# 2.Building the fundamentals of a successful innovation management

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## 2.1. Defining innovation strategy and goals

According to the words of management guru Peter Drucker each organisation needs one key competence: innovation. Innovation is the process by which businesses improve their competitiveness and profitability by creating and/or adopting relevant new products and ideas. Innovations result in the development of new products and services, new features in existing products and services, and new ways to produce or sell them or a different approach to any other process within the company (Beerens et al., 2004, Vemuri et al., 2003, Gellatly and Peters, 1999).

Innovation management begins with defining the strategy and setting innovation objectives. Innovation strategy is a strategy of efficient answer to competition.

- *Production strategy* may focus on improving production flexibility, reducing lead times, improving working conditions, or reducing labour costs.
- *Product strategy* may centre on improving product quality, replacing products that are being phased out, or extending the product range.
- *Market strategy* may focus on opening new domestic or foreign markets, or simply on maintaining current market share.

Developing successful innovation strategies is often difficult, which explains why many firms choose not to do so, even though the benefits of innovating are widely understood.

The scope of innovation can be quite varied. Activities ranging from automation of order taking to developing hydrogen-powered automobiles are broadly considered innovations. Specifically, the most important innovations *goals* are the following:

- Increase added value for customers
- Reduce product/ service cost
- Increase innovation hit rate