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# *Innovation & strategy*

## *for business*

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# *Types of Entrepreneur*

*Have you got what it takes?*

# Key qualities of an Entrepreneur

- Innovation
- Creativity
- Risk Taking
- Independence
- Strong character
- Modest ego
- Integrity
- Leadership
- Impatient – bias towards action
- Quick clock speed
- Seeks and accepts coaching
- Willing to be different
- Pragmatic
- Rejoices in the victories of others
- Driven

# Personal factors

- Passion
- Belief
- Commitment
- Focus
- Openness to learn, understand and put into practice

# Questions all entrepreneurs must ask themselves

- What are my goals ?
- Do I have the right strategy ?
- Can I execute my strategy ?

# Important questions

- Why am I interested in starting this business?
- What am I trying to achieve (personal goals) ?
- Where do I want to get to ?

# Success Factors

- Awareness of an opportunity
- Understanding your market and customers
- Generating product concept
- User/Customer focused design
- Developing a strong value proposition

# Reasons for failure

- Management 70%
- End user market dynamics 55%
- Distribution 30%
- Technology 20%
- Financial markets 10%

Often many business failures blame the financial community for failure

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# *Innovation starts with a problem*

A 2005/6 MIT survey of innovation in technology found characteristics common to innovators

1. not troubled by the idea of failure,
2. realise that failure can be learned from
  - and 'failed' technology could be re-used for other purposes
3. innovation requires that one works in advanced areas where failure is a real possibility,
4. innovators are curious about what is happening in a myriad of disciplines, not only their own specialism,
5. innovators are open to third-party experiments with their products,

## A 2005/6 MIT survey of innovation in technology (cont)

1. a useful innovation must be "robust", flexible and adaptable,
2. innovators delight in spotting a need that we don't even know we harbour
  - and then filling that need with a new innovation
3. innovators like to make products that are immediately useful to their first users.

# Why start here ?

“The significant problems we have, cannot be solved at the same level of thinking with which we created them.” Albert Einstein

# Innovations solving problems

- Odor-Reader – speeding up diagnosis
- Bristol Buggy – mobility for patients
- SensaGest – signalling for disabled patients
- Revolymer – Non-stick chewing gum
- Warm body – Accurate temperature tracking
- Real Composite technology – light & strong carbon fibre mountain bike

## UoB Business plan companies

# Now you have an idea the work really starts!

- Do you have a solution looking for a problem?
  - technology first, problem later, can be wrong way round
- Do you know who your customers will be?
  - Confirm/Validate the need/problem by talking to customers
  - How will your customers value your product?
  - Is there money to be made solving this problem?
- Is there likely to be someone else close to solving the same problem?

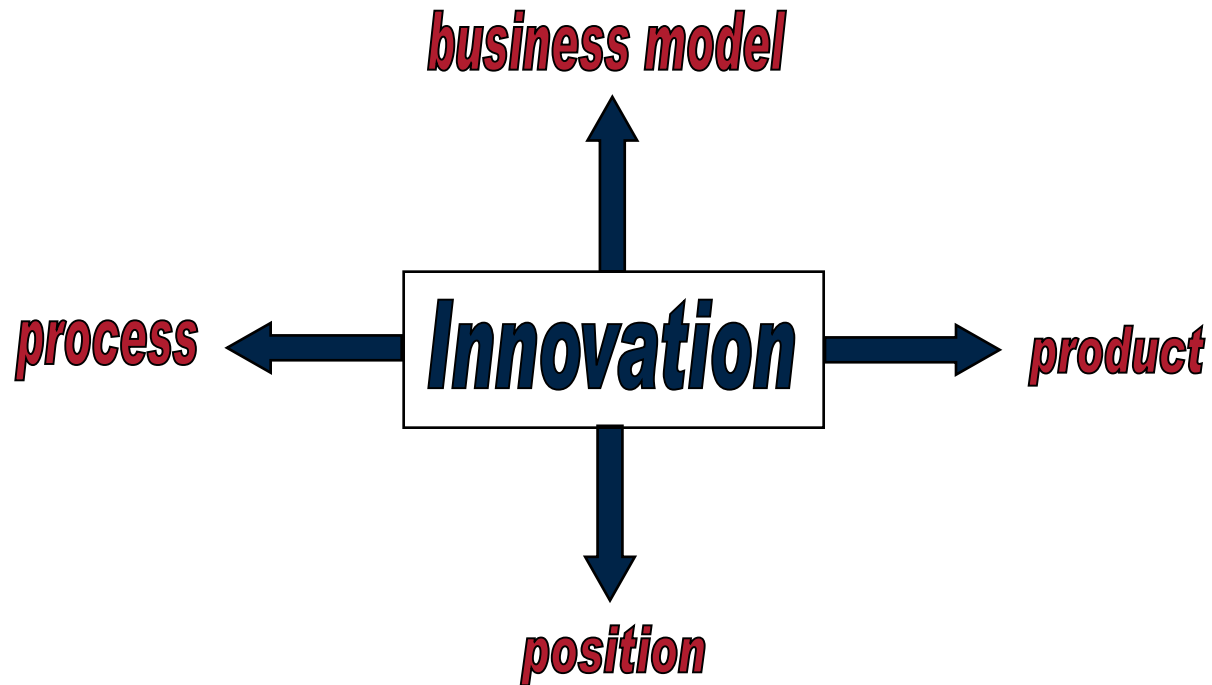
# A solution looking for a problem to solve

- In the 1900s electric motors became an innovation available to the masses
- Many were advertised to the end consumer
  - “You need an Electric Motor”, “Useful anywhere in the Home”, “Labour saving device”, “The new....must have...technology” ...
- This strategy was not successful.....Why?
  - The electric motor was not a recognisable product that consumers could easily use.
- What other technologies suffered the same delay?
  - Computers, microprocessors

# Defining Innovation

- *the process of making improvements by introducing a new idea, method or device.*
- *successful exploitation of new ideas*
- *radical and incremental changes to existing products, processes or services.*
- *goal of innovation is to solve a problem.*
- *Organisations that do not innovate effectively may be destroyed by those that do.*

# Innovation comes in many forms



# New business innovation can take these forms

- Product
  - A wholly new product, solving a particular problem or providing a new benefit.
- Business model
  - A new way of doing business, financial arrangements, franchises,
- Position
  - A different market positioning, branding, marketing strategy, sector focus, target customer
- Process
  - Different manufacturing process, channel to market, packaging, operating model

# It's all about Products & Markets

## Ansoff's matrix

Markets	<i>Existing</i> Product in <i>Existing</i> Market	<b>New</b> Product in Existing Market
	<i>Existing</i> Product in <b>New</b> Market	<b>New</b> Product in <b>New</b> Market
	Products	



# Types of innovation

- Incremental
  - improvements in steps to deliver better performance
    - e.g. improvements of the internal combustion engine – more power, less emissions, cheaper manufacture.
- Discontinuous or disruptive
  - When something entirely new comes along and changes the way something is done,
    - e.g. steam power locomotion being replaced by the internal combustion engine.
    - Computers/Typewriters, Digital/Mechanical watches
- Evolution or Revolution

## The innovators dilemma

“The farther a company seeks to innovate the greater likelihood the innovation effort will fail,  
**BUT**  
the less a company seeks to innovate the greater the likelihood the company will fail.”

Clayton M Christensen

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*Now we've chosen where to go,  
how do we get there?*

# Now we've chosen where to go, how do we get there?

- Just like when we are driving our car, when we have a destination, we need a route to drive there.
- But it's more complicated than just having directions
- Important factors that dictate HOW we get there
  - Time: Are we in a hurry?
  - Cost: Are we driving for economy?
  - Load: Passengers-their needs?
  - Congestion: Will there be other traffic competing for same road space?
- We need a strategy

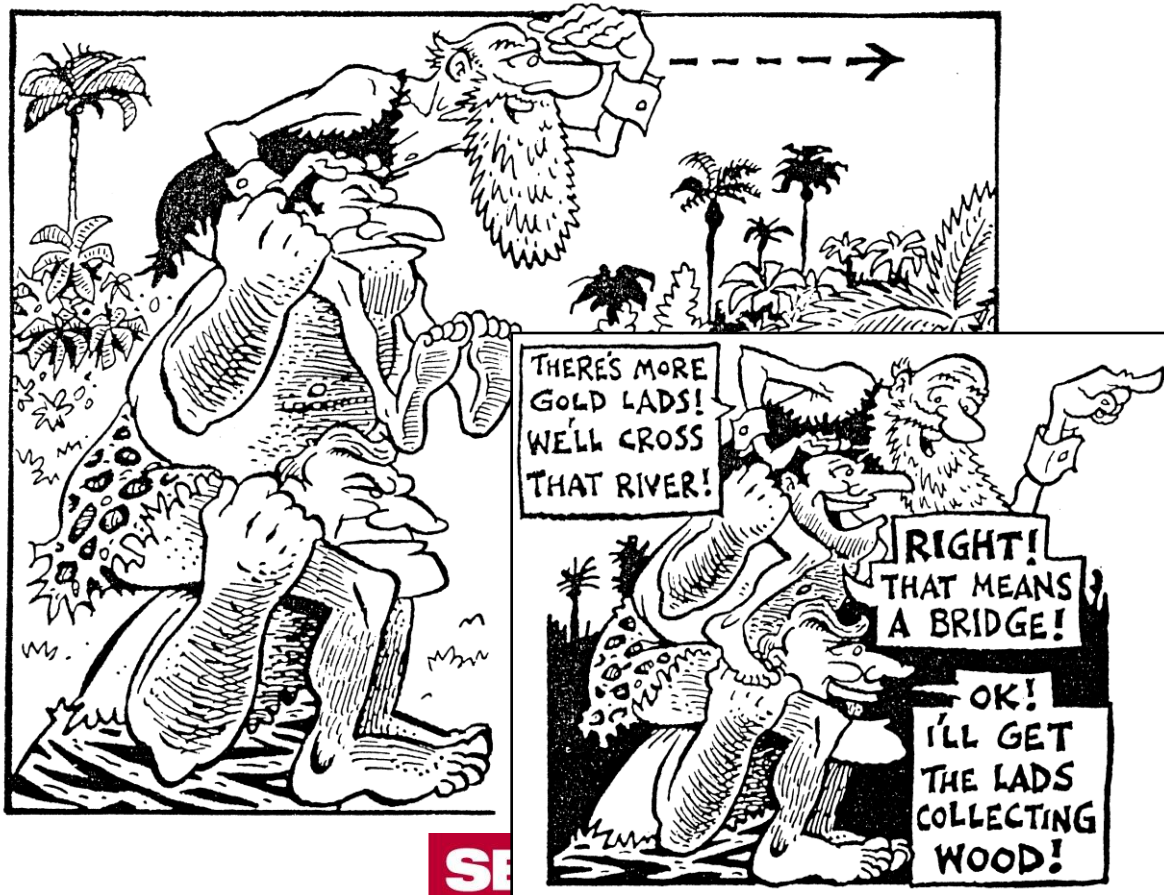
# Introduction

- “Strategy” or “Strategic” is the most overused/misused word in business today.
  - By attaching “Strategic” to something it suddenly becomes more important.
  - But usually little gets done!
- Strategy must lead to action.
- The point of having a strategy is to ensure that people, in a company, are doing the right things to achieve a goal.

# Objectives and strategies

An **Objective** is **what** you want to achieve

A **Strategy** is **how** you plan to achieve it.



# Understanding more on Strategy

- The art of war, planning of movements of troops, into favourable positions, a plan of action or policy in business or politics
- The determination of the long run goals and objectives of an enterprise, adoption of a course of action and allocation of resources necessary to carry out the course of action
- The means by which an organisation uses its scarce resources in the competitive environment to achieve business performance over the long term.

# Strategy and business

“The strategic aim of a business is to earn a return on capital, and if in any case the return in the long term is not satisfactory, then the deficiency should be corrected or the activity abandoned for a more favourable one.”

Alfred P. Sloan, Jnr – “My years with General Motors”

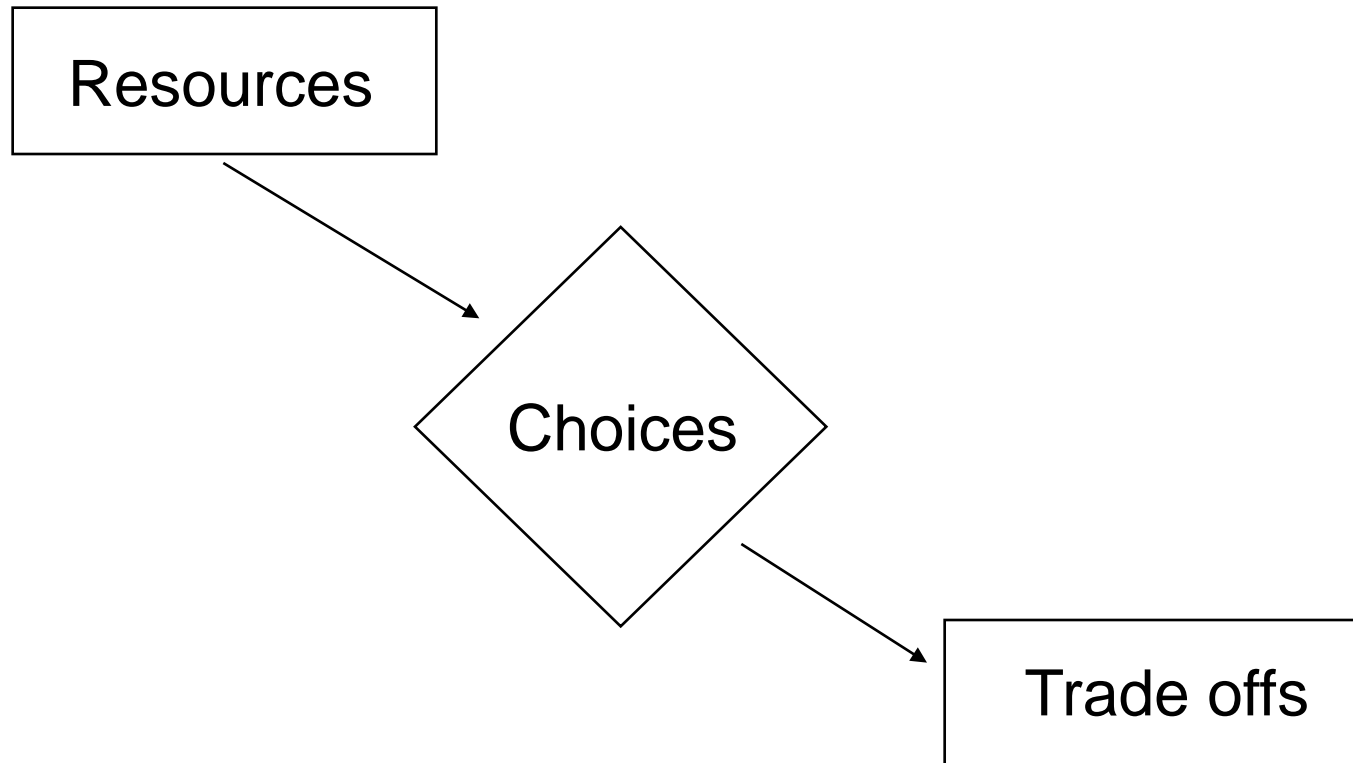
# How does strategy help in business?

- Deploy scarce resources efficiently
- Combat the competition
- Achieve long term objectives

# What can a Strategy do?

- Help make major decisions on long term direction and can define;
  - Market entry
  - Product family
  - Sales channel
  - Promotional, launch, marketing communications
  - Business/Organisation growth
  - Recruitment
  - Fund raising
  - Financial

Having a strategy means saying “No” as well as “Yes”



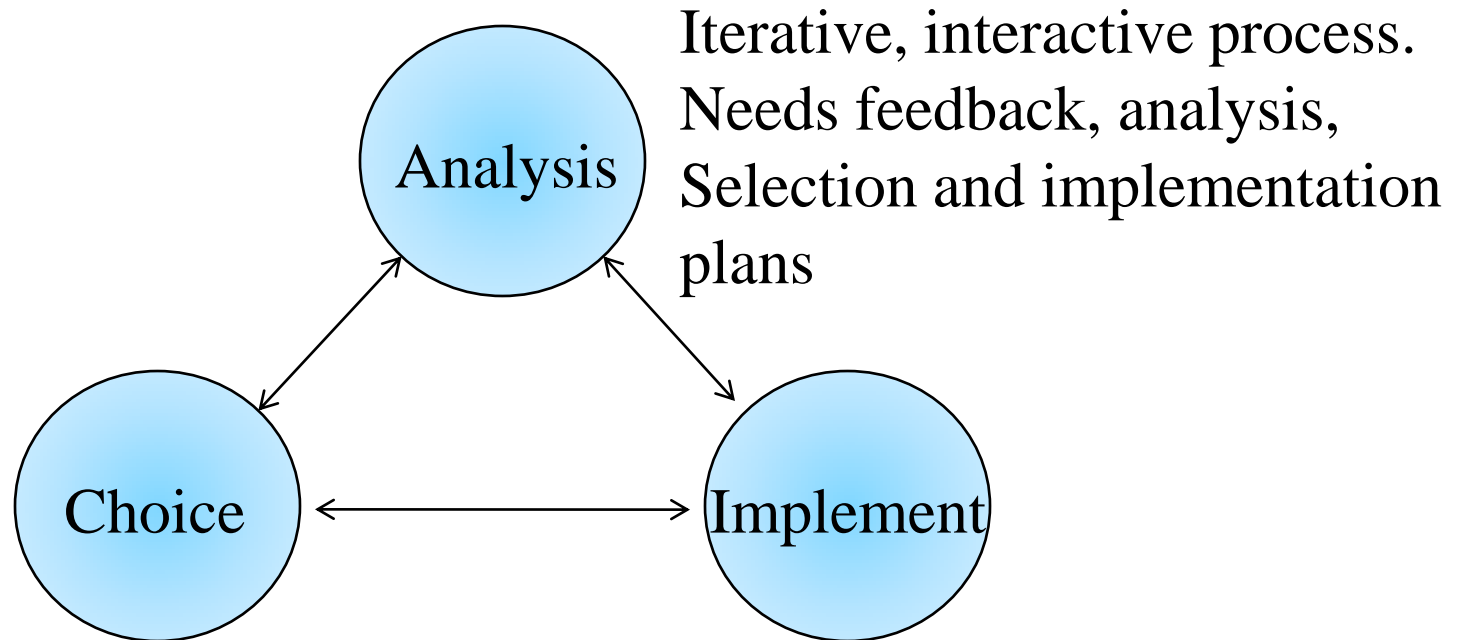
# Deciding what NOT to DO

- NOT meeting all the customer needs
- NOT incorporating all new technology
- NOT offering every possible feature

If you cannot answer what you are NOT going to do you don't have a strategy



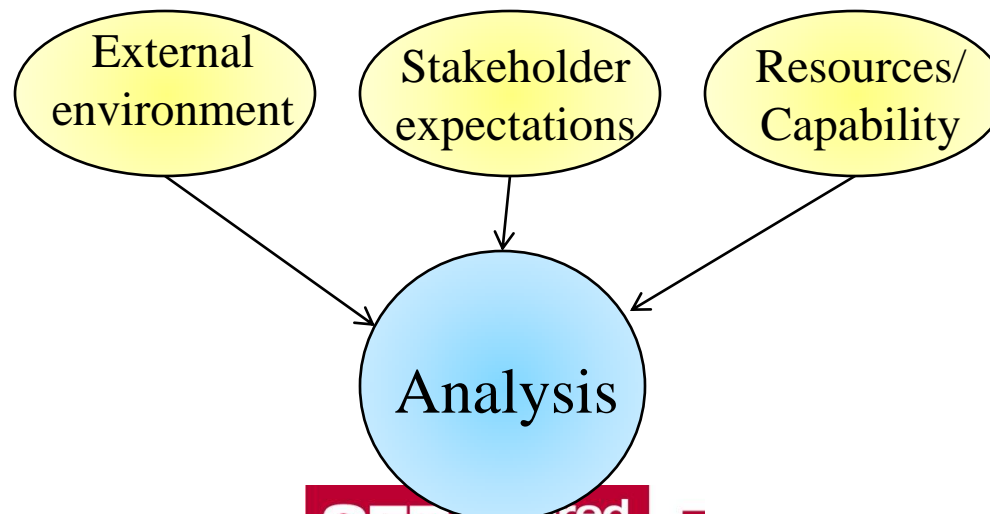
# Strategy development is a 3 stage process



Source: Johnson & Scholes, 1999

# Analysis stage

- Good Market research needed to
  - accurately assess values of various opportunities
  - Discover customers, products, competitors, influencers
- SWOT/Porter analysis to identify opportunities, competitive advantages, where are we now.
- Use creativity in defining solutions to opportunities/threats



# Porters 5 forces

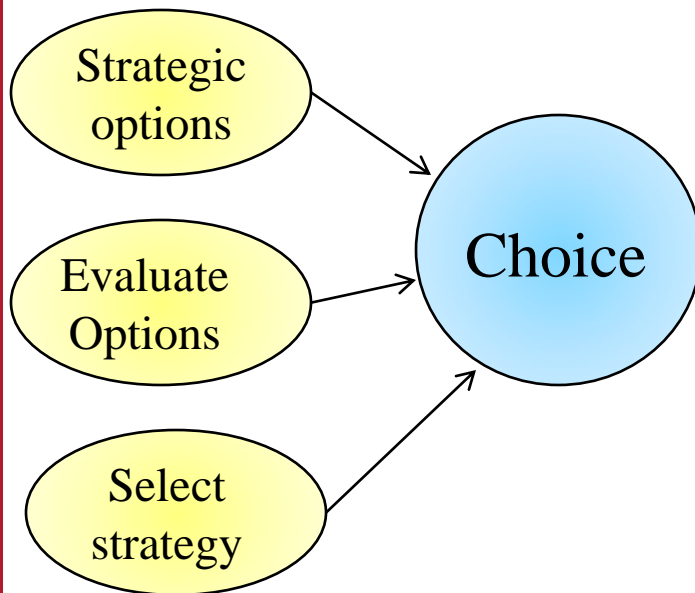
- Important to analyse the forces inside an industry as this can become a key strategy driver



Source: Michael Porter, 1979

# Strategy Options & Selection

- Using the analysis outputs evaluate options against selection criteria;
  - » Market: size, growth, structure, potential
  - » Financial: ROI, investment required
  - » Feasibility: resources available/accessible, core competences
  - » Risk: development, commercial, financial
  - » Desirability: meeting aspirations, market positioning, future valuation
- Select the option which best fits the goals.

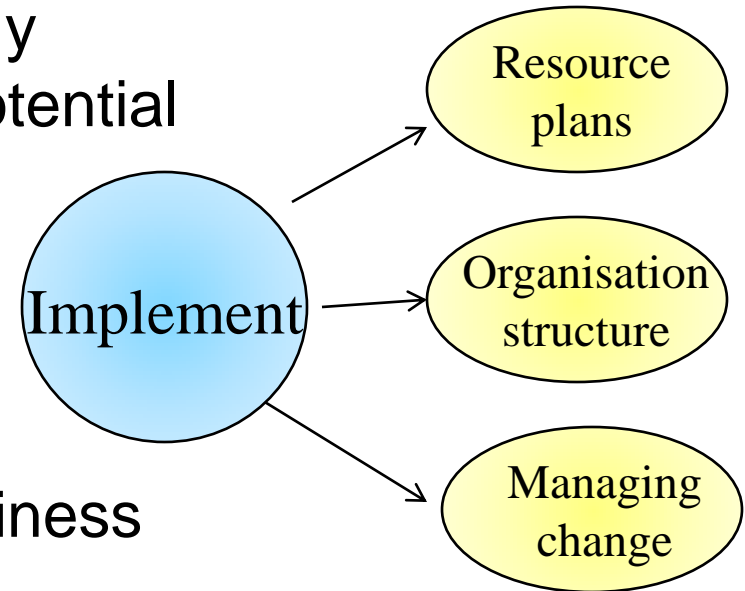


# Formulating strategy

- Following analysis need to determine way forward
  - What are goals & objectives?
  - How to create business advantage
  - Leveraging core competences
  - Building relationships with customers
  - Looking for partnerships or joint ventures
- Generate a strategic plan
  - Integration of ideas, strategy innovation

# Turning great strategy into great performance

- “Companies typically realise only about 60% of their strategies potential value because of defects and breakdowns in planning and execution”.
- Mankins & Steele, Harvard Business Review, 2005



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*Don't forget the  
Business plan competition*

# Overview of the Bristol University Business Plan competition

- Total prize fund worth over £30,000
  - Cash prizes
    - plus special prize for the best undergraduate entry
  - A rent-free desk for six months in the SETsquared Centre pre-incubator
    - giving your business a professional front
    - allow you to develop your plans away from home or work environment
  - [www.bris.ac.uk/research/newco/incubation/index\\_html](http://www.bris.ac.uk/research/newco/incubation/index_html)
  - Professional services
- This year there are additional prizes for
  - Best social enterprise
  - Best medical or healthcare venture and
  - Best chemistry based idea.

# Entering the Bristol University Business Plan competition

- Entering the competition will help you;
  - Accelerate the development of your project
  - Get feedback on your entry early on
  - If you get through - more advice from a range of experts
  - Great learning experience
  - Will help you build a better business by being better prepared.
- So why not enter?

# Next Week

- 2<sup>nd</sup> Dec - Creating a winning business plan
- Followed by;
  - 13<sup>th</sup> Jan - Understanding and engaging markets
  - 20<sup>th</sup> Jan - Developing business & product strategies
  - 27<sup>th</sup> Jan - Selling & negotiating in business