A HOLISTIC CONCEPTUAL MODEL FOR MANAGING INNOVATION

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Research has ranked innovation as one of the key sources of organizational competitiveness for many years now. However, deficiencies still remain in the conceptualization of innovation. This paper presents a new and holistic model of innovation. The conceptual model attempts to move from partially capturing innovation to encapsulating its multidimensionality. It takes into account the fact that innovation can be distributed across many actors, has socioeconomic and political influences, and is affected by practices in each organizational discipline. The model is built on heuristic concepts of systems theory, diffusion theory and strategic management. The model is built to facilitate examination of particular contexts within which innovation can flourish by capturing as many contributing factors as the extant literature suggests using grounded theory techniques. The factors included in the model cover the internal organizational context, the strategic resources, and the wider external environment of the organization. This enriched way of conceptualizing innovation can be used in the facilitation of self-audit activities, helping organizations to recognize suboptimal practice as well as continuous transformation towards effective and efficient innovation. The model can be applied in the construction industry that is considered as the lynchpin of development in achieving wealth and quality of life in every economy.

Keywords: holistic approach, innovation.

INTRODUCTION

The management of innovation has evolved over time and an understanding of innovation models can be achieved through examining the evolutionary stages of research in this area. A holistic approach in conceptualizing innovation provides the opportunity to understand and manage innovation more effectively within specific contexts.

Evolution of research on innovation

Interest in innovation research can be seen to have started in the 1950s when new industries emerged and industrial activity expanded (Niosi 1999 and Rothwell 1994). This new technological intensive era of research known as the “technology push” period was dominated by focusing on Research and Development (R&D) and the continuous production of new products for the market, while paying little attention to the market’s real needs (Tidd 2006). Conceptual models in innovation research during this period have depicted innovation as technologically driven (technology

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push models). These models limit innovation management to the organizations’
ability to invest in R&D activities that lead to radical changes and disregard
incremental changes.

In the mid 1960s, the market revealed the need to approach innovation differently and
reallocated the interest from the creation of new products to identifying the market
‘need’. Increased competition in the market’s environment changed the focus from
increasing productivity to strategic marketing. This so-called “marketing pull” period
was characterized by marketing pull models that focussed on market driven R&D
activity and led to incremental changes in products or processes to meet customer
requirements (Tidd 2006).

In the early 1970s, constrained resources enforced minimization of cost (Rothwell
1994) and a radically different way of managing the innovation process was
introduced (Niosi 1999 and Rothwell 1994). This so-called “coupling elements”
period focused on the interaction of R&D and marketing strategies to yield more
commercially successful results. This research period showed that innovation could
be better managed by increasing competency on many elements and activities, paying
attention to the interaction of the different elements and the feedback loops between
them (Rothwell 1994). However, the multidimensional approaches to innovation
management tended to consider organizations as independent entities and did not
account for the interactions with the external environment and its financial stability
that could directly influence the innovation potential of organizations as recently seen
after the 2008 global economic crisis.

In the early 1980s until the early 1990s, innovation research was characterized by
increased focus on strategic alliances and networking activity between companies
(Rothwell 1994). Performance and market share were related with speed in
development. The Japanese ‘Just In Time’ model introduced parallel development
and integration of activities and it was seen as enabling a more rapid and efficient
innovation process. However, this goal-oriented model has been considered to be
restrictive because it minimizes the importance of managing unexpected changes,
which could also include other opportunities for exploitation.

The current generation of innovation research is identified to have started in the early
1990s and is dominated by focusing on the elements identified in the previous
generations such as strategic networking, time-based strategies, better integration of
product design and manufacturing, organizational flexibility and adaptability
(Rothwell 1994). Attention now is also given to the linkages with the globalized
market environment and the world economy directly affecting innovation in
organizations. In this period, some conceptual models of innovation management
depict innovation as new product development only – they disregard the linkages with
the process of innovation and are therefore considered to be partial models. Other
models associate innovation competences with capabilities of human resources in
R&D teams only, thereby, reducing the capacity of organizations to benefit from all
employees’ creativity (Tidd 2006).

**Research problem**
The exploration of the evolution of research in innovation management and
innovation models reveals the tendency of approaching the management of innovation
in a limited way as a result of partially encapsulating important factors (Tidd 2006).
However, organizations are complex systems of interrelated disciplines and processes
and innovation is an improvement process that needs to be facilitated by changes in
other business processes (Askarany and Smith 2008). In the context of the ‘holism’ of the systems approach, organizations as ‘wholes’ need to manage innovation by focusing on all the different disciplines examined in relation with their environments which have direct influence and interdependence (Jackson 1991).

Furthermore any incremental improvements resulting from the innovation process need to be diffused throughout the organization system and challenge other possible elements that interact with the initial incremental improvements. The successful management of innovation is thus supported by the diffusion process. In order to capture the diffusion process and the factors that can impact the acceleration of diffusing any incremental improvements in an organization, it is important to gain understanding on whether organizations are making the most out of what is impacting the innovation process (Hivner, Hopkins, and Hopkins 2003). Diffusion theory suggests that there are contextually-dependent factors such as organizational size, organizational structure, organizational culture, organizational strategy, and other influential factors related to environment that can affect the diffusion of innovations (Askarany, 2005; Askarany and Smith 2008 and Rogers 2003). Therefore, there is an opportunity to encapsulate factors that other models in the literature suggest into one single model that can combine the dynamics of the external ecosystem of organizations with the organizational internal strategic competences in order to deliver innovation.

This paper, presents a new holistic model of innovation that can be used to capture and manage the totality of innovation in a given context. The model is based on the philosophical context of experiential realism.

The philosophical context
The realist approach in simple terms is described thus: “the outcome of an action follows from the mechanisms acting in particular contexts” (Robson 2002: p. 31). On the basis of the realist approach, innovation can be seen to result from a mechanism powered by factors playing a key role in innovation and the particular conditions that pertain to each factor, acting in specific context. The approach is illustrated in Figure 1. The figure is based on the representation of realists’ explanation proposed by Robson (2002) and adapted for the concept of innovation employed in the research from which this paper emanates.

![Figure 1: The concept of innovation in a relativist’s context](image)

The mechanism is composed of all factors facilitating innovation and the particular conditions that apply to each factor explaining the causality of innovation. Conditions reflect the current practices of the organization with respect to each factor or the specific features of contextually-dependent factors. The context involves the different
environmental settings (e.g. country or sector) within which different innovation levels can be observed. The composition of different factors and the variability on the respective conditions explain that more than one mechanism can have causal changes to the outcome. Realizing the factors and the relevant conditions that have an effect on innovation can increase understanding on how innovation can emerge and be managed. This understanding can be used to manipulate the mechanism and optimize the outcome by applying changes to the factors and/or conditions depending on the context.

**Aim of the paper**

Building on the realist explanation and in developing such a holistic model, the management of innovation can be said to involve the following stages.

- Stage 1: Identification of the mechanism for the context under study.
- Stage 1.1: Identification of factors explaining the causality of innovation.
- Stage 1.2: Identification of the conditions that pertain to the identified factors.
- Stage 2: Identification of the impact of the mechanism on the level of innovation; and
- Stage 3: Determination of changes to the mechanism required in order to increase efficiency and effectiveness and achieve desired levels of innovation.

The above stages are the subject of an on-going research project. However, the aim of this paper is to present the work done and results realized in Stage 1.1.

**METHOD OF IDENTIFYING FACTORS CONTRIBUTING TO INNOVATION**

In order to identify the factors that contribute to innovation, extant literature was explored using principles of grounded theory. Grounded theory techniques such as extant texts analysis, coding and category building were used to identify the factors that contribute to innovation (Charmaz 2007). Extant texts identified in the literature related to innovation, innovation theories, and organizational innovation practices were used as a preliminary source of data in order to inform the framework of arguments. The texts were used as objects of analytic scrutiny and not evidence (Charmaz 2007). Coding was used to create the ‘bones’ of the analysis, which integrated with the theoretical constructs and formed the ‘skeleton’ of the research (Charmaz 2007). The coding process included naming segments of data in the extant texts followed by focusing on the most significant and frequent concepts of innovation to sort and synthesize them into theoretical categories emerging from the data. Theoretical sensitivity was addressed by comparing the emerging categories with theoretical notions, definitions and categories from grand theories such as the systems theory (Askarany and Smith 2008), diffusion theory (Askarany 2005; Askarany and Smith 2008; Rogers 2003) and resource-based theory (Kristandl and Bontis 2007). The notions of systems theory and diffusion theory informed the approach of conceptualizing the totality of factors addressing each and every discipline of the organization system. The resource based view (RBV) contributions to organizational performance have been relevant to different fields of study including human resource management (Wright, Dunford, and Snell 2001), economics and finance, entrepreneurship, and marketing and internationalization of business (Barney, Wright, Ketchen, and David 2001). The resource-based approach argument that sustainable
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competitive advantage and the ability to change are directly influenced by the strategic resources of the organization has informed the identification of the categories.

Categories emerged from research material rather than concentrating effort on preconceived concepts and terms, which poses the danger of forcing exception of important theoretical knowledge (Bryant and Charmaz 2007). The analysis of the literature has reached a point of saturation, meaning that the research on the factors stopped at the point where the categories revealed, started to repeat and further extant texts examined did not contribute any new factors or reveal any new categories.

RESULTS

The process of saturation in exploring the literature revealed that other research in the field can be classified in three key areas: research on innovation related to the internal environment of organizations; research on strategic resources that facilitate innovation to occur; and research on innovation related to the external environment in which organizations operate. The main categories that emerged in each key area and the factors within each category that are relevant to innovation are shown in Table 1.

Table 1: Categories and factors that emerged in the key areas of research on innovation

<table>
<thead>
<tr>
<th>Key Area</th>
<th>Categories</th>
<th>Factors</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Internal environment</strong></td>
<td><strong>Culture</strong></td>
<td>• Technology</td>
<td>Sexton &amp; Burrol 2004</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Leadership style</td>
<td>Day 2001; Carneiro 2008; Oshagbemi &amp; Ocholi 2006</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Ownership type</td>
<td>Dainty, Green, &amp; Bugilbo 2007</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Collaborations</td>
<td>Love, Reper, &amp; Du 2009</td>
</tr>
<tr>
<td>Structural Constructs</td>
<td>• Hierarchy</td>
<td>• Number of people reporting to a manager</td>
<td>Langford &amp; Male 2001; Keegan &amp; Turner 2002</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Organisational relationships</td>
<td>Finlay 2000; Langford &amp; Male 2001</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Organisational size</td>
<td>Thompson 2003; Egbe 2004</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Sheler &amp; Franken 2005</td>
</tr>
<tr>
<td>Strategy- Policy</td>
<td>• Strategy</td>
<td></td>
<td>Thompson 2003; Gelderen, Frise, &amp; Thurik 2000; Faulknor &amp; Campbell 2006; Porter 1985</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Policy</td>
<td>Faulknor &amp; Campbell 2006; Koons &amp; O'Donnell 1968</td>
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<tr>
<td></td>
<td></td>
<td>• Organisational learning systems</td>
<td>Thompson 2003; Ortenblad 2004</td>
</tr>
<tr>
<td>Strategic resources</td>
<td>Marketing strategy</td>
<td>• Promotion of products/services</td>
<td>Smyth 2000; Koler 2003</td>
</tr>
<tr>
<td>of organisations</td>
<td></td>
<td>• Intellectual property rights</td>
<td>Anderson 2005</td>
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<td></td>
<td></td>
<td>• Sales management</td>
<td>Smyth 2000; Gillen 2005</td>
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<tr>
<td></td>
<td></td>
<td>• Market information availability</td>
<td>Smyth 2000; Mintzerberg 1979; Tang 1998;  Vinding 2006; Greco 2008</td>
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<tr>
<td>Finance</td>
<td></td>
<td>• Capital structure</td>
<td>Acs 2002</td>
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<tr>
<td></td>
<td></td>
<td>• Financial management</td>
<td>Silverstein, Samuel, &amp; DeCarlo 2009</td>
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<tr>
<td></td>
<td></td>
<td>• R&amp;D spending</td>
<td>Vinding 2006; Dale 2007</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Financiers attitude</td>
<td>Kumaraswamy, Ng, Ugwu, Palacioswaran, &amp; Rahman 2004; O'Sullivan 2005; Kumaraswamy, Ng, Ugwu, Palacioswaran, &amp; Rahman 2004</td>
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<tr>
<td>Systems-Processes-Knowledge</td>
<td>• Process integration</td>
<td></td>
<td>Valle &amp; Vazquez-Buscel 2009; Beretti; Vandenbosch, &amp; Aubert 2009; Rajagopal 2002</td>
</tr>
<tr>
<td>management</td>
<td>• Quality control</td>
<td></td>
<td>Brown, Laming, Bessant, &amp; Jones 2000</td>
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<td></td>
<td>• Knowledge management</td>
<td></td>
<td>Chang &amp; Lee 2008</td>
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The mechanism is thus explained as the orchestration of the factors in Table 1 and the respective conditions. This can be illustrated by integrating Figure 1 and Table 1 as shown in Figure 2.

Figure 2: Categories and factors identified integrated in the conceptual model

Figure 2 is a partial depiction of the mechanism, as it does not provide the specific condition on each factor. A mechanism can only be fully described once
measurements have been obtained on each factor for a given context. As indicated previously, consideration of the conditions on each factor is beyond the scope of this paper. However, it is worth noting that the model has successfully been used to identify a full mechanism for the construction industry in the UK.

CONCLUSIONS

Innovation research over the last six decades has had changing foci; however, it still remains fragmentary. 21st century research in innovation requires a holistic and integrated approach in order to better understand the mechanism that facilitates innovation to occur.

The research from which this paper is derived contributes in this effort using grounded theory approaches of extant texts analysis, coding and category building. The categories emerging from the research in innovation-related factors started with heuristic concepts from grand theories and proceeded to the construction of categories and propositions with growing empirical content from innovation practices. The grand theories notions of ‘diffusion’ and ‘systems’ are complementary to the philosophical approach of the realist explanation contributing to identifying the factors that impact on the innovation process.

The conceptual model developed depicts a holistic approach and presents a multidimensionality of factors that can impact innovation in organizations. It introduces a period of innovation research in which contextual issues play a leading role.

The conceptual model can be used in different contexts (e.g. countries, sectors, organizations, etc.), thus, providing customized description and analysis of innovation practice. Such specific description and analysis can facilitate customized self-evaluation of status, and transformation, of innovation practice.

REFERENCES


