

Well-being in the Context of Innovation Resistance

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Abstract

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In this article the major problem of innovation in providing economic and social wellbeing is defined. The main purpose of the paper is to develop the concept of innovation resistance. The innovation resistance is defined as an immanent property of the economic system to slow down its development under the influence of active and passive innovation resistance. The authors examine the peculiarities of innovation resistance and its influence on innovation-based economic system. Also the structure of economic system encompasses in terms of innovation resistance is determined. Entities of innovation resistance as elements of economic system have been identified. The role of institutions in providing the inertial performance or the development of economic entities is defined. The importance of overcoming innovation resistance as a key factor of improvement of social and economic wellbeing of society is emphasized. The concept of social order developed by Douglass C. North, John Joseph Wallis, and Barry R. Weingast is considered as a source of some insights in overcoming innovation resistance.

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1. Introduction

The level of innovation development of economy is one of the key indicators of social and economic welfare of the country. The close relationship between innovation and economic and social wellbeing can be explained by the importance of high technologies and their leading role in the implementation of innovative processes, in the increase of labor productivity and competitiveness. They also play a leading role in economic diversification and contribute to the enhancement of the level and quality of people's lives. Thus, the wellbeing of society serves as the criterion of state innovation policy which is an integral part of the social and economic policy of a state.

Innovation economics is a growing economic theory that emphasizes production, expansion and usage of technological advances. It is a basis for the development of a special type of society. In the framework of this society innovations have a wide application in not only economic but also social and cultural life of the society ensuring social and economic wellbeing.

Wellbeing became a popular topic for various socio-economic, socio-political, cultural, historical theoretical research and applied programmers (Alatartseva, & Barysheva, 2016).

Furthermore it is important to point out that social wellbeing of a person is a feeling of satisfaction a person has when he is engaged in the life of society whereas economic wellbeing is a person's standard of living and it is based on person's satisfaction with material conditions of life.

The major problem of innovation economics development as a source of well-being of society is directly connected to the fact that innovation resistance appears in the process of structural changes in the economics. It is the resistance to the development, expansion and usage of technological advances.

Any participant of innovation process can show innovation resistance. It can occur at the level of organizations in the process of innovation creation or implementation and at the level of interaction of market agents in the process of innovation expansion.

2. A comprehensive understanding of innovation resistance

Today it is becoming increasingly obvious that it is necessary to overcome the resistance to innovation to implement successfully innovative processes in the economic system. Innovation barriers vary according to the characteristics of firms, markets, and along the innovation process (Sandberg, & Aarikka-Stenroos, 2014).

A review of the economic literature devoted to the problem of innovation resistance shows that persistence of various types of innovations within organizations occupies a significant place in the research. For example, it was revealed that the company can show resistance to various types of innovation (Tavassoli, & Karlsson, 2015). It should also be noted that in the framework of enterprise innovation resistance can occur at any hierarchical level of company management and with different degree of impact (Agocs, 1997). Impact of the resistance causes slowdown of the innovation process depending on the intensity of resistance (Berna-Martinez, & Macia-Perez, 2012).

It is also important to understand that resistance to innovation is evident not only within the organization but also in the environment of the consumer market. The notion of "consumer innovation resistance" is rather ambiguous. Hirschman (1987), Bagozzi & Kyu-Hyun (1999), Ritson & Dobscha (1999), Antioco & Kleijnen (2010) and Cornescu & Adam (2013) focused on the study and definition of the concept.

To understand the essence of the innovation transformation of the economics, it is necessary to understand its condition and to examine the relationships between its structural elements.

In the framework of this research we claim that economic system is a polysubjective system and its structure determines availability and combination of the various institutions and entities, correlation between elements of the system that suppress or stimulate innovation-based economic development.

The definition of the notion "economic system" that was given above makes it possible to structure economic system in terms of innovation resistance (Fig. 1).

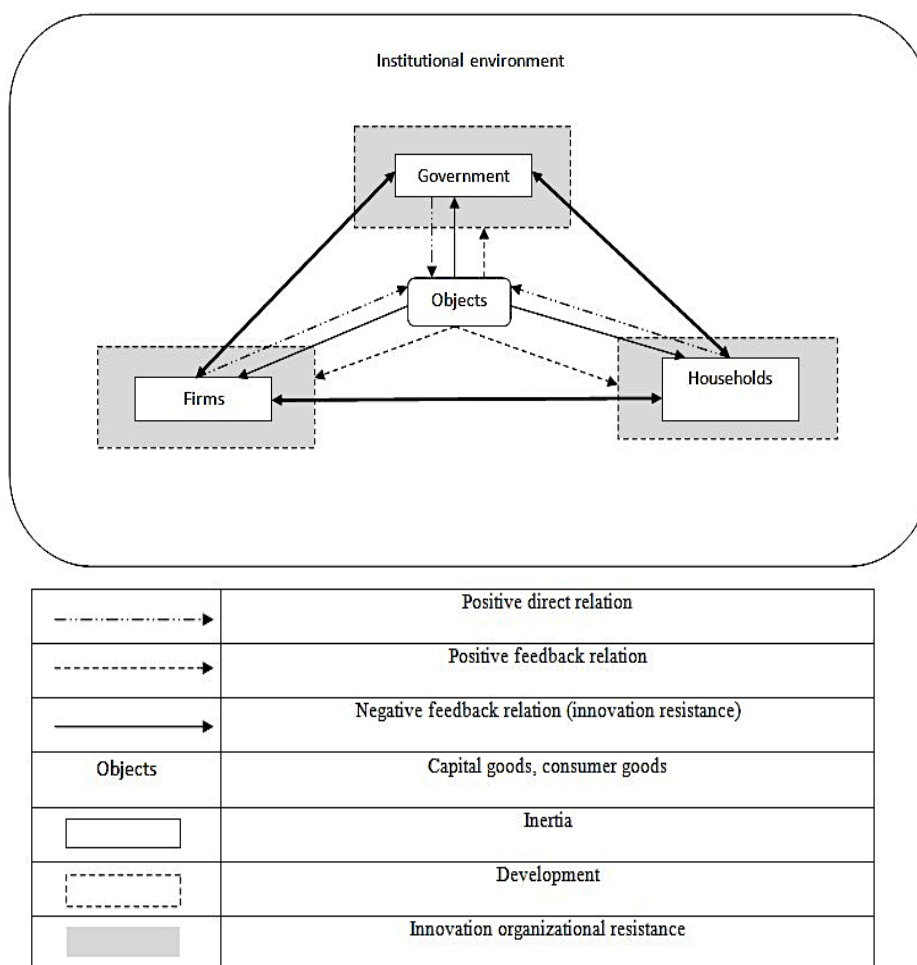


Fig. 1. Model of innovation resistance under economic system

According to the Fig. 1., the structure of economic system encompasses:

Economic entities (state, companies, households).

Objects (means of production and items of consumption).

Institutional environment as an establishment of economic system.

Functioning in the framework of the economic system, economic entities pursue their economic goals:

1. The state shall ensure the highest growth of social welfare.
2. Companies try to maximize profits.
3. Households strive to secure maximum satisfaction of their needs.

Moreover, achievement of economic goals is facilitated with the objects which are heterogeneous elements of the economic system. Heterogeneity as a property of economic system is specified by the differentiation of entities and objects, as well as multivariant behavior of entities to achieve economic goals of the system. For example, companies striving to maximize profits, carry out economic choice either in favor of obsolete means of production or in favor of innovation. Alternatively, households striving to satisfy consumer needs either resist innovation in the market of goods and services or accept

them. Consequently, enterprises and households may be reluctant to accept innovation. Thus, they demonstrate innovation resistance.

The state as an economic entity is a potential carrier of the innovation resistance, which can hamper the adoption of innovations and innovative renewal of economy and society as a whole. The state uses the means of production and consumer goods and it carries out economic reforms. Civil servants as the elements of the organizational structure of public authorities may show resistance to reforms. As a result, they limit opportunities for innovative renewal of society.

Analyzing Fig. 1., it is necessary to point out that direct and feedback relations between entities and objects may affect inertia or development activity of entities.

The inertia of economic entities as a system presupposes the endurance of a stable state in the face of changing economic circumstances which induce them to change.

Development activity of economic entities as a system presupposes quantitative and qualitative changes of their structure.

Thus, the innovation resistance contributes to the maintenance of inertia of economic entities. Overcoming of innovation resistance leads to innovative development of economic entities.

It is important to point out that at the organizational level of individual economic entities threat of innovation resistance is perceived. It hampers the process of innovation adoption.

Furthermore, it is necessary to emphasize that under the influence of institutional environment economic entities carry out economic choice either in favor of obsolete means of production or in favor of innovation. Institutional environment structures economic systems.

In the context of the innovation resistance institutional environment can be interpreted as a set of institutions that provide the inertial performance or the development of economic entities.

Inclusion of institutional environment in the structure of the economic system makes it possible to analyze the behavior of economic entities from the perspective of institutional determinism. Whereas, institutional determinism presupposes strong dependence of the behavior of an economic entity from dominating social institutions. Thus, institutional changes can result in overcoming of innovation resistance. However, it should be recognized that the development of the economic system requires not only institutional changes but also technological ones.

Consequently, innovation resistance - is an immanent property of the economic system to slow down its development under the influence of active and passive resistance to innovation on the part of its elements (entities).

However it is necessary to point out that innovation resistance may serve as a mechanism of protection of the economic system from excessive change in resource-limited settings. Economic system is becoming resistant to excessive change. Consequently, the pace and scale of innovation adoption in society can be limited by an innovative selection. Thus, innovative selection is an active form of innovation resistance which protects the system from false and excessive changes. For instance, the adoption of radical innovations in the economic system may lead to the withering away of the industry, rapid changes in the industry structure, the closure of large companies and the occurrence of external benefits for some entities and negative effects for others.

Determination of the relative equilibrium of the economic system as a result of innovative selection presupposes shifting to a new level of technological development. Then there is a period of relatively uniform development of the economic system resulting in a sharp decrease in innovation activity. On the one hand, slowdown of innovative renewal of the economic system is determined by the decline in the efficiency of the usage of existing technologies and the pace of renovation of consumer goods. On the other hand, it is determined by a passive form of innovation resistance. The passive form of innovation resistance can be considered as a reluctance of economic entities to initiate and participate in innovation processes.

It is important to recognize that overcoming the passive resistance to innovation is one of the major challenges to the economic development and welfare of society. Innovations improve the human condition. For instance, the Internet helps to broaden horizons, to facilitate social communication and to receive new information. Innovations also help to reduce production costs. New technologies are invented to reduce the amount of electricity consumption, water consumption etc.

3. Ways of overcoming innovation resistance

Nowadays many countries particularly Sweden, Great Britain, Denmark, Finland, the USA, South Korea, Singapore, have already made significant progress in the formation of an innovative society with a high level of well-being. According to the Global Innovation Index 2014, Russia ranks the 49th in the global innovation index ranking (between Thailand and Greece). Meanwhile, we see spectacular progress for Russia moving up to 13 places compared to the previous year. Switzerland was the leader in the Global Innovation Index 2014. It is followed by the UK, Sweden, Finland, the Netherlands, the USA, Singapore, Denmark, Luxembourg and Hong Kong (<https://www.globalinnovationindex.org/content/page/data-analysis/>, 2014).

Countries with developed market relations and low transaction costs form effective institutions, there is upward trend in personal expression values, a society is future-oriented and innovation resistance is minimal. The aforementioned factors ensure a high rate of innovation development. Otherwise, the formation of a mass innovative activity in the business sector is delayed and innovation resistance occurs.

Development of competitive environment and market infrastructure is a prerequisite for the implementation of innovative processes with the help of market mechanism. Selective market environment should choose only competitive enterprises whose economic activity is based on innovation. The importance of the development of competitive environment is determined by the fact that under its influence values and motivation of economic agents are changing in favor of innovations. Considering the problem of the formation of values and motivational system of entities of economic system, we can outline actions to be taken to overcome innovation resistance through changes in social and cultural characteristics. Values and motivation are among the most important factors that determine economic choices of the entities of economic system. It is important to point out that education, working experience of people, personal development practices, as well as their cultural specific ideas about development strategies are culturally rooted peculiarities that can become an obstacle or a trigger of creation of a new branch of economic development. It should be understood that for each entity of

the economic system there is a person or a group of people with their own values who make decisions of an economic entity. For instance, there are multitasking workers and highly qualified staff members whose universalism is revealed through complex and non-standard decisions they make and unique challenges they overcome. We can provide another example, people got used to working in the noninstitutionalized environments and can operate in emergency mode, they have work capacity during prolonged continuous activity. However, this capacity has its own specificity which implies contempt for standards and technologies. Consequently, it prevents involvement of staff members in innovation activity and slows down innovation based development of society.

Also it is necessary to point out that according to the concept of social order developed by Douglass C. North, John Joseph Wallis, and Barry R. Weingast, there are three rules or threshold conditions for country modernization (North, & Wallis, & Weingast, 2009):

1. Bosses set the rules for all people and not for exceptionally themselves.
2. Availability depersonalized organizations (power of meritocracy).
3. Make a collective control appear above the authorities of violence which will prevent the use of administrative resource for economic and political competition.

4. Conclusion

Innovative development and improvement of social and economic well-being of society should be ensured by not only technological changes but also institutional ones that reduce innovation resistance and increase innovation activity in the economy. Social and cultural characteristics determine the direction of development of economic system.

Thus, if the structure of values is established in society, it prevents manufacture of innovative products of mass production (household appliances, communications equipment, vehicles etc.). Consequently, it is necessary to make breakthroughs in the areas of small batch production of world class goods. The impact on values such as negotiability, attitude toward standards and laws, navigation to a distant horizon, new vision for education and cultural policy of the state may gradually lead to the necessary social and cultural changes promoting innovative renewal of society.

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