Course Learning Outcomes for Unit VIII

Upon completion of this unit, students should be able to:

1. Compare and contrast different strategic models.
   1.1 Choose among traditional measures, such as ROI, and shareholder value measures, such as economic value added, to properly assess performance.
   1.2 Identify the differences between successful and unsuccessful innovations.
   1.3 Choose an appropriate structure and culture to support innovative ideas and products.

4. Analyze the processes for formulating corporate strategy.
   4.1 Apply the benchmarking process to a function or an activity.
   4.2 Explain the importance of lead users and market research as sources of new ideas.

5. Evaluate methods that impact strategy implementation, such as staffing, directing, and organizing.
   5.1 Discuss the impact of problems with measuring performance.
   5.2 Assess the importance of product and process R&D for success within an industry.
   5.3 Apply appropriate techniques and measures to manage new product development.

Reading Assignment

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Unit Lesson

Innovation is the key to a company’s sustained competitive advantage (Malone, 2009). In a world of intense global competition, quickly improving or bringing new products to the market is more important than ever. Most managers know this, but many also feel as though their performance needs to improve even though they know the real challenge for strategic management is sustained innovation (Valikangas & Merlyn, 2002). Developing a culture of innovation, adaptability, and flexibility is very important for a company. Several technology-driven companies, such as Zappo’s, Google, Microsoft, and Amazon.com, incorporate innovation into their daily processes. The process of kaizen, process improvement, was made famous by Japanese automobile manufacturers.
Innovative companies have some common characteristics. According to Carl Roger’s famous book, *Diffusion of Innovations*, positive attitude toward change, decentralized decision-making, complexity, informal structure, interconnectedness, organizational slack (unused resources), large size, and system openness are all common characteristics of innovative companies (Rogers, 1995). This is not to suggest this list is comprehensive or applicable to every company or organization, but this list does give some ideas and insight into innovative companies.

Despite common belief, innovations and inventions are not the same. An invention is a product that is unique in its form, function, or formulation, making it patentable in many cases. On the other hand, an innovation refers to the overall process whereby an invention is transformed into a commercial product that can be sold profitably (Crawford & Di Benedetto, 2008). Innovation can also be the creative use of an invention, development of a version of an invention, or change in function or synthesis of processes to obtain more changes. An example would the microprocessor being an invention, but the personal home computer being an innovation of the initial invention.

In new product management, organizations complete a cycle called *diffusion of innovation*. In this cycle, a person or organization becomes aware of the existence of an innovation, makes a decision to try the innovation, acquires the innovation, and then comes to a level of success with the innovation. If this level of happiness is achieved, they chose to adopt or repeatedly use the innovation (Crawford & Di Benedetto, 2008). As time goes on, this cycle must be repeated due to competition of rival products and services. One could consider the innovation of the Apple line of products, such as the home computer, the iPod, the iPhone, and then the tablets. Now there are watches based on the same innovation cycle.

Many managers believe that new product management is a combination of art and science. The art is essentially based on intuition, experience, hunch, or gut feeling. While debatable, many people see science fiction writers as a great source of inspiration for a vision of future products. This can be seen in the writing of Jules Verne, H. G. Wells, and Gene Roddenberry. These writers created a vision for future inventors and innovators.

The science supports the art by using three tests critical to product innovation. The first test is the concept test—to determine if the intended user really needs the proposed item. The second test used is the product test—to see if the item developed actually meets the need. Finally, the market test is used to see if there is an effective marketing plan. “These techniques and tools of marketing science were developed by marketing academics. They are currently used by some of the best firms in the world, yet they are not used nearly as much as they should be” (Crawford & Di Benedetto, 2008, p.18).

Managers have a challenge to maintain sustained performance over time. Yet, they recognize that products mature and revenues decline. They also know that in order to replace those declining revenues, it is important to have a regular and steady stream of new products to introduce into the marketplace. Adding to the challenge, when the economy is good and profits are up, there is little interest in adding new products and innovations. In difficult times, when the economy is poor, companies typically are not able to spend the resources necessary to generate new products and innovations. “Therefore, the only way a corporation can maintain its growth is by launching new growth businesses when the core units are strong” (Robles, 2015, p. 123). Growth can take place with products, customer base, services, and new markets, both domestically and internationally.

Launching new growth businesses when the core units are strong requires a great deal of discipline and strong leadership. It also requires caution for companies to analyze what will complement their business and what may not. Those firms who have an active and disciplined planning process developed as a core competency tend to reap the benefits. Through active SWOT analysis activities, internal and external environmental scanning, and customer and stakeholder engagement, companies can manage in the present while simultaneously preparing product innovations for the future.
An innovative strategy is a timed sequence of internally consistent and conditional resource allocation decisions that are designed to fulfill an organization's objectives. Implementation of an innovative strategy requires a company to have the unique characteristics of an innovative company. The areas in which a firm defines itself as innovative are through its implementation of three main components: risk taking, pro-activeness, and persistent commitment to innovation (Adams, Bessant, & Phelps, 2006).

The leadership of an innovative company has consistently been shown to have a strong vision. In implementing its strategy, senior leadership has shown itself to be flexible and tolerant. This is important because as new ideas are generated in the course of continuous internal and external environmental scanning, managers may find themselves at odds with resource allocation strategies identified in their initial planning. An innovative company's leadership will weigh the advantages of this new information or ideas against the company vision and mission to determine if that resource allocation should be changed. They do this in a manner in which managers do not feel threatened. All managers know they have their chance to be heard, and that their ideas about new information will be seriously considered and sometimes implemented.

Again, in an innovative company, the chief executive sets the vision for the firm's future. That vision is translated and maintained throughout the company by senior leadership in functional managers enabling all employees to understand and embrace that vision alongside the daily implementation of the strategic and operational plans.

Managerial tolerance creates the right climate for the implementation stage of innovation where conflict resolution might be necessary. Successful innovative companies manage to effectively balance their ability to provide freedom to explore creative possibilities, but maintain sufficient control to manage innovation in an efficient fashion (Adams et al., 2006).

Finally, once the company's corporate performance is measured, top management can decide if it should reformulate strategy, improve its implementation, or gather more information about its competition (Wheelen, Hunger, Hoffman, & Bamford, 2015). This process should be a consistent and routine event.

References


Suggested Reading

In order to access the following resource(s), click the link(s) below:

These articles provide further information regarding strategic management.
