

# minib26

marketing of scientific  
and research organizations  
no. 4(26)/2017



research  
for future



eISSN 2353-8414  
pISSN 2353-8503  
december 2017



# **STRATEGIC ASPECTS OF INNOVATION MANAGEMENT**

## STRATEGIC ASPECTS OF INNOVATION MANAGEMENT

**Jerzy Baruk, Ph.D. Eng.**

Maria Curie-Skłodowska University in Lublin,  
Faculty of Economics, Institute of Management

jerzy.baruk@poczta.onet.pl

DOI: 10.14611/minib.26.12.2017.12



### Summary

Innovations are treated as a major factor in the development of organizations, regions and entire economies. In practice, the innovativeness of business entities is limited by many factors of internal and external origin. Internal factors include, among other things, the management factors, the concentration of managers' attention on current issues, the limited use of modern management methods, especially strategic management and innovation management.

In this publication emphasis is put on the discuss of the essence of the strategic approach to innovation management; the essence of strategic innovations and their role in organizational development. Three model solutions have also been proposed, facilitating: rationalization of decision-making processes in the selection of innovation activity strategies; making rational decisions regarding the timing of implementing strategic and improvement innovations; making rational decisions based on the cycle of strategic innovation in horizontal and vertical arrangement.

The purpose of the publication is to propose a strategic approach to innovation management, based not on an intuitive approach, but on a rational approach, using selected model solutions.

**Keywords: innovation, manager, organization, strategy, management, strategic management**



## Introduction

The economic system of each country consists of a big and dynamically changing number of industrial, service and regulatory organizations differing in terms of goals and resources necessary to achieve these goals. Each of such organizations functions in a particular external environment consisting of the general environment forming the general context for the operations of the organization in: economic, technical, social-cultural, political-legal and international dimension and of the task-oriented environment covering particular organizations, or groups: rivals, clients, suppliers, strategic allies, regulators, which have a direct impact on the organization (Griffin, 2007, p. 75–87). The managers of contemporary organizations are supposed to be aware of the existence of this environment, its complexity and ambiguity, its influence on the organization and the effects resulting from this influence. Thus, managers should take measures aimed at preserving the balance between the organization and its environment, they should monitor all elements of the environment, paying particular attention to the elements which are most important for the functioning and development of the organization and should react to them in a flexible way.

As one of the features of the contemporary environment is volatility, also the organization has to keep changing. These changes cannot be random, or intuitive, but have to be systemic. Designing and implementing such changes which are innovative in character, is becoming the basic requirement of modern organization management. The managers of contemporary organizations have to be visionaries and accurately identify and even anticipate these changes. Thus, it is necessary to consciously move from traditional organization management methods to modern methods, including strategic management, innovation management and management through innovation, as innovations are commonly recognized as the main factor for the development of organizations, growth of their competitiveness, creating value for the client. Systemic implementation of innovations is of decisive importance for the utilization of market opportunities through the development of new products, provision of innovative services, or innovative implementation of various processes associated with business. Lack of innovations and industrial applications

is one of the main reasons for slow growth of the European economy (Krusinskas, Norvaisiene, Lakstutiene i Vaitkevicius, 2015, p. 122).

What may be regarded as a possibility of improving comparably low innovativeness of many organizations is, among others, putting greater emphasis on the acquisition and implementation of strategic innovations, covering this category of innovation with strategic management, basing this management on the proposed model solutions. Thus, the goal of this work is to discuss:

- 1) the essence of strategic approach in innovation management,
- 2) the essence of strategic innovations and their role in the development of an organization,
- 3) model view of the strategy of innovative activity of an organization depending on its market position and attractiveness of the market,
- 4) model approach to management based on strategic innovation,
- 5) model approach to management based on the cycle of strategic innovation.

We can presume that changing the awareness of managers, more common usage of modern management methods, including innovation management and strategic management, common utilization of the proposed models in information/decision-making processes, will put organizations on the path of sustainable development, on the path of systemic rivalry with competition based on innovations. For the purpose of this work the method of critical-cognitive analysis of literature and the projective method for the presentation of model solutions were used.

### **The essence of strategic approach to innovation management**

The development of the contemporary world has been accompanied by three changes which have permanently changed the ways people work and live. These changes are: agricultural, industrial and information revolutions. In the recent years we observed the beginning of a new revolution — innovation revolution. It was caused by a few trends changing

the world, business environment and the ecosystem for people's work, such as: globalization, technological progress, changing demographics, global presence of emerging economies and their influence on the new economic order of the world (Lee, Olson and Trimi, 2012, p. 819–820).

Every organization, both a manufacturing and service organization functions and develops under conditions of a volatile environment, globalization, clearly shortening product life cycles, dynamic technological progress, demographic changes, revaluation of consumers' role, changing requirements of clients, growing role of intellectual resources etc. Changes on the global market are numerous and are dynamic and unpredictable in character. They constitute an excellent "breeding ground" for innovation.

The need to cope with these changes requires from organization managers a new approach to management focused on the future, rather than the past, methodical formation of this future together with clients. What can undoubtedly be helpful in this respect are the assumptions of the concept of strategic management, which leads to replacing intuitive management with rational management focused on the future of the organization.

Strategic management can be described as a complex process of management aimed at creating and implementing in practice efficient strategies, which facilitate better adaptation of the organization to its environment, as well as efficiently achieving the strategic goals. (Griffin, 2007, p. 244-245). Strategy as a complex plan for achieving the goals of an organization is an expression of the management's long-term thinking. The strategy of an organization constitutes a complex process of reacting which makes it possible to create and maintain satisfactory relations between the goals of an organization and its resources and the changing conditions in the environment, so that it is possible to achieve the highest possible efficiency of operation (Urbanowska-Sojkin, Banaszyk and Witczak, 2007, p. 57). The strategy should anticipate the most important and likely changes, it should facilitate achieving benefits from the things that are unpredictable, it should provide answers to the basic questions: What is the organization doing and what should it do? What do the clients pay the organization for? What is a "value" for the clients?

What can also be understood as strategic management is the information/decision-making process supported by management functions:

planning, organizing, motivating and controlling, aimed at solving the basic problems of an organization associated with its functioning and development, taking into consideration the influence of the external and the internal environment. The subject of strategic management can be the global activity of the organization, the activity of strategic business units, as well as particular functional areas (Stabryła, 2015, p. 329–330). Among such functional areas there are: research-development activity and innovative activity. Thus, we can name basic, sectoral and functional strategies as components of strategic management.

As the functioning of organizations and their development depend more and more on systemic creation and implementation of innovations (Tepic, Kemp, Omta and Fortuin, 2013, p. 517), it is justified to popularize strategic management of this functional area, especially that creation and implementation of innovations is a long-term, capital-intensive process, which requires a lot of learning, utilizing the resources of many organizations and vision, which doesn't necessarily have to bring the desired results. An instrument for strategic innovation management are innovation strategies. These strategies have to change due to new forces forming new rules of the game on the market, such as (Lee, Olson i Trimi, 2012, p. 821–822):

1. Short duration of competitive advantage.
2. Shorter and shorter life cycles of products.
3. The transfer of companies' operations to regions of the world with lower costs.
4. Strengthening outsourcing process of new global companies in emerging countries.
5. Competitive advantage and innovation of value.
6. New values for clients.
7. Well established results.

Thus, we can say that the top management needs to assume a strategic orientation treated as a particular approach developed and implemented by an organization, making it possible to shape such behaviours that lead to achieving excellent and continuous effects. Strategic orientation is a broad outline of the strategy, which needs to be complemented with details

concerning the content and the methods for the implementation of the strategy. The basic aspects of strategic orientation are: market orientation, entrepreneurial orientation, client orientation, cost orientation, innovation orientation, competition orientation, learning orientation, employee orientation, and interaction orientation. The direct connection between strategic, market and innovation orientation covers three levels: organizational culture (including innovative culture) focused on the client; strategic — focused on creating better value; tactical — containing a collection of interfunctional processes and activities also focused on the creation of value and client satisfaction (Ferraresi, Quandt, dos Santos and Frega, 2012, p. 691). Market orientation and innovative orientation facilitate a dialogue between the organization and elements from its environment, overcoming barriers on the competitive market, satisfying the needs of individual clients better, higher flexibility of activity, optimum utilization of resources.

The popularization of strategic innovation management is fully justified, especially in light of: the complexity of innovative processes, the necessity to consider a large number of factors influencing innovative efficiency and the comparably low efficiency of the processes of creating and implementing innovations — this is reflected by the fact that about 44% of innovative projects don't achieve the planned goals and only one product concept out of seven actually becomes a new product, moreover, a half of all new products enter the market late (Tepic, Kemp, Omta and Fortuin, 2013, p. 518).

Strategic innovation management facilitates transforming an organization focused on traditional generation of profits into an innovative organization, that is, an organization which displays behaviours favourable for creation, experimenting and implementing new ideas (Ferraresi, Quandt, dos Santos and Frega, 2012, p. 691). In an extreme case the goal of such management should be leading an organization to perfection in the area of acquisition and implementation of innovations. A perfect innovative organization is characterized by: the will to act, cope with challenges independently; striving to establish close contact with clients; autonomy and entrepreneurship; high efficiency achieved thanks to people; active involvement, following values; keeping to your domain; not numerous administration, which is simple in form; rational combination of casual and formal atmosphere (Peters and Waterman, 2000, p. 45–48).

Assuming that what defines an innovative organization is the implementation of a new, or substantially improved product (commodity, or service), process, marketing method, or an organizational change in the discussed period (usually three years) (Task Force..., 2004, p. 4), it is possible to conclude that it would be hard to call organizations functioning on the Polish market innovative, as in the years 2013–2015 in Poland the share of innovative companies in the total number of industrial companies amounted to 17,6% and in services it was 9,8%. Compared to the years 2012–2014 this percentage increased by 0.1 percentage point in the industry and dropped by 1.6 percentage point in services (Działalność innowacyjna..., 2016, p. 46). In the European Union in the years 2013–2015 67% of companies introduced at least one innovation (Innobarometer, 2016, p. 4).

In the context of these results, it is justified to change the mentality of the managements of industrial organizations. This would involve abandoning the application of the traditional strategy and the traditional perception of the market and innovation and moving to a modern strategy treating the market as a place of interaction between the organization and the consumer, at the same time preserving partner relations of the two entities. In this strategy innovations become an instrument for the creation of value (Baruk, 2011a, p. 7–8). What is necessary is the transformation of management and basing it on two rules (Prahalad and Krishnanan, 2010, p. 15):

- 1) value is based on exceptional, personalized experiences of consumers, that's why particular organizations should learn to focus their attention on an individual consumer and his experience at a particular moment,
- 2) satisfying the needs of an individual consumer independently is limited, that's why organizations have to learn to use the resources of other organizations.

### **The essence of strategic innovations and their role in the development of an organization**

In literature on the subject a diverse range of innovation typologies based on various criteria has been highlighted. For example, W. Świtalski proposes four criteria for the classification of innovations (Świtalski, 2005, p. 89):

- 1) carriers, or subject of innovation: product, process, organizational innovations,
- 2) the significance of innovations: landmark innovations, basic innovations, incremental innovations,
- 3) primacy, or originality of innovations: original innovations and secondary innovations (imitative innovations),
- 4) the source, or kind of stimulus encouraging an innovative venture: innovations as the effect of R&D works conducted outside of an organization, innovations as a result of market research and surveys of buyers' preferences, innovations as the results of an innovator's own works, innovations as a result of unexpected events, innovations which are copies of solutions applied in other organizations.

Landmark innovations are innovations which in a radical way lead to the formation of new, earlier unknown products, or processes. They satisfy completely new social needs, become popular on a broad spatial scale, regardless of the level of civilization, level of income of countries and whole social groups. At the same time landmark process innovations are characterized by the application of completely new technologies which require new machines, equipment, new resources, new professional specializations. Landmark innovations often lead to abandoning the manufacturing of old products and using old processes. Technological revolutions are the effect of landmark innovations. Steam engine, computer, cell phone, satellite communications, process of production of nuclear energy etc. can be regarded as examples of landmark innovations. This category of innovations is close to strategic innovations.

Taking into consideration the scope of caused results, innovations can be divided into strategic and tactical innovations. Strategic innovations cover long-term changes and they serve the purpose of achieving strategic development goals of a social-economic character (Bogdanienko, Haffer and Popławski, 2004, p. 8). Strategic innovations result from the implementation of long-term innovative ventures of crucial importance both for whole societies and for particular organizations, they are used to improve the efficiency of management in the long term.

Thus, it is possible to assume that strategic innovations are in essence different ways of competing in an existing business, they mean innovations in

business models which lead to new ways of operating on the market differing from the traditional ways. Among the examples of this process is the introduction of: direct banking (phone and Internet channels); cheap airlines; direct general insurance; direct life and health insurance; online trade, online stock brokerage services; online distribution of messages; or the provision of food services at home (ordering and delivery of food) (Charitou and Markides, 2003).

Innovations of this kind:

- 1) emphasize various attributes of a product, or service;
- 2) they are usually initiated in small organizations with small profit margins, quickly raising their share in a particular market;
- 3) they attract the attention of established players with the dynamics of growth. As more and more clients (both existing ones and new ones) use strategic innovations, new organization attracts the attention of the media and established market players.

Strategic innovations have various key success factors and thus require from the organization the development of a new combination of adaptive activities and new supporting cultures and processes.

In light of the above deliberations it is possible to conclude that strategic innovation is a new and essentially different way of competing in an existing branch, which is contrary to the traditional way. It is characterized by creative and significant departure from the historical practice in at least one of these three areas (Govindarajan and Trimble, 2004):

- 1) designing the complex structure of the value chain (e.g. direct sales model of Dell Inc.);
- 2) conceptualization of the value delivered to the client (e.g. IBM's transition from selling equipment and software to the sale of complete solutions);
- 3) identification of potential clients (e.g. Canon's innovative concentration of the development of photocopiers for small offices).

The need for distinguishing strategic innovations, that is, innovations which have the capacity to generate clear discontinuities in the existing industry, or causing the bloom of a completely new kind and numerous

derivative, incremental innovations has been highlighted also by W. Janasz and K. Koziol (Janasz and Koziol, 2007, p. 25). This category of innovations has a substantial impact on the development of the economies of whole countries, particular sectors, markets, companies. Usually, strategic innovations require the engagement of comparably big financial assets and knowledge resources.

Under conditions of globalization, dynamic technological progress, demographic changes, growing competition and the role of clients in relations with companies, the requirements for strategic management are growing. Innovations and in particular strategic innovations are becoming the main instrument of strategic management, as they encourage:

- 1) rational inclusion and utilization of resources, especially non-material resources in the general strategy of social-economic development,
- 2) dynamic acquisition and utilization of knowledge which is at the disposal of numerous entities,
- 3) creating and expanding sales markets,
- 4) transferring resources from profitable, but shrinking areas of business activity to more profitable areas.

Strategic innovations are understood as the basic reconstruction of business models and the transformation of existing markets by breaking the rules and changing the character of competition (Schlegelmilch, Diamantopoulos and Kreuz, 2003, p. 117). Strategic innovations allow achieving the strategic goals of social-economic development. They are the result of long-term innovative ventures of crucial importance for whole societies, also for particular markets and economic entities. Strategic innovations have the following three abilities:

- 1) to change the conditions of competition,
- 2) to change clients' expectations,
- 3) to change economic calculations in a branch.

Strategic innovations emerge, when an organization takes measures aimed at the identification of gaps on the map of positioning of the industry, fills them, transforming them into big markets. Here, "gaps" are treated as (Anderson and Markides, 2006, p. 2):

- 1) new, emerging client segments, or existing segments neglected by rivals,
- 2) new needs — emerging needs of clients, or existing needs which haven't been satisfied by other rivals,
- 3) new ways of promoting, producing, delivering, or distributing existing, or new products (services) for the existing, or new client segments.

Strategic innovations differ from technological innovations.

What should guide companies from a given branch in the process of development of own strategies are the responses to the following questions:

- 1) who should be our client?
- 2) what products, or services and what proposals offer value for particular clients?
- 3) how can we generate this value?
- 4) how can we offer these products, or services in a cost-effective way?

### **Strategies of innovative activity depending on the attractiveness of the market and the competitive position of an organization**

From a general point of view the approach to innovative activity management in an organization should rely on the analysis of at least two main relations:

- 1) product — technology,
- 2) product — market.

First relations shows that the characteristics of designed products (innovations) depend on the technologies that can be used. It is because it is assumed that every generic product is developed as a result of a particular configuration of technology necessary for its creation, so the dynamics of process innovations is the basis for the definition of parameters and structural characteristics of product innovations. Thus, the speed of technological changes can be used to define the characteristics of future products.

The second premise for the decision-making process is that the decision-makers realize that developed and produced goods deliver a certain value to clients, satisfy their needs, that's why it is necessary to define the relations between the product and the market. In the strategic context appears the need to create relations between innovative activity leading to new, or improved products, technologies for the production of goods and the market. Rational coordination of innovative activity with the market situation requires identifying:

- 1) the expected attractiveness and growth of the market in a particular area,
- 2) current competitive position of an organization and the level of its resources,
- 3) actual gap in this area.

As a result, these activities should lead to distinguishing four situations of a strategic character, which determine the strategic features of behaviours in innovative activity management, which is presented on picture 1. Under conditions of substantial growth of the market (and thus, high attractiveness of the market) and strong competitive position of an organization, it is advisable to focus the decision-making process on the development of offensive programmes of innovative activity aimed at goods which are new for the market. A positive effect of such strategy may be the growth of an organization's revenues treated as an important source of financing for innovative activity.

Choosing the offensive strategy requires concentrating the attention on innovative projects leading to the acquisition of new scientific and technological knowledge needed to create technological innovations with the capacity to satisfy the new needs of clients. The emerging innovations may differ greatly in terms of scope and originality (strategic innovations (radical and landmark innovations) and facilitating innovations).

If the conducted analysis leads to a situation pointing to a small, or zero expected growth of the market (low attractiveness of the market) and to a strong competitive position of an organization, the decision-making process should be focused on the development of defensive innovation strategies. The essence of these strategies will be: limiting works on new products and

facilitating the organization of work and production processes leading to the reduction of production costs. Adopting the defensive strategy leads to a situation in which the main subject of innovative activity are facilitating innovations, which lead to the reduction of the costs of operation.

Picture 1. Innovative activity strategies of organizations depending on the competitive position and attractiveness of the market

		The competitive position of an organization	
		Low	High
Growth of the market (its attractiveness)	High	Alternative strategies: 1) Investing in offensive programmes or 2) Withdrawing from competition on a particular market	Offensive innovation strategies Leading to new technological (product) innovations
	Low	Limiting innovative activity with regard to a particular market. Looking for new areas of activity	Defensive innovation strategies Leading to facilitating innovations which lower the costs of production

Source: Own materials prepared on the basis of: ( Kasprzak and Pelc, 1999, p. 85–86).

The third possible case concerns a situation, when the analysis points to a significant predictable growth of the market (and thus its high attractiveness) and comparably low competitive position of an organization. In such situation the management should work out a strategy leading to the strengthening of the position of its organization on the developing market. Its essence is investing in an offensive programme of innovative activity. It is also possible to take measures leading to the withdrawal from

a particular market and looking for opportunities in alternative areas of activity. The decision on the choice of one of these alternative strategies depend on the resources, especially non-material resources, which are at the disposal of a particular organization, which can be used in innovative activity.

The fourth strategy of innovative activity, which can be adopted, concerns a situation when a small, or zero growth of the market is expected (low attractiveness of the market) and an organization's competitive position is weak. In such case it is advisable to limit the scale of innovative activity, due to low likelihood of success. Investing in activities which can possibly bring positive results in a distant future constitutes a threat for the survival of an organization. (Baruk, 2006, p. 66–69).

In everyday practice, especially in case of bigger organizations, the decision-making process can be focused on the conscious utilization of mixed strategies aimed at the development of product innovation, both according to the offensive and defensive strategy. In such situation innovative activity programmes are diversified on purpose, they cover various categories of innovation, which allows flexible reacting to dynamic changes taking place in the environment of an organization. The weak side of such concept of management are high costs of innovative activity, which often exceed the capacity of an individual organization, as well as insufficient level of intellectual resources. It is possible to avoid these disadvantages by methodical formation of interorganizational realations (network) (Lachiewicz and Zakrzewska-Bielawska, 2017, p. 9).

## **Management based on strategic innovation**

Rational utilization of the advantages of strategic innovations requires: the change of top management's mentality, understanding the association of these innovations with the economics of an organization, awareness of the rules of strategic management, understanding the process of strategic innovation, systemic identification of changes taking place in the environment of every organization and possibly rapid reaction to these changes, so that it is possible to maintain the balance between an organization and elements from its environment.

In the industrial environment of an organization the following changes take place: gradual, continuous and non-continuous changes. It is necessary to identify them and rationally react, according to the following model:

- 1) the reaction of an organization to gradual changes should be the implementation of similar changes,
- 2) the reaction of an organization to continuous changes is continuous improvement of the organization's activity,
- 3) the reaction of an organization to non-continuous changes (radical changes) is the implementation of completely new products, processes, structures, business models.

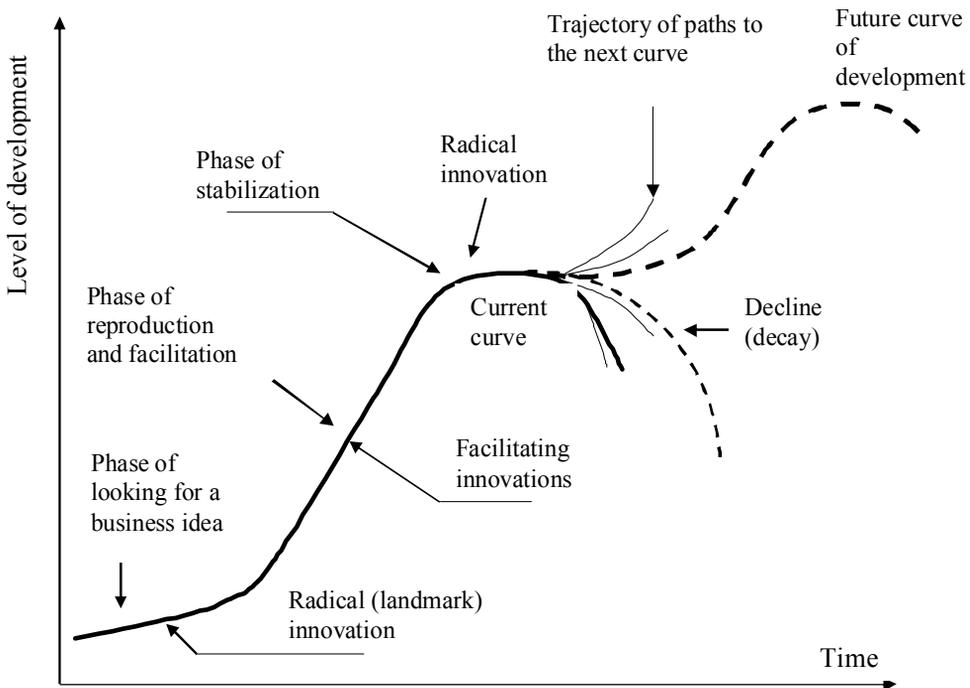
Introducing radical (non-continuous) changes is based on strategic innovations, which are the instruments for strategic thinking and management, which requires looking for answers to the following questions:

- 1) what changes are taking place in the environment of a company?
- 2) what category of innovation should constitute the answer of an organization to the identified changes, securing competitiveness in the long term?

A methodical facilitation in the decision-making process may be a rational interpretation of the "S" curve model presented on picture 2. The model illustrates the basic stages of the development of products, processes, systems, business models. The first phase is the stage of experiments and looking for a business idea, which can guarantee the development of an organization and the profitability of business activity. It involves the acquisition and implementation of a strategic (radical) innovation based on an original idea. After some time comes the phase of reproduction and facilitation. In this phase continuous innovations are created. These innovations secure further development of an organization and creating profits. However, with the passage of time, revenues from a given innovation decrease (when there are no improvements), as the original innovation loses the ability to live, so the third phase comes, the phase of

stabilization. This is a clear signal for the management of an organization that it should obtain and implement another strategic (landmark) innovation making it possible to lead the organization to a new "S" curve of development with a particular potential for competitiveness and profitability. If an organization is unable to obtain such an innovation, it may enter the fourth stage of development, the phase of decline and decay.

Picture 2. S curve model



Source: Own materials prepared on the basis of: Abraham, Knight, 2001, pp. 21–27.

This model suggests that between consecutive "S" curves there are many possible trajectories for the development of an organization corresponding to particular concepts for the strategy of implementing innovation. Only one of them leads to a strategic (landmark) innovation, that's why the choice of the path of development requires: considering the opportunities and threats for a particular business; strong and weak sides of an organization; generating many ideas for business activity (problem

solving), their assessment and the choice of the optimum option (the highest likelihood of market success); transforming a chosen idea into a project and applying it.

The long-term development of every organization requires multiple repetition of the phases of the "S" curve model through rational planning and implementation of appropriate categories of innovation, which constitute a response to the changes taking place in its environment. The knowledge of the "S" curve model makes it possible to develop the appropriate strategy for the introduction of innovations, especially strategic innovations, in periods most favourable due to the potential effects and the expected pace of growth of an organization. The implementation of such a strategy requires obtaining and implementing strategic innovations.

### **Management based on the cycle of strategic innovation**

Despite common recognition that innovations constitute a basic factor of development, as practice shows, few managers have full understanding of the essence of strategic management based on strategic innovations and their systemic utilization. Thus, it is advisable to highlight the basic elements of this issue, which facilitate innovation management and make it rational in character. The basic condition here is understanding the essence of the process of creating and implementing strategic innovations, as well as the essence of innovation management and management through innovations. The concept of approach to strategic innovation management in the horizontal and vertical setting (spiral of innovation), which also takes into consideration the stages of the cycle of strategic innovation is shown on picture 3.

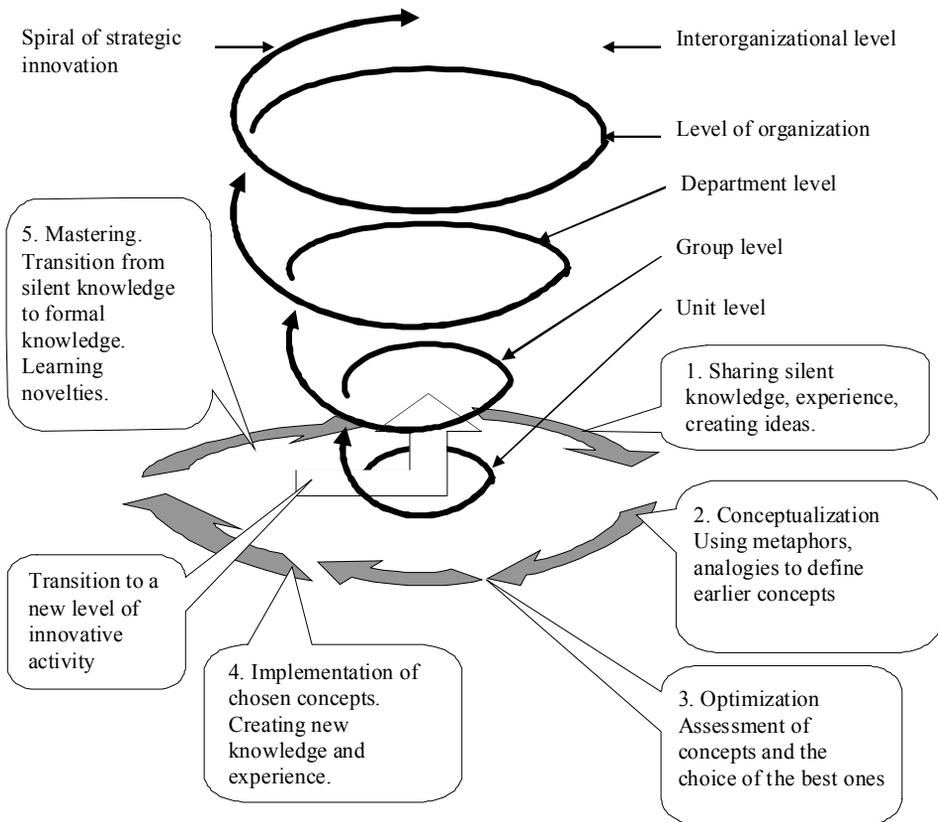
From the process perspective every innovation consists of a particular number of partial activities — stages arranged in time and space. The implementation of these activities gets entities closer to their defined goals. The number of such stages is an issue of convention. In the discussed model the process of innovation has been divided into the following stages (Baruk, 2011b, p. 120–122):

- 1) generation — sharing knowledge and experience,
- 2) conceptualization — combining elements into bigger, logical wholes,
- 3) optimization — comparing formal concepts with the chosen criteria

enabling the choice of the most beneficial concept and transforming it into a project,

- 4) application — building models, prototypes and testing them,
- 5) mastering — transforming silent knowledge into formal knowledge, codification and sharing of formal knowledge and experience making it possible to progress to further stages of the innovation process. This phenomenon involves the transition from the horizontal setting to the vertical setting (unit, team, faculty, organization etc.).

Picture 3. Phases of the cycle of strategic innovation in the horizontal and vertical setting (spiral of innovation)



Source: Own materials prepared on the basis of: Abraham, Knight, 2001, pp. 21–27.

The spiral of strategic innovation is initiated when employees acquire knowledge and experience from the previous cycle and lead it to the phase of the next cycle in which completely new ideas for the solution to a given problem are generated — development of a strategic innovation requiring completely new knowledge. This knowledge is generated by people cooperating in teams (in networks) — in best case scenario in a matrix structure. The understanding of the essence of this model and following it in the information/decision-making process leads to a situation in which intuitive management can become rational management.

## Conclusion

This publication focuses on showing that innovations can become the main factor speeding up the development of an organization, increasing its competitiveness, creating value for the organization, stakeholders and for clients, boosting the economic indicators: productivity, level of sales, profit, market value of an organization etc. under the condition that they are included in systemic management, especially strategic management. It is necessary to remember that the process of creating and implementing innovations is complicated, risky, which makes it harder for managers to predict the results. Thus, it is justified to learn in a systemic way how to manage these processes to boost their efficiency. Rational approach to innovation management focused on the future of an organization and on individual clients has a direct impact on the growth of the organization's ability to shape and use own innovative potential, clients and other organizations, including research-scientific organizations (Tepic, Kemp, Omta and Fortuin, 2013, p. 521).

The basis of efficient innovation management is a situation in which every manager is aware of the importance of knowledge, innovations and their mutual relations and knows the basic categories of innovations and their sources, knows the meaning of strategic innovations, what the essence of strategic innovation management is, what the impact of innovations is on the improvement of economic and non-economic parameters of an organization, competitive position and the ability to satisfy clients' individual abilities. It seems that the structure of this

publication answers these questions as the following issues have been explained: the essence of strategic approach to innovation management, the essence of strategic innovations and the role they play. In one of the sections of the article three models for innovation management were proposed. The awareness of these models and using them in the information/decision-making processes will make it possible to more rationally build the strategies of innovative activities and to efficiently manage an organization based on these strategies.

The proposed model solutions may help to methodically introduce an organization to the path of development, popularization of rational management, avoiding intuitive management characterized by (Baruk, 2011b, p. 122–123):

- 1) glorifying successes achieved in the past and failing to notice warning signals about the future,
- 2) choosing the wrong business model as a result of the lack of reaction to signals coming from the environment,
- 3) choosing inappropriate management strategy and the associated style of management limiting creativity of employees and individual clients,
- 4) lack of the ability to build a vision of an organization's development and systemic application of this vision to tactical and operational activities etc.

The success of every organization is more likely, if its managers are able to create a vision of development and create paths leading to these visions in a methodical way. One of such paths may be management based on strategic innovations. The strategy of innovation as a category of strategic innovation management covers the following activities (Baruk, 2006, p. 139–141):

- 1) choice of innovation — purposeful determination of areas for investing in particular categories of innovations,
- 2) acquiring innovations — what sources should be used for the acquisition of innovations,
- 3) using innovations — defining: methods of internal utilization of innovations, directions and rules for improving them, forms of cooperation with other organizations, possibilities of selling innovations to other organizations.

These activities should be fit in one of many possible categories of innovation strategies. The most popular ones are (Dołhasz, Fudaliński, Kosala i Smutek, 2009, p. 265):

- 1) offensive, pioneering strategy — being the first and strongest,
- 2) offensive, imitative strategy — hitting where they are absent,
- 3) the strategy of ecological niche,
- 4) the strategy of changing the economic characteristics and features of the industry, market, product.

Strategic success requires rational combination of management with the acquisition of external and internal knowledge, systematic organization, updating, coordination and socialization of this knowledge (disseminating hidden knowledge), as innovations appear as a result of mutual influence of hidden and available knowledge. Such activities are accompanied by the processes of learning focused on three elements of strategic innovation: renewed conceptualization of the business model, transformation of the existing markets, substantial improvement of the value for clients (Gebauer, Worch and Truffer, 2012, p. 58).

One of the main goals of contemporary organizations is co-creation of value. The implementation of such a goal requires a new view of strategic management and strategy, which is becoming a process of continuous experimenting, limiting risk, minimizing investments and maximizing the impact on the market. Strategy is becoming an innovative process based on the common access to network resources. The goal of such a strategy should be discovering new sources of value and new opportunities (Prahalad and Ramaswamy, 2005, p. 190–191). Only organizations run by managers — innovators able to reject commonly accepted ways of perception of problems and to redefine them can afford to implement such a strategy.

## Bibliography

1. Abraham, J.I. i Knight, D.J. (2001). *Strategic innovation: leveraging creative action for more profitable growth*. Strategy & Leadership, Vol. 29, Iss. 1.

2. Anderson, J. i Markides, C. (2006). *Strategic Innovation AT the Base of the Economic Pyramid*. August, [www.jamieandersonline.com](http://www.jamieandersonline.com) (dostęp z dnia 11.07.2017 r.).
3. Baruk, J. (2011a). Wspomaganie tworzenia wartości i innowacji strategicznymi relacjami. *Marketing i Rynek*, 10.
4. Baruk, J. (2011b). Wiedza w procesach tworzenia innowacji. *Organizacja i Kierowanie*, 4.
5. Baruk, J. (2006). *Zarządzanie wiedzą i innowacjami*. Toruń: Wydawnictwo Adam Marszałek w Toruniu.
6. Bogdanienko, J., Haffer, M. i Popławski, W. (2004). *Innowacyjność przedsiębiorstw*. Toruń: Wydawnictwo Uniwersytetu Mikołaja Kopernika w Toruniu.
7. Charitou, C.D. i Markides, C.C. (2003). Responses to Disruptive Strategic Innovation. *MIT Sloan Management Review*, Vol. 44, January 15, [www.sloanreview.mit.edu/article/response-to-desruptive-strategic-innovation/](http://www.sloanreview.mit.edu/article/response-to-desruptive-strategic-innovation/) (dostęp z dnia 11.07.2017 r.).
8. Dołhasz, M., Fudaliński, J., Kosala, M. i Smutek, H. (2009). *Podstawy zarządzania. Koncepcje — strategie — zastosowania*. Warszawa: Wydawnictwo Naukowe PWN.
9. *Działalność innowacyjna przedsiębiorstw w latach 2013–2015*. (2016). Warszawa: GUS.
10. Ferraresi, A. A., Quandt, C.O., dos Santos, S.A. i Frega, J.R. (2012). Knowledge management and strategic orientation: leveraging innovativeness and performance. *Journal of Knowledge Management*, Vol 16, No. 5.
11. Gebauer, H., Worch, H. i Truffer, B. (2012). Absorptive capacity, learning processes and combinative capabilities as determinants of strategic innovation. *European Management Journal*, Vol. 30, Iss. 1.
12. Govindarajan, V. i Trimble, Ch. (2004). *Strategic Innovation and the Science of Learning*. *MIT Sloan Management Review*, January 15, [www.sloanreview.mit.edu/article/response-to-desruptive-strategic-innovation/](http://www.sloanreview.mit.edu/article/response-to-desruptive-strategic-innovation/) (dostęp z dnia 11.07.2017 r.).
13. Griffin, R.W. (2007). *Podstawy zarządzania organizacjami*. Warszawa: Wydawnictwo Naukowe PWN.
14. Innobarometer 2016 — EU business innovation trends. (2016). Flash Eurobarometer 433 — February.
15. Janasz, W. i Koziół, K. (2007). *Determinanty działalności innowacyjnej przedsiębiorstw*. Warszawa: PWE.
16. Kasprzak, W. i Pelc, K. (1999). *Wyzwania technologiczne — prognozy i strategie*. Kraków: Wydawnictwo Profesjonalnej Szkoły Biznesu.
17. Krusinskas, R., Norvaisiene, R., Lakstutiene, A. i Vaitkevicius, S. (2015). Investment, Innovation and Firm Performance: Empirical Evidence from Small Manufacturing Industries. *Journal of Finance and Economics*, Vol. 3, No. 6.
18. Lachiewicz, S. i Zakrzewska-Bielawska, A. (2017). Wstęp. *Organizacja i Kierowanie*, 2.
19. Lee, S.M., Olson, D.L. i Trimi, S. (2012). Co-innovation: convergenomics, collaboration, and co-creation for organizational values. *Management Decision*, Vol. 50, No. 5.
20. Peters, T.J. i Waterman, R.H. (2000). *Poszukiwanie doskonałości w biznesie*. Warszawa: Wydawnictwo MEDIUM.
21. Prahalad, C.K. i Ramaswamy, V. (2005). *Przyszłość konkurencji*. Warszawa: PWE.

22. Prahalad, C.K. i Krishanan, M.S. (2010). *Nowa era innowacji*. Warszawa: Wydawnictwo Naukowe PWN.
23. Schlegelmilch, B.B., Diamantopoulos, A. i Kreuz, P. (2003). Strategic innovation: the construct, its drivers and its strategic outcomes. *Journal of Strategic Marketing*, Vol. 11, No. 2.
24. Stabryła, A. (red). (2015). Projektowanie systemów zarządzania strategicznego [w:] *Metodologia projektowania systemów organizacyjnych przedsiębiorstwa*, Warszawa: Wydawnictwo C.H. Beck.
25. Świtalski, W. (2005). *Innowacje i konkurencyjność*. Warszawa: Wydawnictwo Uniwersytetu Warszawskiego.
26. Task Force Meeting on Oslo Manual Revision. (2004). Chapter 3, Eurostat, Luxembourg, 24 November.
27. Tepic, M., Kemp, R., Omta, O. i Fortuin, F. (2013). Complexities In innovation management In companies from the European industry. *European Journal of Innovation*, Vol. 16, No. 4.
28. Tepic, M., Kemp, R., Omta, O. i Fortuin, F. (2013). Complexities In innovation management In companies from the European industry. *European Journal of Innovation*, Vol. 16, No. 4.
29. Urbanowska-Sojkin, E., Banaszyk, P. i Witczak, H. (2007). *Zarządzanie strategiczne przedsiębiorstwem*. Warszawa: PWE.

**Jerzy Baruk, Ph.D. Eng., Maria Curie-Skłodowska University in Lublin, Poland** — a retired academic of the Institute of Marketing and Management of the Faculty of Economics at the Maria Curie-Skłodowska University in Lublin. His research work focuses on the organisational and economic aspects of innovation activities, innovation management and management through innovation, as well as the impact of innovation on the efficient functioning of organisations. Knowledge management and the relationship between the management of knowledge and innovation creation constitutes another area of his research work. Author of over 350 scientific publications on the broader aspects of innovation and knowledge management published in domestic and international scientific journals and conference materials. Author of four books and numerous other co-authored publications. He has also presented the results of his scholarly work and research at many domestic and international conferences. A fellow of the following learned organisations: Scientific Society of Organization and Management; Polish Association for Production Management; "Taures" Economic Initiative Enterprise in Warsaw; Lublin Scientific Society; Polish Praxeological Society; University — Industry — Science Partnership; Polish UNISPAR Working Group Society; Innovative Entrepreneurs' Club at the Lublin Development Foundation. Advisor in the Lublin Branch of the Scientific Society for Organization and Management as well as the "Taures" Economic Initiative Enterprise in Warsaw.





Institute of Aviation  
Scientific Publishers  
al. Krakowska 110/114  
02-256 Warsaw, Poland  
phone: (+48 22) 846 00 11 ext. 551  
e-mail: [minib@ilot.edu.pl](mailto:minib@ilot.edu.pl)

[www.minib.pl](http://www.minib.pl)  
[www.twitter.com/EuropeanMINIB](https://www.twitter.com/EuropeanMINIB)  
[www.facebook.com/EuropeanJournalMINIB](https://www.facebook.com/EuropeanJournalMINIB)