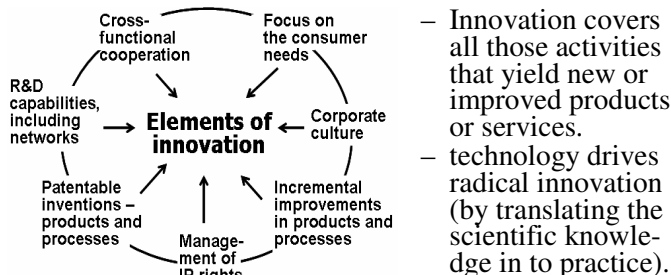


# Innovation and Strategy

## Learning objectives:

- To identify the elements of innovation essential to global competitiveness
- To apply theories of innovation in the organizational and national contexts to gain a deeper understanding of the dynamics of innovation processes
- To appreciate national environmental differences in the creation and dissemination of new products and technologies, including the role of FDI and government policies
- To understand the strategies and practices involved in managing innovation in differing types of international organization, highlighting the role of IP in the research-intensive company

## Elements of Innovation



- Innovation covers all those activities that yield new or improved products or services.
- technology drives radical innovation (by translating the scientific knowledge in to practice).
- New products or processes = inventions, for which patent application can be made.
- Incremental innovation = continuous improvement.
- Innovation is now seen as central to corporate culture, not just the R&D departments.

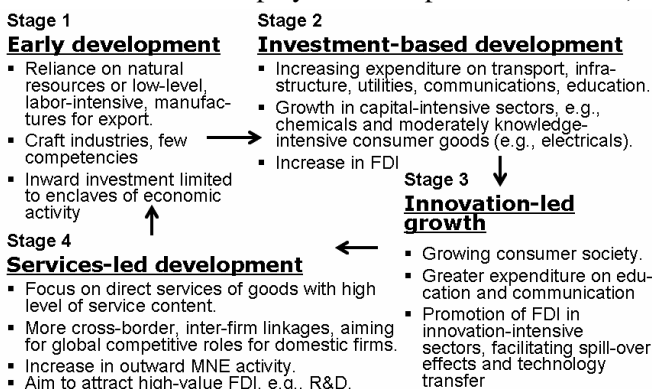
## Innovation and competitive advantage

- Innovation is a core competency and source of competitive advantage.
- Catalysts of innovation are (Porter): (1) new technology, (2) new or shifting buyer needs, (3) rise of new industry segment, (4) shifts in input costs or availability, and (5) changes in government regulation.

Read Michael Porter's Oct 2008 Business Week op ed "Why America Needs an Economic Strategy" at [http://www.businessweek.com/print/magazine/content/08\\_45/b4107038217112.htm](http://www.businessweek.com/print/magazine/content/08_45/b4107038217112.htm)

## Innovation and economic development

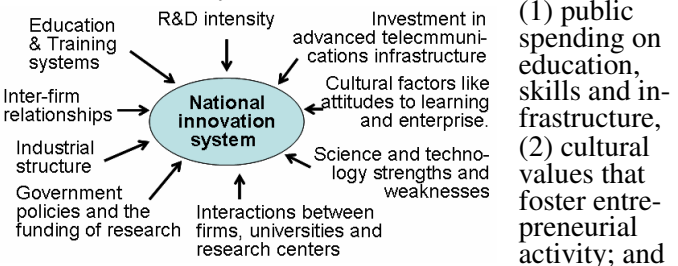
- Capitalist economic development relies on radical changes which break with the past (Schumpeter's "Creative Destruction" model), due to new products, new methods of production, new markets, and new forms of industrial organization. Try this URL [http://en.wikipedia.org/wiki/Creative\\_destruction](http://en.wikipedia.org/wiki/Creative_destruction).
- Economic development occurs in stages, from low innovation-intensive to high innovation-intensive (no two economies display the same patterns however).



## National innovation capacity

- Some countries have forged ahead in technological innovation, and others have lagged behind, because a huge gap often exists in innovation capacity between the developed and the developing countries

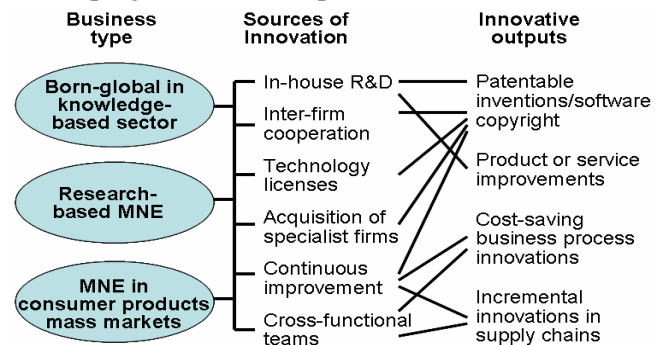
- Some necessary conditions to boost innovation are



- (1) public spending on education, skills and infrastructure,
- (2) cultural values that foster entrepreneurial activity; and

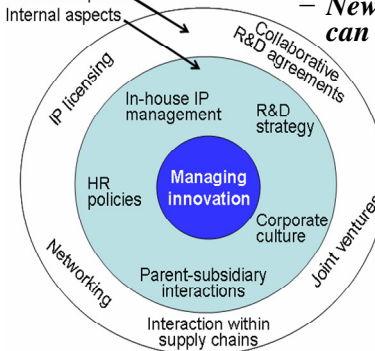
- (3) the strengths in science and technology.

- Technology transfer can partially bridge technology gap between developed and developing countries.
- There are two aspects to technology, however: *codified knowledge*, seen in the tangible elements like products and designs, and *tacit knowledge* — the greater the extent of tacit knowledge, the harder it is for the host developing countries to replicate.



## Managing innovation

- New ideas from within: what can the management do?



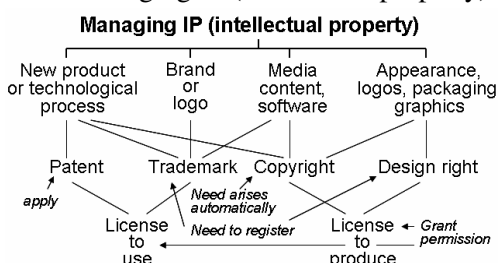
- 1. Foster a culture of openness
- 2. Be willing to change
- 3. Hire creative people

## What about external sources of new ideas?

- 1. Cooperative R&D agreements
- 2. Customer-focused innovation

- 3. Seek innovation from all participants in the supply chain so that all stakeholders sense a vested interest ("Let noble thoughts come from all over the world" — Rig-Veda).

- 4. Managing IP (intellectual property) is perhaps the



most challenging task here because, while not sharing this core business strength curbs the growth, the sharing of it can only create new rivals!