How a Smart Follower Becomes a Top Performer: An Institutional Innovation Perspective on Competitive Advantage

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Abstract
The competitive advantage literature has tended to establish a strong relation between innovation leadership and high firm performance. However, we found that this is not always true. Inspired by the failure of many firms to be leaders in innovation, many other firms prefer to orient their corporate innovation strategy towards being a smart follower. Here their objective is to reduce the risks of innovations and to achieve a sustained competitive advantage. Smart followers move beyond the traditional notion of follower that focuses on the decision of not becoming a leader in particular technology domain and how to gain a cost advantage by learning from the leader. This paper discusses an institutional innovation framework based on a business system thinking approach. The objective is to assist the leadership in firms in synergizing capabilities in the interactions between the innovation dimensions. We found that firms that choose to be smart followers can become top performer if they pursue institutional innovation.

Keywords: Innovation Strategy, Institutional Innovation, Competitive advantage, Business model innovation, technology innovation, process innovation, service and product innovation, social and sustainable innovation, performance.
1. INTRODUCTION
The competitive advantage literature has tended to establish a strong relation between innovation leadership and high firm performance (Porter 1985). Studies suggest that firms pursuing a platform leadership position should augment their technology capability development with incentive for third parties to provision complementary innovations necessary to build market momentum and defeat competing platforms (Gawer and Cusumano, 2008). The decision by some firms to be an innovation leader is sometimes motivated by the idea that followers turn out to be under performers because first movers are in a better position to capture the largest chunk of the market and subsequently build a competitive advantage (Porter, 1985). However, there are numerous examples where, despite being innovation leader on a particular product based on strong technology capabilities, firms have failed to achieve a significant market share (Christensen, 1997). Inspired by the failures of firms that attempted to become innovation leaders, executives of other firms may choose to orient their corporate innovation strategy towards becoming a smart follower with the objective to reduce the risks of innovations and to achieve a sustained competitive advantage.

A recent study has examined the evolution of IT platform leaders that started as follower in platform markets created by first movers (Hidding at al, 2010). It is suggested that while platform creators may reap early financial gains, long term advantage goes to the followers. A limitation of these studies is that they suggested strategies that are based on a product centric approach to innovation, mainly driven by technologies capabilities to create a next generation platform. The studies fell short in discussing how to capitalize on other dimensions of innovation such as the business model, organisational capabilities, social and environmental issues from a broader notion of innovation. Such a broader notion of innovation is captured in institutional innovation principles to create scalable organisations Hagel (2007). It expands the horizon of open innovation (Chesbrough, 2006) that focuses on a transactional access to third party resources to support product innovation initiatives.

This paper focuses on the problem of how firms that strategically choose to become smart followers can achieve high performance. Many companies do not succeed in becoming smart followers because they lack a corporate innovation strategy for that
particular purpose or they fail to adapt their organisational capabilities for an coherent transformation of the business through partnership relationships. In these companies, when innovation is mentioned, executives immediately focus on product/service innovation or process innovation. Few will move beyond to explore innovation opportunities in other dimensions that include the business model, the organisation design, social and environmental applications. In the essence few companies think broadly enough about how to manage innovation strategically to become a smart follower. Moreover, there is lack of a theoretical framework to support executives in designing and executing a corporate innovation strategy in this context.

Based on an extensive review of the literature an institutional innovation framework has been developed. The theoretical results are supported by a case study of Google as a smart follower that succeeded in becoming a top performer. While Apple is perceived as a stylish and cutting edge technology innovator that operates as a first-mover, Google owes its high performance primarily to the business models of its product and service innovations in existing markets. Following the introduction of iPhone by Apple in the smart phone market, the firm successfully launched the Android platform that integrates multimedia mobile applications from various vendors. The Android platform is currently considered as serious alternative to iPhone and Blackberry.

2. AN INSTITUTIONAL INNOVATION PERSPECTIVE ON COMPETITIVE ADVANTAGE

According to the economist Schumpeter (1942) the primary drive of economic progress the last decades was technological innovation as he argued that those innovations that shape our lives are often the sources of competitive advantage of corporations that create them. Yet, historically strategic management of innovation for sustainable competitive advantage has revealed to be a challenging process for many corporations (Christensen, 1997). A technology or product/service driven approach to innovation provides a restrictive scope for the understanding of how corporations can successfully transform themselves over time to create value for their stakeholders (George et al, 2005; Hagel, 2007). Previous studies have focused on identifying success factors for managing innovation, addressing for example the importance of the voice of the customer, the need for collaboration through an open innovation model, an
effective management of the innovation pipeline throughout an idea generation process (George et al, 2005; Chesbrough, 2006; Cooper, 2009) While these contributions have helped to advance knowledge in the field of innovation management, many executives still experience difficulties in managing innovation effectively in their organisations.

An emerging stream of thought is building from the institutional theory to understand how firms can manage transformational changes associated with innovation more effectively. The term institution is generally used in different context. Scott (1995) suggests that institutions consist of cognitive, normative and regulatory arrangements that provide stability and meaning in the behaviors of firms and peoples. Cognitive elements of institution are the rules that constitute the nature of reality and the frames through which meaning is made. It reflects the knowledge shared by people in an organization, in an industry or in a country. The normative aspect of institutions, also called culture, consists of the norms, values, beliefs and assumption about human behavior that are socially shared and carried by individuals. Veciana and Urbano (2008) suggest that normative arrangements define goals or objectives (e.g. winning a game or making a profit) but also designate the appropriate ways to pursue them (e.g. conceptions of fair business practices). The regulatory arrangement of institutions consists of business practice in the marketplace, laws and government policies in a particular country or region to promote certain types of behaviors and restrict others (e.g. antitrust policy to promote competition, reduce monopoly and a dominant market power of corporations). Building from cognitive, normative and regulatory arrangements of the institutional theory (Scott, 2008), we define the concept of institutional arrangement in this study as the rule of the game embodied in norms/standards and values that govern the behavior of a firm as a whole in the external environment (competing in the marketplace) and the behavior of employees of the firm in the internal environment (way of working).

In this paper we are particularly interested in understanding how firms compete by innovating through institutional changes. Hargrave and van de Ven (2006) define an institutional change as a difference in form, quality or state over time in an institution. They suggest that a change in an institutional arrangement can be determined by
observing the arrangement at two or more points in time on a set of dimensions that include for example values, norms or rules. If there is a noticeable difference, then the institution has changed. If the change is a novel or unprecedented departure from the past, then it represents an institutional innovation. In this context, we argue that high performing firms compete by changing the rules of the game in the marketplace and within the internal organization through institutional innovations.

3. TOWARDS AN INSTITUTIONAL INNOVATION FRAMEWORK

The innovation literature is broad and diverse as research on this subject has emanated from many bodies of knowledge including psychology, economics, sociology and management and natural science. Within these different bodies of knowledge, researchers have conceptualized innovation to address specific challenges within a single dimension of innovation that include technology, processes, product/service, organization design, business models and sustainability. This has led to the fragmentation of solutions to the problem of how to innovate. Today, it is reflected in a fragmented approach to the management of innovation in many firms. For example, the introduction of new product or new technology is not always accompanied with the necessary organization design changes or business model changes (Chesbrough, 2006; Christensen et al, 2008). Firms tend to manage innovation within a single dimension. Furthermore, instead of focusing on the values that should be created in order to change the rules of the game of the current business for competitive advantage, attention tends to be targeted towards the development of technology or product. Consequently, the failure of transformational change initiatives and the inability of some organizations to benefit from innovation based on new technologies can be traced back to the lack of coherent institutional changes along the dimensions of innovation. Christensen (2007) suggests that breakthrough innovations rarely occur within a technical, or within a market, but almost always where novel interactions are created.
Considering innovation management as a company-wide initiative that involves interactions between the dimensions of innovation, executives should design strategies that drive institutional innovation in a unionized way along those dimensions. In this context, we present an institutional innovation framework, Figure 1, based on a multidimensional approach to innovation management within firms.

The core idea that underpins the institutional innovation framework is that managing innovation within a firm is a systemic process as it affects the entire business system of a firm (Hamel and Breen, 2007). To unlock the value of innovation, the leadership at corporate level should adopt a business system-thinking approach to the design and execution of the innovation strategy, from a multidimensional perspective. Senge (1990) defines system thinking as a discipline for seeing interrelationships rather than things and for seeing patterns of change rather than snapshots. According to Sterman (2000), system thinking is the ability to see the world as a complex system, in which we understand that you cannot just do one thing. Everything is connected to everything else. We have applied this concept of system-thinking in our study of institutional innovation. The objective is to synergize complementary capabilities between the dimensions of innovation in order to achieve high performance. In the following, we

*Figure 1 Institutional Innovation Framework*
discuss the value drivers for institutional innovation that define the scope of innovation within each dimension.

**Value driver 1: Defining an alternative value proposition**

A value proposition, according to Lanning (1998) is “the entire set of resulting experiences including the price that a firm causes customers or stakeholders to have”. It is the essence of the business model of a firm. Furthermore a value proposition is the driving element in the innovation strategy of the firm. A complete value proposition describes the exact purchase or usage behavior the firm wants and needs the intended customer or stakeholders to exhibit for the resulting experiences delivered to them. Here is where competition fits into defining an alternative value proposition. When a firm succeeds in defining an alternative value proposition that is superior compared to competitors then it may establish a new rule for doing business that accounts for an institutional change in the marketplace. When the change in the resulting experience for the customers and stakeholders is unprecedented then the defined value proposition embodied in the business model by the firm is an institutional innovation. In this case institutional innovation emanates from a breakthrough innovation as opposed to an incremental innovation. While a breakthrough innovation or an incremental innovation is generally associated with technology and product, we note that it could also be the result a business model innovation.

Let’s consider the example of eBay, the online auction firm. When the company was created in 1995, there were companies already selling products through online shops. Those early companies had focused on exploiting the Internet to replicate the traditional retail business model of physical shops. In contrast, the founder of eBay realized that to create value using the Internet, there was a need to reinvent the business model of the traditional retail business. He decided to design a new business model by defining a value proposition around the idea of connecting people, not selling products to them. By doing so, eBay pioneered and scaled up automated online person-to-person auctioning on a global level. When eBay was launched, it rapidly became a popular channel for auctioning collectibles, and expands into other markets
such as automobiles, industrial equipments and consumer electronics. A resulting experience for customers is that they generate revenues for themselves or have access to affordable goods. In return eBay captures part of the total value created in terms of a transaction fee based on a percentage of sales. The value proposition of eBay turned out to be a superior alternative compared to that of the early online businesses. In the end, eBay realized an institutional innovation by changing radically the rule of the game in the online business.

**Value driver 2: Designing an effective value delivery system**

After a value proposition that drives innovation within the firm has been chosen, a crucial question to be answered from an organization innovation perspective is that of how to design an effective value delivery system. Such a value delivery system should address issues relating to the structure in terms of the division of labor and decision-making power that in turn affect the culture or values shared among the employees. The values shared by employees within the firm should be consistent with the value proposition that drives the innovation pursued. Lanning (1998) noted that the failure by firms to become profitable is because the business is designed as a collection of functions that use resources rather than a value delivery system that is inspired by the chosen value proposition. In their study of 15 businesses in nine industries that attempted to launch breakthrough innovations, O’Reilly and Tushman (2004) compared the impact of functional design, cross-functional teams, unsupported/self-organized teams and ambidextrous design. They found that firms that implemented an ambidextrous design were more effective in delivering the value propositions of the pursued breakthrough innovation. Compared to other structures, ambidextrous design appeared to be more effective as it provides flexibility in developing a new culture and capabilities that fit the new business based on the breakthrough innovation alongside the existing business with a different culture. Vermeulen (2010) studied the impact of institutional arrangements on innovation management in the financial sector in The Netherlands. He suggests that in the case where: 1) regulatory arrangement favors the creation of a separate business unit for the development and delivery of an innovation; 2) the normative arrangement enforces shared values between employees; and 3) the cognitive arrangement empowers knowledgeable people, then innovation projects
within those firms tend to be successful. This finding is consistent with the result of the study by O’Reilly and Tushman (2004) that suggests that an ambidextrous design is the most effective when a firm pursues the design of an effective delivery system for innovations.

**Value driver 3: Achieving a highly efficient business operation**

To cope with increased competition firms focus on opportunities to reduce their cost of business operation, doing more with less through process innovation. Davenport (1993) defines a process as a structured, measured set of activities designed to produce a specific output for a particular customer or market. It implies a strong emphasis on how work is done within the organization. Executives are interested in process innovation because of its potential for helping organization to achieve radical reductions in process cost or time or radical improvement in quality, flexibility or service levels. According to Lou Giuliano, former Chairman and CEO of ITT Industries (2004), “even in companies where new products represent 35% of revenue per year, there is still 65% left to impact with process innovation. If process innovation is so vital for the performance of a firm, why are many firms failing to exploit it successfully? We found that within those firms that are successful at exploiting process innovation the value proposition embodied in their business model provides guidance to the process innovation initiative. For example the value proposition that defines the business model of Dell computers was centered on the idea of improving efficiency in the supply chain of the computer business while its competitors were focusing their value propositions on delivering computers based on best in class technologies. In the late 90s the company successfully implemented a process innovation solution that compressed the lead time (order-to-production completion) to one day compared with more than two weeks for Compaq and other competitors. It allowed Dell to ship preconfigured products PCs directly to customers, eliminating the distribution costs of dealers. This process innovation by Dell appeared to be disruptive in the PC market as it allowed the company to operate at 60% to 70% of the cost structure of Compaq (Georges et al, 2005). In the end, Dell changed the rules of competition in the PC market that was founded by IBM.
Another examples of companies that capitalized on process innovation are Indian IT service suppliers such as Infosys and Tata. While low cost labor has generally being mentioned as the main differentiator of offshore IT services providers, the other side of the story is that these service providers have exploited process innovation to successfully transform the value delivery system of IT services into an efficient system at global level. In the IT industry that was largely dominated by US and European firms, these companies from the so-called emerging market countries managed to create successful global businesses that have accelerated the growth of offshoring IT services during the last decade.

In the essence, process innovation at Dell, Infosys and Tata for example, has been driven by value propositions that underpin their business models. The value propositions of their business models are defined around the key values: better, cheaper and faster. Rather than viewing process innovation as a functional description of activities performed by the firm or the implementation of a technology solution, successful firms view process innovation as an institutional change driven by the value proposition embedded in their business model. The outcome of process innovation is then measured in term of the efficiency gain in operating the business.

**Value driver 4: Incorporating sustainability and social relevance into the business**

The term sustainability is defined by the Brundtland Commission-1987 as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. The case for incorporating sustainability and social issues into the corporate innovation strategy of firms has become overwhelming. Waste management, pollution, climate change, poverty and biodiversity are examples of sustainability and social issues that can drive innovation solutions beneficial to firms. Bonini et al (2006) suggest that firms should look for signs of emerging hot social topics, be ready to respond them early, and place a series of small strategic best that will create value if the social landscape shifts. A recent study by MIT Sloan management review in collaboration with the Boston Consulting Group (2010) revealed that gaining a competitive advantage is the most important benefit for firms that embrace sustainability while reducing costs due to energy and material
efficiency and risk mitigation are the most important benefits for firms that cautiously adopt it. Based on their study of six industrial sectors including energy, mining, steel, food, beverages and media, Gayson et al (2009) suggest that companies considered leaders in implementing environmental, social and governance policies designed to create sustained competitive advantage had outperformed the overall stock market by 25 percent since August 2005.

Schmittlein (2010) commented this trend as follows “the social contract that businesses, organizations in general, have with the world is changing, and unless organizations can demonstrate and explain the social purpose and the social value that they’ve fulfilled, they will fail. They will run into insurmountable obstacles. That wasn’t the case 50 or 60 years ago, indeed probably not even 10 years ago. And it isn’t just a consequence of the economic events of the last few years”. The question now is how to incorporate sustainability and social relevance into the business. The key issue is to embed sustainability into the value proposition that drives the business model of firms. It is about turning sustainability and social issues into profitable businesses and leveraging innovation strategy to create and capture values. Gayson et al (2009) suggest that the corporate mindset needs to change in order to unlock business opportunities that can be derived from sustainability. This means an institutional change through the alignment of shared values and behaviors of the organization with the idea of pursuing a sustainability driven business for high performance.

**Value driver 5: Developing an enabling infrastructure**

We build from the assumption that the purpose of investing in technology is to develop an enabling infrastructure that solves an infrastructural problem or system problem. The development of an enabling infrastructure should focus on the need to manage interdependent businesses in a value network or ecosystem of complementary businesses and customers (Gawer and Cusumano, 2007). It allows the realization of innovations guided by the value proposition as defined in the business model of a firm. However, to obtain value from technologies, firms should identify the strategic implications they can derive from them (Floyd, 1997). The first step consists of identifying which technologies are the most important based on the strategy
pursued by the firm and then decide on which one to concentrate investments. To get sense of their strategic importance, technologies can be divided into four categories (Arthur D. Little): Base, Key, pacing and emerging technologies. A base technology is essential to be in business, is widely exploited by competitors. But it provides very limited competitive impact. Key technologies are those that proved to provide opportunity for significant differentiation in business models, product/service, or processes. It is suggested that key technologies are the most critical for competitive success (Roussel et al, 1991). Pacing and emerging technologies are the technologies of tomorrow. Pacing technologies are those in experimental phase in R&D labs that are beginning to be incorporated into niche or core products/services if they prove successful.

Emerging technologies are those in the research stage with no guarantee to become valuable (Floyd, 1997). The purpose of reviewing these categories that determine the competitive impact of technologies is to understand which category is appropriate for developing an enabling infrastructure for innovation that leads to institutional changes. Key technologies appeared to be appropriate for developing such an enabling infrastructure on a short and medium term. The resulting institutional innovation can then be achieved in terms of change of shared values and rules of the business in the regulatory, normative and cognitive arrangements inside and outside the firm. Consistent with the trend and concepts of open innovation as well as open business models (Chesbrough, 2003; 2006), a characteristic of an enabling infrastructure is its openness. It should allow business partners to easily connect to the infrastructure. It should be possible to adapt the infrastructure to innovations in the business model or to easily disconnect from the infrastructure when business partnership relations or transactions terminate (Gawer and Cusumano, 2007).

**Value driver 6: Achieving high customer experience**

Product and service innovations are broadly defined in previous studies as the introduction of products and services that are new to the world as a result of breakthrough innovation or the improvement of existing products and services through incremental innovation. The departure point of this thinking is that innovation
is achieved through differentiation in functional features of the product or the service, supported by technology advances. From a competitive viewpoint, when key technologies that are embodied in products are available to competitors then the value of the differentiation of the product of service based on functional features decreases. In this case the competitive impact of the product or service innovation shifts to the degree to which firms manage to achieve high customer experience in the purchase process or during the lifecycle of the product or service usage. Jeff Bezos, founder of Amazon.com commented on customer experience, saying “we see our customers as invited guests to a party, and we are the hosts. It’s our job every day to make every important aspect of the customer experience a little bit better”. In the essence, he emphasizes the fact that customers do not buy a product as such, instead, they buy the experience that accompanied the purchase or use of the product or service. This suggests that when pursuing product and service innovation firms should move beyond the functional aspect to clearly define the resulting experience they want their customers to have when purchasing or using their product or service. Such a resulting experience should also be consistent with value propositions embedded in the business model of the firm.

4. METHODOLOGY

Due to the complex nature of institutional innovation, we opted for an exploratory, case-study-based research. This would gain us a deep understanding of the phenomenon under study (Yin, 1994). Case study research is one of the most common qualitative methods used in the field of innovation management research. We selected a high performing firm in the technology sector that fits our definition of smart follower. When executing our qualitative research concept maps are used to guide us through the process of data analysis. Since knowledge is fairly nonlinear, concepts can be seen as organized networks. By selecting and organizing relevant information we are able to identify links between concepts, so that we can fathom the data (Novak and Gowin, 1984). Information was gathered from annual and business reports, web sites, and various publications. As a result of the coding process, we were able to create more insight and identify relevant concepts and relationships. Data were clustered around the six dimensions of the institutional innovation framework. This
process allows us to develop a qualitative, interpretative approach to construct a case study research.

5. THE GOOGLE CASE: WINNING THE BATTLE OF MOBILE ADVERTISING

With the growth of the smart phone market, Google realised that its advertising business based on Internet search was shifting from the desktop to mobile devices. The leadership understood that the next battle is that of winning mobile advertising. In 2005 the firm decided to launch its wireless strategy for the mobile advertising business by acquiring Android, a start-up that specialised in the development of an operating system for multimedia services on mobile devices. In a period of five years Google managed to transform Android into a successful service platform that is being perceived in the market as a serious alternative to the Apple service platform for iPhone devices or the RIM service platform for Blackberry devices. In the next sections, we explain how Google managed to drive high performance with Android as a smart follower in the smart phone market, from an institutional innovation perspective.

Value driver 1: An alternative value proposition for mobile advertising

To understand the alternative value proposition that underpins the business model of the Android service platform, we first consider the case of the iPhone service platform by Apple. The firm owns the operating system that is integrated into the hardware of iPhone devices. Furthermore, Apple controls the manufacturing and distribution of iPhone devices that are the source of its revenue. The value proposition is entirely oriented towards selling the best smart phone based on capabilities including the “multi-touch” graphical user interface by Apple. In contrast, Google does not sell the Android operating system nor focus on delivering the best smart phone device. Instead, Google makes the Android operating system available for free to manufacturers of mobile devices and other firms interested in developing multimedia services for smart phones. The objectives were to generate revenues from advertising on mobile devices. Today, Android has become a major source of revenue at Google as the mobile advertising is generating around $1 billion a year. In the essence, the alternative value proposition by Google is based on providing its customers with a broad community of smart phone users. Compared with the PC business in which operating system
software such as Windows is built by Microsoft and licensed for a fee per unit to PC manufacturer, Google does not charge a license fee for using the Android platform. This accounts for an institutional innovation as Google changed the rule of the game in the smart phone market through an innovation at the core of the business model.

**Value driver 2: An effective value delivery system for Android apps**

The leadership realized right at the beginning when the firm was founded that if it is good for a firm to define a sound value proposition it is even vital to be able to deliver the value to intended customers. Through the years, the firm implemented an organizational innovation solution, creating a structure based on the idea that to be effective in their daily work people should be able to manage them. A senior manager commented his experience at Google as follow: “We had management in engineering. And the structure was tending to tell people, No, you can’t do that”. The leadership decided to get rid of the managers, structuring people in small teams of three with a project leadership rotating among the team members. The idea was that if something is not right, even if it is a product that has already been launch, then teams can fix it without asking anyone. According to that senior manager in engineering, it worked because the teams knew what they had to do. Moreover, it appeared that the change in the structure led to a culture change in the organization. People were told “you are the boss, don’t wait to take the hill, don’t wait to be managed” (Hammonds, 2003). This idea of limited control and freedom for people to act based on their expertise had inspired the creation of the development community of the Android platform. The firm managed to build a large community of developers writing applications, “apps” that extend the functionality of the devices. Today, it is estimated that more than 250,000 apps has been developed and are available for Android. Google succeeded in creating an effective value delivery system for Android apps through its community of developers.

**Value driver 3: Achieving a highly efficient business operation with the Android platform**

To improve the efficiency of marketing including customer management functions, Google has established a process for analyzing search-traffic figures and customer
emails. Fulltime employees are allocated to this process. They are responsible for the
distribution of customer feedback through the organization and to keep a short
response time to customers. Providing everyone with access to customer feedback
allows people throughout the organization to know what problem areas are and where
users are complaining. Process innovation based on a collaborative way of working in
problem solving within the organization has been extended to the developer
community of Android. It allows developers to easily share their experiences and best
practices on security concerns for example.

Value driver 4: Incorporating sustainability and social relevance into the business

Google has clearly incorporated sustainability and social relevance at the heart of its
business with the ambition help scaling up the implementation of good ideas that can
help changing the lives of millions for social goods. This was the basic premise behind
the 10% project initiated by the firm to find ideas to some of the biggest challenges the
World is facing. The project was an idea contest on the Internet. In the end, 154,000
ideas were submitted in 25 languages. The ideas were reviewed following five
criterion: Reach (how much people would this idea affect?); Depth (How deeply are
people impacted? And how urgent is the need?); Attainability (can this idea be
implemented within a year or two?); Efficiency (How simple and cost-effective is your
idea?) and Longevity (How long will the idea’s impact last?).

In addition to its initiative to search ideas to address the broad sustainability and social
challenges in the world, Google also focuses on how to leverage innovation to reduce
the cost of energy used to run its massive network of computer servers that support
amongst others the Android platform.

Value driver 5: Developing an enabling infrastructure for mobile multimedia services

The Android platform is based on open-source technologies. The source code is
available to handset manufacturers and service providers. It allows them to develop
service features and functionalities that fit their own business needs while
guaranteeing the interoperability of solutions of the different players. Google does not
own all technologies used. Google focuses on the creation of a open platform that
serves as an enabling infrastructure for multimedia services, using technology innovations of third parties.

**Value driver 6: Achieving high customer experience**

The Android platform provides the opportunity to mobile device manufacturers to devote their attention on delivering high customer experience to their end users. While end users of iPhones are largely limited to the user interface design by Apple, customers using mobile devices that are based on the Android operating system have access to a variety of user experience from different manufacturers such HTC, Samsung, Sony Ericsson for example. Google managed to achieve high customer experience for end users by facilitating choice through service innovation delivered on alternative devices using a single operating system.

6. **CONCLUDING REMARKS**

Building on a review of the literature we presented a framework for institutional innovation using a business system thinking approach with the purpose to synergize capabilities in an interaction between the dimensions of innovation. The institutional perspective in the framework was defined using the three institutional arrangements that include the regulatory arrangement, the normative arrangement and the cognitive arrangement (Scott, 1995).

We used our proposed framework to understand how Google leverages innovation to achieve high performance. We found that the firm innovate along the six dimensions of the institutional innovation framework. Google entered the smart phone market as a follower, behind Apple and Blackberry. However, Google did not copy the business model of the first movers. Instead, the firm introduced a new business model. The business model innovation for mobile advertising based on Android can be viewed as an institutional innovation in the regulatory arrangement as Google changed the rules of game in the market. We found that organisation innovation led to the establishment of a culture that empowers people in order to operate an effective value delivery system. This contributed to the emergence of a successful developer community for the Android platform. Process innovation that enforces collaboration contributes in
achieving high efficiency in the operation of the platform. Both organisation innovation and process innovation are focused on creating normative arrangements that facilitate value creation throughout the organisation. Technology innovation is the result of collaboration with third parties. This has facilitated the establishment of Android as a standard. Such a standard is the cognitive arrangement at the core of the success of the Android platform that is an enabling infrastructure for multimedia service innovation. To enforce its social contract, Google incorporated sustainability and social relevance into its business through innovation.

Google does not view its competitors only as advertisers. Our study reveals that Google innovates consistently in the interactions between the innovation dimensions, constantly looking for smart solutions that will change the competitive game. This is the reason why we suggest that Google is an example of a smart follower that successfully leverages institutional innovation to become a top performer.

This paper has sought to contribute in research in the field of institutional innovation. The aim is to shed some light on the issue of how firms that strategically choose to be smart followers can manage to become top performers. Since the issue has not gained much attention in research so far, our contribution has targeted this gap. However, there are a number of limitations to this article as it is based on a single case study which limits the generalization of the results. A follow-up study is currently focused on analyzing more cases from different industry sectors. We would encourage other researchers to explore the topic of institutional innovation in relation to how firms or organizations can move from being a follower to become a top performer.

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