Vol. 2 No. 3(4) July- September 2016

TRINITY INSTITUTE OF PROFESSIONAL STUDIES

Sector-9, Dwarka, New Delhi

TRINITY MANAGEMENT REVIEW

CREATIVITY AND INNOVATION- A WAY TO COMPETITIVE ADVANTAGE

Sapna Thukral

Asst. Professor, TIPS, Dwarka

Every business, large or small, needs a competitive advantage to distinguish itself from the competition Individuals who are holders of knowledge represent a tool for the generation of innovations. Thanks to their personal creativity, their knowledge, skills and abilities it is possible to generate new innovative ideas that will help organizations to achieve a competitive advantage. The aim of the article is to present the findings of a survey targeted at innovations and to identify knowledge as an important element in the process of innovations. The Data was obtained from Various Secondary Sources. One of the conclusions of the article is that organizations find it important to innovate and support an innovative culture.

Creativity

Creativity is marked by the ability to create, bring into existence, to invent into a new form, to produce through imaginative skill, to make to bring into existence something new. Creativity is not ability to create out of nothing but the ability to generate new ideas by combining, changing, or reapplying existing ideas. Some creative ideas are astonishing and brilliant, while others are just simple, good practical ideas that no one seems to have thought, of yet. Creativity is also an attitude, the ability to accept change and newness, a willingness to play with ideas and possibilities, a flexibility of outlook, the habit of enjoying the good, while looking for ways to improve it.

Innovation

Innovation is the process of bringing the best ideas into reality, which triggers a creative idea, which generates a series of innovative events. Innovation is the creation of new value. Innovation is the process that transforms new ideas into new value- turning an idea into value. You cannot innovate without creativity. Innovation is the process that combines ideas and knowledge into new value. Without innovation an enterprise and What it provides quickly become obsolete.

When a firm sustains profits that exceed the average for its industry, the firm is said to possess a competitive advantage over its rivals. The goal of much of business strategy is to achieve a sustainable competitive advantage.

Objective of Study:

- To Know the meaning of creativity and Innovation
- To know how Creativity provide competitive edge to business
- To know how business can nurture creative environment

Research Methodology

The research approach can be described as exploratory. The data was collected from various secondary sources. Data analysis is case based.

Case

APPLE I PHONE COMPETITIVE ADVANTAGE OVER BLACKBERRY

There was a time when the primary mode of business communication was BBM and everyone wanted to know your PIN. It was the phone to have in the mid- to late-2000's (in 2007 it had more than half of the marketshare of phones in the US.)

But on June 29, 2007 the iPhone was released.

At first, Blackberry ignored touch screen based technology insisting their phones would remain the de-facto standard for enterprises especially since the iPhone struggled early with solid enterprise email security. But by dominating in the consumer market and slowly promoting Bring Your Own Device (BYOD) standards within companies, Apple redefines the market and left Blackberry stumbling and blinded by their own success.

Their initial inaction snowballed into a succession of failed attempts to innovate. Blackberry currently has 0.8% of the Smartphone market share according to IDC.

Findings and Analysis

What mistake was made by blackberry was it did not realize the potential of touch i.e. it did not realize the importance of creativity and innovation.

Creativity and Innovation as a competitive advantage

Over the last six or seven years, definitely since about 2003 or 2004, there has been an increased focus on innovation in many businesses. I think much of this was driven by several factors, including an increased rate of change in competition, especially the growing capabilities of India and China. there are a lot of trends that suggest innovation is important in the near future as well. The focus on global warming means new technologies are required to reduce emissions. In the US, health care reform will mean new demands on an antiquated health care system. The US Government is straining to provide services that the population expects and demands. The banking sector is ripe for change and disruption. All of these factors suggest a significant amount of change is in store for our government and for major businesses.

Now, innovation is being recognized as offering a competitive advantage, perhaps one of the few sustainable advantages, and CEOs and executives are taking note.

Why Companies have continued to invest in innovation during the economic downturn:
1. Innovation is becoming a core component of overall corporate strategy.
2. Recognition that product development cycles are longer than recessionary periods
3. Many see the recession as an opportunity to build advantages over their competitors

When creativity and innovation is so important than companies need to take certain steps to sustain this competitive advantage. The Companies need to:

1. **Take Off Some Pressure:** Psychologist and researcher Teresa Amabile believes that in most cases "time pressure quashes creativity." In her research of workplace creativity, Amabile found that "employees were 45% less likely to think creatively on high-pressure

days than they were on low-pressure days." So, the more employees feel crunched for time, the less likely they are to think of a new product or solve a problem.

2. **Help Employees Focus**: The research from Amabile also found that even with time pressure, creativity could thrive "if employees were allowed to focus, undisturbed, on a single activity that they considered truly important." This means business leaders need to consider what their employees' days generally look like. Creativity will be killed by "meeting-filled, fragmented 'treadmill' days" that leave employees feeling unproductive, unfocused, and short on time.
3. **Encourage Learning:** The broader a person's knowledge, the more creative they can be. So psychologist Robert Epstein, Ph.D, recommended that employers encourage employees to continue learning. "This makes more diverse knowledge available for interconnection, which is the basis for all creative thought," Epstein said.
4. **Provide a Creative Workspace:** Epstein also pointed out that surroundings affect people's creative abilities. Businesses can benefit from creating at least one area that is colorful and different from the rest of the workplace to help foster new, out-of-the-box ideas. Getting out of the office every now and then can also stimulate new thinking.
5. **Connect Employees to the End-Users:** Another article from the American Psychology Association emphasized that it's not enough to just make work more challenging, engaging, and interesting. Businesses need to "develop policies and practices that enable employees to understand the impact of their work." This can be done by connecting employees to their company's end-users through such means as creating events for them to meet customers, circulating customer stories and suggestions, and letting employees experience the business as end-users.

Conclusion

The successful creative organisation is one that can innovate, as it is innovation - translating creative ideas into practical improvements which meet the organisation's mission - which will enable an organisation to survive and succeed. Creativity and innovation within well-run companies have always been recognized as a sure path to success. Stimulating creativity and exploring completely new and unknown before territories provide competitive edge to a business.

Encouraging the employees to think outside of the box and giving them time and resources to explore new areas for innovative ideas is the key to provide an edge to a business. To be innovative one needs to have a source of ideas and a process for analysing and implementing them. New ideas, that are essential for an organisation to survive, are not necessarily generated from within. Alliances with creative organisations will provide a source of new ideas, as can the systematic surveying of best practices through benchmarking other organization.

References:

- Cameron, Gavin (1996), "Innovation and Economic Growth", LSE Centre for Economic Performance, Discussion Paper No. 277.
- Castells, Manuel (1996): The Rise of the Network Society - The Information Age: Economy,, Society and Culture. Blackwell Publishers.

- Csikszentmihályi, Mihály(1993) Flow: The psychology of optimal experience" New York.
- Etzkowitz, Henry (2003), ”Innovation in Innovation: The Triple Helix of University-IndustryGovernment Relations”, Social Science Information, 42: 293-337.
- EU Council (2008) Common Position adopted by the Council with a view to the adopting of a Regulation of the European Parliament and of the Council establishing the European Institute of Innovation and Technology, 15647/07, 11.01.2008.

A Tool towards Business Growth: Innovation and Creativity

Ambani Rathaur

TIPS, Dwarka

"Creativity is thinking up new things. Innovation is doing new things"

In order to survive in competitive business world, an organization needs to be more productive in their strategies by applying new methods and techniques.

Fundamentally, innovation means introducing something **new** into business. This could be:

- Improving or replacing business processes to increase efficiency and productivity, or to enable the business to extend the range or quality of existing products and/or services.
- Developing entirely new and improved products and services - often to meet rapidly changing customer or consumer demands or needs.
- Adding value to existing products, services or markets to differentiate the business from its competitors and increase the perceived value to the customers and markets.
- Enhancing skills of employee towards the development and growth of business.

APPROACHES TO INNOVATION

Innovation in your business can mean introducing new or improved products, services or processes.

Analyze the marketplace

- There's no point considering innovation in a vacuum. To move your business forward, study your **marketplace** and understand how innovation can add value to your **customers**. For more information on analyzing your marketplace, see the page in this guide on planning innovation.

Identify opportunities for innovation

- You can identify opportunities for innovation by adapting your product or service to the way your marketplace is changing. For example, if you're a specialist hamburger manufacturer, you might consider lowering the fat content in your burgers to appeal to the health-conscious consumer.
- You could also develop your business by identifying a completely **new product**. For example, you could start producing vegetarian as well as meat burgers.
- You could innovate by introducing new technology, techniques or working practices - perhaps using better **processes** to give a more consistent quality of product.
- If **research** shows people have less time to go to the stores, you could overhaul your distribution processes, offering customers a home-delivery service, possibly tied in with online and telephone ordering.

Finally, for an organization to expand its business, it must focus on the following:

- Putting down your goals, both long and short term and detailing how you intend to achieve them.
- Linking goals to financial targets, such as achieving a specific turnover by a set date.
- Reviewing your plan regularly.

MARKET TIMING THEORY OF CAPITAL STRUCTURE

Upasana Gutt

Assistant Professor,TIPS, Dwarka

Introduction:

This is a conceptual paper which explains the new and emerging concept of "Market Timing Theory" of capital structure. Literature shows that the two theories i-e; The Static Trade-OffTheory of Modigliani and Miller (1958) and Pecking Order Theory of Myers and Majluf(1984)have always dominated the capital structure decisions but the recent theoretical and empirical work shows that Market Timing Theory has challenged the basic theories because of the well known behavior of managers who are ardent for taking an advantage of "market timing as they are most likely to issue equity shares when their market values are high, and to buy back equity shares when their market values are low.

Company can finance its funds with internally generated funds, debt, and external equity. In today's dynamic and competitive environment, the managers are more heedful in financing their business activities and in managing their capital structure in such a way to maximize the company's overall value. Capital structure is usually being superintended with the help of two major theories i.e.; Trade-off theory and Pecking Order Theory.
Under the Trade-off Theory, company chooses the proportion of debt and equity by comparing the costs and benefits of debt. The cost of debt includes associated potential bankruptcy cost because of regular payment of interest and agency cost because of the conflicts between debenture holders and equity shareholders. The benefits of debt include the tax deductibility of interest expenses. Optimal debt-equity ratio can be achieved when the benefits of debt issuance countervails the costs related to it.

On the contrary, pecking order theory postulates that Companies prearrange internal financing to external financing. The pecking order theory assumes that there is no target capital structure. Rather, firms adhere to the hierarchical regression while selecting an optimal capital structure. Accordingly, firms first opt for Internal Financing when available. If not, then debt and Equity at last resort for financing. Pecking order theory signals that profitable firms would most likely finance their activities with internal funds and would tend to lower the level of debt ratio and growing firms place a greater demand on external funds to finance the growth as the greater growth opportunity will have more capital structure to finance the growth.

The Trade-off Theory and Pecking Order Theory were studied in the efficient and integrated capital markets in which the costs of different forms of capital do not vary independently, so there is no gain from opportunistically switching between equity and debt. However, in capital markets that are inefficient or segmented, market timing beneficially determines company's capital and therefore, the concept of a new theory has been developed called "Market Timing Theory" by Baker and Wurgler in 2002.

Conceptualization:‘In Corporate Finance, “equity market timing” refers to the practice of issuing equity shares when their market values are high and repurchasing equity shares when their market values are low with an intention to exploit temporary fluctuations in the cost of equity relative to the cost of other forms of capital’(Baker and Wurgler). The idea of this theory is that companies pay attention to market conditions in an attempt to time the market and market timing determines company’s capital structure and companies choose that proportion of debt and equity which at that point of time seems to be more beneficial by financial markets. Market timing is a concept of behavioral finance because sometimes managers perceive their risky securities as disparaged by the market and at this time if they are in a need of funds and perceive the relative cost of equity as low, they issue equity, and issue debt when they perceive the relative cost of equity as high. However, it does not explain the reason why there would be any asset disvaluation rather it just describes the behavior of company under an even stronger assumption that they can detect this disparaging better than markets can. Market timing is beneficial in improving firm’s performance by organizing the proper financial structure. The financial preferences of the firms indicate the results of past changes in stock prices along with the hankering to time the market. Unequivocally, managers will clutch the benefits of issuing shares and will abate the issue of debenture and in that way dwindle restrictions of debenture holder, throughout the phase in which market is bearish. When the market declines and the environment is an unpromising and strict control implemented by the mass of shareholders, managers are limited towards requirements of funds and can raise funds by issuing less risky debt.

Literature Critics: Baker and Wurgler’s theory of market timing has challenged by a range of most recent papers. Alti (2004) concluded in their study that market timing is short- run determinant of capital structure because in long term company’s’ capital structure decisions appear to be largely consistent with the existence of leverage targets .Alti and Sulaeman (2012) censured in their study that market timing behaviour is generally displayed by firms which demand strong investment in response to higher returns and if these strong investments don’t accompany such returns , increase in stock price will not cause issuance of equity shares. Market timing theory has been questioned by many other studies like- Hovakimian (2006), Alti (2006), Leary & Roberts (2005), Flannery & Rangan (2006) and Kayhan & Titman (2007) that concludes the existence of market timing theory only in short run.

Conclusion: Most of the theories of capital structure are explained in an environment of consistency efficiency which is unreal in practice. However, in real, managers wait for the market conditions to get promising so that their stock prices in the market gets better before they come up with FPO (Further Public Offer). There is no optimal proportion of debt and equity in this theory which company can finance as in other capital structure theories, rather optimality changes with the change in time and market conditions.

REFERENCES

1. Alti, Aydogan, 2004, How persistent is the impact of market timing on capital structure? Unpublished working paper, University of Texas at Austin.

2. Baker, Malcolm, and Jeffrey Wurgler, 2002, Market timing and capital structure, *Journal of Finance* 57, 1-32.

3. Chirinko, Robert S., and Anuja R. Singha, 2000, Testing static tradeoff against pecking order models of capital structure: A critical comment, *Journal of Financial Economics* 58, 412-425.

4. Frank, Murray, and Vidhan Goyal, 2002, Testing the pecking order theory of capital structure, *Journal of Financial Economics* 67, 217-248

5. Modigliani, Franco, and Merton Miller, 1958, The cost of capital, corporation finance and the theory of investment, *The American Economic Review* 48, 261-297.

6. Myers, Stewart C., and Nicholas Majluf, 1984, Corporate financing and investing decisions when firms have information that investors do not have, *Journal of Financial Economics* 13, 187-222

7. Shyam-Sunder, L., Myers, S. (1999), “Testing Static Tradeoff Against Pecking Order Models of Capital Structure,” *Journal of Financial Economics*, 51, 219-244.

EXPERT REVIEW

Creativity and Innovation

Prof. (Dr.) Vikas Rao Vadi

Creativity and innovation nowadays are considered vital to successful performance in any organization. Creativity may involve bringing something new into existence. It encompasses all the processes oriented towards value addition in an organisation such as motivating the workforce to explore their creative energy and providing a platform to nurture innovation while embracing change. Thus businesses should continue to implement creativity-intense activities.

The role of the management in fostering creativity and innovation in the organization is very important. More and more organizations are realizing that creativity is essential. Whether it is the development of new product or service or developing a new process or culture, harnessing creativity is the key to organizational performance and success in a dynamic environment.

Although every organization claims to care about innovation, very few are willing to do what it takes to keep their creative people happy, or at least, productive. Organizations nowadays should move ahead from classical criteria of cost and performance to integrating creativity and innovation for overall efficiency.

ABOUT US

The Trinity Institute of Professional Studies (TIPS), Sector-9, Dwarka, an ISO 9001:2008 certified institute, is affiliated to Guru Gobind Singh Indraprastha University. It was founded in 2007 under the aegis of Kamal Educational and Welfare Society (KEWS) with the objective of overcoming the critical demand for skilled professionals in India and abroad by nurturing intellectual capital by adopting best practices in quality education.

TIPS is offering courses / programs across various disciplines, such as Management, Commerce, Banking & Insurance, Information Technology and Journalism & Mass Communication. Today, the Institute has over 1500 students and more than 60 faculty members. The faculty at the Institute has proper experience both from the industry and academics as a result of which it brings the right mix of research and industry experience to education and consultancy offered by the Institute.

COURSES OFFERED:

Programme	Annual Student Intake	First Shift	Second Shift
BJMC	120	60	60
BCA	120	60	60
BBA (G)	120	60	60
B.COM (H)	160	100	60

TRINITY INSTITUTE OF PROFESSIONAL STUDIES
Sector-9, Dwarka Institutional Area, New Delhi-110075, Tel: 011-45636921/22/23/24
Certified as "A" Grade Institution by SFRC, Govt. of NCT of Delhi
ISO – 9001:2008 Certified
Affiliated to GGSIP University

TRINITY MANAGEMENT REVIEW

Trinity Management Review (TMR) is a quarterly online magazine brought up by the management department of Trinity Institute of Professional Studies. The articles, case studies, research papers and other contributions are made by academicians, consultants and management practitioners covering various areas of management. TMR offers a variety of perspectives from around the world to help you gain greater insight into the current management principles and practices.

Trinity Institute of Professional Studies
An ISO 9001:2008 Certified Institution
(Affiliated to Guru Gobind Singh Indraprastha University, Delhi)

Sector-9, Dwarka, New Delhi-110075
Ph: 45636921/22/23/24, Telefax : 45636925
www.tips.edu.in, tips@tips.edu.in