

Chapter 12

Managing Innovation within Organizations

Achilleas Boukis
Sussex University, UK

ABSTRACT

The management of innovation projects within organisations forms the focal point of this chapter. First, the role of various intra-organizational contingencies that affect innovation performance is addressed. Second, several appropriate management practices are identified which play an important role for innovation success. Third, various ways that customer knowledge can successfully be integrated in innovation efforts are discussed. Fourth, top management's role in innovation projects is analysed. Fifth, the importance of interfirm collaborative partnerships for innovation success is described. Finally, various innovation benefits are identified so that organizations are able to prioritize between different innovation outcomes.

1. INTRODUCTION

The role of innovation is pivotal for organizational performance as it can provide the organization with a sustainable competitive advantage and contribute to its long-term success. Managing both successfully and resourcefully innovation activities constitutes a difficult task in the sense that a number of intra-organizational parameters should be taken into account in order to ensure innovation success along with organizational effectiveness. As a result, the need to view innovation as a management process within the context of the organisation arises. This chapter tackles the difficult issue of managing innovation within organisations. To do this, it is necessary to understand the strategies as well as the patterns of interactions and behaviours which represent the organisation. A number of internal parameters critical for innovation success are discussed such as:

- The role of organizational structure for innovation success
- The impact of intra-organizational relationships on innovation
- The use of various knowledge management strategies

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- The integration of customer knowledge to innovation efforts
- Top management's role in product innovation success
- How interfirm collaboration and networks can contribute to innovation success
- Various benefits that can be reaped from innovation activities

Before analysing each of the aforementioned aspects of the innovation process, the role of contingency theory needs to be discussed in order to provide a more comprehensive understanding of how the internal organizational environment can actually influence the innovation process.

1.1 The Value of Contingency Theory for Innovation

Contingency theory has been one of the major streams of thinking about organizational structures and strategic actions. A considerable volume of research has been conducted using contingency theory as the principal framework, relating the task environment to organizational characteristics or to strategic management. Contingency theory states that there is no one best way to act, and that any one way of acting is not equally effective under all circumstances (Galbraith, 1973). Organizational theorists suggest that there is no one universally optimal approach to management for all organizations. On this basis, the appropriate organizational structure, strategies and management style depend on a set of contingent and dynamic factors.

Drazin and Van de Ven (1985) note the “fit-as-mediation” view which posits that managers choose organizational structures, processes, and strategies that reflect the dynamic circumstances of their organization. As the organization is essentially an “information-processing network”, the objective of organizational design is to “achieve an efficient correspondence between the information-processing requirements of its strategic contingencies and the information-processing capabilities of its integration mechanisms” (Galbraith, 1973, p. 6). For example, the need for interfunctional collaboration during innovation requires higher resource interdependency and enhanced info-processing capability to manage the acquired knowledge. Thus, increased collaboration represents a critical contingent factor of innovation and firms need to provide structural mechanisms to put such willingness into action (De Luca and Atuahene-Gima, 2007). Moreover, the knowledge exchange among units is often ambiguous and uncertain because of the diversity of functional information, backgrounds and thought worlds of innovation actors. As a result, increasing knowledge exchange during innovation within the firm is dependent on strategic collaboration among functions which dictates the type and degree of integration mechanisms adopted to disseminate knowledge across the organization (De Luca and Atuahene-Gima, 2007). In fact, the higher the fit between existing organizational structure and processes and innovation strategy, the higher the odds for innovation success (Olson et al., 2005). For these reasons, it is obvious why intra-organizational environment should be thoroughly examined before selecting and implementing any innovation management strategies.

2. KEY ISSUES IN INNOVATION MANAGEMENT

Innovation management is a key parameter of success, as it deals with several issues raised during the product development process. While management in general involves coping with uncertainty, sometimes trying to reduce uncertainty, the *raison d'être* of managers involved in innovation is to lead with the

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