

Pearson BTEC Level 4 Higher Nationals in Business (RQF)

**Unit 8: A1**  
**Innovation & Commercialisation**  
**Information Pack**

in a series of 2 for this unit

Learning Outcome 1&2

## Contents

INTRODUCTION .....	4
Information Pack.....	6
LO1 Explain the context for innovation and determine the difference between invention and innovation....	6
Innovation vs invention:.....	6
Definition of innovation and commercialisation, taking into consideration the challenges this creates for small businesses.....	6
The Internal Perspective .....	13
The external perspective.....	14
Invention Vs Innovation .....	15
The Process of Invention.....	17
Distinguishing Invention from Innovation .....	18
Turning Invention in to Innovation .....	20
Commercialisation Strategies .....	22
Licensing Option.....	22
The Venturing Strategy .....	24
Sources of Innovation (Drucker's Discipline).....	25
Innovation Management .....	31
Creating a culture of Innovation .....	31
The innovation organisational structure.....	32
Mckinseys Innovation and Leadership Model.....	33
LO2 Explain the different types of Innovation.....	35
Processing different types of Innovation.....	35
Different types of innovation.....	37
Innovation Taxonomy .....	37
Innovation Matrix.....	38
Incremental innovation.....	38
Disruptive innovation.....	40
Sustaining innovation.....	42
Radical innovation.....	43
Disruptive vs Incremental Innovation.....	45
Incremental Innovation (walking on the safe side .....	46
Disruptive Innovation (All or Nothing).....	46

4 P's of Innovation Space Strategy.....	47
Advantages and Limitations of the 4P's Model .....	51

Sample

## INTRODUCTION

This unit aims to equip students with a comprehensive understanding of innovation and commercialisation. In today's competitive landscape it is critical that organisations continually innovate both their product offering and processes to ensure that they remain competitive in the market. Furthermore, adopting a more commercially driven approach is vital to maximise the Return on Investment (ROI). In this unit, we will look at several tools and techniques organisations use to drive innovation and become more commercial in their approach. The aim of the unit is to give students cutting-edge knowledge as well as practical application of the keyway's organisations become more innovative while remaining commercially driven.

This information pack is designed to give you the information and guidance that you will need to complete your assignments for this unit. This information pack will look at the first 2 learning outcomes which make up assignment 1, these being.

1. *Explain the context for innovation and determine the difference between invention and innovation.*
2. *Explain the different types of motivation.*

Sample

## GUIDANCE

This document is prepared to break the unit material down into bite size chunks. You will see the learning outcomes above treated in their own sections. Therein you will encounter the following structures.

### Purpose

Explains *why* you need to study the current section of material. Quite often learners are put off by material which does not initially seem to be relevant to a topic or profession. Once you understand the importance of new learning or theory you will embrace the concepts more readily.

### Theory

Conveys new material to you in a straightforward fashion. To support the treatments in this section you are strongly advised to follow the given hyperlinks, which may be useful documents or applications on the web.

### Example

The examples/worked examples are presented in a knowledge-building order. Make sure you follow them all through. If you are feeling confident then you might like to treat an example as a question, in which case cover it up and have a go yourself. Many of the examples given resemble assignment questions which will come your way, so follow them through diligently.

### Question

Questions should not be avoided if you are determined to learn. Please do take the time to tackle each of the given questions, in the order in which they are presented. The order is important, as further knowledge and confidence is built upon previous knowledge and confidence.

### Challenge

You can really cement your new knowledge by undertaking the challenges. A challenge could be to download software and perform an exercise. An alternative challenge might involve a practical activity or other form of research.

### Video

Videos on the web can be very useful supplements to your distance learning efforts. Wherever an online video(s) will help you then it will be hyperlinked at the appropriate point.

## Information Pack

# LO1 Explain the context for innovation and determine the difference between invention and innovation

### Innovation vs invention:

Definition of innovation and commercialisation, taking into consideration the challenges this creates for small businesses

#### *What is Innovation?*

Innovation is the process of making a product new or better. It can also be the process of doing some service or action in a new way. In business, innovation also must include the concept of improvement. To innovate in business is not just to do something differently, but to do or make something better.

A good business innovation definition, then, would be: business innovation involves developing new products or improving existing technologies, processes, designs and marketing to solve problems, increase efficiency, reach new customers, and ultimately increase profits.

In the business world, innovation often becomes little more than a synonym for research and development (R&D) - a limited and limiting definition. Innovation, as the OECD puts it, "goes far beyond the confines of research labs to users, suppliers, and consumers everywhere – in government, business and non-profit organizations, across borders, across sectors, and across institutions".

R&D is only one contributor to innovation. In fact, in the Global Innovation Index (GII), R&D is only one factor in a list of over 50 others that contribute to a country's innovation score. (Calculated as the average of two sub-indices, the GII assesses innovation as the average of a country's innovation input and innovation output. The Innovation Input Sub-Index gauges elements of the national economy which embody innovative activities grouped in five pillars:

1. Institutions
2. Human capital and research
3. Infrastructure
4. Market sophistication
5. Business sophistication. The Innovation Output Sub-Index captures actual evidence of innovation results, divided into two pillars: (1) Knowledge and technology outputs and (2) Creative outputs.

Some examples of innovation that you may be familiar with include.

1. Technology companies triggering a paradigm shift by impacting industries

- A. Apple** – changed music and consumer electronics
- B. Uber** – changing the taxi business
- C. Airbnb** – changing the accommodation industry
- D. Amazon** – changing retailing

2. Technology companies creating new markets / industries

- A. Google** – with “Search, etc.” for a much better online experience
  - changed the Advertising world with AdWords
  - impacting the mobile, car, utility, etc. industries
- B. Facebook** – established the “social network” market
- C. WhatsApp** – established the personal communications market
- D. Steam** – established the online market for licensing games

3. Companies making something old new again

The following brands have taken familiarity and made it relevant with modern technology to create a winning product / service –

1. Nest

Nest successfully revolutionized a stagnant thermostat industry because they took something, we all use and asked, “How can we make this (much) better?” They listened to people’s complaints (ex: energy use, comfort levels) and went about applying answers to these problems. When you are in tune with public demands and you can create the appropriate solutions, you will be successful. — Nicolas Gremion, Free-eBooks.net

2. Nintendo

Pokemon Go is a world-class example of how Nintendo became relevant again by simply reinventing itself through a modern game that activated gamers of all ages and genders. Pokemon Go incorporates virtual reality elements, gamification, and commerce at scale in a way that has never been done with such precision. I believe the reason for the success was well-executed timing. — Kristopher Jones, LSEO.com

3. Snapchat

Snapchat brought photo sharing forward into the modern age and brought back a real interest in photos and communicating through photos. They were successful because they incorporated the social element and

added ways to edit the pictures and add things to them that made it even more fun for their audience. They also brought the photo-sharing concept into the digital online age and made it interactive.

#### 4. Slack

Chat rooms on the internet have always been around, and in the old days, asking someone for their age/sex/location was just what you did on them. Slack brought chat rooms back and made them more productive by highlighting their usefulness for teams. Today you would be hard-pressed to find a company not using Slack, or at least someone from the company not active in a Slack community.

#### 5. Polaroid

Polaroid cameras used to be these ugly, old looking things that resembled View-Masters, and with everything going digital, Polaroid's future did not seem very promising. But they have found a way to make their cameras kitschy, cool and popular through unique branding and an engaging aesthetic. I doubt they will ever be dated again.

#### 6. Unwelcome Greetings

The team behind Unwelcome Greetings knew that traditional Hallmark cards were boring. At least, among Millennials, they felt that there was a better way to congratulate a friend or share a funny meme. And so far, their outrageous greeting cards have been a hit among consumers who prefer to communicate in memes, emojis and pranks.

#### 7. Dollar Shave Club

Dollar Shave Club made it easier and cheaper to buy razors, and they did it with style. They were successful, in part, because of their innovative approach to advertising. But the real key was taking on an established industry that had been overcharging for generations and making the product cheaper and more convenient. Companies like Casper are doing the same for mattresses.

#### 8. GoPro

GoPro effectively took an old product that everyone has, re-purposed it, and made a fortune. GoPro is nothing but a good-quality camera. However, they managed to make it attractive, target a large niche of passionate customers and create a new category for themselves. The beauty behind this brand is targeting a group of people who are tight-knit and large enough to build a sizable business.

#### 9. Netflix

As one of the cornerstones of the home entertainment industry, brick-and-mortar DVD rental stores seemed like they would be around forever. Then along came Netflix. Not only did the brand reinvent the delivery of DVDs, they transformed movie rental altogether with streaming service. The brand's success has come from not just embracing change but seeing it as an opportunity for innovation.

#### 10. Adidas

Adidas benefited from people's increased interest in sports gear that became athleisure wear. Rapper Kanye West, NHL Pittsburgh Penguins star Sidney Crosby, and NFL Green Bay Packers quarterback Aaron Rodgers



helped put Adidas back on top. As Adidas says, “Americans like winners. We needed to not just have athletes but the best athletes.”

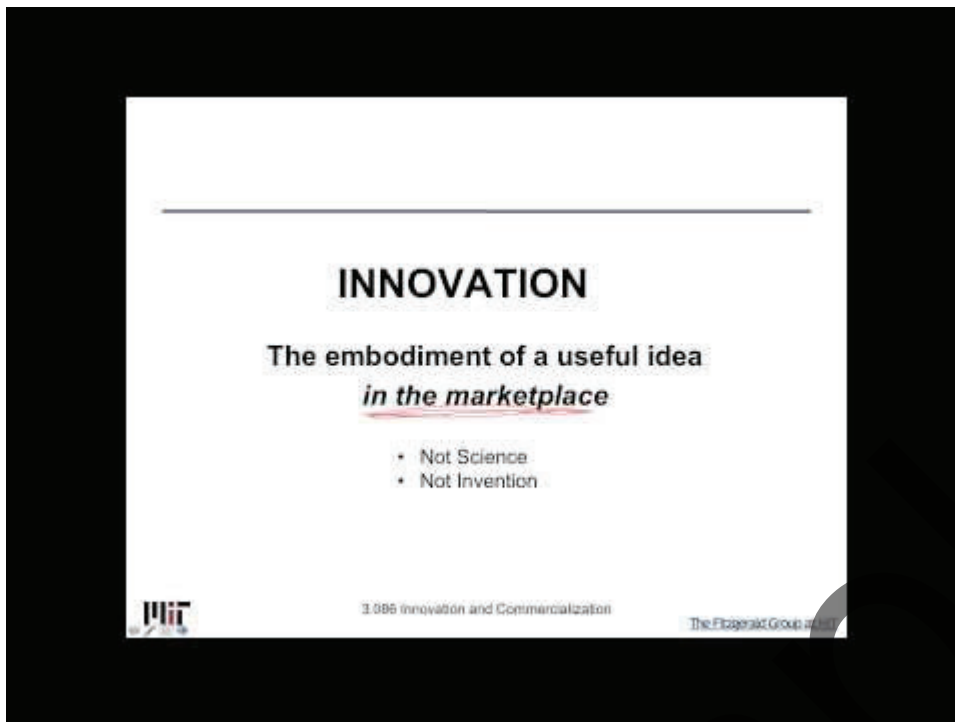


Figure 1 Introduction to Innovation and Commercialisation

### What is Commercialisation?

Commercialization is the process of bringing new products or services to market. The broader act of commercialization entails production, distribution, marketing, sales, customer support, and other key functions critical to achieving the commercial success of the new product or service.

### The Process of Commercialisation

Commercialization requires a carefully developed three-tiered product roll-out and marketing strategy, that encompasses the following major components:

- The ideation phases
- The business process stage
- The stakeholder stage

### The Commercialization Process

Many people view the ideation stage as the mouth of a funnel. Although many ideas enter the funnel top, only a fraction ultimately make their way downward towards implementation. Ideation attempts to generate new products and services that meet unanswered consumer demands, and the most functional designs align with the company's business model, by offering high benefits at low cost.

The ideation stage strives to incorporate a marketing philosophy known as "The Four Ps," which stand for product, price, place, and promotion. Often referred to as the marketing mix, companies use this concept to

determine the products to create, the price points at which to sell them, the customer base it wishes to target, and the marketing campaigns it will roll out in an effort to move merchandise off shelves.

For a potential product to be eligible for commercialization, research and development (R&D) efforts must telegraph a degree of public value that could potentially result in increased profitability for the company. And for commercialization to truly succeed, a company must satisfy both its customer and stakeholder needs.

#### Selling New Products in the Marketplace

Patents, trademark registrations, and other legal measures must be undertaken to protect a product's intellectual rights before the product may be brought to market. Manufacturing may occur in-house, or it may be subcontracted to third parties factories. Once a product line is complete, promotional efforts then bring awareness to the target market, which is accessed through distribution channels as well as partnerships with retailers.

Although businesses that produce, market, and distribute products in-house tends to reap higher profits because they do not have to share proceeds with intermediaries, they also assume greater liability with respect to production cost overages.

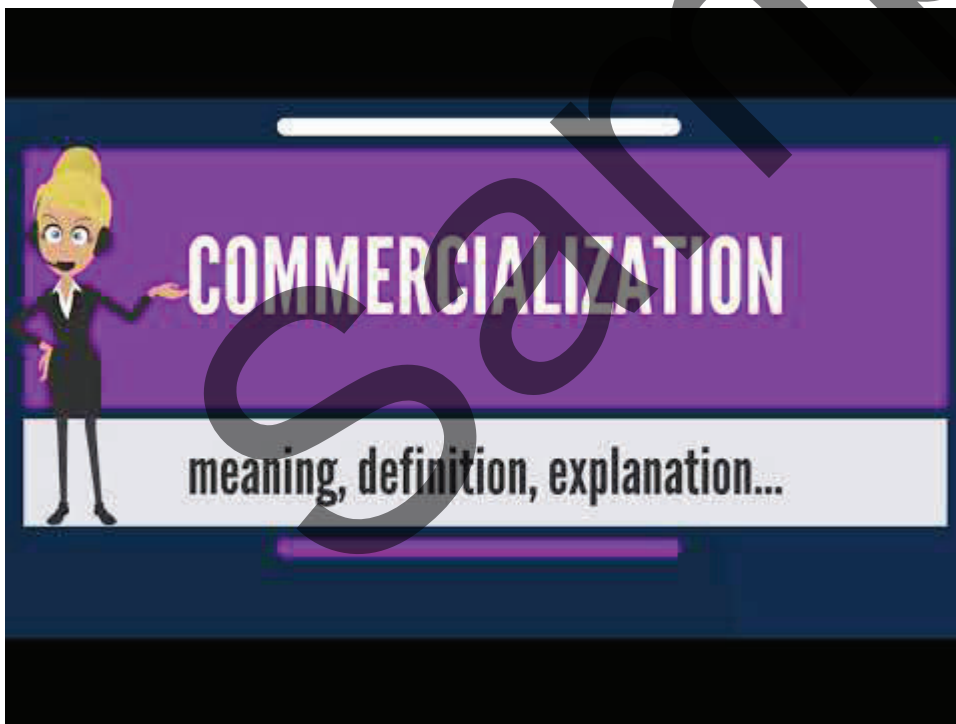


Figure 2 Commercialisation, Meaning, Definition and Explanation