

Changing Perspectives

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Innovation in Organisations

- ▶ How innovative is your organisation? Does it encourage creativity and innovation?
- ▶ Can the conditions that facilitate creativity and innovation be identified?
- ▶ Is it possible to identify obstacles to creativity and innovation within organisations?

Innovation management ...

‘developing both the ability to scan for signals about change and a readiness to move into new areas – and let go of old ones.
... the primary task is one of managing knowledge – developing and building distinctive competence in particular fields, adapting and absorbing new and different knowledge sets
... and moving out of particular knowledge areas when they become redundant.’

(Tidd, Bessant and Pavitt, *Managing Innovation*, 1997, 2001, p.12)

Innovation – EU's Lisbon Agenda

- ▶ Europe needs a climate which lets Europeans' creativity flow by offering a more attractive place to invest, innovate and work.
- ▶ Europe needs to generate concrete incentives to achieve an adequate research and innovation environment.
- ▶ Research and innovation policies are key priorities for all EU member states.

Benefits of increased innovation ...

- ▶ increased synergy from information sharing, joint initiatives, integrated policy, investment in R & D and benchmarking
- ▶ increased competitiveness
- ▶ better efficiency and cheaper products and services which are more attractive than those offered by competitors

To foster creativity and innovation within organizations:

- Ensuring that organisational structures and processes optimise both creativity and innovation;
- Developing the creative capacity of staff through training.

Understanding creativity and innovation involves understanding

...

- Exactly what is involved in the specific context of the organisation;
- What behaviour needs to be fostered;
- What supports and what inhibits creativity and innovation.

Some false assumptions ...

- ▶ Some people are creative while others are not;
- ▶ Creativity is something people have or don't have;
- ▶ Creativity is disruptive and counter-productive;
- ▶ Creativity is only relevant in certain departments (eg design, publicity, marketing)

Six barriers to organisational innovation ...

- 1. *Lack of organisational slack***
- 2. *Bureaucracy***
- 3. *Structure***
- 4. *Poor Communication***
- 5. *The 'imported talent' syndrome***
- 6. *Financial aversion to risk taking***

To overcome barriers ...

- Remove fear, encourage trust and sharing through better communication
- Make innovation part of everyone's performance review system
- Build in enough looseness for staff to explore new possibilities and collaborate with others both within and outside the system
- Train staff to scan the environment for new trends, technologies and changes in clients' mindsets
- Encourage staff and raise awareness on the critical importance of diversity of thinking styles, experience, perspectives and expertise
- Develop an idea management system that captures ideas

Innovation ...

It is the symbiosis between
‘creative organisations’
and ‘creative people’
that produces innovation.
It is the interplay between
individual creativity and
environmental creativity
that is the driving force of innovation
in any organisation

Three specific elements for organisational innovation ...

- The climate for creative thinking must be right
- An effective system of communicating ideas must exist at all levels
- Procedures for managing innovation must be in place

Two concerns:

- Paying lip service
- Staff training

Entrepreneurship is closely linked to creativity and innovation ...

- ▶ encouraging and developing the entrepreneurial spirit of staff
- ▶ 'The entrepreneur is a maker of history, but his guide in making it is his judgement of possibilities and not a calculation of certainties.'
- ▶ the entrepreneurial spirit can be nurtured and developed through the use of simple and effective methods such as the Lateral Thinking techniques
- ▶ most people will benefit by adopting a basic set of entrepreneurial practices in their working lives and, where possible, also applying them to the social, civic and commercial institutions within which they are active

Creative climate ..

“Building a creative climate involves systematic development of organisational structures, communication policies and procedures, reward and recognition systems, training policy, accounting and measurement systems and deployment of strategy.”
(Tidd, Bessant and Pavitt, *Managing Innovation*)

To maintain and sustain programs in the medium to long term ...

- A visionary who gets things started;
- An energetic person who oversees the on-going implementation, development and maintenance of the program;
- Sincere commitment from all key persons involved.

Additional elements to consider ...

- *Flexibility* – to adapt according to the context, culture and sensitivity of those involved;
- *On-going development* of the initiative, if possible by means of self-reflection and self-evaluation and, if possible, action research to evaluate, constructively criticise and modify strategies in order to continually improve them;
- *Motivation* on the part of the key people involved;
- *The establishment of a creative climate* where mutual trust and self-confidence are developed.

Openness to change?

How many organisations
that exist today
but that are not open
to creativity and innovation
and willing to change
will still exist in 10 years time?

None!

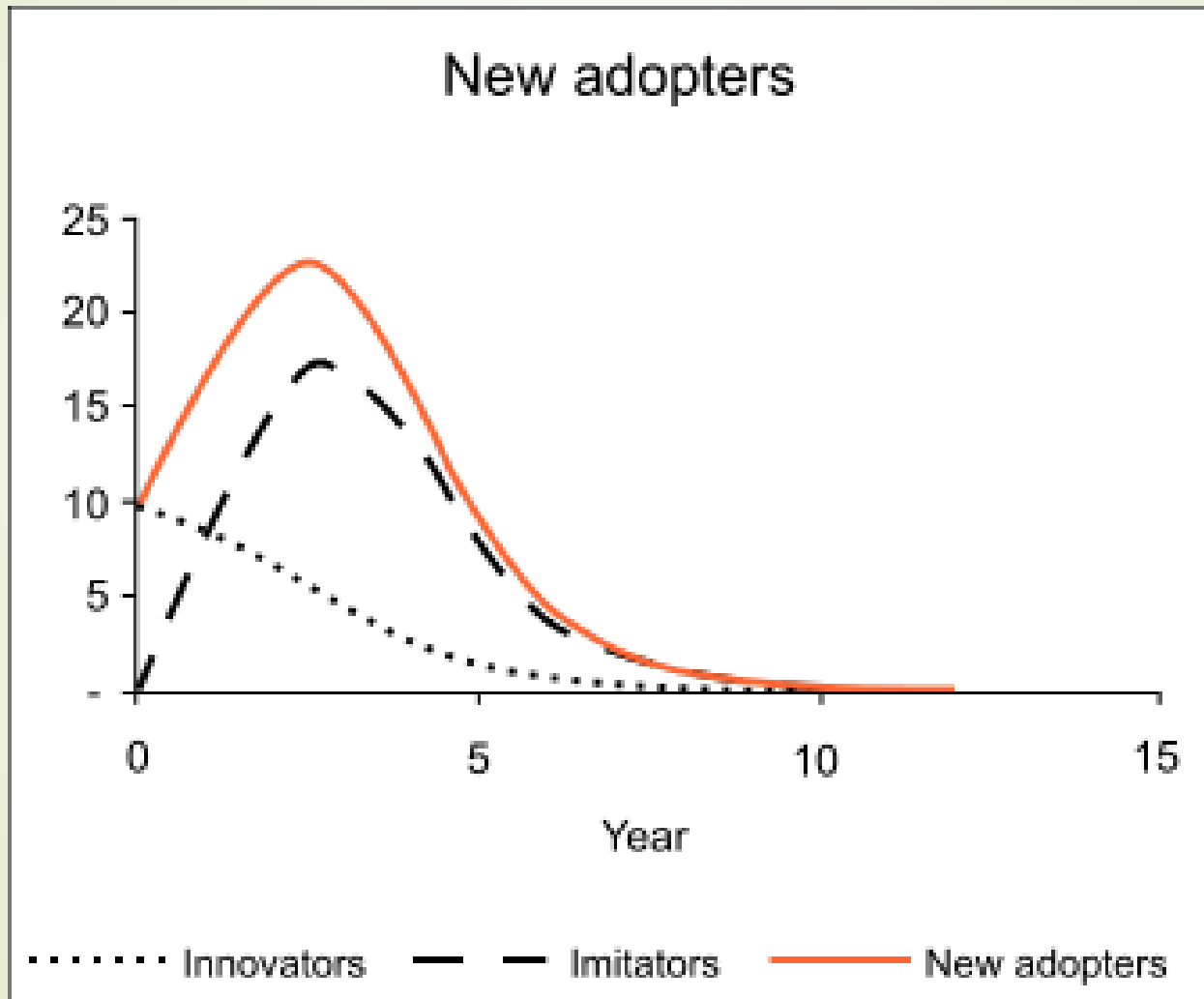
Innovative organisations ...

*Innovative organisations
are known for
producing creativity on
demand
and implementing
breakthrough results!*

To conclude ...

Shoe representatives story ...

Sum of Innovators and Imitators Yields Model for New Adopters



Estimating the Parameters of the Bass Model

- Use historical data
- Use analogous products

Product/ Technology	Innovation parameter (p)	Imitation parameter (q)
B&W TV	0.065	0.335
Color TV	0.021	0.583
Room Air conditioner	0.010	0.454
Clothes dryers	0.073	0.389
Ultrasound Imaging	0.003	0.506
CD Player	0.028	0.368
Cellular telephones	0.005	0.506
Microwave Oven	0.018	0.337
Hybrid corn	0.000	0.798
Home PC	0.003	0.253

Van den Bulte and Stremersch (2004) suggests an average value of 0.03 for p and an average value of 0.42 for q

Example: Forecasting DirecTV

- Used Bass Diffusion model
 - Market size estimate from customer survey
 - Diffusion parameters estimated from managerial judgments and analogous products (cable TV)
- Results:
 - Five year forecasts made 3 years before launch were, on average, -16% below actual
 - Forecast justified earlier launch of a satellite for expanded transmission capacity



Agenda

- Introduction
- Offering and Innovation Strategies
 - Developing Innovative Offerings
 - Repositioning and Disruptive Innovations
 - Conjoint Analysis
 - Launching and Diffusing Innovation Strategies
 - Psychological, People, and Products Factors
 - Bass Diffusion Model
- **Managing Offering-Based Sustainable Competitive Advantages**
 - Steps to Building Offering Equity
 - Research Approaches to Designing and Launching New Offerings
- Summary
- Takeaways

Steps to Building Offering Equity

- Building offering equity involves three main steps
 1. The firm must develop an offering or offering portfolio that provides customers with the largest relative advantage among all competitors in the market
 2. Second, in line with MP#1, offering equity requires a firm to segment, target, and position that new offering in a way that accounts for both people- and product-based factors
 3. Third, and associated with MP#2, firms need to manage the customer migrations from innovators and early adopters to early majority st



Research Approaches for Designing and Launching New Offerings

- Qualitative techniques such as observation, focus groups, and customer interviews are effective early in the development process; they can reveal some important needs that may be just emerging or that are unknown to the firm
- Then to avoid the risks associated with the high failure rate of new offerings, firms can use different techniques to improve their decision making and avoid unsuccessful launches, such as **conjoint analysis**
- The **Bass model** captures many of the people- and product-based factors, but it also integrates pricing and advertising levels to predict adoption rates

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Takeaways

- Most firms rank innovation as a top strategic priority. Innovation involves more than new technologies or products; it can reflect changes in business processes or go-to-market strategies
- Firms can innovate in four primary ways: changing their offering, changing who the customer is, changing how they sell to customers, or changing where they sell
- Offering equity captures the core value that the customer obtains from a new offering, absent any brand or relationship equity
- A first-mover advantage is often short-lived, so firms must continually develop new offerings to build their SCA, in terms of offering equity

Takeaways

- New and innovative offerings increase firm value by providing more value to customers (through enhanced performance or better performance for the price), motivating customers to switch, expanding customers and markets, and establishing a brand image as a leading, innovative company
- A stage-gate development process improves the speed of product development, the success likelihood, and the development costs
- Two strategies for developing an innovative offering are repositioning strategies (i.e., Blue Ocean) and technology-based strategies
- People-based factors influence innovation diffusion, according to the adoption lifecycle, which describes differences in people's propensity to adopt new products (innovators, early adopters, early majority, late majority, and laggards). Firms must bridge the chasm between early adopters and the early majority to succeed

Takeaways

- ▶ Product-based factors influence innovation diffusion. Marketers need to evaluate the relative advantage, compatibility, complexity, trialability, and observability of new offerings, then develop ways to leverage them to encourage adoption
- ▶ Three key steps to building offering equity are developing an offering portfolio that provides customers with the best relative advantage among competitors; segmenting, targeting, and positioning the new offering to account for people- and product-based factors to speed up diffusion; and managing customer migration from innovators and early adopters to early majority stages
- ▶ Conjoint analysis can facilitate the design and launch of new offerings by helping managers define the optimal product, according to the value assigned to various product attributes by consumers. Bass models also are helpful, because they use historical data related to the coefficients of innovation and imitation to predict adoption rates



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