

How companies can seize opportunities in the face of technological change.

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Mastering the Dynamics of Innovation: How Companies Can Seize Opportunities in the Face of Technological Change

[University of Illinois at Urbana-Champaign's Academy for Entrepreneurial Leadership Historical Research Reference in Entrepreneurship](#)

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Date Written: 1994

Abstract

Explores how innovation transforms industries, suggesting a strategic model to help firms to adjust to ever-shifting market dynamics. Understanding and adapting to innovation -- 'at once the creator and destroyer of industries and corporations' -- is essential with increasing fragmentation and foreign competition, and the consequent demand for high cost-value and globally appealing products. Business cycles and population ecology (which focuses on linkages between survival, population density of firms, and size and growth of the market) are used to explain the surprising amount of movement that characterizes even the largest, most established firms. The history of innovation is explored through a diverse variety of

industries -- from typewriters to incandescent light bulbs to ice. These accounts show that entrepreneur-inventors and innovative firms tend to become conservative and defensive as the market expands beyond their original concept; this is the point at which it becomes difficult for the firm, originally innovative, to keep up with market shifts. Following these trends, organizations are either organic or mechanistic. Organic firms operate in an uncertain environment, so that individuals must collaborate on frequent adjustments in a limited hierarchy with a rich flow of communication. Mechanistic organizations, on the other hand, are characterized by rigid coordination that establishes consistent routines, especially following the advent of a successful corporate innovation. Firms must accept the inevitability of change by valuing innovation even above past success; one of management's most essential roles is to find a balance between supporting new and established innovations. (CJC)

Keywords: Market dynamics, Change strategies, Market changes, Business cycles, Population ecology, Uncertainty, Management planning, Market competition, Organizational structures, Innovation process

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