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Alignment between innovation strategy and outcomes

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Abstract

Innovation is not always the introduction of radically new products and processes. Often in fact we see processes of incremental innovation leading to great advances in a product (or in a process) performance. In order to design an effective outcome-driven product innovation strategy, companies need to understand how their customers are using their products to achieve their outcome goals and how they measure success in fulfilling these outcome goals. By avoiding product innovation strategy development pitfalls, your company will increase the effectiveness and success of its product innovation strategy and improve its long-term product positioning in the market place.

In this paper we suggest a number of ways to improve the dialogue between stakeholders to achieve a more balanced view of the whole innovation process, which includes the mechanisms for the development, diffusion and appropriation of the benefits of innovation.

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1. Introduction

Strategic Innovation is the creation of growth strategies, new product categories, services or business models that change the game and generate significant new value for consumers, customers and the corporation.

One in which the two ‘helices’ of firms and policy-makers interact in real time through exercising their dynamic competencies and capabilities (von Tunzelmann and Wang, 2003, 2007; Iammarino et al., 2008; von Tunzelmann, 2009).

Empirically, we rely on firm-level data from the Community Innovation Survey (CIS), surveying the innovation process of firms in the period 1998-2000 (CIS3) and 2002-2004 (CIS4) in France and the UK. Using such data, we examine the characteristics of users of public support for innovation provided by different levels of policy-making, i.e. Local, Central and European public innovation support, as well as the firms’ decision to engage in one form over others of alignment of public innovation support.

Bodas Freitas and von Tunzelmann (2008) have provided an analytical framework to compare the forms of alignment of policy innovation objectives in different economies. This study focused on the supply-side of the issue of the alignment/ integration of innovation objectives, i.e. on the characteristics of policy Programmes implemented rather than on the behavior of firms towards different types of public innovation support.

The framework combines non-traditional, creative approaches to business innovation with conventional strategy development models. It brings together perspectives from a number of complementary disciplines: the non-traditional approaches to innovation found in the business creativity movement; traditional strategy consulting; the new product development perspective of industrial design firms; qualitative consumer/customer research; futures research found in think tanks and traditional scenario planning; and organizational development (OD) practices that examine the effectiveness of an organization’s culture, processes and structures.

The framework consists of a cohesive set of practices that inspire imaginative teams to look beyond the obvious, explore a broad range of possibilities, identify significant opportunities, make informed decisions about the most promising paths to pursue, create a shared vision for growth, define pragmatic action plans that “bridge from the future back to the present” and align the organization around the requirements for success.
2-Traditional strategy versus Strategic Innovation

Differences between traditional approaches to strategy and Strategic Innovation are:

<table>
<thead>
<tr>
<th>Traditional approaches</th>
<th>Strategic Innovation approach</th>
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<tr>
<td>• Adopt a “present to future” orientation – takes today as the starting point</td>
<td>• “Starts with the end in mind” – identifies long-term opportunities and then “bridges back to the present”</td>
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<td>• Assume a rule-maker/taker (defensive/follower) posture</td>
<td>• Assumes a rule-breaker (revolutionary) posture</td>
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<td>• Accept established business boundaries/ product categories</td>
<td>• Seeks to create new competitive space/ playing fields</td>
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<td>• Focus on incremental innovation</td>
<td>• Seeks breakthrough, disruptive innovation – while continuing to build the core</td>
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<td>• Follow traditional, linear business planning models</td>
<td>• Marries process discipline with creative inspiration</td>
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<tr>
<td>• Seek input from obvious, traditional sources</td>
<td>• Seeks inspiration from unconventional sources</td>
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3-1 Internal Alignment

There are several considerations when assembling the internal team that will drive an innovation initiative. First, it is important to select a cross-functional Core Team of visionary, energetic change agents and future leaders – inspired and inspiring individuals who want to make a difference. Second it is critical to choose a mix of seniority levels – typically from executive to middle management to lower level employees that are often closer to the consumer/customer.

3-2 External Alignment

In some cases it may be important to build external alignment with – and to gather insights and ideas from -- partner organizations by formally making them part of the co-creation process. This would call for building a Core or Extended Team that includes representatives from the organization’s supplier, channel, manufacturing or packaging partners or advertising or branding agency.

The literature offers a variety of definitions of innovation, suggesting that there is no perfect one. Since innovation is essentially a means to achieve one’s goals better, each organization needs a definition that has the greatest operational value from its own perspective. This definition remains appropriate. To qualify as innovation, a product, idea or approach needs to have the three features described.
We may think of three levels of intensity in processes of innovation:

(i) First and most common in IFAD is the adoption in a new context, or on a new scale, of practices or technologies developed by others or in other contexts.

(ii) Adaptation is also common in IFAD, and it occurs when a practice is useful but not fully appropriate to a context, requiring a certain amount of redesign.

(iii) The least frequent, but most intense type of innovation is the creation of new practices or ideas, which occurs by virtually accidental creative acts or by new combinations of existing ideas.

3-3 What makes a product, idea or approach an innovation?

To be considered innovative, it needs to be:

(i) New to its context of application. The novelty may refer to country context, scale, domain, discipline or line of business.

(ii) Useful and cost-effective in relation to a goal. An innovation must have positive value for its users. In the case of IFAD, it needs to empower the rural poor to overcome poverty better and more cost-effectively than previous approaches.

(iii) Able to “stick” after pilot testing. An innovation is a product, idea or technology with the potential for wide adoption, which it demonstrates through pilot testing.

In all organizations, new ideas that improve effectiveness and efficiency emerge naturally from people’s desire for better solutions. However, high-performing organizations enhance this process by carefully managing the following:

(i) People’s competence and motivations. Research on innovative organizations (Amabile and Conti, 1999) shows that a primary requirement is staff that are knowledgeable in their disciplines, have good creative problem-solving skills and are intrinsically motivated. Moreover, creative thinking is an essential element of leadership, especially when bringing about change (Puccio, Murdoch and Mance, 2007).

(ii) How challenges are understood and goals set. Innovative organizations analyse their challenges from different perspectives (Christenson, 1997) and empower staff with a clear sense of ownership of the challenges (VanGundy, 2005). Direct responsibility for meeting new and complex challenges greatly motivates staff.
(iii) Diversity and networks among staff and with the outside world. New solutions emerge at the intersection of disciplines, industries and approaches, because intersections invite looking at challenges from different perspectives and applying unobvious solutions (Johansson, 2004). Innovative organizations create teams and networks that emphasize diversity and cross pollination of ideas, and they connect staff with people outside the organization through innovation networks that link people from different worlds and that broker new ideas. A similar brokering process has recently led innovative businesses to begin looking at poor people as a vast, relatively untapped market, and to develop ways of building them into their value chains (Prahalad, 2004).

(iv) Rapid prototyping of new ideas. Research indicates that 90 per cent of successful innovations fail the first time they are tried (Christenson, 1997). Rather than extensively designing ideas ex ante, innovative organizations have processes that rapidly implement, test, evaluate, revise and re-implement ideas in order to refine them.
4- Conclusion

InnovationPoint helps Fortune 1000 and fast-track organizations drive profitable topline growth by taking a strategic approach to innovation. We help clients identify breakthrough opportunities; define innovative strategies and business models; create consumer-inspired products and services; pursue new segments, markets and ventures; and build partner and customer relationships. We help them look beyond the obvious paths to growth, collaborate across functional lines, agree on investment priorities and mobilize around common goals. We lead them from visionary inspiration at the ‘fuzzy front end’ of the innovation process through the development of implementation plans that drive long-, mid- and short-term business results. We help enterprises build a foundation for sustainable innovation by introducing process, organizational and cultural change.
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