Chapter 16

An Innovative Firm: The Renova Case Study

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ABSTRACT

Understanding the factors that drive successful innovative firms is central for sustaining competitive advantages. Researchers argue that competitive advantages through innovation could be achieved by undertaking or developing new products or new processes (technological or organisational). Based on the literature reviewed, a model was developed to capture the nature of an innovative firm. The model was applied and validated. This chapter argues that innovation is possible where it would be less expected. The identification and exploitation of key innovation factors lead, when implemented, to innovative firms: those that continually provide the market with innovation. This chapter offers important insights into understanding the meaning of an innovative firm. It provides a good supporting case of a real company to help understand the various aspects of innovation within a mature commodity-producing industry.

INTRODUCTION

Successful innovative firms are eye-catching for many companies and researchers. What makes an innovative firm succeed thrills most curious minds. Firms that innovate are more likely to create competitive advantages and therefore perform better. The aim of this chapter is:

a. To provide an understanding of key innovation factors in a firm;
b. To identify the meaning of being a successful innovative firm;
c. To developed a model, based on the literature reviewed, that encompasses and measures the key innovations factors that drive successful innovative firms;
d. To describe and analyse thoroughly the innovative process of an innovative firm;
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e. To apply the theoretical model to an innovative firm;
f. To test how the innovative firm fits into the theoretical model;
g. To provide theoretical and managerial insights based on a real case in a mature commodity-producing industry.

This chapter reviewed literature on innovation in order to identify the key innovation factors that drive successful innovative firms. Innovative firms are those that turn innovation into practice. According to the literature, there are several key innovation factors that, when set in action, create organizational competitive advantages. As pointed out by researchers, the following factors are sources of innovation: Innovative leadership, knowledgeable and skilled workforce, continuous scan of the environment to seek opportunities, interpretation and selection of the innovation to implement according to the organization’s competences, capabilities and resources, bearing in mind simplicity and focus. Innovative firms are risk-taking as well as financially committed to innovation. Important contributions to innovation may be given from inside the organization (i.e., R&D), at all cross-functional levels, or from outside the organization. Communication with all organization stakeholders (suppliers, customers, community, competitors among others) encourage ideas to come forward and innovation to materialize. Communication is boosted by information technology. Collaborative networking innovation and open innovation push forward the innovation development. Innovation comprises risk. Learning with past experiences and taking them into consideration is valuable for future innovation decision making. Key innovation factors guide organizations in producing novelties on a regular basis (i.e., products, services, process, markets that sustain strategic competitive advantages).

LITERATURE REVIEW

Defining Innovation

Innovation as a Powerful Tool for Sustainable Competitive Advantages

Innovation is frequently seen as a powerful tool to secure competitive advantage (Birchall & Tcovstiga, 2005). Aside from technological, social or market conditions, it is critical to create and sustain competitive advantages. Competitive advantages are likely to arise within those organizations that continually innovate (Tidd, Bessant, & Pavitt, 2005). Firms that are able to combine knowledge, technological skills and experience to create and deliver innovative products or services on a regularly basis are more likely to nurture competitive advantages and succeed (Kay, 1993).

Innovation is about change; it is about renewal. It is the process for renovating what firms are offering in a regular way. It is destroying and constructing; creating again—creative destruction—in the search for strategic advantages; new sources of profits (Schumpeter, 1950). Firms innovate in search of the competitive edge. Entrepreneurs will seek to use technological innovation (a new product/service or a new process of making it) to get strategic advantage.

Innovation contributes to organizational competitiveness in several ways. It is required because products and technology life cycle have shortened, customers have become more demanding, competition has intensified; has become globalised, R&D has increased costs; uncertainty has increased, and the environment has become unpredictable and disruptive. Therefore, firms need to provide the market with better products and services than competition, sooner, and in more effective and attractive ways.

The strategic advantages of innovation allow:
a) the development of new products or services;
b) the development of new processes; c) the achievement of uniqueness (i.e., the complexity