

Editorial

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This special edition titled 'Performance Innovation in a Recovering Economy' concerns the productivity challenges faced by a recovering economy prior to contemplating how recovery may be facilitated through performance innovation. We are delighted to introduce the content of the present issue, which includes four papers and a book review. Papers 1 through 4 offer insights into productivity loss and the potential to gain productivity momentum through the application of performance innovation in an organisational setting. The papers cohere around performance innovation in organisational settings. The focus is on harnessing potential human capital and recognising its value to the organisation.

In this issue, we consider these micro-foundations of dynamic capabilities for innovation and explore the origin and evolution of such capabilities. In an Irish context, we will also evaluate the nature and role of employee contributions to innovation behaviour in Irish firms and shed light on some of the organisational challenges faced due to productivity costs associated with cancer-related premature mortality in Ireland. We will also consider the embedded nature of managerial capability development in the micro-firm context, where key resources such as business ties, family interaction and market proximity are leveraged by a context-specific managerial capability underpinned by people relationships, strategic thinking, operational problem solving and leadership.

As noted elsewhere, the recent economic downturn has highlighted the importance of indigenous Irish businesses and industry in economic renewal and recovery. However, it is well established that the innovation policy mechanisms designed to support small- to medium- sized enterprises (SMEs) and micro-enterprises are largely directed at individual firms and do not address how firms can collaborate in demand and supply chains to develop and grow. Lee et al. (2010) argue that one way SMEs and micro-firms can overcome the lack of economies of scale and technical expertise of larger firms is through using networks within which they are embedded to develop open innovation models appropriate to their size and resource contingencies. This model of innovation is well illustrated in the open innovation model exemplified in the open source software movement (Baldwin and von Hippel, 2011; West et al., 2014) and is one that is echoed in this issue. However, there are challenging barriers to the development of open innovation in the SME context with argument for further research into how new models of open and collaborative innovation might be developed, rather than be reliant on models developed in the context of larger organisations (Rahman and Ramos, 2010). Further, there are arguments that high levels of trust among owners/managers of SMEs attempting to engage in open innovation emerge within the norms common to specific industrial networks rather than in more geographically defined regions often defined by enterprise support agencies (Cumbers et al., 2003).

Increasingly, improvement in innovation in SMEs emerges where there is development of a strategic managerial mindset aimed at enhancing the firm's business networking capabilities, often through the development of human talent through which networking capabilities are managed (Bougrain and Haudeville, 2002; Hite, 2005). SME and microenterprise capabilities tend to be embedded in the nature of the owner/manager and enhancing his/her ability to use networks as a source of developing innovation and is a key element to enhancing performance innovation in a recovering economy. Being able to see the potential of networks as social and economic conduits to address innovation as well as resource constraints beyond the boundary of the firm or the founder's existing social network is a starting point in the emergence of innovation network capability in the owner/manager (McGrath and O'Toole, 2013).

Inherent in the emergence of the dynamic capabilities necessary for the leveraging of internal firm innovation capabilities is the development of human capital in the SME (Branzei and Vertinsky, 2006).

Notably, in smaller and micro- SMEs, the development of human capital often coincides with the leveraging

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of the human capital of the owner/manager. While, from a stakeholder context, these firms exist through ties to family (Wheelock and Baines, 1998), the local community (Phillipson *et al.*, 2006), the wider business community (Phillipson *et al.*, 2006) and business advisor ties (Devins *et al.* 2005), from an innovation perspective the stakeholder ties remain inert links unless unlocked by owner/manager capability (Kearney *et al.*, 2014). Street and Cameron (2007) point to the resource-based theory of the firm as one trajectory through which future research can improve understanding of managerial capability for innovation from a network perspective of the small firm. In addition, how support agencies can combine their resources to support collaborative innovation competency development at a local/regional/network level has been largely neglected. Potentialising interdependencies between companies, their customers or other actors can be a powerful way to stimulate performance innovation in a growing economy (Lynch *et al.*, 2016).

The papers in this special issue are now introduced in more detail in the following sections.

Paper one, 'Cancer and productivity loss in the Irish economy: An employer's perspective' contemplates the magnitude of productivity costs associated with cancer-related premature mortality in Ireland using the employer-focused friction cost approach (FCA). By modelling the sensitivity of costs to changes in underlying labour market conditions such as those faced throughout the 2008–2012 economic crisis, the authors advocate that future studies should concentrate on combining elements of direct turnover cost according to accounting costing frameworks with the indirect costs measured by the FCA.

In the second paper, 'Microfoundations of dynamic capabilities for innovation: A review and research agenda', the authors provide a conceptual overview of the microfoundations of dynamic capabilities for innovation. This perspective adds to the debate relating to an innovation-led economic recovery. Notably, there is little understanding of the mechanisms that determine the origin and evolution of dynamic capabilities, and the role of employees has been neglected. Therefore, this paper highlights the importance of incorporating the perspectives and motivation of employees as a central part of the analysis and as a basis for more direct managerial interventions in building organisational capabilities.

The third paper contemplates 'The role of stimulating employees creativity and idea generation in encouraging innovation behaviour in Irish firms'. Using data of over 3,000 firms, obtained from the Irish Community Innovation Survey 2008–2010, the authors examine the impact of six creativity-generating stimuli on product, process, organisational and marketing innovation. The results indicate that the stimuli impact the four forms of innovation in different ways. For instance, brainstorming and multidisciplinary teams are found to stimulate all forms of innovation, rotation of employees is found to stimulate organisational innovation, while financial and non-financial incentives are found to have no effect on any form of innovation. These results have important implications for management decisions in that they suggest that firms should target their creative efforts towards specific innovation outcomes.

The final paper of the special edition considers 'Managerial capability for innovation for micro firms: Integrating theory with empirical evidence'. This paper applies a recently developed model of managerial capability for innovation in a pilot study of five in-depth interviews with owner/managers of tourism microfirms. Findings indicate the incremental nature of innovation, the importance of aspects of managerial capability in the guise of leadership, operational capability, strategic thinking and the development of relationships with people.

The issue concludes with a review of the book titled *The Oxford Handbook of Conflict Management in Organizations*, Edited by William K. Roche, Paul Teague and Alexander J.S. Colvin.

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