



MANAGEMENT DELL'INNOVAZIONE

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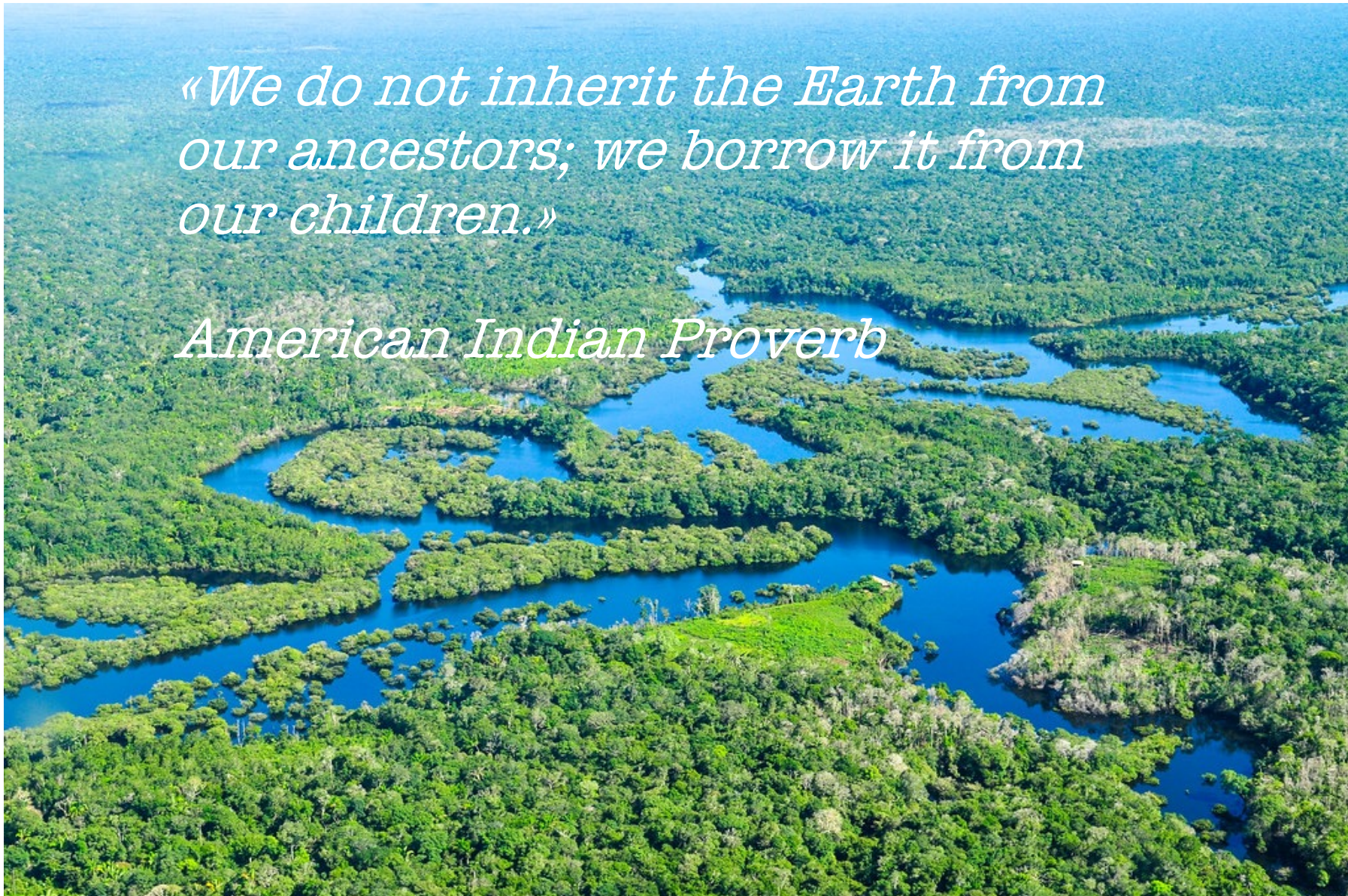
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*«We do not inherit the Earth from
our ancestors; we borrow it from
our children.»*

American Indian Proverb





Required readings

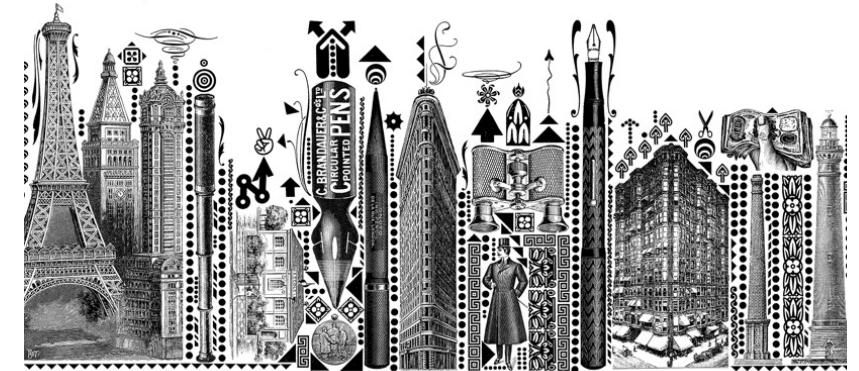
- Porter, M. & Kramer, M. R. (2011). *Creating shared value* (Vol. 17). Boston, MA, USA: FSG.
- Prahalad, C. K. (2012). Bottom of the pyramid as a source of breakthrough innovations. *Journal of product innovation management*, 29(1), 6-12.

Shared Value

Creating Shared Value

How to reinvent capitalism—and unleash a wave of innovation and growth. by Michael E. Porter and Mark R. Kramer

From the Magazine (January–February 2011)



J PROD INNOV MANAG 2012;29(1):6–12
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DOI: 10.1111/j.1540-5885.2011.00874.x

Bottom of the Pyramid as a Source of Breakthrough Innovations*

C. K. Prahalad

In this paper, I identify the bottom of the pyramid (BOP) markets as a new source of radical innovation. By focusing managerial attention on creating awareness, access, affordability, and availability (4As), managers can create an exciting environment for innovation. I suggest that external constraints can be utilized to build an innovation sandbox within which new products and business models can be created. Using a live example of such an innovation—the development of the biomass stove for the rural poor in India—I illustrate the process and the usefulness of the approach. Increasingly, global firms are recognizing the implications of innovations at the BOP for developed markets as well.



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Creating Shared Value & Sense of Purpose

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Amazon Rainforest: Highest deforestation rate in six years

🕒 9 July 2022





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te Change Energy Pollution Policy & Economics Oceans Biodiversity Conservation Solutions Data Visualisa

POLICY & ECONOMICS, SOLUTIONS

Why We Need to Change Capitalism for Climate Action

BY SALEHA NOOR | AFRICA AMERICAS ASIA EUROPE OCEANIA | JUL 30TH 2021 | 5 MINS



#welcometoournew

This economist has a plan to fix capitalism. It's time we all listened

Mariana Mazzucato has demonstrated that the real driver of innovation isn't lone geniuses but state investment. Now she's working with the UK government, EU and UN to apply her moonshot approach to the world's biggest challenges



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Why we need the 'Davos Manifesto' for a better kind of capitalism

Dec 1, 2019

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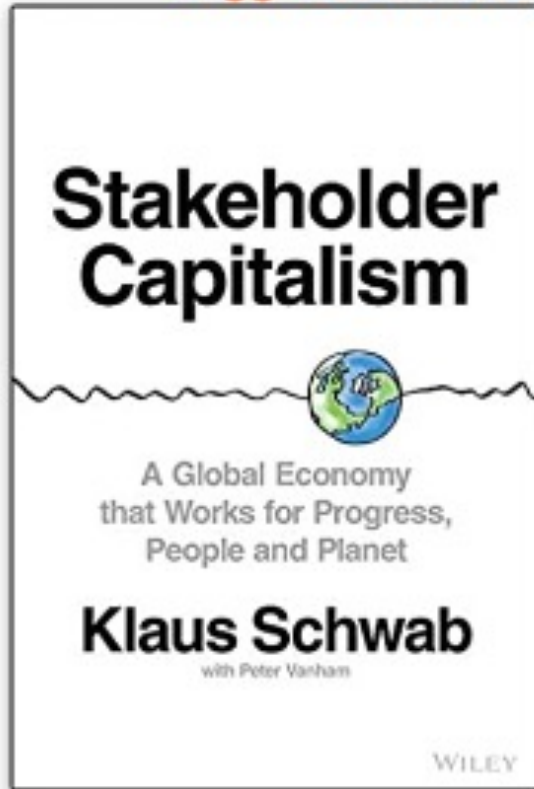
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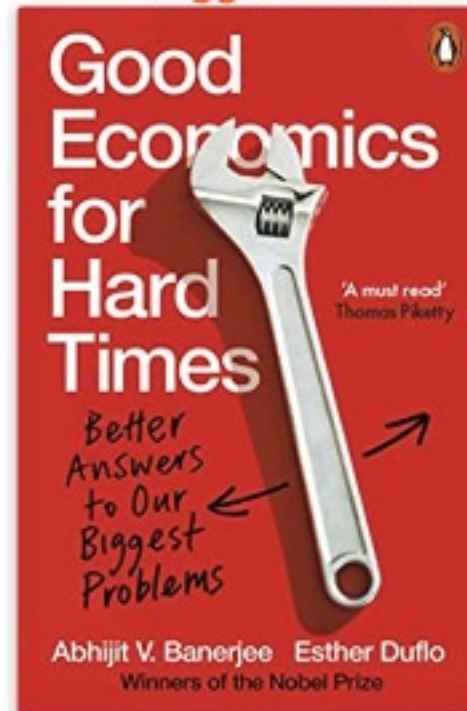
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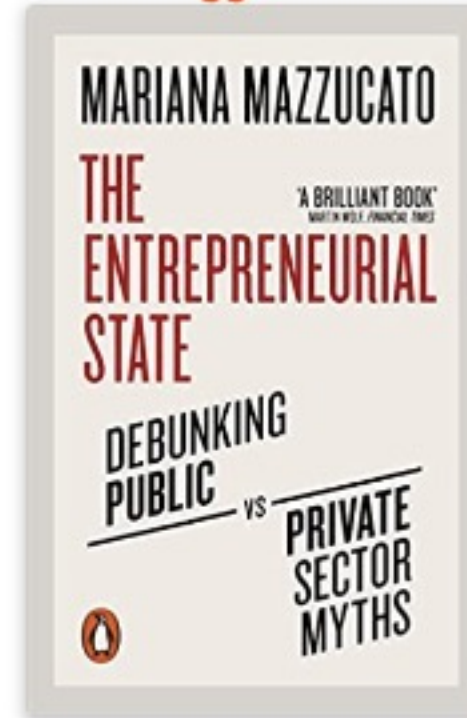
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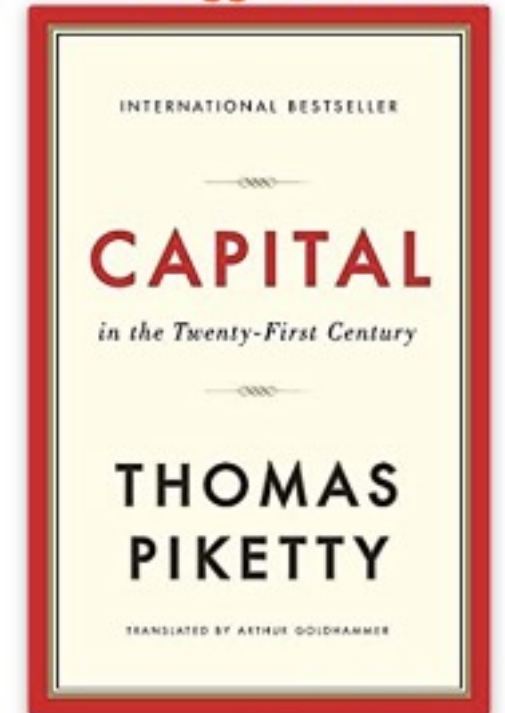
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Not all profit is equal. Profits involving a social purpose represent a higher form of capitalism, one that creates a positive cycle of company and community prosperity.

Porter Kramer 2011



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Creating Shared Value

How to reinvent capitalism—and unleash a wave of innovation and growth. by Michael E. Porter and Mark R. Kramer

From the Magazine (January–February 2011)



Porter, Kramer (2011). Creating shared value. How to reinvent capitalism – and unveil a wave of innovation and growth. HBR.



2000s

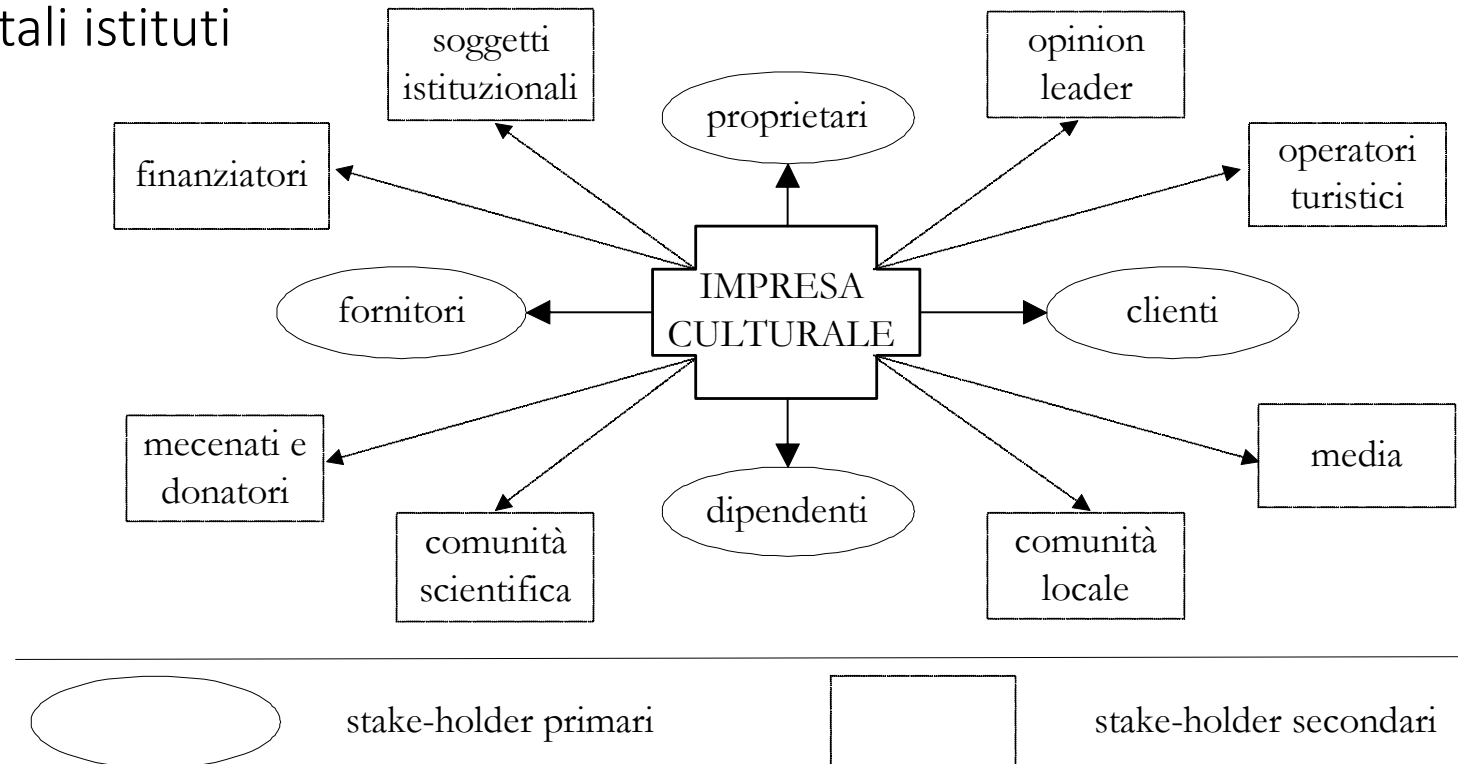
Creating Shared Value (CSV)

- Nel 2006, nasce il concetto di creazione di valore condiviso (Creating Shared Value)
- Lo scopo dell'impresa deve essere ridefinito come **creazione di valore condiviso**, non solo come profitto in sé. Questo guiderà la prossima ondata di innovazione e crescita della produttività nell'economia globale.
- Il **valore condiviso** è una **strategia di gestione incentrata sulla creazione di valore aziendale misurabile** da parte delle aziende, identificando e affrontando i problemi sociali che si intersecano con la loro attività.



Il rapporto con gli stakeholder

Le imprese attivano infatti una fitta **trama relazionale** con una pluralità di *stakeholder*, cioè soggetti "portatori di interessi" diversi, in grado di esprimere, con intensità variabile, un potere di condizionamento sulla vita di tali istituti





WHAT IS “SHARED VALUE”?

etti”

The concept of shared value can be defined as policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates. Shared value creation focuses on identifying and expanding the connections between societal and economic progress.

The concept rests on the premise that both economic and social progress must be addressed using value principles. Value is defined as benefits relative to costs, not just benefits alone. Value creation is an idea that has long been recognized in business, where profit is revenues earned from customers minus the costs incurred. However, businesses have rarely approached societal issues from a value perspective but have treated them as peripheral matters. This has obscured the connections between economic and social concerns.

In the social sector, thinking in value terms is even less common. Social organizations and government entities often see success solely in terms of the benefits achieved or the money expended. As governments and NGOs begin to think more in value terms, their interest in collaborating with business will inevitably grow.



Come si crea il valore condiviso (shared value)?

1. Ripensando i prodotti o i mercati
2. Ridefinendo la produttività nella value chain
3. Costruendo cluster di supporto all'industria nel luogo dell'impresa

Qual è il guadagno per l'impresa? Le imprese private sono tendenzialmente molto più efficienti dei governi e del non-profit a motivare i consumatori ad abbracciare prodotti e servizi che creano benefici per la società.



THE CONNECTION BETWEEN COMPETITIVE ADVANTAGE AND SOCIAL ISSUES

There are numerous ways in which addressing societal concerns can yield productivity benefits to a firm. Consider, for example, what happens when a firm invests in a wellness program. Society benefits because employees and their families become healthier, and the firm minimizes employee absences and lost productivity. The graphic below depicts some areas where the connections are strongest.



Aziendali,
iche "Bruno de Finetti"



1) Riconcepire prodotti o mercati



office@wasteconcern.org



- Hybrid Profit/non-profit enterprise started in Bangladesh.
- Converting trash collected from slums into organic fertilizer, increasing crop yields and reducing CO2 emissions.
- Seeded from the Lions Club and the UN Development program.

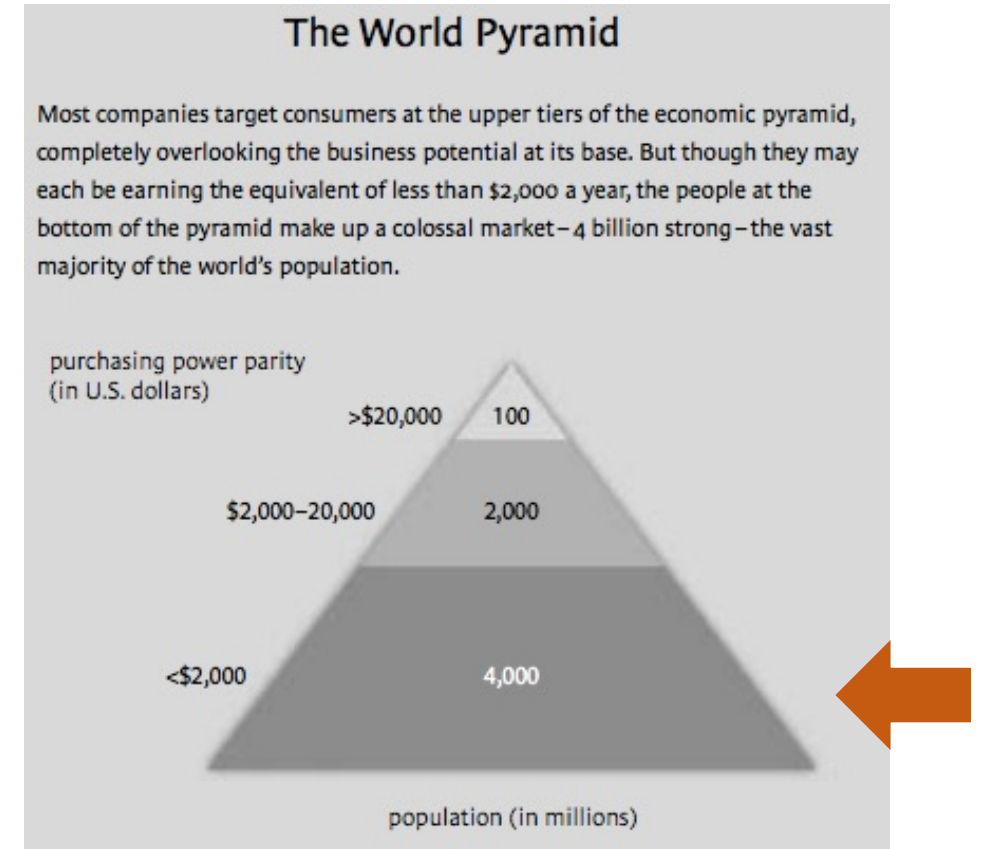


Quante persone vivono
con meno di 2 \$ al giorno?



Riconcepire prodotti o mercati

- Il mercato Bottom of the Pyramid (BOP) (nel mondo) è stimato in 5.000 miliardi di dollari a parità di potere d'acquisto (PPP) (World Resources Institute, 2007).
- Caratteristiche del mercato BOP:
 - 4 miliardi di persone che vivono con meno di 2 dollari al giorno
 - molteplici culture, etnie, alfabetizzazioni, capacità ed esigenze
 - "buio mediatico"
 - problemi di distribuzione (come rifornire i prodotti in luoghi remoti)
- Sfida: **convertire i mercati non organizzati e frammentati in un mercato organizzato del settore privato.**





Bottom of The Pyramid

- Seeing a market at the bottom of the pyramid requires imagination rather than analytics
- **Jaipur Foot** – costs 25\$ and is innovative because looking like a naked foot (adapt to pray)





Popolazione BOP, Reddito, e Dimensione del mercato

BOP POPULATION, INCOME, AND MARKET SIZE

Region	BOP Population (millions)	BOP Population (share of total population)	BOP income (billion \$)	BOP share of total market
Africa	486	95%	429	70.5%
Asia	2,858	83%	3,470	41.7%
Eastern Europe	254	64%	458	36.0%
Latin America	360	70%	509	28.2%
Global BOP	4,000	72%	5,000	

Source: World Resources Institute



I 4 mercati BOP regionali.

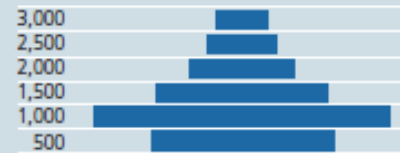
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THE FOUR REGIONAL BOP MARKETS

Africa

(total market \$ 429 Billion)
Total market by income segment



\$ per person a year

Africa: The African BOP population consists of 486 million people (95 percent of the total population) and constitutes a \$ 429 billion market representing 70 percent of the total market. The actual BOP market is smaller compared to the other regions but it is the dominant consumer market on the African continent.

Asia

(total market \$ 3,470 Billion)
Total market by income segment

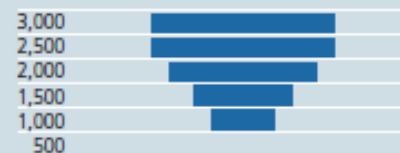


\$ per person a year

Asia: The Asian BOP population consists of 2.86 billion people (83 percent of the total population) and constitutes a \$ 3.47 trillion market representing 42 percent of the total market. The market is the largest of all the different BOP markets and makes up a significant share of the rapid growth in Asian consumer markets.

Eastern Europe

(total market \$ 458 Billion)
Total market by income segment

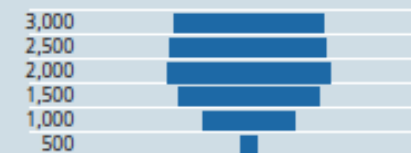


\$ per person a year

Eastern Europe: The Eastern European BOP population consists of 254 million people (64 percent of the total population) and constitutes a \$ 458 billion market representing 36 percent of the total market.

Latin America & the Caribbean

(total market \$ 509 Billion)
Total market by income segment



\$ per person a year

Latin America: The Latin American BOP population consists of 360 million people (70 percent of the total population) and constitutes a \$ 509 billion market representing 28 percent of the total market.

Source: World Resources Institute



I settori BOP

THE BOP SECTOR MARKETS

Sector	Market size (\$ billion)
Food	2,894
Energy	433
Housing	332
Transportation	179
Health	158
ICT	51
Water	20

Source: World Resources Institute

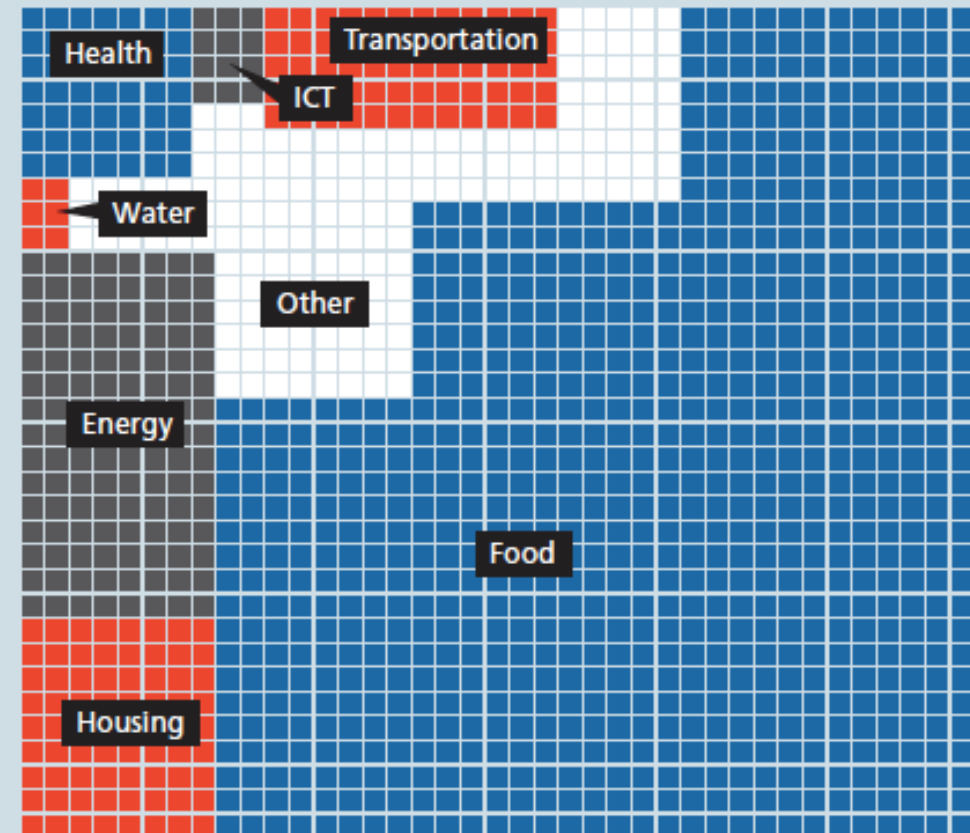
Cinque vantaggi del BOP:

1. Vasta dimensione del mercato
2. Crescita rapida
3. Ambiente meno competitivo
4. Opportunità di risparmio sui costi
5. Opportunità di innovazione

Obiettivo strategico: Margini tramite i volumi

ESTIMATED BOP MARKET BY SECTOR

\$ 5,000 billion



Note: Each square represents around \$ 400 million.

Source: World Resources Institute



Bottom of the Pyramid



- Il BOP come nuova fonte di innovazioni radicali (Prahalad 2012)
- Nel BOP, l'innovazione di successo è intesa come lavoro all'interno di vincoli

Logica normale: $\text{Costi} + \text{Profitti} = \text{Prezzo}$

Logica BOP: e' una logica di costo, ovvero si parte dal prezzo: $\text{Prezzo accessibile} - \text{Profitti} = \text{Costi}$ (mentre solitamente la logica è $\text{COSTI} + \text{PROFITTI} = \text{PREZZO}$). Quindi bisogna essere innovativi per riuscire a ridurre i costi in modo da raggiungere il prezzo accessibile ai consumatori BOP.

Si ottengono profitti quando il business è scalabile.

Prahalad, C. K. (2012).
Bottom of the Pyramid
as a Source of
Breakthrough
Innovations. *Journal of
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Innovare nei mercati BOP: an innovation sandbox



Figure 1. Traditional Cooking System in Rural India



Ogni giorno, le donne indiane raccolgono erba, rametti e altri materiali per biomassa nelle aree rurali. I fumi e l'inquinamento prodotti nuociono alla salute. Obiettivo del progetto: costruire una stufa per biomassa per il segmento di popolazione più povera.

First Version



Stabilized Version



Current Version



Figure 4. The Evolution of Product Concepts and Configurations

- Obiettivi:
 1. Costruire una stufa «smokeless easy-to-use»
 2. Costruire un prodotto capace di rispettare gli standard globali di sicurezza
 3. Costruire un business «scalabile» (non solo il prodotto)
 4. Accessibile a livello economico – meno \$20 (Price-Profits=Cost Logic)
- In 3 anni, vendute più di 400.000 stufe



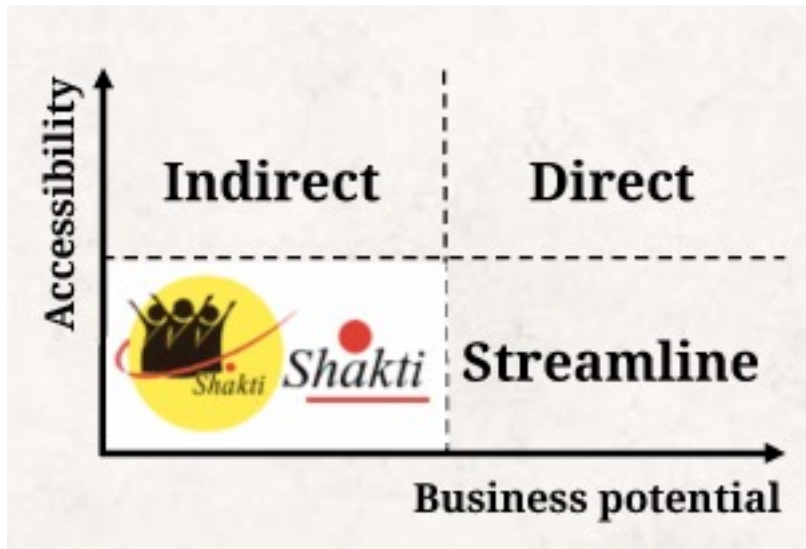
Innovare nei mercati BOP

- Le innovazioni nascono da una profonda immersione nelle vite delle persone, guardandole nel loro contesto.
- L'innovazione non riguarda un prodotto soltanto, bensì lo sviluppo di un ecosistema appropriato che permetta al nuovo business di funzionare.
- E.g. per vendere le stufe, collaborazione con NGOs incaricate di formare le donne imprenditrici nei villaggi per consigliare potenziali clienti delle stufe.



Innovare nei mercati BOP

- Come fa Hindustan Unilever a distribuire i prodotti nell'India rurale?
- Mercati Rurali (775 M persone in 638.000 villaggi)



- Direct Coverage** – un grossista serve tutti i punti vendita in una città
 - Indirect Coverage** – un grossista assegnato a una via (accessibilità ai to villaggi)
 - Streamline** – i prodotti vengono stoccati da un distributore locale e poi distribuiti ai venditori usando mezzi di trasporto locali: motorini, rickshaws (mercati inaccessibili dalla strada)
- d. **Project Shakti** – usa pre-existing women's self help groups (SHG). Donne nelle aree rurali che hanno una situazione economica difficile possono diventare agenti che vendono al dettaglio (direct-to-consumer sales) nei villaggi rurali.



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Enhancing Livelihoods through Project Shakti – Hindustan Unilever



We have over 1,60,000 Shakti entrepreneurs spread across 18 states. Project Shakti has greatly impacted the livelihoods, confidence, and self-esteem of women with enhanced skills and entrepreneurial mindsets.
<https://www.hul.co.in/planet-and-society/case-studies/enhancing-livelihoods-through-project-shakti/>



2) Ridefinire la produttività nella catena del valore (value chain)

- I problemi sociali comportano costi economici nella catena del valore dell'impresa.
- Utilizzo di energia e logistica → ripensare outsourcing e localizzazione delle attività
- Utilizzo delle risorse → consapevolezza ambientale e utilizzo della tecnologia per migliorare l'uso
- Approvvigionamenti → investire in relazioni di qualità con i fornitori (es. condividere finanza e tecnologia)
- Distribuzione → nuovi modelli distributivi che riducono l'utilizzo di carta e di plastica
- Produttività addetti → lavoratori più felici sono più produttivi
- Localizzazione delle attività → backshoring; approvvigionamento a zero-km



3) Favorire lo sviluppo di cluster locali

- La produttività e l'innovazione fioriscono nei cluster o nella concentrazione geografica di aziende, attività correlate, fornitori, prestatori di servizi e infrastrutture logistiche. -> vantaggi della localizzazione.

Kenyan Flower Industry

<http://www.kenyarep-jp.com/en/business/flower/>





Government Regulation and Shared Value

The right kind of government regulation can encourage companies to pursue shared value; the wrong kind works against it and even makes trade-offs between economic and social goals inevitable.

Regulation is necessary for well-functioning markets, something that became abundantly clear during the recent financial crisis. However, the ways in which regulations are designed and implemented determine whether they benefit society or work against it.

Regulations that enhance shared value set goals and stimulate innovation. They highlight a societal objective and create a level playing field to encourage companies to invest in shared value rather than maximize short-term profit. Such regulations have a number of characteristics:

First, they set clear and measurable social goals, whether they involve energy use, health matters, or safety. Where appropriate, they set prices for resources (such as water) that reflect true costs. Second,

they set performance standards but do not prescribe the methods to achieve them—those are left to companies. Third, they define phase-in periods for meeting standards, which reflect the investment or new-product cycle in the industry. Phase-in periods give companies time to develop and introduce new products and processes in a way consistent with the economics of their business. Fourth, they put in place universal measure-

ment and performance-reporting systems, with government investing in infrastructure for collecting reliable benchmarking data (such as nutritional deficiencies in each community). This motivates and enables continual improvement beyond current targets. Finally, appropriate regulations require efficient and timely reporting of results, which can then be audited by the government as necessary, rather than impose

detailed and expensive compliance processes on everyone.

Regulation that discourages shared value looks very different. It forces compliance with particular practices, rather than focusing on measurable social improvement. It mandates a particular approach to meeting a standard—blocking innovation and almost always inflicting cost on companies. When governments fall into the trap of this sort of regulation, they undermine the very progress that they seek while triggering fierce resistance from business that slows progress further and blocks shared value that would improve competitiveness.

To be sure, companies locked into the old mind-set will resist even well-constructed regulation. As shared value principles become more widely accepted, however, business and government will become more aligned on regulation in many areas. Companies will come to understand that the right kind of regulation can actually foster economic value creation.

Finally, regulation will be needed to limit the pursuit of exploitative, unfair, or deceptive practices in which companies benefit at the expense of society. Strict antitrust policy, for example, is essential to ensure that the benefits of company success flow to customers, suppliers, and workers.





HOW SHARED VALUE DIFFERS FROM CORPORATE SOCIAL RESPONSIBILITY

Creating shared value (CSV) should supersede corporate social responsibility (CSR) in guiding the investments of companies in their communities. CSR programs focus mostly on reputation and have only a limited connection to the business, making them hard to justify and maintain over the long run. In contrast, CSV is integral to a company's profitability and competitive position. It leverages the unique resources and expertise of the company to create economic value by creating social value.

CSR → CSV

- | | |
|---|--|
| › Values: doing good | › Value: economic and societal benefits relative to cost |
| › Citizenship, philanthropy, sustainability | › Joint company and community value creation |
| › Discretionary or in response to external pressure | › Integral to competing |
| › Separate from profit maximization | › Integral to profit maximization |
| › Agenda is determined by external reporting and personal preferences | › Agenda is company specific and internally generated |
| › Impact limited by corporate footprint and CSR budget | › Realigns the entire company budget |
| Example: Fair trade purchasing | Example: Transforming procurement to increase quality and yield |

In both cases, compliance with laws and ethical standards and reducing harm from corporate activities are assumed.

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Coffee time...





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