

Course: Business Model Innovations

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BUSINESS VALUATION TECHNIQUES: A STRATEGIC MANAGEMENT APPROACH

- ▶ Creativity Is **Not** Exclusively for 'Elite' People
- ▶ It Can be Developed in **All** Persons
- ▶ Creativity is a Personal Problem-solving Process of a Non-routine Kind
- ▶ It Can be Learned, Practiced & Successfully Applied by all – in **Every** Walk of Life

THE REALITY.....

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- ▶ Domain Relevant Skills
- ▶ Creative Processes
- ▶ Intrinsic Task Motivation

THREE COMPONENTS OF CREATIVITY



- ▶ Preparation
- ▶ Incubation
- ▶ Insight
- ▶ Evaluation
- ▶ Elaboration



STAGES IN CREATIVE THOUGHT

▶ So What Is An
Innovation?



- ▶ Newness & Adding Value
 - ▶ Functional Value: Technology-Driven
 - ▶ Symbolic Value (Meaning): Design-Driven
- ▶ Degree of Newness:
 - ▶ Radical Innovation
 - ▶ Incremental Innovation

Characteristics	Incremental improvement	Radical innovation
1. Approach	Collectivism, group efforts, system approach	Rugged individualism, individual ideas and efforts
2. Advantage	Works well in slow-growth areas	Better suited to fast-growth areas
3. Change	Gradual and constant	Abrupt and volatile
4. Effect	Long-term and long-lasting	Short-term but dramatic
5. Effort orientation	People	Technology
6. Evaluation criteria	Process and efforts for better results	Results for profits
7. Involvement	Everybody	Select few "champions"
8. Mode	Maintenance and Improvement	Scrap and rebuild
9. Pace	Small steps	Big steps
10. Practical requirement	Requires little investment but great effort to maintain it	Requires large investment but little effort to maintain it
11. Spark	Conventional know-how and state of the art	Technological breakthroughs, new inventions, new theories
12. Time frame	Continuous and non-radical	Intermittent and non-incremental

Source: Based on Imai (1991, p. 24)

WHAT IS INNOVATION?

- ▶ What do you define as **new**?
- ▶ Can mean different things to different people
- ▶ New to the world (10%)
- ▶ New to the firms (20%)
- ▶ Additions to existing products/process (26%)
- ▶ Improvement and revisions to existing products/process (26%)
- ▶ Repositioning (with different purposes) (7%)
 - ▶ New to the market (geography + segments)
 - ▶ New to the season
- ▶ Cost reduction (11%)

(See; Booz, Allen & Hamilton, 1982; Griffin, 1997)

WHAT IS A NEW INNOVATION?



THE ABCS OF INNOVATION

Innovation = Creativity + Commercialization

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- ▶ Innovation - What is it?
- ▶ Types of innovation
- ▶ Bill Ford on Innovation
- ▶ What is Creativity?
- ▶ Portrait of a Creative Person
- ▶ Six Tips To Help You Enhance Your Creativity
- ▶ ... and another one: Find what you love to do
- ▶ A Suggested Innovation Framework
- ▶ Case Study: 3M – How do they manage innovation?
- ▶ 3M Innovation Strategy and Leadership

OUTLINE

- ▶ Innovation is the introduction of new ideas, goods, services, and practices which are intended to be useful (though a number of unsuccessful innovations can be found throughout history). The main driver for innovation is often the courage and energy to better the world. An essential element for innovation is its application in a commercially successful way. Innovation has punctuated and changed human history (consider the development of electricity, steam engines, motor vehicles, et al).

- ▶ en.wikipedia.org/wiki/Innovation

INNOVATION - WHAT IS IT?

- ▶ “..if we want to succeed as a company – and as an industry – we must drive innovation into everything we do: into technology, into safety, into design and into real-world solutions for environmental issues, like the impact of energy usage on our world.”
 - ▶ Chairman Bill Ford's speech, NATIONAL PRESS CLUB WASHINGTON, DC November 22, 2005
- ▶ “Innovation is going to be the compass by which this company sets its direction.” Bill Ford, Remarks On Innovation, Dearborn, Michigan, September 21, 2005

BILL FORD ON INNOVATION



TYPES OF INNOVATION

In business and economics, innovation is often divided into five types:

1. Product innovation, which involves the introduction of a new good or service that is substantially improved. This might include improvements in functional characteristics, technical abilities, ease of use, or any other dimension.
2. Process innovation involves the implementation of a new or significantly improved production or delivery method.
3. Marketing innovation is the development of new marketing methods with improvement in product design or packaging, product promotion or pricing.
4. Organizational innovation (also referred to as social innovation) involves the creation of new organizations, business practices, ways of running organizations or new organizational behavior.
5. Business Model innovation involves changing the way business is done in terms of capturing value e.g. Compaq vs. Dell.

► **Innovative Thinking: Six Simple Secrets** by Padi Selwyn, M.A.

WHAT IS CREATIVITY?

According to social psychologist Teresa Amabile, there are three basic ingredients to creativity:

- ▶ Domain skills - Domain skills are developed as one becomes an expert in a field. To be a creative mechanical engineer, one must first master the fundamentals of the discipline.
- ▶ Creative thinking skills - Creative thinking skills include seeking novelty and diversity, being independent, being persistent, and having high standards.
- ▶ Intrinsic motivation - Intrinsic motivation implies that the reasons for doing things come from within - from passion and pleasure, not as a result of external demands, pressures, or rewards.
 - ▶ **Everyday Creativity: Principles for Innovative Design.** Dr. Larry G. Richards

- ▶ “Creative people pay attention to their world, see things differently, challenge assumptions, take risks, are not afraid to fail, and strive to generate multiple solutions to problems. They are passionate about creativity and seek opportunities to innovate.”
 - ▶ **Everyday Creativity: Principles for Innovative Design.** Dr. Larry G. Richards

PORTRAIT OF A CREATIVE PERSON



1. **Open Your Mind** - Have one new experience every day; no matter how small. New experiences stimulate the brain and help you make new and original connections; critical for boosting breakthroughs.
2. **Diversify** - Involve others in your problem-solving efforts who bring a different perspective or cultural experience than yours.
3. **Mental Floss – Relax**; Stress, exhaustion, boredom and even pain can block our pathways to creativity.
4. **Stop Looking For *the* Right Answer** - Look for *many* right answers.
5. **Discover Your Creative Rhythm** - Start paying attention to when you get your best ideas.
6. **Health Makes Wealth** - Regular exercise not only benefits your body, it boosts brain performance as well.

SIX TIPS TO HELP YOU ENHANCE YOUR CREATIVITY

► **Innovative Thinking: Six Simple Secrets** by Padi Selwyn, M.A.

... AND ANOTHER ONE: FIND WHAT YOU LOVE TO DO

- ▶ “We know that people do their most creative work when they love doing what they’re doing. There’s no substitute for intrinsic motivation, that is, motivation that comes from within. Although such motivation doesn’t guarantee creativity, dislike or lack of interest in work practically guarantees non-creativity.”
 - ▶ **Ten Keys to Creative Innovation** by Robert J. Sternberg, Ph.D. and Todd I. Lubart, Ph.D.


A SUGGESTED INNOVATION FRAMEWORK



CASE STUDY: 3M – HOW DO THEY MANAGE INNOVATION?

- ▶ The company presents a consistent picture in interviews and in publications – innovation success is a consequence of creating the culture in which it can take place – it becomes ‘the way we do things around here’ in a very real sense. This philosophy is born out in many anecdotes and case histories – the key to their success has been to create the conditions in which innovation can arise from any one of a number of directions, including lucky accidents, and there is a deliberate attempt to avoid putting too much structure in place since this would constrain innovation.
 - ▶ *The 3M way to innovation: Balancing people and profit.* New York, Kodansha International.

3M INNOVATION STRATEGY AND LEADERSHIP

- ▶ Setting stretch targets – such as ‘x% of sales from products introduced during the past y years’ – provides a clear and consistent message and a focus for the whole organization.
 - ▶ Allocating resources as ‘slack’ – space and time in which staff can explore and play with ideas, build on chance events or combinations, etc.
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3M INNOVATION STRATEGY AND LEADERSHIP

- ▶ Encouragement of ‘bootlegging’ employees working on innovation projects in their own time and often accessing resources in a non-formal way – the ‘benevolent blind eye’ effect.
- ▶ Provision of staged resource support for innovators who want to take an idea forward – effectively different levels of internal venture capital for which people can bid (against increasingly high hurdles) – this encourages ‘intrapreneurship’ (internal entrepreneurial behavior) rather than people feeling they have to leave the firm to take their good ideas forward.

LOCATING BUSINESS IDEAS

- ▶ **Products:** Create Entirely New Products or New Services
 - ▶ **Solutions:** Solve “End-to-end” Problems for Customers
 - ▶ **Customers:** Find New Customer Segments or Unmet Needs
 - ▶ **Customer Experience:** Change How Customers Interact With You
 - ▶ **Revenue Model:** Change How You Get Paid
 - ▶ **Processes:** Innovate on Operating Processes
 - ▶ **Value Chain:** Change Position or Scope of Participation
 - ▶ **Logistics/Supply Chain:** Change the Way You Source & Ship
 - ▶ **Channels:** Change How you Go To Market with your Products
 - ▶ **R&D:** Create New Technologies, Materials, Products or Processes
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How can we evaluate the opportunity? Screening

Quick Screen

- Market & margin
- Competitive advantage
- Value Creation & realisation
- Overall potential



Even quicker screen!



- Industry & market
- Economics
- Harvest Issues
- Competitive Advantage Issues
- Management Team
- Fatal Flaws
- Personal Criteria
- Strategy differentiation

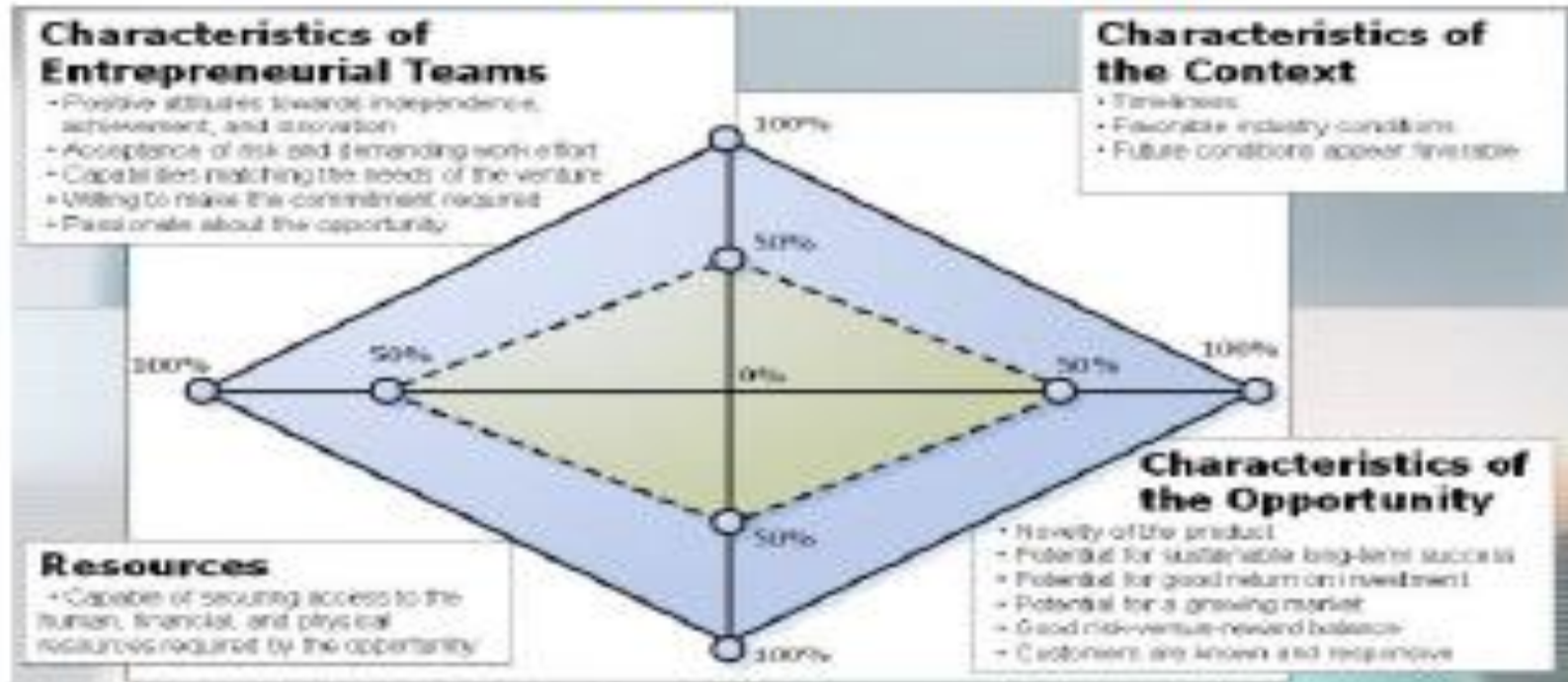
Geraldine McKay

THERE ARE OTHER TECHNIQUES TO SCREEN YOUR IDEA....

- ▶ Systematic approach but avoid the paralysis with analysis approach.
- ▶ Should screening be the same for every business or change depending on the context?-Service company's think that ideas should be generated as required rather than an ongoing basis but still use financial, marketing, management, strategy and resource implications (Kelley & Storey 1999)
- ▶ Hard and fast rules presented by writers.

SCREENING

Evaluation of business opportunities



Technology Venture, Dorf and Byers, 2008

Dr. Yen Tran


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- ▶ <http://www.growingbusiness.co.uk/ones-to-watch?page=6>



CASE STUDIES OF SUCCESSFUL BUSINESSES

TRUE ENTREPRENEURIAL, CREATIVE & INNOVATIVE ACTS

- ▶ Dare To Dream!!!
 - ▶ Be Creative... Do Things Which Others Refuse! No Compromise Between Dream & Capabilities
 - ▶ The New Ones Can Start from the Forgotten Old Ones Stop & Look Around
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Additional Resources.....

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- Stokes, D., Wilson, N., (2006) *Small Business Management & Entrepreneurship*, Ch4, pp100 – 139 Thomson Learning.
- Throsby, D. (2001) *Economics and Culture*. Cambridge: Cambridge University Press
- Timmons, Jeffrey A & Spinelli, Stephen (2007) *New Venture Creation* McGrawHill. ch 3 & 4
- WEBSITES ACCESSED.....
- <http://www.sie.ac.uk/60secondshorts/videos.php>
- <http://www.creax.com/csa/frame.asp?session=zero>

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Bygrave, W.D. (1989) The entrepreneurship paradigm (1): a philosophical look at its research methodologies, *Entrepreneurship Theory and Practice*, 14(1), 1-26.

READING

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EXERCISES AND DISCUSSION



- ▶ Business Model Innovation Strategy: Transformational Concepts and Tools for Entrepreneurial Leaders – Illustrated, October 13, 2020 by Raphael Amit (Author), Christoph Zott (Author)
- ▶ Innovation Strategy: Seven Keys to Creative Leadership and a Sustainable Business Model by Howard Rasheed Ph.D | May 16, 2012
- ▶ RESTART Sustainable Business Model Innovation (Palgrave Studies in Sustainable Business In Association with Future Earth) Part of: Palgrave Studies in Sustainable Business In Association with Future Earth (10 Books) | by Sveinung Jørgensen and Lars Jacob Tynes Pedersen | Jul 31, 2018
- ▶ End-to-End M&A Process Design: Resilient Business Model Innovation by Thorsten Feix | Jul 8, 2020
- ▶ Business Model Innovation: Concepts, Analysis, and Cases by Allan Afuah | Oct 3, 2018

REFERENCE AND SOURCE