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Economic Creativity and Business Wealth in United States and United Kingdom

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Abstract

The United States and the United Kingdom have a mixed economy, developed through free market and global economy, which is regulated by the Government to prevent market failure. The mixed market economy allows the market to operate and the government to only intervene where the market fails. Their economic growth in the short run have been driven by factor accumulation or by utilizing factors more efficiently, but permanent increases resulting from technological innovation. Many of the world's biggest and most dynamic companies—including Google, Facebook, Amazon, Coca-Cola—have chosen the United States and the United Kingdom as their headquarters. The study highlights the types of innovation, the innovation environment and the drivers of innovation. The study concludes that the use of innovation is the only way to maintain a competitive advantage that is sustainable and also access in the market. This innovation secures the future revenues it lowers the costs and creates differentiation of the company in the market. Also to note is that a business model should just be in the short term but also in the medium and long term. For a company to develop a market advantage in the long term, it has to professionally implement innovation management indispensably.

Keywords: *Economic Creativity, Business Wealth, United States, United Kingdom.*

1.0 Introduction

Innovation is the process of turning ideas and invention into goods and services where customers pay as they have value should satisfy the human needs. There is the use of information and imagination that derives various values from the resources and the new ideas generated are then translated into products that are useful. In the business world the aspect of innovation is applied by companies to satisfy the expectation and the needs of the clients. In business, innovation often results when ideas are applied by the company in order to further satisfy the customers’ needs and expectations. Innovation is usually everywhere in the many aspects of our daily lives. The theory proposed by Schumeter in (1942) argues that the change of innovation in the market usually brings about various changes in the economy. This paper expounds on innovation in business creativity.

1.1 Types of Innovation

There are several types of innovations that include technological innovation and market innovation as shown in Figure 1.

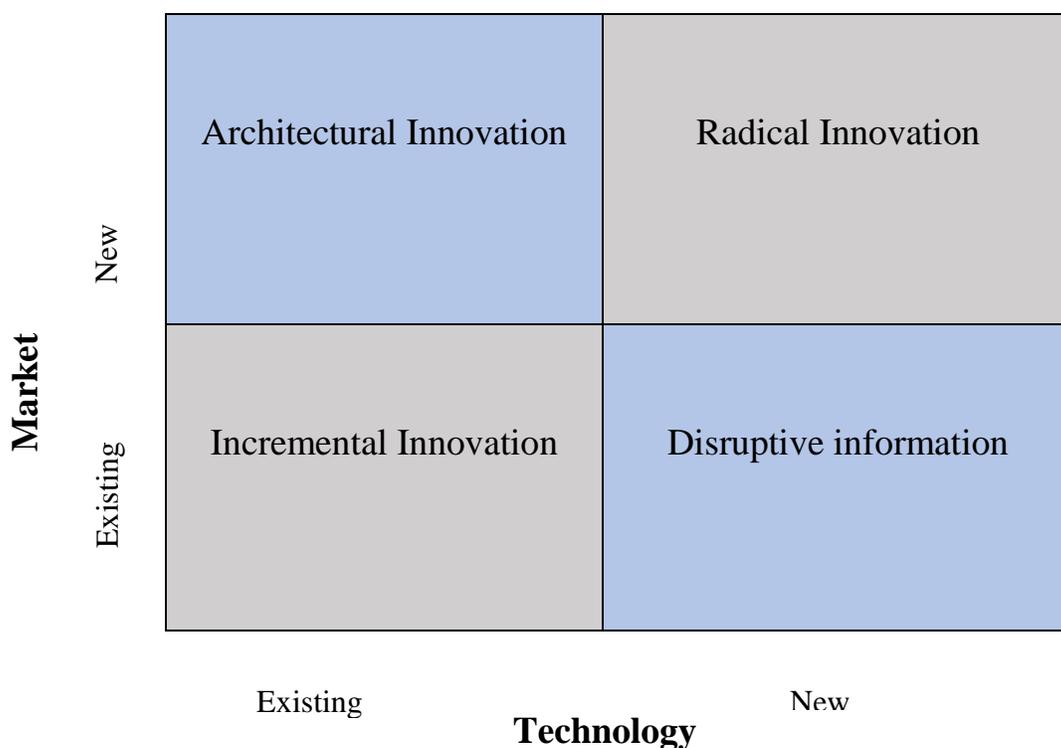


Figure 1: Innovation Matrix

1.1.1 Incremental innovation

Incremental innovation is the popular type of innovation where it uses the existing technology and then increases the value to the clients. In terms of design and features within the existing market (Rosemann, 2012; Vala, Pereira, Caetano, 2017). Many companies have used this type of innovation in a variety of ways. Some of the examples include;

Gillette

Gillette is one of the greatest innovative leaders and the company has been a good example of incremental innovation and stayed ahead in competition. The company razors began with a single type blade but with time it has evolved where there have been additional features where more blades have been introduced therefore meeting the client's needs (Linder & Williander, 2017; Rayna & Striukova, 2016).



Figure 2: Gillette Innovation

Coca-Cola

Coca-Cola Enterprises Belgium



- Constant **innovation** to be closer to the consumer is already 128 years part of the Coca-Cola DNA.
- Good “retailer-supplier” collaboration and **strong partnerships** are crucial.



Figure 3: Coca-Cola Innovation

Coca-Cola brand line has had extensions such as Coke and they have managed to get their products relevant to the customers for 130 years, intergrade into the new emerging markets and present new products to its customers in the long years.

1.1.2 Disruptive Innovation

The innovation is also called stealth innovation and it involves application of new technology or process in a company in the current market. The reason for it being stealthy in nature is that newer technology is inferior to the existing technology in the market (Tidd & Bessant, 2018; Morgan & Vorhies, 2018). It's usually expensive for the newer technology, harder to use and its then after some time that the few iterations that the new technology then bypasses the older and therefore disrupts the existing companies. By then it's usually late for the companies that were existing to compete with these technology.

Examples of companies with disruptive technology include;

Apple iPhone

Before the introduction of the USA iPhone mobile in the market there existing phones with buttons but iPhone presented a movement with touch screens and this disputed the market where currently iPhone now use touch screen.



Figure 4: Apple iPhone Innovation

1.1.3 Architectural Innovation

This innovation involves taking the previous lessons and skills and even the overall technology and then using it within another market. This type of innovation is remarkable to raise the number of customers especially when the new market is accessible (Rondi, De Massis & Kotlar, 2018; Linder & Williander, 2017). The risks that are encountered are less in architectural innovation due

to the dependence and reestablishment of technology that is proven although it requires modification to realize the needs of the new market (Tidd & Bessant, 2018).

1.1.4 Radical innovation

This type of innovation is the most considered as far as innovation is concerned. This is the innovation that brings about new industries or even eats up the existing one and it entails creation if a revolutionary technology (Ozkaya, *et, al*, 2015). A good example is the aero plane which originally wasn't the earliest means of transport hence it was revolutionary because it brought about the commercialization of air travel and development of air travel.

2.1 Capturing Value from Innovation

The innovators, leaders in business and the experts usually make breakthrough innovation so as to create value by developing new markets, new products and services which aid in providing a substantial competitive advantage. Technological innovation is being used in major sectors to ease production of goods and services and changing the customer experience. Industries such as the automotive, industrial, telecommunications and medical are using innovation to create value by increase efficiency, output and customer experience. Nonetheless, there is still room to create more value from upcoming innovation especially where innovation is stagnated.

2.2 Innovation in the Banking Sector

The banking sector is using the digital innovation to transform how it does business. This has helped it to master new technologies that have helped it navigate into new heights and partnerships. Innovation in technology has created unprecedented disruption in the sector and so far that rate is still accelerating. Today new clients who ant personalized interactions with their banks and simplified means to access their accounts are able to do so through innovation in the banking sector. Thus, innovation in the banking sector has helped in meeting the needs of the customers and also having a higher competitive advantage.

2.3 The Innovation Environment

This section expound on the factors that affect innovation and are categorized as macro and micro factors.

2.3.1 Macro factors

This entails the factors that may affect innovation in a company from an external perspective. Factors such as political may affect how a company operates and thus how its innovation unfolds (Osterwalder & Pigneur, 2010). For instance the Brexit situation in the UK may have an effect on how ta company creates other branches in the European Union market and also the aspects of uncertainties of the market. Social factors for instance in countries where corruption is very high may affect how innovation is driven (Nagji & Tuff, 2012: Morabito, 2017).

2.3.2 Micro Factors

These are the factors that affect the process of innovation from the internal business environment perspective. The management of innovation in a business from within is mostly affected by areas of resource allocation, the organizational culture and the competence of the employees and management (Saebi & Foss, 2015: Souto, 2015). For instance a company like Kodak had poor management and they disregarded the transformation of the digital camera as advised by their engineers.

2.4 Drivers of Innovation

There are several factors that motivations innovation to thrive. In the absence of innovation, companies may not be able to survive in the long term. The replacement of companies globally by new ones is mostly initiated by new innovation in the market in meeting customer needs. The section will discuss of the factors that drive the incentive to create and also innovate.

2.4.1 Need for a Sustainable Competitive Advantage

Companies that want to secure a sustainable competitive advantage in the market ought o remain constantly creative and develop new ideas out of the ordinary. This ensures there is competitiveness as a result of an innovative spirit and also a strategic oriented innovation in the medium and also the long term (Chen, Wang, Huang & Shen, 2016). Thus employees in a company who are innovative remain a very valuable resource and thus innovation to be a byproduct but rather they implement the innovation it a potential to the employees.

2.4.2 The Fast Reaction to Changing Conditions

Many companies are constantly encountering a great challenge due to the result of the fast change of market conditions. The government is also changing laws and regulations where even illegal

laws can then be turned to be legal and vice versa (Nagji & Tuff, 2012). Further there are new technology, customers that area more demanding and also trends that come out very quickly. Currently there is also the focus in the environmental friendly and sustainability aspect. For companies to adapt to the fast ever changing environment then they must remain innovative and creative constantly. Those that are innovative are able to quickly adapt and survive in the future.

2.4.3 Market Growth and Differentiation

Another driver of innovation is the threat that is posed by new market entrants who come up with new business models with lower costs (Trimble & Govindarajan, 2012). That forces a company to differentiate through use of innovation so that it can stand out in the competition in the existing market. The innovation of small products can even protect against the imitations and thus a lever for differentiation and growth.

2.4.4 Development of new markets and target groups

New markets and targeting of new groups is facilitated and made possible by innovation. A company can penetrate to have new industries through transfer of technologies to new areas of application (Saebi & Foss, 2015). For instance transport of passengers and transport of meals. Nonetheless, technology innovation alone might not be enough alone and may need the integration of product and market innovation.

2.4.5 Added value for society

Innovation usually creates more added value in the society. For instance in the field of medicine, the use of smart technology brings about new forms of providing treatment and also facilitates the provision of homecare (Tidd & Bessant, 2018). There is also added value when a company reduces the consumption of resources by the use of innovation.

2.4.6 Efficiency increase and cost reduction in the company

Innovation may reduce significantly the production costs of a company (Morgan & Vorhies, 2018). For instance process innovation may increase the efficiency and effectiveness of production in a company.

3.0 Conclusion

The use of innovation is the only way to maintain a competitive advantage that is sustainable and also access in the market. This innovation secures the future revenues it lowers the costs and creates differentiation of the company in the market. Also to note is that a business model should just be in the short term but also in the medium and long term. For a company to develop a market advantage in the long term, it has to professionally implement innovation management indispensably.

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