Chapter 2
Innovation and Its Role in Management

ABSTRACT

The chapter presents the concept of innovation and the evolution of this term in the sciences of organization and management. Innovation is a particularly important element of modern management as it contributes to creating value for the company and strengthening its market position. Regardless of the industry, every modern organization should be open to new developments; it is an expectation expressed by the recipients of products and services. The market needs to improve existing solutions and develop new products on an annual basis. Innovation is defined as the process of translating an idea or invention into a good or service that creates value for which customers will pay. By observing the actions of the most powerful organizations, it can be observed that novelties form an integral part of their business activity models. Every two years, Microsoft presents to its customers an updated version of their popular operating system, fashion houses design new clothing collections for specific dates, and Disney regularly introduces new blockbusters for the next generations of viewers. Regardless of whether an organization is global or local, the need for innovation is becoming increasingly commonplace.

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INNOVATION: CONCEPT, CLASSIFICATION, IMPORTANCE OF INNOVATION IN CONTEMPORARY MANAGEMENT

The definition of "innovation" as found in encyclopedias can be presented in broad terms (e.g. innovation, novelties, new things introduced to the market, implementation of new technologies, founding organizations and institutions) as well as in narrow terms, describing particular branches of knowledge (e.g. product innovations, introducing new products, services and process innovations, using new and more efficient ways of obtaining these products.

Innovation is a tool for modern organizations that, if used properly, can enable businesses to take effective action in competitive markets. Oftentimes, it is innovation and the ability to create it that make it possible for companies to gain and strengthen their competitive advantage. Innovations are sometimes considered a prerequisite for running a business under current economic circumstances, or even the most valuable asset for organizations these days (Dziekoński & Chwiećko, 2013). The author of one of the first definitions of the concept of innovation is J.A. Shumpeter, who already in 1912 said that it was a discontinuous performance of new combinations in the five following cases: introducing a new product or new production method; opening up a new market; obtaining a new source of raw materials or semi-finished products; and setting up a new organization for an industry (Schumpeter, 1960, 104).

Schumpeter's approach is strictly an engineering one, focusing on the productive aspect of the organization's activity. Innovation today, however, does not come down merely to production, and the original term has been conceptually expanded. We are now more often talking about innovation in terms of services, as noted by P. Kotler, who writes that innovation refers to every good that is perceived as new (Kotler, 1994, 15-28). It is also important to note there is no size requirement for innovation, as in the OECD's declaration it is the introduction of a new or significantly improved product, process, new organizational or marketing method in business practice, workplace or relations with the outside world (OECD, 2005, 46-48). E. Dworak points out that, regardless of the area of application and its scope, innovations have a number of characteristics in common. These characteristics are (Dworak. 2012):

1. **Purposefulness of Innovations:** They are not accidental and are intended to bring about beneficial changes;

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