Innovation and Strategy in Management

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ABSTRACT

The article discusses a process of business innovation known as open innovation and its relation to traditional business strategy. The competitive strategy developed by Michael Porter emphasized rivalry, buyer power, and barriers to entry as forces that could enhance a producer's surplus. The authors discuss the impact of the Porterian value chain, the processes of production through to the consumer, on subsequent business practices. However, this theory does not account for external sources of value to a company, such as innovation communities, volunteer contributors and surrounding networks, including social networking web sites, open source software and the Wiki model of open contributions. The concept of openness requires shifting from ownership to value creation and value capture.

Keywords: *Management, Innovation, Strategy, PPP, Business, Processes*.

Introduction: Strategic management establishes an operational link between the enterprise’s overall strategy and more precise aspects of management, such as human resources management (HRM). The systemic vision has emerged over the years as a vision that integrates all of the factors that are relevant to decision-making and management within the enterprise. However, while the systemic vision describes all of these elements as being part of a “system,” it does not explain or even connect the organic links between, on the one hand, decisions taken from the top about the choice of markets, products, technological and organizational innovation and, on the other hand, those made regarding the efficient use of resources (financial, material and human) (Bélanger et al. 1988: 12). Thus, in a way, the strategic vision is an extension of the systemic vision, which included various elements but did not integrate them from the outset into the enterprise’s overall strategy and, especially, did not establish an operational link between them. However, the literature on strategic management, and in particular on the strategic management of human resources, does not appear to have explained the theoretical foundations that underpin such a vision, at least as regards the connection between strategic HRM and the overall innovation strategy of the enterprise.

Understanding the Latest Innovation Management: Innovation management is based on some of the ideas put forth by the Austrian economist Joseph Schumpeter, working during the 1930s, which identified innovation as a significant factor in economic growth. His book “Capitalism, Socialism and Democracy*”* first fully developed the concept of creative destruction.

Innovation management helps an organization grasp an opportunity and use it to create and introduce new ideas, processes, or products industriously. Creativity is the basis of innovation management; the end goal is a change in services or business process. Innovative ideas are the result of two consecutive steps, imitation and invention.

By utilizing innovation management tools, management can trigger and deploy the creative capabilities of the work force for the continuous development of a company. Common tools include brainstorming, virtual prototyping, product lifecycle management, idea management, TRIZ, Phase–gate model, project management, product line planning and portfolio management. The process can be viewed as an evolutionary integration of organization, technology, and market, by iterating series of activities: search, select, implement and capture.

Innovations in Private Public Partnership: The financial crisis of 2008 onwards brought about renewed interest in PPP in both developed and developing countries. Facing constraints on public resources and fiscal space, while recognizing the importance of investment in infrastructure to help their economies grow, governments are increasingly turning to the private sector as an alternative additional source of funding to meet the funding gap.

Benefits: While recent attention has been focused on fiscal risk, governments look to the private sector for other reasons:

- Exploring PPPs as a way of introducing private sector technology and innovation in providing better public services through improved operational efficiency
- Incentivizing the private sector to deliver projects on time and within budget
- Imposing budgetary certainty by setting present and the future costs of infrastructure projects over time
- Utilizing PPPs as a way of developing local private sector capabilities through joint ventures
- Using PPPs as a way of gradually exposing state owned enterprises and government to increasing levels of private sector participation
- Creating diversification in the economy by making the country more competitive in terms of its facilitating infrastructure base.
- Supplementing limited public sector capacities to meet the growing demand for infrastructure development
- Extracting long-term value-for-money through appropriate risk transfer to the private sector over the life of the project – from design/ construction to operations/ maintenance

Risks: There are a number of potential risks associated with Public Private Partnerships:

- Development, bidding and ongoing costs in PPP projects are likely to be greater than for traditional government procurement processes.
- There is a cost attached to debt – While private sector can make it easier to get finance.
- There is no unlimited risk bearing – private firms (and their lenders) will be cautious about accepting major risks beyond their control.
- Private sector will do what it is paid to do and no more than that – therefore incentives and performance requirements need to be clearly set out in the contract.
- Government responsibility continues – citizens will continue to hold government accountable for quality of utility services.
- The private sector is likely to have more expertise and after a short time have an advantage in the data relating to the project.
- A clear legal and regulatory framework is crucial to achieving a sustainable solution (for more, go to Legislation and Regulation)

Models through Merger and **Acquisition:** The virtuous cycle for M & A begins by building a strong M & A capability that forms the foundation for the success of the model's five key steps:

- Corporate strategy and acquisition strategy: Develop a clearly articulated strategy and an M & A plan that reinforces that strategy.
- Deal thesis: Invest with a thesis.
- Strategic due diligence: Ask and answer the big questions.
- Merger integration planning: Integrate where it matters.
- Merger integration execution: Nail the short list of critical actions.

Elements of Merger and Acquisition: We bring our expertise to all elements of the deal value chain, including:

- Acquisition strategy
- Acquisition screening
- Strategic due diligence
- Merger integration

- Joint ventures and alliances
- Divestitures and Separations

Measuring Business Model Innovation

Business Model: Every company has a business model, whether they articulate it or not. At its heart, a business model performs two important functions: value creation and value capture. First, it defines a series of activities, from procuring raw materials to satisfying the final consumer, which will yield a new product or service in such a way that there is net value created throughout the various activities. This is crucial, because if there is no net creation of value, the other companies involved in the set of activities won't participate. Second, a business model captures value from a portion of those activities for the firm developing and operating it. This is equally critical, for a company that cannot earn a profit from some portion of its activities cannot sustain those activities over time.

Measuring

Type 1 – Company has an undifferentiated business model. The vast majority of companies operating today does not articulate a distinct business model, and lack a process for managing it. These companies are operating with Type 1 business models. A business using the undifferentiated model competes on price and availability, and serves customers who buy on those criteria. In a word, firms utilizing Type 1 business models are selling commodities, and are doing so in ways that are no different from many, many other firms. They often are caught in the "commodity trap". Think of restaurants and barber shops as examples of this commodity model.

Type 2 – Company has some differentiation in its business model. In companies using Type 2 business models, the company has created some degree of differentiation in its products or services. This differentiation can also lead to a different business model from that of the Type 1 company, allowing the company to target a customer other than those that buy simply upon price and availability (such as a performance-oriented customer). This allows the Type 2 company to serve a different and less congested market segment from that served by its Type 1 counterpart.

Type 3 – Company develops a segmented business model. The company now can compete in different segments simultaneously. More of the market is thus served, and more profit is extracted from the market as well. The price sensitive segment provides the volume base for high volume, low cost production. The performance segment supplies high margins for the business. Other niches can now be addressed, creating a stronger presence in the distribution channels. The firm's business model now is more distinctive and profitable, which supports the firm's ability to plan for its future via product and technology roadmaps.

Type 4 – Company has an externally aware business model. In this business model, the company has started to open itself to external ideas and technologies in the development and execution of the business. This unlocks a significantly greater set of resources available to such a company.

The roadmaps of the Type 4 firm provide a shopping list of needs within the firm for external ideas and technologies. Relationships with outsiders help identify external projects that fulfill some of these needs. This reduces the cost of serving the business, reduces the time it takes to get new offerings to market, and shares the risks of new products and processes with external parties.

Type 5 – Company integrates its innovation process with its business model. In a Type 5 model, the company's business model now plays a key integrative role within the company. Suppliers and customers now enjoy formalized institutional access to the firm's innovation process, and this access is now reciprocated by the suppliers and customers. Customers and suppliers now share their own roadmaps with the company, giving the company much better visibility into the customers' future requirements.

Type 6 – Company's business model is an adaptive platform. The Type 6 business model is an even more open and adaptive model than types 4 or 5. This ability to adapt requires a commitment to experimentation with one or more business model variants. This experimentation can take a number of different forms. Some companies utilize corporate venture capital as a means to explore alternative business models in small startup companies. Some utilize spin-offs and joint ventures as means to commercialize technologies outside of their own current business model. Some have created internal incubators to cultivate promising ideas that are not yet ready for high volume commercialization.

Creative Thinking through Innovation Processes

Design thinking as a Strategy for Innovation: When design principles are applied to strategy and innovation the success rate for innovation dramatically improves.

The 6 Steps in Our Creative Process We Use to Solve Problems:

1. Define the Need: We can't create solutions until we know the challenges. Our strategy flow begins by guiding team leaders through defining the problems or needs facing the team.

2. Collect Inspiration: Everybody – whether they define themselves as creative or not – sees things in the world that inspire them. The problem is often these things are seen in passing, and rarely do people think to capture them.

3. Develop Ideas: Once we have the challenge laid out before our team, and we are sharing research, insights, and inspiration, it is time to collaboratively discuss developing those ideas into potential solutions. This is also known as ideation.

4. Evaluate: Just because we've captured brilliant sources of inspiration, and have found ways to work it into an idea, does not mean our problem is solved. This is when we guide our team through review, ranking and prioritization of ideas discussed to find the ones best suited to address the established problem.

5. Summarize: Once we've nailed down a solution we're excited about, we know there's still a critical step: communicating our vision with the rest of the team in a way that is meaningful to them. We need the entire team to be on board before we go forward with creating and implementing our idea. This is the time when we communicate to the team what we will need to do to move forward and outline what those steps are. We've found that this stage is critical for successful, repeatable, innovation process, and since

6. Archive: Batterii will always be the home for our inspirations, innovations and all the little details in between. Once we've moved on to another challenge, our platform is the archive of all previous work. This is helpful when we need to search something in the future or look at how an idea evolved.

Conclusion: The authors attempted to introduce the concept of innovation in management. we also dealt with the concepts like a knowledge management strategy, status of the organization, comparison this with what stakeholders want to achieve in the future, and come to an assessment of how far apart the two are; a gap analysis. Knowledge management auditing is often the first step in any knowledge management initiative as it serves to inventory what knowledge-intensive resources exist within a company. This provides a snapshot of the "as is" or current state of the organization with respect to knowledge management. In the dynamic days we find ourselves in today, business and organizations are digging deeper into the wells of innovation. The new ideas and business models have come to shape our lives and niche for the better. The time and era for a "one man show" is over. Now everyone can bring something from their creative mind to the table. For long term growth, this is the only sure way to go.

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