

Strategic Management

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MGM414

Lecture 7



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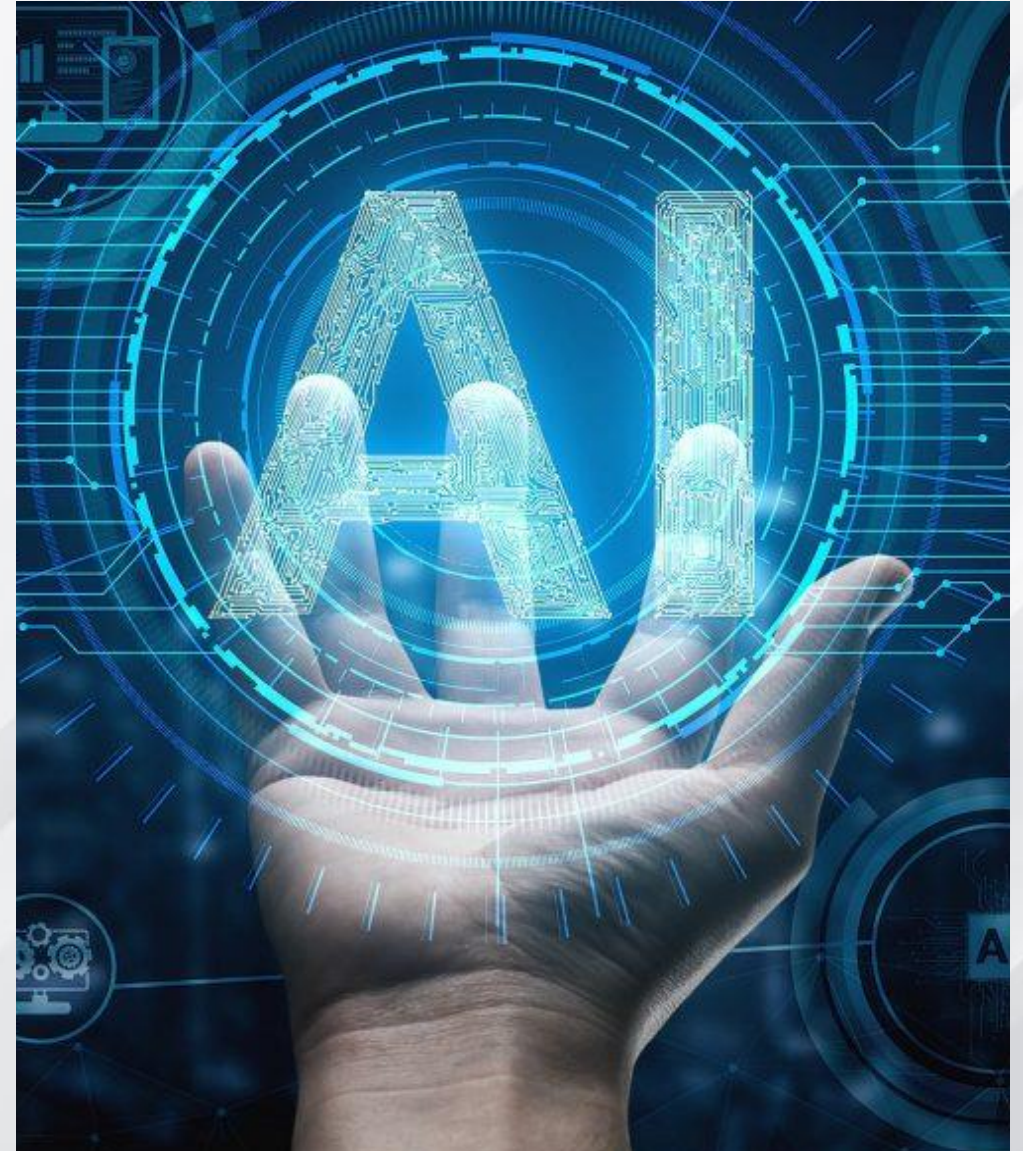
Strategic management involves developing and implementing plans to help an organization achieve its goals and objectives. This process can include formulating strategy, planning organizational structure and resource allocation, leading change initiatives, and controlling processes and resources.



Content

Part One / Analysis

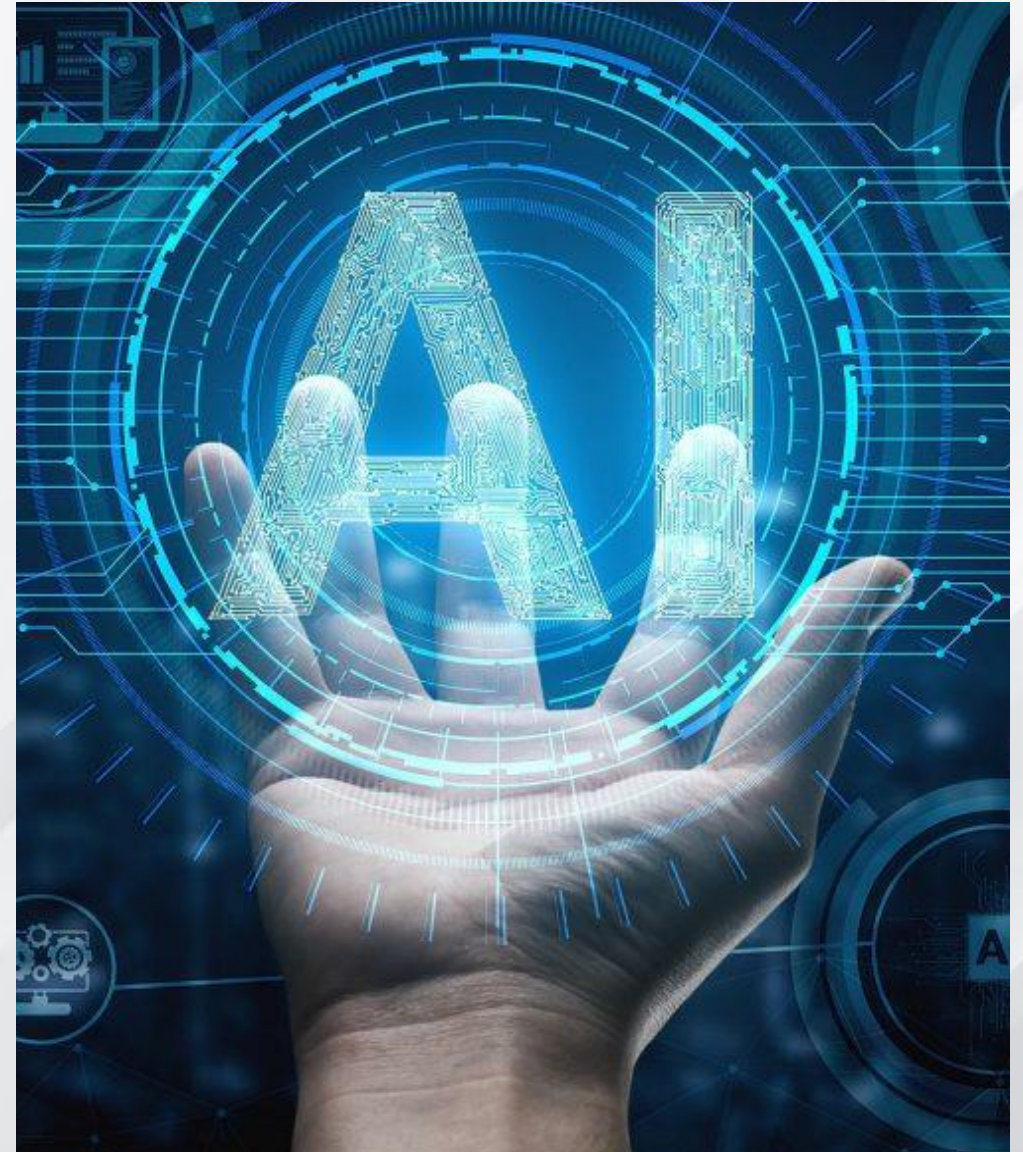
- **Chapter 1** What Is Strategy?
- **Chapter 2** Strategic Leadership: Managing the Strategy Process
- **Chapter 3** External Analysis: Industry Structure, Competitive Forces, and Strategic Groups
- **Chapter 4** Internal Analysis: Resources, Capabilities, and Core Competencies
- **Chapter 5** Competitive Advantage, Firm Performance, and Business Models



Content

Part Two/ Formulation

- **Chapter 6** Business Strategy: Differentiation, Cost Leadership, and Blue Oceans
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- **Chapter 8** Corporate Strategy: Strategic Alliances, Mergers, and Acquisitions
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Agenda Strategic Innovation

- **Strategic Innovation: Definition**
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- **Epochal innovations**
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- **Developing an innovation strategy**
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 - Proactive
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- **Examples of successful innovation strategies**

Agenda Strategic Innovation

➤ Strategic Innovation: Definition

- Innovation – Definition
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➤ Epochal innovations

➤ Why innovation strategy is important

➤ Innovation and incremental or radical

➤ Developing an innovation strategy

➤ The stages of innovation strategy

➤ The types of innovation strategy

- Proactive
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➤ Examples of successful innovation strategies



Innovation

The conversion of a new idea into revenues and profits (Lafley & Charan, 2008).





Innovation

The innovation strategy definition is a controversial topic and it has many definitions such as

- “The implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organizational method in business practices, workplace organization or external relations” ([OECD, 2005](#), p. 46).

* Organisation for Economic Co-operation and Development

- A new and improved way of doing things, something novel and useful (Anderson, Potočnik, & Zhou, 2014).





Innovation

The innovation strategy definition is a controversial topic and it has many definitions such as

- A multi-stage process by which an organization transforms an idea into a new or improved product or process, in order to differentiate itself and compete successfully in the marketplace (Baregheh, Rowley, & Sambrook, 2009).
- Transforming an idea into a commercially successful product (Ip, 2016).



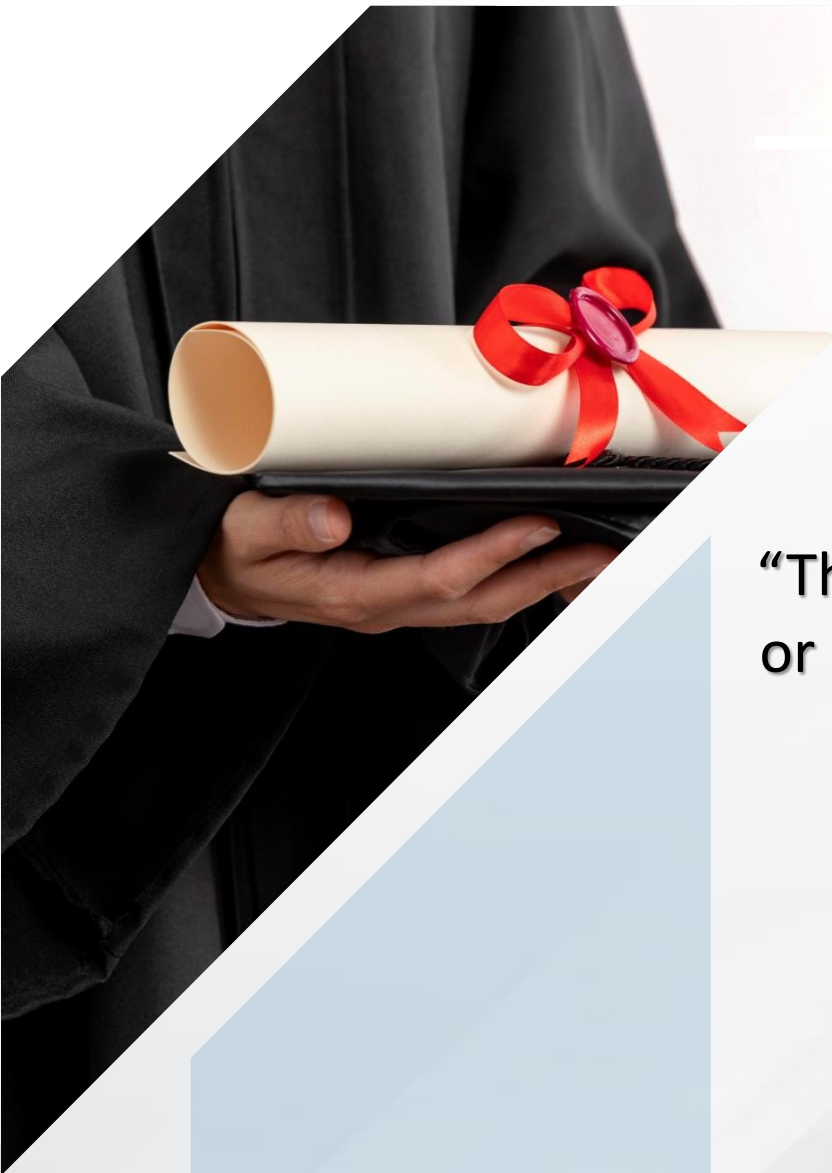


Innovation

The innovation strategy definition is a controversial topic and it has many definitions such as

- The transformation of knowledge into new products and processes (Porter & Stern, 1999).
- The process of translating an idea into a commercially viable customer value proposition (Chandy & Tellis, 1998).

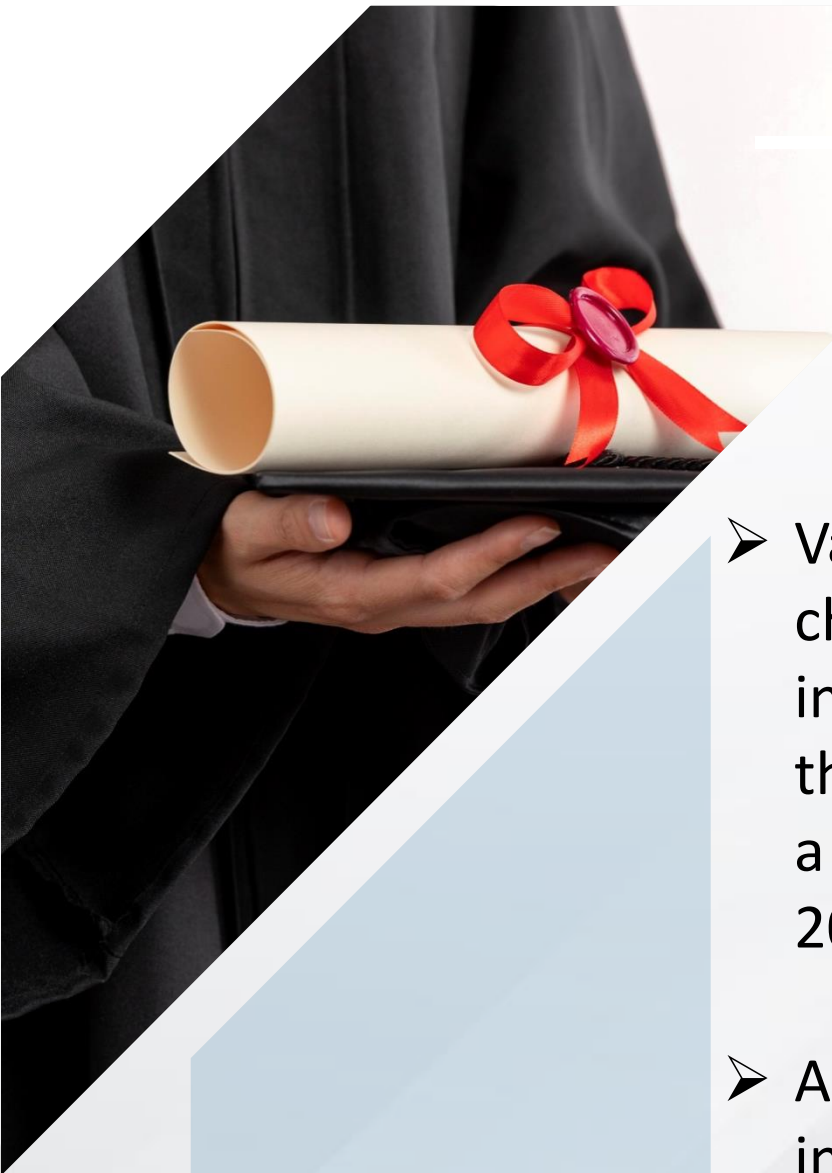




Process innovation

“The implementation of a new or significantly improved production or delivery method. This includes significant changes in techniques, equipment and/or software” (OECD, 2005, p. 49).





Product innovation

- Various types of innovations differ with respect to their defining characteristics. For instance, a defining characteristic of social innovation is that it is a solution to a specific social problem, and the value created by the innovation accrues primarily to society as a whole rather than to individuals (Phills, Deiglmeier, & Miller, 2008).
- A defining characteristic of sustainable product innovation is that in comparison to products for which it is a substitute, the use or consumption of the product has a lower impact on the natural environment (Varadarajan, 2017).

Strategic Innovation: Definition

A strategic innovation is an innovation with the potential to have major transformational effects on the evolution of markets and industries such as the following:

1. Emergence of a new industry.
2. Convergence of two or more existing industries.
3. Major changes in how a specific need or set of inter-related needs and wants of consumers is met.



Strategic Innovation: Definition

4. Major changes in how a product is produced, promoted, distributed, priced, and/or consumed/used.
5. Major changes in the structural characteristics of an industry such as market size, market growth rate, industry concentration, entry barriers, and exit barriers.
6. Major changes in the value proposition offered to customers and/or expected by customers.

Strategic Innovation: Definition

7. Major changes in the configuration of value chain activities, assets and costs, and/or revenue model in an industry.
8. Major changes in the composition of competitors in an industry as a result of entry of new competitors, exit of present competitors, and changes in the competitive position of incumbent competitors.



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Epochal innovations

Epochal innovations and civilization transforming innovations represent the high end of the strategic innovations continuum. Kuznets (1971) defines epochal innovations as “major breakthroughs in the advance of human knowledge, and dominant sources of sustained growth over long periods of time.” Based on input from thought leaders in various fields, Fallows (2013) lists 50 innovations organized under the following eight broad categories as civilization transforming innovations.



Epochal innovations

- **Innovations that expanded the human intellect and its creative, expressive and moral possibilities:** Printing press, paper, Internet, personal computer, photography, and the underlying technology for the modern data age.
- **Innovations that are integral to the physical and operating infrastructure of the modern world:** Cement الأسمنت, electricity, sanitation systems أنظمة الصرف الصحي, and air-conditioning.



Epochal innovations

- **Innovations that extended life:** Nitrogen fixation, green revolution, and scientific plant breeding. Advances in medical knowledge and treatment that predate the current genomics revolution — penicillin, vaccination, and the birth control pill. Public-health measures that have advanced in parallel with improved medical treatment – sanitation systems and refrigeration.
- **Organizational breakthroughs:** Gregorian calendar and alphabetization الأبجدية



Epochal innovations

- **Innovations that allowed real-time communication beyond the range of a single human voice:** Internet, telegraph, telephone, radio, and television.
- **Innovations in the physical movement of people and goods:** Internal combustion engine, automobile, airplane, steam engine, and the compass, and rocketry. صواريخ.



Epochal innovations

- **Innovations that enabled the Industrial Revolution and its successive waves of expanded material output:** Steam engine, industrial steelmaking, and the refining and drilling of oil.
- **Innovations in killing:** Gunpowder and nuclear fission.



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Why innovation strategy is important



Why innovation strategy is important

An effective innovation strategy can:

- 1. Clarify priorities and goals.** An innovation strategy outlines the goals of the organization's innovation activities and helps focus efforts on reaching those goals.
- 2. Foster alignment.** With a plan in place, diverse groups within an organization will all be working toward common goals rather than pursuing their own individual priorities.

Why innovation strategy is important

An effective innovation strategy can:

- 3. Keep a business from resting on its laurels.** أمجادها. Even businesses that start out as innovators must continue to innovate in a strategic way, as copycats and innovative competitors are likely to take market share over time.
- 4. Help a business achieve long-term success.** Without ongoing innovation, a company is unlikely to gain (or maintain) competitive advantage or keep customers engaged over the long term.

Agenda Strategic Innovation

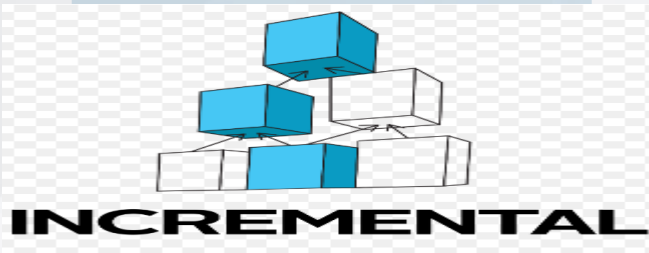
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Innovation can be incremental or radical

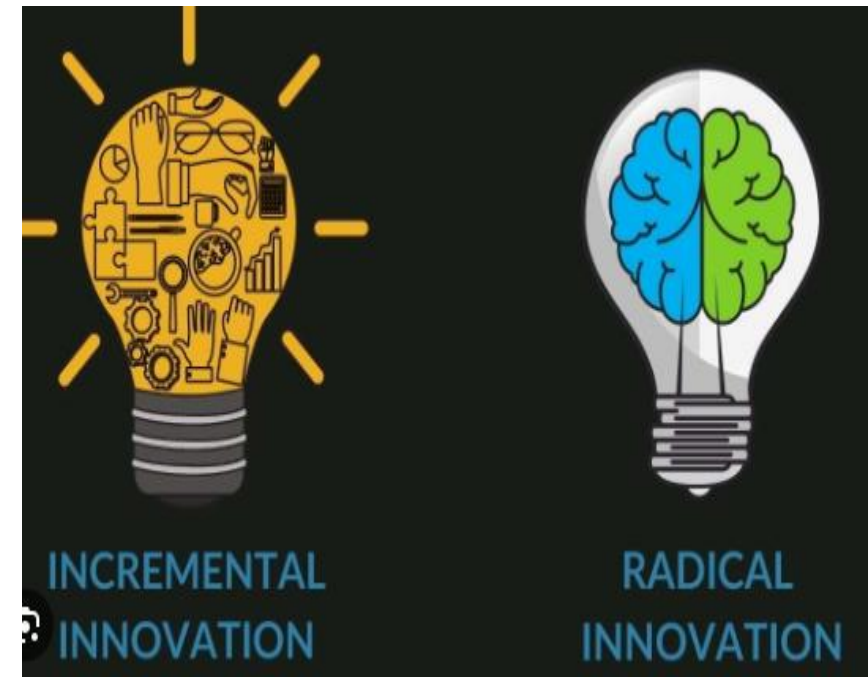
Have you ever made improvements to existing technologies, processes, products or services? This type of innovation is called **incremental** innovation. It's the most common form of innovation today and often produces incremental growth.

In contrast, **radical** innovation entails high uncertainty with high risks, and has the potential, though not guaranteed, for high returns.



Incremental and radical innovation

The camera industry can be used to illustrate the difference between incremental and radical innovation. Kodak led the industry for years, developing new and improved products based on traditional film. However, these incremental innovations were all based on the same technology. Later, a radical innovation – digital imaging – revolutionised the industry and the way people capture, store and use images.



Incremental and radical innovation

Incremental and radical innovation – which approach do you use?

➤ **Incremental innovation**

- Exploits existing technology
- Involves little uncertainty
- Focuses on cost or feature improvements in existing products or services, processes, marketing or business models
- Improves competitiveness within current markets or industries

Incremental and radical innovation

Incremental and radical innovation – which approach do you use?

➤ **Radical innovation**

- Explores new technology
- Can involve high uncertainty
- Focuses on processes, products or services with unprecedented performance features
- Creates a dramatic change that can transform existing markets or industries, or create new ones

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Developing an innovation strategy

There are many different types of innovation, and the type of innovation will be determined by the innovation strategy. The strategy will be influenced by the stage your company has reached, where it is heading, and the desired outcome of the innovation.

Determine your desired outcome

The innovation strategy should reflect what it wanted to achieve from the innovation process, for example:



Developing an innovation strategy

- **The innovation strategy should reflect what it wanted to achieve from the innovation process, for example:**
 - **Develop a new product** – you may see an opportunity for a radical change in the type of products offered on the market.
 - **Protect market share** – in a dynamic global environment, continuous innovation is required in many instances just to maintain market share.
 - **Expand market share** – for example, offering existing products in a different market.

Developing an innovation strategy

The innovation strategy should reflect what it wanted to achieve from the innovation process, for example:

- **Sell or licence to another organisation** – you may be looking at an exit strategy, once the innovation is developed you can sell or licence the innovation.
- **Retain more staff** – a commitment to innovation can motivate and retain skilled staff by providing a challenging and creative environment.

Developing an innovation strategy

The innovation strategy should reflect what it wanted to achieve from the innovation process, for example:

- **Improve operational efficiency** – you may wish to reduce costs through streamlining your operations.
- **Increased recognition in the marketplace** – you may wish to increase your profile in the marketplace through an innovative marketing strategy.

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What are the stages of innovation strategy?

The innovation process doesn't happen in a vacuum — it requires a clear process that takes a new idea and brings it to market.

The stages of innovation strategy;

1. Idea generation and ideation
2. Idea evaluation and selection
3. Implementation and execution
4. Monitoring and evaluation



The stages of innovation strategy;

1- Idea generation and ideation

Idea generation is the foundation of an innovation system. It's the process that helps companies develop ideas to compete in the market and explore new opportunities without taking too much risk.

Many companies innovate by taking advantage of new technologies for insights — learning from data to see what problems customers have that you can solve. The vital part of this process is customer feedback. New ideas need customer validation to determine if they are viable.

The stages of innovation strategy;

2. Idea evaluation and selection

Idea evaluation and selection is assessing new ideas to see if they are feasible. During this process, you'll look at costs, time to market, potential profit, and other business metrics to see if it's worth pursuing an idea.

If it looks like a product you're considering has a chance to succeed, then the next step is to compare it with what's currently on the market. Will this help your company stand out? Use this information to find the unique value proposition and determine if the idea is worth pursuing.

The stages of innovation strategy;

3. Implementation and execution

The implementation and execution phase is where you take your new idea and turn it into a concrete plan to make it a reality. But this stage is more than building a product — it's also about creating a successful business strategy and finding help to create your idea.

The first step is product development. Which vendors can supply the materials for your product or help you manufacture it? Which members of your team will be the best fit for development?

The stages of innovation strategy;

4. Monitoring and evaluation

Your goal when monitoring a new project is to assess your performance. Is what you're doing helping you achieve your goals and keeping you on track for release?

A key part of doing this is metrics. These numbers will tell you how well you are doing. Track your time to release, product progress, defects, and eventual return on investment. Reassess your strategy and make changes if your metrics show you aren't meeting your goals.

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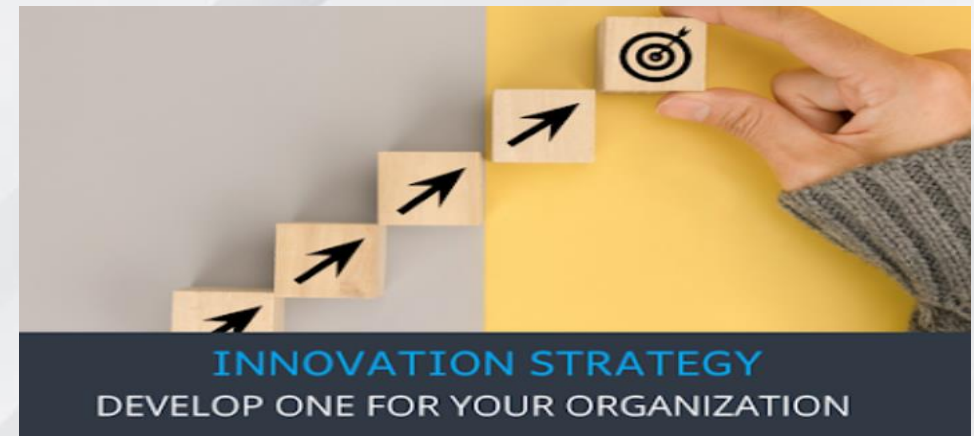


The types of innovation strategy

Innovation strategies can be classed as proactive, active, reactive and passive (Dodgson et al. 2008).

The types of innovation strategy;

1. Proactive
2. Active
3. Reactive
4. Passive



The types of innovation strategy

1- Proactive: استباقي

Companies with proactive innovation strategies tend to have strong research orientation and first-mover advantage, and be a technology market leader. They access knowledge from a broad range of sources and take big bets/high risks. Examples include: Dupont, Apple and Singapore Airlines.

The types of innovation strategy

1- Proactive:

The types of technological innovation used in a proactive innovation strategy are:

- A. Radical** – breakthroughs that change the nature of products and services
- B. Incremental** – the constant technological or process changes that lead to improved performance of products and services.

The types of innovation strategy

2- Active:

Active innovation strategies involve defending existing technologies and markets while being prepared to respond quickly once markets and technologies are proven. Companies using this approach also have broad sources of knowledge and medium-to-low risk exposure; they tend to hedge their bets. Examples include Microsoft, Dell and British Airways.

These companies use mainly incremental innovation with in-house applied research and development.

The types of innovation strategy

3- Reactive:

The reactive innovation strategy is used by companies:

- which are followers
- have a focus on operations
- take a wait-and-see approach
- look for low-risk opportunities.

They copy proven innovation and use entirely incremental innovators. An example is Ryanair, a budget airline which has successfully copied the no-frills service model of Southwest Airlines.

The types of innovation strategy

4- Passive:

Companies with passive innovation strategies wait until their customers demand a change in their products or services. Examples include automotive supply companies as they wait for their customers to demand changes to specification before implementing these.

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Examples of successful innovation strategies

What are some examples of successful innovation strategies?
Now that you've seen what types of innovations there are, let's look at a few innovation strategy examples.



The types of innovation strategy

1- Amazon:



Amazon was one of the first companies to use the internet to sell products. It started as an online bookstore, but as time passed, it changed its focus to become a one-stop marketplace for every product you can imagine.

Since then, Amazon has continued to use technology to innovate in the online market. It now offers subscription services to offer more customer value, video streaming, audiobooks, eBooks, and countless other value-added services for its customers.

The types of innovation strategy



2- Apple:

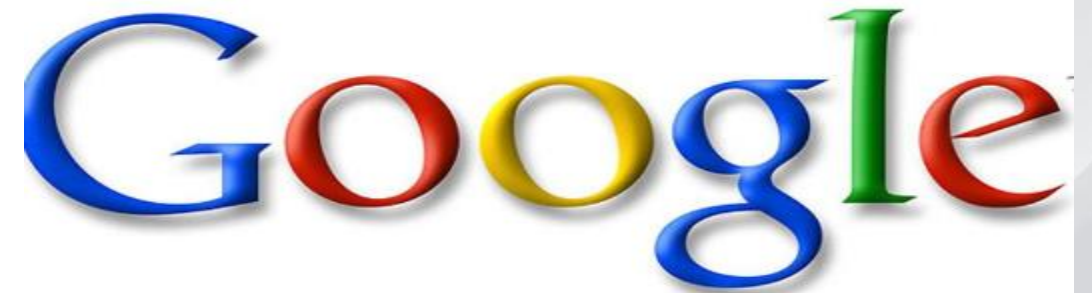
Apple's innovation projects are a blend of user-centric design and quality. Apple doesn't often create brand-new product categories. Instead, it waits to see how technology trends play out and creates innovative approaches to those products. One of the best examples of this is the iPhone. Apple didn't create the first smartphone. Blackberry was one of the first to market and was popular for a while.

But smartphones didn't start making their way into most homes until Apple unveiled the iPhone — their easy-to-use smartphone offering that every consumer can use.

The types of innovation strategy

3- Google:

Google offers innovation classes for employees and runs an R&D facility that has launched products like self-driving cars and Google Glass. But the company also looks to bring in innovations from external sources, with GV, its own venture capital fund for innovative startups, and an incubator for promising entrepreneurs.



The types of innovation strategy

4- Polaris:

[Polaris](#) implemented an automated system for crowdsourcing new ideas from employees, making the process of ideation to execution 80 percent faster. The crowdsourcing innovation initiative has resulted in four cutting-edge vehicles, such as the Polaris Slingshot, that are all bestsellers and award winners in the ATV market.





Examples of successful innovation strategies

Startups and entrepreneurs

Innovation is at the heart of the startup and entrepreneurship ecosystem. Let's look at how a few companies changed the game with their new innovations.

The types of innovation strategy

1- Uber: Took on the taxi industry by allowing regular people to use their cars to offer rideshare services to customers using mobile apps.



The types of innovation strategy

2- Airbnb: Competed against the established hotel industry to give people more lodging options and allow homeowners to rent parts of their homes.



The types of innovation strategy

3- Netflix: Used a subscription model and on-demand streaming approach instead of a monthly fee for live TV.



The types of innovation strategy

4- Stripe: Changed the payment industry by allowing companies to integrate payment processing into their websites easily.





Thank You