*Strategic Management*, 9e: Chapter 7 study guide

Guidelines to encourage the innovation process

*1 Question the present business strategies and market definitions*

Once the present strategy has been defined, there is a clear case for questioning every aspect of it. There are bound to be areas that would benefit from new definitions and approaches. A real problem for many organisations is that they live with their existing preconceptions for many years and have real problems in raising their sights to new perspectives.

For example, the market and its customers might be redefined either more broadly or more narrowly. This might lead to a redefinition of the competitors and the threats and opportunities that arise. In turn, this might suggest new insights into areas where the organisation has a competitive advantage – some real leverage over others in the market. The Walt Disney Corporation redefined its market in the 1970s as one of providing pleasure using themed characters such as Mickey Mouse and Donald Duck: it used these ideas to develop another way of delivering such entertainment with the first of its Disney theme parks in Anaheim, California.

*2 Consider carefully the purpose served by the current products or services*

Exploring carefully the purpose served by the current offerings may lead to ideas about the future. It may be possible to reach the same end by new and more rewarding means. While some piano manufacturers were unable to compete for the attention of youngsters against the attractions of computer games such as Nintendo and Sega, Yamaha had other ideas. It redefined its piano as a keyboard and added new designs, sizes and technology to provide as much fun as a game.

*3 Explore external timing and market opportunities*

There are often strategic windows of opportunity that may provide real benefits if they can be tackled. Resources then need to be concentrated on such areas to ensure progress is quick, but the rewards are significant. Timing is vital, however. For example, Asea Brown Boveri (Switzerland/Sweden) and Deutsche Babcock (Germany) have seized opportunities to develop products in environmental control engineering over the last few years, building on the new concerns of some governments, especially those in Northern Europe and the USA.

*4 Seek out competitors’ weaknesses*

Most organisations have areas in which they are weak. These might provide opportunities for others to expand. However, such an approach does invite competitive retaliation and so needs to be considered carefully. For example, Microsoft has dominated world markets for computer software for years with its Windows system. The company did not notice that Netscape Communications had quietly developed software for the internet ‘browser’ market and by 1995 had come to dominate this segment. Microsoft was then involved in some expensive joint deals to recover the situation in this area.

*5 Deliver new and better value for money*

Companies sometimes become locked into assumptions about the possibilities of further reductions in costs and improvements in quality. However, design and technology development is moving at such a pace in some markets that new opportunities have arisen. For example, all the Japanese car manufacturers were able to make real share gains in the 1970s and 1980s not only by competitive prices but also by offering superior quality and performance standards.

*6 Search wide and far*

Examining areas such as lifestyles, technology, regulatory regimes and demographics can generate significant opportunities. For example, Motorola (USA) and Nokia (Finland) have both benefited from the rise of the mobile telephone, having developed expertise in this market over the last ten years. In the same way, Sharp (Japan) was the leading company in the launch of pocket computer organisers because it recognised trends to busier and more complex lives that needed to be managed.

*7 Seek to challenge conventional wisdom*

Acceptance of the current market and resource status is unlikely to lead to major new developments. There is a need to challenge every aspect of what is believed to be the generally held view in markets. This might include a challenge to areas such as *key factors for success*, perhaps by finding a totally new method of delivering a product or service. Some managers are better at the challenge process than others and need to be encouraged and supported as they engage in this task. For example, as late as the 1980s it was considered impossible for personal car insurance to be sold over the telephone: it was far too complicated, and customers would not accept it. This has proved to be totally false. By the mid-1990s, telephone selling had become the dominant mode of selling in several of Europe’s largest markets. As a result, the new companies such as Direct Line (now a subsidiary of the Royal Bank of Scotland) have taken over market leadership in the UK.

It will be evident that there is no one piece of conventional strategic theory that will prompt innovative developments, but the strategic payoff from such processes can be substantial.