Dimensions of innovation – 4p's"

| Dimension | Type of change |
|---|---|
| Product/services | Changes in the things e.g. cars with GPS |
| Process | Changes in the ways things are created and delivered e.g. McDonalds create your own taste |
| Position | Changes in the context and purpose of products e.g. Lucozade (from illness recovery to health drink) |
| Paradigm | Changes in the underlying mental models which frame what the organisation does e.g. easing the fears of online banking |

(Identify if the innovation is *incremental* or *radical/disruptive)*

## *Chapter 1: The clever country*

LO 1.1 – Innovation matters

- Innovation is the successful implementation of creative ideas within an organisation
- Process of creating value from ideas

### LO 1.2 – Innovation entrepreneurship

- Innovation happens over time
- It is driven by entrepreneurs
  - Start up entrepreneurs, entrepreneurs/corporate entrepreneurs
  - Social entrepreneurs: champions of social issues
- Stage in cycle (start up→growth→sustain/scale→renew)
- Creating wealth
- Creating social value e.g. mission Australia

**A few of the many entrepreneurs**

- Bruce Macdonald
- Bruce Thompson
- Kerry packer
- Lance hill
- Dr Cyril callister

**Research prosperity**

- A lot of innovation is independent of the formal research sector – innovation in design, visual imagery, fashion etc. is based on the insight of inventors and entrepreneurs
- Although, innovation in a lot of the above areas is likely to benefit from regulations/investment strategies that mandate energy efficiency

**6 Aspects of innovation**

6 ways in which innovation can be viewed or characterised as:

- Identifying or creating opportunities e.g. iPhone's → revolutionised the way we communicate
- New ways of serving existing markets e.g. Coles/Woolworths online shopping
- Growing new markets e.g. auction market with eBay
- Rethinking services e.g. online banking
- Meeting social needs e.g. Facebook → as a social platform
- Improving operations → using robotics in medicine, mining and manufacturing

LO 1.3 – Innovation isn't easy

- Seeing innovation as ideas, not managing the whole journey
- Not recognising the need for change
- Mindset and complacency – core competence becomes core rigidity
- Closed information network, insulated from new ideas
- Where is Kodak (digital photography the winner) and blockbuster video?

LO 1.4 – Sources of innovation

- Peter Drucker identified 4 sources of innovation within a company or an industry:
  1. Unexpected occurrences
  2. Incongruities
  3. Process needs
  4. Industry and market changes

- Three additional sources of opportunities exist outside the company in its social and intellectual environment
  5. Demographic changes
  6. Perceptual changes
  7. New knowledge

LO 1.5 – Different types of innovation
(Incremental innovations make existing products or services better)

| Incremental vs. | Disruptive |
|---|---|
| Steady improvements | Fundamental rethink |
| Based on sustaining technologies | Based on disruptive technologies |
| Obedience to cultural routines and norms | Experimentation and make-believe |
| Can be rapidly implemented | Need to be nurtured for long periods |
| Immediate gains | Worse initial performance, potential big gains |
| Develop customer loyalty | Create new markets |

**Disruptive innovation**

- Change the value proposition
- Cause fundamental changes in the marketplace
- 'Innovators dilemma' in large organisations can enable more flexible, entrepreneurial companies to capitalise on industry growth
  E.g. uber disrupted the traditional taxis

**Cost innovation**

- Innovation which considers value for money
- Cost innovation can be delivered in 3 ways
  1. Selling high end products at mass-market prices
  2. Offering choice or customisation to value customers
  3. Turning niches into markets

LO 1.6 – What do successful innovators and entrepreneurs do?

To manage the innovation and entrepreneurship process, *successful innovators and entrepreneurs do the following:*

1. **Explore and understand the dimensions (above)**
2. **Manage innovation as a process**

The context to innovation success

- The innovation and entrepreneurship process doesn't take place in a vacuum; it is shaped by a variety of factors

- Clear strategic leadership and direction
- An innovative organisation
- Proactive links

**3. Develop innovation capability**

**4. Create innovation strategy**

We can think of strategy as a process of exploring the 4 innovation types

- 4.1 Strategic analysis: possibilities? → Business strategy and direction
- 4.2 Strategic selection: what and why? → Innovation space (dimensions)
- 4.3 Strategic implementation: how? → Resources, partnership likely problems

**5. Build dynamic capability**

- Dynamic capability is the ability to review and reset the approach which the organisation takes to managing innovation in the face of a changing environment
- Most of the time innovation takes place within a set of rules of the game and involves players trying to innovate by doing what they do (dimensions) but better
- Occasionally something happens which dislocates this framework and changes the rules of the game. By definition these are not everyday events but have the capacity to redefine the space and boundary conditions

*Class Examples*

Facebook → disruptive opens up a huge market (paradigm)
McDonalds → incremental, pretending to be a restaurant
Lite n' easy → product and service, disruptive not looking at loosing weight only healthy eating
ITunes → disruptive

## *Chapter 2: Creativity, innovation, opportunities and entrepreneurship*

LO 2.1 – The nature of creativity

- Creativity is often associated with the arts
- In business, creativity can be defined as the production of new and useful ideas
- Ideas must fulfil a need in the marketplace and generate profit
- Successful, innovative companies do systematically encourage the development of ideas
- Creativity involves the following:
  - Associations between problems or ideas
  - Incremental and radical ideas
  - Divergent (Explore) and convergent (Focus) thinking
  - Left and right brain thinking
  - Pattern recognition
  - Individual and group creativity

LO 2.2 – Creativity as a process

- It is easy to see creativity as a flash of inspiration!
- Research has shown there is more to creativity – there is a process, which starts long way before the light bulb moment!
- Process is associated with convergent & divergent thinking

**Cycles of divergence and convergence in creativity**

LO 2.3 – Components of creativity and creativity techniques

- Creativity is often associated with the arts
- In business, creativity can be defined as the production of new and useful ideas
- Ideas must fulfil a need in the marketplace and generate profit
- Successful, innovative companies do systematically encourage the development of ideas

**3 components of creativity**

1. Creative thinking skills
    - Creative thinking is how people approach problems and solutions
    - Depends strongly on the individuals personality, as well as how a person thinks or works
    - People are more creative if they feel comfortable disagreeing with others
2. Knowledge
    - Expertise or knowledge encompasses everything a person knows and can do
    - Knowledge can be acquired in different ways:
        - Through formal education
        - Practical experience
        - Or interaction with other people
3. Motivation
    - Motivation determines what a person will actually do
    - Two types of motivation exist:
        - *Intrinsic motivation* (motivation from inside, such as enjoyment of work)
        - *Extrinsic motivation* (motivation from outside, such as financial rewards)

**5 creativity techniques**

- Problem reversal → viewing a problem from an opposite angle
- Forced analogy → making an association between two unlike things to obtain new insights
- Attribute listing → the identification and listing of all major characteristics of a product, object or idea
- Mind maps → visual method to stimulate analysis
- Brainstorming → conference technique where a group tries to find a solution for a problem

**Factors influencing creativity**

- Encouragement of creativity
- Autonomy
- Resources
- Pressures
- Mental blocks

LO 2.4 – Creativity under constraint

- A shortage of resources — including time, money, infrastructure and materials — can force a different mind-set.
- Rather than hinder creativity and innovation, it triggers a different search for solutions with following characteristics.
    - Ends rather than means drive innovation
    - Extensive search
    - Reframing
    - Creatively combining
    - Experimental learning
    - Tolerance of imperfection.

**The "Sweet Spot"**

Too much recourse can relax work; too few can paralyse creativity in the workplace

LO 2.5 – Process model linking creativity, innovation and entrepreneurship

**Knowledge development during the entrepreneurial process**

- Creativity stage: knowledge is present in a very raw form
- Innovation stage: knowledge is further refined and the initial idea should pass the ‘feasibility test’
- Entrepreneurship stage: knowledge is embedded in the product or service sold
- *What creativity, innovation and entrepreneurship have in common is Knowledge development*

**Developing and disseminating knowledge through social networks**

- Social networks are the catalyst for the development and dissemination of knowledge both for emerging and established organisations
- Networks impact on social, emotional and material support available to entrepreneurs
- Three features of social networks:

- Diversity
- Affective strength
- Structural equivalence

LO 2.6 - From creativity to entrepreneurship: screening opportunities

- The creativity-innovation-entrepreneurship process essentially entails identifying and evaluating opportunities
- During this process, business ideas will be assessed to determine if they represent an entrepreneurial opportunity
  — i.e. sustainable value and wealth can be created

**3 critical issues to consider when screening opportunities**

- Product feasibility — Is it real?
  Can the product be made or service delivered using currently available technology?
- Market feasibility — Is it viable?
  Does anyone want it? Has the product any features that someone values and would be ready to pay for?
- Economic feasibility — Is it worth it?
  Can the product be developed, manufactured and distributed while generating a profit?

## *Chapter 3: Marketing, the environment and market analysis*