The Managerial Components for Innovation Management

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Abstract

The aim of this paper was to explore management practices in the firms that were different in culture and ownership. The research design was case study and used qualitative technique to gather the data. The author interviewed two managers of innovation departments and an executive manager in three leading companies in Thailand. The result founded that these companies had different management practice due to managerial way. Thai local company not set the clear innovation strategy but the leader play the important role as employee role model. The multinational (Thai-Taiwanese) company used the kaizen concept to improve their products, processes and work techniques, and leader permitted employees to offers new ideas and feedbacks to the supervisor directly. Meanwhile, the global company emphasized the employee freedom, flexibility and goal-orientation, thus leaders permitted employees to work by their own and assessed the result in the final.

Introduction

The manufacturing sector plays an important role in Thai economic development. In 2009, gross domestic product (GDP) in industrial production is 3.09 trillion bath or 34.15%. The main income came from three main industry; hard disk drive industry, automotive industry and electronic components industry. According to increasing internal consumer index and export index, economists have forecasted that these industries will grow continuity (Office of National Economic and Social Development, 2011).

Although the Thai manufacturing industry face new problems; such multinational companies move to investment in other countries that labor cost is cheap, and Thai workers lack potential to develop advanced technology. These problems came from the tradition industrial that made by order and mass production. Therefore, Thailand needs to enhance the manufacturing industry focusing on the technology research and development which lead to innovation.

Innovation is diffusion of invention (Touhill, Touhill and O'RIordian, 2008) or idea implementation, or idea exploitation that impact to the market and society (Stamm, 2008). However, the emergence of innovation often occurs in the organization because of large investment in research and systematic knowledge management (Smith, 2009), including good management practice, infrastructure, finance and resource support (Fairtlough, 1994: 325-335).

This study aimed to explore the management practices that support organizational innovation. The authors interviewed three innovative companies in Thailand that were different culture and ownership because the different ownership affect the management practices (Chow and Liu, 2007: 47-55, Barbosa and Louri, 2005: 73-102). The paper is divided into five sections: the introduction, literature review, method, finding, and conclusion.

Innovation

The innovation literature could be categorized into four difference approaches: individual-oriented, structure-oriented, interactive-oriented, and systems of innovation-oriented (Johannessen, Olsen and Lumpkin, 2001: 20-31). Therefore, the definitions of innovation vary depending on situation (Baregheh, Rowley and Sambrook, 2009: 1323-1339), and lack either a single definition or measure (Adams, Bessant and Phelps, 2006: 21-47).

Zaltman, Duncan and Holbeck (1973) define innovation as any idea, practice, or material artifact perceived to be new by the relevant unit of adoption, as well as Damanpour (1991: 555-590)
that identified the innovation as the generation, development and adoption of novel ideas on the part of firm. Wong, Tjosvold and Liu (2008) noted that innovation can be defined as the effective application of process and products new to the organization and designed to benefit it and its stakeholder. Likewise, Johannessen, Olsen and Lumpkin (2001: 20-31) stated that innovation as the newness: new products, new services, new methods of production, opening new markets, new sources of supply, and new ways of organizing.

As Plessis (2007) notes that innovation as the creation of knowledge and ideas to ease new business outcomes, aimed to improve internal operation processes and structures and to create market driven products and services. Innovation encompasses both radical and incremental. Thereby, innovation is recognized to play a central role in creating value. Bessant et al (2005) said that innovation represents the core renewal process in any organization, unless it change what it offers the world and the way in which it creates and delivers those offerings it risks its survival and growth prospects.

However, innovation may involve a wide range of difference change depending on the organization’s resource, capabilities, strategies and requirements (Baregheh, Rowley and Sambrook, 2009).

Managerial Components for Innovation Management

Many organizations today focusing on innovation and learn how to manage the innovation, and direct workforce to enhance company performances. However, there are only three critical antecedence factors; strategy, structure and leader, that affect organizational innovation and innovative behavior of employees.

1. Strategy – the organization must set the clear innovation strategy as the direction and implementation guideline of employee because theses related to the employee stimulation and the condition or limitation of organizational innovation (Hoholm and Strønen, 2011: 345-363). Moreover, the organization also set the targets that associated with the innovation and suited for current business environment (Fairtlough, 1994: 325-335), as well as, focus on the future potential and long-term corporate performance (Fairtlough, 1994: 325-335; Rothwell, 1994: 33-53). As Drucker (2007), the organization should emphasize on creating new business rather than creating new products, and increasing the performance of the organization rather than improving the process. Finally, when the organization set the innovation strategy already must communicate to all employees (Pavitt, 1994: 357-365; Drucker, 2007).

2. Structure – refers to the relationship of the individual in the organization. The structure of innovative organization should be flexible, less command of level and decentralization (Fairtlough, 1994: 325-335; Pavitt, 1994: 357-365; Smith, 2006; Drucker, 2007) because this structure enabled employees to communicate and exchange information easily that lead to the convergence of ideas in various areas (Fairtlough, 1994, 325-335; Pavitt, 1994, 357-365; Rothwell, 1994, 33-53; Smith, 2006). Further, the organization should work as the cross functional team to look for new and various approaches in the innovation process (Fairtlough, 1994, 325-335; Pavitt, 1994, 357-365; Smith, 2006). As Pavitt (1994: 357-365), the communication within the organization should be openness, including the organization have to concentrate on creating external network (Pavitt, 1994: 357-365; Rothwell, 1994: 33-53; Smith, 2006; Galbraith, 1999), such as customers, suppliers, competitors, academic institutes, government units, research institutes, etc. (Simonen and McCann, 2008: 181-194), and innovative organization should build trust within internal teams and inter-organizational team (Maurer, 2010: 629-637).

Moreover, innovative organization should have the innovation unit and the innovation key persons that were responsible for the innovation (Pavitt, 1994: 357-365; Rothwell, 1994: 33-53; Pavitt, 1994: 357-365; Rothwell, 1994: 33-53; Smith, 2006; Galbraith, 1999).

3. Leader – refer to person who has the authority to allocate the resources and to push the innovation in the enterprise, both natural leaders and authority leader. The leaders must commit to innovation, fully support (Pavitt, 1994: 357-365; Rothwell, 1994: 33-53; Drucker, 2007), risk taking (Pavitt, 1994: 357-
365; Drucker, 2007), good communication skill to motivate, encourage and inspire employees to be creative (Pavitt, 1994: 357-365; Smith, 2006; Drucker, 2007). Furthermore, the leaders must invite employee to participate all projects (Rothwell, 1994: 33-53; Drucker, 2007) and listening to them (Smith, 2006; Drucker, 2007). As McCillan (2010: 11-22), the leaders who understand the innovation process will enable organizations to innovate more effectively.

Methodology

The research design was case study and used qualitative technique to gather the data. The authors interviewed two managers of innovation departments and an executive manager in three leading companies in Thailand that were different culture and ownership: the global company, the large Thai company and the multinational (Thai-Taiwanese) company, and content analysis technique was used to analyze the data.

Results

This section provided the results that receive from the interview. We descript three cases separately that each case comprises of the brief company profile and management practices, and then comparing the cases.

Case 1: The global company

This company is software producing and trading company, including provide the information; such search engine and e-mail. The company head quarter locate in United State and it has several company branches around the world. The nature of work of the company based on information technology and the organization structure is flat that there are nine levels of hierarchy; from the top management in United State to general staff in Thailand. Further, employees use the same database and always work via network. These solutions enable the employees can contact each another directly.

According to technology work based, the production of company associated with innovation. Their invention must be commercialized, thus the company socialize employees the corporate direction by core value; integrity and honesty, open and respectful, big challenge, passion, accountable, self-critical, and expected all employees work for maximizing the best profit and growth. Meanwhile, the company also allocated employees works their own and assessed the work result in the final. Thus, the employees had the authority to think, plan, decide, implement and assess the result by themselves. However, in new product and service process development the organization bring the employee from product department, sell unit and technology development to work together to provide the product and service to the customers.

Case 2: The large Thai company

The company conducts the Japanese restaurant chain and produce Japanese green tea beverage that aimed to create healthy Japanese food and drinking to the new generation, and to expand the 27 restaurants per year. For beverage market, the company aimed to maintain its leadership in green tea and to expand both domestic and international market, including planed to develop a new healthy drink to increase revenue. The organization focuses on product innovation and market innovation; such as re-packaging that suit for each customer level, re-branding to retain existing customers and attract the new ones.

However, the vision of the company is critical factor that affected company's rapid growth, employee thinking approach and how the people work. The top manager always seeks new challenges and takes risks. These characteristics are delivered to all employees. Besides organizational development, the leader promoted change management, but control by risk management plan.

As new product development and innovation, the company had the agencies responsible for innovation that are:

1. Marketing department comprise of sell unit, design unit and creative unit.
2. Research and development unit (R & D) is responsible for the creation of knowledge and technology for product development.

3. Project development unit

These agencies worked together to integrate knowledge and information for innovation supporting. Moreover, the company also has partnerships with external agencies to develop products; such suppliers, distributors and customers.

Case 3: The multinational (Thai-Taiwanese) company

The company operates in electronic parts manufacturing and the major share holder is Taiwanese company. There are two plants in Thailand that had 9,000 staffs and four plants in India and Slovakia. According to nature of industry related to technology, the company focused on technology development and innovation, and determined the innovation as corporate values that employee are required to offer suggestion based on Kaizen concept to improving their work and reducing operation costs.

The agency that responsible for innovation development is research and development unit, and the project engineers are responsible for innovation, which is responsible for communication information between clients and staff. Occasionally, the company also established specialized team that consisted of individuals from different departments to develop innovation. In terms of external networking, the company has created networking with customers to develop innovative and has developed the raw material control process with suppliers; including support cooperated with the universities in research new technology, as well as, Top management had to focus on innovation by setting innovation policy, promoting for research and innovation of all employees, permitting employees to offers new ideas and operational feedback to the supervisor directly.

Table 1 Management Practices Comparing

<table>
<thead>
<tr>
<th>Management practice</th>
<th>The global company</th>
<th>The large Thai company</th>
<th>The multinational (Thai-Taiwanese) company</th>
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<tbody>
<tr>
<td>Strategy</td>
<td>Not setting clear strategy, but integrate innovation to work style and set core values as organizational direction.</td>
<td>Not setting clear strategy, but the operation focus on innovation.</td>
<td>Determining the innovation as corporate values.</td>
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<tr>
<td>Structure</td>
<td>The structure is flat. Having cross functional team for new product and service development.</td>
<td>Having agencies responsible for innovation that are marketing department, research and development unit and project development unit, and cooperating with external partners to develop products.</td>
<td>Research and development unit and the project engineers are responsible for innovation. The company also established specialized team to develop innovation and created external networking.</td>
</tr>
<tr>
<td>Leader</td>
<td>Leaders permitted employees to work by their own and assessed the result in the final.</td>
<td>Top manager always seeks new challenges and takes risks, and promoting change management in the organization.</td>
<td>Top management set innovation policy, promoted research and innovation, and permitted employees to offers new ideas and feedback to the supervisor directly.</td>
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Table 1 revealed that two companies set innovation as the corporate direction and one company
integrated innovation to organizational operation. All companies focused on new product and service development team that the member came from different departments. Two companies had agencies which responsible for innovation and emphasized on creating external networking. Further, only one company had project engineers who are responsible for innovation. For leader dimension, there are various role of leader that supported and promoted innovation; such being the role model in seeking new challenges and take risks, setting innovation policy, and permitted employees to work by their own and offering new ideas and feedback to the supervisor directly.

Conclusion

Innovation strategy was widely spread and was used in several firms to take the business competitive advantage, but only few companies understood the innovation concept and reorganized organization development to serve the new challenges. The aim of this paper is to compare management practices; strategy, structure and leader, in the firms that were difference culture and ownership. We interviewed the managers and innovation managers in three companies; the global company, the large Thai company and the multinational (Thai-Taiwanese) company, and content analysis technique was used to analyze the data.

The result revealed that these companies had different management practice due to the managerial way. Thai local company not set the clear innovation strategy, but integrated innovation to the operation. The leader was the employee role model and promoting change management in the organization. Moreover, the organization had unit that responsible for innovation.

The multinational (Thai-Taiwanese) company used the kaizen concept to improve their products, processes and work techniques. The leader not only set the innovation policy, but also permitted employees to offers new ideas and feedback to the supervisor directly. Besides the innovation responsibility, the company had the unit and key person that responsible for innovation. Meanwhile, the global company set innovation as core values and organizational direction, and emphasized on the employee freedom, flexibility and goal-orientation. Therefore, the employees had the authority to think, plan, decide, implement and assess the result by themselves.

Considering the corporate structure, we founded that three companies concentrated on cross functional team that the member came from different departments to develop new products and services.

References


