

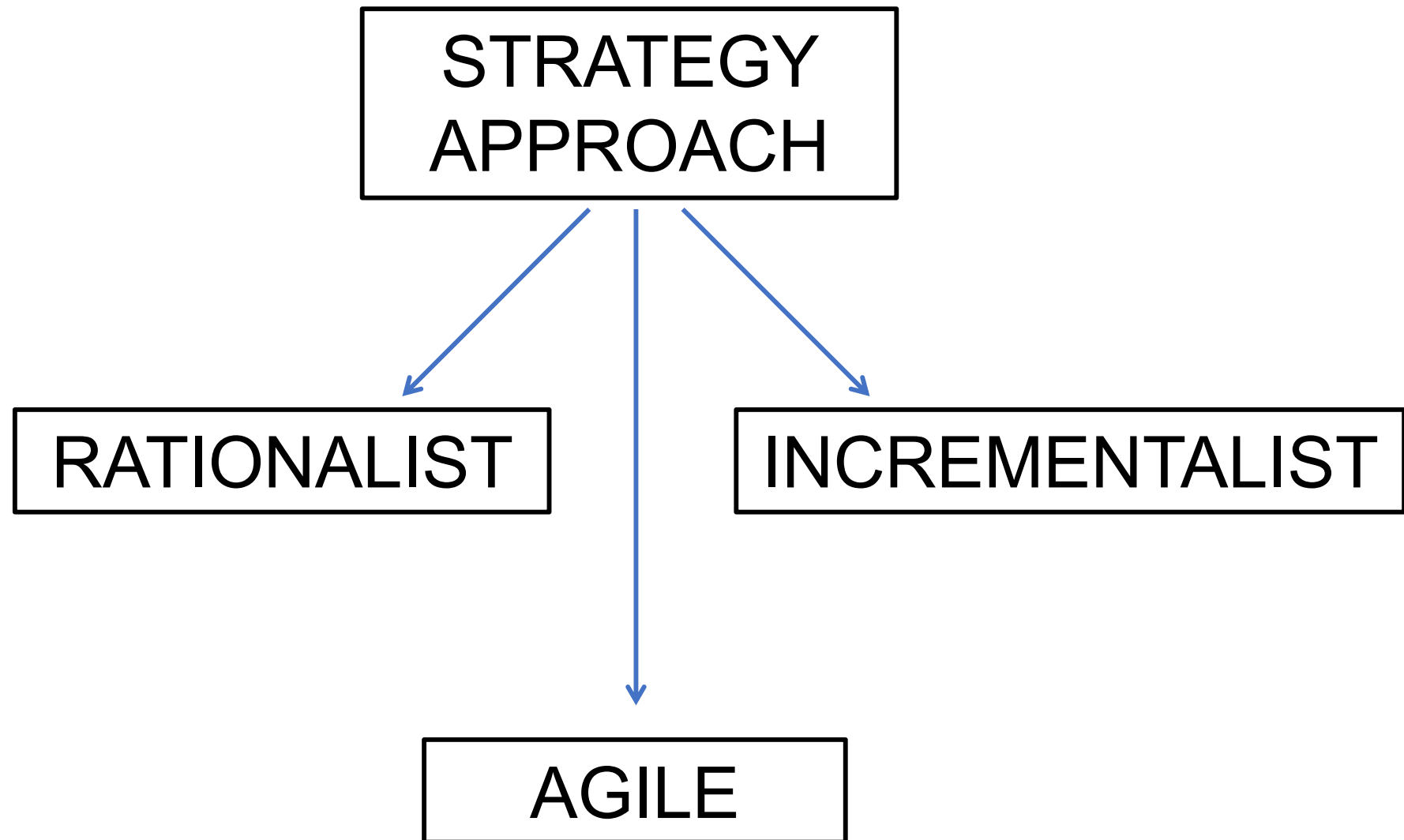


**UNIVERSITÀ
DEGLI STUDI
DI TRIESTE**

UNIVERSITY OF TRIESTE – DISPES
A.Y. 2024 – 2025

BLOCK 5
Management of Innovation

INSTRUCTOR
Marco Balzano

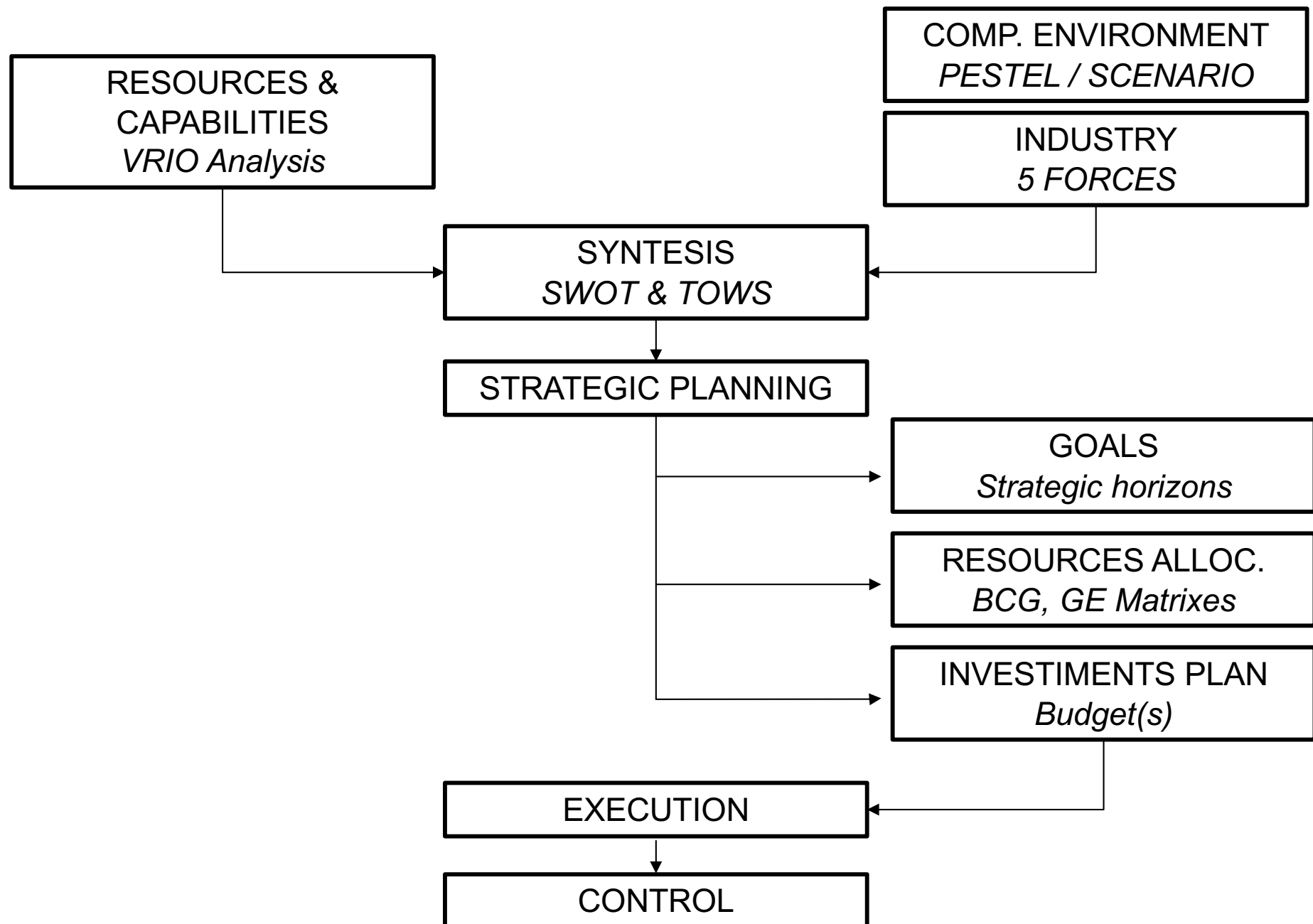


A. RATIONALIST APPROACH

A linear approach:

- APPRAISE: describe, understand and analyze the environment by using appropriate tools (Pestel, Scenario analysis, Resource gap, SWOT, etc.) and project on-going trends into the long term
- DETERMINE: determine a course of action in the light of the analysis. Determine the allocation of investments
- ACT: carry out the decided course of action

"CLASSIC" STRATEGY



RATIONALIST APPROACH: ADVANTAGES

- Consciousness of ongoing trends in the competitive arena
- Ensure sufficient attention is devoted to the long term
- Ensure coherence in action, especially in big and dispersed corporation

RATIONALIST APPROACH: LIMITATIONS

- A certain stability of the external environment is needed (you can do what you've planned);
- Firms need to be perfectly aware of technological and market trajectories
- Firms must also be aware of their strengths and weaknesses and be ready to develop new resources and capabilities that meet their strategic objectives
- Excessive concentration on the "enemy" (competitors) -> lack of interest in discovering unmet market needs

THE CONTRIBUTION OF MICHAEL PORTER

ALTERNATIVE APPROACHES

INNOVATION LEADERSHIP

- R&D and tech develop.
- Close to the market.
- Close to Universities, KIBS, etc.
- Risk taking
- Creativity...



INNOVATION FOLLOWERSHIP

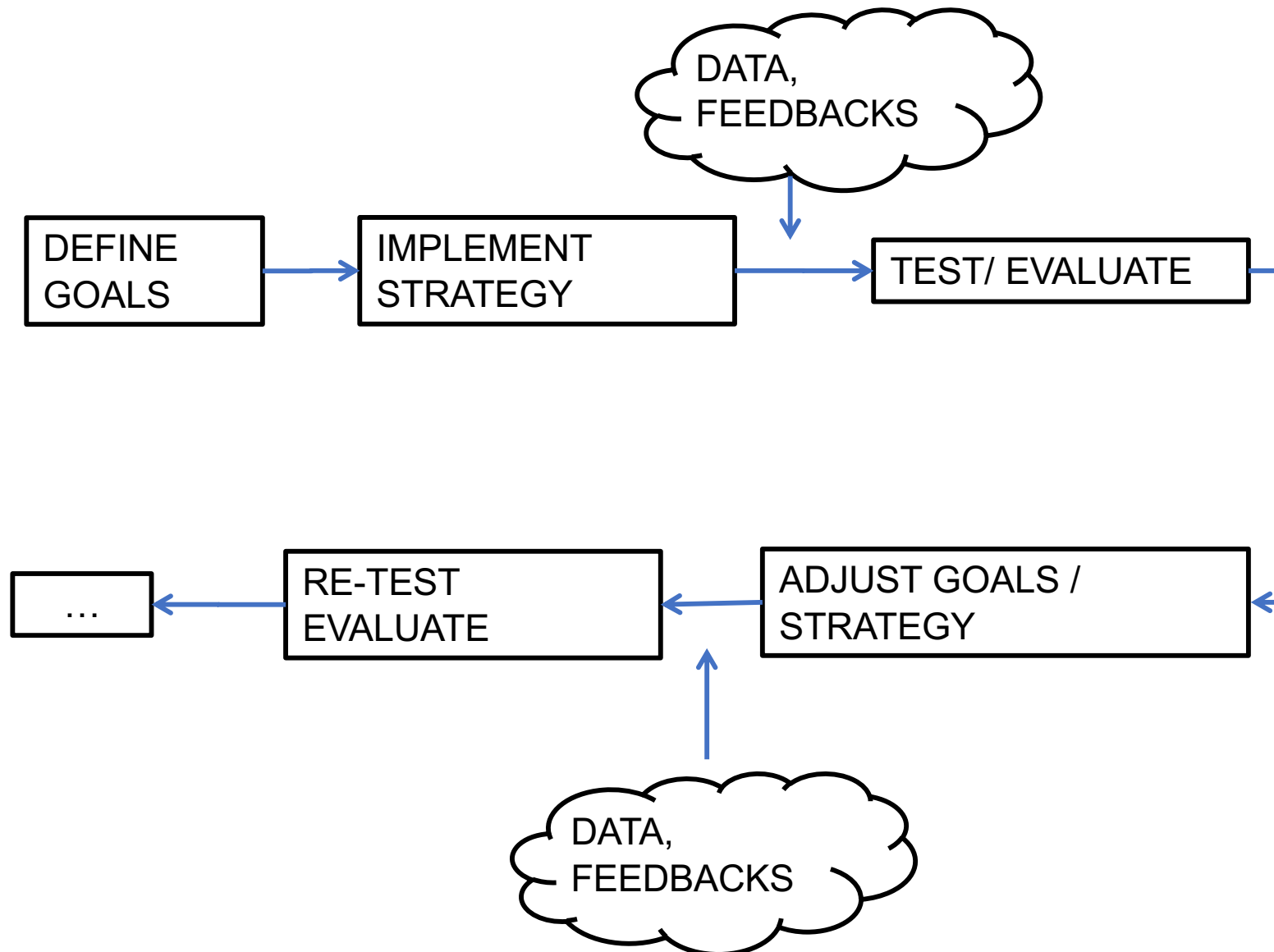
- Imitating leaders;
- Competitor analysis;
- Cost cutting;
- Learning in manufacturing
- Reverse engineering

B. INCREMENTALIST APPROACH

A step-by-step and trial-and-error approach:

1. Make deliberate steps towards the stated objective
2. Measure and evaluate the effects of the steps
3. Adjust (if necessary) the objective and decide on the next step
4. Be ready to call into question former strategies, re-design everything from scratch and cannibalize your current businesses

INCREMENTALIST APPROACH



ADVANTAGES AND LIMITATIONS OF INCREMENTALIST APPROACH

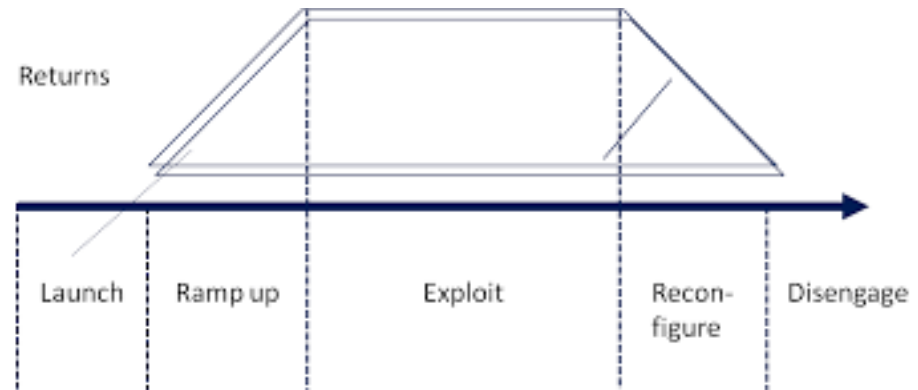
ADVANTAGES

- open to a range of possibilities
- strategic flexibility

LIMITATIONS

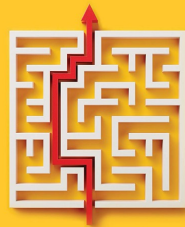
- successful strategies could be impossible to replicate (non-reproducible best practices)
- strategies are difficult to plan since the real beginning

C. AGILE



With a foreword by CLAYTON CHRISTENSEN

SEEING AROUND CORNERS



HOW TO SPOT INFLECTION POINTS IN BUSINESS BEFORE THEY HAPPEN

Rita McGrath
Author of the bestseller *The End of Competitive Advantage*

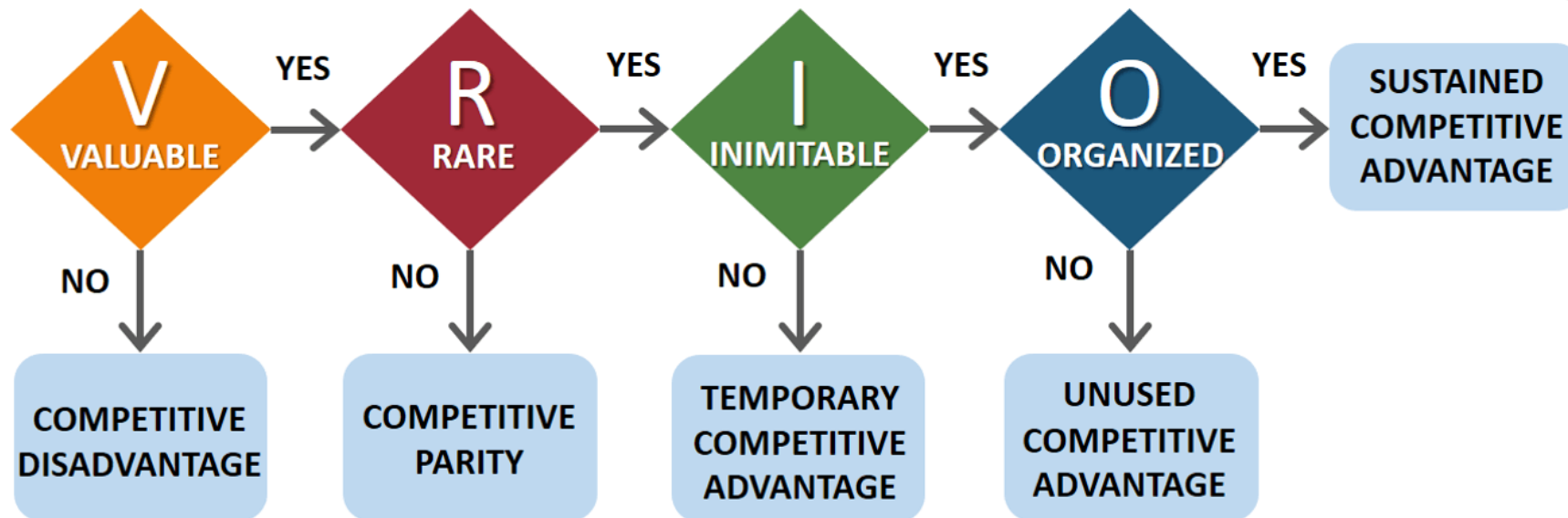


June 2013

How we have
been conceiving
**competitive
advantage** so
far

IS THE RESOURCE OR CAPABILITY...?

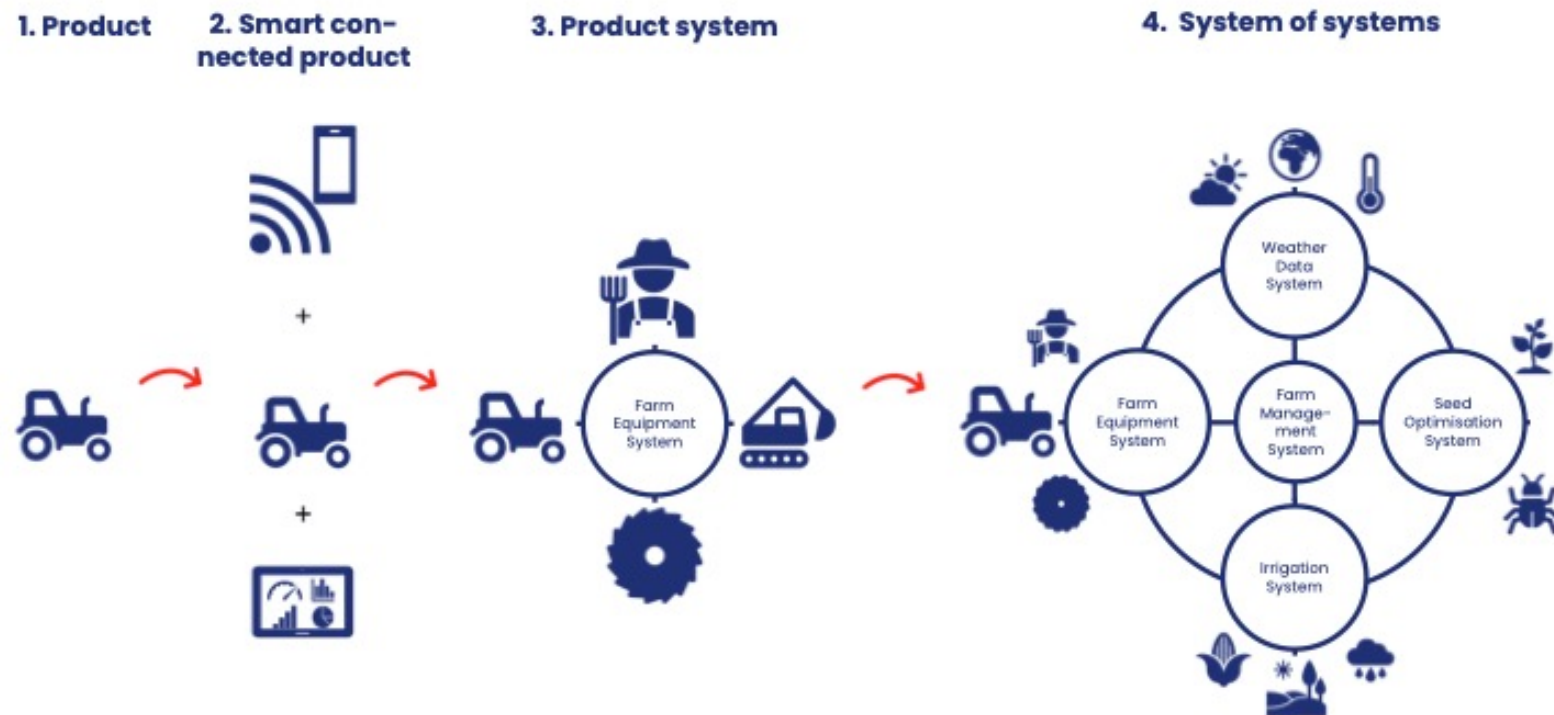
IS THE COMPANY WELL...?



Strategies For Transient Advantages

- Think about Arenas, not industries
 - Look for competitors beyond the boundaries of your sector. Innovate in the same way!
- Set broad themes and then let people experiment
 - Use proper methods and “gifted” people to discover the weak signals coming from the market
- Adopt metrics that support entrepreneurial growth
 - From “profit maximization” to “maximum affordable loss”
- Focus on experiences and solutions to problems
 - Remember you don’t sell just “products”, but also solutions and experiences to your customers
- Build strong relationships and networks
 - Your clients are your allies. Reinforce their “sense of belonging” to your offer
- Avoid brutal restructuring, learn “healthy disengagement”
 - Ferry your clients from one solution to another
- Get systematic about early-stage innovation
 - Manage the innovation budget separately from the general budget
- Experiment, iterate, learn
 - Learn ambidexterity. Do not fear experimentation and failure

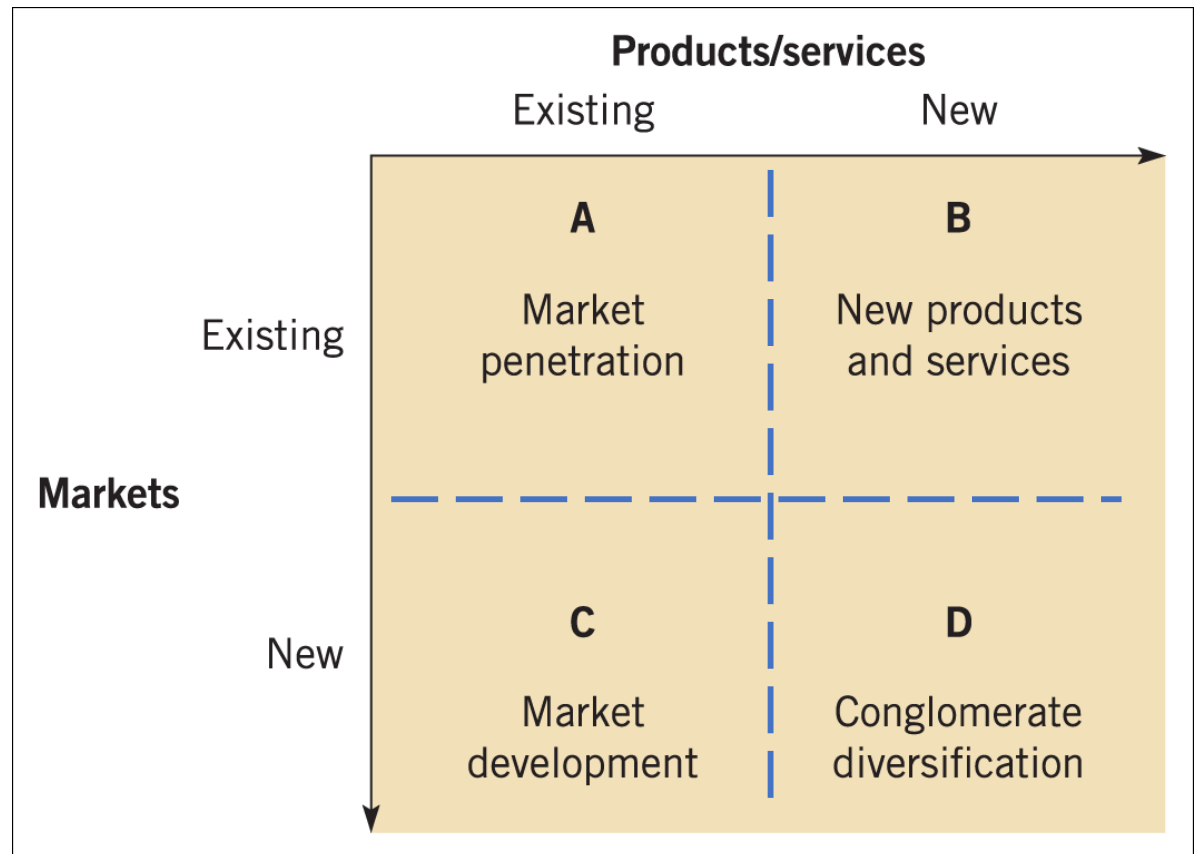
1. Think about ARENAs, not INDUSTRIES. Innovate in the same way



Based on Michal E. Porter and James E. Heppelmann: How Smart Connected Products are Transforming Competition, Harvard Business Reviews, Nov. 2014

1. Think about ARENAs, not INDUSTRIES. Innovate in the same way

“Go” like business expansion strategy



The Ansoff's Matrix of corporate strategies

Product e Market development strategy di TESLA



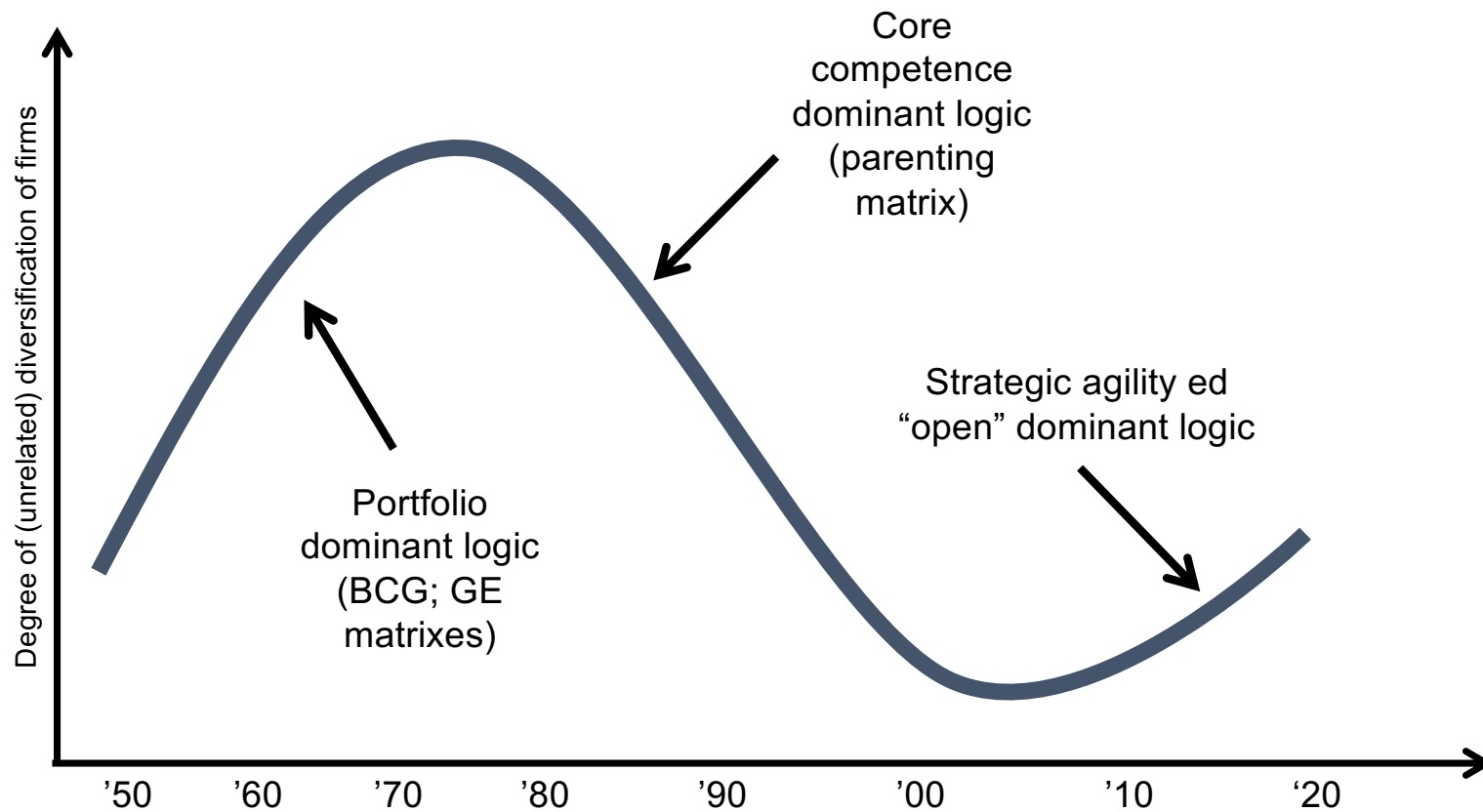
2. Product development



1. Market development



Conglomerate diversification is no longer out of fashion



2. Set broad themes and then let people experiment

Neil Arbisson

18







Think through what you can *afford* to lose—amounts set aside in weakly-coupled mental accounts, sudden windfalls, savings you have been setting aside for an entrepreneurial debut, etc.

Think through how much you are *willing* to lose for the *particular* project steps you are actually planning to take—half of the above amount, for example, so you can try two projects instead of one, in case the first one fails.

Take those steps at those levels of investment if you *feel* comfortable that those steps are worth taking *even if* you lose all your investment—i.e., think through nonmonetary benefits.

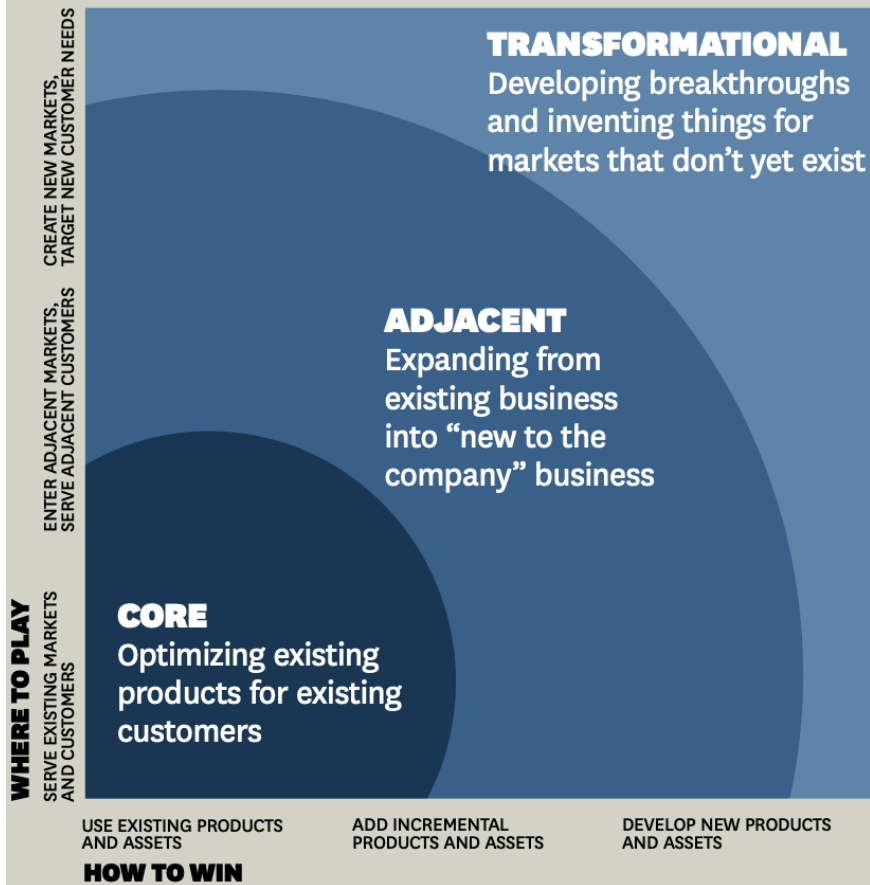
Think creatively about how you can reduce actual cash outflows on this investment—and continually strive to drive it close to zero.

3. Adopt metrics that support entrepreneurial growth

From a *profit maximization logic* (Net Present Value of an investment) to a “*maximum affordable loss*” logic (typical of a gambler) relying also on the Real Option Theory (typical of poker players)

THE INNOVATION AMBITION MATRIX

Firms that excel at total innovation management simultaneously invest at three levels of ambition, carefully managing the balance among them.



IS THERE A GOLDEN RATIO?

Analysis reveals that the allocation of resources shown below correlates with meaningfully higher share price performance. For most companies, this breakdown is a good starting point for discussion.

70%
CORE

20%
ADJACENT

10%
TRANSFORMATIONAL

Managing Your Innovation Portfolio

People throughout your organization are energetically pursuing the new. But does all that activity add up to a strategy?
by Bansil Nagji and Geoff Tuff

HBR.ORG Harvard Business Review

4. Focus on experiences and solutions to problems

Know Your Customers' "Jobs to Be Done"

Is innovation inherently a hit-or-miss endeavor? Not if you understand why customers make the choices they do. by Clayton M. Christensen, Taddy Hall, Karen Dillon, and David S. Duncan

From the Magazine (September 2016)



The fundamental problem is, most of the masses of customer data companies create is structured to show correlations: *This customer looks like that one, or 68% of customers say they prefer version A to version B.* **While it's exciting to find patterns in the numbers, they don't mean that one thing actually caused another.** And though it's no surprise that correlation isn't causality, we suspect that most managers have grown comfortable basing decisions on correlations. Why is this misguided? Consider the case of one of this article's coauthors, Clayton Christensen. He's 64 years old. He's six feet eight inches tall. His shoe size is 16. He and his wife have sent all their children off to college. He drives a Honda minivan to work. He has a lot of characteristics, but none of them has caused him to go out and buy the *New York Times*. His reasons for buying the paper are much more specific. He might buy it because he needs something to read on a plane or because he's a basketball fan and it's March Madness time. **Marketers who collect demographic or psychographic information** about him—and look for correlations with other buyer segments—**are not going to capture** those reasons 22

5. Build strong relationships and networks

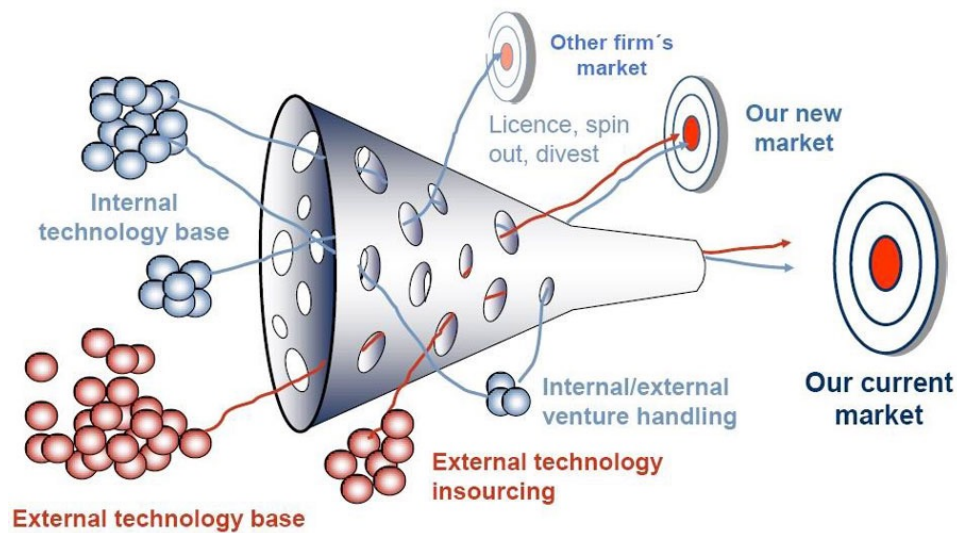


**ABB and its
“digital workshops”**



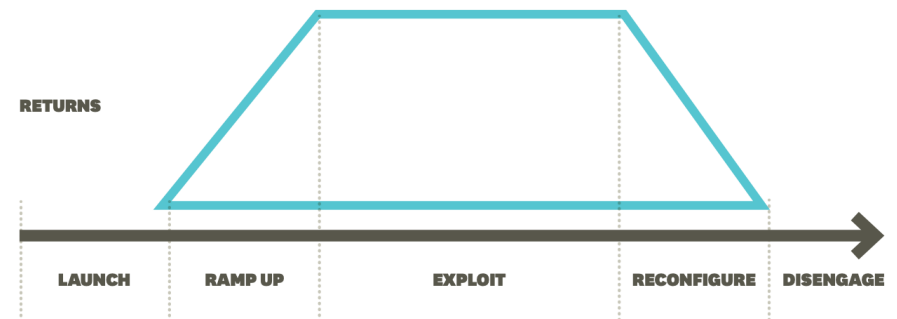
**ELECTROLUX its Open
Innovation strategy**

6. Avoid brutal restructuring, learn healthy disengagement



THE WAVE OF TRANSIENT ADVANTAGE

Companies in high-velocity industries must learn to cycle rapidly through the stages of competitive advantage. They also need the capacity to develop and manage a pipeline of initiatives, since many will be short-lived.



7. Get systematic about early-stage innovation

Manage your budget for innovation separately from the general budget

8. Experiment, iterate, learn

Be ambidextrous. Do not fear experimentation and failures.