

**A Summary of  
Organizational Innovation**

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Although many lament the absence of cumulative findings in sociology, the study of organizational innovation is one example of where there have been consistent findings across more than twenty-five years of research. Organizational innovation has been consistently defined as the adoption of an idea or behavior that is new to the organization. The research usually focuses on rates of innovation and not single innovations except in the instance of diffusion studies. The new idea or behavior is usually either a new product or services, a new process technology or a new administrative practices.

Organizational innovation provides insights on the way in which organizations respond to either technological or market challenges. In particular technological advance is increasingly the basis of competition between nations and governments such as the Japanese and American ones now maintain assessments of their relative standing in these areas. Recently the importance of innovation has been recognized in economics and in two distinctive areas, the new literature on national systems of innovation and endogenous theories of economic growth. Although now the theoretical relevance of organizational innovation is apparent to everyone, oddly enough it is not part of any the standard organizational textbooks or those in management.

Over thirty years a consistent pattern of findings has emerged. Organizational innovation is stimulated by an organic structure (i.e. a network of communication, authority, and control), a high risk or first mover strategy, and a complex division of labor. This is true whether or not the innovation is incremental or radical. The more recent literature has been focusing on the failure to adopt new process technologies

such as flexible manufacturing. This research indicates that there are considerable differences between countries in their ability to successfully implement this radical process technology.

In recent reviews of the literature (Damanpour, 1991; Zammuto and O'Connor, 1992) the critical importance of the complex division of labor has been missed because there are a wide variety of measures for it — occupational specialization, professional training, functional departmentalization, broad scope jobs, technical training, and presence of a research department. A complex division of labor has disparate measures because knowledge is organized in disparate ways in different countries. In Japan, training and broad scope jobs are more likely to be important whereas in the United States it is occupational specialization and the presence of a research department that is more typically found in innovative organizations. In Germany, the emphasis is on technical training and the presence of a research department.

Although, the concept of a complex division of labor has been missed not only in these recent reviews but in every book on the management of innovation, it is the single most critical factor in stimulating organizational innovation. A complex division of labor overcomes what is called the locality of knowledge problem in the sociology of science. The dialectic between different views of the world—and disparate kinds of tacit knowledge—leads to the generation of ideas about products or services that are more likely to be successful in the marketplace. Also, a complex division of labor provides a quite different view on the theory of human capital.

One might assume that the simple answer for increasing organizational innovation would be to augment the complexity of the division of labor but there are costs for doing so. As the complexity increases there are difficulties in integrating the new perspectives that are added to the organization as the famous research of Lawrence and Lorsch (1967) demonstrated many years ago. Furthermore, solutions to this problem produce an overload on communication. It is for this reason that many large firms are now creating profit centers or smaller units within. Smaller and indepen-

dent business units thus become more innovative and flexible.

The need for a complex division of labor also explains why there is also a movement towards joint ventures. Even large companies may not have the right kind of tacit or explicit knowledge that they need to develop a new product. Typically research findings suggest a family of products and companies that want to exploit these diverse ideas need to reach out to quite diverse firms located in disparate economic sectors.

The study of organizational innovation has much to do with current economic living standards, one reason why national governments are focusing more and more attention on this issue. On the one hand rapid adoption of process technologies and the movement towards flexible manufacturing is increasing productivity but it does so by eliminating jobs. On the other hand, rapid creation of new products leads to a reduction in productivity but at the same time creates more jobs. Thus, a nation ideally wants to be sure that it does not only focus on productivity but more and more the problem of new product innovation if it wants to avoid rising unemployment. A good example of this dilemma is in France which has had fast growth in productivity but rising unemployment.

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