

Innovation in Nonbusiness Organizations from a Conceptual Point of View

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The definitions of innovation have been transformed a lot over time since Schumpeter introduced his concept. Even recently one of the most prestigious innovation management references, the Oslo Manual have changed its concept. One rarely discussed aspect of the concept of innovation is that most of the definitions are referring to the business sector; only a few of them are referring to any kinds of organizations, including non-profit and governmental organizations. Any kind of organization must innovate sooner or later; therefore they have to learn how to manage innovation effectively and efficiently. That is why the broad type of definitions is recommended, involving not only for-profit organizations but non-profit and governmental organizations as well.

Keywords: innovation, diffusion of innovations, non-profit organizations

Introduction

Over the past five decades, several authors defined innovation in different ways. These definitions are not just different wordings of the same concept, but they mean different things. They differ from a wide range of perspectives, but we would like to emphasize the diverse scope of their meaning. Some of the definitions refer to all kinds of organizations, including governmental and non-profit organizations as well. But most of the definitions only refer to the business sector with a narrow scope. By that means non-profit and governmental sectors are ruled out of this concept, but this is obviously not right, since these kinds of organizations also use technologies and innovate. Therefore they have to learn how to manage technologies, implement changes, and innovate on efficient and effective ways.

This research shows a qualitative analysis of the definitions and clarifies the notion of non-profit organizations on a conceptual level.

1. Different types of the definitions

1.1. Definitions of innovation

When discussing 'innovation', Schumpeter [1] is unavoidable. He introduced his concept in 1934, claiming that innovation is:

- the implementation of products that are new to consumers;
- the implementation of production methods that are new to specific industries;
- opening of new markets;
- using new sources of raw materials;
- implementing new forms of competition that lead to structural changes in the specific industry [1].

Schumpeter claimed that innovation or development is a new combination of new or existing knowledge, resources, equipment, and other factors. According to him, innovation has to be distinguished from invention because he saw innovation as a specific social activity or function carried out within the economic sphere and with a commercial purpose.

According to the OECD [2] the main types of innovations were the product, process, organizational, and marketing innovation:

- product innovation: „introduction of a good or service that is new or significantly improved with respect to its characteristics or intended uses.”
- process innovation: „implementation of a new or significantly improved production or delivery method. This includes significant changes in techniques, equipment and/or software.”
- marketing innovation: „the implementation of a new marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing.”
- organizational innovation: „implementation of a new organizational method in the firm’s business practices, workplace organization or external relations.” [2]

By 2018, they reduced it for two innovation types: product innovation and business process innovation [3].

„A product innovation is a new or improved good or service that differs significantly from the firm’s previous goods or services and that has been introduced on the market.

A business process innovation is a new or improved business process for one or more business functions that differs significantly from the firm’s previous business processes and that has been brought into use by the firm.” [3]

‘Innovation’ means the activity, and also the outcome of the activity.

In the definitions above, the common part is – regarding our study – the scope of them. All of them refer to the business sector; in the definitions, there is a ‘commercialization’ factor included. The ‘nonbusiness’ sector, the non-profit and governmental organizations, are being ruled out of them.

Let us state some other examples from these types of definitions referring only to the forprofit sector!

According to Drucker [4], innovation is a tool, which helps entrepreneurs to exploit change as an opportunity for a different business or a different service. “Entrepreneurs need to search purposefully for the sources of innovation, the changes, and their symptoms that indicate opportunities for successful innovation, and they need to know and apply the principles of successful innovation.” [4]

“An innovation is the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organizational method in business practices, workplace organization or external relations. The minimum requirement for an innovation is that the product, process, marketing method, or organizational method must be new (or significantly improved) to the firm. Innovation activities are all scientific, technological, organizational, financial and commercial steps which actually, or are intended to, lead to the implementation of innovations. Innovation activities also include R&D that is not directly related to the development of a specific innovation.” [5]

Oster [6] claims that unauthorized organic innovation can lead to enhanced profits and add to the company’s revenues. He writes about the little “underground” steps that are already successful in the organization. “Innovative employees eschew conventional wisdom and think differently about the business.” [6]

Francis and Bessant [7] expand the definition of innovation, but regarding our perspective, it still remains narrow scoped: “Innovation is often described in terms of changes in what a firm offers the world (product/service innovation) and the ways it creates and delivers those offerings (process innovation). Arguably this definition is insufficient since it does not take into account two other areas where innovation is possible-market position and business models. Market position relates to the situation where an established product/service produced by an established process is introduced to a new context; here the innovation management challenge is concerned with issues like adoption behaviour and technology transfer. Business model innovation relates to the situation in which a reframing of the current product/service, process and market context results in seeing new challenges and opportunities and letting go of others.”

These definitions and notions about innovation are all referring to the business sector. These concepts do not take into consideration the organizations and activities outside the business world.

Fortunately, there are some opposite examples in the literature, such type of the definitions that take into account not just the forprofit sphere but also all kinds of organizations.

Rogers and Shoemaker [8] claimed that innovation is an idea, practice, or object perceived as new by an individual or other unit of adoption.

Lorenz [9] states that “When looking at the breadth of definitions cited from literature, it becomes apparent that the list of definitions could be even continued because every author perceives innovation differently. Innovation is multi-faceted and is not only about new products and processes, though this is a popular perception. It was shown that the different perspectives of innovation can be arranged in three interlinked groups: inputs, dimensions, and outputs. [...] The development of definitions of innovation in innovation management science proves the diversity of research fields and the inter-disciplinary approach. It can be foreseen that in future researchers will keep on finding new forms of definitions of the term innovation.”

According to Paap and Katz [10], there is innovation when either the technology or the need to be met is new. The new need can be either a new need of existing users or completely new users. The novelty of both the technology and the need to be met must always be considered. If it is new to the users in a particular market or market segment, then it should be regarded as an innovation, regardless of whether there is nothing new in it for the firm.

The three definitions cited above are considered broad-scope definitions, since they are all referring to not just the business sector, but the non-profit and governmental organizations.

1.2. Defining 'outside the business world'

However, defining the governmental sector is not difficult; there are many notions around 'nonprofit' organizations. As the term suggests, the primary objective of these organizations is not profit making, and this is how they differentiate themselves by the business world [11].

When considering this sector, different phrases arise: 'nonprofit', 'third sector', 'social enterprise', 'public interest entity', Etc. Several definitions exist regarding these terms. Social enterprises are organizations balancing between creating social value and organizational sustainability [12].

"The so-called third sector is composed by private organizations of public interest, involving entities that are not part of the government and neither of the market." [13, 14]

Some authors claim that social entrepreneurship is a process, when non-profit or governmental organizations use business tools and principles. [15, 16] According to other authors, they see it as the activities of conventional entrepreneurs who practice corporate social responsibility. [16, 17] Or "They are orthodox businesses with social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners." [18]

Despite the lack of agreement on this topic, the basic characteristics of this sector can be outlined, that these are organizations that doing something good for the community on a financially sustainable way.

2. The proposed types of the definitions

Our aim was not to cite the utmost definitions but to show the differences between the narrow and broad types of them from this research's perspective. Several authors claim that the non-profit organizations have to be more effective, more professionalized [19, 20], and innovations can help to reach this objective. [21] Therefore the broad type of innovation's definitions are recommended not just because these organizations innovate, but on the other hand, to arouse their interest that they have to deal with innovations, referring to it's obvious importance in operation.

Similar qualitative research was made regarding the definitions of 'technology' and 'technology management' [22], the statement in that research was similar, e.g., there are two types of definitions, and the broad ones are recommended that is referring to any kinds of organizations.

As the authors of this article are trying to reveal, not just the forprofit organizations innovate and have to manage innovation, but every other organizations, therefore suggest using this concept as broad as possible, including every organization in and outside the business world.

3. Conclusion

Even if there is no 'commercialization' in the administrative or the non-profit sector, and in some cases they do not want to sell anything, they have to innovate as well. As a police station has to improve the tools that they are working with, their processes, and even the training of the staff, as a governmental office has to implement new processes, new document management programs, has to modernize their tools. Therefore these sectors also have to know how to innovate and how to manage innovations effectively and efficiently. Consequently they have to study the accumulated knowledge of this field, read the articles, follow the newest trends. Hence science has to arouse their interest regarding innovation, and maybe a good starting point to not ruling them out of the definitions.

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