

INNOVATION CULTURE FOR SUSTAINABLE COMPETITIVE ADVANTAGE

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Abstract

In an open economy, the survival and growth depends upon the competence of creating and sustaining the competitive advantage. Competition is a compelling force for development as it motivates firms to reduce inefficiencies, restructure outdated operations, and introduce new product lines and new technologies. Sustainable competitive advantage allows the maintenance and improvement of the enterprise's competitive position in the market, which can be achieved by continuously developing existing and creating new resources and capabilities in response to rapidly changing market conditions in the global scenario. Setting an atmosphere in which innovation is encouraged is often highly correlated with the long-term entrepreneurship development in a globalised era. Innovation culture comprises all those set of circumstances and conditions which encourage and support innovation as well as creativity. Innovation culture has to deal with the more and more global shape of the environment, the need for fast life cycle innovations, and the interdependence of research and business institutions. The present paper is an endeavor to highlight the various strategies and challenges relating to the innovation culture for sustaining competitive advantage in the era of global competition as well as exploring the further area of research in this context.

Key Words: Competition, Competitive advantage, Globalisation, Innovation culture, Issues of Future Research.

Introduction

The survival of the fittest is the mantra of globalisation. The whole emphasis of globalization is on development of global market by removing all sorts of barriers. This reinforces the results of neo-classical theory of international trade in which countries must specialize in production and export of commodities in which they have a comparative advantage. Survival and growth in such an environment require achieving global competitiveness. Competitive forces break the monopoly of information about organisation conditions that may otherwise exist, and which tends to hamper the effectiveness of the regulatory regime. It creates opportunities for innovation as rival firms might have the incentive to introduce new products or processes. In the 21st century firms have to compete in a complex and challenging context that is being transformed by many factors like globalization, technological development, increasingly rapid diffusion of new technology and development and use of knowledge. This new landscape requires firms to do things differently in order to survive and prosper. They must look to new sources of competitive advantage and engaging in new form of competition. Innovation is a key source for attaining and sustaining competitive advantage in the present era. Competitive advantage increasingly depends on the pace and trajectory of talent development, rather than traditional factors like resource endowments or geographic location. It requires a climate, and a culture, that is supportive of R&D; where a certain amount of risk-taking is balanced by the use of market discipline and good practices to identify the best products and services to bring to market, or the most efficient programs for governments to deploy. Innovation culture is a key factor in enhancing and sustaining the competitive advantage of an organisation. It is an invaluable mechanism for stimulating and supporting a positive climate.

In the light of above premise, the present paper focuses on the following objectives:

- To study the conceptual framework of innovation in the era of globalisation.
- To study the role and strategies of innovation culture in global competitive scenario.
- To suggest certain measures for the use of innovation culture as a competitive strategy.

Research Methodology and Plan of the Paper

The research methodology used is descriptive and based on secondary sources of data. In order to achieve the above objectives, the present paper is organized into three sections. Section-I deals with the concept and drivers of innovation. Section-II elaborates the role of innovation culture in a competitive globalised environment as a competitive strategy. The conclusion and suggestions are incorporated in section-III.

Section-I**Innovation –an overview**

Innovation represents the core renewal process in any organization. If an organization wants to survive in today's turbulent environment he should have to prepare for renewing the offerings and its delivery process to their stakeholders. Innovation gives two distressing conclusions- first, that most innovations which destroy the existing order originate from newcomers and outsiders to a particular industry, and second, that few of the original players survive such transformations. The word innovation originally comes from Latin word 'innovare' that means "to make something new". The most exhaustive definition is presented by the innovation unit of the U.K. department of trade and industry who see it simply as 'the successful exploitation of new ideas'.

Innovation is recognized as a major source of modern productivity growth. It constitutes a central process of economic advancement in advanced industrial countries, and more recently, in the more dynamic developing countries. It is a social process shaped by the institutional structures in which they are embedded. However, the focus on innovation policy, particularly in developing countries, is a relatively recent phenomenon. For decades, the debate about the role of science and technology in promoting development has centered on the supply-side that took its inspiration from the linear model of science. However, innovation however defined is an uncertain and complex process. Innovation lies at the center of the technological and economic development of all nations and, above all, at the core of the development dynamic of each country. For this reason, despite traditional economists having until recently relegated

innovation to the condition of an exogenous variable in their models for interpreting reality, understanding the phenomenon is of fundamental importance, as is identifying the factors and policies that shape the innovation dynamics. Innovations are intended to make someone better off, and the succession of many innovations grows the whole economy. The term innovation may refer to both radical and incremental changes to products, processes or services. Innovation is the term used to describe how organizations create value by developing new knowledge or by using existing knowledge in new ways. The term is often used to mean the development of new products or services, but organizations can also innovate in other ways, as through new business models, management techniques, and organizational structures. In today's fast-paced business environment, innovation is a prerequisite for success--perhaps even for survival. That is why innovation has found its way to the top of the agenda at organizations around the world.

Innovation Vs. creativity

Innovation typically involves creativity, but is not identical to it. Innovation involves acting on the creative ideas to make some specific and tangible difference in the domain in which the innovation occurs. Creativity can be defined as problem identification and idea generation whereas innovation can be defined as idea selection, development and commercialization. Innovation is a far tougher proposition than creativity. Creativity is about the generation of ideas and innovation is about putting them into action. Creativity is about divergent thinking. Innovation is about convergent thinking. Creativity is about the generation of ideas and innovation is about putting them into action.

Drivers of Organisational Innovation

Organizational innovation is linked to organizational goals and objectives, to the business plan, and to market competitive positioning. **Davila et al (2006)** argue that companies cannot grow through cost reduction and reengineering alone. Innovation is the key element in providing aggressive top-line growth, and for increasing bottom-line results. In general, business organizations spend a significant amount of their turnover on innovation i.e. making changes to their established products, processes and services.

The systematic programs of organizational innovation are most frequently driven by:

- Improved quality.
- Creation of new markets.
- Extension of the product range.
- Reduced labour costs.
- Improved production processes.
- Reduced materials.
- Reduced environmental damage.
- Replacement of products/services.
- Reduced energy consumption.
- Conformance to regulations.

Section-II

Innovation Culture as a Competitive Strategy

The global economy continues to become an ever more competitive and demanding environment. Trade liberalization increases the number of global competitors for products and the number of countries competing for foreign direct investment. In this increasingly open and competitive international environment, the ability to take advantage of opportunities and adapt to change is becoming even more important in creating the valued-added, knowledge based economic activities we need to compete in the new millennium. Our ability to raise our living standards depends on improved productivity and our ability to maximize innovation throughout the economy. In today's fast-paced business environment, innovation is a prerequisite for success-- perhaps even for survival. That is why innovation has found its way to the top of the agenda at organizations around the world. Innovation culture in an organization goes beyond simply responding to change—it creates change in the environment that other organizations must respond to, and therefore can become a sustainable competitive advantage.

An innovation culture is one in which innovation and creativity are valued and appreciated, adequately funded and channeled to specific needs. The level and depth of a country's innovation culture can be measured by several criteria that include economic,

social, health and educational factors. One of the most reliable indicators of innovation in a particular country or region is patenting activity. Patents are a key measure of the extent and success of an innovation culture. They reflect inventive performance, they can track the diffusion of knowledge, and they are good indicators of the level of internationalization, regionalization and nationalization of innovation activities. They can be used to measure the level of R&D activities, and ultimately, how effective those are, what structure they are taking, and which industries appear to be successful, and which not.

A good culture—i.e. appropriately configured for innovation-, whether, organizational, national, regional, sectoral, or multi-national is needed in order to create an environment that is conducive to technological and other types of innovations. Organizational culture plays a significant role in determining the degree to which creativity and innovation are promoted and stimulated in an organization. There is a general understanding that is promulgated by all these researchers. It is that a culture that does not allow divergent thinking stifles innovation (**Rothwell & Wisseman, 1986; Shaughnessy, 1988; Pheysey, 1993; Dunphy and Herbig, 1994 Ahmed, 1998**).

The ability to innovate depends largely on two factors:

- The people, organizations and institutions in our society; and
- System of values and incentives.

It is, therefore, an issue of culture. Innovation rests on culture - the values, rules, customs and incentives that govern the way we work and the way our institutions function. In the world of innovation, culture comes down to shared attitudes, values and beliefs. It determines how well we encourage creativity, risk-taking, entrepreneurship, and networks to share knowledge and ideas. Culture exists at many levels - corporate or service organization, sector, community, region, province or country. Innovation culture builds a culture and associated organizational structures and processes that make innovation a daily way of life. Innovation, by its nature, embraces change because it is the stuff and process of change. The innovator uses change as fuel for action and food for thought. Whenever something new happens in the external or internal environment, the innovator sees in it the potential for uncovering new ideas; much like a landslide might

reveal a new source of gold on a hillside. Regardless of how catastrophic the change, or how adverse it may seem to the organization, it holds the potential for a renewed capability to thrive. Instead of creating a capacity to simply respond to change, an innovation capability creates the type of change that simultaneously allows the organization to adapt to the world around it but also influences the world around it to adapt as well.

Innovation results from thought followed by action. It depends in part on the personal abilities of the leading innovator. Innovation is affected by the environment. Innovation culture reinforces the behavior and strategies require succeeding in any given environment. But environment dictates culture, too. If we live in a business environment that favours innovation, then such behaviour will become prevalent. There is an old saying, which goes: "Necessity is the mother of invention." The more demanding the environment in certain respects, the more likely the organization or individual is to respond innovatively. Competition creates a demanding environment. Knowledgeable customers armed with a choice of suppliers tend to force companies to innovate. Each competitive environment tends to foster its own type of innovation culture.

Key Innovation Culture Strategies

Innovation is the main driver of growth. Improving innovation culture must therefore be a top priority for decision-makers. Organisations can only achieve vigorous long term growth, and increased productivity, if they become dynamic innovation platforms. By promoting and strengthening innovation culture, organisations become more competitive, more attractive for investment and better prepared to face the emerging economic, social and environmental challenges of globalisation.

- Remove constraints from people by sharing knowledge and decision making.
- Foster expanding horizons, not internal needs - as a shaper.
- Create an environment of creativity and intellectual satisfaction - identify those who fit and those who don't.
- Set up benchmarks for performance, action and continuous improvement.

Section-III

Conclusion

Innovation Culture is a huge issue as getting a real performance and innovation culture, addressing the middle-management crisis and obtaining more employee engagement are critical needs across the organization. Building an innovative culture is not a small task and it requires heavy effort from the organization. There is need to develop new approaches to meet new and emerging challenges like change management, learning, involvement etc. The aim is to remove obstacles to culture change and create organizational conditions that are conducive to innovation. A more organized view of innovation culture implementation is clearly needed. Innovation and creativity, focused, channeled and supported by government policies and strategies and the efforts of industry and the public sector, can be powerful engine that can drive nations towards successfully competing in the increasingly global economy of the 21st century.

Issues of Future Intensive Research

- ❑ Global innovation management.
- ❑ Policy framework for sustaining free and fair competition.
- ❑ Flexibility management.
- ❑ Coordinated channels fostering innovation culture.

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