Alignment of Business Strategy and Innovation Strategy: Strategic Benefits

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Abstract: In today’s competitive environment, technology and innovation plays an important role in the growth of a company. To reap the maximum benefits out of it, well thought and implemented business strategy is required. Further it has to be ensured that there should be proper alignment of business strategy and innovation strategy. There is a dyadic relationship between innovation strategy and business strategy. Dyadic means a continuing exchange and mutual dependence on each other. While innovation strategy must be guided by business strategy, yet, the business strategy must also respond to innovation strategy.

Key words: Innovation strategy, Business strategy, Alignment, Dyadic relationship.

Introduction
In the 21st century no business strategy can be formulated or rather thought of without an innovative perspective. All the companies, be it Fast Moving Consumers Goods (FMCG), Entertainment, Electronics, Healthcare, or Hospitality Industry need to have an Innovation strategy. To see the linkages between Innovation and Strategy, it is a must that we should understand the concept of Innovation and Strategy.

Stanford Professor, Robert A Burgelman describes innovation as any new product, service, production system or delivery system. One could also add new business models to this list. Innovation is different from an invention or a discovery, where the focus is limited to inventing the new or discovering the unknown. Innovation puts inventions and discoveries to practical use, economically.

An inventor is successful once the invention works, but the innovator is successful only if such working has economic value. According to the Economist, "An invention that costs US$1,000 to make can easily cost US$10 million to turn into an innovation". Thus the key attribute of an innovation is its ability to create economic value. In other words, an innovation has to prove its worth in the marketplace. The owner of the innovation derives a competitive advantage and hence innovation is an important component of competitive strategy. This has long been realized by organizations competing in the free market. It is hence little wonder that Indian companies too have realized the need for innovation in the liberalized era.

India's biggest IT company, Tata Consultancy Services defines innovation as, "An idea that makes a material difference to an organization's current capabilities or creates a future capability". TCS follows the broad 3-way segmentation suggested by Harvard Business School professor, Prof. Clayton Christensen:

1. Derivative or sustaining innovation, which continuously provides improvements on current services and solutions
2. Transformational improvement or platform innovation, which facilitates a swift move to visible adjacencies in terms of emerging technologies and markets
3. Disruptive or breakthrough innovation, which enables customers to access potentially game-changing markets and business models.

To drive its IT innovation engine and to cast a wider net, TCS uses a "Co-Innovation Network (COIN)", which is a collaborative alliance of entities across the organization's extended ecosystem. The TCS COIN comprises academic institutions, research institutions, student communities, start-ups, venture capitalists, industry bodies, entrepreneurs, alliance partners, consultants and customers. Wipro, Infosys and other Indian IT companies too talk about their emphasis on innovation to bring more value to the customer.

Defining Strategy
Strategy has drawn the attention of Management Gurus from Alfred Chandler (1962), Kenneth Andrew (1965), Igor Ansoff (1965 and 1984), Henry Mintzberg, Michael Porter, Gary Hamel and finally C K Prahlad. However drawing from the various definitions of such illustrations experts, we can define strategy as, “Strategy is a pattern of plan that integrates an organization’s values, major goals, policies and action sequences into a
cohesive whole. A well formulated strategy helps to marshal and allocate organizations resources into a unique and viable posture based on its relative internal competencies and shortcomings, anticipated changes in the environment and contingent moves by the intelligent opponents.”

Innovation Process

Having reviewed the definition and background of innovation and strategy, it is important to study how technology & Innovation inputs have brought in economic progress in the present day trade and business scenario. In the post World War II scenario between 1945 and 1960, it was boom time for the world economy due to the post war reconstruction and the raising aspirations of the new independent countries. Demand exceeded supply and business had nothing to worry. But the situation started changing from the early sixties, management pundits started looking into the black boxes of the innovative companies (Rosenberg in 1982 and G. Doshi in 1988), and found out the process through which technological change brought in success in trade and commerce. They said that the success is the outcome of following factors: -

1. Good communications and linkages with the sources of the technology both external and internal. Willingness to accept new ideas and innovative ways of looking at solutions.
2. Innovations and new technology should be a part of the corporate strategy and integration of all the departments concerned with any innovative idea or approach.
3. Committing resources i.e., money, men and materials for new projects after screening the project thoroughly and a continuous monitoring and appraisal of the project.
4. Efficient ways of handling development work with proper production base and/or adequate supplier base and commitment to quality.
5. Strong customer orientation with participation of the user in the process wherever possible. To develop something, which the customer needs, and not what the company can develop.
6. To provide an adequate customer training along with the efficient after sales service and uninterrupted supply of spares.
7. Effective product drivers with technological ‘Gate-keeper’.
8. High quality top management and senior management team that can not only attract and retain but also excite innovative people who can give their best to make some breakthrough innovation.
9. Commitment of the top management to research and development and it must be visible also.
10. Long-term strategy in which innovation plays a central role. The technology Strategy and business strategy should have Dynamic relation so that there are cross feedbacks from one another. Sometimes technology decides what should be marketed and sometimes the market decides what technology has to be developed.
11. Long-term commitment to innovative products keeping in view the long term gains rather than short-term return on investment.
12. The top management should be flexible and must be responsive to change.
13. Similarly they should accept risk commensurate with the size of the corporate and be able to terminate the project at a stage when they know that further investment in time and money may not yield any result.
14. Creation of innovation –accepting and entrepreneuruship –accommodating culture. This absolutely essential. Otherwise there will be de-motivation of the talent pool of the company.

Innovation does not necessarily mean an expensive venture rather a simple idea can benefit a company to a large extent, the following cases justify this.

Aligning innovation strategy with business strategy

There is a dyadic relationship between innovation strategy and business strategy. Dyadic means a continuing exchange and mutual dependence on each other. While innovation strategy must be guided by business strategy, yet, the business strategy must also respond to innovation strategy. The dyadic relationship between a firm’s innovation strategy and business strategy has six distinguishing characteristics:

1. Competitive and innovation strategies influence in a continuous loop
2. The aligning process also implies that a firm should make its emphasis on innovation and business strategy variables over a period of time.
3. Competitive advantage is the result of proper alignment of business strategy with innovation strategy.
4. To ensure a fit between innovation strategy and business strategy, both formal and the informal efforts are needed.
5. Role of organizational culture is very significant in ensuring effectiveness and efficiency in the organization.
6. Last but not the least, the role of knowledge management in the linkage of business strategy and innovation strategy is of great importance.

Shaker Zahra et al have depicted the combination of three major factors for making use of the dyadic relation between the technology and competitive strategies. There are two external factors: The rate at which the technology is advancing in the market of a particular firm and/or its products and predictability of these changes. The amount of heterogeneity in the technological capabilities/efficiency of the firms that is successful. These two external factors are combined with the third factor that is internal to the firm— it is the ability of the company to innovate and deploy new technology to combat competition in the market place. To take advantages of the technological and strategic choices, the firm has to use the dyadic relations effectively.

Conclusion: 
Before concluding it must be emphasized once again that technology has become one of the most important inputs to the business enterprises and it must be nurtured like a child and care must be taken to multiply it. Innovation strategy should be properly incorporated in business strategy. Technological innovations should be guided by a clear vision of company’s plans and objectives. Similarly, the organizational objectives and goals must be based on the organizational strength in technological skills and capabilities.

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