

# Innovation – Theory and Practice

## Session 3

- 1) Economics of innovation
- 2) Disruptive Innovation

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# Economics of innovation

- Categories of Innovation:
- Explore stage of innovation
  - Brings Transformation
- Utilisation stage of innovation
  - Scaling up operations and cost optimization
- Sustaining stage of innovation
  - Simultaneous with Utilisation Stage.

# Economics of innovation

- Innovation – new projects – Explore stage
- High uncertainty
- Focus / objective – find appropriate business model
- Financial approach
  - Taking risk
  - Possibility of failure
  - Some large winners
- Return on investment –based on total portfolio of innovation projects

# Economics of innovation

- Existing Business – Utilisation stage
- Low uncertainty
- Business drivers and parameters are known
- Focus on – execution and growth of business
- Financial Objective – steady/ growing rate of return
- Return on investment – can be worked from existing data

# Economics of innovation

- Patents and Intellectual Property Right (IPR)
- Patent protects ownership of innovation
- Patent - right of ownership designed to provide legal protection to patent holder against any imitation during duration/ period of patent rights
- Patent period 20 year
- Subject to terms and conditions as per Patent Act

# Type of Innovations

- Types of Innovation
- Sustaining innovation
- Disruptive innovation
- At what stage Innovative will be Disruptive Innovation – Explore stage or Utilisation Stage

# Sustaining Innovation

- Sustaining innovation:
- Sustaining innovation improves upon process and technology of the firm/ company
- Objective of Sustaining innovation
  - Improve of existing products and services for customers.
  - Stay ahead of the competitors
- Focus on effective execution of innovative strategy is important

# Disruptive Innovation

- Disruptive Innovation
- Concept given by Clayton M. Christensen :

Quote :

*“A small enterprise targeting overlooked customers with a novel but modest offering and gradually moving upmarket to challenge the industry leaders”*

Unquote



# Disruptive Innovation

- Disruptive innovation:
- New or small companies give challenge to bigger organisations.
- Disruption at lower end – Organizations targeting customers at lower end of existing market
- Disruption creating new market – New customers targeted by organizations reaching to customers not served in existing market

# Disruptive Innovation

- Rapid changes in business environment
  - Technological Developments
  - Changing customer requirements
  - Disruptive forces in business
- How to respond to such changes in business environment
  - Look for potential opportunities to innovate
  - Manage potential threats to business