



**UNIVERSITÀ  
DEGLI STUDI  
DI TRIESTE**

**Deams**

Dipartimento di

**Scienze Economiche, Aziendali,  
Matematiche e Statistiche "Bruno de Finetti"**

**UNIVERSITY OF TRIESTE – DEAMS DEPARTMENT  
BACHELOR COURSE IN BUSINESS & MANAGEMENT  
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**BLOCK 7**

**Management of Innovation**

**INSTRUCTOR**

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# A. The Firm Side

- Several barriers to the adoption of innovative technologies, processes, products, procedures..
  - ECONOMIC: costs vs. expected benefits; access to reliable information; insufficient incentives
  - BEHAVIOURAL: priorities; motivations; inertia; propensity for change or risk
  - ORGANIZATIONAL: routines; goals; power and influence; culture
  - STRUCTURAL: infrastructure; sunk costs

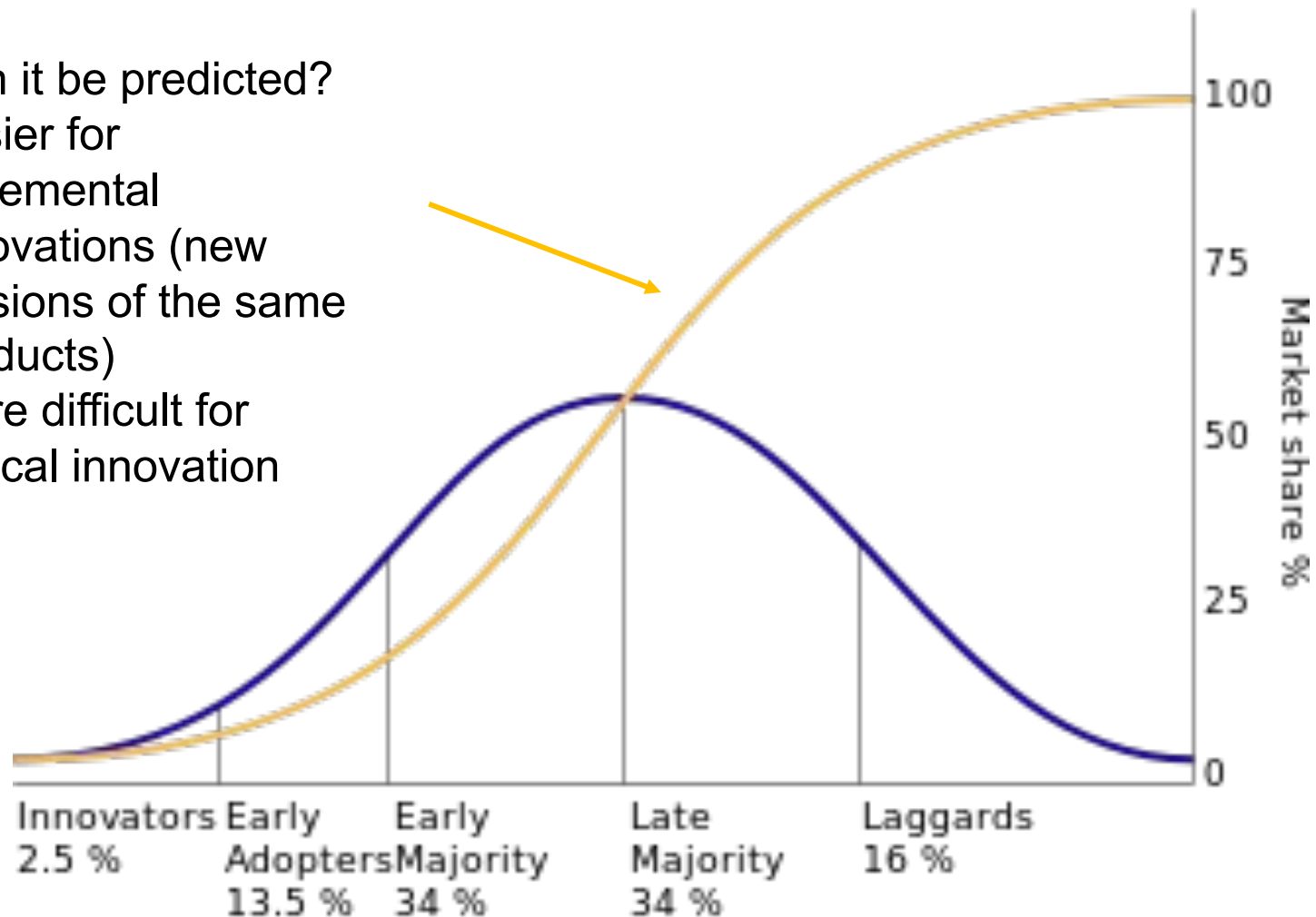
## A. The Firm Side

- Because of such barriers, firms (especially when big and complex) tend to change only incrementally
- Radical changes are frequently managed separately, with different goals, routines, technologies, processes (spin-off)

## B. The Market Side

### Everett Rogers' diffusion curve (1962)

Can it be predicted?  
Easier for  
incremental  
innovations (new  
versions of the same  
products)  
More difficult for  
radical innovation



## B. The Market Side

### Factors influencing the adoption of an innovation

- **Characteristics of the innovation itself**
- Characteristic of individuals
- Characteristics of the environment

## B. The Market Side

### Characteristics of the innovation itself

- A. Relative Advantage
- B. Compatibility
- C. Complexity
- D. Trialability
- E. Observability

# A. Relative Advantage

It is the degree to which an innovation is perceived as better than the product it supersedes, or competing products

ATTRIBUTES	Existing	Desired* (or Competitor's)	GAP
Energy saving	8/10	8/10	=
Speed	7/10	8/10	- 1
Water consumed	10/10	9/10	+ 1
...	4/10	5/10	- 1
<b>Total</b>	<b>29/40</b>	<b>30/40</b>	<b>- 1</b>

\* Can be determined through Conjoint Analysis, Focus Groups, other techniques

## B. Compatibility

It is the degree to which an innovation is perceived to be consistent with the existing values, experience and needs of potential adopters.

Two different aspects of compatibility:

- With existing skills (“ability” to use) and practices (“convenience” to use)
- With values and norms (“willingness” to use; reprehensibility)



## C. Complexity

It is the degree to which an innovation is perceived as being difficult to understand or use

## D. Trialability

It is the degree to which an innovation can be experimented with on a limited basis

- Role of “Plug & Play”

## E. Observability

It is the degree to which the results of an innovation are visible to others

The hypothesis is based on the assumption of “epidemic diffusion” of innovation: the more “innovators” and “early adopters” will be visible to others, thus the higher the “vicarious learning” (learning-by-observing), the higher the diffusion of an innovation