COMPETITION AND INNOVATION

GLOBAL INNOVATIVE LEADERSHIP MODULE

ERASMUS+ STRATEGIC PARTNERSHIP FOR YOUTH

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CHAPTER 1. THEORETICAL BACKGROUND

1. Innovation

1.1. Definition

Innovation is defined simply as a "new idea, device, or method." However, innovation is often also viewed as the application of better solutions that meet new requirements, unarticulated needs, or existing market needs. This is accomplished through more effective products, processes, services, technologies, or business models that are readily available to markets,governments and society. The term "innovation" can be defined as something original and more effective and, as a consequence, new, that "breaks into" the market or society.

While a novel device is often described as an innovation, in economics, management science, and other fields of practice and analysis, innovation is generally considered to be the result of a process that brings together various novel ideas in a way that they have an impact on society. In industrial economics, innovations are created and found empirically from services to meet the growing consumer demand.

1.1.1. Business And Economics

In business and economics, innovation can be a catalyst to growth. With rapid advancements in transportation and communications over the past few decades, the old world concepts of factor endowments and comparative advantage which focused on an area's unique inputs are outmoded for today's global economy. Economist Joseph Schumpeter, who contributed greatly to the study of innovation economics, argued that industries must incessantly revolutionize the economic structure from within, that is innovate with better or more effective processes and products, as well as market distribution, such as the connection from the craft shop to factory. He famously asserted that ―creative destruction is the essential fact about capitalism‖.[7] In addition,entrepreneurs continuously look for better ways to satisfy their consumer base with improved quality, durability, service, and price which come to fruition in innovation with advanced technologies and organizational strategies.

One prime example was the explosive boom of Silicon Valley startups out of the Stanford Industrial Park. In 1957, dissatisfied employees of Shockley Semiconductor, the company of Nobel laureate and co-inventor of the transistor William Shockley, left to form an independent firm, Fairchild Semiconductor. After several years, Fairchild developed into a formidable presence in the sector.

Eventually, these founders left to start their own companies based on their own, unique, latest ideas, and then leading employees started their own firms. Over the next 20 years, this snowball process launched the momentous startup company explosion of information technology firms. Essentially, Silicon Valley began as 65 new enterprises born out of Shockley's eight former employees.[9] Since then, hubs of innovation have sprung up globally with similar metonyms, including Silicon Alley encompassing New York City.

1.1.2. Organizations

In the organizational context, innovation may be linked to positive changes in efficiency, productivity, quality, competitiveness, and market share. However, recent research findings highlight the complementary role of organizational culture in enabling organizations to translate innovative activity into tangible performance improvements. Organizations can also improve profits and performance by providing work groups opportunities and resources to innovate, in addition to employee's core job tasks. Peter Drucker wrote:

"Innovation is the specific function of entrepreneurship, whether in an existing business, a public service institution, or a new venture started by a lone individual in the family kitchen. It is the means by which the entrepreneur either creates new wealth-producing resources or endows existing resources with enhanced potential for creating wealth." –Drucker.

According to Clayton Christensen, disruptive innovation is the key to future success in business. The organisation requires a proper structure in order to retain competitive advantage. It is necessary to create and nurture an environment of innovation. Executives and managers need to break away from traditional ways of thinking and use change to their advantage. It is a time of risk but even greater opportunity. The world of work is changing with the increase in the use of technology and both companies and businesses are becoming increasingly competitive. Companies will have to downsize and re-engineer their operations to remain competitive. This will impact on employment as businesses will be forced to reduce the number of people employed while accomplishing the same amount of work if not more.

All organizations can innovate, including for example hospitals, universities, and local governments.For instance, former Mayor Martin O'Malley pushed the City of Baltimore to use CitiStat, aperformance-measurement data and management system that allows city officials to maintain statistics on crime trends to condition of potholes. This system aids in better evaluation of policies and procedures with accountability and efficiency in terms of time and money. In its first year, CitiStat saved the city $13.2 million. Even mass transit systems have innovated with hybrid bus fleets to real-time tracking at bus stands. In addition, the growing use of mobile data terminals in vehicles, that serve as communication hubs between vehicles and a control center, automatically send data on location, passenger counts, engine performance, mileage and other information. This tool helps to deliver and manage transportation systems. Still other innovative strategies include hospitals digitizing medical information in electronic medical records. For example, the U.S. Department of Housing and Urban Development's HOPE VIinitiatives turned severely distressed public housing in urban areas into revitalized, mixed-income environments; the Harlem Children’s Zone used a communitybased approach to educate local area children; and the Environmental Protection Agency's brownfield grants facilitates turning over brownfields for environmental protection, green spaces, community and commercial development.

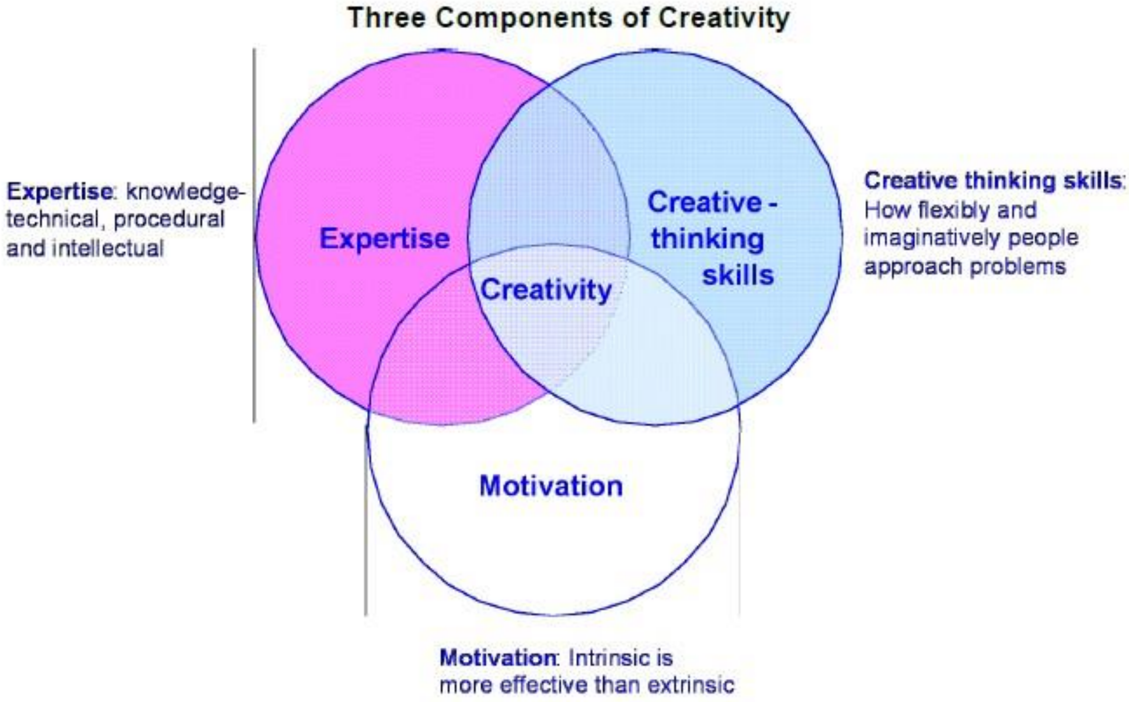
1.2. What Are The Sources of Creativity and Innovation in Individuals?

Cognitive psychology provides the most prolific and developed perspective on the sources of individual creativity. In 1950, J.P. Guilford, then President of the American Psychological Association, stated in his presidential address that the topic of creativity deserved greater attention. Following this seminal call to action, psychological research on creativity expanded significantly. These efforts have concentrated on the cognitive processes behind creativity, the characteristics of creative people, the development of creativity across the individual life span, and the social environments most conducive to creativity (Simonton, p. 1). Teresa Amabile, PhD in Psychology and Head of the Entrepreneurial Management Unit at the Harvard Business School, has provided the field with one of the most simple and yet comprehensive frameworks for the topic. As depicted in the diagram below, creativity arises through the confluence of the following three components:

1 - Knowledge: All the relevant understanding an individual brings to bear on a creative effort.

2- Creative Thinking: Relates to how people approach problems and depends on personality and thinking/working style.

3- Motivation: Motivation is generally accepted as key to creative production, and the most important motivators are intrinsic passion and interest in the work itself.

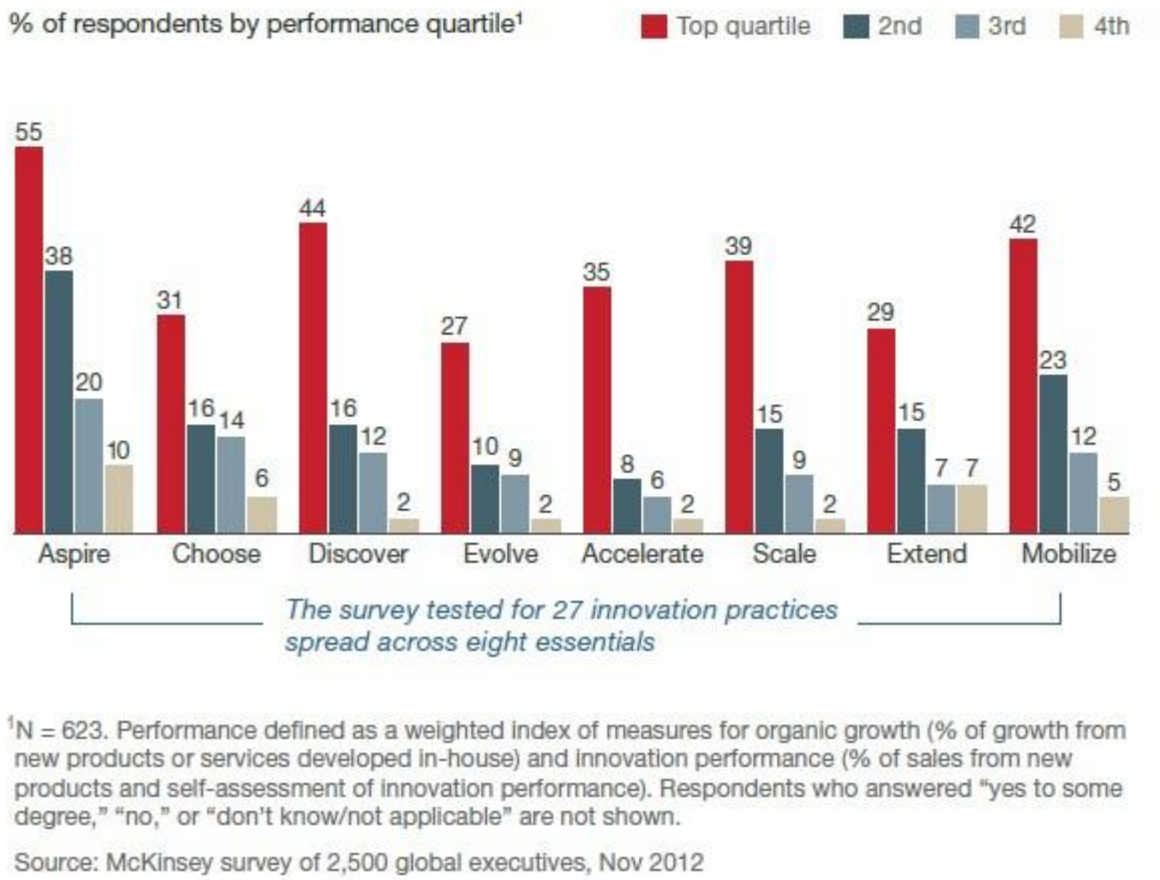


Multiple experts provide frameworks and hypotheses on the sources of creativity yet, it appears that the vast majority of their important contributions to the theory can be categorized as falling within Amabile's three intersecting circles above.

1.3. The Eight Essentials of Innovation

Strategic and organizational factors are what separate successful big-company innovators from the rest of the field. It is : innovation is difficult for well-established companies. By and large, they are better executors than innovators, and most succeed less through game-changing creativity than by optimizing their existing businesses Yet hard as it is for such organizations to innovate, large ones as diverse as Alcoa, the Discovery Group, and NASA's Ames Research Center are actually doing so. What can other companies learn from their approaches and attributes? That question formed the core of a multiyear study comprising in-depth interviews, workshops, and surveys of more than 2,500 executives in over 300 companies, including both performance leaders and laggards, in a broad set of industries and countries (Exhibit 1). What we found were a set of eight essential attributes that are present, either in part or in full, at every big company that's a high performer in product, process, or business-model innovation. Since innovation is a complex, company-wide endeavor, it requires a set of crosscutting practices and processes to structure, organize, and encourage it. Taken together, the essentials described in this article constitute just such an operating system, as seen in Exhibit 2. These often overlapping, iterative, and nonsequential practices resist systematic categorization but can nonetheless be thought of in two groups. The first four, which are strategic and creative in nature, help set and prioritize the terms and conditions under which innovation is more likely to thrive. The next four essentials deal with how to deliver and organize for innovation repeatedly over time and with enough value to contribute meaningfully to overall performance.

Exhibit 1 What innovation leaders say they do right



that if companies assimilate and apply these essentials—in their own way, in accordance with their particular context, capabilities, organizational culture, and appetite for risk—they will improve the likelihood that they, too, can rekindle the lost spark of innovation. In the digital age, the pace of change has gone into hyperspeed, so companies must get these strategic, creative, executional, and organizational factors right to innovate successfully.

Exhibit 2

Testing for innovation

	Do you really innovate?	Underlying elements
Aspire	Do you regard innovation-led growth as critical, and do you have cascaded targets that reflect this?	• Innovation vision and model • Required growth contribution from innovation • Cascaded targets and accountabilities
Choose	Do you invest in a coherent, time- and risk-balanced portfolio of initiatives with sufficient resources to win?	• Clarity of innovation themes • Portfolio balancing time and risk • Resources sufficient for initiatives to win • Portfolio governance
Discover	Do you have differentiated business, market, and technology insights that translate into winning value propositions?	• Customer orientation • Multiple-lens insight generation • Differentiated value proposition
Evolve	Do you create new business models that provide defensible and scalable profit sources?	• Exploration of new business models • Changing value-chain economics • Diversifying profit streams • Delivery-model changes and new customer groups
Accelerate	Do you beat the competition by developing and launching innovations quickly and effectively?	• Planning and execution rigor • Cross-functional project culture • Customer- and market-based learning
Scale	Do you launch innovations at the right scale in the relevant markets and segments?	• Go-to-market planning • Launch management • Operations ramp-up
Extend	Do you win by creating and capitalizing on external networks?	• Strategic external networks • Collaboration skills • Partner of choice
Mobilize	Are your people motivated, rewarded, and organized to innovate repeatedly?	• People priorities • Enabling structure • Supportive culture • Learning and adaptive organization

Source: McKinsey analysis

President John F. Kennedy's bold aspiration, in 1962, to ―go to the moon in this decade‖ motivated a nation to unprecedented levels of innovation. A far-reaching vision can be a compelling catalyst, provided it's realistic enough to stimulate action today.

Aspire

President John F. Kennedy’s bold aspiration, in 1962, to ―go to the moon in this decade‖ motivated a nation to unprecedented levels of innovation. A far-reaching vision can be a compelling catalyst, provided it’s realistic enough to stimulate action today. But in a corporate setting, as many CEOs have discovered, even the most inspiring words often are insufficient, no matter how many times they are repeated. It helps to combine high-level aspirations with estimates of the value that innovation should generate to meet financial-growth objectives.

Quantifying an ―innovation target for growth,‖ and making it an explicit part of future strategic plans, helps solidify the importance of and accountability for innovation. The target itself must be large enough to force managers to include innovation investments in their business plans. If they can make their numbers using other, less risky tactics, our experience suggests that they (quite rationally) will. Establishing a quantitative innovation aspiration is not enough, however. The target value needs to be apportioned to relevant business ―owners‖ and cascaded down to their organizations in the form of performance targets and timelines. Anything less risks encouraging inaction or the belief that innovation is someone else’s job.

For example, Lantmännen, a big Nordic agricultural cooperative, was challenged by flat organic growth and directionless innovation. Top executives created an aspirational vision and strategic plan linked to financial targets: 6 percent growth in the core business and 2 percent growth in new organic ventures. To encourage innovation projects, these quantitative targets were cascaded down to business units and, ultimately, to product groups. During the development of each innovation project, it had to show how it was helping to achieve the growth targets for its category and markets. As a result, Lantmännen went from 4 percent to 13 percent annual growth, underpinned by the successful launch of several new brands. Indeed, it became the market leader in premade food only four years after entry and created a new premium segment in this market. Such performance parameters can seem painful to managers more accustomed to the traditional approach. In our experience, though, CEOs are likely just going through the motions if they don’t use evaluations and remuneration to assess and recognize the contribution that all top managers make to innovation.

Choose

Fresh, creative insights are invaluable, but in our experience many companies run into difficulty less from a scarcity of new ideas than from the struggle to determine which ideas to support and scale. At bigger companies, this can be particularly problematic during market discontinuities, when supporting the next wave of growth may seem too risky, at least until competitive dynamics force painful changes. Innovation is inherently risky, to be sure, and getting the most from a portfolio of innovation initiatives is more about managing risk than eliminating it. Since no one knows exactly where valuable innovations will emerge, and searching everywhere is impractical, executives must create some boundary conditions for the opportunity spaces they want to explore. The process of identifying and bounding these spaces can run the gamut from intuitive visions of the future to carefully scrutinized strategic analyses. Thoughtfully prioritizing these spaces also allows companies to assess whether they have enough investment behind their most valuable opportunities. During this process, companies should set in motion more projects than they will ultimately be able to finance, which makes it easier to kill those that prove less promising. RELX Group, for example, runs 10 to 15 experiments per major customer segment, each funded with a preliminary budget of around $200,000, through its innovation pipeline every year, choosing subsequently to invest more significant funds in one or two of them, and dropping the rest. ―One of the hardest things to figure out is when to kill something,‖ says Kumsal Bayazit, RELX Group's chief strategy officer. ―It's a heck of a lot easier if you have a portfolio of ideas.‖ Once the

opportunities are defined, companies need transparency into what people are working on and a governance process that constantly assesses not only the expected value, timing, and risk of the initiatives in the portfolio but also its overall composition. There's no single mix that's universally right. Most established companies err on the side of overloading their innovation pipelines with relatively safe, short-term, and incremental projects that have little chance of realizing their growth targets or staying within their risk parameters. Some spread themselves thinly across too many projects instead of focusing on those with the highest potential for success and resourcing them to win. These tendencies get reinforced by a sluggish resourcereallocation process. Our research shows that a company typically reallocates only a tiny fraction of its resources from year to year, thereby sentencing innovation to a stagnating march of incrementalism.

Discover

Innovation also requires actionable and differentiated insights—the kind that excite customers and bring new categories and markets into being. How do companies develop them? Genius is always an appealing approach, if you have or can get it. Fortunately, innovation yields to other approaches besides exceptional creativity. The rest of us can look for insights by methodically and systematically scrutinizing three areas: a valuable problem to solve, a technology that enables a solution, and a business model that generates money from it. You could argue that nearly every successful innovation occurs at the intersection of these three elements. Companies that effectively collect, synthesize, and ―collide‖ them stand the highest probability of success. ―If you get the sweet spot of what the customer is struggling with, and at the same time get a deeper knowledge of the new technologies coming along and find a mechanism for how these two things can come together, then you are going to get good returns,‖ says Alcoa chairman and chief executive Klaus Kleinfeld.

The insight-discovery process, which extends beyond a company's boundaries to include insight-generating partnerships, is the lifeblood of innovation. We won't belabor the matter here, though, because it's already the subject of countless articles and books.2 One thing we can add is that discovery is iterative, and the active use of prototypes can help companies continue to learn as they develop, test, validate, and refine their innovations. Moreover, we firmly believe that without a fully developed innovation system encompassing the other elements described in this article, large organizations probably won't innovate successfully, no matter how effective their insight-generation process is.

Evolve

Business-model innovations—which change the economics of the value chain, diversify profit streams, and/or modify delivery models—have always been a vital part of a strong innovation portfolio. As smartphones and mobile apps threaten to upend oldline industries, business-model innovation has become all the more urgent: established companies must reinvent their businesses before technology-driven upstarts do. Why, then, do most innovation systems so squarely emphasize new products? The reason, of course, is that most big companies are reluctant to risk tampering with their core business model until it's visibly under threat. At that point, they can only hope it's not too late. Leading companies combat this troubling tendency in a number of ways. They up their game in market intelligence, the better to separate signal from noise. They establish funding vehicles for new businesses that don't fit into the current structure. They constantly reevaluate their position in the value chain, carefully considering business models that might deliver value to priority groups of new customers. They sponsor pilot projects and experiments away from the core business to help combat narrow conceptions of what they are and do. And they stress-test newly emerging value propositions and operating models against countermoves by competitors. Amazon does a particularly strong job extending itself into new business models by addressing the emerging needs of its customers and suppliers. In fact, it has included many of its suppliers in its customer base by offering them an increasingly wide range of services, from hosted computing to warehouse management. Another strong performer, the Financial Times, was already experimenting with its business model in response to the increasing digitalization of media when, in 2007, it launched an innovative subscription model, upending its relationship with advertisers and readers. ―We went against the received wisdom of popular strategies at the time,‖ says Caspar de Bono, FT board member and managing director of B2B. ―We were very deliberate in getting ahead of the emerging structural change, and the decisions turned out to be very successful.‖ In print's heyday, 80 percent of the FT's revenue came from print advertising. Now, more than half of it comes from content, and two-thirds of circulation comes from digital subscriptions.

Accelerate

Virulent antibodies undermine innovation at many large companies. Cautious governance processes make it easy for stifling bureaucracies in marketing, legal, IT, and other functions to find reasons to halt or slow approvals. Too often, companies simply get in the way of their own attempts to innovate. A surprising number of impressive innovations from companies were actually the fruit of their mavericks, who succeeded in bypassing their early-approval processes. Clearly, there's a balance to be maintained: bureaucracy must be held in check, yet the rush to market should not undermine the cross-functional collaboration, continuous learning cycles, and clear decision pathways that help enable innovation. Are managers with the right knowledge, skills, and experience making the crucial decisions in a timely manner, so that innovation continually moves through an organization in a way that creates and maintains competitive advantage, without exposing a company to unnecessary risk? Companies also thrive by testing their promising ideas with customers early in the process, before internal forces impose modifications that blur the original value proposition. To end up with the innovation initially envisioned, it's necessary to knock down the barriers that stand between a great idea and the end user. Companies need a well-connected manager to take charge of a project and be responsible for the budget, time to market, and key specifications— a person who can say yes rather than no. In addition, the project team needs to be cross-functional in reality, not just on paper. This means locating its members in a single place and ensuring that they give the project a significant amount of their time (at least half) to support a culture that puts the innovation project's success above the success of each function. Cross-functional collaboration can help ensure end-user involvement throughout the development process. At many companies, marketing's role is to champion the interests of end users as development teams evolve products and to help ensure that the final result is what everyone first envisioned. But this responsibility is honored more often in the breach than in the observance. Other companies, meanwhile, rationalize that consumers don't necessarily know what they want until it becomes available. This may be true, but customers can certainly say what they don't like. And the more quickly and frequently a project team gets—and uses— feedback, the more quickly it gets a great end result.

Scale

Some ideas, such as luxury goods and many smartphone apps, are destined for niche markets. Others, like social networks, work at global scale. Explicitly considering the appropriate magnitude and reach of a given idea is important to ensuring that the right resources and risks are involved in pursuing it. The seemingly safer option of scaling up over time can be a death sentence. Resources and capabilities must be marshaled to make sure a new product or service can be delivered quickly at the desired volume and quality. Manufacturing facilities, suppliers, distributors, and others must be prepared to execute a rapid and full rollout. For example, when TomTom launched its first touch-screen navigational device, in 2004, the product flew off the shelves. By 2006, TomTom's line of portable navigation devices reached sales of about 5 million units a year, and by 2008, yearly volume had jumped to more than 12 million. ―That's faster market penetration than mobile phones‖ had, says Harold Goddijn, TomTom's CEO and cofounder. While TomTom's initial accomplishment lay in combining a well-defined consumer problem with widely available technology components, rapid scaling was vital to the product's continuing success. ―We doubled down on managing our cash, our operations, maintaining quality, all the parts of the iceberg no one sees,‖ Goddijn adds. ―We were hugely well organized.‖

Extend

In the space of only a few years, companies in nearly every sector have conceded that innovation requires external collaborators. Flows of talent and knowledge increasingly transcend company and geographic boundaries. Successful innovators achieve significant multiples for every dollar invested in innovation by accessing the skills and talents of others. In this way, they speed up innovation and uncover new ways to create value for their customers and ecosystem partners. Smart collaboration with external partners, though, goes beyond merely sourcing new ideas and insights; it can involve sharing costs and finding faster routes to market. Famously, the components of Apple’s first iPod were developed almost entirely outside the company; by efficiently managing these external partnerships, Apple was able to move from initial concept to marketable product in only nine months. NASA’s Ames Research Center teams up not just with international partners—launching joint satellites with nations as diverse as Lithuania, Saudi Arabia, and Sweden—but also with emerging companies, such as SpaceX. High-performing innovators work hard to develop the ecosystems that help deliver these benefits. Indeed, they strive to become partners of choice, increasing the likelihood that the best ideas and people will come their way. That requires a systematic approach. First, these companies find out which partners they are already working with; surprisingly few companies know this. Then they decide which networks—say, four or five of them—they ideally need to support their innovation strategies. This step helps them to narrow and focus their collaboration efforts and to manage the flow of possibilities from outside the company. Strong innovators also regularly review their networks, extending and pruning them as appropriate and using sophisticated incentives and contractual structures to motivate high-performing business partners. Becoming a true partner of choice is, among other things, about clarifying what a partnership can offer the junior member: brand, reach, or access, perhaps. It is also about behavior. Partners of choice are fair and transparent in their dealings. Moreover, companies that make the most of external networks have a good idea of what’s most useful at which stages of the innovation process. In general, they cast a relatively wide net in the early going. But as they come closer to commercializing a new product or service, they become narrower and more specific in their sourcing, since by then the new offering’s design is relatively set.

Mobilize

How do leading companies stimulate, encourage, support, and reward innovative behavior and thinking among the right groups of people? The best companies find ways to embed innovation into the fibers of their culture, from the core to the periphery. They start back where we began: with aspirations that forge tight connections among innovation, strategy, and performance. When a company sets financial targets for innovation and defines market spaces, minds become far more focused. As those aspirations come to life through individual projects across the company, innovation leaders clarify responsibilities using the appropriate incentives and rewards. The Discovery Group, for example, is upending the medical and lifeinsurance industries in its native South Africa and also has operations in the United Kingdom, the United States, and China, among other locations. Innovation is a standard measure in the company's semiannual divisional scorecards—a process that helps mobilize the organization and affects roughly 1,000 of the company's business leaders. ―They are all required to innovate every year,‖ Discovery founder and CEO Adrian Gore says of the company's business leaders. ―They have no choice.‖ Organizational changes may be necessary, not because structural silver bullets exist—we've looked hard for them and don't think they do— but rather to promote collaboration, learning, and experimentation. Companies must help people to share ideas and knowledge freely, perhaps by locating teams working on different types of innovation in the same place, reviewing the structure of project teams to make sure they always have new blood, ensuring that lessons learned from success and failure are captured and assimilated, and recognizing innovation efforts even when they fall short of success. Internal collaboration and experimentation can take years to establish, particularly in large, mature companies with strong cultures and ways of working that, in other respects, may have served them well. Some companies set up ―innovation garages‖ where small groups can work on important projects unconstrained by the normal working environment while building new ways of working that can be scaled up and absorbed into the larger organization. NASA, for example, has ten field centers. But the space agency relies on the Ames Research Center, in Silicon Valley, to maintain what its former director, Dr. Pete Worden, calls ―the character of rebels‖ to function as ―a laboratory that's part of a much larger organization.

Big companies do not easily reinvent themselves as leading innovators. Too many fixed routines and cultural factors can get in the way. For those that do make the attempt, innovation excellence is often built in a multiyear effort that touches most, if not all, parts of the organization. Our experience and research suggest that any company looking to make this journey will maximize its probability of success by closely studying and appropriately assimilating the leading practices of high-performing innovators. Taken together, these form an essential operating system for innovation within a company's organizational structure and culture.

2. Competition

2.1. Definition

An innovation competition is a method or process of the industrial process, product or business development. It is a form of social engineering, which focuses to the creation and elaboration of the best and sustainable ideas, coming from the best innovators.

2.2. Understanding Your Competitiors

Knowing who your competitors are, and what they are offering, can help you to make your products, services and marketing stand out. It will enable you to set your prices competitively and help you to respond to rival marketing campaigns with your own initiatives.

You can use this knowledge to create marketing strategies that take advantage of your competitors' weaknesses, and improve your own business performance. You can also assess any threats posed by both new entrants to your market and current competitors. This knowledge will help you to be realistic about how successful you can be.

This guide explains how to analyse who your competitors are, how to research what they're doing and how to act on the information you gain.

- Who are your competitors?
- What you need to know about your competitors
- Learning about your competitors
- Hearing about your competitors
- How to act on the competitor information you get

2.2.1. Who Are Your Competitors

All businesses face competition. Even if you're the only restaurant in town you must compete with cinemas, bars and other businesses where your customers will spend their money instead of with you. With increased use of the Internet to buy goods and services and to find places to go, you are no longer just competing with your immediate neighbours. Indeed, you could find yourself competing with businesses from other countries. Your competitor could be a new business offering a substitute or similar product that makes your own redundant. Competition is not just another business that might take money away from you. It can be another product or service that's being developed and which you ought to be selling or looking to license before somebody else takes it up. And don't just research what's already out there. You also need to be constantly on the lookout for possible new competition**.** You can get clues to the existence of competitors from:

- local business directories
- your local Chamber of Commerce
- advertising
- press reports
- exhibitions and trade fairs
- questionnaires
- searching on the Internet for similar products or services
- information provided by customers
- flyers and marketing literature that have been sent to you - quite common if you're on a bought-in marketing list
- searching for existing patented products that are similar to yours
- planning applications and building work in progress

2.2.2. What You Need To Know About Your Competitors

Monitor the way your competitors do business. Look at:

- the products or services they provide and how they market them to customers
- the prices they charge
- how they distribute and deliver
- the devices they employ to enhance customer loyalty and what back-up service they offer

- their brand and design values
- whether they innovate - business methods as well as products
- their staff numbers and the calibre of staff that they attract
- how they use IT - for example, if they're technology-aware and offer a website and email
- who owns the business and what sort of person they are
- their annual report - if they're a public company
- their media activities - check their website as well as local newspapers, radio, television and any outdoor advertising

- How they treat their customers
- Find out as much as possible about your competitors' customers, such as:
  - who they are
  - what products or services different customers buy from them
  - what customers see as your competitors' strengths and weaknesses
  - whether there are any long-standing customers
  - if they've had an influx of customers recently What they're planning to do

- Try to go beyond what's happening now by investigating your competitors' business strategy, for example:
  - what types of customer they're targeting
  - what new products they're developing
  - what financial resources they have

2.2.3. Learning About Your Competitors

Read about your competitors. Look for articles or ads in the trade press or mainstream publications. Read their **marketing literature**. Check their entries in **directories** and phone books. If they are an online business, ask for a trial of their service. Are they getting more publicity than you, perhaps through networking or sponsoring events?

If your competitor is a public company, read a copy of their annual report.

Consult Corporations Canada's Choosing a name and the Registraire des entreprises' database in Québec to check the availability of a company name, and the Canadian Trade-marks Database for the availability of a trade mark.

- Go to exhibitions

At exhibitions and trade fairs check which of your competitors are also exhibiting. Look at their stands and promotional activities. Note how busy they are and who visits them.

- Go online

Look at competitors' websites. Find out how they compare to yours. Check any interactive parts of the site to see if you could improve on it for your own website. Is the information free of charge? Is it easy to find?

Business websites often give much information that businesses haven't traditionally revealed - from the history of the company to biographies of the staff.

Use a search engine to track down similar products. Find out who else offers them and how they go about it.

Websites can give you good tips on what businesses around the globe are doing in your industry sector.

- Organisations and reference sources

- Your trade or professional association, if applicable.
- The local Chamber of Commerce.
- Directories and survey reports in any business reference library.
- Our Strategic Information Centre

2.2.4. Hearing About Your Competitors

Speak to your competitors. Phone them to ask for a copy of their brochure or get one of your staff or a friend to drop by and pick up their marketing literature. You could ask for a **price list** or enquire what an off-the-shelf item might cost and if there's a discount for volume. This will give you an idea at which point a competitor will discount and at what volume.

Phone and face-to-face contacts will also give you an idea of the **style** of the company, the quality of their literature and the initial impressions they make on customers. It's also likely you'll meet competitors at social and business events. Talk to them. Be **friendly** - they're competitors not enemies. You'll get a better idea of them - and you might need each other one day, for example in collaborating to grow a new market for a new product. Listen to your customers and suppliers

Make the most of contacts with your customers. Don't just ask how well you're performing - ask which of your competitors they buy from and how you compare.

Use meetings with your **suppliers** to ask what their other customers are doing. They may not tell you everything you want to know, but it's a useful start.

Use your judgement with any information they volunteer. For instance, when customers say your prices are higher than the competition they may just be trying to negotiate a better deal.

2.2.5. How To Act On The Competitor Information You Get

Evaluate the information you find about your competitors. This should tell you whether there are gaps in the market you can exploit. It should also indicate whether there is a saturation of suppliers in certain areas of your market, which might lead you to focus on less competitive areas.

Draw up a list of everything that you've found out about your competitors, however small. Put the information into three categories:

- what you can learn from and do better
- what they're doing worse than you
- what they're doing the same as you What you can learn from and do better

If you're sure your competitors are doing something better than you, you need to respond and make some changes. It could be anything from improving customer service, assessing your prices and updating your products, to changing the way you market yourself, redesigning your literature and website and changing your suppliers.

Try to innovate not imitate. Now you've got the idea, can you do it even better, add more value?

Your competitors might not have rights over their actual ideas, but remember the rules on patents, copyright and design rights. For more information, consult the Intellectual Property Toolkit.

What they're doing worse than you

Exploit the gaps you've identified. These may be in their product range or service, marketing or distribution, even the way they recruit and retain employees.

Customer service reputation can often provide the difference between businesses that operate in a very competitive market. Renew your efforts in these areas to exploit the deficiencies you've discovered in your competitors.

But don't be complacent about your current strengths. Your current offerings may still need improving and your competitors may also be assessing you. They may adopt and enhance your good ideas.

What they're doing the same as you

Why are they doing the same as you, particularly if you're not impressed by other things they do? Perhaps you both need to make some changes.

Analyse these common areas and see whether you've got it right. And even if you have, your competitor may be planning an improvement.

2.3. Examples of Competitive Environment

In the business plan of every small enterprise is a section analyzing the competitive environment. The competitive environment encompasses all the external factors that compete with the services or products of the small business. Ignoring any of these factors results in having an incomplete picture that can lead to poor decision-making. The most obvious examples of elements in a competitive environment are a business's direct competitors, but other examples are regulatory sources, indirect competitors and social and technological changes.

Regulatory Elements

A small business's ability to compete and the environment in which it attempts to make a profit can be greatly affected by government regulations and professional licensing demands. For example, a spa's competitive environment can be altered if a state enacts regulations stating that all massage therapists must meet the same licensing demands as a cosmetologist. Likewise, the competitive environment of an insurance company can be altered significantly if the state passes no-fault reform laws. While ideally all competitors in the environment are subject to the same regulations, the regulations may create a greater cost burden or benefit to a smaller business.

Direct Competitors

In a healthy market economy, the competitive environment is filled with direct competitors. These include everyone who is in the same business. Within an industry, all businesses that offer the same products and services are in direct competition. For example, anyone who sells electronics is a direct competitor with other sellers of electronics. All media consulting firms are in direct competition with each other.

Indirect Competitors

Indirect competitors are those that are not the exact same type of business but are competing for the same consumer dollar. They may belong to the same industry, though that isn't a requirement. What creates the indirect competitive environment is that the businesses offer a different product or service. For example, in the entertainment industry, a cable television channel competes for the entertainment dollar with ticket sellers for a sports stadium or concert. A fast food restaurant is in indirect competition with a buffet restaurant.

Social and Technological Trends

Often, the competitive environment of a small business is altered because of changes in technology or the way that people purchase products. For example, Amazon.com changed customer expectations and the way that businesses distributed products. Its innovations affected the competitive environment of a slew of consumer product businesses and opened several markets for small businesses that previously could not have hoped to compete with bigger corporations.

Amazon.com inaugurated the idea of the "long tail," in which businesses could offer a wider variety of products that were sold at smaller volumes because of decreased distribution costs.

Marketing Environment & Competitor Analysis

In a marketing environment, a competitor analysis is a crucial part of a small business's overall strategy and should include a thorough assessment of the strengths, weaknesses, opportunities and threats of current and prospective competitors as well as the political, economic and technological influences that affect the way in which a business competes. One of the most effective tools for assessing the competitive landscape of a business is the Five Competitive Forces model developed by Michael E. Porter of Harvard Business School. Before making any strategic decisions, small businesses should use these five forces as a foundation for developing a strong analysis of the competition.

Threat of New Potential Entrants

This external force refers to the potential competitors that are not currently in the market but have the capabilities and resources to compete. When markets are profitable, they become attractive to new businesses; this increases capacity but decreases profitability. The decision for a business to go into a new market depends heavily on the barriers to entry or obstacles that dissuade new competitors from entering. High startup costs, existing patents, government regulations and licensing requirements are examples of barriers to entry.

Threat of Substitute Products

Substitute products are identical or similar products from different manufacturers that effectively satisfy a customer's needs at a lower price and can lower industry attractiveness and profitability because they restrict price levels. The threat of substitute products or services depends on a buyer's willingness to substitute a product, the relative price and performance of substitutes and the costs of switching to substitutes.

Bargaining Power of Suppliers

Suppliers of raw materials, equipment and components – or markets of inputs -- can control the supply chain and heavily influence pricing and terms when there are few substitutes in the market.

The more concentrated and controlled the supply, the less negotiating opportunities a business has. A supplier’s bargaining power increases if the following factors apply: Switching suppliers is too costly, a supplier's input can't be provided by anyone else, or the input is an integral component of a company’s product. The power of suppliers can be an important economic factor in the marketplace because of the impact they can have on customer profits.

Bargaining Power of Buyers

Buyers are the customers – or market of outputs – and they have the power to affect price and terms of purchases. By putting pressure on an industry to lower prices and improve quality, influential buyers can reduce the profitability potential of a business and increase competition in the industry. The bargaining power of buyers can be strong or weak. Buyers are strong when they buy in large volume, substitute products are available or the supply chain is varied. These factors can change over time and should be regarded as a possible threat in a competitive analysis.

Rivalry Among Competitors

Rivalry for market share among industry competitors can range from low to extreme, and the level of intensity refers to the extent to which businesses within an industry put pressure on one another. The intensity of the rivalry can pose a threat to an industry as a whole by limiting profit potential when competitors forcefully target one another’s markets and aggressively price products to gain the business. Several factors determine the intensity of rivalry, including the extent of exit barriers, amount of fixed costs, number of competitors in the industry, growth rate of the industry and demand conditions.

CHAPTER 2. APPLICATION

1. Ten Types Of Innovation by DOBLIN

The Ten Types framework is simple and intuitive. It is a useful tool you can use both to diagnose and enrich an innovation you're working on, or to analyze existing competition. It makes it especially easy to spot errors of omission — missing dimensions that will make a concept stronger.

The Ten Types framework is structured into three color-coded categories. The types on the left side of the framework are the most internally focused and distant from customers; as you move toward the right side, the types become increasingly apparent and obvious to end users. To use a theatrical metaphor, the left of the framework is backstage; the right is onstage.

Profit Model

How you make money

Innovative profit models find a fresh way to convert a firm's offerings and other sources of value into cash. Great ones reflect a deep understanding of what customers and users actually cherish and where new revenue or pricing opportunities might lie. Innovative profit models often challenge an industry's tired old assumptions about what to offer, what to charge, or how to collect revenues. This is a big part of their power: in most industries the dominant profit model often goes unquestioned for decades.

For example, how **Netflix** turned the video rental industry on its head by implementing a subscription model.

Network

How you connect with others to create value

In today's hyper-connected world, no company can or should do everything alone. Network innovations provide a way for firms to take advantage of other companies' processes, technologies, offerings, channels, and brands—pretty much any and every component of a business. These innovations mean a firm can capitalize on its own strengths while harnessing the capabilities and assets of others. Network innovations also help executives to share risk in developing new offers and ventures. These collaborations can be brief or enduring, and they can be formed between close allies or even staunch competitors.

For example, how **Target** works with renowned external designers to differentiate itself

Structure

How you organize and align your talent and assets

Structure innovations are focused on organizing company assets—hard, human, or intangible—in unique ways that create value. They can include everything from superior talent management systems to ingenious configurations of heavy capital equipment. An enterprise's fixed costs and corporate functions can also be improved through Structure innovations, including departments such as Human Resources, R&D, and IT. Ideally, such innovations also help attract talent to the organization by creating supremely productive working environments or fostering a level of performance that competitors can't match.

For example, how **Whole Foods** has built a robust feedback system for internal teams.

Process

How you use signature or superior methods to do your work

Process innovations involve the activities and operations that produce an enterprise's primary offerings. Innovating here requires a dramatic change from "business as usual" that enables the company to use unique capabilities, function efficiently, adapt quickly, and build market–leading margins. Process innovations often form the core competency of an enterprise, and may include patented or proprietary approaches that yield advantage for years or even decades. Ideally, they are the "special sauce" you use that competitors simply can't replicate.

For example, how **Zara**'s "fast fashion" strategy moves its clothing from sketch to shelf in record time

Product Performance

How you develop distinguishing features and functionality

Product Performance innovations address the value, features, and quality of a company's offering. This type of innovation involves both entirely new products as well as updates and line extensions that add substantial value. Too often, people mistake Product Performance for the sum of innovation. It's certainly important, but it's always worth remembering that it is only one of the Ten Types of Innovation, and it's often the easiest for competitors to copy. Think about any product or feature war you've witnessed—whether torque and toughness in trucks, toothbrushes that are easier to hold and use, even with baby strollers. Too quickly, it all devolves into an expensive mad dash to parity. Product Performance innovations that deliver long-term competitive advantage are the exception rather than the rule.

For example, how **OXO Good Grips** cost a premium but its "universal design" has a loyal following.

Product System

How you create complementary products and services

Product System innovations are rooted in how individual products and services connect or bundle together to create a robust and scalable system. This is fostered through interoperability, modularity, integration, and other ways of creating valuable connections between otherwise distinct and disparate offerings. Product System innovations help you build ecosystems that captivate and delight customers and defend against competitors.

For example, how **Nike+** parlayed shoes, sensors, apps and devices into a sport lifestyle suite.

Service

How you support and amplify the value of your offerings

Service innovations ensure and enhance the utility, performance, and apparent value of an offering. They make a product easier to try, use, and enjoy; they reveal features and functionality customers might otherwise overlook; and they fix problems and smooth rough patches in the customer journey. Done well, they elevate even bland and average products into compelling experiences that customers come back for again and again.

For example, how "Deliver WOW through service" is **Zappos**' #1 internal core value.

Channel

How you deliver your offerings to customers and users

Channel innovations encompass all the ways that you connect your company's offerings with your customers and users. While e-commerce has emerged as a dominant force in recent years, traditional channels such as physical stores are still important — particularly when it comes to creating immersive experiences. Skilled innovators in this type often find multiple but complementary ways to bring their products and services to customers. Their goal is to ensure that users can buy what they want, when and how they want it, with minimal friction and cost and maximum delight.

For example, how **Nespresso** locks in customers with its useful members only club.

Brand

How you represent your offerings and business

Brand innovations help to ensure that customers and users recognize, remember, and prefer your offerings to those of competitors or substitutes. Great ones distill a "promise" that attracts buyers and conveys a distinct identity. They are typically the result of carefully crafted strategies that are implemented across many touchpoints between your company and your customers, including communications, advertising, service interactions, channel environments, and employee and business partner conduct. Brand innovations can transform commodities into prized products, and confer meaning, intent, and value to your offerings and your enterprise.

For example, how **Virgin** extends its brand into sectors ranging from soft drinks to space travel.

Customer Engagement

How you foster compelling interactions

Customer Engagement innovations are all about understanding the deep-seated aspirations of customers and users, and using those insights to develop meaningful connections between them and your company. Great Customer Engagement innovations provide broad avenues for exploration, and help people find ways to make parts of their lives more memorable, fulfilling, delightful — even magical.

For example, how **Wii**'s experience draws more from the interactions in the room than on-screen.

Strength In Numbers

Simple innovations use one or two types of innovation and every company needs to pursue them. Failure to consistently, relentlessly improve the known is one of the surest routes to failure. Unfortunately, too many firms do only simple innovation. In today's contested markets, simple innovations alone are never enough for long-term success. They can build a lead on competitors, but they don't create the firms, brands, or platforms that thrill us.

When a market grows up and gets complicated, it demands more sophisticated innovation, which uses many types of innovation combined elegantly and orchestrated with care. Under the covers, inside your firm, these require working across internal boundaries and silos — challenges that bring additional complexity. You can cut through this with multi-disciplinary teams to bring in the necessary talent and knowledge, and with systems in place to tell everyone how they can tackle tough challenges with curiosity, confidence, and courage.

Naturally, sophisticated innovations are more difficult to pull off, not least because they have longer development horizons than simple innovations. But consider the flip side: once you launch them, they are likely both to delight customers and confound competitors. Often you will be able to succeed with them for years before challengers can catch up. Almost all of the enterprises that we identify as leading innovators routinely use multiple types of innovation — and handily outperform the average firms that innovate more naïvely.

2. **Six Principles For Using The Ten Types Effectively**

<u>1.Understand All Ten Types</u>

Virtually all projects can improve just by knowing and deeply understanding the value and subtleties of each of the types.

2.De-Emphasize Reliance On Products And Technology

These are the easiest capabilities for competitors to copy.

3.Think About Categories As Well As Types

Consciously try to imagine new ways to configure assets, build platforms, and foster fresh experiences.

4.Use The Types That Matter Most

Use diagnostics to understand which types you and others in your industry tend to overlook.

5.Understand What Your Users Really Need

User research can help you know what is relevant to customers and what surprises other types might help to deliver.

6.Use Enough Of The Types To Make A Splash

Using five or more types, integrated with care, is nearly always enough to reinvent a category and become newsworthy.

3. Applying The Ten Types Of Innovation: METHOD Example

Founded in San Francisco in 2000, Method was the brainchild of two roommates-turned-entrepreneurs. Branding expert Eric Ryan teamed up with former climate scientist Adam Lowry to create a non-toxic line of natural home care products. The various offerings are now sold in more than 40,000 retailers worldwide, including Target, Whole Foods, and Kroger. In 2012, the company was bought by European eco-pioneer Ecover to form what was described as “the world’s largest green cleaning company.” With a strong emphasis on sustainability and environmental sensitivity, the vast majority of Method’s cleaning bottles are made from 100% post-consumer recycled plastic while the company itself is a “Cradle to Cradle” endorsed company; more than 60 of its products are certified with the C2C stamp of environmentally friendly approval. Internally, Method practices what it preaches: it offsets its carbon emissions, works within a LEED-certified sustainable office, and it does not test its products on animals.

Method has also innovated its brand, building a company that stands for much more than just tedious cleaning. As well as being eco-friendly, packaging has been designed to be both colorful and countertop-friendly, while the company not only has a wide following on leading home decor and design blogs, but also hosts its own community site, known as “People Against Dirty.”

Five Types Of Innovation

1

Method outsourced production to more than 50 separate subcontractors to develop a nimble and flexible manufacturing process.

2

In a process the company calls “greensourcing,” Method worked with suppliers and manufacturers to track the environmental impact of making its products. It also identified best practices to improve the water, energy, and material efficiency of its manufacturing processes.

4

With its readily identifiable, bright, and colorful packaging (originally created by industrial designer Karim Rashid), Method built a big following in home décor and design blogs and its bottles have prompted instant on-shelf recognition.

5

Method created a community called “People Against Dirty” that offered perks, deals, and early looks at new products for customers. However, to broaden the brand’s appeal, they opened the community beyond customers and invited anyone interested in making the planet a cleaner place; a tactic which advanced the company’s brand promise and extended its reach to potential customers.

3

Method’s product not only kills germs and grime, it was developed to avoid using toxic chemicals or destructive production practices. The company adhered to “the precautionary principle,” meaning that if there was a chance that an ingredient wasn’t safe, it didn’t use it.

CHAPTER 3. TOOLS

1. The Genie Idea

The Genie which is an educational and instructive game that contains many features such as innovative approach, generating an idea and brainstorming. It’s playable on an internet portal for free. This game, which can be played in teams and individually, ensures that effective steps can be taken with simple steps. With this online tool, each participant or group will be able to brainstorm and develop an innovative approach on any case study they choose, while reaching the targeted workshop outputs. With the methodology that the game uses, it is done in a certain order, and therefore an effective study is drawn which is framed. Finally, the work is easily shared with the group and other people via e-mail and uses an effective channel to receive feedback. It can be played on freethegenie.com.

2. Open Innovation Toolkit

Open Innovation Toolkit, which combines innovative approaches to community-based workflows in human-focused design and product development processes. It provides the opportunity to receive feedback from thousands of people in the community by sharing the work produced through the system. The ideas developed in this way and the validity of the applications are increasing. The system which progresses with accumulated experience shares this with the users and creates a brain team consisting of thousands of people. This site, used by many people and organizations, allows you to act professionally in innovation management with helpful recommendations and directions.

CHAPTER 4. CASE STUDIES

1. YOUTUBE

Is the right innovation at the right time down to luck?

Youtube provides the modern-day substitute for the philosophical question, "If a tree falls in a forest and no one is around to hear it, does it make a sound?" Now it's, "If it's not on YouTube, did it really happen?"

YouTube serves more than one billion users today – the same number of videos that people view on a mobile device every single day. Over a decade the channel has transformed the way video is shared online, and it has done so at speed.

In February 2005 the video-sharing company was founded by three former PayPal employees Chad Hurley, Steve Chen and Jawad Karim – part of the so-called 'PayPal Mafia' that also includes VC Peter Theil, LinkedIn founder Reid Hoffman, and Elon Musk. In November 2006 it was bought by Google for US$1.65 billion. It took the trio just 16 months to start streaming more that 30 million videos a day. This, says Julian Birkinshaw, Professor of Strategy and Entrepreneurship at London Business School and Academic Director of the Deloitte Institute of Innovation and Entrepreneurship, is what's known as "harnessing the winds of change" – with an emphasis on the plural.

"Innovators have to have smart insights about how user needs. But they also have to get the timing right. The most successful are astute to how the world is changing, they spot the opportunity, and they ride the waves of change."

Three waves of change: the "adjacent possible"

In 2005 people were uploading the occasional photo, but sharing even short video clips online was prohibitively slow. YouTube brought video into the mainstream with what Stephen Johnson, the author of Where Good Ideas Come From, calls the "adjacent possible", says Professor Birkinshaw. He argues that technology moves forward and makes innovation possible in areas adjacent to what's already known and what already exists.

“So while Da Vinci had all these cool ideas about flying machines,” Professor Birkinshaw says, “they didn’t take off because he was ahead of his time.”

Johnson writes that “the adjacent possible is much more about limits than it is about openings”. In the YouTube story, this couldn’t be truer. If the founders had tried to launch their idea in 2002 they would have failed because three important waves of change were only just starting to take shape.

1. Download speeds had to be fast. Who wants to wait an hour to download a two-minute video clip about elephants and their trunks (YouTube’s first ever video)? It would have taken this long with a 14.4 bps modem in the age of the dial-up connection. The trio’s vision, “broadcast yourself”, would have required a serious dose of patience.

2. The software had to exist. By launching when they did, the founders were able to serve up videos using Adobe’s Flash. It helped them focus their efforts on the ease of sharing and discussing clips – rather than on spending a fortune developing a new platform. Timing here is everything: Flash didn’t support video until 2002. Before 1996, it didn’t even exist.

3. People had to be ready to share their lives. The year before YouTube was launched, Facebook, then called ‘thefacebook.com’, had proved an immediate hit. A flurry of social sharing sites from LinkedIn through Myspace to the UK’s Friends Reunited meant the world was ready to use the internet as a place not only to discover new information, but to share it.

YouTube was a good idea made possible by technology that was ready by only a whisker to help it launch. Any earlier and it would have been before its time – like Yahoo’s failed video provider broadcast.com, bought for US$5.7 billion in 1999. Any later and someone else would have done it first.

So what can we learn from innovators who harness the winds of change?

Lesson one: pivot your idea until it gets traction

The venture didn’t set out to make YouTube stars like Stampy Cat. At first YouTube only shared videos for online auctions. It only became clear once the site was live that people wanted to post any videos – quirky, sharable, moving – for people to comment on.

Professor Birkinshaw says: “With any innovation there is an element of adaptation. Until a product, service or platform is launched we don’t know how people will use it. Innovators have to be prepared to pivot their ideas to suit their market.”

Lesson two: solve one problem, stay true to the values

The YouTube founders were clear on their values from the beginning: uploading should be simple and advertising should be kept to a minimum. They even managed to preserve these principles when they entered the Google empire in 2006.

Professor Birkinshaw says: “Its core purpose helped enormously. A good innovation is one that solves one problem really well rather than being all things to all people. The internal dilemma is to have on the one hand a clear belief, and on the other a willingness to pivot if it’s not working. This made YouTube the perfect acquisition for Google.”

Lesson three: move from value creation to value capture

“At some point, innovators have to move from value creation to value capture,” he says. YouTube provides an endless supply of weird, wacky and inspiring content every day. The social value it creates is undeniable.

Professor Birkinshaw says: “Early on, YouTube was essentially storing the world’s videos. It has been a painful transition to make the move to an advertising business model because they didn’t originally want that. But they have done it in a way that means their videos remain free to share and free to watch.”

2. HERTFORDSHIRE INDEPENDENT LIVING (HILS)

HILS: innovating for social impact

If a crisis is an opportunity in disguise, the disguise was a pretty convincing one. The Letchworth-based meals-on-wheels service, set up in 2007 as Hertfordshire Community Meals, was already struggling with costs and inefficiency when its CEO died suddenly in 2009.

When a catastrophic £250,000 trading deficit was revealed shortly afterwards, it looked like the end. Then in June 2010 a new chief executive was appointed: Sarah Wren MBE. Rather than pull down the shutters, Wren and her team took the bold decision to redesign the meals operation and to develop a social enterprise focused on a more extensive suite of independent living services. By changing the organisation's structure and gaining charitable status she eliminated the need to pay corporation tax and reduced its business rates.

'The biggest issue has been how to meet growing need with reducing resources, but we've found that challenging ourselves has enabled us to become more cost-effective, whilst serving more people with more services and supporting more lives for the better.'

She also believes in transparency. 'We've been completely honest about the way we do business, so when we've created a saving we've returned that back to the public purse', says Wren. 'We've gone back and said "This year, we can do it for this much less". I think that is a very different way of working, so we've become a trusted partner. We've been extremely creative; we're always thinking of new ways of doing things."

The appetite for HILS has never been keener, it appears: HILS now delivers 500,000 meals a year to 4,000 people and has branched out into a range of additional services, from lunch clubs and nutrition and wellbeing checks to installing telecare emergency alarm systems (this latter at one-sixth of the previous local authority budget) supporting a further 7000 people. 'It just makes sense – we do good, and we do it better and cheaper too', she says.

HILS' success bucks the national trend of diminishing community meals-on-wheels services and it is now a widely studied leader in its field. Wren advocates having a clear goal for what you want to accomplish, the determination to achieve it despite setbacks, and the willingness to work closely with other organisations and businesses who aspire to make a real social impact.

Julian Birkinshaw, Professor of Strategy and Entrepreneurship at London Business School and Academic Director, Deloitte Institute of Innovation and Entrepreneurship, says HILS impressed the RIA judges with its refusal to give up in the face of difficulty and its rapidly evolving success.

"This is an organisation that was on the brink of failure, through a difficult set of circumstances. And yet it didn't just haul its way back to viability, it even created a new and better business model along the way. The people behind this turnaround were highly tenacious and showed great personal resilience."

3. SAMSUNG

Lessons from the world's best-known fast-follower: Samsung

Samsung didn’t invent the mobile phone – that honour goes to Motorola – but it took a transformative new technology and ran with it. “Innovation isn’t just about doing something new. It can also be about doing something better,” says Julian Birkinshaw, Professor of Strategy and Entrepreneurship at LBS and Academic Director, Deloitte Institute of Innovation and Entrepreneurship.

Even when Samsung is in the news for the wrong reasons – the company has recalled the Galaxy Note 7 smartphones on safety grounds after some of the devices caught fire – its fortunes are expected to recover. "Samsung has drawn a line under this problem now. I expect the company to bounce back, just as Toyota did following its faulty accelerator issues five years ago."

This is a company after all that’s been growing and innovating since 1938, when it started out as a food exporter shipping dried fish and flour from Korea to China. In the 1950s it got into life insurance and textiles. Samsung Electronics was founded in 1969. In the early 1990s Samsung started producing processors and hard drives for PCs, exporting them to companies including today’s smartphone rivals Apple.

In 1983, when Motorola launched the Motorola 8000, Samsung was still proudly making black-and-white TVs. Today, the Motorola brand name has all but vanished: only the “Moto” product name is left as a small reminder of what was once a pioneering company at the forefront of innovation.

Samsung, on the other hand, has become a dominant force in consumer electronics. It introduced its first Android phone, the Galaxy S, in 2010; the Galaxy S8 looks likely to launch early next year. How has it achieved its success?

Read the markets

“Samsung’s strategy has been essentially to read the markets,” says Professor Birkinshaw. “Samsung figures out where the world is heading in terms of mass-market consumer electronics products, sees what is selling well and what is growing and moves into that space with a better product than the original offering.”

Every time Apple launches a new product, Samsung brings out its own version a year or so later: think of the touchscreen phone, the tablet, the smart watch. And it isn't just Apple that has been Samsung's inspiration: twenty years ago, Sony was first to market, Samsung was close on its heels.

Samsung is the classic fast follower: they're attuned to what competitors are doing and what other people are bringing to market first. They watch like a hawk as others gain traction and then very rapidly come up with their own version. This emphasis on speed usually pays off, but it can also backfire – as the problems with the Galaxy Note 7 highlight.

Use innovation methodologies

Don't think that this fast-follower approach to innovation is easy: it still requires enormous creativity and skill. Samsung invests heavily in training its engineers to systematically innovate. It has had a close working relationship with the Russian Academy of Science since the 1990s, tapping into the country's scientific expertise at relatively low cost.

One result of this is that it uses a Russian problem-solving methodology for innovation and new patents called TRIZ. In 2004 one project alone, a DVD pick-up innovation, saved Samsung more than US$100 million. "Innovation is critical to a company's survival," Samsung states.

Remember too that Samsung is a company with a vast amount of technological expertise. They make about 50% of the world's microprocessors in some sections of the market. They're one of Apple's biggest suppliers, providing memory chips, touchscreen glass and other components. The reason they're able to move so fast is because they already have so many other general-purpose technologies that underlie consumer electronics. So moving quickly is about bundling together new and existing technologies.

Push the boundaries

"Samsung is playing a very savvy game, though they are pushing the boundaries of what's legal," says Professor Birkinshaw. Indeed, Apple has had a long running legal dispute with Samsung over patent infringement, and in December 215 Samsung paid out a US$548 million fine to resolve the matter.

"The creative efforts of others may provide the inspiration but Samsung always puts a unique twist on its products. They've developed a number of different products that are selling incredibly well.

Yes, Samsung is copying but it's also enhancing. And it builds on all of its other strengths in order to create a high-quality, low-cost product that can undercut Apple."

Samsung spends lavishly on its outrageously bold advertising. In 2013 Apple funnelled 0.6% of its revenue into advertising. Samsung spent 5.4% of its revenue, a staggering US$14 billion, on marketing and promotion. To put this into perspective, Coca Cola spent US$3 billion on similar activities in the same year. Samsung sponsored the Olympics and The X Factor. And it's not afraid to directly take on its competitors, with ads that send up the hipster geek stereotype of the typical Apple customer.

Avoid complacency

Samsung isn't the only fast follower in the consumer electronics industry. Professor Birkinshaw points to the newer companies that are now moving into Samsung's territory on mobile, notably the Chinese players such as Xiaomi, Huawei and ZTE that similarly take existing products made by other companies and improve and refine them to produce something they can call their own. "They're playing Samsung's game but Samsung invented it."

This new competition seems to be prompting a change in strategy at Samsung. CEO Kwon Oh-hyun told his staff recently that Samsung was now aiming to become leaner and meaner: "We should adapt ourselves to the new environment instead of sticking to our success in the past. I believe now is the time for us to turn ourselves into a first mover from a fast follower."

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Global Innovative

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