

ROLE OF INNOVATION AND ITS SIGNIFICANCE IN THE FIRMS

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Abstract

In the today transformation world with too many changes and technological developments that have affect on the human life, organizations and countries can't continue your life without adapting to the external environment and moving towards create new ideas and their commercialization. Codification appropriate policies of innovation and following of them will cause been easier creation, development and adoption of innovations and in the communication and interaction with internal and external factors achieved best of Innovations.

The word innovation introduced first time by Schumpeter in 1930. In the definition of innovation should be said that innovation be introduced as an idea, product or process that is new for firm and refers to firm's tend to development of new elements or new combinations of existing elements from products, technologies or management practices.

Introduction

In the today transformation world with too many changes and technological developments that have affect on the human life, organizations and countries can't continue your life without adapting to the external environment and moving towards create new ideas and their commercialization (Molaei 2009). Codification appropriate policies of innovation and following of them will cause been easier creation, development and adoption of innovations and in the communication and interaction with internal and external factors achieved best of Innovations. (Moghimi & Alinejad 2010)

Innovation is a key factor in the create competition which be leads to organizational growth, includes future success and it is as a growth engine that allow to company increase their effectiveness in the market. Hence, companies shall create products and new processes and use more technology put a step forward for having the continuous flow and at the same time their retention and durability. In addition, companies should have efforts to create appropriate culture, structure, incentives, systems and processes that been leads to innovation facilitate and increases their innovation capacity. (Morel & Boly 2006)

Definition of Innovation

The word innovation introduced first time by Schumpeter in 1930. In the definition of innovation should be said that innovation be introduced as an idea, product or process that is new for firm and refers to firm's tend to development of new elements or new combinations of existing elements from products, technologies or management practices. (Chen Et al. 2010)

Types of Innovation

Technical innovations: It is a knowledge that correlates procedures, components, and technical methods to the process of production, product or service.

Administrative of Innovation: It has refers to changes in the organizational structures and processes such as functions and powers structuring, hiring personnel, and resources and rewards allocation. (García Et al 2012)

Radical innovation: It is a basic change that indicates a new technological model and it has requires to more organizational capabilities and deeper knowledge.

Incremental innovation: It is as smaller technological change in the organization to produce goods and services and unlike the radical innovation it isn't requires great organizational skills. (Valencia Et al. 2010)

Approach to Innovation

Structural Innovation: This innovation was common during the industrial age and its purpose was effective and efficient engineering of innovation in the form of set specific guidelines. This type of innovation in first was used in large companies and in comparison to other approaches has more emphasized on the internal leadership, strategic planning, effective implement of ideas, shareholder and financial resources pressure and it has little emphasis on the creative environment for creating innovation. (Zahidul 2011)

Creative Innovation: This innovation is more common in the small organizations that are done focus on a overall picture from easier company and its fundamental attention is on the motivational aspects of innovation instead dimensions of a process. (Siakas Et al. 2010)

Dynamic Innovation: This innovation is combination of structural and creative approaches and businesses in different sizes both large and small can use this type of innovation for success. Actually, dynamic innovation has borrowed strategic thinking and planning from structural approach and the need to implement programs from creative approach. (Talebi 2006)

Innovation Process

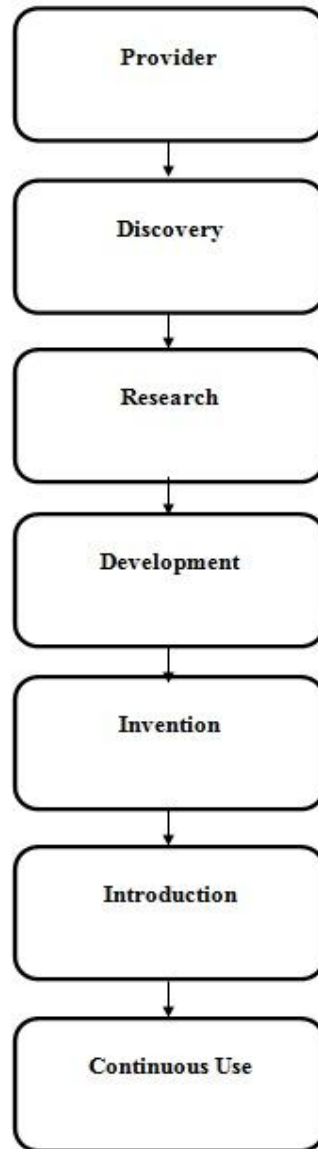


Figure 1: Hashield's Innovation Process

(Kenny 2006)

Dimensions of Innovation

1. Innovation in Process
2. Innovations in Mindset
3. Innovation in Norm
4. Innovation in Content

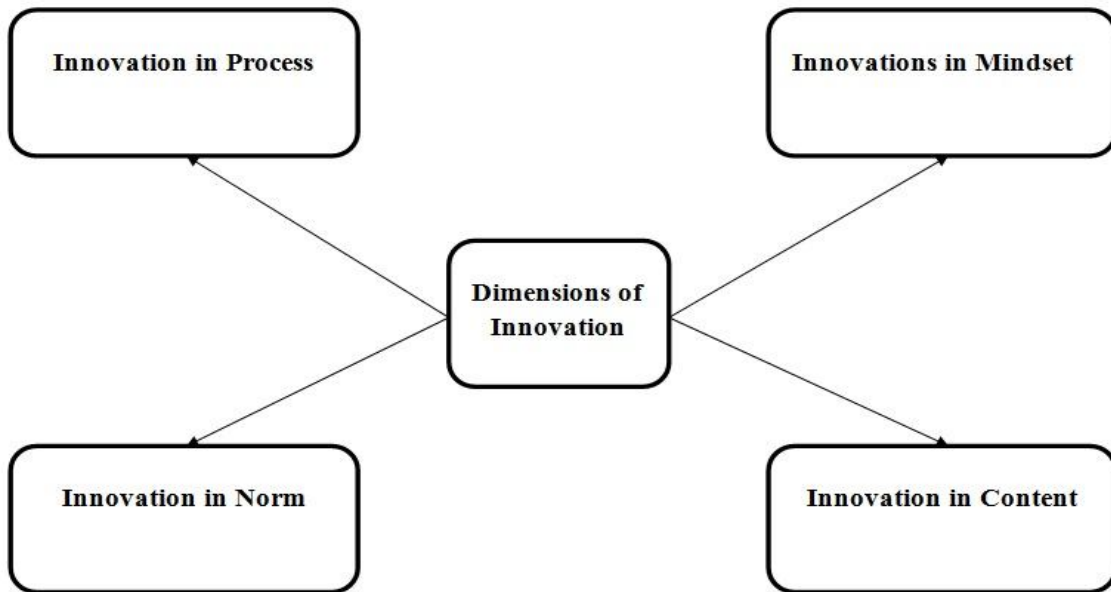


Figure 2: The Four Dimensions of Hashield in Innovation
(Skerlavaj Et al. 2010)

Effective Factors on Innovation

Many factors have the effect on the innovation that they are included individual factors, organizational factors and environmental factors. In these factors organizational factors have greatest impact on the innovation. Organizational factors such as organization size, organizational complexity, organizational design, strategy, leadership, human resources activities, and organizational culture.

Barriers to innovation

1. Cultural Factors
2. Structural Factors
3. Environmental Factors
4. Internal Organizational Processes

(Yusof 2011)

Problems Caused by Barriers to Innovation

1. Lack of access to resources, facilities and equipment
2. Lack of support and encouragement from innovators
3. Short-term time horizon for profitability
4. Rejection of risk, failure and mistakes
5. Lack of access to information of reliable, transparent, relevant and timely

Drivers of Innovation

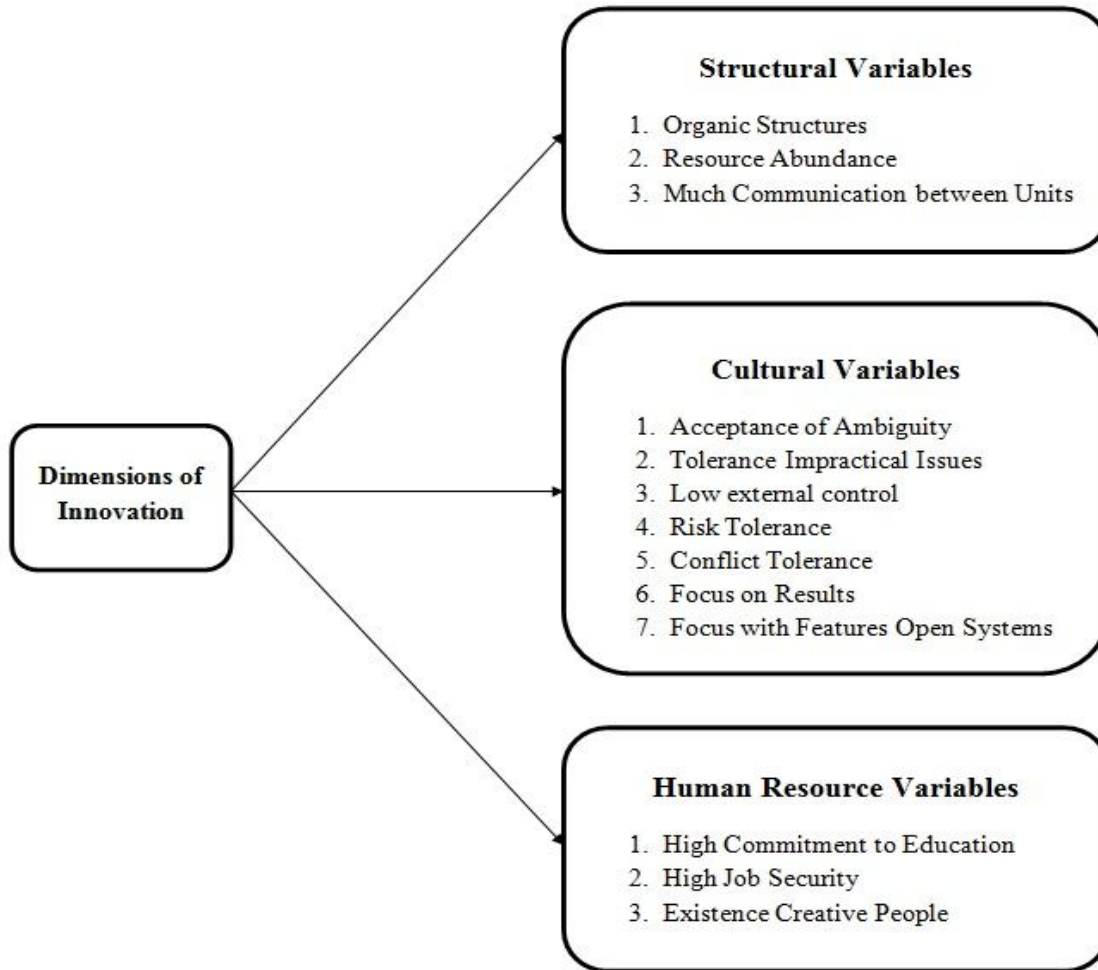


Figure 3: Innovation Variables and Stimulating Innovation in the Organization (Aktas Et al. 2011)

Conclusions

Innovation is a key factor in the create competition which be leads to organizational growth, includes future success and it is as a growth engine that allow to company increase their effectiveness in the market.

Types of Innovation is consists of technical innovations, administrative of innovation, radical innovation, and incremental innovation. Approach to innovation is included structural innovation, creative innovation, and also dynamic innovation. Innovation has dimensions such as innovation in process, innovations in mindset, innovation in norm, innovation in content. Effective factors on innovation are included individual factors, organizational factors and environmental factors. In these factors organizational factors have greatest impact on the innovation. Problems caused by barriers to innovation are included factors such as lack of access to resources, facilities and equipment, lack of support and encouragement from innovators, short-term time horizon for profitability, rejection of risk, failure and mistakes, and also lack of access to information of reliable, transparent, relevant and timely.

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