COMPETITIVE ADVANTAGE THROUGH INNOVATION: AN INITIAL EXAMINATION INTO THE LACK OF RADICAL INNOVATIONS

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ABSTRACT

The quest for competitive advantage is universal to firms. Organizational payoffs for achieving competitive advantage are varied and include higher profits, increased economies of scale/scope, market differentiation and the ability to attract high quality employees.

Just as innovation is thought to induce competitive advantage, *radical* innovation is often cited as the principle form of innovation that will provide a firm with a sustainable advantage. Geroski, Machen, and Van Reenen (1993) state that the competitive effects of radical product innovations are large, positive and long lasting. Chandy (forthcoming) notes that radical innovations can catapult firms into positions of great success while also being able to even topple an industry's dominant firm.

Despite repeated claims of the strategic superiority of pursuing a radical innovative approach, empirical evidence fails to provide us with abundant marketplace examples of these "breakthrough" innovations. Wind and Mahajan (1997) note the relatively small number of radical innovations and the disproportionately large contribution that they make to organization profitability and assert that a managerial challenge lies in how to increase a firm's ability to develop breakthrough products. Consequently, the purpose of this paper is to explore the importance of radical innovations and forward some possible reasons for their relative absence in the market.

The author examines the inherent friction that results from the interchange between resource-based prescriptions for strategic firm differentiation and institutional theory explanations for decreased firm heterogeneity. In essence, this paper is an initial exploration into how institutional forces can act to constrain innovation and new product development. Accepting that radical innovations often lead to sustainable advantage and assuming that there is no lack of creative cognitive skills on the part of marketers as a whole, the author examines three broad institutional forces (environmental, organizational, and behavioral) that may serve to mediate the relationship between innovation idea generation and the nature of the innovative product and thus, ultimately, competitive advantage.

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