

## **ADVANTAGES AND IMPORTANT OF INNOVATION**

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### **Abstract**

The purpose of this paper is to identify the advantages and important of innovation in housing development in Malaysia. In the pass few years, innovation became one of the hot topic among the scholar and the industry itself. In order to survive and sustain due to the globalization and uncertainty occurred in the market, the industry must do something. The industry has to reconsider the conventional and ordinary method of business. According to Porter (1980), innovation plays a crucial role in securing sustained competitive advantage. Although the market keeps mentioning innovation, but does the market ask what make innovation become crucial? What make innovation is the key of survive? What make innovation the influencer to the direction of an organization? Among these question, the most important question is what is the benefit and important of innovation? There must be a reason to practice innovation in organizational instead of just maintain the conventional and current situation. The industry especially housing development seems to be quite slow and lack of innovation. Therefore, it become crucial to explore and identify what is the advantages and important of innovation. The result of this paper should be able to reveal the benefit of applying innovation in their business. On the other hand, this paper also tries to identify the important of innovation. In addition, the housing development can has a clear view on innovation and how innovation can improve their performance. And through this paper, the housing development can take this as reference in their strategic planning for short and long term.

Keyword: Housing development, innovation.

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## **1. Introduction**

Nowadays, the need of changes and breakthrough is getting important and crucial for housing industry especially housing developers to survive in the open and competitive market. In Malaysia, housing industry has become one of a very important and critical sector which indicates the statistic of Malaysia economic and technology. Malaysia has gone through the crisis of economic on 1997 and as we know construction industry has reach a critical level which has lead to fragility in many construction company including housing developers. And today, although the economic is in a moving stream but it work in a slowly pace, especially in housing industry comparing with the situation before 1997. Therefore, in the first section of this chapter will concern more into problem statement for housing industry in Malaysia especially for housing developers. This topic will take into account of the major and hot problem facing by most of the housing developers and also the market of Malaysia. The second section in this chapter will be the objectives of this thesis. This thesis has two objectives which may help to improve the understanding of innovation in housing industry. The third section of this chapter will be the scope of study. This study will covered most of the listed housing developer company in Malaysia and also the profession in the housing industry. The field of study will concentrate in Peninsular Malaysia. The last section of this chapter will be the organizational of thesis which may take into account of the structure and arrangement of the whole thesis.

## **2. Problem Statement**

Since the independence, housing development in Malaysia has steadily mushrooming to cater for its increasing demand. In the past, the industry has been using conventional development method but with the growing demand for better dwelling, the concept of innovation, creation, state of the art and invention has beginning to find its place. The housing developers need to compete in this competitive industry and one way to achieve it is by being innovative in their production, management, design and development.

It is interesting to note that there is general consensus that the housing industry worldwide is currently suffers from lack of innovation. Many have argued that

this is due to the nature of the industry itself, which impeding the pace of innovation (Dubois & Gadde, 2000). In developed countries, expenditure by the industry on research and development is minimal, indicating a low commitment to innovation (Gibb, 1999). The same situation is also present in Malaysia and other South East Asia Region. According to Dubois and Gadde (2000:17) '... the only traces of product development found were related to input side of the material producers.' In short, innovation in housing industry has received considerably less attention, and research exploring the concept of innovation is very limited.

Nevertheless innovation benefits both the developers and the industry. Not only innovation can lead to improve building and design quality, lower construction costs and thus increase the performance of the developers, it will also help in achieving a broader goal of sustainable development which protects the environment for present and future generations. However the concept of innovation is still relatively new idea in Malaysia. There is a need to discover and understand the concept of innovation pertinent to housing industry in Malaysia especially from the perspective of the housing developers.

### **3. Advantages and Important of Innovation**

In the pass few years, innovation has become one of the most hot topic being discussed in the market. According to (Porter, 1980), innovation plays a crucial role in securing sustained competitive advantage. In order to survive and compete in the fast pace globalization trend, organization and business must make a move forward. However, although the market keeps saying innovation, but does the market ask what make innovation become crucial? What make innovation is the key of survive? What make innovation may influence the direction of an organization? Among these question, the most important question is what is the benefit and important of innovation? There must be a reason to practice innovation in organizational instead of just maintain the conventional and current situation.

According to (Baden-Fuller & Stopford, 1994), "innovation in general has been hailed by the industrial marketing as well as the strategic management literature as the path to sustain competitive advantage and to rejuvenate mature

businesses". In short, the context has clearly stated that innovation is the key to sustain and strengthen an organization or business. Dealing with the fast changing market is the major task for every market players and therefore, practice and applied the concept of innovation can be the key to sustain the territory in the market.

Meanwhile, some of scholars have stated that innovation is the key to sustain the competitive advantage through the creation of new markets and new ways of competing (Christensen, Jonhson and Rigby, 2002). This approach surely related to value innovation and market innovation. The advantage of practicing innovation is successfully winning the market via the new markets or new ways of business. Through out innovation, organization has the opportunity to strengthen or enlarge their business network rather than just maintain the current situation. Value innovation has been carry out by Kim and Mauborgne (1997, 1999, 2005), clearly stated that via value innovation, the organization will enter a new free competing market. In short, innovation also provides the new way of playing the game in market.

On the other hand, some scholar through out a study has shown that innovation may give the advantage of monitoring the market. According to (Schlegelmilch et al., 2003, p. 126), firms which practice innovation may continuously monitor their competitors, these firms have create a new way of competition, but not just obey and follow the trend of competition. In short, again, organizations which innovate will be the leader in the market. Therefore, it may become important for organization to apply and practice the concept of innovation in order to not be perished or vanish by the globalization and uncertainty of market.

Another advantages of innovation can be referred to Schumpeterian innovation (1934) stated that innovation is the initial key underlying all economic categories, Brue (2000:500) has defined it as "changes in the methods of supplying commodities, such as introducing new goods or new methods of production; opening new markets, conquering new sources of supply of raw materials or semi manufactured goods; or carrying out a new organization of industry, such as creating a monopoly or breaking one up". The key word in his

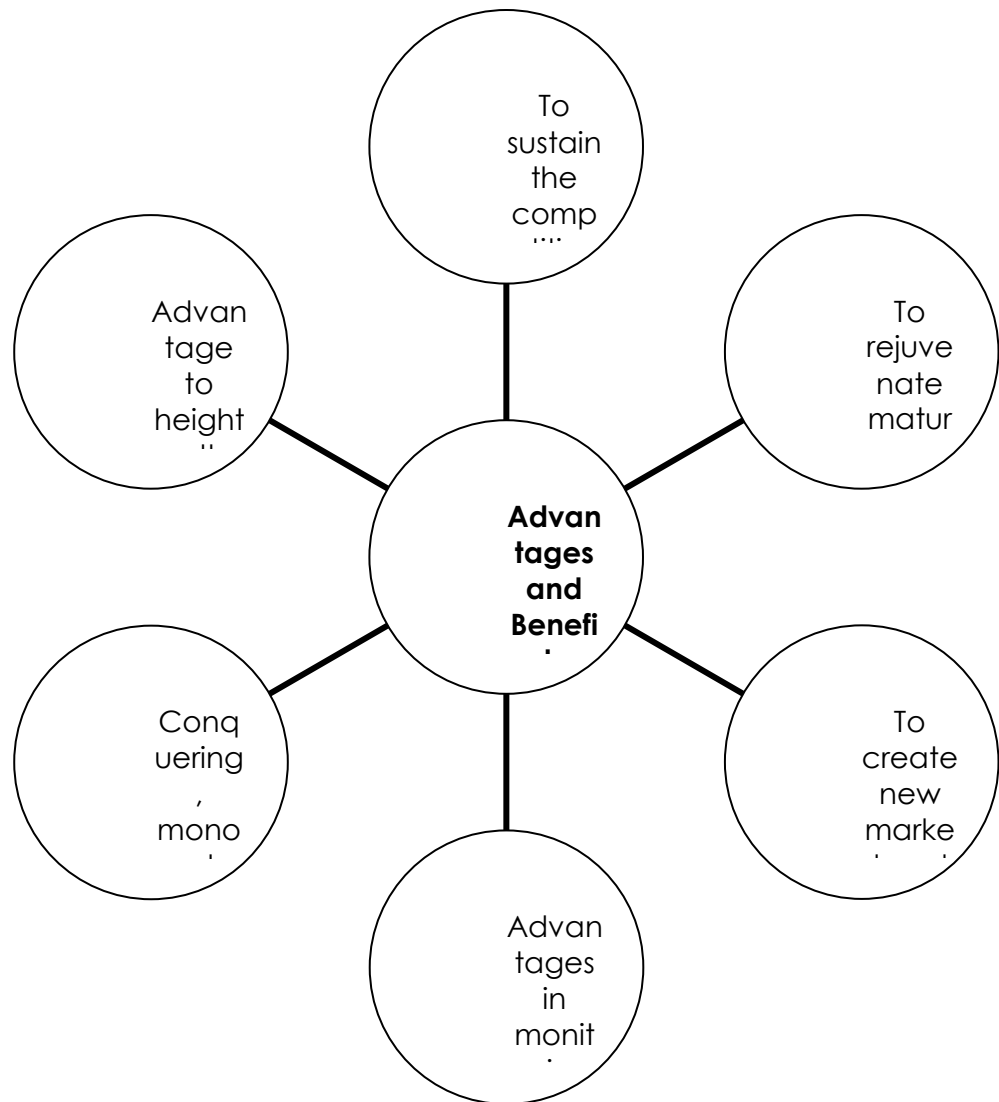
definition is conquering and creating a monopoly or breaking one up. The important of these terms have clearly stated answer what is the advantages or important of innovation. In order to compete or strengthen or even sustain in the open market, organization has to make a move forward instead just staying in the game without any enlargement or improvement. Therefore, according to Schumpeterian, again, innovation can offer the power of conquering, monopoly and breakthrough then conventional.

On the other hand, to sustain and maintain a long-run business has been the core objective of every business and organization especially in the globalization market. According to Leiponen A. (2003) mentioned that innovation has become the main engine of long-run economic development. In short, to achieve the long-run objective, innovation is one of the crucial key. Referring to the previous literature of innovation, obviously in recent market and economic condition, long-run has become a difficulty to every organization and business. However, due to this circumstance, therefore, innovation turn to be important and through the practice of innovation, organization has the chance to breakthrough and enters the new market.

Meanwhile, some scholars considered that innovation has the advantage in heighten the barriers to imitation (Harrington, 2004) to the competition. In this context, it obviously shown that through innovation, organization or business is more competitive. In other way, besides to be unique, organization or business has to be more imitative in order to follow the track of their competitor. On the other hand, with the practice of innovation, it allows organization and business to have flexibility in facing all the uncertainty. It is different with the previous and conventional method where it is so difficult and most likely impossible for organization to change or imitate. One should add in with the continuously innovation process can increase the speed of imitation which directly strengthen then performance of competitive.

Aforementioned context has clearly mentioned the advantages and important of innovation. Due to the uncertainty of globalization, the view of innovation as the main engine of long-run economic development is widespread. Meanwhile, the

literature has review a lot of important and advantage of innovation in many discipline and dimension. However, the organization and business is still lacking the knowledge of innovation and fail to manage the innovation in the long-run. In addition, according to (Tang, J., 2004), many policy makers and researchers believe that competition promotes innovation; however, the competition fail to guarantee the achievement of the social optimum level of innovation. From the literature review, Martin (2002, Chapter 14) observes that a market system results in an insufficient level of innovation relative to the second-best optimum. Therefore, the organization and business has to put more concentration and effort to the practice of innovation in order to obtain the sustainability and competition advantages.



*Figure 1. The advantages and benefits of innovation*

#### **4. Conclusion**

Of all the innovation literature studied, the benefit and advantages seem to be broadly useful and plays a crucial role in the housing industry. As aforementioned, there are few advantages of innovation which can improve and strengthen the performance or competitive advantage of the organizations. It is important for the housing development to really master the benefit and advantages of innovation. However, the industry seems to be ignoring the practice and application of innovation. Therefore, it is crucial for the housing

industry to explore the advantages of innovation in order to compete and survive in the market.

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