



## AUTHOR

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*This is the first of a two-part article on the topic of building an innovative enterprise. In Part One, we address the vision of innovation. In Part Two, we will address the measurement of innovation and skill development to build the innovation culture within and across the value chain.*

## Building an Innovative Enterprise: The Vision of Innovation

Innovation has been universally accepted to be the defining force in modern business. As the business structure and environment become increasingly challenging and complex, more and more companies have started appreciating the importance of innovation-led strategies for sustainable growth and development.

Executives all over the world are trying to enhance their innovation capability and competence. After all, research findings do suggest that organizations with higher innovation intensity tend to perform relatively better. The competitive reality of the new age has brought innovation as the central focus. Shrinking product life cycles, shortening strategy life cycles, shifting values of the customers and the suppliers and changes in the market place demand the players change the rules of the game.

In Management Challenges for the 21st Century, Peter Drucker wrote:

“One cannot manage change. One can only be ahead of it. In a period of upheavals, such as the one we are living in, change is the norm. To be sure, it is painful and risky and above all it requires a great

deal of very hard work. But unless it is seen as the task of the organization to lead change, the organization ... will not survive.”

In other words, in order to remain ahead of change companies must learn to encapsulate in their vision the commitment to build the global learning community, incubate new possibilities, manage the present and build the future.

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innovation culture within and across the value chain.

### THE VISION OF INNOVATION

The concept of innovation has been derived from the theory of production (Frisch 1930), as a change in production function or technique. The productive efficiency and adaptive efficiency have been considered to be major drivers of the economic growth. The neoclassical economists emphasized

“the study of how societies use scarce resources to produce valuable commodities and distribute them among different people,” whereas the innovation economists focus on “the study of how societies create new forms of production, products and business models to expand wealth and quality of life.” Innovation at the corporate level relates to the firm’s capability vis-à-vis the new forms of production, products and business models.

So how does the firm build, grow and develop its innovation competence? What is the source of innovation? Where do the winning strategies or ground breaking ideas come from?

As various studies suggest, many of the revolutionary ideas find their origin in the vision of a single individual (Gary Hamel). They come from visionaries like Bill Gates (Microsoft), Anita Roddick (The Body Shop), Andy Grove (Intel), Jeff Bezos (Amazon.com) and many others.

Vision without doubts is a requirement for innovative growth strategies. It sets the stage for all kinds of innovation possibilities related to the product, process, organization and the market. The underlying principle of a solid foundation of creating an enterprise innovation framework is the ability of the visionaries to see through the discrete future outcomes and the ability to build the corporate ecosystem to achieve them.

## THE VISION: SUPPORTING THE STRATEGIC INNOVATION PLANNING PROCESS

Schumpeter, “the father of Innovation Economics,” assumed the innovative entrepreneur to be a rare heroic and exceptional person, of unusual visionary and “volitional” characteristics, who would generate disequilibrium.

Another forerunner Carl Menger. The founder of the “Austrian school” viewed the entrepreneur as the agent of equilibrium, the one who identifies an unsatisfied market, a surplus supply or demand. He engages in innovative activities to reconcile supply and demand through better/quicker use of information. Whichever theory the business communities follow, the importance of the vision can not be over accentuated.

What makes the visionaries look into the future has been well addressed in the study by B.J. Loasby titled “Long Range Formal Planning in Perspective.” Loasby points out three reasons:

- To understand the future implications of the present decisions. What must a firm be prepared to do next year in order to gain the full advantage from what it decides to do now? What will be the effect of its current choice on the range of options available to it in the future?
- To examine the present implications of the future events. i.e., to understand “what needs to be decided now in order to be prepared for what is expected to happen later on?”
- To provide a basis for evaluation of their (managers) performance.

## DEFINING THE “RESULTS” AND MANAGING THE INNOVATION PLANNING

Companies should build the competence to define the results they expect to achieve, build the culture of continuous search and modification and adopt the

attitude of “inventive future” (D. Gabor).

Managing by results is highly recommended by P.F. Drucker. This demands the corporate ability to leverage on the today’s level of knowledge and develop the normative forecasting to address the anticipated results.

## INNOVATION CAPABILITY MATURITY MODEL: DESIGN AND ASSESSMENT FRAMEWORK

An innovation capability maturity model could be used as one of the effective instruments to design the innovation framework and explore the fit between a firm’s capability areas and the construct items. The innovation capability construct can be designed incorporating the innovation process (the innovation capability areas) and the innovation capability construct items. (H. Essmann and N. du Preez)

In the model, the innovation capability areas include:

- Innovation process. The innovation lifecycle, i.e., the practices, procedures and activities vis-à-vis the ideas generation, screening, feasibility assessment, development and implementation and eventually to a stage of commercialization and operation
  - Knowledge and competency mapping.
  - The organizational support system. The factor endowments, the knowledge of technology and the markets and S3P — structure, strategy, systems and people
- The innovation capability and organizational constructs provides an effective mechanism for depicting the interrelations between the capability requirements and the organizational attributes. The construct items are as follows:

- Strategy and objectives. The mission and vision, short and long term objectives, etc.
- Function and processes in place. To drive the organisation closer to fulfilling

its objectives, whether directly (such as valued-added processes) or indirectly (such as administrative and support processes).

- Organization and management.
- Data and information. Relating to the internal and external environments, the basis for all decision making (from complex strategic decisions to process decisions) and the (communication) link between all internal and external entities (individuals, production units, departments, management, suppliers, the market, etc.).
- Customers and suppliers.

As prescribed by H. Essmann and N. du Preez, the three maturity level descriptions in the model for this requirement are as follows:

- 1) Maturity Level 1: IP/SOI L1. “Opportunities” of the future are based on extrapolations of the past.
- 2) Maturity Level 3: IP/SOI L3. Initiatives to find latent opportunities are undertaken. Procedures have been developed and implemented, and the required outputs defined.
- 3) Maturity Level 5: IP/SOI L5. Future-orientated scanning and exploring activities provide consistent strategic input. Procedures to identify latent opportunities are institutional.

1.3 The potential approach to establishing Innovation

The companies need to undertake the following to establish innovation:

- Define the enterprise vision and make it understood by one and all.
- Audit the enterprise strategic business objectives
- Define innovation goals to support growth objectives
- Identify source of innovation and the functional interlinkages
- Innovation capabilities requirement analysis for the future
- Competence mapping
- Design system thinking, process and

- strategic models to drive innovation
- Create a family of metrics to measure the effectiveness and the efficiency of Innovation
  - Create cascading metrics that align business units, divisions, group and lateral process capabilities
  - Analyze Strategies and metrics on an ongoing basis

#### 1.5 The timing of innovative outputs

One of the issues central to the competitive importance of innovation is its timing.

Sometimes it pays to be the pioneer and the first to the market, but more often it pays to be a relatively early adopter

(Baumol, Blackman and Wolf, 1989) to receive the advantage of backwardness (Gerschenkron, 1962 ). Where there are physical networks sometimes it pays more to be late adopter when the whole network is already set up. Companies have to really understand the dynamics of the market and find out whether network externalities exist.

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