Inclusive leadership and frugal innovation

Surpassing competitive intensity in emerging markets

Innovation functions as a factor of an ever-changing competitive environment. Several factors, such as competitive intensity, inclusive leadership, and firm resources, also influence innovation itself. In the article by Lei et al., the authors explore how competitive intensity moderates innovation, and how frugal innovation is affected by inclusive leadership.

Competitive intensity

Competitive intensity refers to competitive pressure to outperform firms offering the same goods and services, whether by price, product, service, or technology. In different markets, competitive intensity varies by intensity itself and the subject of the competition. As such, a firm's resources and knowledge can significantly impact its ability to be competitive. Firms with older technology and fewer resources will struggle to compete unless they can innovate.

Frugal innovation

For small and medium enterprises with fewer resources, innovation through investing in quantities of newer materials is often not possible. However, this resource scarcity leads to new forms of development, called frugal innovation. Firms must find ways to optimize performance, lower costs, and improve core functions through creativity with their limited resources, especially for firms within emerging markets. In countries such as China, India, and Vietnam, firms experience high competitive pressure as well as rapidly evolving technologies and consumer needs, creating a complex and uncertain business environment.

As resources are limited, firms are finding that business knowledge is a valuable resource that can put a firm in front of its competitors. To obtain this knowledge, firms can discover outsiders who can provide insight, or they can look within their employees and managers to find solutions. To optimize internal human resources, Lei et al. find that it is vital to have inclusive leadership.

Inclusive leadership and frugal innovation

Inclusive leadership refers to a method of leadership that appreciates the contributions of others, a follower-centric leadership method that is characterized by openness, accessibility, and availability. These leaders pay attention to employee behaviors, listen to employee ideas and concerns, and understand employee needs. They are also often quite involved in organizational activities.

Through these characteristics, inclusive leaders are able to promote the social capital of the human resources of the firm, creating networks and becoming valuable as a resource themselves. Through establishing a solid network of internal links, these leaders can facilitate knowledge-sharing, collaboration, and rapid movement of resources, thus enabling a firm to
be able to create new or optimize products and services through collaboration. Through these networks, more niche or “frugal” knowledge can be shared, as well as a firm-wide understanding of resources and costs that enables valuable employee co-creation. Employees can be too intimidated to share ideas, but within a firm characterized as open and innovative, these employees will be motivated to innovate, especially if they feel valued within their firm. Thus, employees will openly discuss new ideas, challenge current status quo, and try out new approaches within their roles and across departments. Through knowledge sharing (unique experience, unique understandings, intuitions, and insights), a firm can optimize their physical and human resources and become competitive. Through inclusive leadership in supervisors, managers, and CEOs, a firm is likely to find success with frugal innovation.

Implications

The practical undertakings of this investigation have several key implications:

- CEOs and managers should focus on honing their inclusive leadership, especially through listening to employee ideas, challenging their existing leadership perceptions and finding opportunities to optimize firm communication.
- Leadership should ensure they create accessibility and availability for employees to speak to them, encouraging the sharing of new ideas and voicing concerns.
- Firms should encourage knowledge sharing, creating convenient, trustworthy, and low-risk applications of the information to produce low-cost, high-value products and services more effectively.
- Leadership should seek to explore and understand the competitive intensity of their industry and guide knowledge-sharing to encourage frugal innovation.

Conclusion

In highly competitive industries, firms can struggle to keep up, especially those in more frugal economies or emerging markets. In the study by Lei et al., the authors explore the value of inclusive leadership and frugal innovation, creating an understanding of the importance of human resources alongside physical ones. Employees who feel valued and understood will move to innovate and encourage growth alongside their coworkers, and thus characterize a firm as innovative and competitive. Through knowledge-sharing and collaboration, firms can remain industry leaders with the resources they have.

Comment

This review is based on: “Stimulating knowledge sharing behaviors for frugal innovation: the roles of inclusive leadership and competitive intensity” by Hui Lei, Pitcha Saeheng and Phong Ba Le, published in Journal of Knowledge Management.

Reference


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Leadership development, Business, Inclusion, Competitive intensity