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Review Article

STRATEGIC INNOVATION: THE FORMATION AND ITS EFFECT ON ORGANIZATION

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ABSTRACT
Mobility that emerges in accordance with environmental changes and organizational conditions is called strategic innovation. This phenomenon affects flexibility and promptitude of organizations in the global market. Product innovation and changing the nature of business are also accomplished via this phenomenon. This research tries to investigate the formation, impacts and future trends of strategic innovation on organizations. Organizations should pay enough attention to such an important issue if they want to survive in today's competing marketplace because if they access to a permanent agility within the organization, they will be able to create new products and provide services which provide a strong driving force for the organization. As such, this paper firstly attempts to critically examine the concept of innovation and its types. Then, five critical steps of leadership to support innovation are examined. Then, the new perspectives on strategic innovation and its background are presented and, finally, the conclusions are discussed.

***Keywords**: Strategic Innovation, Competitive Advantage, Innovation, Environmental Change*

INTRODUCTION
How does strategic innovation - creating business models and effective innovating dramatic innovations in the market - began? There are two schools of thought on this matter: A number of leading researchers say that the senior management needs to create a vision and a clear plan to achieve innovation and a plan should be executed to realize that vision. However, few CEOs are intuitively aware that the start of strategic innovation process is highly complex and ambiguous. On the second thought, the primary role of management is to continuously improve the compliance between processes and targets and extend learning experiences that involve innovation. So, how do organizations manage to achieve successful and consistent strategic innovation? According to a research conducted by Wood (2007), we can assume a very simple approach: instead of trying to create a clear blueprint for how innovative organizations must work, while you are coordinate with your team and while you are enhancing learning from what you are creating, you should get stuck with a lot of excitement toward your goal and establish a number of steps to achieve it. This process will allow the emergence of new methods and trends, which are highlighted in the new forms of organizational knowledge, and can promote the repletion of innovation in the future. Markides (2000) believes that strategic innovation is a completely different method of competition in an industry that is born via breaking the rules of the game and thinking to methods. A key element is a reconceptualization of what business knows about it and the way which leads to a different, but correct, way of playing the game in the industry.
Leaders of innovative organizations behave quite differently from the ways that experts recommend. Instead of trying to create a clear and simple blueprint for innovation, they establish a powerful goal that creates a dramatic emotional impact on the employees. Wood calls this goal “strategic intent/goal”. The next step for successful innovators is working with others in the organization in order to create the initial activities in support of the strategic plan and to obtain initial successes without relying on the current systems or certain and new principles of innovation. After some significant achievements are achieved, successful innovators allow people to learn from them. Then, they allow many people to play key roles in

the development of specific method for creating new activities in their own organization. As a result, new methods of innovation will appear and the processes with fewer rules, which make the act more efficient, are supported by the leaders (Wood, 2007). At this stage, innovational results and goals are followed within the organizational frameworks. Does innovation help organizations to gain a competitive advantage? Or, do work-related innovation and creativity that differentiate the company from competitors, lead to this goal? This research tries to investigate the formation, impacts and future trends of strategic innovation on organizations. Organizations should pay enough attention to such an important issue if they want to survive in today's competing marketplace because if they access to a permanent agility within the organization, they will be able to create new products and services which provides a strong driving force for the organization.

LITERATURE & THEORETICAL

Innovation and its types

Studies conducted in various areas related to innovation have offered diverse definitions and classifications on innovation. While today's research play a critical role as a major part of the innovation, many new forms of innovation have emerged. They include approaches of system towards integration of new technologies and processes with other fields including business models and new business approaches and methods (Sorati Ashtiani, 2008). Innovation process has been defined as radical, incremental, imitative, completely new, ameliorative, revolutionary, technological, organizational, and many other innovation types (Ahmadi and Nasiri Vahed, 2007).

Innovation can be differentiated based on the following criteria:

* Focus: technology, organization, foreign relations
* Type: radical or incremental
* Resources: Technology transfer or development of new business models and concepts (Sniukas, 2007).

The multitude of studies conducted in recent decades in the field of market-oriented approach and its impacts indicate the interest of researchers in this field toward strategic approach. Market orientation, as a philosophical approach in marketing, not only addresses the customers, but also takes into account the competitors and many factors influencing the needs and preferences of customers (Kok & Biemans, 2009). As an organizational approach, this approach is often necessary to create higher value for customers and provides a continuous function (Schindehutte, et al., 2008). Theoretical literature in the field of innovation suggests that market-oriented firms seek to respond to the recognized needs of their customers. Therefore, it is likely that some of the opportunities that exist for new product development are failed due to customers' inability to describe their new needs. Thus, these firms need to create an entrepreneurial approach to ensure an active and aggressive focus on the emerging and unknown needs of the customers. On the other hand, entrepreneurial approach, which is focused on emerging and unknown needs of customers, guides the customers (and not the other way round) and creates a market advantage over competitors. However, the new high-technology products may be faced with the risk of failure in the market and thus, the businesses may be threatened (Matoofi and Riahi, 2009).

Without innovation, no new products, services and methods of doing business can be found consistent and the majority of organizations are forever trapped in the old services and methods. Other reasons for approaching innovation can be mentioned as follow:

1. Innovation as a paradigm shift: innovation can change the way of doing business in the global growing economy.
2. Innovation as the engine of economic growth: speed and efficiency promote innovation through economic productivity and growth. Competitive and imitative forces create an initial innovation so that their effects on the economy are many times greater than buying it in the first application.
3. Innovation as a rule: firms, like any living organism, should act as learning organizations that change and adapt themselves to follow the changing business environment. According to Bill Gates, if you do not

practice change management, which is concerned with the future, the future will not notice you (Sorati Ashtiani, 2008).
In discussing innovation, one must be aware of its distinction with creativity. Innovation can be defined as the process of obtaining creative ideas and converting them into new operational products, services and methods (Dastani, 2009). Conversely, creativity is defined in accordance with individual characteristics. Some researchers define creativity in accordance with the product; for example, creativity is shaping and delivering a new and useful idea by an individual or small group of people working together. Similarly, Nicholson argues that creativity is forming new idea or product that is both new and fits well (appropriate, useful and valuable). Furthermore, innovative products or services that have been developed for the first time and have led to a commercial success are the results of innovation. Innovation can be defined as the the process of obtaining creative ideas and converting them into useful operational products, services and methods. There are three sets of variables that can be used to create innovation; they relate to organizational structure, culture and human resource capabilities (Dastani, 2009). Allen believes that there are three basic approaches to innovation in the industry including structural, creative and dynamic. Structural innovation was popular during the industrial era and it aimed to efficient and effective innovation engineering in the form of specific guidelines. Creative innovation has been common in small organizations, in which focus on an overall picture of the company is made easier, and its basic foundation is to focus on motivational, rather than processing, dimensions of innovation. Dynamic innovation is a combination of structural and creative approaches and businesses of different sizes, both large and small, can take advantage of this kind of innovation to achieve success. In fact, dynamic innovation has borrowed the strategic thinking and planning from the structural approach and the need for execution of plans from creative approach. Innovation is defined as the successful exploitation and implementation of new ideas. Other researchers believe that innovation refers to changes and thus includes the creation and commercialization of new knowledge (Talebi, 2006).

Fewer planning, more innovations
The key to understanding the five-stage formation of continuous strategic innovation is to understand the importance of the initiative as improvisation. In order to promote effective strategic innovation processes, leaders need to understand the difference between the improvisational change and planned change. Improvisation means understanding and mastering how to do something and as such it is against planning. If a team agree and determine who will do what in the project and the members do their allotted tasks, this project will be a planned project. If the members enter into a working day and face a crisis, like introducing new products by competitors or a technological innovation, and work together in an integrated program, this act will be an improvised act (Miner et al, 2001). Major strategic changes in organizations can not fully be created impromptu. However, the organizations do not have to be perfectly planned in cases of crises. Wood suggests that change in the lowest levels of unexpectedness can makes use of knowledge that can not be used by detailed planning. Vic and Queen suggest that many people who are focused on innovation and change assume that leaders can and should plan key elements of changes that are going to occur in organizational processes and carefully advance the plan. Change management consultant, David Nadler, believes that leader must define where the organization is going to go so that he/she can change the work, employees, formal structure and natural order of that organization in itself. Based on this approach, leaders must lead the organization through this transition. Then, they plan and make use of linking together different disciplines to strengthen business change. Models similar to Nadler's model are used when an organization wants to implement big and ultimate changes (Wood, 2007).
However, Nadler and others have proposed and applied a standard model for firms such as AT & T, Lucent, Ford, and Xerox in the 1990s, and later when they needed a capacity for continuous strategic innovation. As Wood's study shows, the different types of innovation require different types of structure and culture within the organization. In a rapidly changing environment, leaders cannot predict the kind of

needed innovation. So it is not clear how senior managers can decide the required kinds of structure and culture. Analysts like Nadler have little to say about such improvised behaviors. Experienced managers know that it is not possible, especially in a changing environment, to plan every step of innovation process. Wood suggests that the best way to create a permanent capacity for a large-scale strategic innovation is to allow early innovations to update the desired innovations in exploration with lower levels of planning than proposed standard models. Admittedly, large-scale innovations may require the development of complex systems and it usually cannot happen all at once. Allowing people to search a big and uncertain goal in the start of the quest for innovation can open a door toward the good ideas. Furthermore, it may even survive the innovation and prevent the organization to move in the closed direction toward innovation and innovative ways that will fail ultimately (ibid).

Five critical steps of leadership to support innovation

Processes resulting from innovative firms to create and implement new strategies are analogized to the standard processes that have been backed by leading pioneers who advocate change. However, there are some differences in this field. Based on successful innovation performances, Wood has summarized some rules of thumb for leaders. Each maxim depends on one of the steps in the process of creating innovation in innovative firms:

1. Identification of the crisis and the need for a fundamental transition: without the recognition that organization is faced with a crisis and it cannot overcome this crisis without fundamental transforming / transporting, one cannot think to change. Leaders should take advantage of the crisis to freeze out the firm so that their commitment toward the current situation is weakened.

2. Creating hope and enthusiasm. However, goals must bage vague enough: leaders of innovative organizations must establish big goals and work hard to make sure that other members will also accept them, though these goals are not clear and accurate. Although the researches based on organizational experiences show that goals that will emerge from ongoing strategic innovation can be broad and unclear, access to these goals requires fast and abundant passion of managers to focus resources towards achieving these goals.

3. Innovation can start without clear principles: some efforts to change the culture are comparable with works conducted by Nadler. However, these changes did not appear to be key drivers of permanent strategic innovation. Leaders of successful innovative organizations pay little attention to any rules or systems that have been created and encourage others to innovate outside of that framework. Therefore, the role of leaders in this part of emergence of permanent strategic innovation is to participate or support innovation without following the rules.

4. Learning from initial innovations: If innovators start with the ideas that are not defined in relation to the standard model of the innovation process, they will learn from their initial innovation processes and begin to form their own innovations.

5. Encouraging common trends in the incidence of innovation strategy: innovation processes are based on methods that are less planned and appear within the routine. It appears that these pathways are used for more strategic innovation. In addition, leaders use regular work routines as well as formalization in order to enhance the efficiency and clarity. An example for innovative managers can be found in small-scale organizations in which leaders try to get members' ideas in order to create innovation via developed business groups (Wood, 2007).

Strategic innovation as a modern perspective

The concept of strategic innovation is currently considered as an important concept among managers and academics. This is important for several reasons; conditions for better global businesses have revolved around the concept of change. Many researchers agree with the view that the foreign dynamism of industrial firms has increased during the past years and is going to be increased in the future. Some of them are talking about increased competition and the need for market-focused organizations and technological pressures on firms. Firms operating in the 1960s and before could rely on conditions of stable market and the customers were emphasizing on price alone. However, today's markets are not similarly stable and the customers emphasize on price, quality, quick access, innovation and other factors simultaneously (Drejer, 2006). Strategic innovation and introduction of new product are important dimensions of astrategic entrepreneurship (Cassia et al., 2012).

Overall, it appears that there is an agreement on the emergence of a new and competitive position in the world. This is summarized well by D'Aveni under the title of "hyper-competition". Hyper-competition, according to the D'Aveni, is a competitive situation in which a key success factor for competition is the constant capability to introduce new products, processes or services to the customers so that the quality of work is enhanced and the performance is efficient. Regarding the hyper-competition, firms cannot rely on sustainable competitive advantage and need to continually expand themselves towards new directions. The firms should endure great technological pressures. Compared to the past, it seems that technological life cycles of some of the industries are being decreased. Therefore, firms must constantly endure more pressure in order to create more innovation. Meanwhile, one should be careful about very strong viewpoints towards technological dynamism in some firms so that firms should follow them, even though they do not consider it as a need (Drejer, 2006). Many researchers agree that firms must enhance their technological levels and set it as their priority as a strategic issue (Clark, 1989). Regarding the technology, it seems that more new technologies are emerging to find new ways to work and organize. For example, Sevij speaks about the possibility of fifth-generation organizations that are based on the idea of networked, virtual, etc. organizations. There are other similar ideas; Martin speaks on the nature of cybercorp as a whole new way of organizing and managing firms (Drejer, 2006). Generally, new technologies have stronger competitive effects (Tushman & Anderson, 1990). Hence, the technological dynamism will also affect the competitive dynamics. Bettis and Hitt (1995) state that this technology is rapidly changing the nature of competition in the future. Also, they refer to the position as the new competitive landscape and state that this new competitive landscape will determine a tendency towards management theory.

The background of strategic innovation

Obviously, organizations need greater innovations and active thinking on their strategic management. At least, it seems that, during future years, these issues are more quickly becoming crucial for managers and those who academically pursue management. Works conducted on innovation management and technology management have recently been starting to affect our thinking about strategic management as a discipline (Drejer, 2006). On top of this effect, a series of new research work has started to emerge. These researches have determined strategic realm, rather than innovation, as their starting point. As such, they have focused on strategy and innovation simultaneously or strategic innovation. The thinking underlying strategic innovation as a concept is based on three bases; firstly, strategic managers should consider both future and current strategies in order to achieve continued success. This issue is now the state of knowledge in the field of strategic management that follows works conducted by such individuals as Hamel and Prahalad and Porter (1996). They showed that strategies must consider the operational differentiation and effectiveness. The second basic idea is based on a well-known theory that requires innovation and effectiveness as essentials for different types of organizations to succeed because creative thinking is essentially different from the conventional analytical thinking proposed by De Bono and others. Finally, the underlying idea is based on the identification of current and future strategies and that today's competition is more focused on competition over business concepts and models than competition over product markets or even on technology. Of course, business concepts and models are changing the rules of the competition game. Similarly, Hamel observes that this is happening on the eve of the new millennium. Firms are obliged to, simultaneously and effectively, manage their current business and find and develop new business models and ideas- this is a definition of strategic innovation. Briefly, strategic innovation mingles favorable results and new competitive landscape (modification of the situation of organization as a more active and innovative businesses) with the process by which results are achieved (a management process which substitutes the analytical- traditional process of strategic planning) (Drejer, 2006).

Definition of strategic innovation

Before Drucker, there was a difference between doing works well and doing right works. When it comes to strategic management, we can translate this issue to either of these areas; on the one hand, the right marketing products and services in the right markets. On the other hand, developing, producing and distributing products and services in appropriate ways. It is clear that firms need to focus on both ways in their long-term perspective so that they can, at the same time, focus on business development and operational effectiveness (Drejer, 2006). The basic foundations of strategic innovation involves considering strategy as:

* Changing the firm's position in the market and, at the same time, using the current position
* Environment includes the current and potential customers and firms must consider them within the strategic management.
* Firm, which includes businesses and resources, should be considered as a whole entity.

As a result, potential resources and markets in order to create different markets and values compared to the only current market for the firm (while still in this position, the value is being created) is an important consideration in strategic management. In addition, some may talk about the competence readiness of a firm that can be established by the reorganization of the business into new markets, that is strategic innovation. Regarding the issue initiated by Levitt (Marketing Myopia), firms must look at their business in a broad sense, rather than merely to define the current products. Any business carries the needs and demands of its customers and thus, can strategically diversify its products to deal with this issue. Therefore, we can define a business as a combination of business idea, concept and system (Drejer, 2006). The idea of business application may appear in products / services so that it can meet the needs and demands of a group of customers. The concept of application of business appear in the process of value creation - or competencies – and intends to explain the manner in which the product / service are designed, developed, manufactured, distributed and marketed. Business system is realized as a basic principle and procedure by which persons or functions has implicated for value creation. This business state is able to respond strategically to owners. However, strategic innovation can be defined as follows: “strategic innovation is the capability to create and restructure the firm’s business idea and concept via changing the market, competencies and business system of the firm. In this way, strategic innovation is wholly correlated with the development of the firm”. Among the approaches to innovation, producing and providing new products and services have emerged as a major area of interest for the study (Molina-Castillo & Munuera-Alema, 2009). It allows businesses to gain a significant competitive advantage provided that they successfully achieve innovation (Berg & Einspruch, 2009).

Competitive advantage and strategic innovation

Richardson & Thompson argue that any strategy must comprise two main elements: firstly, it must have strategic goals. Secondly, it must also have a practical plan. Entrepreneurial firms are focused on identifying risky opportunities and activities; lack of balanced strategic focus on these two factors can undermine the benefits and value which could have been brought up via entrepreneurial initiatives (Kyrgidou & Hughes, 2010). Thus, firms that are unable to cope with competitive advantage should undertake more entrepreneurial behaviors. Also, excessive formality within the firm's activities, which also involves strategies, can create conditions that limit quick adaptation to changes and facing the views challenging the current frameworks (DeSimone & et al., 1995). So, this excessive formality can hinder access to entrepreneurial behaviors and its consequent outcomes. The theory of strategic management is founded on resource-based view (RBV); this concept emphasizes on establishment of a particular resource for firms in order to create a competitive advantage. This advantage allows the company to

compete effectively for a long time (Barney, 1991). A variable that can differentiate firms and can appear within the competitive advantage of firms is expressed through resource-based view (RBV) (Sirmon & Hitt, 2003). It should be noted that RBV is unable to explain why smaller firms and new entrants to the market can outdo those who are in the big market (Kyrgidou & Hughes, 2010). The resource-based perspective towards the strategy denotes that the strategic power and capability of firms depend on the capability (quantity and quality) of resources (David & et al., 2013).
Armstrong believes that the concept of strategy is based on three concepts of competitive advantage, distinctive capabilities, and strategic coordination. Michael Porter introduced the concept of competitive advantage for the first time (Armstrong, 2012). According to Porter, competitive advantage is given to a firm that respects its customers. To gain competitive advantage in their markets, firms select those markets in which they can function better. So, they continuously thrive to improve their positions and thus, become a moving target for their competitors. Having introduced differentiation (product uniqueness) and focus (paying attention to a specific group of customers or market products), Porter introduces its proposed general strategies (innovation, quality, cost leadership) in order to gain a competitive advantage.
Ricardo states that the competitive advantage is the result of paying attention to products that have been produced via controlling the most valuable resources, which brings great economic income, of firms (Sheikholeslami, 2012). Strategic innovation emerges under the subject of product innovation in order to link resources and efforts to achieve overall business strategy. Further, strategic innovation includes forming initiative knowledge and activity as ways of living, searching to create and develop markets rather than solely seeking customers' demand, and reorienting resources towards more profitable lines of business. Few managers are aware of strategic innovation, but fewer managers are using it. Users of this concept consider the strategic innovation approach as a sequence of links between genes - intelligence which enables them to leverage their resources to achieve higher growth. Understanding and applying the strategic innovation process require a review of the levels of change that pave the way for strategic innovation (Abraham & Knight, 2001). Paying attention to strategic innovation, as a dynamic concept, can support organizations in order to gain a competitive advantage because the essence of this concept is moving in this direction. Innovation is an entrepreneurial activity in the exploration of new ideas which cannot be done in the ordinary firms that charge routines. However, firms that operate in open and competitive markets can cover these areas. Innovation is a risky, uncertain and expensive business process that very often requires multiple capacity and competence to be implemented successfully. Meanwhile, innovation was identified in a very broad sense, so that it was considered as an important basis to enhance competitiveness and was implemented for business development (Cassia, et al., 2012). For these reasons, it is clear why firms are constantly searching techniques and methods that enable them to optimize their processes that lead to greater efficiency and effectiveness (Chapman & Hyland, 2004). Several studies and researches have confirmed this relationship in this area.

DISCUSSION & CONCLUSIONS

Encountering tidal waves of global changes- social, technological, economic - are among the reasons that indicate that one cannot survive in a rapidly globalizing economy through just one type of innovation, technological innovation for example. If you want to resist against merciless global competition, one must quickly change the way of doing business. There you need the kind of innovation that applies appropriate forms of innovations to help your organization or business to quickly adapt to changing business environment. Strategic innovation with systematic and holistic approach is what you are looking for. The strategic innovation makes use of growth strategies in order to change new product categories, services and different business models of competition and it creates new values for customers and businesses (Sorati Ashtiani, 2008). Given the definition of strategic innovation which enables the firms to change the market, competencies and business systems so that they can express and restructure the business idea and concept anew, it can be stated that all aspects of the firm are applied in this way so that the required

dynamism for innovative movement of firm over the time and in different and changing environments is achieved. This phenomenon specializes the organization and functionally differentiates it from other competitors that may even become a permanent competitive advantage.
Barney differentiates between competitive advantage that the firm is currently using and can be copied by other competitors, and the constant competitive advantage which cannot be copied by competitors. This increases the importance of the concept of distinctive capabilities. This concept establishes the basis of resource-based perspective towards the strategy. However, one should bear in mind that this perspective cannot correctly determine the long-term success of the firm when the firm is faced with the ever changing environment. In fact, constant attempts by firms to explore new opportunities can top up the firms. Also, the superiority can be achieved by taking advantage of the available resources (Birgitta & et al., 2013). It appears that strategic innovation can provide such a potential for firms to achieve stunning results with respect to all of the capacity and resources at their disposal. Paying attention to this concept in this technology-driven world provides a permanent readiness for organizations to continuously observe the outside environment and operationalize their initiatives through strategic innovation.

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