Chapter 10
Management in Modern Organizations:
Organizational, Innovation, and Knowledge Management Theories

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ABSTRACT

The starting point for this chapter was to bring together the research fields of organizational theories, innovation and change and knowledge management. The focus was on innovation in the perspective of organisational studies and the process of knowledge sharing in organisations. The main idea was not to create an historical framework of these theories but to use them as analytical models. The chapter begins with a description of the main features of organisational theories, including navigation in organisational innovation context: types of organisational innovation and nature of innovation. It also includes the conceptualization that individual knowledge is a critical source of organisational knowledge and explores the link between individual knowledge use and organisational innovation processes. This literature review tries to create a frame for the organisational innovation process. In this context it was important to analyse its implications to the effective use and share of individual knowledge, linking it to the knowledge management theories. However the importance of organisational innovation for competitiveness is not explicit and the choice between investing in technology and investing in people always raises some questions about short and long term survival of the organisations – being the new digital configuration of organizations another way to reach organizational success.

2. MODERN ORGANIZATIONS

2.1. Innovative Organizations

Globalization and information technology have led to a discussion of the potential for an organization to generate competitive advantage on the basis of innovation and there have been several studies on the subject of organizational innovation (for instance, Bessant and Grunt 1985; Attewell 1992; Kitchell 1995; Claver and Llopis 1998).

Several other organizational studies on innovation (Van de Ven 1986; Aldrich and Fiol 1994; Van de Ven et. al. 1999; den Hertog and Huizenga 2000) show that the concept of innovation is very complex. The European Commission's 1996 Green Paper on Innovation defines Innovation as "the successful production, assimilation and exploration of something new". More recently, Mulgan and Albury (2003) made their contribution to the concept by pointing out the importance of the results of implementing innovation: "new processes, products, services and methods of delivery which result in significant improvements in outcomes efficiency, effectiveness or quality".

Leadbeater (2003) exposes the complexity of the concept, including the interactive and social dimensions. He says that "the process of innovation is lengthy, interactive and social; many people with different talents, skills and resources have to come together".

Meanwhile, the literature contains various categorizations of innovation. The OECD (2002) structures the concept around three areas: the renewal and broadening of the range of products and services and associated markets; the creation of production, procurement and distribution methods, and the introduction of changes to management, work organization and workers' qualifications.

Innovative organizations accept different types of innovation and Baker's typology (2002) differentiates these three types of innovation: process; product/service, and strategy/business concept innovation.

We can call process innovation (i.e. work organization, new internal procedures, policies and organizational forms) and strategies and new business models (i.e. new missions, objectives and strategies) organizational innovation.

According to the OECD (2002), organizational innovation includes three broad streams: 1) the restructuring of production and efficiency processes, which includes business re-engineering, downsizing, flexible working arrangements, outsourcing, greater integration of functional lines, and decentralization; 2) human resource management (HRM) practices, which include performance-based pay, flexible job design and employee involvement, improving employees' skills, and institutional structures affecting the labour management relations; 3) product/service quality-related practices emphasizing total quality management (TQM) and improving coordination with customers/suppliers, as shown in Table 1.

Table 1. Types of Organizational Innovation

Production and Efficiency Practices	Human Resources Management Practices	Product/Service Quality
● Business re-engineering ● Downsizing ● Flexible work ● Outsourcing ● Greater integration of functional areas ● Decreasing centralization	● Performance-based pay ● Flexible job design and employee involvement ● Developing skills ● Labour-management cooperation	● Total quality management (TQM) ● Improving coordination with customers/suppliers ● Improving customer satisfaction

Source: Wulong Gu and Surendra Gera (2004).

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