

## Theme 4: Innovation strategy

<i>Theme</i>	<i>Organizing framework or tool</i>	<i>Key questions to reflect on using the framework/tool</i>
<b>4 Innovation strategy</b>	4Ps and exploring innovation space.	How to create and sustain strategic advantage through innovation?

### Theme 4: Key points:

1 Building a capability to organize and manage innovation is a great achievement – but we also need to consider where and how innovation can be used to strategic advantage. Two key themes are important here – first, what is our overall ‘business strategy’ and how will innovation help us get there? And second, do we know anything about the direction we want to go in – does it build on something we have some competence in (or have access to)?

2 Innovation can take many forms but they can be reduced to four directions of change:

- ‘product innovation’ – changes in the things (products/services) which an organization offers,
- ‘process innovation’ – changes in the ways in which they are created and delivered
- ‘position innovation’ – changes in the context in which the products/services are introduced
- ‘paradigm innovation’ – changes in the underlying mental models which frame what the organization does

3 Within any of these dimensions innovations can be positioned on a spectrum from ‘incremental’ – doing what we do but better – through to ‘radical’ – doing something completely different. And they can be stand-alone ‘component innovations or they can form part of a linked ‘architecture’ or system which brings many different components together in a particular way.

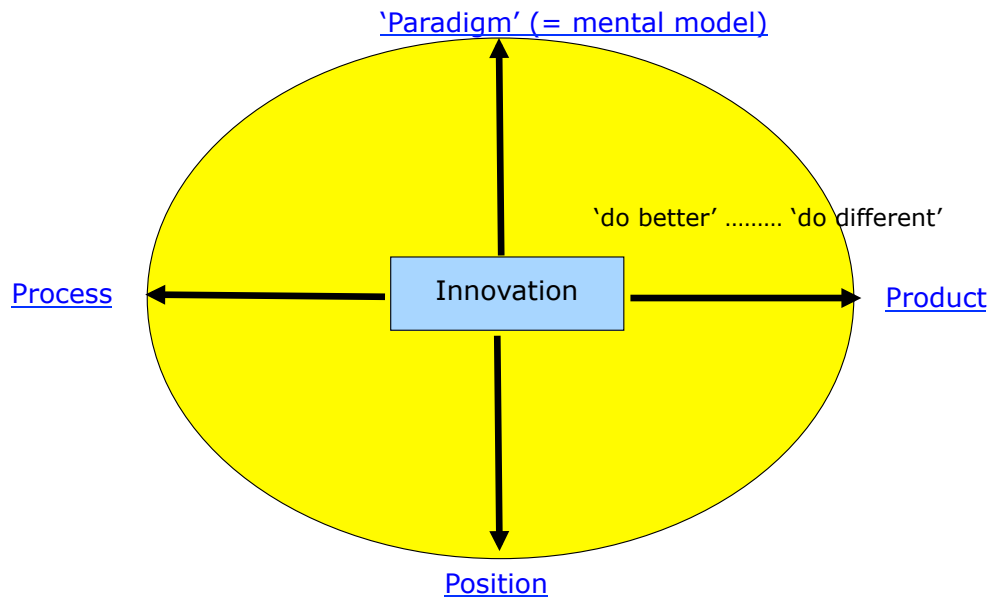
4 The area indicated by the circle in the model below is the potential innovation space within which an organization can operate. (Whether it actually explores and exploits all the space is a question for innovation *strategy*

5 We can use the model to look at where the organization currently has innovation projects – and where it might move in the future. For example, if the emphasis has been on product and process innovation there may be scope for exploring more around position innovation - which new or underserved markets might we play in? Or around defining a new paradigm, a new business model with which to approach the marketplace.

6 We can also compare maps for different organizations competing in the same market – and use the tool as a way of identifying where there might be relatively unexplored space which might offer significant innovation opportunities. By looking at where other organizations are clustering their efforts we can pick up valuable clues about how to find relatively uncontested space and focus our efforts on these – as the low cost airlines did with targeting new and underserved markets for travel

## Theme 4: Key framework – the 4Ps model for exploring innovation space

### Exploring innovation space



Here are some examples mapped on to the framework

Innovation type	Incremental – do what we do but better	Radical – do something different
<b>'Product' – what we offer the world</b>	<p>Windows 7 and 8 replacing Vista and XP – essentially improving on existing software idea</p> <p>New versions of established car models – e.g. the VW Golf essentially improving on established car design</p> <p>Improved performance incandescent light bulbs</p> <p>CDs replacing vinyl records – essentially improving on the</p>	<p>New to the world software – for example the first speech recognition program</p> <p>Toyota Prius – bringing a new concept – hybrid engines. Tesla – high performance electric car.</p> <p>LED-based lighting, using completely different and more energy efficient principles</p> <p>Spotify and other music streaming services – changing the pattern from owning your own collection to renting a vast library of</p>

	storage technology	music
<b>Process – how we create and deliver that offering</b>	<p>Improved fixed line telephone services</p> <p>Extended range of stock broking services</p> <p>Improved auction house operations</p> <p>Improved factory operations efficiency through upgraded equipment</p> <p>Improved range of banking services delivered at branch banks</p> <p>Improved retailing logistics</p>	<p>Skype and other VOIP systems</p> <p>On-line share trading</p> <p>eBay</p> <p>Toyota Production System and other ‘lean’ approaches</p> <p>Online banking and now mobile banking in Kenya, Philippines – using phones as an alternative to banking systems</p> <p>On line shopping</p>
<b>Position – where we target that offering and the story we tell about it</b>	<p>Haagen Dazs changing the target market for ice cream from children to consenting adults</p> <p>Airlines segmenting service offering for different passenger groups – Virgin Upper Class, BA Premium Economy, etc.</p> <p>Dell and others segmenting and customizing computer configuration for individual users</p> <p>On line support for traditional higher education courses</p> <p>Banking services targeted at key segments – students, retired people, etc.</p>	<p>Addressing underserved markets – for example the Tata Nano aimed at emerging but relatively poor Indian market with car priced around \$2000.</p> <p>Low cost airlines opening up air travel to those previously unable to afford it – create new market and also disrupt existing one</p> <p>Variations on the ‘One laptop per child’ project – e.g. Indian government \$20 computer for schools</p> <p>University of Phoenix and others, building large education businesses via online approaches to reach different markets</p> <p>‘Bottom of the pyramid’ approaches using a similar principle but tapping into huge and very different high volume/low margin markets – Aravind eye care, Cemex construction products</p>
<b>Paradigm – how we frame what we do</b>	<p>Bausch and Lomb – moved from ‘eye wear’ to ‘eye care’ as their business model, effectively letting go of the old business of spectacles, sunglasses (Raybans) and contact lenses all of which were becoming commodity businesses. Instead they moved into newer high tech fields like</p>	<p>Grameen Bank and other microfinance models – rethinking the assumptions about credit and the poor</p> <p>iTunes platform – a complete system of personalized entertainment</p> <p>Cirque de Soleil – redefining the circus experience</p>

	<p>laser surgery equipment, specialist optical devices and research in artificial eyesight</p> <p>Dyson redefining the home appliance market in terms of high performance engineered products</p> <p>Rolls Royce – from high quality aero engines to becoming a service company offering ‘power by the hour’</p> <p>IBM from being a machine maker to a service and solution company – selling off its computer making and building up its consultancy and service side.</p>	<p>Amazon, Google, Skype – redefining industries like retailing, advertising and telecoms through online models</p> <p>Linux, Mozilla, Apache – moving from passive users to active communities of users co-creating new products and services</p>
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### Using the 4Ps Approach to Explore Innovation Space

## Theme 4: Exercises

1. Read section 1.5 of the book (and for more detail D. Francis and J. Bessant, 'Targeting innovation and implications for capability development', *Technovation* 25:3 (2005): p. 171-183).
2. Taking a specific case example with which you are familiar, try to map its innovation activities onto the 4Ps framework.
3. Look back and identify its key areas of concentration. Where are its strengths – and where (and why) the gaps?
4. What is its present portfolio of innovative activity – again, where is it concentrated, where are the strengths and where are the gaps?
5. Finally, looking ahead, where could it/should it be concentrating? Where is it vulnerable and therefore where are there new targets for strategic innovation?

This can be a group or individual exercise and can trigger a lively discussion. It is useful to ask groups to provide a short, focused feedback presentation highlighting key points, lessons learned, etc.

A useful variant is to show a simple case study video or to use a brief case drawn from current press reports or websites and ask the groups to conduct a 4Ps analysis on that, looking for innovation opportunities. Some examples can be found in the 'Case studies' section of this website.

It is also useful to provide them with a simple visual framework to carry out the review and to focus presentations:

