EXPLORING THE BUSINESS PRACTICES OF HIGH VERSUS LOW INNOVATIVE FIRMS

RESEARCH THAT HAS IMPACT SERIES

A survey of Japanese companies illustrates the practices of high innovators and top performers

Innovation is essential to business performance. Evidence supports the link between an innovative culture and business performance. However, academic literature has not been definitive on what specific business practices are most common among highly innovative and top performing companies. Dr. Grant A. Wilson, Assistant Professor of Marketing at the Hill and Levene Schools of Business, and co-authors explored the various practices of high innovators in their study of 261 Japanese firms.

Wilson's research categorized 186 companies as high innovators and 75 as low innovators. The results of the research revealed that a number of business practices were more likely to be evident among high innovator firms including, big data analytics, innovation management software, crowdsourcing, design thinking, measuring innovation, Stage-Gate systems, and scientific discovery.

High innovators, in comparison to low innovators, were more likely to employ **big data analytics** to make sense of and create strategies based on insights from large and complex data sets. Highly innovative companies in the sample were also more likely to engage in **design thinking** where employees seek to understand the user, challenge assumptions, and redefine problems to identify alternative solutions. These high innovator firms were more likely to leverage external personnel to perform tasks previously completely internally. Such **crowdsourcing** practices are linked to the rise of novel product ideas and enhanced competitiveness.

In comparison to those firms in the low innovators cluster, high innovators engaged in **scientific discovery** and many were in high technology industries such as life sciences and biotechnology, where experimentation and creativity are prioritized. High innovators also invest in **Stage-Gate** systems and **innovation management systems**. The former includes processes to validate project viability, allowing only the ones with market potential to be commercialized. The latter is usually proprietary in nature and facilitates and increases the likelihood of innovation commercialization success. In line with the notion 'what gets measured gets done', highly innovative companies were also found to be twice as likely to **measure firm-level innovation**.

The only business practice that did not appear to be more common among the high innovator firms was **open innovation**. Open innovation involves the sharing of ideas and innovations across an organization's value chain, rather than confidentially safeguarding research and development activities. Wilson and his co-authors conclude that while open innovation has been shown to enhance performance, too much sharing of resources outside of the business can have competitive disadvantages. Since open innovation is popular, it may also be that low innovators lack resources and capabilities for successful innovation and look to the market for collaborative opportunities.

The authors note that despite Japan's reputation as home to many innovation-oriented companies, a significant number of firms in the study had low innovation orientations. They recommend that executives looking to become more competitive and drive superior performance need to create a culture where these practices are supported and rewarded. An innovation orientation incorporates leadership, resources, knowledge management, and processes that support innovation. To build a culture that aligns with an innovation orientation, and the studied innovation business practices that support it, the authors conclude that companies can meet the multi-faceted challenges of competitiveness, performance, and survival.

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