Article

Qualitative Innovation in the Light of the Normative: A Minimal Approach to Promoting and Measuring Successful Innovation in Business

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Abstract

Innovation has now become a core issue in companies and the economy, and it is becoming the leading driver of growth and prosperity. However, there is often a lack of uniform and holistic concepts that grasp the phenomenon and integrate it interpretatively, and, therefore, business structures towards innovation cannot be defined and interpreted adequately. This article aims to take up this question and answer it within a minimal concept of innovation quality. The quality of innovation is not based on the profit of the company or other one-sided economic core variables but rather on the general creation of value and the improvement of the quality of life in a society. This makes it possible to create a normative basis for a general evaluation that can be used to interpret structures in the company that are conducive to innovation and long-term solutions towards creativity and critical thinking.

Keywords

Innovation quality, value creation, business structures, minimal conception, welfare, society

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Introduction

> If you look at history, innovation doesn't come just from giving people incentives; it comes from creating environments where their ideas can connect.
>
> —Johnson (2021)

Innovation is one of the most important core concepts in the modern economy. The call for innovation and the constant new, especially in times of crisis and uncertainty, plays an ever-increasing role (see, e.g., Veccio, 2003). In the global networked world, this not only makes innovation itself an increasingly difficult undertaking but a correspondingly growing pressure also weighs on companies and entrepreneurs (Mergenthaler et al., 2020). Despite the centrality of innovation for companies and entrepreneurship, connections in this context often remain unclear or at least imprecise within their deeper understanding (Kisgen, 2017). This is sometimes due to the different definitions and approaches of innovation research. On this basis, innovation in the real context of the company remains a constant risk and is always indirectly connected with breaking away from old structures (Faix et al., 2019). This article precisely addresses this question and attempts to clarify which corporate structures promote innovation and creativity towards innovation on a basic level and, above all, why. At the core of this analysis is the development of a normative understanding of innovation quality: that is a definition of when it is a good and successful innovation at all and in which context. This is a necessary foundation for understanding and grasping further structures.

In order to do this, I will first approach the concept and meaning of innovation (Chapter Innovation: Classic Concepts and Meaning). The current state of research will be taken into account and discussed. Due to the abundance of definitions and approaches to innovation, however, the core concept of Schumpeter (1911) will be the main focus of consideration. This concept plays a central role in the most actual approaches. On this basis, the core concept of innovation, which is as broadly defined and inclusive as possible, is to be elaborated. Here, we can also speak of a minimal conception, which seems necessary in order to be able to speak of innovation at all and to understand the phenomenon as holistically as possible.

Building on this minimal concept, possible problems and open questions can then be discussed in a second step (Chapter 'Problems of the Concept'). On the one hand, these arise from practical references with a view to existing structures that are found in most companies and thus also in the standard understanding of economics (Faix, 2021). However, these can also be transferred and expanded with a broader view of possible theoretical problems if one asks oneself what the core goal of innovation is. The theses to be elaborated and defended are that (a) traditional corporate structures often seem to be less conducive to innovation and (b) this is related to our basic economic thinking, which often answers the practical question of growth with purely economic indicators, for example, the gross domestic product (GDP) per person or the company profit (see for discussion, e.g., Kimakowitz et al., 2011). The latter is helpful in identifying further structures and ideas behind the concept of innovation itself.

Due to the open questions arising here about the foundation for the evaluation of innovation and a rejection of one-sided purely economic (utilitarian evaluated) core variables (see, e.g., Dierksmeier, 2011), the checking of evaluating structures in companies according to their innovative capacity has so far been missing. The criticism presented in Chapter 'Problems of the Concept' will, therefore, be contrasted with an alternative argumentation that takes into account the previous problems of innovation research and integrates them accordingly (Chapter 'Innovation Quality as Guide to Better Understanding'). On this basis, in conjunction with the minimal concept discussed in Chapter 'Innovation Classic Concepts and Meaning', an assessment standard can be defined and derived: the concept of so-called innovation quality (Faix et al., 2014). According to Faix et al. (2014), the quality of the innovation with regard to the benefits in a society is at the centre of consideration. This basic idea is to be generalised and expanded on a minimal core concept. Therefore, the reference is made to the quality of life of individuals or groups in a society, without already referring to the possible fixed basic needs or preferences.

On the basis of the definition of innovation quality structures can be derived that promote innovation and creativity itself. However, along the basis of the definition itself, not only the company and its internal structures are in view but the structures of the company and its role in society can also be derived from it. The concept of innovation quality proves to be robust and helpful at this point, despite being defined as minimally as possible. On this basis, it can be shown that above all, open corporate structures in combination with a transparent consensus internally promote innovation and creativity. This also corresponds to much of the data that is available on this subject. Even if a lot of detailed questions remain unanswered, the concept provides a general structure of interpreting these data. On the other hand, the transparent and cooperative of the basic definition can provide first external reasons for the possible quality of company innovations.

Innovation: Classic Concepts and Meaning

In order to be able to identify structures that promote innovation in the desired economic context (or can promote it at all), it is necessary to better understand the concept itself. In the following, it is, therefore, important to approach the concept of innovation in its core understanding. This core understanding should be reduced to a minimal definition in order to grasp and identify the concept in its entirety and diversity. This core understanding is of central importance for two reasons: First, innovation is a broad subject area in which countless concepts and definitions can be found. A simple literature research here already leads to a high number of different definitions and approaches (Kisgen, 2017). For example, Rogers (1998, p. 2) gives the following definition of innovation:

> Innovation is the process of introducing new ideas to the firm which results in increased firm performance.

Whereas Kogbayev and Maziliauskas (2017, p. 59), on the other hand, defines innovation as follows:

> Innovation is the core action for the development and productivity of any economic activity. Investment activity and its results are directly dependent on the type of innovation that has been used.

On the other hand, the core understanding determined here serves to identify the possible structures and to be able to relate them to the actual state within companies. This requires an understanding of innovation that is as open and inclusive as possible, which covers broad areas of the phenomenon and attempts to avoid a possible concentration on only one aspect (exclusivity). The term 'minimal conception', thus, refers to the search for what seems to be at least necessary in order to be able to speak of innovation in general (without reference to concrete application contexts).

One of the most important models and descriptions of innovation, in addition to the countless modern versions, can be found in Schumpeter (1911), who is the forefather of innovation. As different as today's definitions and explanations may be, Schumpeter's understanding still plays an important and far-reaching role. The two cited examples of possible definitions of innovation are also indirectly based on important characteristics in this respect. Due to the role and definitional importance of Schumpeter in this regard, this should also serve here as a first and central starting point for the defined core concept. Schumpeter (1911, p. 89) describes innovation in essence as follows:

> Situations emerge in the process of creative destruction in which many firms may have to perish that nevertheless would be able to live on vigorously and usefully if they could weather a particular storm.

In his theory of economic development, Schumpeter attributed all growth in essence to the person of the so-called 'creative entrepreneur'. This person generates growth in the form of innovation in order to withstand economic competition or, moreover, perhaps even to completely outpace the competition. In the latter case, innovation creates an advantage on the market that can be achieved by a company. For Schumpeter, this represents the core idea of the apparatus of capitalism, which is driven by the constant so-called 'creative destruction' and, thus, constant innovation (Schumpeter, 1911, pp. 136–137). The term 'creative destruction' refers to the destruction of the old and the creation of something new. The new, thus, always indirectly presupposes a form of the act of destruction. According to Schumpeter, it is only on the basis of the pure essence of capitalism itself that the permanent pressure on companies and the person of the entrepreneur to constantly innovate arises. In today's context, it can also be shown and argued that the speed of global acceleration has increased the pressure to innovate economic processes and that inventing something radically new has become drastically more complex (Faix, 2020). These processes of increasing acceleration include not only technical and digital acceleration but also global networking itself, as well as the acceleration of the pace of life and the social change that is taking place (Faix & Mergethaler, 2010, p. 47).

In addition, for Schumpeter, forms of innovation can occur in various ways or be initiated by the entrepreneur. The important core is always the creative destruction itself and with it the advancement of something through the creation of something new. The term of innovation itself (Latin novus, that is the new) already provides a wider understanding. Besides only describing the term 'new' is also to be understood as offering a recognisable new quality or a clear difference from the old, previous processes or practices (Fichter, 2015, p. 12). Merely a gradual improvement is thus not meant, as this also fits into the Schumpeterian understanding. Nor is the concept of innovation to be limited merely to technical contexts, but rather to the underlying drive per se and 'owed' to the creation and, therefore, creativity towards the new. Due to the excessive use of the term, which is due to its importance, it is often used in an inflationary manner. On this basis, there is an ongoing debate about the necessary differentiation of true innovation from the possible so-called pseudo-innovation (Fichter, 2015).[1] Based on Schumpeter as well as the original understanding of the term, the following minimal conception of innovation (MI) can be derived so far:

MI: Innovation means the creation of something radically new (creative destruction) from or for a reason x.

A minimal conception written in this way encompasses the phenomenon in a very holistic and multifaceted way and does not exclude any form of innovation (area of innovation) ad hoc. At this point, the underlying drive towards innovation would be debatable, as cases of mere coincidence could be excluded here. However, innovation does not end with a mere accidental discovery, but with the further implementation in reality as well as the communication that leads to true innovation. Therefore, there always seems to be a certain underlying intentionality. However, this already points to a possible criticism or at least open questions in this context. The minimal concept is not detailed enough to figure out what supports a drive to innovation.

Problems of the Concept: A Question of Evaluation

In the previous chapter, the basic concept of innovation was discussed and illuminated, and a minimal core understanding of innovation was argued for on this basis. This core understanding is now to be contrasted with the current state of affairs in common business practice and, building on this, placed in possible problematic relationships. The first possible problems have already been indicated accordingly. In this chapter, it should be argued, on the one hand, that that current corporate practice tends to hinder and possibly restrict innovation in this sense, especially with rigid hierarchical structures.[1] Furthermore, it should be made clear that the core framework of innovation is removed from any evaluation and as such may not already completely fulfil the required demands of standard economics (drive question). Rather, there is a lack of foundation that defines innovation as a successful or even good innovation.[2] This is to argue against a sole orientation of

successful innovation along an economic (profitable) company growth or standard core variables. However, extended concepts at this point require a corresponding normative foundation.

For the first critical point,[1] it is necessary to take a look at real companies in order to compare the current situation with the previous minimal concept. Since the current concept is based on a minimal definition, I will limit myself here to the most important points and focus primarily on corporate structures. In terms of these structures, a so-called hierarchical pyramid can still be found within most forms of enterprise today (Kühl, 2015). This is reflected in corresponding forms, and it also approaches of power and influence, which are widely applied here (Dahl, 1957; French & Raven, 1959). Decision-making, which is fundamental for the incentive and implementation of possible innovations, runs through several coordinated levels from top to bottom and usually starts from the management or executive level. One can also speak here of the so-called top-down innovations. Even if weakening of this hierarchy is becoming more and more common (especially in younger companies), there are still usually imputed levels of this form behind it (Kühl, 2015, p. 3).[2] Similarly, evaluation systems and work specifications run from the top-down.

Contrary to these traditional structures, however, it can be shown that open and more democratic forms of enterprise seem to promote innovation (see, e.g., Becker et al., 2008; Faix, 2021). Along the previous minimal definition, it can be argued that innovation has no limitations here and can arise from various drives within the company (Bösch, 2021). Accordingly, it does not have to proceed unilaterally from top to bottom, and one-sided hierarchy structures and their consequences of possible work interpretation restrict it accordingly. Alone the participation of several agents who are creatively active with each other on different levels or who provide possible input can advance and promote innovation accordingly. This is especially the case since it is not exclusively about possible improvement processes but about the idea and implementation towards something completely new. Thus, at first glance, the current state within companies (also given the previous definition) does not seem to necessarily promote innovation and produce the corresponding structures for this. Creativity through possible errors and communicative exchange (at all levels) is even indirectly restricted by this. This is especially the case when employees do not stand behind possible goals of the company (or these are communicated in a correspondingly transparent way) and concentrate on their business as usual (Faix, 2021).

However, the question of which structures to promote must now also be answered indirectly by the question on the basis of valuation or the individual drive.[2] Most approaches, including Schumpeter's, focus on economic growth itself at this point. It then remains questionable how this possibly translates to companies (or metrics in general). Most companies seem profit-oriented at this point (i.e., it is about profits). The foundation for this view can be found in a corresponding general (utilitarian) understanding of an economy. Sen (1988, p. 29) writes critically on this.

> The standard proposition of modern welfare economic depend on combining self-seeking behaviour, on the one hand, and judging social achievement by some utility bases criterion on the other.

If economic growth were to be understood in this way and placed in a corresponding connection, the drive for innovation would be correspondingly profit-driven and the question of successful innovation would be answered solely by what yields a correspondingly large profit in monetary terms. Since a detailed critique with reference to innovation, in particular, would go beyond the scope of this article, I will limit myself below to central arguments.

Sen (2003, 2013), for example, points out that the prosperity of a society or nation cannot be measured solely in terms of GDP per person, and that the possible data here can, for example, differ greatly from that of life expectancy in a country. In addition, other factors of life can be cited that are not taken into account in such measurements, but which can play a significant role. A further example can be given by education (Sen, 2013, p. 63). Thus, prosperity does not depend exclusively on wealth as understood in the traditional sense, and this can be critically applied to the profitability of companies accordingly (Stiglitz et al., 2010). Furthermore, it is evident that even the ideal market (from which the real market often deviates) does not always lead to the best result based on pure competition alone. This can be illustrated by the example of the so-called tragedy of commends (North, 1981). Accordingly, the drive behind innovation cannot be geared to pure competition and the corresponding pressure on entrepreneurs who produce it. These factors are indirectly linked to a corresponding (instrumentalist) understanding. We can, therefore, summarise at this point that (a) the corporate structures in their traditional form do not necessarily promote innovation at all levels and areas and (b) the pure profit orientation of a company at this point falls far short of providing the possible drive and a basis of assessment for innovation along ML.

Innovation Quality as Guide to Better Understanding

In order to be able to answer the unresolved questions and possible problems within the core concept of innovation, it is now necessary to derive possible consequences from the previous arguments. One of the core theses of the article is to argue that the success of an innovation is measured by the society and the people themselves who benefit directly or indirectly from it. The term benefit, however, does not refer exclusively to a pure profitability but rather to the needs and preferences of the individuals or a group itself. At this point, various theoretical concepts can be used as a basis, which, however, will not be discussed further here for reasons of space. The question of preferences or needs should remain open and as broad as possible at this point, which also benefits a possible application of the concept of innovation itself. Alternative models, the classic

accounts, can be found, among others, in Doyal and Goth (1991) or Nussbaum (2011). These models sharpen and specify different basic goods. Even if this is not discussed further, a definition for a so-called successful innovation can be derived from the previous basis in connection of the core concept and the general problems of the understanding of innovation presented. In doing so, the definition and the concept of the so-called innovation quality will be used as a basis for a better and clearer understanding.

Within the critique presented, it was illuminated that there is a point of reverence for the measurement of innovations or their so-called quality. The question that remains open at this point is as follows: When is an innovation of quality successful? The answer to this question is indispensable if one wants to evaluate the success of an innovation and assess structures that are advantageous or disadvantageous in this respect, instead of relying purely on spontaneously emerging ideas. But how can such a reverence value be further determined at this point without defining concrete needs etc.? The pure drive of the economy's growth in terms of specific core variables was considered rather critical in this context (Chapter II). However, this criticism is not directed against growth in general, rather the focus here is on determining it in detail. The reference to Sen (2013) and Nussbaum (2011) made it clear that economic indicators on which the focus of a company is usually directed in detail do not necessarily reflect all the needs and preferences or even the quality of life of individuals (e.g., in a society or economy).

But how can the concept of possible preferences of individuals, a group or even a nation (wealth) be transferred to innovation without determining it in detail? Filling this gap does not seem to be primarily relevant at this point in order to be able to derive basic structures from it. Rather, it seems better for the understanding of the concept (also with regard to the possible free decision of individuals) to leave this scope open (see, e.g., Nida-Rümelin, 1992, 2009). A normative basis for assessing innovation must be correspondingly far-reaching and holistically formulated. To this end, the concept of innovation quality seems to be correspondingly helpful within the analysis (Faix et al., 2014). Within this approach, the quality of the innovation is measured indirectly via the society that it is intended to serve and, thus, its social context, and amounts to the degree of outcome quality (Faix et al., 2014, p. 79). The degree of quality is determined accordingly by the acceptance of the quality itself. By definition, innovation quality is then expressed (also and especially for the company) in the degree of a result in which the innovation initiates, secures and perpetuates social value creation (in the long term). Within the concept itself, reference is made to Maslow's pyramid of needs, but a corresponding extension of the concept allows it to be completely open in this respect due to its constitution.

A corresponding formulation of value creation must then be expanded in the following sense of the broad understanding of innovation quality: Value creation refers to (a) the entire society in which it takes place; and (b) thus, always specifically takes into account all those directly and indirectly affected in it. It is, therefore, about the real value in terms of quality of life and design (prosperity in all facets) that an innovation has for a society and the individuals directly or

indirectly affected by it (see also Faix, 2020, for a more precise definition of prosperity per se). Accordingly, a possible assessment standard for innovation can now be defined, and, thus, the quality of an innovation (or its being successful or good) can be determined. A definition for innovation quality (MIQ) can be given as follows:

MIQ: Innovation quality means the (a) creation of something radically new (creative destruction) that increases the value creation in a society; (b) and/or the individuals and (interest) groups directly or indirectly affected by it.

Value creation understood in this way encompasses all corresponding preferences and needs of individuals and groups as well as their prosperity and quality of life ('real-world definition'). This means the concept is not limited to the standard understanding of economy and the corresponding corporate tradition. It is probably difficult to formulate a standardised measure here, but corresponding approaches can already be found in part within the literature (see, for example, Tuomela [2013] for the basic discussion within decision theory). These can be transferred in a broader sense to companies. The conclusion for companies will now be analysed on the minimal given definition. On this basis, corporate structures towards innovation can be evaluated more accordingly.

Business Structures Towards Innovation

On the basis of the definition of innovation quality or successful innovation, possible structures that promote innovation can now be better and more clearly identified and determined. This is the case because in comparison to the pure definition of innovation itself or other approaches in this direction, a kind of assessment standard has now been introduced. The assessment standard can be related to different areas in the company and its relation and task within a society. In conclusion, I will now approach these structures in two areas. The first area concerns the structures in a company itself, that is the internal disposition of a company and the persons involved in it. An internal view is not sufficient, however, if innovation quality and the definition of innovation quality always refer to the society in which the company operates. Consequently, corresponding external references and structures must also be taken into account and defined as far reaching as possible.

Within the company, statements can now be derived primarily in relation to Chapter II, where the traditional current state was already briefly touched upon. The main focus at this point was on hierarchy structures and the general structure of the company (e.g., power and influence). So far, it has only been stated that rigid and one-dimensional top-down structures appear too rigid to promote innovation to the full extent possible. This can also be indirectly supported by innovation quality: If an innovation is related to the welfare of the society in the defined sense, new ideas in this direction can best be derived by the creative mass in a company at all levels and under all demands. Accordingly, not only the flattening of structures but the democratisation of the enterprise to the appropriate degree can be helpful (see, e.g., Gebhardt, 2011; Herzog, 2019; Ingram, 2019).

This includes not only pure participation and the breaking down of strict work structures but also the creation of an appropriate working atmosphere. For the creation of something new in this sense, it is necessary to generate a creative environment and, as a result, above all to allow mistakes, which are not punished accordingly but are to be discussed transparently and cooperatively. This also means promoting solutions and approaches that break out of the old familiar. Creative thinking here requires deliberation and reasons from each individual who is involved in the processes and takes part in the creative process itself.

In addition to the promotion of creativity and thus possible critical thinking, the company's goal or the possible innovation goal u itself is also central. The question that arises in relation to value creation is to what extent the company wants to pursue and implement this in which area and with which task (both variable to a certain degree)—that is which market, which product or service or which process does this concern and on what basis. In order for all those working within the company x (as amount of all employees in the company) to be able to think sufficiently creatively in this direction, it is not enough to limit oneself to a creative environment, creative promotion and the involvement of all. Rather, this kind of goal pursuit is needed to achieve the qualitative goal of innovation quality as a foundation on which everything else can be built. For this purpose, it is necessary (if all are to be equally involved in the sense of autonomy and cooperation) to base a kind of consensus u(x) on which they agree. Where u(x) describe the concensus to goal u of the amount of employees x. Such a consensus cannot be imposed from the top-down but it must be based on understanding, the adequate exchange of reasons and the cooperative agreement of all in order to adequately promote innovation in the sense of value creation. Cooperative agreement does not end with the pursuit of merely individual goals (such as a possible salary increase) but compromises towards a cooperative group goal that all can represent and understand is necessary. This also indirectly excludes micro-sabotage against u(x). On the basis of such identification and the cooperative, equal exchange, creative value-creating ideas and their implementation can be generated and advanced and correspond to the internal corporate dimension of the drive of innovation quality.

Furthermore, innovation quality also has consequences for the external structures of a company. Here, no consensus in the direct sense of u(x) is necessary, as this already includes the value creation itself, which concerns this sociality. However, this must also be communicated and lived transparently and communicatively in the sense of achieving the goal. Pure greenwashing or marketing seems to be inappropriate here (Jones, 2019). In order to be able to fulfil and represent this as a company to the outside world, it is first necessary to understand what value creation for society means in detail and how a mediating contribution can be made. Reasons must be comprehensible. This also means understanding who is directly or indirectly affected by one's own entrepreneurial activity in a positive or negative manner: In other words, not only which general quality of life I improve through a possible innovative product but also whether possible negative effects indirectly (e.g., in the supply chain) can be avoided or mitigated for those indirectly affected. In order to be able to generate value

creation within the company in the sense of sociality in a sustainably and long-term possible way, this also means living cooperative structures vis-à-vis possible competitors, seeking exchange towards value creation and cooperation (cooperative competition). This comes closer to the ideal market and promotes ideas and the drive to create value itself. A possible example can be the AMRO REAL Bank (see, e.g., Kimakowitz et al., 2011), which shows that a company can survive on this basis. In addition, society itself should also promote creativity in companies by allowing mistakes and illusions in order to allow and enable thinking in new directions.

Finally, it can be summarised that if one follows the argumentation of innovation quality, both internally and externally, a communicative and transparent consensus in the sense of cooperation towards value creation in a society forms the basis for innovation quality and corresponding corporate structures. This requires a constant exchange of reasons, as well as a constant rational debate and communication, but also the inclusion of appropriately involved individuals (internal and external). Furthermore, creativity needs to allow mistakes and the extensive inclusion of everyone (flattening or democratisation of hierarchical structures and cooperative competition towards the outside). All this gives common reasons towards the development and fulfilment a new goal x (on the basis of a consensus u(x)), which creates value in a society (and is, therefore, successful).

Conclusion

> For good ideas and true innovation, you need human interaction, conflict, argument, debate.
>
> —Hefferman (2021)

In the present article, it was made clear on the basis of a minimal definition of innovation and its possible problems that there is a lack of an appropriate assessment standard for a good innovation. This gap was attempted to be filled here in a first recourse by introducing the concept of innovation quality and expanding it accordingly. In doing so, no fixed reference to value creation was made in terms of content. The debate about a possible basis was left open in order to do justice to the debate here. Rather, this was seen as a variable, and it accordingly requires the formation and understanding of a constant consensus within the company and also in relation to the company's sociality. On this basis of innovation quality, structures were then derived accordingly that promote innovation successfully and in the long term. Along the literature, these also correspond, to a large extent, to the empirical data on this and are able to integrate them interpretatively.

Of course, many questions remain unanswered at this point. This is also due to the fact that the basis of a minimal definition was assumed. The concept would have to be examined and expanded in other dimensions, both theoretically and

empirically. In this respect, it is necessary to examine various definitions of innovation in order to make the preconditions and the argumentation of innovation really robust and to concretise innovation quality accordingly and to examine it in all its references (e.g., the underlying rejection of utilitarianism or consequentialism). But this can lead to a more precise formulation of its normative basis for society, the economy and, in particular, for the company (for the basis of the debate in the sense of rational action, see, among others Tuomela [2007, 2013] or also Nida-Rümelin [1997, 2001]). Despite these extended problems and open questions, the article here provides a first important outline and creates the basis for a possible practical corporate application based on this argumentation.

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Notes

1. Pseudo-innovation refers to pure processes of improvement that relate to the evolution of technical means or products. They are merely partial optimisations of what already exists, and, therefore, we cannot speak of true innovation in the sense mentioned.
2. In the meantime, when the corporate structure is partially flattened, one also speaks of the so-called dual structure of a company.

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