

# E Investigate the role and contribution of innovation and enterprise to business success

## Role of innovation and enterprise

For a business to retain or grow its market share, the role of innovation and enterprise is vitally important.

### Innovation

You explored one example of innovation earlier when you looked at the CASA case study and their approach to providing care for vulnerable adults and children. Other ways in which a business can be innovative are outlined below.

- Creative process – a staged approach to creativity which does not occur by accident and involves a set of distinct processes as shown in Table 1.8.

► **Table 1.8:** Example of a staged creative process

Preparation	Such as research or reviewing current processes
Incubation	A period of reflection and working through ideas both consciously and subconsciously
Illumination	The light bulb moment when ideas become crystallised
Implementation	When the ideas or process are put into action

- Theoretical models exist in a variety of formats, stages and terminology, for example Graham Wallas' 1926 four stages of creativity model, where implementation is a verification stage, testing out the process for suitability.
- Product or service development require both innovation and logical steps to the process. While refining a current product or service might appear to take a less formal approach, there are theoretical models for new product development (NPD) developed by Booz, Allen and Hamilton. However, any business needs to establish a strategy for development to avoid compromising the existing business.
- New ways of increasing business efficiency or improving profitability are another way a business can be innovative. Improvements to business efficiency can increase productivity, cut costs and improve profitability.
- Successfully exploiting a new idea is both innovative and enterprising and may be the start of a new business or development of an existing business. Examples of recent success stories include:
  - Innocent drinks
  - Moneysupermarket.com
  - Tyrells Potato Crisps
  - Dyson and the bagless vacuum cleaner.
- Adding value to products has become an expectation, especially as we are technologically dependent. Examples of digital and non-digital products include:
  - adding cameras to mobile phones
  - internet-enabled phones
  - sandwich packaging which also serves as a temporary tray
  - The Saucy Fish Co., where the packaging is used for the cooking process.
- Services are added and new markets are exploited to differentiate a business from its competitors, such as:
  - the introduction of tablets transforming the popularity of desktop computers
  - Reactolite rapide glasses enabling prescription glasses to react to light changes

- Velcro providing alternative fastening to traditional methods such as press studs or hooks and eyes and which can be used on a wider range of products such as trainers
- Virgin, from the humble beginnings as a record shop in the 1960s, to record company diversifying into airlines, trains, telecommunications and finance
- online banking and mobile banking, first introduced in the US in the early 1980s
- standard broadband to fibre optic
- multi-car insurance offering discounts for families with more than one car.

## Enterprise

### Identifying opportunities to develop business activities

- ▶ Creativity is sought by employers and it is required if a business is to thrive. Organisations exist to support the research and development of creative enterprise. Project teams explore ways to develop exciting and creative commercial enterprises into subjects such as music, fashion, computing and cooking.

#### Research

Explore how creativity and innovation has made Heston Blumenthal OBE a household name in the world of cooking.

- ▶ **Lateral thinking** is a concept originally created by Edward de Bono to encourage creativity. You might know this approach as the currently popular term of 'thinking outside the box'. De Bono also introduced his 'Six Hats' concept which means considering an idea from the perspective of how others might view it. His metaphor of wearing someone else's hat is deemed to be extremely powerful.
- ▶ **'Blue sky' thinking** represents a no holds barred approach to thinking creatively. Consider it as giving permission for anything to be possible – the sky's the limit to expand individual and group ideas beyond any constraints which may appear to exist.
- ▶ Chance and **serendipity** are valuable ideas that occur out of the blue. They could relate to business which is unexpected, perhaps due to a misdialled phone number. For example, much like the serendipitous circumstances that led to the development of penicillin, James Schlatter discovered the artificial sweetener NutraSweet through unrelated work with amino acids. Of course, not all examples will result in a positive outcome, but one very famous example of a discovery by chance and serendipity was made by Alan Turing's team. Their discoveries ultimately saved thousands of lives, ending the Second World War earlier than expected. Their work also led to the production of the world's first electronic computer. Other serendipity products include Kellogg's Corn Flakes which were developed due to a delayed cooking process. The medical sector have also known several serendipity moments. The discovery of penicillin, and the discovery in 1998 that Viagra had additional uses other than its intended use as a heart remedy, were regarded by many as very happy accidents.
- ▶ Intuition can also lead to viable business opportunities. It can be considered to be something that happens by accident but theories exist that intuition occurs naturally as a result of complex thought processes and decision making. Many suggest that Steve Jobs showed great insight with his creation for Apple – he famously did little market research but, rather, offered the market what he felt they wanted, with obvious success.

#### Key term

**Lateral** – approaching subjects from alternative perspectives.

**'Blue sky' thinking** – approaching subjects with no restrictions on perspectives.

**Serendipity** – a pleasant discovery that occurs unexpectedly or by accident.

## Case study

### The Philips' story

Compact discs (CDs) were first introduced in November 1982 by UK electronics company Philips. CDs are the forerunner of today's extensive family of optical discs used in a wide range of devices and used universally.

The Philips family established their company in 1891 in the Netherlands, 14 years after Thomas Edison accidentally discovered how to record sounds, in 1877, while experimenting with recording Morse signals. They began their business manufacturing carbon-filament lamps, swiftly becoming Europe's largest supplier of light bulbs. In the early 20th century, they set up their first research laboratory, stimulated by the industrial revolution, and their diverse inventions continue to enrich our everyday lives. Famous inventions include radio technology, televisions, electric shavers and X-ray machines.

However, while the Philips brand has a worldwide reputation for being revolutionary, not all their innovations have been an immediate success. While

they had major breakthroughs with the storage of digital data, images and sounds, some of their products are seen as too restrictive because they are too exclusive. Therefore, while some of their products were unique they were also likely to be more expensive than mass produced products. For example, when they introduced their first ever domestic video recorder (VCR) in the early 1970s, it required a Philips' video tape which was not compatible with other makes or later versions and it became obsolete. However, the technology lived on, leading to the inventions of the LaserVision optical disc, DVDs and optical telecommunication systems.

#### Check your knowledge

- 1 How does Philips maintain its market share?
- 2 What risks have Philips taken and what are the outcomes?
- 3 Name at least two functional/operational areas in the organisation which contribute to its survival.
- 4 Give examples of the affects between demand, supply and price.

## II PAUSE POINT

Hint

Extend

What contribution has Philips made to consumers?

How has Philips responded to changes in the market?

Compare and evaluate the reasons for the success of two contrasting businesses. Evaluate how changes in the market have influenced business decisions and how successful they have been.

### Benefits and risks associated with innovation and enterprise

To implement innovative and enterprising ideas requires considerable strategic thinking about the impact of the ideas. The benefits and risks to the business need to be carefully considered.

#### Benefits

##### Improvements to products

Businesses need to consider if:

- ▶ there will be sufficient improvements to existing products which will ultimately increase profits by reducing production costs or increasing prices
- ▶ there is a demand for these improvements or if they are really necessary. For example, it would not be sensible to only manufacture combination microwave ovens and to neglect the need for basic microwave ovens, or believe there is no longer a demand for mobile phones without a built-in camera.

### Processes

Processes can be too cumbersome or bureaucratic to be efficient and you may be able to think of an example where you have found a process that has 'got in the way'. Overly bureaucratic processes are often blamed in the public sector leading to a duplication of work or delayed results.

Ultimately, such processes cost money to implement and so finding other ways to achieve the same result could benefit the business and its customers.

### Services and customer experience

Innovation and enterprise can greatly improve services and the customer experience. For example, developments which will provide less painful dental treatment could revolutionise patients' experience. Similarly, when Virgin Atlantic first introduced flat beds in 1998 to their business class cabins, passengers could arrive feeling much more rested after long flights.

### Business growth

Business growth is an important consideration of innovation and enterprise. Businesses are looking to increase profits, market share and possibly strive to become a market leader. To grow, the business needs to find ways to move with the times to meet consumer demand. Lego provided an example of business growth as a result of innovation and enterprise when they introduced a range linked to the latest Jurassic Park film success.

### Development of new and niche markets

New and niche markets mean developing an entirely new product or an addition to a line of products. For example, Apple have introduced the iPhone, iPod and associated family of products to an existing line of products.

A new niche means a specialist market, for example organic or vegetarian food products. An example of a specific niche market is LoveThoseShoes which was set up by entrepreneur Glenys Berd. She introduced a range of healthy footwear in 2003 which was targeted at consumers with conditions such as arthritis and back pain.

### Offering unique selling points (USP)

USPs can benefit a business providing they are based on solid research which confirms demand. You may find it difficult to identify a unique product but there may be something about the product or service that is unique only to that one business.

A German man calling himself Professor Shoelace realised there were enormous numbers of children who struggled to tie their shoelaces. Numbers increase when they are due to start school and many parents of the same generation grew up not wearing shoes with laces. To address this need, he has written hugely successful books bringing fun and excitement into lacing methods and also developed an iPhone App.

While this example might be viewed as a niche market, the business has extended its range to include shoelaces to attract different age groups, purposes and even promote charitable causes.

Well known USPs include:

- ▶ Burger King and their promise to respond to customer changes in their fast food 'have it your way'
- ▶ Avis cars offering customer pick up services
- ▶ John Lewis department store's slogan 'never knowingly undersold'
- ▶ Amazon - 'Earth's biggest bookstore'
- ▶ BMW - 'the ultimate driving machine'.

#### Key term

**Unique selling point (USP)**  
- an original or individual concept, service or product that is exclusive to your business.

### Key term

**Branding** – producing a unique name or image for a business or product.

### Improved recognition and reputation

Businesses seek the benefits of recognition and reputation and these can be achieved if customers have a good experience which they then promote to others, such as friends and family. Businesses need to be recognised and are prepared to invest large sums of money in rebranding if they believe the service or product they offer is not recognised clearly by the way it is promoted.

### Branding

The **branding** of a product or organisation can make or break a business and should represent what it is offering so that it is easily recognisable.

### Smarter working

Smarter working involves businesses allowing their employees to work in different locations. It uses technology to enable communication between employees. This can benefit by businesses by:

- ▶ cutting costs
- ▶ speeding up production
- ▶ reducing customer waiting time
- ▶ increasing profits
- ▶ reducing unnecessary bureaucracy
- ▶ increasing staff motivation.

### Risks

To make strategic decisions requires considering the risks as well as the benefits. Considerations are outlined below.

- ▶ Failing to meet operational and commercial requirements, for example legislative requirements such as health and safety. Businesses have to comply with commercial requirements; these could be variable depending on the type of business. For example the construction industry (such as plumbing) will have to comply with specific legislation when working with gas. Therefore a business could not extend its services by providing gas installations without relevantly skilled and qualified gas engineers.
- ▶ On a lesser but still important scale, the decision not to go ahead with an innovative idea might be due to an interruption in the process which impacts on the quality of a product or service. An example could be where a shelf stacker is rushing to restock products by stacking the front of the shelf instead of moving old stock forward and placing new stock at the back of the shelves.
- ▶ Failing to achieve a return on investment is a massive risk associated with innovation and enterprise. Consider the research and development team working on a project for many years at significant cost which, at its outset, is cutting edge and innovative. However, by the time it is refined, tested and comes to market, the demand may have been met by a competitor or an alternative product or service.
- ▶ Clive Sinclair is an example of an entrepreneur and inventor for whom some ideas never came to market. He is best known for his inventions of miniature pocket TVs, ZX80 and ZX81 computers and the C5 battery operated single-person car.
- ▶ DeLorean's invention, the DMC-12 car, failed mainly due to cost, the time it took to produce and product quality.
- ▶ An invention which never came to market is the 1926 Ford 'Flying Fivver' single seat plane.
- ▶ Cultural problems can prevent an idea or product coming to market. These include:
  - resistance to change, for example customers who prefer to stick with what they use already or employees who refuse to change or adapt to new processes: Samsung's introduction of a mobile phone with a curved screen in 2013 has so far not been revolutionary nor has Microsoft's range of curved keyboards

- unsupportive systems and processes – the distinction between the two is that the process represents a concept and the system is what actually occurs when carrying out the process. Therefore a process can get in the way of the system by being ineffective, for example if there is too much repetition for a system to be efficient. Another example is that of a telephone help service where the operator appears to read from a script rather than respond to the specific nature of a customer's enquiry
- insufficient support from leadership and management which might include financial support, time or additional resources and expertise to develop an idea or product. The majority of ideas do not receive sufficient support from management.

### Case study

#### The beauty in the skies



British Airways revolutionised air travel with the introduction of supersonic passenger air travel when Concorde first took to the skies in 1976. Travelling at twice the speed of sound, Concorde reduced the flight time from London to New York from around eight hours to about three and a half hours or less at a cruising speed of 1350 mph. To ensure safety on board, it required a team of 250 engineers and 5000 hours of testing before being certified for its first passenger flight.

Concorde took over 25 years to produce just 20 aircraft from initial project stage to first passenger flight, jointly between UK and France, supported by manufacturer

Airbus. Only 14 Concorde were in operation at enormous economic losses and considerable government subsidies. Despite having received considerable interest from other airlines to purchase 74 planes in the 1960s, these were cancelled during the early 1970s making production unprofitable. Reasons given included environmental concerns and spiralling costs of manufacture. At the same time, budget airlines started to appear and competition for reducing passenger air travel was rife.

Over time, the cost of operating Concorde became uneconomical; with rising costs of fuel as oil prices increased creating a downturn in passengers being able to afford its ticket prices. Concorde was withdrawn in 2003. This may have been influenced by a fatal crash which occurred in 2000.

#### Check your knowledge

- 1 What was the aim of this venture?
- 2 Who were the stakeholders?
- 3 What impact did the environment have on the demise of Concorde?
- 4 What relationships can you suggest between demand, supply and price?
- 5 What was the role and contribution of innovation and enterprise?

### II PAUSE POINT

What do you think had the greatest impact on Concorde's failure?

#### Hint

Refer back to the assessment criteria and the requirements for merit and distinction grades.

#### Extend

Undertake a situational analysis using one of the methods you were introduced to earlier such as PESTLE or SWOT.