

The Relationship between Innovation and Strategy

Zhuolun Liu*

University of St Andrews, St Andrews KY16 9AJ, United Kingdom

Abstract. The study emphasizes the significance of design strategy as a means to accomplish the innovation process, wherein companies utilize design thinking to develop innovation strategies encompassing various dimensions such as business, organizational, marketing, and technological innovation. Additionally, the study discusses disruptive innovation strategies and their impact on industries and markets. The study concludes that while innovation can result from Strategy, the absence of Strategy and innovation can lead to business failure. Timely adjustment of strategies and alignment with focus areas and available resources lay the foundation for successful innovation.

In summary, this research highlights the causal relationship between Strategy and innovation, emphasizing the importance of design strategy and disruptive innovation in driving organizational competitiveness and market success. Integrating innovation into Strategy and embracing design thinking as a problem-solving approach is crucial for companies to thrive in today's dynamic business environment.

1 Introduction

The design of strategic approaches plays a crucial role in fostering innovation within organizations. Strategic approaches provide a roadmap for organizations to identify and capitalize on opportunities for innovation. By setting clear objectives, allocating resources, and aligning efforts towards a common vision, organizations can create an environment conducive to innovation.

Disruptive innovation strategies also play a significant role in the relationship between Strategy and innovation. Disruptive innovation refers to the introduction of new products, services, or business models that disrupt existing markets and create new ones. Organizations that adopt disruptive innovation strategies actively seek out opportunities to challenge the status quo and create breakthrough innovations[1]. These strategies often involve a reevaluation of traditional strategic frameworks and a willingness to take risks.

However, it is important to acknowledge that innovation can also occur without a deliberate strategic framework. There are instances where serendipitous discoveries or spontaneous creative ideas lead to significant innovations. These "accidental" innovations may not have been a part of a formal strategic plan but can still drive organizational growth and competitive advantage[2]. This suggests that innovation can emerge organically within organizations, even in the absence of a predefined strategic framework.

In conclusion, the relationship between Strategy and innovation is multifaceted. While strategic approaches

provide a foundation for organizations to foster innovation, disruptive innovation strategies and accidental innovations demonstrate that innovation can also occur independently of a formal strategic plan. Organizations that recognize the importance of both proactive strategic planning and cultivating an environment that encourages creativity and risk-taking are more likely to sustain their competitive advantages in today's rapidly evolving market environment.

2 Innovation and Strategy

First, we consider innovation based on design strategy. More and more companies use design strategy as a critical driver of their innovation practices to gain a competitive advantage [7]. So, no matter how the industry changes, it is possible to be more competitive in design strategy. Design strategy is not design but Strategy, i.e., how to use the concept of design and design innovation to develop an innovation strategy to achieve growth and transformation of the company; this involves not only business innovation but also organizational, marketing, and technological innovation. At the same time, Strategy itself is a dynamic balancing and iterative process, and innovation needs to be integrated with the company's situation and strategic development to form a good strategy.

To accomplish design strategy, one must first have design thinking. Many scholars have published articles on the nature of design thinking and how to implement the design thinking process. Owen [1] defines design thinking as solving real problems for specific groups of people by

*lil.zhuolun@gmail.com

creating meaningful ideas and thoughts. Design thinking can help people from all professional backgrounds to solve problems through innovative solutions. Steve Jobs, the founder of Apple, once made a classic statement that people think design is all about appearance and how a product looks, but that is only part of it. Design is how it works. This statement speaks to the essence of design thinking.

Secondly, in extreme markets, an extreme strategy emerges, the disruptive innovation strategy. Disruptive innovation is a fierce strategic tool that, while a powerful means of developing or broadening markets, can destroy existing market relationships while exposing itself to significant risk [8]. The theory was developed by the famous innovation scholar Clayton Christensen, who, in his article, refers to disruptive innovation leading to the replacement of companies, products, and even entire industries. Moreover, it implies that the balance of something will be upset [4].

Understanding the reasons for increasing the speed of disruption helps predict the outcome but does not change how disruption is approached. A fast disruption process is not fundamentally different from any other disruption process. They follow the exact causal relationship and, in principle, do not require different responses [3].

Design strategy is an essential strategic way of accomplishing the innovation process. According to the study of Mintzberg's strategy theory, one of the characteristics of design strategy is innovation [6]. To maintain design as a core competency, companies must use effective product design strategies to maximize the various design resources to respond to changes in the broader environment. So in the Strategy, companies can use design thinking for innovation purposes. Herbert A. Simon introduced the concept of design thinking, an innovative human-centered approach to solving complex problems that use the designer's understanding and approach to match technical feasibility, business strategy, and user needs, which translates into customer value and market opportunities. As a way of thinking, it is generally regarded as being able to understand the context in which problems arise, to generate insight and solutions, and to analyze and identify the most appropriate solutions rationally [5].

The best example of this is Apple, one of the leading companies in the field of innovation, which is closely related to its adoption of design thinking. Steve Jobs' flexible use of design thinking reflects his vision for Apple products, such as meeting the masses' needs and desires and building simple and user-friendly products. Hence in modern Apple products, we can see the above vision. While other competitors at this stage focus on the features and performance of their products, Apple focuses on the overall user experience. The iMac, for example, is known for its quiet, fast boot-up, and high-quality display. At the same time, Apple's platform strategy has dramatically increased customer loyalty.

Apple's history in innovation provides us with a clear idea of design thinking as a way of thinking that can firmly bind Strategy and innovation together, so here we can conclude that organizations can innovate and become more competitive through Strategy, i.e., innovation can be a result of Strategy. Design and innovation can turn a company's failures into market successes and lead the way in a

highly competitive market. Design thinking helps Apple to innovate while putting the consumer at the heart of the innovation process. On the other hand, innovation with design thinking as a strategy certainly helps to build a successful business.

Companies can innovate through Strategy and innovate because using an innovative strategy, which is as numerous as a weed, is undoubtedly an asset for a company's success. However, due to its difficulty and high threshold limitations, this innovation strategy requires substantial financial and technological power and a certain amount of luck. A representative example of this kind of disruptive innovation is Tesla. Tesla's disruptive nature is reflected in its industry disruption, with its battery technology, software, disruptive experience, and self-driving capabilities being solid competencies. Tesla's disruptive nature as a start-up is also reflected in its cross-border partnerships, as there are clear internet traces in Tesla. Its use of Internet thinking is undoubtedly a dimensionality reduction strike for the traditional car manufacturing industry. This strategic model brings a premium for the product and strategic success in the commercial sector.

Therefore, the study concludes that a disruptive innovation strategy's success leads to a company's success and its ability to become a leader in a new industry. Using innovative strategies can take a company up a notch in its nature. However, this model of innovation is not recommended because there is only one Tesla and only one Apple in the world, and disruptive innovation strategies exist only for extreme innovation phenomena occurring in extreme companies in extreme markets.

While using Strategy to innovate will not necessarily make a business successful, not using Strategy to innovate will not make a business successful, and not innovating will also make a successful business obsolete. The bankruptcy of Kodak is an excellent example of this. Once the world's largest manufacturer and supplier of imaging products and related services, Kodak was synonymous with cameras and images, employing nearly 150,000 people worldwide at its peak and operating in over 150 countries worldwide (Jonathan & Hongyi, 2017). However, Kodak, the 'king of the film' in the 20th century, has been tragically eliminated by the rapid development of digital technology in recent years.

In January 2012, the company, which had been in business for over 100 years, was declared bankrupt. Why did Kodak go bankrupt quickly just a few years after entering the new century? The root cause of Kodak's bankruptcy was its refusal to innovate. Kodak has long been content with its market share and monopoly position in traditional film products and needs to refocus the company's business strategy promptly; This has led to a situation where the company's resources would be allocated to its traditional business units as a priority, resulting in a slow transition to its emerging markets. When digital cameras appeared, Kodak made no effort to keep up with the trends but instead assumed an arrogant posture towards market demand and refused to innovate with technology. It was inevitable that they would be eliminated from the market.

The case of Kodak serves as a sobering reminder of the importance of innovation in today's fast-paced and ever-

changing business landscape. It highlights the need for organizations to continuously adapt their strategies and embrace innovation to stay relevant and ahead of the competition. Companies that fail to recognize the significance of innovation risk losing their competitive edge and, ultimately, their market share.

Innovation and Strategy are not mutually exclusive but rather interdependent concepts. While innovation can be the result of a well-thought-out and implemented Strategy, it can also be the driving force behind the formulation of Strategy. Organizations must recognize the symbiotic relationship between the two and leverage it to their advantage.

Successful companies like Apple and Tesla have demonstrated the power of combining Strategy with innovation. Apple's adoption of design thinking as a way of thinking has allowed them to create user-centric products that revolutionized the tech industry. By focusing on the overall user experience rather than just product features, Apple has been able to cultivate customer loyalty and maintain a competitive edge. Similarly, Tesla's disruptive innovation strategy, with its emphasis on battery technology and self-driving capabilities, has positioned the company as a leader in the electric car market.

However, it is important to note that while disruptive innovation strategies can yield remarkable results, they are not suitable for every company or industry. The success of Tesla's disruptive approach does not guarantee the same outcome for other organizations. Disruptive innovation requires significant financial and technological resources, as well as a certain amount of luck. Companies should carefully assess their capabilities and market dynamics before embarking on such strategies.

On the other hand, organizations that fail to innovate are at risk of becoming obsolete. The pace of technological advancement and changing customer preferences demand constant adaptation and innovation. Companies that refuse to embrace innovation and rely solely on their existing market share are vulnerable to disruption from competitors who are willing to push boundaries and meet evolving customer needs.

In conclusion, Strategy and innovation are intricately tied to each other. Innovation can result from Strategy, and Strategy can be enhanced through innovation. Organizations must recognize the importance of innovation in maintaining and enhancing their competitiveness. Design thinking and disruptive innovation strategies are powerful tools that can drive innovation and business success. However, companies must carefully evaluate their capabilities and market dynamics before embarking on disruptive strategies. Failure to innovate can have dire consequences, as illustrated by the downfall of Kodak. To stay ahead in today's fast-paced business environment, organizations must prioritize innovation and continuously adapt their strategies to align with market demands.

3 The Importance of Continuous Learning and Adaptation

This study further delves into the different aspects of the relationship between Strategy and innovation. One aspect

to consider is the role of strategic intent in driving innovation. Strategic intent refers to the long-term vision and goals of an organization. When Strategy is aligned with a clear intent for innovation, it can provide a framework for guiding and prioritizing innovative efforts. By integrating innovation into the core strategic objectives, organizations can foster a culture of innovation and encourage employees to think creatively and explore new ideas.

Another dimension to explore is the influence of external factors on the relationship between Strategy and innovation. In today's dynamic market environment, organizations are exposed to various external forces such as technological advancements, changing consumer preferences, and competitive pressures. These external factors can shape the strategic choices and innovation priorities of organizations. Effective strategic planning involves continuously monitoring and analyzing these external factors to identify emerging opportunities and threats that may impact innovation efforts. By understanding the external landscape, organizations can proactively adapt their strategies to capitalize on opportunities for innovation.

Furthermore, it is crucial to examine the extent to which innovation drives strategy or vice versa. While Strategy often provides the overarching direction for an organization's innovation efforts, innovation itself can also shape and influence Strategy. Breakthrough innovations can disrupt existing markets and necessitate strategic shifts. Organizations that are responsive to the potential impact of innovative technologies or business models can adjust their strategies to leverage these disruptions and gain a competitive edge.

Ultimately, the relationship between Strategy and innovation is complex. Organizations must strike a balance between planned strategic approaches and the ability to embrace creative and spontaneous innovations. By fostering a strategic mindset while also encouraging a culture of experimentation and idea generation, organizations can position themselves for sustained success in a rapidly evolving market environment.

Another aspect to consider in the relationship between Strategy and innovation is the role of experimentation and risk-taking. Innovation often involves venturing into uncharted territory and trying new approaches that may carry certain risks. Organizations that are willing to take calculated risks and encourage experimentation are more likely to foster a culture of innovation.

Taking risks and experimenting with new ideas can lead to breakthrough innovations and transformative outcomes. By encouraging employees to think outside the box, challenge conventional wisdom, and explore unconventional solutions, organizations can uncover new possibilities and drive innovation. This requires creating an environment where failure is seen as a learning opportunity, where employees are encouraged to learn from their mistakes and iterate on their ideas.

One company that exemplifies the importance of experimentation and risk-taking in driving innovation is Amazon. Known for its "fail fast" culture, Amazon encourages its employees to experiment with new ideas and initiatives, knowing that not all will succeed. This culture of experimentation has allowed Amazon to continually explore new business models, develop innovative products

and services, and stay at the forefront of technological advancements. Through bold experimentation and calculated risks, Amazon has transformed from an online bookstore into a global powerhouse in e-commerce, cloud computing, and other industries.

In addition to experimentation and risk-taking, adaptability is essential for continuous learning and adaptation in the face of changing circumstances. Organizations must be willing to embrace change, pivot when necessary, and adjust their strategies based on market feedback and evolving customer needs. This requires a willingness to let go of outdated practices, challenge the status quo, and adapt to new realities.

Flexibility and adaptability are especially critical in today's rapidly evolving digital landscape. Technology advancements, shifting consumer expectations, and global disruptions can quickly render traditional business models obsolete. Organizations that are agile and nimble in adapting to these changes can position themselves for long-term success.

Another aspect to consider is the importance of nurturing a diverse and inclusive workforce. Studies have shown that diverse teams are more creative and innovative, as they bring a wide range of perspectives, experiences, and ideas to the table. By fostering a culture that values diversity and inclusion, organizations can unlock the full potential of their employees and foster an environment that encourages collaboration, creativity, and innovative thinking.

Furthermore, organizations should not underestimate the power of collaboration and knowledge-sharing. By fostering an environment where employees are encouraged to collaborate, share ideas, and work together towards common goals, organizations can harness the collective intelligence of their workforce. This can lead to the generation of innovative ideas and the development of groundbreaking solutions.

In conclusion, continuous learning and adaptation require organizations to embrace experimentation, take risks, be adaptable, foster diversity and inclusion, and promote collaboration and knowledge-sharing. By creating an environment that encourages these behaviors, organizations can drive innovation, stay competitive in the market, and position themselves for long-term success. The relationship between Strategy and innovation is dynamic, and organizations must continuously assess and adjust their strategies to align with evolving market trends and customer needs. By embracing continuous learning and adaptation, organizations can future-proof themselves and seize new opportunities for growth and innovation.

4 Conclusion

Innovation and strategy are intricately linked, with each influencing and shaping the other. While innovation can result from strategy, it is equally essential for organizations to adopt a strategic approach to guide and drive their innovation efforts.

Design thinking, disruptive innovation strategies, and continuous improvement are powerful tools that organizations can use to achieve innovation and gain a competitive

advantage. However, it is essential for companies to carefully assess their capabilities, resources, and market dynamics before embarking on disruptive strategies.

Effective strategic planning ensures that innovation aligns with the organization's goals and objectives. It guides resource allocation, provides a clear vision for innovation, and ensures that innovation efforts contribute to the company's long-term success.

Successful companies like Apple, Tesla, and Amazon have demonstrated the power of combining strategy and innovation. By leveraging design thinking, disruptive innovation, and continuous improvement, these organizations have achieved remarkable success and transformed their respective industries.

In today's rapidly evolving market environment, organizations must recognize the critical role of innovation in sustaining their competitive advantages. Embracing a strategic approach to innovation can position companies for long-term success and ensure their relevance in an ever-changing business landscape.

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