International Journal of Business Management and Commerce; Vol. 5 No. 3; October 2020
International Journal of Business Management and Commerce
Published by Center for Contemporary Research

The Power of Strategic Innovations within US Retail Firms

Christine Reidhead, MSA
Assistant Professor
Business and Education Department Chair
Navajo Technical University
United States of America

Abstract

This research study has been carried out for examining the power of strategic innovations of firms. The focus of this study is on United States (U.S.) retail firms; hence, it adds value to the literature, because no previous study has focused on the context of U.S. retail firms. The study is conducted on the basis of secondary data analysis and secondary data was collected through articles, books, and internet sources. The analysis has revealed that strategic innovations play a key role in enhancing the overall performance and competitive advantage of a firm. With the help of bringing strategic innovations, firms become capable of attracting a maximum number of customers and gaining the first-mover advantage.

Key Words: Innovation, Strategic Innovation, Competitive Advantage

Introduction

There has been a significant qualitative change in a business environment from different directions since the end of 1980. There is a shift from manufacturing and economy of commodities to the economy where, the importance of information, distribution and services issue is greater than before. As a result of this change, the significance of information workers has been increased, which is referred to as a new class of mobile, wealthy and educated persons. The current era is known as the Information Age and also technologically advanced business world and in this era, completely new businesses have been created and it is not possible for those individuals, to survive in this dynamic business environment, who do not adapt to changes and who have not focused on bringing innovation (Guo et al, 2019). In order to survive in the current business world, it is important for the management of firms to focus on developing new products, exploiting distribution technologies and adopting innovative processes, in order to create competitive value. Nowadays, in the U.S., most of the organizations have an understanding of the significance of disruptive technologies. In a dynamic business world, innovation has gained the potential for invalidating a product line or even the whole business division (Diaz-Moriana et al., 2020). Another key trend that needs to be considered properly by retail companies is the decoupling of customers as well as labor markets. There is a significant change in consumer expectations and even the preferences of similar customer groups can get changed on a regular basis. Today, it has become easier for retail firms to easily and quickly reach micro-target markets, where it was not possible to reach because of having physical impossibility or need of incurring a high cost. Besides this, the capability of a firm for serving sub-markets is accompanied by increasing customer demands for more particular presentations. As a result of globalization as well as technological advancement, the retail industry structure has been changed to a great extent. Due to low barriers in the U.S. retail industry, the number of new entrants is increasing. Today, most of the retail firms make efforts for control and there is a shift in short-term profits to all seek solace in similar weapons, for the purpose of taking away market share from each other (Fitzgerald et al., 2019). Due to their similar strategies of making improvements in quality and cost, the fierce price competition gets triggered.

From prior research studies, it has been found that companies get involved in developing shared core values based on key strategies, values, and approaches of their competitors. Due to these beliefs, the range of strategic possibilities considered by a firm gets limited and hence it results in restricting the capacity of changing the firm's strategy. Moreover, specifically in the retail industry, suppliers have to face a high threat in terms of product commoditization. The commoditization effects have an impact on restricting the potential value of product innovations, due to which suppliers are forced to seek innovative ways of getting them differentiated from others. For the purpose of hedging against the above-mentioned threats, organizations are recommended to introduce new ways to play the game and one such most effective and successful approach is strategic innovation (Calabrò et al., 2019). It is preferable for retail firms to give considerable importance to strategic innovation, as it can work as a great source for bringing significant improvement in the performance and productivity of a firm. Hence, it is recommended to retail firms to seek innovative strategies in order to create new as well as substantial superior value for customers. The focus of this research study is on exploring the key impact of strategic innovation on U.S. retail firms. This study adds value to the literature because there has been no study conducted previously with a focus on U.S. retail firms; hence, the context of this study creates value for the research. The findings of this study will prove to be beneficial for the management of U.S. retail firms in terms of getting key insights about the power of strategic innovation. The aim of this research study is to investigate the power of strategic innovation in U.S. retail firms. The focus of the study is on achieving the following objectives:

- To study the current trend of bringing strategic innovations among firms.
- To analyze the key aspects linked with strategic innovations in organizations.
- To understand the key role played by strategic innovation in organizations.

Literature Review

Theoretical Underpinning

Resource-Based View

The resource-based view (RBV) was postulated originally through Penrose (1959) and later it was deeply examined by Bromiley and Rau (2016). The RBV mainly highlighted the set of capabilities and resources as a major problem in interpreting a business strategy of the organization and giving dimension to the formulation of strategy. It has got famous in the literature of strategy since the 1980s. Different scholars have done major contributions to their theoretical and conceptual growth. A major scientific belief of RBV is that organizations that control or own diverse resources may be identified as more competitive as compared to competitors. The basic assumption of RBV theory is the presence of heterogeneous capabilities and resources across organizations. RBV states that competitive advantage acquired through an enterprise gets influenced directly through the resources amassed within that organization. Through seeking internal abilities and resources of a company, RBV provides a significant description. If an organization owns different heterogeneous resources, then the competitive advantage of the organization can be attained, which depends on the idiosyncratic sources. It also shows how companies acquire sustainable benefits with the help of strategic management of core capability (Steiner et al., 2017).

RBV is a major theory that is used in innovation management of Small and Medium Enterprises (SME). SMEs generally have limited competencies, inappropriate knowledge, and financial capital. RBV theory gives a major paradigm to understand the innovation practices of SMEs. In accordance with the effective approach, the diversity of organizational abilities and resources strongly influences the result of innovation. On contrary, RBV identifies that the process of innovation should include adaptation dependent on the link of strategic assets and ~~it~~ should be more specific to the organization. And yet, RBV can assist SMEs to make a competitive edge through striving to make innovation, not only better as compared to rivals, but moving ahead of the competition (Kull et al., 2016). RBV helps in identifying those resources which help in enhancing the capability of the organization for innovation. Along with the approach of innovation, the development of sustained benefit is seen based not only over the firm itself but also over the requirement to implement external and internal sources to develop core abilities.

Innovation

The word "innovation" comes from the Latin word "novus" meaning new, and about change, which innovates. Innovation is basically a procedure to make value through concepts. In accordance with Hoskisson et al. (2017), innovation is basically the act that endows different sources with the ability to make wealth.

Indeed, innovation makes a source. There is nothing like resource until an individual identifies ~~a~~ usage for something and therefore it gets endowed with the economic value. Innovation is identified as the integration of improved or new item (service or product), or procedure, a new method of marketing, or a new method of organization in practices of business, external relations or workplace company.

Pressure on an organization for making innovation comes through trajectories (like technological changes and economic alterations) or actors (like competitors, consumers, suppliers and shareholders). Therefore, organizations initiate the process of innovation. Management basically gives shape to nature and processes through doing the division of resources to operational skills and then making the transformation of resources to different basic skills that can be imitated for competitors in a complicated way. Innovation is any service or product that makes extraordinary value for other shareholders, sustainable and real competitive benefits and effective and unique solutions valued through consumers. The sustainable competitive benefit can be acquired with the help of creation, identification and usage of a unique experience, skills and knowledge that cannot get imitated through rivals. Companies should initiate the position of innovation as an important ability.

Strategic Innovation

Most of the academic scholars stated that strategic innovation is a link to strategy and innovation. The last decade gave a separate approach to innovation or strategy. Only in recent years, researchers began challenging the combined ideas and traditional mind, targeting beyond the match of internal abilities and systems with the opportunities present. It has been identified that through targeting the resource and present abilities of the status quo, the traditional mental model tends to constrain and be biased towards the future of the organization. Campbell and Park (2017) have identified that strategic innovation is seen when an organization finds a gap within the industry. Bacq and Eddleston (2018) have termed strategic innovation to be the strategy that is used for breaking rules. It means that strategic innovation can even survive within the volatile marketplace.

Methodology

This research study has been conducted based on secondary data analysis. The researcher collected secondary data through different articles, books, and internet sources. This approach helped the researcher in collecting a wide range of data in the least possible time. Moreover, this method also helped in deeply analyzing the research issue.

Analysis and Findings

Power of Strategic Innovation

It is complicated to acquire strategic innovation; it is only acquired through a few competitors of industry. Others need to reach out the way that the innovator of strategy causes disruption within the industry. In accordance with Van der Bijl-Brouwer and Dorst (2017), the difference between disruptive strategic innovation and strategic innovation is that the disruptive innovation of strategy alters the way in which business is done, which has some differences from the present ways. Normal strategic innovation only alters the way in which business is done. Disruptive innovation in strategy shares some of the important features and it often stresses different service or product features to be different as compared to the traditional aspect. Generally low and small-margin businesses are taken as the initiative, making those not interested to monitor for other established organizations. Often resulting in capturing more shares of the developed market. In the case of disruptive strategic innovation, developed organizations cannot afford to ignore the new manner in which business is done.

The next move should be considered, which is complicated due to the new way in which the business sees conflicts with the other developed ways. In accordance with Coenen et al. (2017), disruptive innovations get more developed for dominating the market. It implies that every developed organization has to make the adaptation to the disruption. Different academic scholars have revised it and came up with various ways to approach disruptive innovation. Disruptive strategies innovation does not imply that the new manner in which business is done will get changed in the traditional way. A lot of the organizations believe that these companies should make the adaptation to the new way to conduct business, due to the research done over the technological innovation. Disruptive technologies will get replaced through traditional technologies completely and the developed organization that did not make adaptation to the newest technology will get left behind. Most of the disruptive innovation can handle only 10% to 20% share of a market. It results in making it, neither destined nor superior to conquer the entire market. Developed organizations should analyze traditional ways to compete through making an investigation in business.

Most new competitors are more successful by integrating non-traditional and new items. However, with the passage of time, innovators start delivering the features that are valued the most by the traditional consumers. When it occurs, developed organizations can focus on disrupting innovation by targeting the different features of the product. It can help in disrupting the disruption.

The other choice is to simultaneously play a game while transforming into an ambidextrous company. It can be done through doing the separation of a unit that accepts the disruptive innovation. The services and products given in such units tend to be different as compared to the developed services and products along with directions like the level of services, a targeted segment of consumer and cost. These units need to have a tighter link with and senior management's permission of the developed company but the unit should also own better autonomy of decision, their own control processes, incentives, procedures and organizational structure (Goodman and Dingli, 2017). The last choice is to accept the innovation and to scale it up. Organizations should abandon the present ways in which business is done. Innovation includes two various practices: coming with product or service concept, strategic or technological product and then developing a market. Both of the practices need to be linked successfully. The developed organization can exploit disruptive innovation towards the massive market. Most of the developed organizations have the abilities and skills scaling up different items through learning from past launches in the market.

Strategic innovation is considered a key component of the strategy of an organization and a significant factor, which makes a contribution to enhancing the competitive advantage of a firm. Due to this reason, the strategic management of innovation is considered as a key issue in the field of strategic management (Chung, 2019). In order to get success in the competitive business world, it is highly important to focus on bringing innovation and considering innovation as an important part of the strategy of an organization. Innovation can be a new product or service, a new structure, a new administrative system, and can also be a new process of production. The strategic management field is linked with a major emergent as well as intended initiatives which are taken by managers, and it includes appropriate use of resources, for the purpose of enhancing the firm's performance. The process of strategic innovation is linked with the appropriate use of strategic management techniques, for the purpose of enhancing the impact of innovation activities of an organization on growth as well as the performance of an organization (Kirtley and O'Mahony., 2019). Salunke et al (2019) argued that when organizations get involved in bringing strategic innovation, then the management of that firm has to ensure strong collaboration and networking with different actors in the whole process. The capability can be gained through acquiring relevant skills, competencies and knowledge and through fostering new connections. When a firm invests in strategic innovation, then this ultimately helps in enhancing competitive advantage, as there is an involvement of bundling and synergistic linkage of other resources of the firm. Networking is considered as an important aspect of strategic innovation and retail firms can gain advantages as well as overcome internal resource barriers through exploring key networks.

The strategic innovation is considered as highly important as increasing competitiveness. Similar to this, Saridakis et al., (2019) stated that strategic innovation has resulted through different direct or indirect interactions among various actors. There is an increased dependence on particular sources as well as links of knowledge. Hence, the development of strategic innovation is not considered as isolated and there is an involvement of different actors both inside and outside the organization. There is an increased importance of external relations for completing strategic innovation activities, with respect to getting access to resources and gaining specialized knowledge. With the help of a network of inter-linked connections, the management of a firm becomes capable of distributing information and acquiring knowledge in such a way that it helps in stimulating and supporting innovative activities. A strategy in which goals of innovation and sustainable development are integrated is required for the purpose of ensuring a sustainable competitive edge. The process of strategic innovation includes the involvement of scientific as well as managerial communities; hence, it proves to be beneficial for the firm in terms of overcoming risks. In order to bring strategic innovation, the management of firms focuses on revising their business models, which is generally shown in their corporate sustainability reports. The most important part of the strategic innovation process is new product development, which helps in attracting a maximum number of customers. Based on this aspect, the focus of the company is on product uniqueness, market chance, intuition, market potential and technical feasibility.

Based on the following innovative strategies, the companies introduce new products in the market and this ultimately results in increasing market share (Wu et al, 2019).

However, it has been argued by Bagherzadeh et al., (2019) that lack of alignment as well as execution of strategic innovation by a firm is considered as careless use of resources. There is a need for spending a lot of time and capital on developing new products that can ultimately result in disappointment and failure, if not managed properly. The success of strategic innovation depends on a company's ability to align innovation strategy with future technology because technological advances occur on a regular basis. The strategic innovation helps in reducing the risk as well as the cost incurred because such a strategy is aligned with key business processes architecture. The sustainable development of a company gets ensured with the help of the strategic innovation process and this includes different approaches and activities to generate advanced values for customers and for the whole company. The process of strategic innovation includes conceptualization, which helps in adding value to the firm. In order to gain a sustainable competitive advantage, innovation plays a key role, which is significantly connected with the infrastructure of processes and people of a firm.

Conclusion

The overall analysis has revealed that the development and implementation of strategic innovation in a firm play a key role in enhancing the overall competitive advantage of that organization. This helps in achieving precise stability between strategic company fitness and extended company fitness. The companies nowadays are required to focus on the latest technological developments, rather than following different technologies and innovation. The strategic innovation can prove to be beneficial for a firm in terms of attracting maximum customers and gaining the first-mover advantage. On the other hand, most of the academic scholars stated that the business model of the company is at the center to make strategic innovation. Strategic innovation refers to the development of new leaps and markets in consumer value and reshapes the present markets to acquire improvements of value for consumers. Strategic innovation has a major objective to acquire competitive benefits by making new markets and consumer value. However, the idea is getting drifted in between the two extremes of making consumer value over the present markets or for some new kinds of markets.

References

Bromiley, P., and Rau, D., 2016. Operations management and the resource-based view: Another view. *Journal of Operations Management*, *41*, pp.95-106.

Bagherzadeh, M., Markovic, S., Cheng, J., and Vanhaverbeke, W., 2019. How does outside-in open innovation influence innovation performance? Analyzing the mediating roles of knowledge sharing and innovation strategy. *IEEE Transactions on Engineering Management*.

Black, S., and Eddleston, K.A., 2018. A resource-based view of social entrepreneurship: how stewardship culture benefits scale of social impact. *Journal of Business Ethics*, *152*(3), pp.589-611.

Calabrò, A., Vecchiarini, M., Gast, J., Campopiano, G., De Massis, A., and Kraus, S., 2019. Innovation in family firms: A systematic literature review and guidance for future research. *International Journal of Management Reviews*, *21*(3), pp.317-355.

Campbell, J.M., and Park, J., 2017. Extending the resource-based view: Effects of strategic orientation toward community on small business performance. *Journal of Retailing and Consumer Services*, *34*, pp.302-308.

Chung, H.F., 2019. How guanxi networking matters in the relation between market orientation and innovation in Asian emerging economies–the case of Markor. *Journal of Business & Industrial Marketing*.

Coenen, L., Grillitsch, M., Hansen, T., Miörner, J., and Moodysson, J., 2017. Policy for system innovation-the case of Strategic Innovation Programs in Sweden. *Papers in Innovation Studies*, (2017/4).

Diaz-Moriana, V., Clinton, E., Kammerlander, N., Lumpkin, G.T., and Craig, J.B., 2020. Innovation motives in family firms: A transgenerational view. *Entrepreneurship Theory and Practice*, *44*(2), pp.256-287.

Fitzgerald, T., Balsmeier, B., Fleming, L., and Manso, G., 2019. Innovation search strategy and predictable returns. *Management Science, forthcoming*.

Goodman, M., and Dingli, S.M., 2017. *Creativity and strategic innovation management: Directions for future value in changing times*. Taylor & Francis.

Guo, B., Pérez-Castrillo, D., and Toldrà-Simats, A., 2019. Firms' innovation strategy under the shadow of analyst coverage. *Journal of Financial Economics*, *131*(2), pp.456-483.

Hoskisson, R.E., Gambetta, E., Green, C.D. and Li, T.X., 2018. Is my firm-specific investment protected? Overcoming the stakeholder investment dilemma in the resource-based view. *Academy of Management Review*, *43*(2), pp.284-306.

Kirtley, J., and O'Mahony, S., 2019. What is a pivot? Explaining when and how entrepreneurial firms decide to make strategic change and pivot. *Strategic Management Journal*.

Kull, A.J., Mena, J.A., and Korschun, D., 2016. A resource-based view of stakeholder marketing. *Journal of Business Research*, *69*(12), pp.5553-5560.

Saridakis, G., Idris, B., Hansen, J.M., and Dana, L.P., 2019. SMEs' internationalization: When does innovation matter?. *Journal of Business Research*, *96*, pp.250-263.

Steiner, B., Lan, K., Unterschultz, J., and Boxall, P., 2017. Applying the resource-based view to alliance formation in specialized supply chains. *Journal of Strategy and Management*.

Salunke, S., Weerawardena, J., and McColl-Kennedy, J.R., 2019. The central role of knowledge integration capability in service innovation-based competitive strategy. *Industrial Marketing Management*, *76*, pp.144-156.

Tate, W.L., and Bals, L., 2018. Achieving a shared triple bottom line (TBL) value creation: toward a social resource-based view (SRV) of the firm. *Journal of Business Ethics*, *152*(3), pp.803-826.

Van der Bijl-Brouwer, M. and Dorst, K., 2017. Advancing the strategic impact of human-centred design. *Design Studies*, *53*, pp.1-23.

Wu, J., Harrigan, K.R., Ang, S.H., and Wu, Z., 2019. The impact of imitation strategy and R&D resources on incremental and radical innovation: evidence from Chinese manufacturing firms. *The Journal of Technology Transfer*, *44*(1), pp.210-230.