

Book review



Innovation Management

P.K.Amed, C.D. Shepherd, Innovation Management, Prentice Hall, 2010

In this book, modern management is presented as oriented towards meeting the varied and specific customers' needs. In such circumstances, innovation is considered to be the very centre of the corporate growth and development and is perceived as the basic form of both vitality and competitive advantage. This voluminous, over five hundred page book begins with the elaborate description of the concepts of innovation and creativity, and proceeds with the chapters dealing with strategies, particularly technology development strategies and a broader context of strategic technology management. The portfolio management, the innovation process and product management are analysed in detail. The development of innovative organizational culture and leadership are viewed as a key factor of an organizational innovative strategy, and the issues of innovation in the global context are presented through a large number of examples of modern networks of research and development, their different configurations and structures. The concluding chapters deal with the structural process-

es of development leaning on the key organizational areas that are the leaders in development, with a special insight into the supply chain as a broader context that has an impact upon innovation. The knowledge and learning management are particularly important since their "essential goal is to develop key competences to support strategic goals". Five basic processes are paid special attention to: finding /identifying the existing knowledge, new knowledge creation, ensuring - acquisition of knowledge, storage and access to knowledge, implementation and usage of knowledge.

Conceptually, innovation is rather broadly interpreted and is related to most varied meanings. The authors quote some interpretations of innovation as creation or invention, innovation as diffusion and learning, discrete event, trajectory, incremental or radical change, the process on the level of the firm or the process in the regional or national contexts. Innovation adds value to the product or to the process. It may be external or internal, and the orga-

nization's capacity to adopt external innovation and knowledge is called the absorption capacity. New products and services are only part of the overall efforts made by the companies to make a difference and achieve competitive advantage.

In addition to the primary focus upon the firm, attention is also paid to the issues of national competitiveness, especially in terms of the firm's activities towards achieving competitive advantage and the competitiveness on the national, macro level. On the firm level, the term competitiveness means the firm's opportunity to improve profitability, market share and size. The traditional economics theory points to the typical competitiveness measures based upon the comparative costs of production. Competitiveness is achieved in that a certain output is produced at lower costs. This is achieved either by reducing the costs of the production factors or by increasing the factor productivity. On the micro level, the competitive advantage is claimed to equal competitiveness. The authors, however, point out that it is not the case on the macro, national level, as the usual competitiveness indicators here are expressed through the conditions of international trade. In this context, competitiveness is understood as the extent to which a nation can, in free and fair market conditions, produce goods and services that passed the controls of international markets and simultaneously sustain and increase the real income of its citizens. Thus the competitiveness of the national economy becomes a concept that develops and changes continually and in recent times it is simply explained as a method to improve the standard of living. (OECD, 1996).

The regional innovative clusters are viewed as areas in which innovation "swarm" and are therefore called innovation bee-hives or innovation sunspots, which is presented on the example of the Silicon Valley, California. The reasons for cluster formation are analysed through specific impacts and conditions characteristic of certain geographical areas, through transaction costs, the knowledge economy, competitiveness and trade.

The opportunities offered in certain regions as the reason for cluster forming represent a traditional explanation related to the arguments proposed by Schumpeter and presented as early as 1943, that innovation offers opportunities for entrepreneurs and that companies and individuals who decide to take the opportunity or innovation are attracted by the location, the site they lie at. The attractiveness of a certain business policy has a multiplying effect as that region begins to be recognized by innovation as well as by new opportunities.

The arguments related to transaction costs generally lean on the works of Coase (1937) and Williamson (1975) who maintained that local networks emerge and grow further in order that transaction costs should be reduced.

Explanations in the knowledge economy domain start from modern, evolution theories as well as from theories of trade. In the regions where knowledge and learning accumulate chances are bigger that innovation will result. Innovation and knowledge accumulation are interrelated and intertwined resulting into innovation chains or trajectories. According to Porter, the reasons for innovations to be created lie primarily in the domain of competitiveness. Porter claims that specific combinations of conditions are found within states, and they have a powerful impact upon the competitive strengths of the firms that are seated here. Explanations from the trade domain are related to Krugman who set a hypothesis (1991) that the comparative advantage of the highest-developed world economies is today lost to the economies of low wages and that today developed countries have to create absolute advantage based on innovative capacities and competences. The product and service innovation is focused upon meeting the needs of international consumers. Krugman claims that innovation is a key lever that ensures absolute advantage in trade, but innovation can be created only in the regions characterised by a high level of knowledge. Contrary to Porter, Krugman highlights the importance of international trade in defining the success or the failure of certain regions. Krugman's contribution is considerable when we talk of the demand-induced innovation.

The core of innovation is creativity and this is interpreted from different points of view. From the organizational point of view, creativity is defined as a capacity to consistently achieve different and valuable results. Related to creativity are the myths and wrong opinions that should be changed; they are often mirrored in the following sayings encountered in practice: "all we need is good ideas", "a good idea will appear by itself", "I will recognize a good idea when I see it", "we have just implemented an excellent idea and now we can take it easy and rest".

Creativity is perceived as a five-key-step process: preparation, innovation opportunity, divergence, incubation, convergence.

In their analysis of generic innovative strategies the authors list three basic types: product/market-oriented strategies, opportunity/risk-oriented strategies, and time (or activity)-based strategies. They are closely connected with technological development where innovation is introduced on each of the firm's levels and domains: in the product/service domain, in the process domain, in the domain of administration, or in strategic domains.

Special chapters are devoted to the technology management and the technology strategies. The best product, service or process technology is one that survives on the market, and the strategic management of technology determines the technology portfolio predicting and estimating future trends in development.

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