implementation of innovation, we can refer to rich body of knowledge in the field of adoption of technological innovations. Innovating in firms is accompanied by a need to change. In order to adopt a new process, the firm must successfully utilize technological and process capabilities. This assimilation of innovation (Armstrong and Sambamurthy 1999) presents an organizational change and is thus naturally subject to inertia. Comprehensive advice has been given by Sherif and Menon (2004), who argue that actors at different organizational levels need to implement strategy, process, and culture changes. These are now considered in more detail, and critical success factors are highlighted.

### 2.1 Strategic Changes

Senior managers need to provide the strategy change. They need to develop administrative guidelines and new corporate strategy (i.e., set appropriate mission and vision statements). Furthermore, top management needs to allocate appropriate resources (Kwon and Zmud 1987).

Sometimes organizational change is evolutionary, and at other times it is radical. Senior management determines the scope of change, and delimits the processes and individuals affected by the change. In the view of KM, the change is complex and the results difficult to predict, so some authors (e.g., Sherif and Menon 2004) advise a step-by-step approach to changes (i.e., process-by-process).

In addition, senior management needs to develop educational and training programs to lower the knowledge barrier and, very importantly, appoint the change agent who fosters the adoption of the KM program throughout the organization (Sherif and Menon 2004).

From the aspect of smart innovators, research is needed to investigate the differences between successful innovators and other organizations with regard to top management support.

### 2.2 Process Changes

Middle and project managers are the ones that need to enact in the process change. They are the ones that understand, convert, and internalize visionary ideas of top management into down to earth, operationalizable organizational design. They do that by developing the methods for implementing new processes (e.g., business processes injected with KM practices), implementing the tools to support those processes, creating scales for progress measurement, and crafting financial and nonfinancial reward systems.

Middle and project managers are thus very important players in KM implementation. We would agree that senior management needs to act as sponsors and vision-providers, and without actual performers (employees) knowledge could not be created and utilized. However, middle and project managers need to move the vision of senior managers into

everyday reality by transferring high-flying ideas and often metaphorical visions into new processes and adapt them to particular business context (Nonaka and Takeuchi 1995; Sherif and Menon 2004).

Reflecting the smart innovation orientation, middle and upper management have a crucial role in devising the performance measures that will be aligned with and will help attain top management's strategies and visions.

One area of further research should investigate nonquantitative measures of innovation, as the speed and number of innovations might not be the most suitable measures. Examples include quality of innovation or alignment of innovation programs with specifics of the company. For example, deviance from *innovation fulcrum* (optimal product and service structure, see Gottfredson and Aspinall 2005) is one possible measure.

### 2.3 Culture Changes

Operational staff needs to be able to exploit existing knowledge and create new knowledge. For KM practices to become accepted, routinized, and infused in everyday work practices, a culture change must occur (Sherif and Menon 2004). This is due to the all-pervading impact of culture on the organization, for example, culture impacts on both the formation and implementation of strategy and on the processes that take place within the organization.

Studies regarding systems theory included aspects such as culture, politics, and human emotions. These studies recognized the importance of organizational culture as an attribute in managing organizations (Bertalanffy 1968; Checkland 1981). Scott and Gable (1997) highlight how culture is about the way organizations do things, and is associated with an organization's underlying assumptions, characteristics, objectives, beliefs, and values. Presthus (1958), a political scientist, highlights the fact that we live in an organizational society, where employees build their life around organizations. To an outsider, life in organizations would be "full of peculiar beliefs, routines, and rituals that identity is as a distinctive cultural life when compared with that in more traditional societies" (Morgan 1997, p. 121). Although culture exists within all organizations, a strong culture is associated with how things happen (or don't) within the organization (Lee and Yu 2004; Robbins 2001).

As strong culture creates resistance to change, organizations must find ways of dealing with this in order to determine the success of new strategies and processes. Innovation, at the end of the day, "can be accomplished only by large numbers of individuals trying things they have not tried before" (Slevin 1971, p. 515).

Again, cultural characteristics of smart innovators as opposed to others should be investigated. What are the characteristics that the first have and the latter don't? Gaining an understanding of the type of culture that exists within an organization is important and useful as changing an organization's culture is particularly demanding.

## 3 CONCLUSION

The literature and our experience shows that any organizational intervention needs to be studied on strategic, process, and cultural levels. When pursuing innovation, managers

need to be particularly focused on setting up an environment (organizational design, human and financial resources, etc.) that will enable new knowledge creation, its diffusion, and appropriate application. This will assist management in changing the organization's culture to one that nurtures knowledge sharing and open communication, resulting in new knowledge creation and an ability to compete in an ever-changing environment.

Organizational culture appears to be the prime antecedent to successful interventions, as it is about the core values and beliefs inherent in the fabric of the organization, including traditions, underlying assumptions, and the way employees communicate throughout the firm. Yet the culture can only be nurtured when top management envisions it as a desirable future and when middle management can operationalize it in appropriate goals.

We have listed some of the issues that will need to be answered in order for companies to innovate smarter and not to over-innovate nor lag behind the best. We can see comparative longitudinal studies as an especially useful and fruitful approach to the phenomena.

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