# Enterprise Business Models

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# Chapter 1: About Innovation

# 1. a. Innovation mantra

"**Mantra**" means a sacred utterance, numinous sound, or a syllable, word, phonemes, or *group of words believed by some to have psychological and spiritual power* in Sanskrit.

The worldwide mantra from developed economies till emergent economies sticks to innovation issues. You've probably heard of reverse innovation, frugal innovation or blue ocean strategy. It means that, in a world driven by hyper-competition, **without innovation your business is common** and you must daily fear your competitors. So after reading and listening everywhere that innovation drives to success, you probably started thinking about how you could innovate within your company and how you could implement innovation spirit and culture within it to launch better products and services and to compete at a large scale.

## Research and Development (R&D) department: is it the good issue for Innovation?

At this point, an entrepreneur should start focusing on the company outputs and how to enhance value in order to reach breakthrough products. In this regard, implement an R&D department and allocate resources for R&D should make sense. But the fact that you need to know is that R&D department existence doesn't mean that you will encounter innovation.

Thousands of companies allocate significant budgets to their research and development department but without getting significant innovations. At this point you are facing a reality: **creating R&D department doesn't mean that you'll get your breakthrough products**. Furthermore, you can do research and development for a decades without reaching any significant results as major R&D departments would around the world, and without any chance to get a breakthrough product.

At this point, you need to understand that **getting an innovative output starts with failure acceptance**. It means that you must accept that your team first fails in developing new prototypes, new products and new services. It seems uncommon to encourage people to fail, but don't underestimate the energy you will inject in your people, when you can tell them that they should not fear to fail when they are committed to research toward innovations findings.

Consider here Thomas Edison famous quote « I have not failed. I've just found 10,000 ways that won't work. » And ask yourself if you are capable to find the words to encourage your team to accept to fail 9999 times? If the answer is no, just forget definitively about innovation. The main innovation law, unless you are God, lies in the fact that **worldwide breakthrough innovations are build on previous failures.**

## When you think innovation for your company, do you figure it out "radical" or "incremental"?

When innovation topic is highlighted, it's common that some entrepreneurs won't differentiate properly in their mind between radical and incremental innovation. More than that, incremental innovation could be perceived with disdain.

What should be considered here lies in the fact that **radical innovation is harder to get as it demands more than any other uncommon resources**: the capacity to attract and retain top-skilled human resources at international level in one hand and financial capacity to get new components, new materials, patented tech and even strategic company acquiring on the other hand. Furthermore you need to be known as an innovation champion by having at least a radical innovation story to tell which in return drives to you talented people attracted by other talented people.
Incremental innovation doesn't offer more possibilities by magic, as it demands less resources but prepares and stimulates future breakthrough outputs and draws the path to more radical innovations. In incremental innovation, you learn to observe existing products and the way you could pretend to gain respectable market share.

## Which designer or design manager is made for you?

A common thinking on innovation relates in formal way to engineering. Of course engineering is at the heart of innovation but on the other hand, marketing can initiate innovation by spotting a light on hidden demand in the market not fulfilled yet. If these functions within an organization are able to drive an organization to specific innovation, today it's not sufficient any more, as you need a third party: a designer or design manager.

A skilled designer today works as an orchestra conductor. S/He/ gathers strategic insights from developed concepts and user-centered tools, s/he can mix and manage information and insights from marketing, engineering, financial, law and patent issues and resources.

Design has become the corner stone of innovation, should it be radical or incremental. Consider here that investing in a designer is your key to opening doors to innovation. And even though you should be facing financial restrictions, you can hire him/her in consultancy mode. However, if you are not willing to share with your new design manager your strategic thoughts at a deep level, consider that you'll not help him/her to get what you hire him/her for.

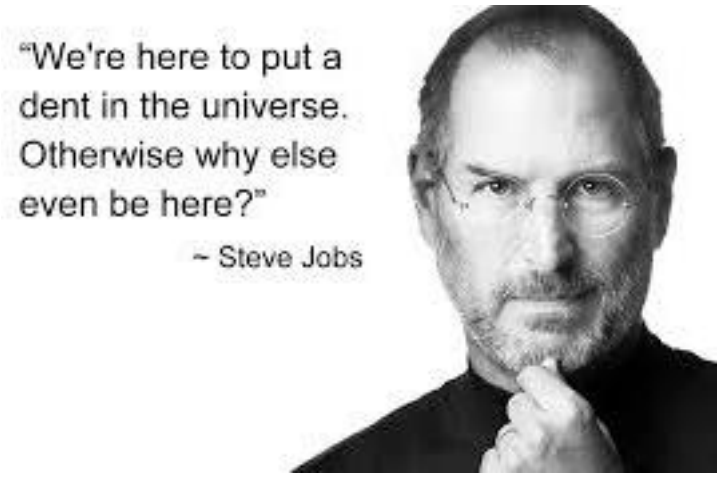
To convince you once and for all about the value and importance of a designer to play at a high level, let's consider the place allowed to designers in one of the most innovative companies around the world: Apple.

When building Apple in the eighties, the first strategic action implemented by Steve Jobs according to Walter Isaacson was about setting up a contest to choose a world-class designer. A German designer, Hartmut Esslinger, who was working at the time for Trinitron Sony television, won the contest. What do you think Jobs did? Even he was the C.E.O. of a silicon valley star, he jumped in an aircraft and flew from U.S.A. to Germany to get in touch with him and ended the meeting with a 1.2 million year-

contract and a vision about Apple products with “California global look, inspired by Hollywood and music, a bit of rebellion, and natural sex appeal.
A decade later, in a mission to save Apple and drive it to what it is today, Steve Jobs identified a talented designer within the company who was planning to quit. He gave him the opportunity to be behind Apple most innovative products till today. This man is actually Apple senior vice president of design reporting to C.E.O., Tim Cook.

To understand the value of another Apple designer, Jony Ive, just observe what Laurene Powell Jobs said about him in his interaction with Steve Jobs: « He has a special status… Most people in Steve’s life are replaceable. Not Jony. » Steve Jobs himself said about him : “The difference that Jony has made not only in Apple but in the world is huge”. Then, you’ll understand why **designer skills are essential to build an innovative company**.
Now that innovation is really a mantra for you, ask yourself if you are willing to accept failure and if you are able to keep motivation alive in your team. In other words, how will you handle a new thinking departure, grounded in the precedent failure? Consider your resources and check if they are fitting with radical or incremental innovations requirements. Most importantly, be confident in the designer you chose for his/her skills and intuition, as you will need to share with him/her your strategic thoughts. Then expect your future innovation success. You’ll need to manage it too.

# Workplace innovation – mantras by creative people




Key motto of this post is to stress on the point that how the creative urge from within motivates a person to reach unexpected dimensions of knowledge and inventions. As a famous saying of Steve Jobs (Co-founder of Apple) mentions:

**“We are here to put a dent in the universe. Otherwise why else even be here?”**

Everyone needs some kind of motivation to keep going. Have you felt a need to re-energize yourself? Have you been tired or frustrated of your work lately? Well, who hasn't?

In this post I have tried to compile mantras of workplace innovation and draw lessons from seven great innovators from different trades and with different personalities. The intent is to help readers energize themselves.

I have particularly stressed on the fact that creativity, innovation and leadership are not domain specific and these traits are achievable by anyone making serious efforts, although the feat is not an easy one to achieve. So let's get on with it. Let's try to ride on the shoulder's of giants to locate our success path.

## Workplace innovation mantra by Steve Jobs

Let's start with Steve Jobs who is considered to be one of the most visionary business leaders to have lived ever on this planet.

We all know him for what he did to the computer and smartphone industry. IPhone the Invention of year 2007, credited to be one of the most popular workplace innovation and of all times, is his brainchild.

However, several readers may have been unaware of the fact that Steve Jobs was a University dropout, who later became an icon of creativity. His famous quote **'Stay hungry, stay foolish'** will keep reverberating within the business fraternity for years to come. He was an innovator par excellence and lived to innovate.

He redefined perception of the common people globally on how mobile phones can be used and was one of the biggest influencers of this century.

One of his quotes that everyone can relate to at workplace, to be creative, competitive and innovative, is: **"*my mantras are focus and simplicity. Simple can be harder than complex; you have to work hard to get your thinking clean to make it simple.*"**


The world famous great artist Leonardo Da Vinci is considered to be one of the most talented persons to have ever lived on this earth.

He was an Italian painter, sculptor, architect, musician, mathematician, engineer, inventor, anatomist, geologist, cartographer, botanist, and writer.

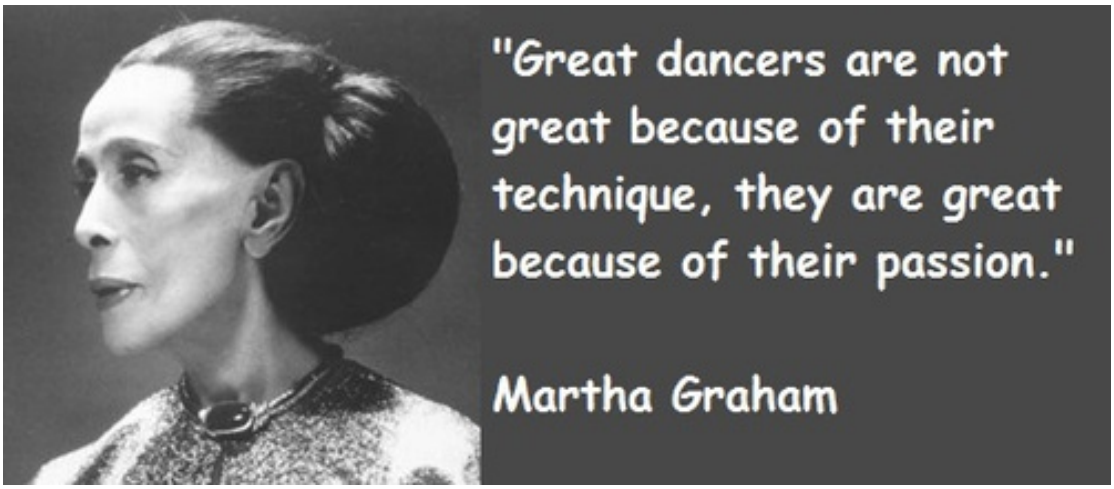
His prophesized success mantra and route to workplace innovation was focussed on inner satisfaction to get the creative juices flowing from within. Is it not a right things to do to let the creative flourish from within?

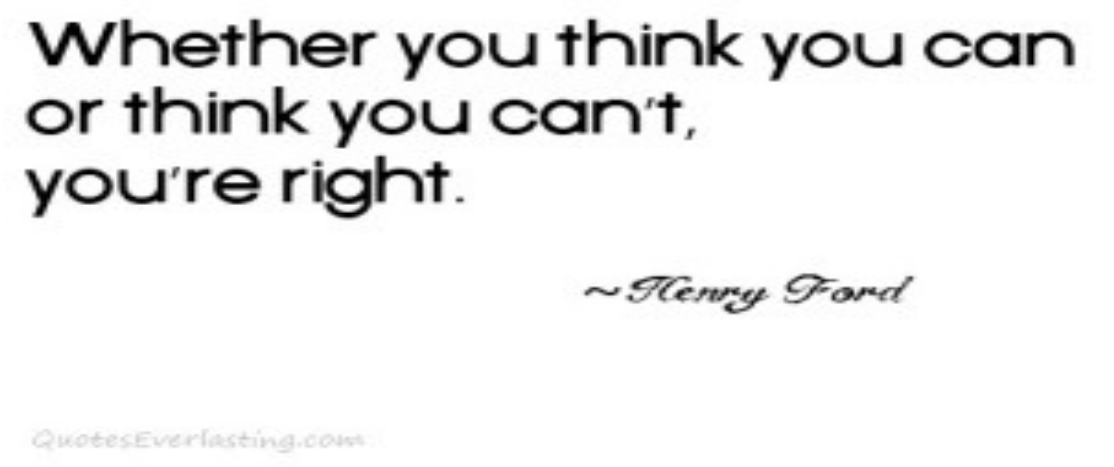
It was difficult to find one mantra for workplace innovation. A million pages will not be enough to portray all his success stories.

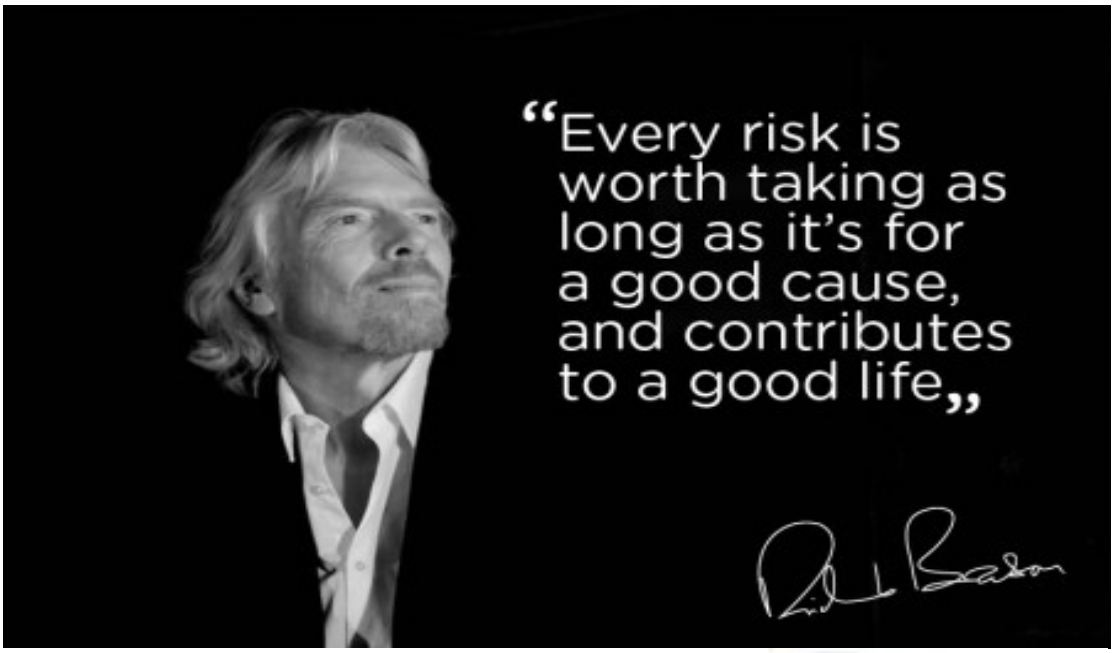
However, these 10 inspirational quotes from him in the video (Credits- Inspirational quotes gallery) would reflect upon his personality and his philosophies. Philosophies which were the building blocks of the creative capabilities of one of the greatest artists and innovators of all times.

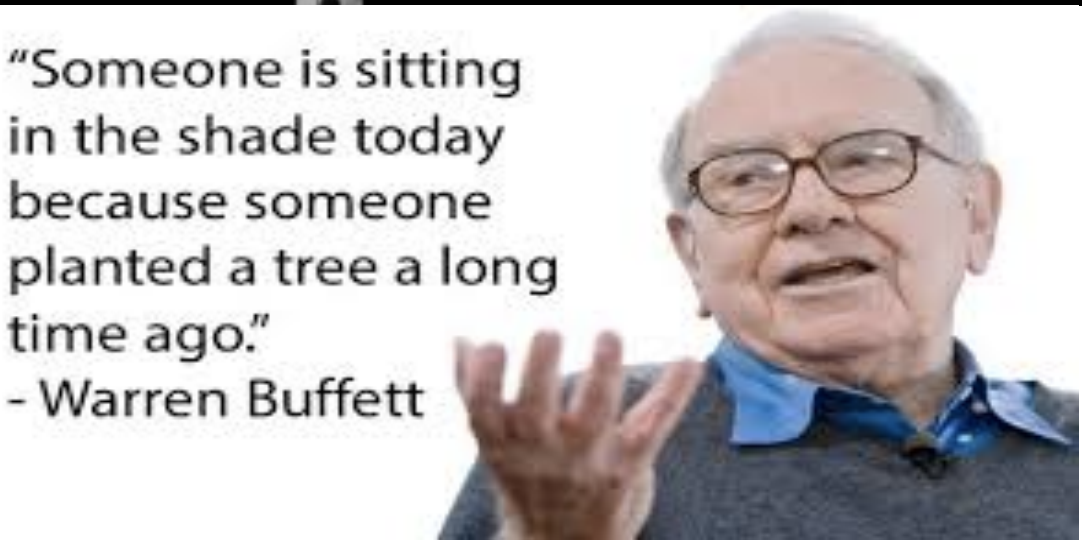
He also taught generations through his deeds that success lies in simplicity and one of his famous quotes can be linked effectively to today's market place which is as follows:

**"*Learn how to see. Realize that everything connects to everything else*."**






# 1.B. Innovation Myths

Myths

- ☐ Inspiration (epiphany)
- ☐ We understand innovation
- ☐ There is a method
- ☐ People love changes
- ☐ The lone inventor
- ☐ Good ideas are hard to find
- ☐ Your boss knows better
- ☐ Best ideas win
- ☐ Problems need solution

- ☐ Innovation is good

Epiphany

- ☐ Stories of innovators are 'romantic' glorified and superficial accounts
- ☐ Causality is circular: "Designer x won a prize because she is good; I can tell she is good because she won a prize!"
- ☐ Innovation is not about having good ideas, because even great ideas alone don't change the world

## Understanding the above myths

### We fully understand innovation

- ☐ History is built as a sequence of successes
- ☐ All partial failures that enable success are hidden, lost or ignored
- ☐ Innovations succeed due to countless combined circumstances of the time: chance events, contrivances and power relations, hidden interests...

### There is a method for innovation

- ☐ Innovations that change the world, often begin without that intention, but more humble aspirations
- ☐ Innovators are humans just like you, with similar limitations and circumstantial influences
- ☐ "It's foolish to start with the ambition to change the world because that is out of any single individual's control" -Berkun

### People love change

- ☐ Revolutionary ideas endure sustained rejection, dismissals, mockery, resistance
- ☐ We confuse new ideas with ideas already proven which happen to be new to us
- ☐ Change is expensive, uncertain, often wrong, complex, ambiguous

### Resistance to change is natural

- ☐ "I can't accept this idea because it's not mine"
- ☐ "This new idea makes me look bad"
- ☐ "I'm afraid"
- ☐ "This new idea is good, but there is no money"
- ☐ "I'm lazy, I'm bored and change requires an effort"
- ☐ "This new idea makes me or my experience obsolete"
- ☐ "I'll make money if I reject this new idea"
- ☐ "This new idea goes against my new idea"

# The lone inventor

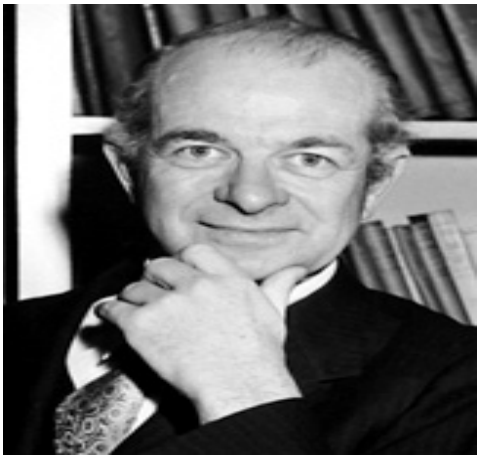
- ☐ The mad, eccentric creator is a modern western invention
- ☐ Ideas/solutions with the greatest impact are often improvements of existing ideas (from Edison to Apple, Google, Nintendo)
- ☐ The most visible person may not be the most significant (Neil Armstrong and the Apollo team)

Wernher von Braun led the effort to design and build the Apollo 11

# Great ideas are hard to come up with

- ☐ Humans are creative and inventive by nature
- ☐ Modern life stimulates conformance and consumption rather than creation: expertise, schooling, fear
- ☐ Most great ideas are killed at creation

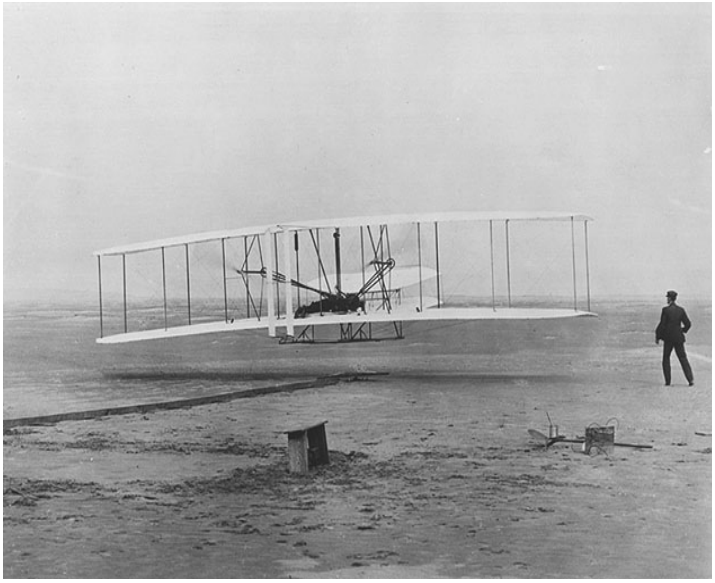
"The best way to have a good idea is to have a lot of ideas."
Linus Pauling (two



"Good ideas are common – what's uncommon are people who'll work hard enough to bring them about"
"The difference between a success and a failure is not abilities or ideas, but the courage to bet, to take a calculated risk, and to act"

## Your boss/teacher knows more

- ☐ No one knows for sure what is possible, experience is often actually a handicap
- ☐ Truly new ideas take time to be understood (and their implications)
- ☐ Most innovations come from independent entrepreneurs, free from structural obstacles

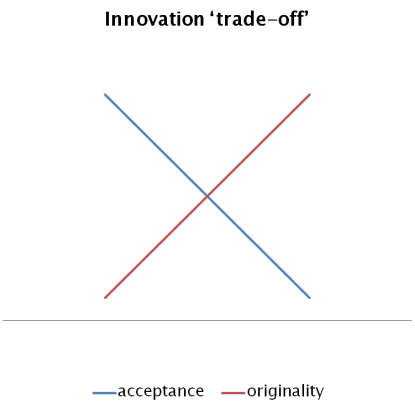


1903: a stunt by amateurs or a revolutionary technological breakthrough?
Took them six years to sell the idea
And 30 years for the commercial aviation industry to begin

## The best ideas always win

☐ Judging new ideas is hard and often circumstances play a key role: politics, tradition, image, influence, short-term

- ☐ Innovations must be compatible with existing culture
- ☐ Dominant designs become standards and are hard to challenge




"If you build a better mousetrap, the world will beat a path to your door" yet more than 4,000 patents exist, how many successful products?
*"The good is the enemy of the best"* –Voltaire

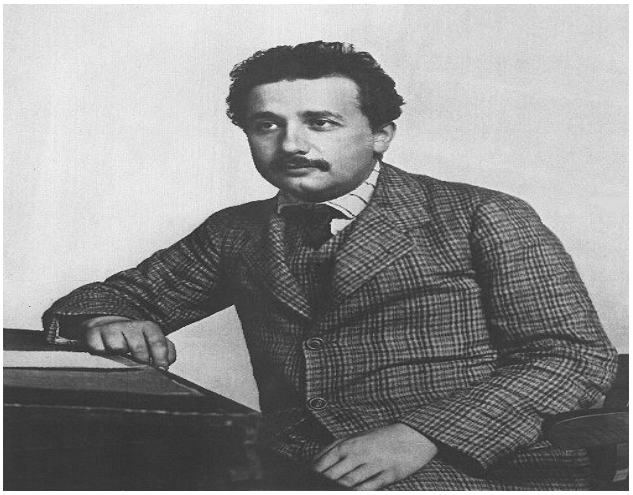
Mozilla Firefox web browser blocks websites from trying to install spyware, has a very good built in popup blocker, introduced tabbed browsing, has many useful extensions,

Robertson screw: maximizes torque from the driver because the force is delivered from 4 surfaces and won't slip. In Canada is the standard screw

## Problems are there to be solved

- ☐ Problems do not exist, they are human creations and the way you frame a problem determines the possible solutions

- ☐ Serendipity is important but again, the difference is what people do with chance
- ☐ Great ideas respond to great understanding of problematic situations



"If I had 20 days to solve a problem, I would take 19 days to define it"
Albert Einstein

## Innovation is always good!

- ☐ Consequences are largely unpredictable: the Wrigths couldn't predict bombing, terrorist attacks, highjacking...
- ☐ Technology is neutral: its applications do have intentionality and values
- ☐ Have we actually created anything? Or have we only translated resources into superficial, temporary comforts?

## 2. Innovation Vocabulary

**(Business) Hypothesis**
Something that needs to be true for your idea to work partially or fully but that hasn't been validated yet.

**Business Model**
Rationale of how an organization creates, delivers and captures value.

**Business Model Canvas**
Strategic management tool to design, test, build, and manage (profitable and scalable) business models.

**Business Tools**
Conceptual frameworks that are specifically designed to help business practitioners solve a concrete (and limited) business problem in a real-world context. The best tools are conceptually sound, simple, practical, visual, with a great user interface (UI) and a great user experience (UX). These characteristics makes them fit for the real world and increases adoption by business practitioners.

**(Business) Experiment/Test**
A procedure to validate or invalidate a value proposition or business model hypothesis that produces evidence.

**Value Proposition Canvas**
Strategic management tool to design, test, build, and manage products and services. Fully integrates with the Business Model Canvas.

## 3. Models of Innovation

Innovation is central to the policy debate on how to maintain strong economic growth in an era that is increasingly being defined by the globalization of competition, as well as major fiscal and demographic challenges. However, attempts to systematically draw on the concepts, theories and empirical evidence accumulated over three decades of innovation studies to inform this policy debate have been limited.

What creates the need for an innovation model? For most businesses, it is the need for growth. The long term expectation for mature companies is organic growth of 4 to 6 percent, generated by the need to provide a reasonable return to shareholders. For smaller companies, growth demands can be significantly higher.

Effective innovation provides the solution to meeting this growth demand. An innovation **model** provides the conceptual framework for identifying and advancing the change ideas most likely to generate the value needed to create sustained growth.

### Characteristics to look for in an innovation model

A model attempts to provide a representation that can help us understand how things work. Some attributes to consider for a model of innovation include:

- **Simplicity** - Is the model easy to understand and use?
- **Descriptive** - Is there sufficient detail to enable explanation, comparison, and/or imitation (use)?
- **Assessable** - Does the model enable measurement and provide a vehicle for evaluating alternatives?
- **Predictive** - When model assumptions are true, does the model provide probabilities for described outcomes?
- **Timely** - Does the model provide assessments, measurements, and insights that enable innovation opportunities in a timeframe that will lead to success?

The timeliness element for an innovation model can be particularly challenging. Innovation requires decisions for change which are often resisted, particularly when changes may cannibalize current business. A good model will provide the information, insight, and needed motivation for internal change before external changes can disrupt the company.

Premature change can also be ineffective if environmental conditions are not ready to support the change being promoted. An effective model will detect environmental readiness for change adoption, enabling acceptable returns for innovation investments.

## Other innovation models

Innovation research has generated additional models that attempt to address deficiencies seen in the linear model. Sources of ideas that can generate value have been broadened, recognizing that some highly successful innovations have not been the direct result of application of scientific or technology advances.

Variations of the linear model have been developed that include:

- **Technology push** - This has a small change from the linear model where marketing and sales is added after production.
- **Market pull** - This variant suggests that research and development is responding to a market need, resulting in this modification to the earlier model:
  Market Need → Development → Production → Sales.
- **The Phase Gate Model** - This modifies the linear model by recognizing that there are feedback loops and time variations between steps, and establishes readiness criteria for moving between major phases of innovation development. Phase Gate approaches are often represented by a funnel.

## Advantages of finding the right innovation model

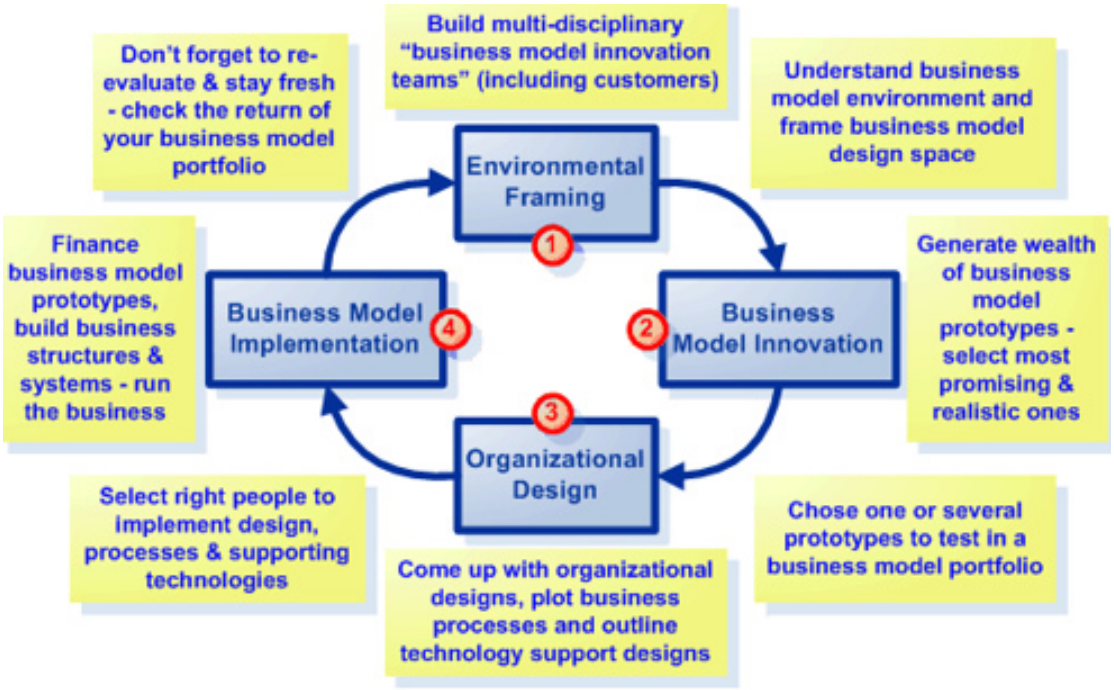
Detecting the need for change, or finding new places to generate growth can present significant challenges for any company or organization. Having an innovation model that facilitates and promotes understanding of how things change could make the difference for the long term survival of the business. An effective model:

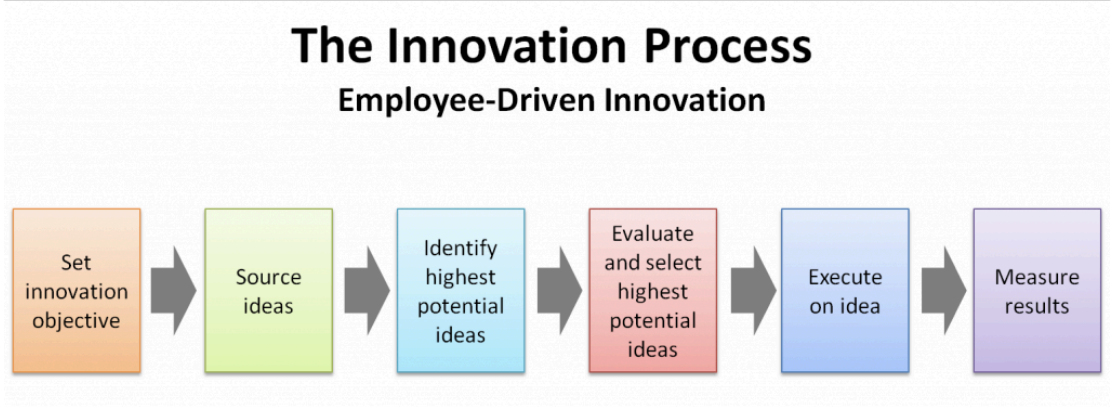
- Provides a conceptual framework and promotes innovation thought
- Aids faster identification of new sources of innovation
- Facilitates better timing for market introduction
- Helps find innovation opportunities aligned with timeframes needed for the business
- Reduces likelihood of competitive disruption
- Increases return on innovation investment
- Improves ability to anticipate needed innovation
- Sustains competitive advantage and enables long term growth

In summary, an innovation model could be a key element for creating competitive advantage and is critical for sustained growth in today's business environment.

## Innovation Design

**This diagram shows you how innovation comes into being in any organization.**

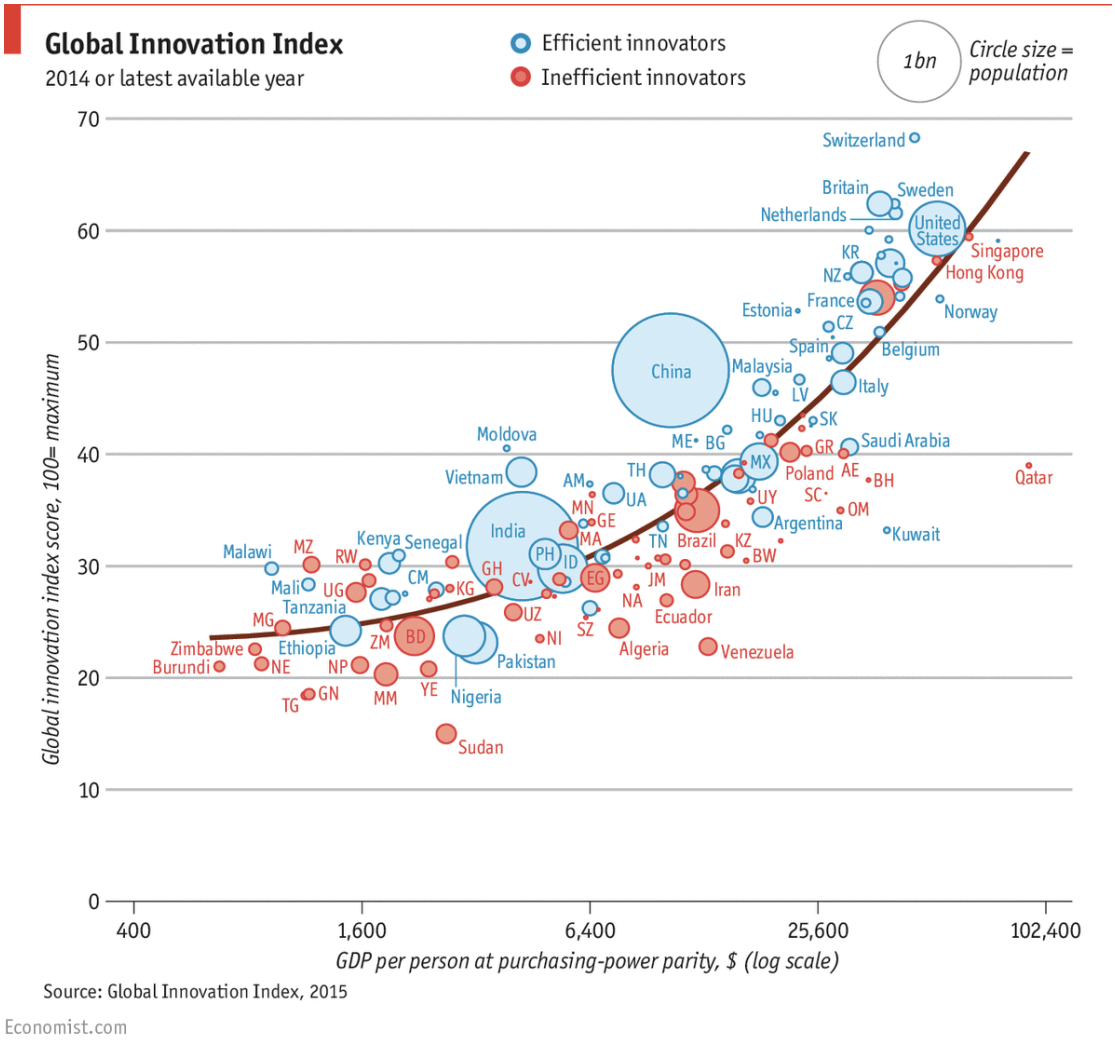


# Chap 2. The Social and Economic Dimensions of Innovation

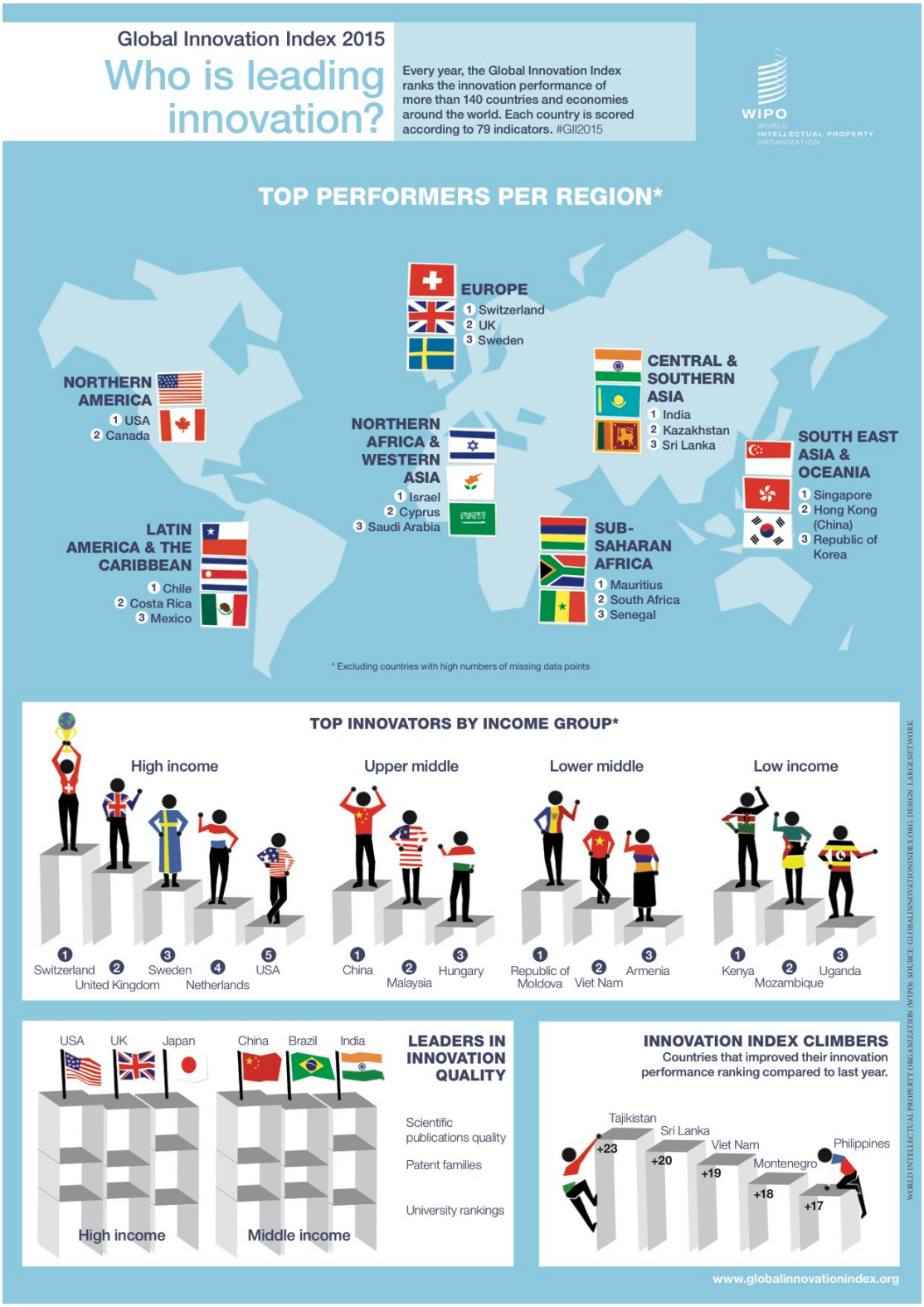
## 1. International Innovation Indices

Let's look at the global innovation rankings
We use the innovation game by The Economist newspaper in 2015



Source: Global Innovation Index, 2015
Economist.com

WHICH is the world's most innovative country? Answering this question is the aim of the annual Global Innovation Index and a related report, which were published this morning by Cornell University, INSEAD, a business school, and the World Intellectual Property Organisation. The ranking of 140 countries and economies around the world, which are scored using 79 indicators, is not surprising: Switzerland, Britain, Sweden, the Netherlands and America lead the pack. But the authors also look at their data from other angles, for instance how countries do relative to their economic development and the quality of innovation (measured by indicators such as university rankings). In both cases the results are more remarkable. The chart above shows that in innovation many countries in Africa punch above their economic weight. And the chart below indicates that, even though China is now churning out a lot of patents, it is still way behind America and other rich countries when it comes to innovation quality.


Global Innovation Index 2015
Who is leading innovation?
Every year, the Global Innovation Index ranks the innovation performance of more than 140 countries and economies around the world. Each country is scored according to 79 indicators. #GII2015
WIPO
WORLD INTELLECTUAL PROPERTY ORGANIZATION
TOP PERFORMERS PER REGION*
EUROPE
1 Switzerland
2 UK
3 Sweden
NORTHERN AMERICA
1 USA
2 Canada
CENTRAL & SOUTHERN ASIA
1 India
2 Kazakhstan
3 Sri Lanka
NORTHERN AFRICA & WESTERN ASIA
1 Israel
2 Cyprus
3 Saudi Arabia
SOUTH EAST ASIA & OCEANIA
1 Singapore
2 Hong Kong (China)
3 Republic of Korea
LATIN AMERICA & THE CARIBBEAN
1 Chile
2 Costa Rica
3 Mexico
SUB-SAHARAN AFRICA
1 Mauritius
2 South Africa
3 Senegal
* Excluding countries with high numbers of missing data points
TOP INNOVATORS BY INCOME GROUP*
High income
1 Switzerland
2 United Kingdom
3 Sweden
4 Netherlands
5 USA
Upper middle
1 China
2 Malaysia
3 Hungary
Lower middle
1 Republic of Moldova
2 Viet Nam
3 Armenia
Low income
1 Kenya
2 Mozambique
3 Uganda
USA
UK
Japan
China
Brazil
India
High income
Middle income
LEADERS IN INNOVATION QUALITY
Scientific publications quality
Patent families
University rankings
INNOVATION INDEX CLIMBERS
Countries that improved their innovation performance ranking compared to last year.
Tajikistan +23
Sri Lanka +20
Viet Nam +19
Montenegro +18
Philippines +17
www.globalinnovationindex.org
WORLD INTELLECTUAL PROPERTY ORGANIZATION (WIPO). SOURCE: GLOBALINNOVATIONINDEX.ORG. DESIGN: LARGENETWORK.

# 2. Innovation, Productivity and Economic Competitiveness

## COMPETITIVENESS

With the increased globalization of the economy, the term competitiveness has become ubiquitous. But what does it actually mean? Most see the term as synonymous with productivity. Harvard's Michael Porter states, "The only meaningful concept of competitiveness at the national level is productivity."

The World Economic Forum's Global Competitiveness Report defines competitiveness as "the set of institutions, policies, and factors that determine the level of productivity of a country." And IMD's World Competitiveness Yearbook defines competitiveness similarly, but more broadly, as how an "economy manages the totality of its resources and competencies to increase the prosperity of its population." But while these terms are related, competitiveness should not be equated with productivity or GDP growth.
To see why, it's important to differentiate between traded and non-traded sector industries. A traded industry is one where the firms sell a significant share of their output outside a particular geographical area. For example, a printing firm in Michigan that sells printed material to customers across the United States would be a traded firm from the perspective of the Michigan economy, but a non-traded firm from the perspective of the U.S. economy. In contrast, a software firm in Washington that sells software throughout the world would be a traded firm from the state and national perspective.

Thus competitiveness relates only to the economic health of a region's or nation's traded sectors (for the purpose of this memo, the term "region" shall refer to both national and subnational economies).

The true definition of competitiveness is the ability of a region to export more in value added terms than it imports.

A COMPETITIVE ECONOMY IS ONE WITH A
TRADE SURPLUS, FEW BARRIERS TO IMPORTS,
AND LIMITED "DISCOUNTS" TO EXPORTERS.

## INNOVATION

While competitiveness is almost always incorrectly equated with productivity, innovation is usually de fined more accurately, although usually too narrowly. Many see innovation as only technological in nature, resulting in shiny new products like Apple's iPad or Boeing's 787 Dreamliner. Still others believe innovation pertains only to the research and development (R&D) activity occurring at universities, national laboratories, and corporations.
While this is all true, it is much too limiting in scope.

The Organization for Economic Cooperation and Development properly defines innovation more broadly as "the implementation of a new or significantly improved product (that is, a physical good or service), process, a new marketing method, or a new organizational method in business practices, workplace organization, or external relations."
Innovations can arise at many different points in the development process, including conception, R&D, transfer (the shift of the "technology" to the production organization), production and deployment or marketplace usage.

While innovation is related to productivity, and for that matter competitiveness, it is not synonymous.

## PRODUCTIVITY

Productivity is perhaps the most straightforward and easily defined of the three factors. Productivity is economic output per unit of input. The unit of input can be labor hours (labor productivity) or all production factors including labor, machines and energy (total factor of productivity).


THE"GROWTH EFFECT" OCCURS WHEN ALL OR MOST INDUSTRIES BECOME MORE PRODUCTIVE.

NATIONS NEED WELL-ARTICULATED AND DISTINCT COMPETITIVENESS, INNOVATION AND PRODUCTIVITY STRATEGIES

## 3. Productivity vs. Competitiveness

### Productivity and Competitiveness

Productivity and competitiveness are key issues for private enterprise development in any country, and employers' organizations have an important role in underpinning this in their policy work and in providing services to their members. Productive enterprise development means that enterprises can create both new and additional jobs, which in turn is one of the most concrete and important contributions to national efforts on poverty reduction.

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