



A Literature Review of Corporate Innovation: Influencing Factors

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Abstract. In recent years, academic scholars in financial economics have paid close attention to corporate innovation, which has become an increasingly relevant topic. The goal of this study is to provide a synthesized and evaluated monograph of scholarly publications that look at the elements that drive business innovation. We can see that in terms of characteristics like competition strength, R&D intensity, the degree to which a project is “creative” or “technologically advanced,” and top management backing, the many research are either inconsistent or inconclusive.

Keywords: Corporate innovation · Influencing factors · Economic consequences

1 Introduction

The innovation of an enterprise depends on what factor is a very important question.

Why isn't everyone trying to come up with new ideas? It is widely acknowledged that innovation is critical to a company's economic success. Innovative businesses grow more quickly and profitably (see for example the econometric studies by Geroski et al., 1993; or Kleinknecht et al., 1997) [1]. If many businesses still refuse to innovate, it is due to a variety of risks and uncertainties that result in high failure rates. Asplund and Sandin (1999) and Cozijnsen et al. (2000), for example, claim that only one out of every five enterprises ever started is feasible. In light of this, there is a clear need to examine the elements that influence the success (and, more often, failure) of innovation in a more methodical manner. Unsurprisingly, a substantial body of literature has accumulated in recent years.

According to the past researches, there are lots of factors that will influence the corporate innovation.

2 Firm-Level Characteristics

2.1 Firms' Internal Characteristics

This section focuses on the operations of publicly traded companies in terms of innovation. We are particularly interested in studies that look into the firm-level determinants of corporate innovation, particularly those that can be primarily controlled by shareholders, owners, and eventual residual claimants of the benefits of innovative investment.

2.1.1 Experience

Previous involvement in innovative projects is beneficial to the firm's technological capabilities since it improves skills that are critical to the success of creative projects. As a result, businesses should seek out adventures that are similar to the firm's specific experiences in terms of technology, manufacturing, and marketing (Stuart & Abetti, 1987; Bessant, 1993) [1]. Furthermore, participation in initiatives that are similar to previous experiences provides for a significant reduction in time-to-market (Wind & Mahajan, 1988). Learning-by-doing and learning-by-failing effects are two more significant benefits of experience. The former improves the firm's R&D productivity, whereas the latter reveals the firm's flaws. In the product learning cycle, both phenomena are handled as critical (Maidique & Zirger, 1985; Zirger, 1997).

2.1.2 R&D Team

The technological capabilities of the company are influenced by certain aspects of the R&D team. The team's composition is one distinguishing trait; interdisciplinarity adds to the project's feasibility (Roure & Keeley, 1990). Although technology abilities are required, a balance of technological and marketing skills is essential; the former is sometimes overemphasized (Cooper, 1983). The presence of a product champion is a second distinguishing factor. When it comes to overcoming internal resistance to innovation, the R&D teams with an employee who looks to be an internal entrepreneur dedicated to innovation are clearly more effective than teams without this backing (Link, 1987; Kleinschmidt & Cooper, 1995). The product champion also serves as an efficient technology gatekeeper by digesting the firm's internal and external scientific information (Stuart & Abetti, 1987; Rothwell, 1992) [4].

2.2 Firms' External Characteristics

In this section, we look at research that looks at how a firm's external environment, as well as firm-level features that are mainly outside of share-holders' direct control, influence the process and outcomes of corporate innovation. We begin by looking at research that look at different types of financial market intermediaries, such as financial analysts, institutional investors, and hedge funds, before moving on to publications that look at the impact of stock market trading, pricing, and stake-holders on company innovation.

2.2.1 Strategy Towards

The portfolio approach is one type of proactive strategy in which a company works on multiple innovative initiatives at the same time, each at a distinct stage of development (Gobeli & Brown, 1987). For a variety of reasons, this method is deemed appropriate [11].

First, it protects the company from a low-risk profile in the short run.

Second, portfolio planning forces projects that target specific, profitable market sectors to be balanced with programs that focus on core R&D activities. As a result, portfolio planning entails both enhancement and radical renewal of the company's product line (Wind & Mahajan, 1988).

Third, by focusing on both incremental and radical innovations, this strategy enables the latter to be financed using the former's bread-and-butter profits. This prevents the company from exclusively depending on product distinction (Zirger, 1997).

Finally, portfolio planning directly improves R&D skills: R&D teams who are working on multiple projects at the same time have been found to be more successful than R&D teams that are not (Kleinschmidt & Cooper, 1995). Although having a clear innovation plan is beneficial to a company's technological skills, it does not appear to be typical practice; according to Page (1993), just half of all innovating companies have one.

2.2.2 Organisational Structure

Firms that are organically formed have a better success rate than those that are functionally organized. Furthermore, companies that actively seek out and capitalize on new market opportunities appear to be more organically organized. Organically formed organizations generate superior technical and marketing capabilities, which are acknowledged as major success criteria on their own, according to path analysis (Calantone et al., 1993). In addition to these empirical findings, the literature is dominated by two theoretical arguments in favour of the organic structure. The first is a social point of view. Organic structures, in contrast to formal structures, which lead to selection and social confirmation, promote individual unique-ness and expression. As a result, organic structures stimulate the emergence of product champions. Given the significance of the product champion's presence, the firm's "organicity" can be considered a success element (Howell & Higgins, 1990). The nature of the invention process is the second (theoretical) argument in favor of organic structures. A balance should be struck between the benefits of a flexible, open, creative, and adaptable organic structure and the level of formalization (for efficiency's sake). Successful innovative enterprises are informally structured during the initial phase of the development process, according to empirical studies, and move to more formal structures as the product becomes more defined (Johne & Snelson, 1988; Rothwell, 1992; Bart, 1993).

There have also been arguments presented against organic structures. For starters, several empirical research show that "organicity" has a negative impact on a company's ability to innovate. Rubenstein et al. (1976), for example, argue that the process should be tightly controlled, especially in the early stages of the innovation process; the argument that freedom acts as an incentive for innovation is false (see also Stuart & Abetti, 1987). Many effective innovators, in fact, want to maintain tight control throughout the whole innovation process (Larson & Gobeli, 1988). There are even more contrasts between the venture team structure and the matrix structure, which are two separate types of biological structures (Johne & Snelson, 1988; Larson & Gobeli, 1988; Rothwell, 1992; Page, 1993; Kleinschmidt & Cooper, 1995; Lester, 1998). In both cases, a project manager is in control of a team made up of employees from several departments inside the company. The matrix-structure, on the other hand, includes the managers of the constituent functional areas, but the venture team does not.

3 Market Characteristics

3.1 Competitive Environment

The relationship between a firm's external environment and CI has long been a topic of study in management literature, with various studies showing that the external environment influences the nature and source of CI activities (Covin and Slevin, 1989; Guth and Ginsberg, 1990; Lumpkin and Dess, 2001; Tsai and MacMillan, 1991; Zahra, 1991, 1993a, 1996) [6]. The findings of these research show that dynamism, hostility, and heterogeneity in the enterprises' competitive environment are antecedents of CI actions. Firms in tumultuous and fast-changing industries, for example, are characterized by frequent and quick new product development, as well as high levels of R&D spending and patenting (Covin and Slevin, 1989; Guth and Ginsberg, 1990; Lumpkin and Dess, 2001) [6]. Furthermore, Zahra (1991, 1993a, 1996) found that firms competing in dynamic and growing contexts place a higher priority on product and process technology launches not only quicker but also more persistently than firms competing in stable, non-rivalrous environments in a series of research. As a result, it seems that the competitive environment of the enterprises has a significant impact on the CI activities.

Despite the importance of the above-mentioned studies' contributions, these and other comparable studies have two major flaws. First, while some studies have looked at the CI activities of non-US corporations (e.g., Hisrich, 1988; Manu, 1992), the majority of CI studies have only looked at US firms (Giamartino and McDougall, 1993). Few, if any, studies have looked at the environment-CI link in non-US companies (Zahra et al., 1999). Cultural influences and differences in market structures in different nations, on the other hand, can influence CI and environment-CI connections (Morris, Davis and Allen 1994; Porter, 1990; Shane, 1994). Countries differ in a variety of ways that can effect CI, including political systems, innovation climate, and culture (Boyacigiller and Adler, 1991; Hofstede, 1983; Mueller and Thomas, 2000). Despite these disparities, many countries' management education and publications are based on studies involving U.S. samples. Managers in other countries must know whether findings from studies conducted in the United States can be applied to other countries and cultures (Zahra et al., 1999). As a result, it's important to see if the links between the environment and CI found in prior studies hold true in non-U.S. situations. By analysing the environment-CI link using a Norwegian population.

3.2 M&A

The relationship between mergers and acquisitions and corporate innovation is a hot topic among academics and business executives. Existing study looks into not only whether a company's degree of innovation before a merger or acquisition can enhance its likelihood of participating in a merger or acquisition, but also how that level of innovation changes after a merger or acquisition. This illustrates that there is a two-way relationship between M&A and innovation [5].

The majority of the extant literature on the interactions between M&A and corporate inventions suggests that the level of innovation will improve following M&A, whether for target businesses or acquiring corporations. The following are the key causes for this.

First, as a complementary mechanism, external knowledge can be used to supplement internal information, assisting in the development of new products and services. Companies can boost their innovation levels by acquiring external technology sources through M&A.

Second, some scholars claim that by enlarging the scale, M&A can raise output and sales while reducing recurring R&D investments, resulting in economies of scale and improved innovation efficiency [7].

Thirdly, half of the M&A market is made up of mergers and acquisitions between linked corporations. The associated parties' information asymmetry is minor, and technological commonalities are clear. As a result, promoting internal R&D and external R&D absorption is easier, and the two complement each other, resulting in a synergistic impact. It means that a technological increase in internal R&D will easily have a similar effect on the external R&D, vice versa [10].

Fourth, from the perspective of foreign capital M&A, if a business's level of innovation is high, the company's science and technology operations will be moved to another company after M&A, resulting in a reduced level of innovation. Otherwise, the amount of innovation will rise.

4 Institutional Features

4.1 Patent Protection

Firm success and national economic growth are both aided by innovation (Porter, 1990). Despite the evident need for innovation, not all businesses embrace aggressive methods. This is partly due to the fact that external influences have an impact on corporate strategy and outcomes (Porter, 1990, 1980) [3]. The national environment is crucial not only in establishing the demands on businesses to innovate, but also in determining the reward systems for people who gain from such investments. The structure of a country's innovation support system, as well as changes in it, can have far-reaching consequences for domestic activity and international relations (Mowery, 1998). The extent to which inventions are protected by legal and other procedures, for example, has an impact on how corporations profit from innovation (Teece, 1986) [3]. The better a company's chances of taking the advantages of its investments, the more likely it is to innovate.

Recent research has questioned whether patent protection is required to drive innovation investment. According to the Levin et al. (1987) survey of U.S. enterprises, patent protection is not viewed as extremely crucial in safeguarding their competitive edge (compared to the alternative means for appropriating the rewards to their innovations). The question therefore becomes: why do companies patent (and patent a lot) if patents aren't crucial for collecting the returns to innovation? Cohen et al. (2000) [3] answer by pointing out that businesses come in a variety of shapes and sizes. Patents are used for a variety of reasons, including preventing competitors from patenting related innovations, strategic bargaining chips (in cross-licensing agreements), and measuring internal performance (of the firms' scientists and engineers). Thus, rather than only protecting their R&D investment returns, numerous "other" factors may be what determines (or motivates) patenting. However, the findings of the study show that the relevance of patent

protection, as well as the purpose for which it is sought, varies by industry or sector, depending on the feasibility of alternative ways of appropriation.

5 Conclusion

Above all, we can see that in terms of characteristics like competition strength, R&D intensity, the degree to which a project is “creative” or “technologically advanced,” and top management backing, the many research are either inconsistent or inconclusive. However, there is agreement that factors such as firm culture, innovation experience, the multidisciplinary nature of the R&D team, and explicit recognition of the collective nature of the innovation process, as well as the advantages of the matrix organization, have a positive impact on innovative success.

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