INVESTNENT IS NECESSARY BUT NOT SUFFICIENT

N. Zakharova[a], L.G. Averkieva[b]

Tomsk Polytechnic University

[a] student, Institute of Humanities, Social Sciences and Technologies, Tomsk Polytechnic University

[b] language advisor, senior teacher, Institute of Humanities, Social Sciences and Technologies, Tomsk Polytechnic University

Abstract: For the effective operation of the company and achieve a good result, it is necessary to consider the system as a whole, from planning to organizing production. Many companies hardly innovate its management. This article discusses the main aspects of problem of taking innovations by a wide range of companies. Also, there are examples of how innovation benefits organization.

Keywords: Investment, innovations, organization system, management

To achieve global performance indicators need to consider the system as a whole: planning, supply, culture and production. All of this will manage and constrain the performance indicators of the new equipment and technologies. Today, innovations in management are not considered as an additional opportunity. Innovations in management compete with investments and hopelessly lose this fight. A new machine is better than a new attitude to work.

There are three points that negatively affect taking innovations by a wide range of companies. The first is that the owners do not understand the benefits of innovation. There are only vague promises. How can you assess the effectiveness of the promises? Understanding the real benefits can become a main factor in guiding the company's innovative development. Innovation drives the productivity and performance of business, and can help you grow and improve your business. Businesses that innovate have better productivity performance, grow fast and generate higher quality, higher paying jobs. Innovation can benefit all aspects of business including sales and marketing, finance, human resources, and information technology. Innovation is accessible – and necessary – for all companies, regardless of their size and activity sector.

To help identify factors that lead to creativity and inventiveness, U.S. researchers began to study innovation and creativity during the mid-1900s. A plethora of research and observation, particularly during the 1960s, served to highlight the importance of innovation in organizations, identify characteristics of innovative companies and groups of workers, and establish a framework for fostering creativity and inventiveness. (Brown, 1997)

For example, Andrall E. Pearson, business analyst and former CEO of PepsiCo, argued in the *Harvard Business Review* that consistent innovation and constant changes to meet customers' needs distinguish the most successful companies from the rest. In order for businesses to promote consistent innovation and achieve this level of competitiveness, Pearson contended that they must engage in the following five activities simultaneously:

1. Establishing and maintaining a business environment that values innovation or stronger performance.
2. Creating a corporate structure where innovation is the top priority.
3. Developing a company strategy that encourages realistic innovations that will prove successful in the market.
4. Figuring out where to find innovative ideas and how to implement them once they are found.
5. Pursuing innovative ideas with full company support and resources.

An example of how innovation benefits organizations can be seen in the City of Baltimore implementing a system called CityStat for measuring performance and progress on everything from crime trends to the condition of potholes, saving $13.2 million and making policies and procedures more accountable and efficient. CityStat unified forms of performance measurement, but it also changed how stakeholders viewed the role of the organization, leading to many improvements to organizational culture.

The second aspect of the problem of innovations in management is the misconception that any problem can be solved with money. Poor performance implies buying new equipment. A problem with the quality means buying machines for control. The equipment is a beautiful, new and expensive toy. So, it is difficult to give it up. However, this is self-deception! The new equipment causes a lot of additional problems which can be solved by innovative tools in management, rather than additional financial injections.

There is an example that gives an idea of how investment can make the problem worse. Chemical company buys new equipment and technology. The management was not satisfied with the performance of the old equipment. Two years late the company makes a decision to purchase the equipment. Since the "new hardware" did not produce the claimed results. What happened? Everything is very simple; the new equipment does not suit an existing system. It will be effective, if a system providing its high efficiency would be created. Maintenance staff should be able to repair and reset the new equipment, supply should provide repair parts, logistics must keep pace with materials flow, operators should operate correctly, etc. These problems cannot be solved with money. (Blackwell, 1991)

And the third aspect of the problem is the view or opinion that any innovative control system is long, and there is a need to change the whole company, and the result will be in a few years. In the organizational context, innovation may be linked to positive changes in efficiency, productivity, quality, competitiveness, and market share, among other factors. (Hery, 1991) Certainly, innovation in a company can concern a change in:

- products
- services
- procedures
- production processes
- internal or external organization

The example is Toyota Company which had been building its management system for 30 years. The Toyota Management System (TMS), also known as the Toyota Production System (TPS) allows its adopters to produce twice as much in half the time at half the cost with half the problems, and with a fraction of the inventory. Far more than a mere “production” system, TMS is a combination of three innovations: just-in-time production, total quality management, and policy deployment. (Monden, 2007) Although, Toyota is not the origin of all three innovations, it certainly has integrated them more effectively than any other company. Yes, the system has been created over the years but the results have not. If it were so, we wouldn’t know that there is a company like TOYOTA. In the state where the company was in the 50's of the last century, it was about survival, not about development. And TOYOTA survived, had fast results and did not stop there. Real results can be obtained immediately; the main thing is to use techniques and tools correctly in the right place.

As Frederick Taylor, the father of scientific management and one of the first management consultants, said: «A good organization of work, even with the old equipment is always better than a good organization with the new equipment. » We need to understand that money does not solve all problems and that without significant investment you can make much. The problems are not created by people and equipment; the problems are created by a system in which people are forced to work. The system will not change for money!

References:

1. Jane Hery. Managing Innovation. – London, Sage Publications, 1991. – 97 p.

2. Basil, Blackwell & Samuel, Eilon. The Global Challenge of Innovation. - Boston: Butterworth-Heinemann, 1991. – 113 p.

3. John, Seely Brown, ed. Seeing Differently: Insights on Innovation. - Boston: Harvard Business School Press, 1997. – 4 p.

4. Yasuhiro, Monden. Toyota Management System – Moscow: Institute for Complex Strategic Studies 2007. – 17 p.

Zakharova Anastasia Gavrilevna – Student of Engineering Entrepreneurship Department, Institute of Humanities, Social Sciences & Technologies

E-mail: anastasiya_zakharova@mail.ru