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A STRATEGY AS AN INNOVATION – A NEW STRATEGY CONCEPT

Introduction

Innovations have already been the focus of management including strategic management. Nowadays, the next wave of increased interests in this context of management is noticed. Is this a new wave, fashion or the herald of a new paradigm in strategic management? The author tends towards the last hypothesis.

1. Innovations in current scientific achievements of strategic management

Currently and previously, innovations in strategic management have been perceived as:

- product-market innovations,
- technical and technological progress,
- new methods of a struggle with competitors,
- new sources of competitive advantage,
- new ways of increasing the value for customers,
- engineering in the construction of revenues, expenses and income structure.

Developing in-house R&D departments responsible for technical and technological progress were to serve such innovations. The task for people employed in these departments was to create solutions and, after that, the people responsible for marketing were to find the ways of creatively utilising the R&D departments' proposals. A narrow attitude to innovations as both an activity for engineers and the area

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connected with manufacturing processes contributed to the autonomy of this function in management and, consequently, to separate this function from the environmental context[1]. Japanese techniques of manufacturing processes management are a classic example here. They assume gradual improvement of manufacturing processes by continuous modification of existing systems[2]. Even though such actions were in accordance with guidelines of efficiency and economy, their impact on organizations' results was limited and predictable by the environment.

Furthermore, an innovation could be effectively adapted by strategic management, not only as one of the functions, but also as the significantly strategic decision if it met the following conditions:

- it must be directly correlated with the goal of a business activity (with a profit as the difference between revenues and expenses or with an added value as the differences between profitability of involved capital and comparable profitability of passively invested capital; it has to cause important effects),
- it has to be the basis of an economic rent,
- it has to influence the configuration of tactical-operating solutions.

2. Theoretical assumptions of basic paradigms of strategic management

Only a few basic paradigms of strategic management are explicit in current strategic management development. Among them, only paradigms concerning fundamental issues due to strategic management ought to be taken into consideration. First of all, they explicitly appeal to running business activities which are identified by economic goals. Secondly, they unequivocally refer to a winning way of attaining goals understood as the mechanism of appropriating an economic rent.

It seems there are three attitudes among important proposals in this range. The first is a planning view assuming the assessment of the company by means of the level of profitability (net profit in relation to expenses). The main rule of appropriating is a resource rent (Ricardian rent). According to the second attitude, the aim of running business activities is to maximize profits and the main way of achieving goals is a positional rent (Chamberlinian rent). The third attitude is a contemporary attitude which emphasises the necessity of directing actions towards increasing an

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[1] First, the goal of the research division becomes theoretical proof of potential (i.e., success of basic and applied research) instead of the ultimate goal of commercialization at a profit. Second, the marketing division of the firm loses contact with the research division and the success of research projects (profitable commercialization) is significantly diminished: Mansfield E., *Investing in R&D*, [in:] *Managerial Economics and Operations Research,* 5th ed., W.W. Norton, New York 1987, p. 223, za: McDaniel B.A., *A Survey on Entrepreneurship and Innovation*, "The Social Science Journal" 2000, Vol. 37, No. 2, pp. 277–284.

[2] Pudelko M., *The End of Japanese-Style Management?*, "Long Range Planning" 2009, No. 42, pp. 439–462.

added value (in the dimension of the rate EVA). The main rule of appropriating is the mechanism of a resource rent. It is worth noting that, in the period when these paradigms were applied, they really solved the problems of the, then, economic systems providing instruments adequate to a given period of the economy's development. Indeed, the development and creation of paradigms is, or may be, the effect of changes made in the methods of management.

Moreover, the acceptance of the thesis about a compulsory paradigm of useful directives of strategic management in a given period is convergent, to some degree, with an evolutionary trend of social science development. All these attitudes assume that an effective strategy is a fit strategy (a strategy fitting an organization into its environment). The rent, connected with a fit strategy, due to the adjustment speed from Smith and Ricardo's classical economics times, is the base of the description and understanding of capitalist economic order dynamics. It is possible to discuss with this view emphasising both that in a planning trend the level of environment stability was relatively high so organizations discretionarily could create their strategic solutions and stressing that in a resource trend the orientation toward the interior of an organization and value creation for a customer could take place without the need of interpreting in a fit context. In contrast, in all these attitudes, the object of interests is mainly to ensure the company achieves both an appropriate level of sustainability or development and that the goals are suitable for the evolutionary reality of the world. Paying more attention to non-market forces determining companies' behaviour is also an important distinguishing feature of evolutionary thinking. A resource trend best explains this way of perceiving evolution in strategic management but does not mean that previous trends totally discriminated the influence of non-market factors[3].

Table 1. Current paradigms of strategic management

Ricardian rent in a planning view	The goal–maximizing profit; the value of productive resources is determined by the scale of demand; material resources, financial resources, and human ones participate in appropriating the value; the law of diminishing returns; competing for resources; clear boundaries of markets and sectors.
Chamberlinian rent in a positional view	The goal–maximizing profit; the value of productive resources is determined by their position in the sector; competitive advantages (configured in different ways) directed towards taking a preference position participates in acquiring the value; the law of diminishing sector profitability with saturating in competition; competing for a preference position; clear boundaries of markets and sectors.
Ricardian rent in a resource view	The goal–maximizing an added value; the value of tangible and intangible resources determines their rareness and ability to generate an added value; competing for core resources; blurred boundaries of markets and sectors.

Source: own study.

[3] Mokyr J., *The simple economics of Richard Nelson: A review essay Technology, Institutions, and Economic Growth*, collected essays R.R. Nelson, Harvard University, Press, Cambridge, MA 2005, pp. 306.

According to the perspective of the presented paradigms, the innovations can be perceived as one of the instruments of better resource utilisation in view of increasing managing rationality. As well as this issue, it may also be treated as an innovative competitive advantage or as the innovation in the scope of creating an added value for the customer of the organization. Nevertheless, such interpretations only indirectly influence the profitability of sales or engaged capital.

Meanwhile, the changes in managing practice and theory refer to the need of giving a widened dimension to a strategic innovation.

3. Strategic innovations as the basis of a new strategic management paradigm

Economics has been referring to the need of wider (not only by perceiving rationality in a classic way) perception of innovations for a hundred years. J. Schumpeter emphasised that social and natural conditions influencing the changes of economic actions parameters existed but they are not the main strength[4]. 'A basic stimulus comes from new consumer goods, new markets, and new forms of an industrial organization created by capitalist enterprises'[5]. A few years later I. Kirzner wrote in the same spirit[6]. Nevertheless, according to current compulsory stereotypes, both Schumpeter and Kirzner might not have identified innovativeness with entrepreneurship. R. Solow and K. Arrow also contributed to research on innovations. They tried to indicate the original source of technical and technological progress (inseparably connected with innovativeness) as a stimulus of growth.

Nowadays D. Teece, W. Nelson, H. Chesbrought[7] and C. Christiansen[8] give a new dimension of innovations. It is not by chance that their books were written when new institutional economics were emphasising counter-current (also network) perceiving business reality, more and more strengthening its position. According to classical economics achievements, the representatives of new institutional economics stress that a specific framework determined by formal and informal market institutions influences the decisions of entrepreneurs, managers, customers and many other organizations' and other market institutions' stakeholders. Theories of ownership rights,

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[4] Schumpeter J., *Kapitalizm, socjalizm, demokracja [Capitalism, socialism, democracy]*, PWN, Warszawa 1995, s. XXVI.

[5] Schumpeter J., *Kapitalizm [Capitalism]…*, op.cit., p. 101.

[6] Kirzner I., *Konkurencja i przedsiębiorczość [Competition and entrepreneurship]*, Fijor Publishing, Warszawa–Chicago 2010.

[7] Chesbrough H., *Open Innovation: The New Imperative for Creating and Profiting from Technology*, Harvard Business School Press, Boston 2003.

[8] Christiansen C.M., Scott D.A., Roth E.A., *Innowacje. Następny krok [Innovations. The next step]*, Studio Emka, Warszawa 2010.

transactional costs, and agency theory clearly emphasise that making decisions is not a simple task of a resources allocation choice but a decision process involved in a wide context of economic, social and psychological choices. New institutional economics theories and, to a certain degree resource theories, have the character of contractual theories. According to them, organizations can be created only if the transactional costs of competitive market transactions appear to be too high.

Strategic innovations can be analysed due to the perspective of contractual views. However, they are a peculiar paradox in this case. Some researchers prove that innovations are created only in large organizations whereas other researchers regard that innovations are created only if organizations' market and entrepreneurial sensitivity is kept. Consequently, assuming that innovations will be created according to Schumpeter's thought, they ought to be created in big companies[9], so they should be the effect of intra-organizational solutions. If it is regarded that innovations are close to the entrepreneurship context, entrepreneurship is easier to obtain by market contracting. It is just a peculiar paradox of pro-innovation behaviour.

Theoretically, the solution of this paradox might be the concept of an open innovation on condition that innovations purchase in the market would not be burdened by the logic of ownership rights and transactional costs.

Undoubtedly, the fact that somebody researches innovations does not have to mean that he/she creates outlines of special thinking in a strategic innovations perspective. The space and meaning which the researcher gives to such processes is important.

Besides this view, D. Teece also considers this problem and, referring to the achievements of transactional costs theory, emphasises that companies, to be able to acquire the value from innovations, have to overcome the boundaries between enterprises and resource markets, have to take the risk, obtain specific resources being complementary to own core resources and have to be capable of managing these resources[10]. According to S. Winter, he regards that D. Teece tries to solve the same problem (in accordance with enterprises) as J. Schumpeter and K. Arrow[11] indicated in accordance with macroeconomics.

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9 While there seems to be some link between the size of the research division and the size of the firm, this link is not direct and, therefore, does not translate exactly to firm size. Also, in general, while larger firms tend to do more research, firms of all sizes are involved in innovation; in: Noori H., *Managing the Dynamics of New Technology*, Prentice-Hall, Inc., Englewood Cliffs, NJ 1990, p. 225, za: McDaniel B.A., *A Survey on Entrepreneurship and Innovation*, "The Social Science Journal" 2000, Vol. 37, No. 2, pp. 277–284.

10 "Innovations will continue to emerge, and the choices firms make in how to appropriate value from them will also vary over time. But there will always be a boundary between the firm and its markets. It is the firms who negotiate that boundary, take the risks, make the investments, access the requisite specific complementary assets, and manage them effectively, who will be positioned to profit from their innovative activities" in: *Introduction to the research policy 20th anniversary special issue of the publication of "Profiting from Innovation"* by D.J. Teece, "Research Policy" 2006, No. 35, pp. 1091–1099.

11 Winter S.G., *The logic of appropriability: From Schumpeter to Arrow to Teece*, "Research Policy" 2006, No. 35, pp. 1100–1106.

He presents also how the context of contractual analysis can be used to explain the mechanisms of creating innovations in organizations that do not possess the resources necessary in innovative processes in an introduction phase.

S. Alvarez was interested in entrepreneurship and innovativeness research as well. He defined the notion 'entrepreneurial rent' as managing with uncertainty and discovering new possibilities of making a success. In addition, he indicates the important role of a lack of hierarchic bonds in building enterprising and innovative organizations. An entrepreneurial rent, which is indirectly connected with innovativeness, is the feature of the market. Putting an entrepreneurial rent to organization frames is impossible, at least pursuant, to transactional costs theory[12]. That is why it can be said that entrepreneurship and innovativeness go simultaneously with the market solutions of an organization's actions problem, or, at the most, network relations of enterprises.

Following this thought, T. Rittera and H.G. Gemundenb stress that the abilities of network organizations to build inter-organizational relations and manage them significantly influence the innovative success of network organizations[13].

These research results indicate that in current economic systems 'a competitive anarchy increases. The importance of value and ecosystems networks, of which involved enterprises control only partially, increases. In the result, competitiveness stops being the tool of market strength and becomes the tool of an expert influence[14]'. It results that classical management solutions are not enough. The Hamel's attitude, which is in accordance with new institutional economics, indicates that there is a huge demand for new solutions or for permanent strategic innovations being able to solve problems of future times. Nevertheless, Hamel's management innovations mainly concern organizations considered in an institutional way[15]. Hamel writes about a long-term organization advantage supporting creativity at all levels of management. He focuses on managers and changes their scope of tasks. He makes them rather mentors and coaches than planners, organizers and motivators. He mainly develops creativity in organizations. But it is too little for the new organization declared by him to be 'as flexible as a change'[16]. A management innovation means, for instance, each new method of management. Managing innovations means solving problems which hinder innovations arising. A paradigm of a strategic innovation

12 Alvarez S., *Entrepreneurial rents and the theory of the firm*, "Journal of Business Venturing" 2007, No. 22, pp. 427– 442.

13 Rittera T., Gemundenb H.G., *Its impact on innovation success and its antecedents*, "Journal of Business Research" 2003, No. 56, pp. 745– 755.

14 Hamel G., Breen B., *Zarządzanie jutra [The future of management],* Red Horse, Lublin 2008, p. 25.

15 Grant R.M., *The Future of Management: Where is Gary Hamel Leading Us?*, "Long Range Planning" 2008, No. 41, pp. 469–482.

16 Hamel G., Breen B., *Zarządzanie jutra*, op.cit., p. 62.

is a way of thinking – new solutions are the only the effective way of generating the rent or acquiring the rent.

To be closer to contemporary challenges it is much more necessary 'to delegalize' organizations' institutional closing. An organization can of course retain the institutions' formal features, yet it has to enter the environment and, according to Chesbrought's view, co-create innovations in all management spaces by providing the dominance of organizational synergy over the synergy in the organization.

Conclusions

It seems that it is a time for a new look at organizations from the perspective of imbalance and dynamics in circumstances such as: an enterprise becomes an incident, entrepreneurs' motives are strongly distinguished (pervasive opportunism), the invisible hand of the market stops working due to forging the context of a market exchange by enterprises' and customers' (a demand side and a supply side) behaviour and actions as well as differences in goals and values, a multitude of capitalist institutions causes abandonment of classic market mechanisms. A strategic innovation can be proved as an effective instrument in an unbalanced and dynamic environment.

In order to find innovativeness, creativeness, and creativity as the determinant of a new important strategy school, it must be said that this school solves managing problems in a different, better, and more efficient way.

In fact, an innovative view is consistent with the logic of new institutional economics. As a result, an innovative perspective can be interpreted as being able to meet stakeholders' expectations due to a given contract-undertaking. From such a point of view, it signifies the abandonment both of profitability based on only economic results and a simple added value for shareholders.

An innovative attitude would generate the Schumpeterian rent on condition that we also could possess innovations in Schumpeter meaning-innovations creating blue oceans. It is a radical change in comparison with previous kinds of rent focusing mostly on the past.

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