Editorial

Illumination in times of Uncertainty: Fifty Shades of Innovation for Societal Impact

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Innovate or die. This observation is nothing new; yet it is probably more true and topical than ever. Over the last decades, innovation has expanded in an unprecedented manner and is now part of most firms’ strategies, if not the nexus of their strategies. Originally, mainly centred around the introduction of manufactured novelties, innovation is now perceived and depicted by as many adjectives, categories and attributes as one can think of: service, organisational, process, marketing, social, environmental, strategic, business model, and so on. This extension of the nature, types and forms of innovation goes hand in hand with the development of the academic literature focusing not only on the tangibility nature of novelties, but also on the intangibility character of some, or even most, of those. Moreover, and, as the analysis of leading-edge companies shows, innovation is nowadays never restricted to a single specific form. Innovation now embraces bundles of products and services, which are subject to new business models, distributed through new channels increasingly benefitting from an accrued interaction with customers, enrolling them in the development and marketing processes. The boundaries between goods and services innovations have blurred over time, leading to an abundant literature stemming from the convergence or synthesis streams, aiming at building a unified theory for innovation, and highlighting the convergence between the typical features of product innovation (such as the tangibility and the standardization) and those of service innovation (customer-centric, less structured, intangible), as argued by e.g. Evangelista (2006) and Gallouj and Savona (2009).

This Spring Issue revolves around the assorted and multifaceted nature of the innovation, and its process, with a specific focus on service innovation and on innovation in services industries. The dominant role of services in our societies, as well as the progressive obsolescence of the traditional dichotomous categorisation of services versus manufacturing activities, gives ground for dedicating more research on the meaning of innovation in services, their multi-fold aspect, heterogeneity, and finally their impact on performance, measured in economic and also in intangible terms.

The first Academic Letter of this Issue, by Djellal and Gallouj, focuses on innovation in services, emphasising the heterogeneity of service industries, and opens the debate on the contribution of services to the entire economy. The Scholars argue that a service economy is indeed an “economy of knowledge, skills and innovation” and urge for more consideration from all stakeholders on the potential that can be realized.
from innovation in services industries.

The second Academic Letter of this issue resonates with a previous academic Letter by Hannon (2014), whose contribution focused on the so-called entrepreneurial university. The third mission of universities consists of the extension of their socio-economic impact through increased activities in knowledge and technology transfer, innovation, and the stimulation of both intra- and entrepreneurship. Such a shift in the intrinsic mission of universities requires a parallel relocation of the focal training types. In this Letter, Barro depicts the learning cube, which puts into perspective the different types of trainings, namely, the cognitive, pragmatic and executive, which respectively intensify the acquisition and development of knowledge, competencies and commitment, while mobilizing different types of processes (i.e. memorisation-reproduction, realisation-reiteration and finally conceptualisation-execution in the latter case) and corresponding to different types of societies, labelled information, knowledge and intelligence. The Scholar further emphasizes the need for executive intelligence training, where the focus is on setting goals, and enlarging the spectrum of potential learning opportunities. Interestingly, Barro elaborates on “educational profitability”, using a term which usually relates to financial and economic targets whereas here, the purpose is to ensure the permanent learning attitude and its outcome for society. This notion of “educational profitability” may leave the reader wondering whether education should ever aim at reaching any other kind of profitability than a societal one, with the ultimate target of allowing everyone, in every country, to get access to education and to be trained to nurture the ability to learn continuously during one’s lifetime.

The third Letter adopts a Policy Perspective and introduces the concept of system innovation, which is defined as “a radical innovation in the configuration of elements that fulfils a certain function, entailing changes in both components and architecture of the configuration” (Deak and Peredy, 2015). According to Deak and Peredy, system innovation is hard to manage due to its reliance on a fragmented set of actors and stakeholders. Yet, it remains the key to address societal challenges, ranging from mobility, housing and food supply, and the large-scale transitions and socio-economic transformations that are currently affecting our economies. The Authors also argue that the role of policymakers evolves along the phases of system innovation, from a facilitator and stimulator at the early stage of development to a catalyst for the uptake of novelties at a later stage.

In their contribution, Schueffel and Vadana provide the first identifiable literature review on open innovation in the financial services industry. Their main research focus is to explore the level of adoption of open innovation practices in the banking, wealth management and insurance industry, as reported in theoretical and empirical papers, and discuss whether open innovation should be more broadly applied in the industry. Their findings indicate that several organisational factors prevent financial service firms to apply open innovation practices, as well as monetary constraints. Nevertheless, they advocate for a wider dissemination of those practices, given the potential benefits that those can bring. Furthermore, they define and characterize innovation in this industry, debate about the natural and logical openness nature of the innovation process as well as the need for structured versus unstructured product and service development processes. Finally, their review paves the way for further research in the field of open innovation in financial services, which is certainly an area deserving more attention in the academic sphere.

In their analysis of the top twenty cited papers since 1999, and a focus on the top 20 cited and most recent published papers, over the last two years, Demneh and Sammon unveil interesting features of this emerging ecosystem. Building on its ubiquitous nature, mobile phones have been a major driver of adoption of mobile
payment systems, especially among the unbanked populations. This peculiarity restates the importance of technology, positioned as a catalyst for new market development and the introduction of novelties aimed at improving societal welfare. Interestingly, the scholars show that the most cited publications have predominantly concentrated on both the technological, security & architecture and the social, cultural and economic standpoints from the perspectives of the merchants and the consumers. Despite their relevance in the overall ecosystem, mobile network operators, as well as regulators have been left aside from all the most widely cited articles over the 15 years under scrutiny. Another instructive finding stems from the fact that financial institutions have never been the main object / subject of research in these papers. To a large extent, mobile payment players are reshaping part of the financial industry, fragmenting it by opening it up to an entirely new set of firms. These actors are thus casting a new ecosystem that bridges the technological and the financial worlds. Furthermore, the analysis of the most recent publications indicates that the technological standpoint remains the dominant perspective, while still neglecting the financial institutions and the mobile network operators as the key actors under investigation. In our eyes, such results tend to indicate that the recent interest in leading Financial centres for FinTech firms and the boom of venture-backed technological developments in mobile payments, as well as the development of dedicated infrastructures such as specialized incubators and accelerators, have been overlooked by academic literature.

Fraczek and Klimontowicz debate of the influence of financial literacy on the decision making process of young customers in the banking industry. In their empirical study covering four different economies, they assess the level of young customer’s financial literacy, and examine to what extent their level of competence and awareness is correlated with the decision making process. Their findings suggest that the basic financial knowledge has an influence exclusively on the most obvious decision making factors, such as effectiveness, level of service, costs, complexity and novelty. Decisions related to the selection of more complex financial products seem to be based on non-economic criteria, such as trust, safety, and image or are likely to be influenced by friends and families’ opinions or even by emotions. The scholars conclude on the necessity to design financial education programs which would target the young generations, in a long term perspective and adopting a differentiated approach according to the initial level of financial literacy of the targeted population.

In her study on e-transparency in financial services, Railiene elaborates on the organizational changes and innovations which are required to present and communicate information to third parties using digital means. The scholar considers both mandatory and voluntary disclosures, explores the content of the information disclosed in both cases, as well as the channels used for dissemination. She concludes that, in the case of Lithuania, banks are complying with legal requirements in terms of disclosure, but that the level of voluntary information disclosure is low, and relies on means that are obsolete and poor, compared to the wealth of opportunities that new technologies can offer. She points out the need to develop an e-transparency culture in the country.

In “Advancing an innovation orientation in organisations: Insights from North American business leaders”, Dobni and Klassen explore the meaning of innovation in Fortune 1000 organisations, as well as the challenges and best practices to sustain an innovation orientation. Their findings unveil six common challenges to introducing, implementing and sustaining an innovation culture. Inertia and resistance to change clearly lead the way in terms of innovation obstacles. Leadership for innovation, as well as adopting innovation as a central theme, clearly and practically sketched and communicated inside the firms, are key success factors. Persistence in the pursuit of an innovation culture as well as the existence of some governance mechanisms are
essential. The ability to demonstrate the effectiveness of the innovation program, through some quick wins, is also crucial to sustain the enthusiasm and ensure a constant commitment. Other mechanisms, such as appropriate rewarding and incentive mechanisms for innovation behaviours of employees and knowledge management systems are also highlighted as essential ingredients for ensuring a successful innovation strategy.

Concluding this Issue, Pohjola’s contribution explores the role of communities of practices as a strategic instrument to expand collective learning, knowledge creation and sharing in a multinational company offering goods and services. Based on the case, the author elaborates a model for virtual cooperation in the community of practice, as well as, providing practical guidelines for effective competence creation. This contribution revolves around five main organisational development areas, embracing the strategy of the firm, the motivation to work in a community of practice according to the strategy, the knowledge creation and sharing through this instrument, while discussing the benefits of its implementation and suggesting both strategy improvements and the development of business processes.

Once again, with this Issue, the heterogeneity and multifaceted nature of innovation has surfaced. The occurrence of innovation, either intentional or serendipitous, and whatever its form, type and nature, affects our lives. It contributes to building a better future, and transcending the traditional disciplinary barriers and silos helps to go beyond the “usual suspects” innovation types, in order to create a more significant societal impact. Fifty shades of Innovation may indeed be needed to go from “Zero to One”, following the title coined by Peter Thiel.

We wish you an enlightening journey in your reading of this issue of the Journal of Innovation Management.

Innovately Yours,

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Editors

References