

INNOVATION AS A FACILITIES MANAGEMENT TOOL

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In recent years greater attention has been paid to improving the level of understanding the subject of innovation. Most work has concentrated on the numerous external and internal factors that are associated with generic innovation but more recently some attention has been paid to innovation in the management of multiple supplier contracts. The importance of understanding the concept of innovation is beginning to be realised as the flawed logic that innovation is inextricably linked to information technology (IT) solutions are exposed. This paper explores the concept of generic innovation and suggests that these concepts apply equally within the FM role driving its role as a dynamic business tool. The paper concludes that the role of innovation management in FM is not about producing innovative solutions but about the provision of a creative environment in which solutions can be conceived, developed and applied.

Keywords: Business, Contracts, Facilities, Innovation, Management

INTRODUCTION

The capacity for strategy innovation is within the capabilities of any organisation (Bate and Johnston 2005). Deconstructing the innovation process involves consideration of a chain of common and numerous internal complex processes providing function and support to sustain organisations and respond to change (Alexander et al 2004). Alexander et al (2004) further supports the perceived importance of innovation by stressing that the productivity of a worker is less frequently measured by how many “widgets” he or she produces but increasingly by how many successful ideas he or she conceives and implements. Over the past half a century a number of different models of innovation have emerged. The concept of innovation today is fundamental to corporate success. It is also commonly viewed as being key to business survival. In today’s rapidly changing business environment a company cannot long maintain its market share or profits unless it is innovative (Doyle and Bridgewater 1988). Naughton (2004) supports this view and confirms that the concepts upon which the modern theory of innovation is based can be attributed mainly to advances in technology, changing customer needs, shorter product life cycles and global competition which have transformed the definition of innovation from one of luxury to practical necessity.

Burgelman (1996) states that since World War II, innovation has been the norm; technology based innovations coming in rapid sequence, have been seen as the crucial

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source of prosperity, fundamental to business success and the remedy of all business problems. However, the solutions sought are not always and at all times advantageous. The criteria for success in the past cases should be applied to future outcomes. A lot of stress is given on the need to identify management criteria which effectively distinguish between profitable and unprofitable new technologies and that these criteria have utility in assessing innovation in a wide variety of cases.

There are various definitions of Innovation. *Johannessen (2001)* describes innovation as being more focused on novelty and newness. The European Commission Green Paper on innovation defines innovation rather broadly as a synonym for "...the successful production, assimilation and exploitation of novelty in the economic and social spheres" (*European commission 1995 as cited in Johannessen 2001*). Among the various descriptions of Innovation, it has also been defined to include any policy, structure method, process, product or any market opportunity that is perceived as new by the manager of an innovating unit. However, in all of these and many more definitions of innovation, which have been constructed, what still does not seem to be very well described is the concept and nature of the "newness" that is being talked about. There appears to be no definition of the term new, no detail of the temporal dimensions that apply and no information as to whom it all applies. Various descriptions suggest that innovation is about successful adoption of change and new ideas, to think differently, to move away from the conventional methodologies but are vague in what is adopted and what constitutes success (*Johannessen 2001*).

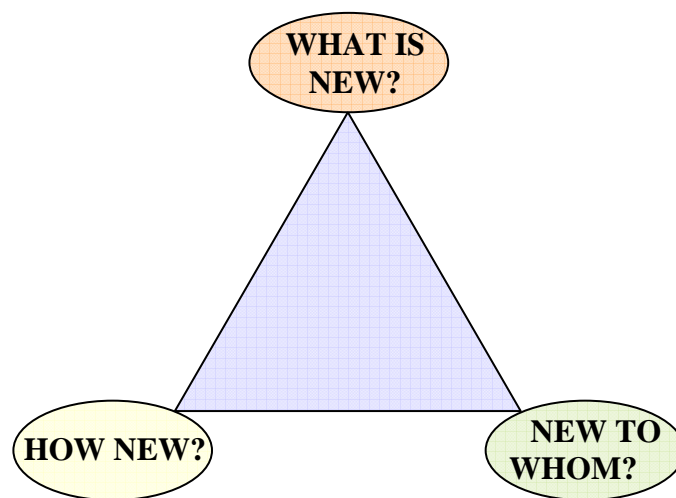


Figure 1: The nature of newness talked about in Innovation

Source: Johannessen (2001)

Change agents are transforming today's workplaces, allowing people in innovation leadership positions to take their seat at the table along with top managers (*Naughton 2004*). Innovation can therefore also be described as (*see figure 2*) the result of a complex set of processes, which also depends on the organisation's marketing ability, its strategy, the resources, networks and processes it builds, together with the culture and leadership in the firm (*Doyle and Bridgewater 1988*).

For an organisation which does not innovate or encourage its employees to work towards new product development, alterations and changes, the lesson is clear: innovate or fall behind, this is further confirmed by *Naughton (2004)* who highlights

that time has come to convert challenges into opportunities. *Doyle and Bridgewater (1988)* explain the importance of continuous innovation and change by explaining that if a company's product or services are not continually improved, competitive pressures invariably lead to falling prices, declining margins and the commoditization of its offer. *Doyle and Bridgewater (1988)* lay stress that innovation should be regarded as the critical path to achieving growth in sales and profitability.

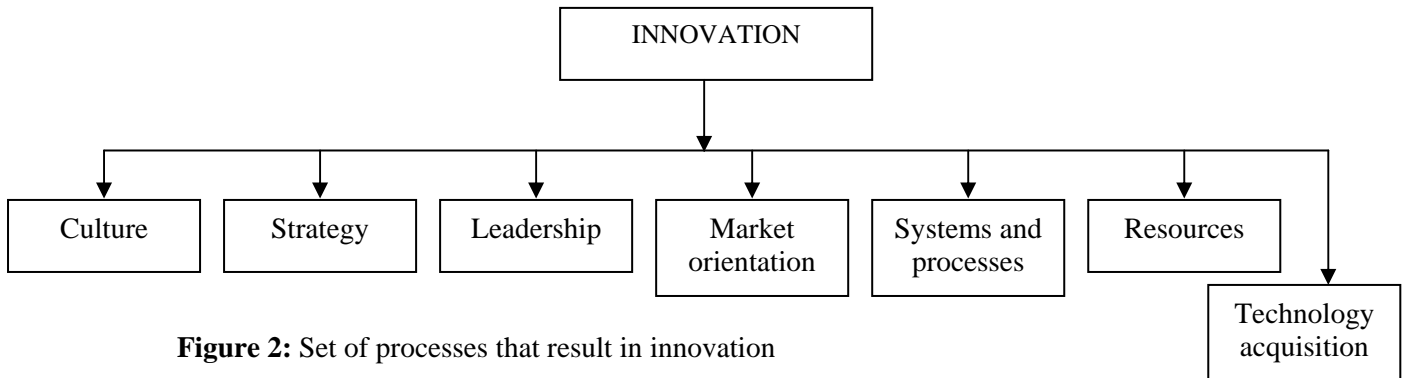


Figure 2: Set of processes that result in innovation

Source: Doyle and Bridgewater (1988)

THE MEASUREMENT OF INNOVATION SUCCESS

Burgelman (1996) stresses that the determinants of success can be found both in technology and the business context and enlists various factors that should be taken into account while assessing innovation success;

- There must be an application for the new device, product or system, which is waiting for it.
- Consideration must be given to the operational consequences of the new technology or system on the manufacturing marketing or distribution.
- The extremity of market dynamics is given high importances, which according to *Burgelman (1996)* are often highly complex in nature and extremely important too. Criteria with relation to market dynamics is based upon three questions which are;

- 1) Does the product incorporating new technology provide enhanced effectiveness in the market place serving the final user?
- 2) Does the operation reduce the cost of delivering the product or service?
- 3) Does latent demand expansion or price elasticity expansion determine the characteristics of new market?

Table 1: Types of Innovation

Source: Trott (2005)

Type of innovation	Example
Product innovation	The development of a new or improved product
Process innovation	The development of a manufacturing process
Organisational innovation	A new venture division; a new internal communication system; introduction of new accounting procedure
Management innovation	Total quality management (TQM) systems, Business process re-engineering (BPR)
Production innovation	Quality circle; just-in-time (JIT) manufacturing system; new production planning software
Commercial / marketing innovation	New financing arrangements; new sales approach
Service innovation	Internet based financial services

THE PROCESS OF INNOVATION

Rapid innovation requires an effective process. “ The process of innovative search and selection, exploration of the cycles of divergent thinking and convergence (*Leonard and Sensiper 1998*). Innovation according to *Kotelnikov and Ten3 East-West (2005)* is the key driver to advantage, growth and profitability.

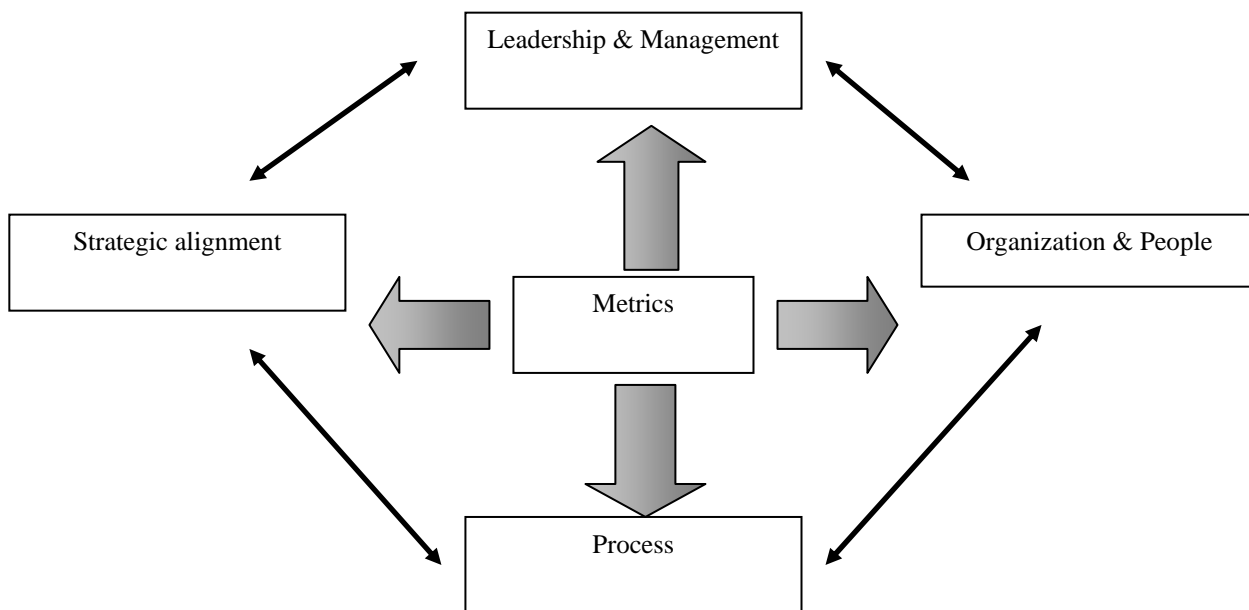


Figure 3: Corporate Innovation System and its Core Elements

Source: Meyer as cited in Kotelnikov and Ten3 East-West (2005)

The mechanism of innovation and change as defined by *Naughton (2004)* is a systematic process that should be aligned with business strategy and eventually grows out of the core strengths of the organisation. From the largest public corporation to the

smallest private company, the requirements for successful innovation are the same (Naughton 2004);

1. *Leadership with vision*: The most innovative organisations are run by leaders who not only see the possibilities of the future but who know how to communicate that vision to their employees.
2. *Deeply rooted values*: An organisation's values provide the foundation for its strategy and strategy provides the road map to innovation.
3. *Inclusive culture*: The most innovative cultures empower employees, welcome ideas, celebrate success and tolerate risk.
4. *Focus on the customer*: The secret of value-added innovation is to put the customer at the centre of everything. Naughton (2004) accentuates that the ultimate power in the business lies with the customers. Understanding the customer's needs and creating an organisation that successfully delivers a product or service that meets the need is something that the successful business person never loses sight of.
5. *Open communication*: Innovation thrives with the free flow of information from the top to the bottom and vice versa.
6. *Collaboration*: The best innovation comes from interaction and the power of teamwork that makes the whole greater than the sum of its parts.

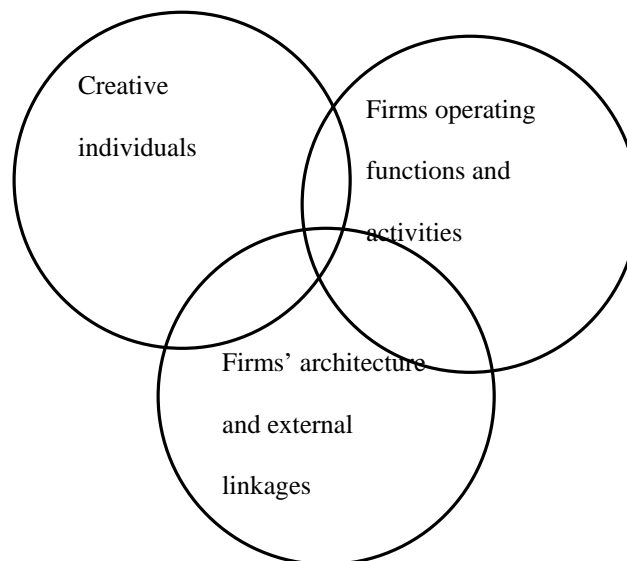


Figure 4: Overview of the Innovation Process

Source: Trott (2005)

It is not always necessary that innovation or innovative ideas come out of a few brilliant people; it is all about getting the most out of many people working in the organisation. Hence, it's imperative to encourage each and every member of the company to put in their ideas, to never stop encouraging employees to innovate and equip them with appropriate tools to think more creatively. These continuous changes in the state of knowledge produce new disequilibrium situations and therefore new profit opportunities or "gaps" (Jacobson 1992 as cited in Johannessen 2001). Technology amelioration and progressions, increasing changes in nature of customer

demands and the much talked about global competition have also contributed to a large extent in the 'rate of change'. Recent studies done by *Hamel and Prahalad (1994) as cited in Trott (2005)* suggest that listening to customer could lead to technological innovation and play an instrumental role in long-term business success. *Hamel and Prahalad (1994)* accentuate that to be successful in industries characterised by technological change and in order to exist in the competitive environment, firms may also be required to pursue innovations that are not actually required by their customers.

INNOVATION PERFORMANCE

Christiansen (2000) while explaining various factors that affect innovation performance states that the fact that there exist many factors which influence innovation makes the process of innovation and the goal to improve it a complex task in itself. If the management team wants to manage a revolutionary transformation, they have to go through various changes which are all not possible to make all at once. These require extensive training or other preparations to be able to execute some of the changes at all (*Christiansen 2000*).

Innovation performance and techniques of any company or organisation can be improved, if the company is open to change and can adapt easily. This is however, only possible if the senior management allows the changes to happen and are equally receptive. (*Christiansen 2000*) explains that for any organisation or management team to carry out a change programme it is imperative for it to follow certain principles. This may include making simple changes at first and taking advantage of the expertise outsiders can provide to accelerate the change process. Once the larger management team begins to recognize the importance of innovation, more complex changes will become possible and the company will be well on its way to an improved performance.

One of the most important facets of innovation is that the process and system of innovation also differs across industries and across companies within industries. (*Christiansen 2000*) explains the theory by giving an example of a pharmaceutical company, whose innovation problem may not be same as that for an industrial product manufacturer, similarly the innovation problems faced by a company that wants to diversify, is not the same as that of a company wanting to focus on one or two products.

Burgelman (1996) states that it is useful to differentiate between the innovative capabilities at a business unit level and at a corporate level, this will enable in better understanding of these comprehensive set of characteristics of an organisation that facilitate and support in its innovation strategies. Further elaborating on the two levels, *Burgelman (1996)* explains that a business unit is a unit for which a particular strategy and resource commitment posture can be defined because it has a distinct set of product markets, competitors and resources, whereas the corporate level deals with a number of business units therefore it is imperative to identify the critical variables that influence both the relationships between corporate level and business unit level in terms of innovative capabilities and the formulation of overall corporate innovative strategy.

Five important categories of variables influence the innovation strategies of a business unit (*Burgelman 1996*):

- Resource available for innovative activities

- Capacity to understand competitor strategies and industry evolution with respect to innovation
- Capacity to understand technological developments relevant to business unit
- Structural and cultural context of the business unit affecting entrepreneurial behaviour
- Strategic management capacity to deal with entrepreneurial initiatives

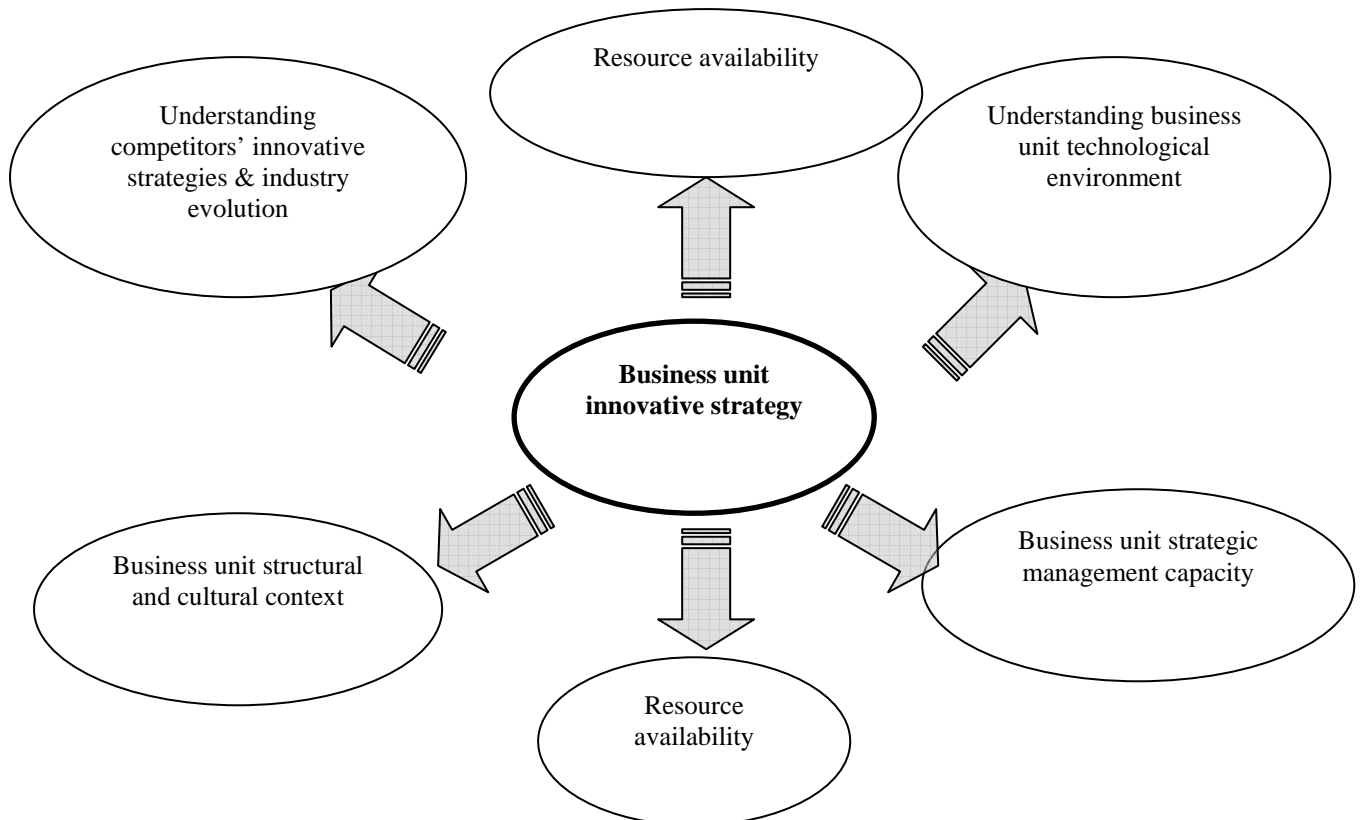


Figure 5 : Innovative capabilities at a business unit level
 Source: *Burgelman (1996)*

Johannessen et al (2001) state that during the last decade, substantial amount of interest has been shown in the field of innovation as a means to create and maintain sustainable competitive advantages both in the popular press and academics. Considered as a key element to entrepreneurship, innovation can also be easily stated as fundamental to business success (Nonaka and Takeuchi 1995 as cited in Johannessen, 2001). Organizational theorists and managers alike have long shown more of an interest in the role of innovation in organisations; primarily because of the crucial role innovation plays in securing sustained competitive advantage (Porter 1980 as cited in Cooper 1998). Porter (1980) also accentuates that the willingness of any organisation to innovate, develop and adapt new products, processes, techniques or procedures, however this process becomes further complicated as the firm/organisation seeks to innovate, other organisations compete directly or indirectly by engaging in innovation themselves (Simon 1997 as cited in Cooper 1998) largely

depends on the amount of distance they seek to create from their competitors. However, it is imperative for any organisation, which wants to succeed, to innovate continuously and not treat it as a one-time event. In this context Cooper (1998) explains that the concurrent nature of innovation is a key driver in the pursuit of competitive advantage because managers must do more than develop, implement or approve innovations; they must serve as the architects of the innovation imperative.

Why innovate?

D'Aveni (1994) stresses that companies today should focus more and even harder on being innovative especially because of the unending and increasing stream of knowledge that keeps the marketplaces in incessant motion. Innovation today should be treated by all organisations as highly critical and vitally important for most firms to embrace in order to create and sustain a competitive advantage. The pivotal role of innovation to entrepreneurship and business success within the increasingly knowledge based and hyper competitive environments has made it even more necessary for all to understand and adapt innovation (*Johannessen 2001*).

Time has come when it is essential for the established companies to prepare themselves for a future that brings with it immense competition. Organisations should be ready to face market pressures, which will make the pressures of the 1980s and 1990s look tame by comparison. It is here that organisations need to realise how powerful forces are aggregating once-distinct product and geographic markets, enhancing market-clearing efficiency, and increasing specialization in the supply chain. They should respond by adopting a new approach to strategy—one that combines speed, openness, flexibility, and forward-focused thinking. It is an era of new opportunities and regeneration especially for executives who realise the importance of change and innovation, for mature companies, which acknowledge that the time for slow change is over and it is important to accept changes in their own best interest.

To survive it is essential that companies must be able to adapt and evolve. Businesses operate with the knowledge that their competitors will inevitably come to the market with a product that changes the basis of competition, the ability to change and adapt is fundamental to survival (*Trott 2005*).

Models of innovation

Cooper (1998) in his multidimensional model of innovation suggests that innovations are not so much either/or, but that a given innovation possesses the characteristics of various types at the same time, this is also a more reasonable and justifiable approach towards innovation than what it has been in the past few years. *Cooper's (1998)* model proposes that all the dimensions and facets to innovation are important but only if they co-relate in total and to the other dimension that exist for a given innovation

The activity of innovation can be further sub-divided into six different categories these are (*Johannessen 2001*):

- New products
- New services
- New methods of production
- Opening new markets

- New sources of supply
- New ways of organising

When a firm adopts a new technique for assembling a given product, it has a technological dimension, since it directly influences the basic output processes of the organisation (*Daft 1978 as cited in Cooper 1998*). The same innovation also constitutes a process innovation, since the firm uses this technique in production of an end product (*Zaltnam et al 1973 as cited in Cooper 1998*). This innovation must also be assessed in terms of radical/incremental dimensions based on the extent to which it departs from existing techniques within the firm (*Ettlie et al 1984 as cited in Cooper 1998*).

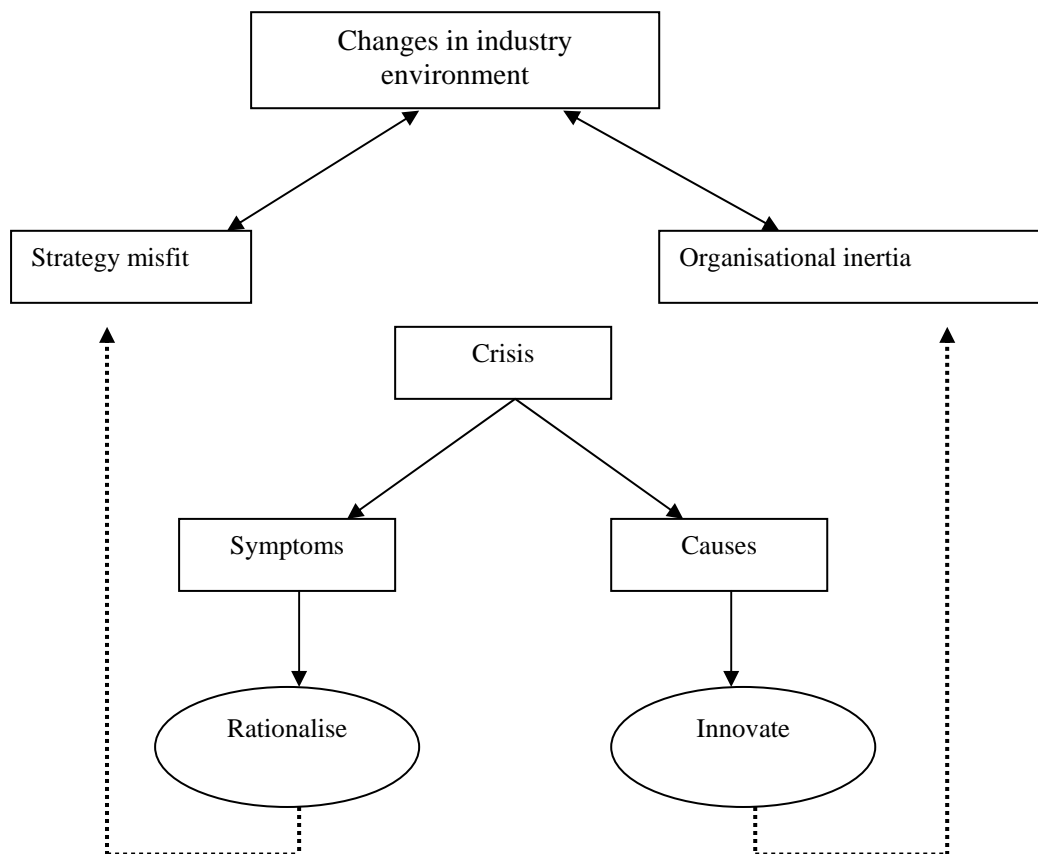


Figure 6: Symptoms and causes of failure

Source: Doyle and Bridgewater (1988)

CONCLUSION

Innovation is something more than a mere change (*Slappendel 1996 as cited in Johannessen 2001*). The vast amount of literature that addresses the increasing significance of innovation as an important entrepreneurship tool has till date not been able to yield a widely held consensus regarding how to define innovation. Johannessen (2001) supports by stating that organisation, in addition to a good working definition also lack in their knowledge of beneficial methods of innovation. Kotabe and Swan (1995) acknowledge that one of the greatest obstacles to understanding innovation is lack of a meaningful structure and measures, which

impede the theory development process making it hard to advocate applicable and relevant interventions for firms seeking to pursue innovations and changes. (Christiansen 2000) conclude that innovation systems and procedures can be improved if the managers running them carefully identify the systems and practices that are not operating optimally and proceed to change step by step. The wishful thinking of having immediate results and no failures hamper the want to innovate and change. It is essential for the managers wanting to improve innovation performance to not just blindly apply the first technique that they encounter or think to be as a change/innovation, or methods, which have been successfully adopted by their competitors. Important is to determine whether those innovative techniques or methods are appropriate for their own company or organisation or not. The success of an innovation, therefore, is determined more by the extent of its adoption than by what / who originates it or how technologically advanced it is, what makes it innovative is its newness (Johannessen 2001).

Innovation in FM

Innovation in FM can occur in an in-house or outsourced operational context. The most likely environment where innovative FM solutions will thrive is one of competition. This is one of the principal advantages of the outsourced FM solution. *D'Aveni (1994)* stresses that companies today should focus more and even harder on being innovative especially because of the unending and increasing stream of knowledge that keeps the marketplaces in incessant motion. Innovation today should be treated by all organisations as highly critical and vitally important for most firms to embrace in order to create and sustain a competitive advantage. In FM service providers need to be in a process of continual innovation and improvement in order to meet the demands of the client or client group. Hence competition within the FM field may be defined as originating within the aspirations of the client group. It is passed on as a demand through the aspirations of the client. The pivotal role of innovation to entrepreneurship and business success within the increasingly knowledge based and hyper competitive environments has made it even more necessary for all to understand and adapt innovation (*Johannessen 2001*).

It is essential for the established supplier companies to prepare themselves for a future that brings with it immense competition. Organisations must be ready to face market pressures, which will make the pressures of the 1980s and 1990s look tame by comparison. It is here that organisations need to realise how powerful forces are aggregating once-distinct product and geographic markets, enhancing market-clearing efficiency, and increasing specialization in the supply chain. They should respond by adopting a new approach to strategy—one that combines speed, openness, flexibility, and forward-focused thinking. It is an era of new opportunities and regeneration especially for executives who realise the importance of change and innovation, for mature companies, which acknowledge that the time for slow change is over and it is important to accept changes in their own best interest.

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