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1.2.4 Changing views on innovation

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What is clear from the series of discussions thus far is that there is great diversity in the extent and pattern of the impact of innovation on the rise and fall of companies. We may also need to make some changes to the way in which we view innovation.

First, it should be noted that the problem later formalized by economists as the Schumpeter hypothesis is only part of the phenomenon surrounding the rise and fall of corporations. While the dichotomy between existing and emerging companies offers a simple formulation of the problem, which type functions more favorably depends on the management resources, accumulated knowledge, and organizational routines of the company on the one hand, and the state of environmental change on the other. Therefore, we must pay more attention to the superficial characteristics of corporate entities and market positions, such as whether they are startups or incumbents, as well as the level at which the changes brought about by innovation manifest and the extent to which these changes affect existing management resources, knowledge, and organizational routines.

For example, whether an innovation is a breakthrough innovation varies greatly depending on the level of change that is being focused on. Moreover, there is no singular “breakthrough innovation” applicable to all companies as the changes innovations bring about vary greatly from one company to another. The question of whether the changes brought about by an innovation are discontinuous or continuous also depends on the point in time from which it is viewed as a change. This suggests that the rise and fall of companies is related to the question of how and at what level individuals and organizations “perceive, interpret, evaluate, and cope” with change.

Second, the impact of innovation on competition is not governed solely by a nomothetic world composed purely of reproducible knowledge of science and technology, as is the case with the patterns of innovation. It is also a social process heavily influenced by human intentions and subjective interpretations and evaluations.² In addition to the organizational culture, values, and practices that characterize an

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² For a social constructionist view of technological progress, see Bijker et al. (1987).

organization, it is also influenced by its relationship with its customers and its sales structure. An organization's relationship with its customers is also affected by the nature of the preceding business relationship and the duration of the transaction, as well as the policies and institutions of the country in question. The acceptance of a new technology in the first place also depends on how customers perceive its value and their evaluation on this basis. As such, technology cannot be independent of the society in which it is embedded and the values shared by that society. Therefore, to examine the impact of innovation on competition, rather than merely examining the superiority or inferiority of technology, we must pay more attention to the relationship between technology and society than we ever have before.

As explained in detail in 1.2.5, which examines strategy, it is extremely difficult to proactively control the rise and fall of companies. There is uncertainty and risk involved in trying something new. Management systems are optimized for existing businesses and the people who work in them tend to dislike change and prefer sticking to the visible certainty of the current business. We can either view the task as nighly-impossible and give up or do what is difficult but ultimately necessary to proactively drive change. It is the task of innovation management and strategy to consider this issue.

This paper is a summary of Chapter 3 of Hitotsubashi University's Institute of Innovation Research (2017), please refer to this book for further detail.

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