

# Innovative Companies' Approach To Innovation Strategy

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Innovation and creativity have similar combined effects on profitability, but the best approach to achieving higher profitability is to consider them separately (Simons, Gupta, & Buchanan, 2011; Vehar, 2013; Serrat, 2017a; Bonanno et al., 2023). The novelty created by these two activities is a benefit that somehow affects profitability (Beckenbach & Daskalakis, 2013; Kaiserfeld, 2020). The point of difference between these two concepts is their operational capability. Although creativity and innovation both originate from the creation of new knowledge, innovation is the product of new knowledge that can be operationalized to change, improve, and optimize existing systems (Durst & Edvardsson, 2013; Kim & Pierce, 2013; Kabir, 2019; Nakao & de Andrade Guerra, 2021). This change, improvement, and optimization does not always mean extensive changes in technology; even

a small change to improve service delivery is considered an innovation. Based on our literature analysis, companies must view innovation

in two forms: continuous innovation and disruptive innovation (Fligstein, 2021; Kikkawa, 2023). Organizations include continuous innovation in their innovation development strategy so that they can maintain their higher profitability in the market (Kabir, 2019). There is also

a need for companies to disruptively innovate to create but also to predict future changes and effectively respond to them (Sewpersadh, 2023). Through understanding the hidden and unmet needs of customers, disruptive innovation acts as an accelerator and encourages employees to challenge the existing norm and build a new order to optimize products and services (Rösel, 2016; Jönsson, 2017; Chemma, 2021; Chiffi, Moroni, & Zanetti, 2022). This form of innovation helps organizations emerge as leaders in their industry. Therefore, it is legitimate to argue that an innovation strategy should include both

continuous innovation and disruptive innovation to effectively help organizations predict changes better than their competitors.

**There is growing interest in the global marketplace in innovation. Organizations should always look for new innovations so that they can remain competitive. Many employees and leaders in organizations strongly believe in the power of an effective innovation strategy to better manage their organizational innovation, but by doing so, they feel that they may be usurped.**

**How to develop an innovative strategy remains a mystery. The critical findings of this research solve this problem and suggest that to develop an effective innovation strategy, a long-term approach, design thinking, continuous disruptive innovation, and incentive systems improvement must be the organizational mantra.**

**Keywords:** Innovation Strategy, Continuous Innovation, Disruptive Innovation, Long-Term Approach, Design Thinking, Incentive Systems.

The lesson in how organizations responded to the new climate created by the pandemic has taught many organizations in the world that change is always possible. Hence, many routine operations that have now become an integral part of many business processes can quickly become obsolete and be replaced by new operations. Adapting to and anticipating new changes in the business environment sooner than the competitors is tantamount to success (Etemad, 2014; Teece, 2014).

In this article, we present the characteristics of an effective innovation strategy and provide implications for organizations that want to be more effective at managing their organizational innovation. What we share comes from our qualitative research among more than 146 senior executives in the UAE branches of 11 innovative companies. The criteria for differentiating between these 11 innovative companies and other companies is the annual ranking of the “50 World’s Most Innovative Companies of 2022” of Boston Consulting Group (Krippendorff, 2022). Table 1 shows the number of senior executives interviewed by industry, interview style, and sampling strategies. The research findings from our two sampling strategies also demonstrate strong agreement across all industry sectors.

### Characteristics of an Effective Innovation Strategy

#### Characteristic #1: Adopting A Long-Term Approach

Our interviews with 146 senior executives in the UAE branches of 11 innovative companies show that they feel the same pressure to achieve short-term returns as many other organizations, but as a conceptual leader, the focus is usually on the long-term approach. This works, but while it is in the process, many competitors and rivals bid on taking over the organization (Deszczyński, 2021; Rožman et al., 2023). We interviewed research and development (R&D) managers who represented the top organizations in innovation in the world. These R&D managers mentioned that their organizations scored

high on a scale they created to assess their long-term vision. In fact, leaders showed that adopting a more long-term approach takes the pressure off and they felt more patient in getting results than their competitors that focus on quarterly results. For example, one R&D manager we interviewed mentioned that leaders are very patient in getting results and usually use a long-term approach in expressing their plan.

#### Characteristic #2: Developing Design Thinking

Our findings also show that innovative companies delve deep into the needs of customers to approach problems from a more human perspective. Herein, their solution is design thinking. Design thinking is a mindset built upon a framework of innovation and creation (Thienen et al., 2011; Gallanis, 2020; You, 2022). Human-centered thinking is based on the argument that instead of identifying the cause of problems, the problem can be solved in a completely creative way by working backward. For example, as a result of the 2008 financial crisis, design thinkers had to unwind the many high default risk bonds created as esoteric mortgage-backed securities back into traditional mortgages (Walker, 2014). In our interviews, an R&D manager noted that their company follows Tim Brown’s *Harvard Business Review* formula for design thinking. Brown (2008) based his *Harvard Business Review* article on four steps: clarification, idea generation, development, and implementation. These four steps include:

1. In the first step, research should be conducted in the organizations to discover the problems. In this step, experts should clearly identify the areas that suffer from the problem and inefficiency. This step is a goal-setting point to solve the problem. The problem should also be presented in such a way that it can be solved.
2. Second, organizations should look for new ideas and create new knowledge. In this step, human capital should be encouraged to produce ideas to solve this problem and put the organization on the right path to solving the problem.
3. Next, the most practical ideas are screened from non-practical ideas, and then the best idea

| Sampling Strategy | Interview Style | Number of Interviewees (Automotive) | Number of Interviewees (Mining) | Number of Interviewees (Educational Services) | Number of Interviewees (Finance) | Number of Interviewees (Construction) | Number of Interviewees (Accommodation and Food Services) |
|-------------------|-----------------|-------------------------------------|---------------------------------|---|----------------------------------|---------------------------------------|--|
| Opportunistic     | Unstructured    | 13                                  | 17                              | 21  | 11                               | 11                                    | 7  |
| Targeted          | Unstructured    | 9                                   | 18                              | 13  | 8                                | 6                                     | 12   |

is selected. This selection is the distinguishing point between innovation and creativity. In this step, the best idea is converted into action (i.e., innovation).

4. Finally, the best idea is selected and presented to the relevant departments to solve the problem and generate value.

### **Characteristic #3: Disruptive Innovation is Continuous**

The next important characteristic of innovation strategy in the companies we interviewed is the simultaneous focus on continuous and disruptive innovation. By simultaneously focusing on these two tenets there is a clarity of roles in the distributive innovative prowess of organizations (Kaplan, 2012; Malodia et al., 2019; Liboni et al., 2023). By collaborating among the various departments, the innovative process is reinforced, thus leading to continuous and disruptive innovation (Bjerke & Johansson, 2015; Vivona et al., 2023). The findings of this research indicate that employees and managers in the companies we interviewed perform their duties through extensive collaboration among departments. The key kernel here is that incentives for collaboration are provided in highly innovative firms. Many silos exist in less innovative firms because the culture does not promote collaboration (Serrat, 2017b; Lupova-Henry et al., 2021). Silos by themselves are not a bad thing, there just needs to be some form of connection channel between them to enable engagement across silos (Serrat, 2017c). Interestingly, we found that many of these innovative companies follow Clawson's formula for success. Clawson (1998), senior management consultant and author of *Level Three Leadership*, suggests that innovative quality development teams must really understand the concept of innovation, and they must have highly interactive meetings. In the companies we interviewed, program managers and the strength of individual leadership coupled with a successful hiring process seek out talent, effectively onboard them, and draw upon their skills when necessary.

### **Characteristic #4: Create Incentive Systems**

To be innovative, organizations must also design incentive systems that work. Rewards must be based on both individual achievements and innovative team accomplishments, and this is a creative incentive system (Aschenbrücker & Kretschmer, 2022; Homburg et al., 2023). Building a network of professionals is not enough. The senior executives at the innovative companies we interviewed demonstrated an understanding that employees need to be nurtured and motivated. The best way to do this is to provide incentives and remove silos and fiefdoms. One senior executive mentioned that incentive systems are used to acquire new ideas so that employees can more effectively participate in innovative activities. Intellectual capital can be built with a

strong foundation based on incentives and a culture that strives for innovation and creativity (Lovrich & Pierce, 2018; Le Chapelain, 2019; Roth, 2022). By adopting a long-term approach and being patient with results in the short term but also rewarding people accordingly, leaders in innovative companies anchor their organizations in a solid foundation for success (Errida & Lotfi, 2021).

## **Conclusions**

Given the nature of incentives, it is easy for organizations to get off track and find their company piled deep in inertia. Our analysis of innovative organizations shows they have instead embraced a continuous and disruptive innovation focus. Although the study was primarily designed to thoroughly look at the main aspects of innovation strategy in the UAE branches of innovative companies, there are kernels for all executives to learn from. The key here is that our findings highlight the potential of applying a long-term approach, continuous disruptive innovation, design thinking, and effective incentive systems. Today, organizations must reach a complete alignment from problem recognition to solution implementation. New ideas are tantamount to an organization's success. Fostering an effective innovation strategy to surpass competitors requires including the characteristics mentioned in this article in your strategy.

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## Where to Find Out More

This is a summary of an international management consulting project in the United Arab Emirates. The results of this research was also published in a book titled [Management Consulting's Black Box](#) Mostafa Sayyadi- [mostafasayyadi1@gmail.com](mailto:mostafasayyadi1@gmail.com), Michael J. Provitera- [MProvitera@barry.edu](mailto:MProvitera@barry.edu)

## Review

This article was accepted under the **constructive peer review** option. For further details, see the descriptions at:

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