Reinventing Innovation

Prof. dr. R. Moenaert – TIAS School for Business and Society
Innovation Priorities

New product/service development: 54
Customer relationship management: 45
Market sensing and intelligence: 36
Strategic partnering and alliances: 35
Pricing: 35
Service delivery: 30
Technology development: 29
Selling and communications: 28
Strategic planning: 26
Managing brand equity: 24
Selecting target markets: 23
Operations/Manufacturing: 23
Human resource management: 18
ICT-implementation: 18
Channel relationship management: 17
Channel design: 10
Order fulfillment: 10
Finance/resource allocation: 9
Procurement/vendor selection: 8
Logistics: 8
Control: 6

© Moenaert, Robben & Gouw
Competing in Changing Markets 2013
Inventing Innovation

**Strategy**
Who do you want to be?

**Organization**

**Project**
Execution from concept to roll-out

**Portfolio**
Choices and priorities among strategic options

**Digital**

**Analog**

**Exploration**

**Exploitation**

**Ecosystem**

**Customer**

**Open**

**Closed**
part 1
digital disruption
Digital Business Disruption

Retailing: Amazon (1994)


Community: MySpace (1999)

Television: YouTube (2005)
FBI scouts for younger class of cyber sleuths

By Kara Scannell in New York

The Federal Bureau of Investigation is looking to enlist teenagers in its fight against cyber crime before they are lured into high-paying private sector jobs or fail background checks by smoking marijuana.

A first of its kind pilot programme to be launched next autumn by the FBI will offer computer security classes to select high school students near Pittsburgh, Pennsylvania, for university credit.

The classroom outreach and training comes as US law enforcement agencies are under pressure to develop cyber crime fighting resources to combat the escalating threat state-sponsored hackers and organised criminals pose to US businesses and government agencies.

“We know the talent we need and we need to go earlier and get to people when they’re making career and life decisions,” said Christopher Geary, a supervisory special agent in the cyber division of the FBI’s Pittsburgh field office. The competition for computer experts “has evolved so quickly everybody is looking for answers,” he said.

FBI officials have acknowledged the challenge of attracting would-be hackers in part because of the demographic they want to reach and the bureau’s strict drug policy, which disqualifies applicants if they used marijuana in the previous three years.
Aha, the 20th Century was **Quiet**?

- World War I & II
- The Great Depression
- Hitler, Stalin, Mao
- The Fall of the Berlin Wall
- Spanish Flue
- Radio & Television
- Cars, Planes & Rockets
- Antibiotics, Birth Control Pill
- Nuclear energy
- Computers & Internet
“It is simply that we glorify ourselves by describing our age as turbulent. One is reminded here of those people who, in categorizing periods of history, always reserve one for their own time (say, the total quality management movement of the 1990s alongside the eras of the dinosaurs and the Ming dynasty). In other words, what we really face are not turbulent times but over-inflated egos.”

Henry Mintzberg
The Rise and Fall of Strategic Planning (1994)
Has the World really become **Hypercompetitive**?

‘The relative importance of hypercompetitive assumptions about markets, business strategy and performance in the late 1990s appears to be much the same as it was in the late 1970s and early 1980s’

McNamara, Vaaler & Devers
“Same as it ever was: the search for evidence of increasing hypercompetition”
*Strategic Management Journal*, 2003

‘We find support for the argument that over time competitive advantage has become **significantly harder to sustain** and, further, that the phenomenon is limited neither to high-technology industries nor to manufacturing industries but is seen across a broad range of industries.’

Wiggins & Ruefli
“Schumpeter’s ghost: is hypercompetition making the best of times shorter?”
*Strategic Management Journal*, 2005
The **Diffusion** of Innovations

**Early Market**
- Innovators (2.5%)
- Early Adopters (13.5%)
- Technology Enthusiasts
- Visionaries

**Mainstream Market**
- Early Majority (34%)
- Late Majority (34%)
- Pragmatists
- Conservatives

**CHASM**
- Laggards (16%)
- Skeptics
part 2
ecosystems
Markets become **Arenas**
Ecosystems in Healthcare

- Patient
- Primary care
- Medical care institutions
- Insurance companies
- Pharma & medical industry
- Government
Wolves in Yellowstone
Ecosystem Definition

“an economic community supported by a foundation of interacting organizations and individuals – the organisms of the business world”

J. Moore
Who’s your most important competitor?
Learning from James Patterson
How does he do it?

Source: www.jamespatterson.com
# pages based on hardcover versions in 2014
(in 2011: 11 books, 3920 pages, 10.7 pages/day)
“the biggest technical innovation in the tire industry since we introduced the radial tire nearly 60 years ago”
The Sony Reader Value Blueprint at Launch

“As an e-book reader, Sony’s device was commendable; as an e-book solution, it was a flailing effort” – R. Adner

Source: Ron Adner
“The Wide Lens”
part 3

radical innovations
Silicon Valley Serves as a **Heroic** Role Model
Transformational Goals

'Transformational Goals'
- 'Change a billion people's life in 10 years time' (Singularity University)

'Regional heritage in the Golden State'
- 'If you think you can be the next Silicon Valley, you’re crazy. All the stars are lined up here: schools, banks, talent' (Evo Nexus)

'Heroic dynamism and talented protagonists'
- 'Larry Page kills incrementalism' (Google)

'The inertia of antagonists'
- Dynamism is the price you pay for local stability' (Janssen)
New Kodak Cameras.

"You press the button, we do the rest."

(or you can do it yourself.)

Seven New Styles and Sizes

All loaded with Transparent Films.

THE EASTMAN COMPANY, Rochester, N.Y.

Send for Catalogue.
Decline of Film

Film rolls sold

Camera sales

- Film rolls & single use cameras
- Digital cameras
- Analog cameras
Optimism...
Boom and Bust
"... the boom and bust cycle will span a mere five years, clocking a pace that is five to ten times as fast as in the old economy. The average length of the shakeout period was over ten years during the first half of the 20th century. Typical shakeouts began 20 to 30 years after the first company entered the new market"

Day, Fein & Ruppersberger
“Shakeouts in digital markets: Lessons from B2B exchanges”
## The Top 20 R&D Spenders

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>2014 US$ Billions</th>
<th>Change from 2013</th>
<th>As a % of Sales</th>
<th>Headquarters Location</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Volkswagen</td>
<td>$13.5</td>
<td>18.9%</td>
<td>5.2%</td>
<td>Europe</td>
<td>Auto</td>
</tr>
<tr>
<td>2</td>
<td>Samsung</td>
<td>$13.4</td>
<td>29.0%</td>
<td>6.4%</td>
<td>South Korea</td>
<td>Computing and Electronics</td>
</tr>
<tr>
<td>3</td>
<td>Intel</td>
<td>$10.6</td>
<td>4.6%</td>
<td>20.1%</td>
<td>North America</td>
<td>Computing and Electronics</td>
</tr>
<tr>
<td>4</td>
<td>Microsoft</td>
<td>$10.4</td>
<td>6.1%</td>
<td>13.4%</td>
<td>North America</td>
<td>Software and Internet</td>
</tr>
<tr>
<td>5</td>
<td>Roche</td>
<td>$10.0</td>
<td>-1.8%</td>
<td>19.8%</td>
<td>Europe</td>
<td>Healthcare</td>
</tr>
<tr>
<td>6</td>
<td>Novartis</td>
<td>$9.9</td>
<td>5.6%</td>
<td>17.0%</td>
<td>Europe</td>
<td>Healthcare</td>
</tr>
<tr>
<td>7</td>
<td>Toyota</td>
<td>$9.1</td>
<td>-7.0%</td>
<td>3.5%</td>
<td>Japan</td>
<td>Auto</td>
</tr>
<tr>
<td>8</td>
<td>Johnson &amp; Johnson</td>
<td>$8.2</td>
<td>6.8%</td>
<td>11.5%</td>
<td>North America</td>
<td>Healthcare</td>
</tr>
<tr>
<td>9</td>
<td>Google</td>
<td>$8.0</td>
<td>17.1%</td>
<td>13.3%</td>
<td>North America</td>
<td>Software and Internet</td>
</tr>
<tr>
<td>10</td>
<td>Merck &amp; Co.</td>
<td>$7.5</td>
<td>-8.1%</td>
<td>17.0%</td>
<td>North America</td>
<td>Healthcare</td>
</tr>
<tr>
<td>11</td>
<td>General Motors</td>
<td>$7.2</td>
<td>-2.3%</td>
<td>4.6%</td>
<td>North America</td>
<td>Auto</td>
</tr>
<tr>
<td>12</td>
<td>Daimler</td>
<td>$7.0</td>
<td>4.8%</td>
<td>4.4%</td>
<td>Europe</td>
<td>Auto</td>
</tr>
<tr>
<td>13</td>
<td>Pfizer</td>
<td>$6.7</td>
<td>-15.1%</td>
<td>12.9%</td>
<td>North America</td>
<td>Healthcare</td>
</tr>
<tr>
<td>14</td>
<td>Amazon</td>
<td>$6.6</td>
<td>43.8%</td>
<td>8.8%</td>
<td>North America</td>
<td>Software and Internet</td>
</tr>
<tr>
<td>15</td>
<td>Ford</td>
<td>$6.4</td>
<td>16.4%</td>
<td>4.4%</td>
<td>North America</td>
<td>Auto</td>
</tr>
<tr>
<td>16</td>
<td>Sanofi</td>
<td>$6.3</td>
<td>0.1%</td>
<td>14.5%</td>
<td>Europe</td>
<td>Healthcare</td>
</tr>
<tr>
<td>17</td>
<td>Honda</td>
<td>$6.3</td>
<td>-6.6%</td>
<td>5.4%</td>
<td>Japan</td>
<td>Auto</td>
</tr>
<tr>
<td>18</td>
<td>IBM</td>
<td>$6.2</td>
<td>-1.2%</td>
<td>6.2%</td>
<td>North America</td>
<td>Computing and Electronics</td>
</tr>
<tr>
<td>19</td>
<td>GlaxoSmithKline</td>
<td>$6.1</td>
<td>-2.4%</td>
<td>14.8%</td>
<td>Europe</td>
<td>Healthcare</td>
</tr>
<tr>
<td>20</td>
<td>Cisco Systems</td>
<td>$5.9</td>
<td>8.3%</td>
<td>12.2%</td>
<td>North America</td>
<td>Computing and Electronics</td>
</tr>
</tbody>
</table>

**TOP 20 TOTAL**: $165.3, 5.4% of Sales

*Source: Bloomberg data, Capital IQ data, Strategy & analysis*
‘[P]ioneers mostly fail, have a low market share, and are rarely market leaders. In particular, about two-thirds of the pioneers in our sample failed. On average, pioneers have an equilibrium market share of only 6 percent. And only 9 percent of these pioneers endure as market leaders’

Tellis & Golder
Stage of Development

Rate of Innovation

Product Innovation

Process Innovation

Dominant Design

Abernathy & Utterback

@moenaert
Re-inventing Innovation
@moenaert

re-inventing Innovation

Seeking Effectiveness
Building Efficiency
Sustaining Comfort
‘Companies don’t make the most of new opportunities
Because they’re making the most of old ones’
part 4

open innovation
All for fast and fast for all.
What Makes the iPhone so Smart?

Source: The Entrepreneurial State: debunking public vs. private sector myths (Mazzucato, 2013), p109. Fig 13
Not a **Conventional** Company?

As Sergey and I wrote in the original founders letter 11 years ago, “Google is not a conventional company. We do not intend to become one.” [more]
The Emperor Wears no Clothes

Alphabet is about businesses prospering through strong leaders and independence. In general, our model is to have a strong CEO who runs each business, with Sergey and me in service to them as needed. We will rigorously handle capital allocation and work to make sure each business is executing well. We’ll also make sure we have a great CEO for each business, and we’ll determine their compensation. In addition, with this new structure we plan to implement segment reporting for our Q4 results, where Google financials will be provided separately than those for the rest of Alphabet businesses as a whole.
“Social innovation – or what I like to call innovation squared – makes all first-order innovation and human productivity possible in the first place. I agree with many Edison observers that his greatest invention was the modern research-and-development laboratory – a social invention.

What was Henry Ford’s greatest invention? Not the Model T, but the first successful large scale application of a new method of management to the automobile industry – the assembly line.

What was Walt Disney’s greatest creation? Not Disneyland or Mickey Mouse, but the Disney creative department that to this day continues to generate ingenious ways to make people happy”

Jim Collins in Leading for Innovation (Hesselbein et al.)
Barriers to Cooperation

1. Transparency
   Who you gonna call?

2. Cost
   30 meters or so ends regular talk

3. Credibility
   Whom do you trust?

4. Codification
   What is good food?

5. Secrecy
   The origins of Nest
Managing Cooperation

**Corporate**
- Goal Congruence
- Culture
- Infrastructure
- Innovation Board

**Team**
- Team Leader
- Innovation Process
  - Core Team
  - Early Involvement
Reinventing Innovation

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