



MASTER IN ENTREPRENEURSHIP
INNOVATION MANAGEMENT
IN COLLABORATION WITH **MIT SLOAN**

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MIT MANAGEMENT
SLOAN SCHOOL



UNIVERSITÀ DEGLI STUDI DI NAPOLI
PARTHENOPE

MASTER MEIM 2021-2022

Business Strategy and Innovation

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OUTLINE

- Objectives
- Types of Innovation
- Innovation and competitive advantage
- The value drivers
- Timing of entry

Case Study_#2 | Lego (Crisis & Turnaround)

Case Study_#3 | Lego (Community)



OBJECTIVES

Tools and concepts needed to examine the potential for innovation to establish competitive advantage.

- ◆ Identify the factors that determine the returns to innovation, and evaluate the potential for an innovation to establish competitive advantage.
- ◆ Formulate strategies for exploiting innovation including: assessing alternative approaches to commercializing innovation, comparing the relative merits of being a «first mover» or a «follower», and managing risk.
- ◆ Formulate strategies that exploit network effects, create successful platforms, and win «standards wars».
- ◆ Understand that innovation may be generated internally and also sourced externally (“open innovation”).
- ◆ Understand that innovation can re-shape business and business models.

CIRQUE DU SOLEIL



TESLA





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*The «necessary innovation».
Which one?*



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INNOVATION

The quest for competitive advantage stimulates the search for innovation and successful innovations allow some firms to dominate their industries.

Technological innovation has become one of the key determinants of companies' competitive success.

INNOVATION

Advances in information technology have led to an acceleration of innovation processes

Effects

Globalisation has increased the intensity of competitive pressure

INNOVATION

Advances in information technology have led to an acceleration of innovation processes

Effects

Globalisation has increased the intensity of competitive pressure

Product life cycle shortens

New products are being introduced faster and faster

Market segmentation plays a decisive role



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TYPES OF INNOVATION

PRODUCT INNOVATION

allows companies to protect their profit margins by introducing elements of differentiation and novelty into their offerings.

PROCESS INNOVATION

ensures that companies improve the efficiency of their production processes.

Product innovations can enable process innovations and *viceversa*.

TYPES OF INNOVATION

RADICAL INNOVATION



INCREMENTAL INNOVATION



The **radicalness** of an innovation is the degree to which it is new and different from previously existing products and processes.

(a continuum)

TYPES OF INNOVATION

RADICAL INNOVATION



INCREMENTAL INNOVATION



Incremental innovations may involve only a minor change from (or adjustment to) existing practices.

The radicalness of an innovation is relative; it may change over time or with respect to different observers.

Digital photography a more radical innovation for Kodak (chemical photography expertise) than for Sony (electronics expertise).

TYPES OF INNOVATION

COMPETENCE ENHANCING



Competence-enhancing innovations build on the firm's existing knowledge base (Intel's Pentium 4 built on the technology for Pentium III)

COMPETENCE DESTROYING



Competence-destroying innovations renders a firm's existing competencies obsolete (I.E. chemical photography for Kodak).

Whether an innovation is competence enhancing or competence destroying depends on the perspective of a **particular firm**.

INNOVATION AND COMPETITIVE ADVANTAGE

- The customer (not the competition) should be at the centre of strategic thinking
- The structure of the industry is not given
- The position of the incumbent is not always advantageous
- Technology is not everything



CHANGING THE RULES OF THE GAME and CREATING «BLUE OCEANS»

RED OCEAN STRATEGY

BLUE OCEAN STRATEGY

Compete in existing market space	Create uncontested market space
Beat the competition	Make the competition irrelevant
Exploit existing demand	Create and capture new demand
Make the value-cost trade-off	Break the value-cost trade-off
Align the whole system of a firm's activities with its strategic choice of differentiation or low cost	Align the whole system of a firm's activities in pursuit of differentiation and low cost



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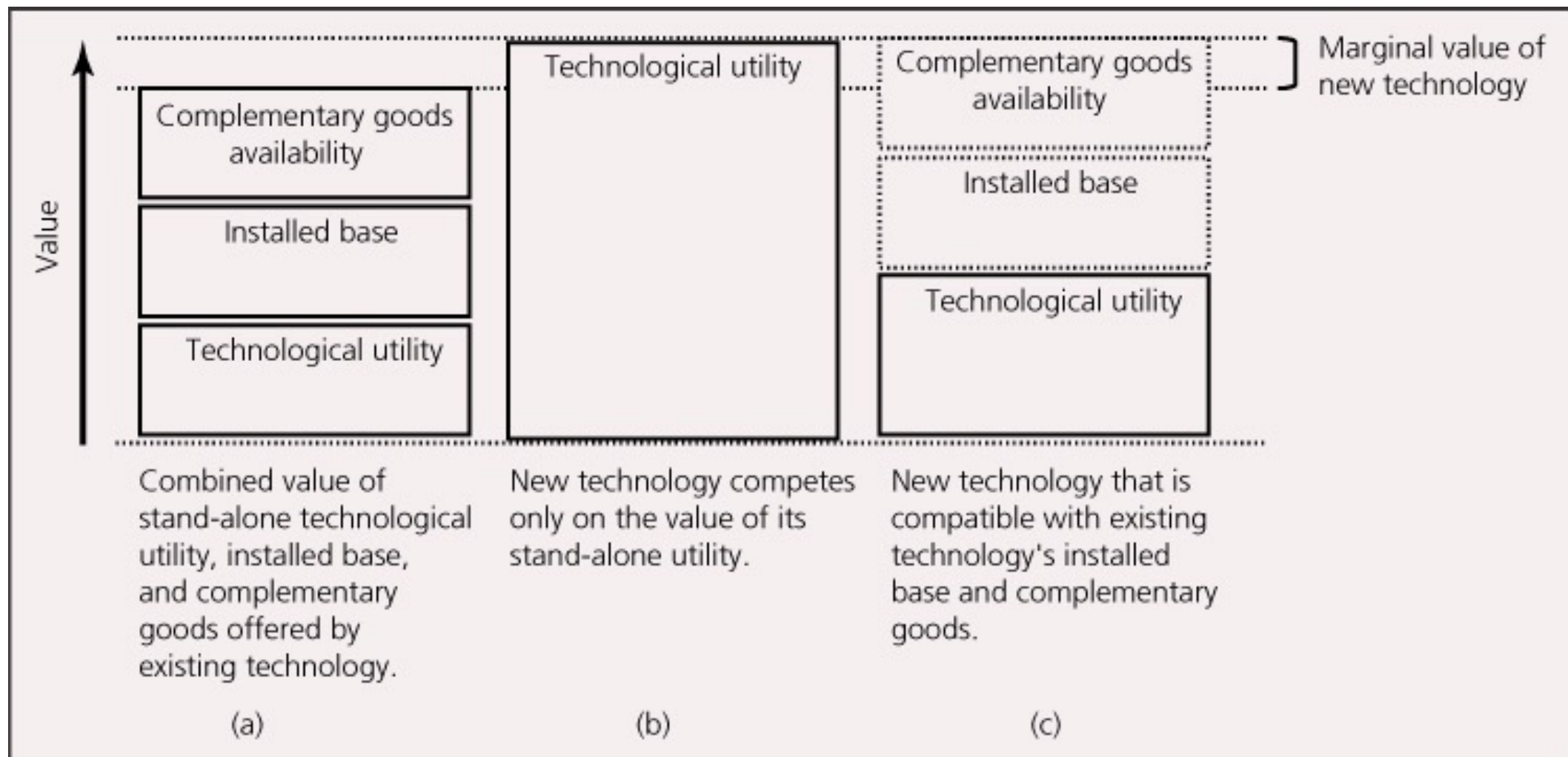
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Technology is not everything

... And the «best» is not always successful

To successfully overthrow an existing dominant technology, new technology often must either offer:

- Dramatic technological improvement
- Compatibility with existing installed base and complements



Windows Phone - Flop story of the decade (...despite a promising partnership)



THE VALUE DRIVERS

| The usefulness of technological innovation. *For the customer.*

Function

Functional

Psychological

Meaning

Economic

Social

Benefits



Costs

Cost

Economic

Social

Switching-cost

Functional

Psychological





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The «Buyer Utility Map»

A tool to assess the stand-alone value of a technology → Customer utility

The «Buyer Utility Map»

Understanding the customer experience cycle with respect to the usefulness of technology

Stages in the customer experience cycle

	1. Purchase	2. Delivery	3. Use	4. Integration	5. Maintenance	6. Elimination
Productivity (customer side)						
Simplicity						
Comfort						
Risk						
Fun and Image						
Respect for the environment						



The «Buyer Utility Map»

Understanding the customer experience cycle with respect to the usefulness of technology

1. Purchase	2. Delivery	3. Use	4. Integration	5. Maintenance	6. Elimination
<i>How long does it take to find the product you need?</i>	<i>How long does delivery take?</i>	<i>Does operation require expert assistance?</i>	<i>Do you need other products/services to make it work?</i>	<i>Does it require external maintenance?</i>	<i>Does the use create waste?</i>
<i>Is the shopping environment (physical or virtual) pleasant and accessible?</i>	<i>How difficult is it to install the new product</i>	<i>Is it easy to store when not in use?</i>	<i>If so, how much do they cost?</i>	<i>How easy is it to maintain or update the product/service?</i>	<i>How easy is it to get rid of the product?</i>
<i>Is the environment/transaction safe?</i>	<i>Do buyers have to organise the delivery themselves?</i>	<i>Does the product/service offer a greater range of options than the average customer requires? Is it overloaded with frills?</i>	<i>How long does it take to get them?</i>	<i>How much does maintenance cost?</i>	<i>Is disposal safe or does it involve legal or environmental issues??</i>
<i>How long does it take to make the purchase?</i>	<i>If so, how complex and costly is this operation?</i>		<i>How much discomfort do they cause?</i>		<i>How much does elimination cost?</i>
			<i>How easy is it to get them?</i>		

The «Buyer Utility Map»

Removing obstacles to customer benefit

	1. Purchase	2. Delivery	3. Use	4. Integration	5. Maintenance	6. Elimination	
Utility levers	Productivity (customer side) <i>At which stage are the obstacles most pronounced for...</i>						
		//			Simplicity		
		//			Comfort		
		//			Risk		
		//			Fun and Image		
		//			Respect for the environment		



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TIMING OF ENTRY

Timing of entry can be very important



TIMING OF ENTRY

Timing of entry can be very important

Netflix's success in Italy |
Also a question of timing



TIMING OF ENTRY

Timing of entry can be very important

<https://www.youtube.com/watch?v=LsAN-TEJfN0>

TED TALK: CHRIS ANDERSSON & REED HASTING



TIMING OF ENTRY

There are a number of **advantages** and **disadvantages** to being a first mover, early follower or late entrant.

First movers are the first entrants to sell in a new product or service category (“pioneers”)

Early followers are early to market but not first.

Late entrants do not enter the market until the product begins to penetrate the mass market or later.

FIRST MOVER'S PROS & CONS

Brand loyalty and technological leadership
Preemption of scarce assets
Exploiting buyer switching costs
Reaping increasing returns advantages



High research and development expenses
Undeveloped supply and distribution channels
Immature enabling technologies and complements
Uncertainty of customer requirements

Factors Influencing Optimal Timing of Entry

- How clear and established are the customer's preferences?
- How much and how relevant for the customer are the improvements in the usefulness of the technology compared to the previous one?
- Are complementary goods/services needed? If so, are they "mature"? And are they available/accessible?
- How high is the threat from new entrants? How distinctive and exclusive are the key resources/skills?
- What is the financial backing for the initiative / how well is the company able to absorb initial losses in the context of the overall strategy?
- How high is the brand reputation in the sector compared to the innovation capacity of the company?

Check list

▶ **CASE STUDY_2**

I LEGO (Crisis & Turnaround)

▶ CASE STUDY_2

I LEGO (Crisis & Turnaround)

ASSIGNMENT

Q #1: Which were the external causes of decline in the late 1990s to early 2000s (Porter's FF Model)?

Q#2: Which was the role of innovation (new product development-NPD) in responding to the strategic crisis?

▶ CASE STUDY_3

I LEGO (Community)



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▶ CASE STUDY_3

I LEGO (Community)

ASSIGNMENT

Q #1: What were the changes to LEGO's business model introduces by the new CEO Knudstrop (internal changes to support it)?

Q#2: Describe the role of thechnology and of LEGO online communities in building a customer-centric organization.

OPEN INNOVATION

- External locus of innovation
- Collaboration and learning
- Co-creation
- Collective intelligence
- Active role of customers & UGC (User Generated Content)
- Lead users
- Community power
- Crowdsourcing





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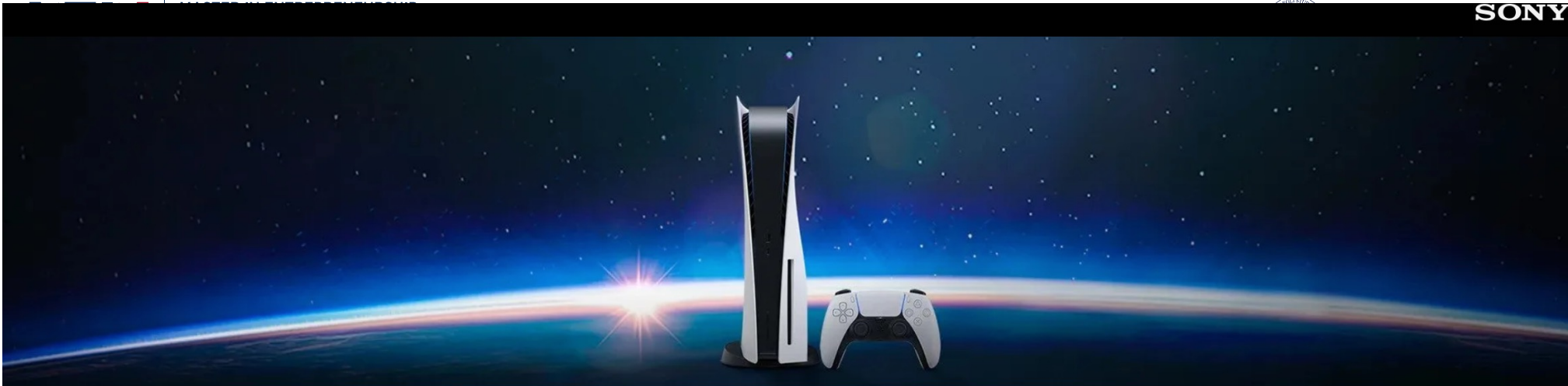
USER-LED INNOVATION

Customers play an active role in developing or improving new products and services.

Now we are all potential developers of new products/innovators.



SONY



 PlayStation.Blog

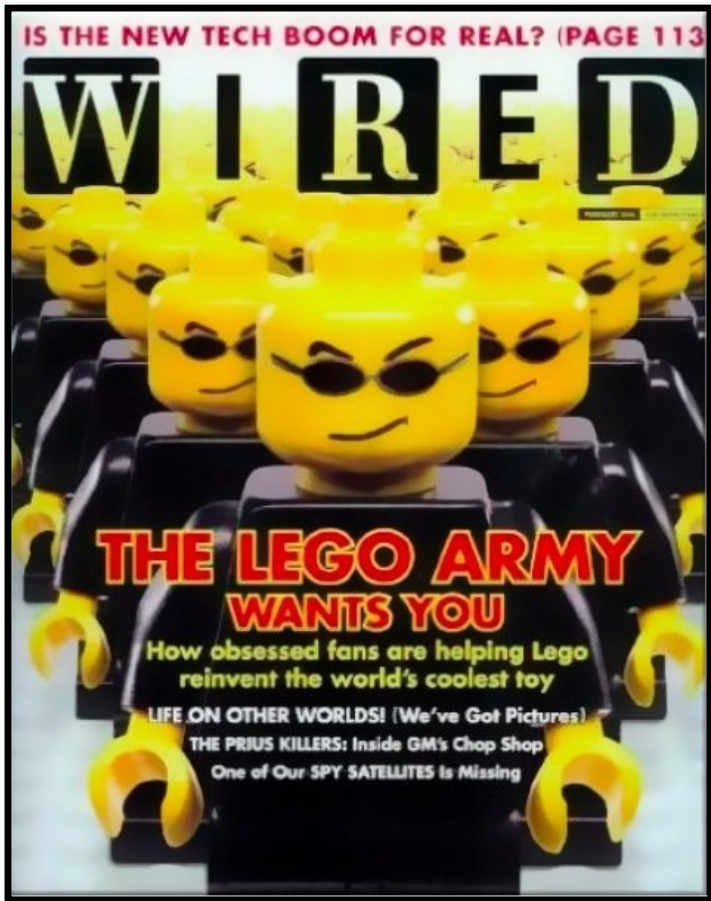


Accedi



[PS5](#) [PS4](#) [PS3](#) [PS Vita](#) [PS VR](#) [PS Store](#) [PS Plus](#) | [Italiano](#) ▾





 Italian
LUG LEGO Users Group



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Discover / encourage new solutions
developed with users

VS

Find a need and fill it



- **Interaction** | Based on **active role** of customers (Passive role)
 - **Interaction objective** | **Generating information together** with the customer (Info «Extraction»)
 - **Modes of interaction** | **Mutual interest** in collaboration (Availability)
 - **Place of interaction** | **Throughout** the innovation process (Initial phase)
 - **Nature of the relationship** | **One-to-one** or **community-based** (*One-to-many*)
 - **Effectiveness of the process** | Depends on the **quality** of customer **relations** (Market research)
- (Traditional Approach)