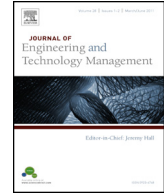




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The challenges of innovation capability building: Learning from longitudinal studies of innovation efforts at Renault and Volvo Cars



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ABSTRACT

This paper describes two initiatives to develop the capabilities for innovation in two automotive firms, focusing on the efforts of individuals in their two missions: to manage an innovation portfolio and to systematically build capabilities for innovation. The research is based on longitudinal studies of two European car manufacturers and makes several contributions. First, it contributes to innovation capability theory by addressing the efforts undertaken by managers to develop the capabilities for innovation, underlining the need for political astuteness and a learning perspective. Second, it shows the challenges involved in large mature firms and the need for explicit management support.

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Introduction

In recent years, a growing number of large established firms have been investing efforts in being innovative. They have been focused on efficiency in their manufacturing and product development processes and found that while these process improvements may have increased the speed of production, the resulting reduced innovativeness of their offers is not contributing to their being more competitive. Innovation is key to being competitive and maintaining a balance between the development of future opportunities and efficient current operations (often described as ambidexterity) is a huge challenge for all large, established firms (e.g. Tushman and O'Reilly, 1996; Schreyögg and Kliesch-Eberl, 2007), and especially those in the automotive

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industry where manufacturers are under pressure from price competition and the need for short term profits.

Rather than focusing only on developing innovations, it has been argued that mature firms searching to be inventive should adopt a capabilities perspective on innovation (Hatchuel et al., 2003; Colarelli O'Connor, 2008). A capabilities perspective encourages a systems view which facilitates innovativeness in firms (Colarelli O'Connor, 2008; Börjesson and Elmquist, 2011). The few studies of innovation capabilities tend to be rather general (e.g. Burgelman et al., 1988; Francis and Bessant, 2005; Assink, 2006). An important exception is the work of Colarelli O'Connor and colleagues on “major/radical innovation capabilities” (Colarelli O'Connor, 2008; Colarelli O'Connor et al., 2008; Colarelli O'Connor and DeMartino, 2006; Colarelli O'Connor and McDermott, 2004), which suggests that innovation systems should be founded on the three pillars of Discovery, Incubation, and Acceleration. Also Danneels (2011) highlights resource cognition as a central management capability required to build innovation capability. Work on *developing* the capabilities for innovation in mature firms, i.e. the efforts undertaken to build new, complementary capabilities in the firm is very scant (O'Connor et al., 2008). Kelley et al. (2011) argue that the individual is a key contributor to the realization of innovation. Individuals are also critical for building the organizational capability for innovation (O'Connor et al., 2008; Börjesson and Elmquist, 2011), through their role of “orchestrators” (O'Connor et al., 2008).

Our research considers that building capabilities in mature firms is a long-term, complex effort that involves many challenges. Building the capability for innovation is strongly related to managing change (Eisenhardt and Martin, 2000; Zollo and Winter, 2002), and therefore to overcoming organizational resistance and barriers such as mindset barriers (Assink, 2006; Moss-Kanter, 2006; Dougherty and Heller, 1994). Although building capabilities may involve numerous actors it is often managed or orchestrated by one or a very few individuals – the situation we focus on in this research. Building innovation capability includes two concrete missions: (1) immediate management of the innovation project and subsequent activities, and (2) systematic management of capability building in the organization from a systems perspective. These two missions are intertwined and interdependent. This paper explores the role of the individual “orchestrator” (see e.g. O'Connor et al., 2008) in two automotive firms and specifically the activities undertaken to fulfil the second mission, the building of capabilities for innovation. It investigates how the development of innovation capabilities is managed and orchestrated in firms within certain constraints and the challenges associated with their systematic development. Our research question is:

What are the critical activities and challenges involved in the mission of building capabilities in a context of organizational constraints?

The paper draws on two longitudinal (5 year) studies of the explicit efforts made by two European car manufacturers to develop their innovation capabilities in order to focus on how innovation capability is built (Adler et al., 2004; Shani et al., 2008). Both firms can be described as constrained since they are under continuous pressure from a short-term focus on economic results which also does not allow managers and employees time to reflect, and to develop capabilities. This can add to a firm's cultural inertia (Beer, 2001). We argue that managing capabilities is different from managing their development which clearly is a change process and involves a journey into the unknown.

The paper makes several contributions. It provides rich empirical data on the managerial challenges involved in developing the capabilities for innovation and contributes to innovation capability theory by addressing the efforts undertaken to build (develop) capabilities in a context of organizational (and managerial) constraints. The development of the capabilities for innovation goes beyond the management of a portfolio of innovation projects. Our focus is on the efforts required to develop the organization's awareness of the critical need to develop persistent capabilities for innovation.

The paper is organized as follows: “Frame of reference” reviews the research on innovation capabilities and the role of innovation managers involved in developing innovation capabilities in mature firms. “Method” describes the research methodologies for the two longitudinal field studies; “Two initiatives to develop innovation capabilities” presents the initiatives undertaken by the two automotive firms. “Managing the building of innovation capabilities analyzes” the firms' approaches and discusses the role of managers in capabilities development. “Challenges for an innovation

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