

## Innovation Management

# What types of innovation exist?

In the world of innovation management, the distinction between types of innovation plays a decisive role. Find out what types of innovation there are and how this categorization influences your innovation process and success.

Daniel Zapfl , 20.02.2024



▶ What types of innovation exist?

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Innovations can be divided into different types of innovation. The types of innovation you should differentiate between in innovation management and how this increases your innovation success.

## Why are innovation types important?

Understanding the different types of innovation helps companies align their innovation efforts with their overall strategic goals. By categorizing innovation types, companies can prioritize their resources and investments accordingly. For example, if a company wants to gain a competitive advantage through incremental innovation, it will focus on improving existing products or processes. On the other hand, if the company aims to disrupt the market with radical innovation, it will invest in more revolutionary and transformative ideas.

## What is the difference between radical and incremental innovation?

Radical innovation means ground-breaking changes that challenge existing norms and lead to new industry standards. This often requires bold, risk-taking steps. In contrast, incremental innovation focuses on gradual improvements to existing products, services or processes. It builds on existing technologies and aims to gradually optimize efficiency and functionality. The main difference is that radical innovation aims for revolutionary change, while incremental innovation is based on evolutionary progress. Both approaches are important in the innovation strategy of companies, depending on their goals and resources.

The distinction between types of innovation is reflected particularly well in two areas:

- **The innovation strategy:** As a clear definition of the desired **innovation object** and degree of novelty, it determines "where" an organization wants to innovate.
- **The innovation process:** The respective type of innovation results in different requirements for the innovation process. A radical innovation requires a more extensive process with different decision-making structures than a small, incremental innovation.

## Categories of innovation types

Innovation can happen anywhere, whether it's a profit-driven or non-profit organization. It can concern the performance of the organization itself, ie the product or the service, but also the structures, how the service is provided. The first classification is therefore the subject of what is to be innovated.

- **Product innovation:** Products concern both material products and intangible services, such as services that satisfy customer needs and are therefore acquired by the customer. With product innovations a company earns its money and tries to differentiate itself from the competition.

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- **Service innovation:** Service innovations are like product innovations when it comes to placing them directly to the customer, e.g. An insurance or a business consultancy. Even if services are not actively sold, such as manufacturing companies, every company brings services to their customers, such as logistics, complaints, sales advice, etc. Here, too, innovation begins when it comes to differentiation and customer enthusiasm.

- **Business Model Innovation:** The business model is the way a company works and earns money. The business model innovation includes innovations in strategy, marketing, supply chains, value creation, pricing or cost structures. What a business model innovation is and how Hilti and Apple have implemented it, [you will learn in this blog post](#).
- **Process and technology innovation:** As the name implies, technological innovations are the way products are created and / or rendered. They are also process innovations in principle. These include, for example, production processes or IT technologies for apps. Product innovations, quality increases or cost savings are often associated with process and technology innovations.
- **Organizational Innovation:** Organizational innovations relate to the organizational structure of the organization. This may include organizational process innovations or management innovations, e.g. New tools for measuring customer satisfaction or optimizing delivery processes for cost reduction.
- **Social Innovation:** Social innovations are innovations, where the benefit lies in society and the purpose is not primarily profit. Examples include innovation in education, poverty reduction, equal opportunities or health.
- **Environmental Innovation:** All innovations that contribute to the improvement of the environment are among the environmental innovations. For example, environmental friendly products, contributions to environmental protection or the avoidance of emissions.

An innovation can simultaneously affect several **innovative objects**. There is, logically, no clear distinction here. For example, a product innovation can simultaneously be a process and environmental innovation. Or a business model innovation usually also brings about a product and organizational innovation.

## Classification aids for innovation types

The classification into product innovation, organizational innovation or another type of innovation can sometimes not be sufficient for strategic decisions in innovation management. Another way of classification is in:

- **the degree of innovation:** radical innovation or incremental innovation
- **the push-pull strategy:** market pull or technology push

## Classify innovation types correctly

The main classification is based on the **object of innovation** and the degree of innovation. There are blurring boundaries in the classification of the types of innovation. Where exactly the boundaries between the different types of innovation lie in these categories, an organization must define itself. This classification has a strategic relevance for innovation management, namely to define the focus in the innovation strategy. The further purpose is to initiate the individual innovation projects into the innovation process. A small, incremental

innovation in the product area requires a different process than a radical innovation in the production process.

By identifying and categorizing types of innovation, companies can target their strategy, be it product innovations to differentiate themselves from the competition or business model innovations to tap into new sources of revenue.

Innovation types also play a decisive role in resource prioritization. As different types of innovation have different resource requirements, a clear categorization enables limited resources to be allocated efficiently. For example, a technological innovation may require more investment in research and development than an organizational innovation. A product innovation requires a different development process than a business model innovation.

Decision-making structures can also vary depending on the type of innovation: Radical innovations may require more flexible and risk-taking decision-making paths, while incremental innovations require more conservative approaches. Categorization enables companies to establish appropriate decision-making structures.

Finally, clear categorization makes it easier to measure the success of innovations (Innovation KPIs). Companies may be able to measure the success of product innovations by market share gains, while the success of organizational innovations is measured by efficiency gains. The learning process from different types of innovation helps to optimize future innovation efforts.

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### Sources:

Dietmar Vahs and Alexander Brem: Innovation Management: From the Idea to Successful Marketing, 2015

**Daniel Zapfl**

With his comprehensive experience in holistic innovation management, Daniel brings valuable insights and best practices from various industries to your innovation project. He boldly and disruptively challenges conventional ways of thinking. As a TRIZ-certified sparring partner, Daniel will support you with creative solution-finding in a reliable and structured manner. More critical than the most discerning customer, he always has an eye on the big picture.

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