



Understanding innovation

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Abstract While innovation has become a pervasive term, many of today's organizations still find innovation elusive. One reason may be that much of what is being said about innovation contributes to misunderstanding. To truly manifest innovation and reap its benefits, one must recognize that innovation is three different things: innovation is an outcome, innovation is a process, and innovation is a mindset. Innovation as an outcome emphasizes what output is sought, including product innovation, process innovation, marketing innovation, business model innovation, supply chain innovation, and organizational innovation. Innovation as a process attends to the way in which innovation should be organized so that outcomes can come to fruition; this includes an overall innovation process and a new product development process. Innovation as a mindset addresses the internalization of innovation by individual members of the organization where innovation is instilled and ingrained along with the creation of a supportive organizational culture that allows innovation to flourish. Such an understanding defines necessary elements, considerations, and vernacular surrounding the term so that better decisions can be made, thereby enabling innovation and having a greater propensity to succeed.

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1. The ubiquity of innovation

Innovation is everywhere today. Organizations are including the term innovation in their vision, mission, and objective statements. Politicians regularly mention the term innovation in speeches. The position of chief innovation officer is becoming more commonplace. And centers for innovation are popping up on university campuses. Though such pervasiveness has garnered attention, it has resulted in innovation being called the most impor-

tant and overused word in America (O'Bryan, 2013). It also has resulted in a misunderstanding of what innovation means, leading to incorrect decision making by individuals and organizations and representing a potential reason for why a number of companies find innovation elusive (Kuratko, Covin, & Hornsby, 2014).

One common misunderstanding is the belief held by some individuals and organizations that an innovation must be something completely new and radical in nature; minor incremental innovation does not count. There is a problem with this belief, as radical innovation is very challenging, may require special resources, and reflects substantial risk—

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certainly more risk than incremental innovation. Incremental innovation, alongside radical innovation, balances the innovation effort by allowing small wins in pursuit of big wins. Successful organizations understand that innovation falls along a continuum, ranging from minor incremental changes to major radical innovations; innovation is not a binary phenomenon.

Another common misunderstanding is the tendency by some individuals and organizations to casually use the terms innovative and innovativeness as synonyms of innovation. They are not. Innovative is an adjective whereas innovation is a noun. Innovativeness is a noun but describes the capability and capacity for innovation. The term innovation is defined in one of two ways: “(1) the introduction of something new, or (2) a new idea, method, or device” ([Merriam-Webster, 2017](#)).

Although similar, the two definitions for innovation represent important distinctions. The first definition presents innovation as an outcome. The second definition presents innovation as a process. Herein lies an important consideration for understanding innovation: Innovation should be thought of as both an outcome and process. Organizations defining innovation as only one of these will fall short in its pursuit. Those organizations focusing strictly on outcome will minimize process, leading to inefficiencies such as duplication of effort and resource overconsumption; those organizations preoccupied with process often create organization bureaucracies that make it too difficult to manifest outcomes. A balanced view encompassing outcome and process is crucial, with a third consideration necessary as well: mindset. This article emphasizes that understanding innovation requires thinking around outcome, process, and mindset. Each of these is discussed in the following sections.

2. Innovation as an outcome

Innovation as an outcome emphasizes output. The output typically associated with innovation is the introduction of new products and new services, which exemplifies what is termed product innovation. A keen understanding acknowledges that product innovation is one of several avenues for outcome opportunities. Though not an exhaustive list, innovation as an outcome includes:

- Product innovation;
- Process innovation;
- Marketing innovation;

- Business model innovation;
- Supply chain innovation; and
- Organizational innovation.

2.1. Product innovation

Product innovation pertains to market offerings such as new products, new services, or new programs. While denoted as product innovation, the terms ‘service’ or ‘program’ could be readily used instead. Because innovation ranges from incremental to radical offerings, different types of product innovation are possible. Seven types of product innovations are generally recognized:

1. *Cost reductions*: These represent a permanent change in price and do not normally have a dramatic change in the visual characteristics of a product. The aim of the cost reduction is to differentiate the product from competing products on price or ensure the product remains price competitive. For example, in 2010, Nintendo reduced the price of its Wii product, making it more affordable to marketplace consumers. The move attracted media attention and increased Nintendo market share in the video game sector ([Pepitone, 2009](#)).
2. *Product improvements*: Enhancements that improve form or function. A product improvement will replace the original product so the original product will no longer be available to customers. Product improvements often represent those offerings labeled as ‘new and improved’ or ‘better.’ For example, a new and improved laundry detergent that is now ‘even better than before’ is characteristic of a product improvement. Product improvements also include packaging changes, assuming the core product the customer is buying does not change.
3. *Line extensions*: New features/options added to an existing offering, which provide unique benefits and functionality that the original product or current set of product offerings does not have. For example, adding offerings alongside an original cavity-fighting toothpaste product such as gel toothpaste, tartar control toothpaste, and whitening toothpaste deepens the toothpaste product line and is indicative of a line extension. The key distinction between a product improvement and a line extension is that when the line extension is introduced, the original product still can be acquired by the customer.

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