

1231.3635.01 – Strategic Innovation

(Prerequisite: Principles of Strategy with a grade of at least 78)

Semester A – 2014/2015

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Course Time: Sunday, 18:45-21:30 (**Second half**)
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Course Background:

Creating businesses and capturing new markets occur through various types of innovation. New discoveries, new technologies, competition, and globalization compel firms to foster innovation and agility. Strategic innovation is associated with the reconceptualization of business models, the reshaping of existing markets and thereby changing the nature of competition. As the pattern of global economic growth has changed with the rapid development of high technology, firms are required to exhibit “fundamentally” new ideas and strategies based on the integration of R&D with other business activities. Therefore, innovation is a central element of competitive dynamics requiring firms to create new business models, utilize new value chain architectures, and engage or conceive new markets in attempt to create value for both the customer and the firm's stakeholders. Strategic innovation management concentrates on the entire business model and added value creation as a whole, far beyond focusing simply on technology improvement or new product development. This course focuses on how innovation can be formulated to gain sustainable competitive advantage and achieve superior firm performance. We will look into various frameworks designed to not only sustain or disrupt existing products, services, or business models, but also create wealth in uncontested markets by introducing novel solutions.

This course is designed to expose students to advanced issues in strategy and enable them to analyze business situations involving innovation in products, processes, and business models. We will emphasize how firms seek innovations. We will cover innovations across a broad spectrum of business models, technology, and products. Some innovations start from the R&D lab with a solution and then look for applications for that solution; others start from the customer and the problem and work back to find the solution. Some innovations are disruptive whereas others are sustaining. We will compare and contrast disruptive innovation with sustaining innovation and discuss not only which is more effective, but when each is more suitable in company life cycles. The concepts in Blue Ocean Strategy can be considered as another approach to operationalizing concepts of disruptive innovation, and we will spend time understanding this framework in the context of disruptive innovation. We will also look at how firms can seize the White Space, a concept similar to Blue

Ocean strategies in which firms disengage from heavily competitive red oceans to seek new undeveloped markets. In fact, such markets may be situated beyond a firm's core competence.

General grading policies: The course average for this elective course will range between 83 and 87 in accordance with the grading policy at the Recanati Graduate School.

Student Assessment: The course grade will be based on three written, team based case analyses on the cases indicated in the course schedule. Each submitted analysis should address the study question(s) as posted on the course website (moodle). You will work in groups of three (3) students. Each analyses should not exceed three (3) typewritten pages, (with 1" margins, 12 point font, and 1.5 line spacing). Answers should demonstrate correct use of the theoretical concepts and relevant analytic frameworks as well as provide convincing arguments supported by case data. Your group's answers should be based on your own group's analysis and reflect your original, individual, and independent thinking. The assignment to groups is not designed to divide labor between students but to benefit from interactive brainstorming, discussion, and comprehension. A submission should include on a separate cover page the team member ID numbers, case title, and group number. The written case analysis is due any time before the class day in which it is being discussed. Late submissions will not be accepted. The written assignment will be submitted by a group member via email to the teaching assistant. For all assignments, you may be asked to present your work to the class.

Teaching and learning methods:

1. **Electronic devices:** To avoid distractions, this course is **unplugged**. Please turn off all computers and tablets and silence phones during class meetings.
2. **Case analyses:** Throughout the course, we will analyze real-world cases and make strategy recommendations. In doing so, we will build on readings (e.g., book chapters, articles, etc.) which provide the theoretical and conceptual basis for the class session for which the case is to be submitted. Stated differently, you are expected to study the readings and incorporate your insights from the readings in your case analysis as a precedence to a formal discussion of the case in class
3. **Class discussions:** It is essential to the success of this course that you are both physically and mentally present in class, and that you are fully prepared to discuss the material. In this class, discussion is central to the learning process, and it is your responsibility to be thoroughly prepared to discuss the readings and cases. You should familiarize yourself with the assigned material, taking care to prepare thoroughly and be prepared to contribute informed responses to the material. Try to figure out the connection between the theoretical concepts and the case prior to class. Comments based solely on "gut reaction" generally do not add much value. The discussion in class requires application of theoretical concepts. In class, as well as in more general business situations, there is more than one possible solution to a problem, and there may be no obvious answer to a question. Therefore, the quality of your comments depends on your capacity to communicate them and convince the class about their merits.
4. **Teamwork:** Working collectively on tasks has many benefits, including division of labor, diversity of perspectives, and peer motivation. Teamwork in this course will improve your learning experience with respect to substantive issues and help you build your skills as a "team player". For each team-based assignment you are expected to work with different team members.
5. **Attendance:** Attendance is mandatory. If you do miss a class, it is your responsibility to find out from your classmates what material was covered, and what additional assignments or handouts you may have missed.
6. **Name cards:** Please display them
7. **Teaching Language:** This course will be taught in English and all course materials will be in English.

Plagiarism: Plagiarism refers to presenting the words, ideas, and/or work of others as if it is your own work. All work submitted under your name is assumed to be your product. It is unacceptable neither to submit the work that another wrote nor to copy materials without proper attribution. Cutting and pasting from web sites is considered plagiarism.

Recommended Books (Optional):

- Christensen, C. M. 1997. **The innovator's dilemma: when new technologies cause great firms to fail.** Harvard Business Press.
- Christensen, C. M., & Raynor, M. E. 2003. **The innovator's solution: Creating and sustaining successful growth.** Harvard Business Press.
- Kim, W. C., & Mauborgne, R. 2004. **Blue ocean strategy.**
- Chesbrough, H. W. 2007. **Open business models: How to thrive in the new innovation landscape.** Harvard Business Press.
- Von Hippel, E. 2005. **Democratizing innovation.** The MIT Press.
- Hamel, G. 2002. **Leading the Revolution,** HBS Press Book
- Foster, R. & Kaplan, S. 2001. **Creative Destruction: from built to last to 'built to perform,** Prentice Hall 2001
- Johnson, M. 2010. **Seizing the White Space: Growth and renewal through business model innovation.** Harvard Business School Press, Boston. ISBN 978-1-4221-2481-9
- Marides, C. & Georoski, P. 2005. **Fast Second,** John Wiley & sons
- Mullins, J. and R. Komisar. 2009. **Getting to Plan B: Breaking through to a better business model.** Harvard Business Press. Boston. ISBN 978-1-4221-2669-1
- McGrath, R. & MacMillan, I 2005, **Market Busters,** HBS Press Book
- Osterwalder, A. and Y. Pigneur. 2010. **Business Model Generation.** John Wiley & Sons. Hoboken, NJ. ISBN 978-0470-87641-1
- Richard Foster and Sarah Kaplan, **Creative Destruction,** Doubleday 2001
- Silverstein, D., Samuel, P., & DeCarlo, N. 2008. **The innovator's toolkit: 50+ techniques for predictable and sustainable organic growth.** Wiley.

Recommended Articles (Optional):

- Charitou, C & C Markides (2003) Responses to Disruptive Strategic Innovations. *Sloan Management Review* Winter 2003: 55-63
- Danneels, E. 2004. Disruptive technology reconsidered: A critique and research agenda. *Journal of Product Innovation Management*, 21(4): 246–258.
- Geoffrey A. Moore, **Darwin and the Demon,** Harvard Business Review 7-8/2004
- W. Chan Kim, Renee Mauborgne, **Blue Ocean Strategy: From Theory to Practice,** California Management Review spring 2005
- Joseph Schumpeter, **The Process of Creative Destruction**
- Constantinos C. Marides & Paul A. Georoski, **Fast Second,** Harvard Business Review 1-2/2005
- Rita Gunther McGrath & Ian MacMillan, **Market Busting,** Harvard Business Review 3/2005
- Kline, S. J., & Rosenberg, N. 1986. An overview of innovation. **The positive sum strategy: Harnessing technology for economic growth,** 275: 305.

Course Outline

Class Topic and Readings

1 Introduction to strategic innovation

Subjects:

- What is (and is not) innovation and why is it important? What is strategic innovation
- Types and concepts of Innovation, (incremental, radical, product, process, business models)
- Mechanisms of growth and profits.
- Value creation and appropriation.
- Assessing the potential of a strategy

Reading: Moss Kanter, Innovation: The classic Traps, Harvard Business Review 11/2006

Types of Innovation: Several Types on Many Fronts (Excerpted from *Managing Creativity and Innovation*)

2 Opportunities & Threats I

Subject: Disruptive vs. Sustaining Innovation, Low End vs. New Market Disruption

Reading: Christensen, C. M. 1997. *The innovator's dilemma: When new technologies cause great firms to fail*. Boston, MA: Harvard Business Press, Introduction

Reading: Danneels, E. 2004. Disruptive technology reconsidered: A critique and research agenda. *Journal of Product Innovation Management*, 21(4): 246–258.

Case: TBD

3 Strength and Weaknesses

Subjects: Business Concept Innovation

Reading: Anita M. McGahan, How Industries Change, Harvard Business Review, 10/ 2004

Reading: Ron Adner, Match Your Innovation Strategy to Your Innovation Ecosystem, Harvard Business Review, 4/2006

4 Opportunities & Threats II

Subjects: Blue ocean strategy, Value innovation

Reading: Kim, W. C., & Mauborgne, R. 2004. *Blue ocean strategy*, Chapter 1

Reading: Yougme Moon, Break Free from the Product Life Cycle, Harvard Business Review 5/2005

Case: TBD

5 Opportunities & Threats III

Subjects: Open-source business models, Intellectual property & Licensing models

Reading: Von Hippel, E., & Von Krogh, G. 2003. Open source software and the “private-collective” innovation model: Issues for organization science. *Organization Science*, 14(2): 209–223.

6 Opportunities & Threats IV – Core Business, New Business and Diversification

Subjects: Growth inside and outside the core, “Four Box Model” of Innovation, the White Space

Reading: C.K. Prahalad, Gary Hamel, The Core competence of the Corporation, Harvard Business Review 5-6/1990

Reading: Chris Zook, James Allen, Growth Outside the Core, Harvard Business Review 12/2003

Case: TBD