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Bill Mascull

with answers

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A

Innovation and the development process

Enrique Sanchez is head of new product development at a large consumer products company:

‘We want to **foster creativity** and **innovation** – the development of new ideas. Ours is a large company, but we want to avoid becoming **bureaucratic**, with slow decision-making.

‘We encourage employees to be **creative** within the organization and to work on their own projects outside the usual frameworks; we allow them to spend 15 per cent of their time on this. In this way, new product development can be encouraged, with some unexpected ideas being produced – we find that this encourages **ingenuity** – clever and unusual new ways of thinking. We set up **skunk works** – a place away from the main company sites and outside the usual structures, to work on innovations. This is the way we do our **new product development**. The most famous example of this was IBM, when it developed its PC away from the company’s main **research and development (R&D)** sites.

‘We firmly believe that companies have only two basic functions: innovation and marketing. Our marketing people are heavily involved in new product development. They get the reactions of **focus groups** – groups of consumers who say what they think of the product – at a very early stage in the **development process**.’



B

Pioneers, followers and disruptors

‘One problem is to know whether to introduce a product or service before anyone else or to wait for others to introduce similar products. Some say that if you **bring a product to market** first, you have **first mover advantage** – you can influence the way the market develops. These companies or their products are **trendsetters** or **innovators**. Others say that it’s better to be **followers** and learn from the mistakes of the **pioneers**.’

There are cases where new **entrants** to an industry arrive with a completely different way of doing things – take Uber and the taxi industry, for example.

They talk about **disrupting** the industry, and are sometimes referred to as **disruptors**.

Note

Pioneer is also a verb but is more frequent as a noun.
Disruptor is also spelled **disrupter**.



C

Shakeout and consolidation

A new or **emerging industry**, perhaps one based on a new **technology**, can be **attractive**; the future **structure** of the industry is not yet **established** and there is room for many competitors. But as growth in the new market slows, smaller competitors with higher costs can no longer compete. They **drop out** or are bought by the larger companies in a process of **shakeout and consolidation**, leaving the larger companies with the resources to **dominate** the industry, which is now **mature**.

20.1 Complete the table with the appropriate form of words from A and B opposite, and related words.

Nouns (things)	Nouns (people/organizations)	Adjectives and -ed/-ing forms
creativity, creativeness	creative
innovation,
.....	bureaucratic
.....	-	ingenious
-	pioneers
.....	disruptors

20.2 Complete the sentences with the correct forms of expressions from B opposite.

- The iPhone was seen to be a in design and ease of use, and other phones had to catch up.
- An in email and online advertising, Yahoo was soon shouldered aside by Google.
- When one company a successful business, competition inevitably intensifies. Consumers benefit from the resulting cuts in prices and improvements in quality.
- So far Taiwan has always been a, making things invented elsewhere more cheaply.
- Google has Microsoft's Office suite with its own services, and email that you never throw away.

20.3 Look at the following facts about the development of the market for online book sales. (They are not in chronological order.) Complete each fact with an appropriate form of an expression from C opposite.

- Some smaller companies stopped selling altogether – they
- There is a trend towards fewer and bigger companies in the market, a trend towards
- Selling books online in the 1990s was new – it was an
- Amazon and a few others lead the industry – they it.
- The market is no longer young – it is now
- The 'rules of the game' are now fixed – the structure of the industry is

Over to you

- Is it always difficult for large organizations to come up with innovative ideas and products?
- How does your organization produce new ideas?
- Think of more examples of industries that have been disrupted by new entrants, and describe how they have been disrupted.

A

Scenario planning

Manuel Ricardo works on long-term strategy in a large oil company:

‘My job is to contribute to long-term plans for our future activities. We have to **anticipate** – judge and estimate – what competitors’ behaviour and activities will be. We also have to look at trends in the general **social and economic environment**, and be ready to **respond to changes** in society and changes in the economy as a whole. This is called **scenario planning**. In our organization, we imagine ways in which the energy industry might change and **evolve** – how the industry might develop – and what the place of oil will be in relation to alternative fuels in 20, 50 or 100 years from now.’

B

Futurology

‘I’m a kind of **futurologist** or **futurist**. Of course, **futurology** is not an exact science, but there are ways of **forecasting** or **predicting** the future in a structured manner. There is the **Delphi method**, where a **panel of experts make forecasts** about a subject independently, and the forecasts are circulated to the other members of the group. Each member then comments on the others’ observations. The process is **iterative** – repeated several times. Opinions **converge** – become more similar – and experts **reach a consensus** – an agreement about what is likely to happen. The method can be used to make **predictions** in a number of different **applications** – uses.



‘The technique is based on the idea that a **structured group** will produce more accurate results than an unstructured one or from individuals working on their own. It can be adapted for use in face-to-face meetings, and is then called **mini-Delphi** or **Estimate-Talk-Estimate (ETE)**.’

C

Risk management

‘A related area is **risk management**. Operating in politically unstable countries is one of the most extreme examples of where we have to manage risk. The dangers there may include **nationalization of assets** by the government.

‘Elsewhere, we may be accused of working with governments that people do not approve of. We have to think about the impact of this in terms of our reputation for **social responsibility** (see Unit 49).

‘There is the danger of oil spills from ships transporting our oil, with the resulting pollution and associated costs of fines, cleaning up, etc. In addition, there is the much greater long-term cost of the negative effect this has on our **image** – the way the company is perceived. A badly handled oil spill is a **public relations disaster**.

‘These are some of the potential **crises** we face. We try to have **contingency plans** or **crisis management plans** for all the risks we can think of.

‘If our computer systems are damaged, for example in a fire, we have **business continuity plans**, involving back-up machines on another site so that we can carry on working normally.’



Note

singular: **crisis**
plural: **crises**

- 21.1** Manuel Ricardo is talking about the oil industry. Match the underlined words relating to the expressions in A and B opposite that he is referring to.
- 1 'In studying the trends in the wider picture, we may find that there is increasing consumer demand for alternative fuels such as wind energy, and we have to take account of this change in consumer expectations.'
 - 2 'Of course, people in my profession take into account all the factors we can in making our forecasts, but what we do is an inexact science.'
 - 3 'One of the problems with this approach is that the members will come up with the same ideas as the other participants. There is always a danger when you have a view that everyone shares that you exclude other possibilities.'
 - 4 'When you make these, you can't avoid looking to the past.'
 - 5 'Of course, it is an inexact science – the only thing you can say for sure is that the future will be like the past, but different.'
 - 6 'In this area, some of our competitors are talking about scenarios over periods up to 300 years!'
 - 7 'This process of finding ideas and submitting them to others who then challenge them and send them back with comments can be very useful.' (3 expressions)
 - 8 'It's very difficult to predict how industries will change and develop, and even more difficult to predict new industries that might emerge.'

- 21.2** Look at C opposite. The questions are from shareholders at a tobacco company's annual general meeting. The answers are from the company's chief executive. Match the questions with the answers.
- | | | |
|--|--------------------------|---|
| 1 'Would you be prepared if the company's executives were kidnapped when working abroad?' | <input type="checkbox"/> | a 'Yes, we are fully aware of our social responsibility in this area.' |
| 2 'Do you approve of the government's initiative on preventing children under 16 from smoking?' | <input type="checkbox"/> | b 'Protecting the image of any tobacco company is difficult, but we support, for example, the European Union's plans for stricter health warnings on cigarette packets. We know our image will suffer if we don't.' |
| 3 'What are you doing to protect the company's image in health issues generally?' | <input type="checkbox"/> | c 'Yes, we have the best public relations firm in the business who know exactly what to do to prevent public relations disasters.' |
| 4 'Is there a risk of nationalization of the company's assets by foreign governments?' | <input type="checkbox"/> | d 'No, the trend now is for governments to sell state-owned assets in the tobacco industry, rather than buy them!' |
| 5 'Are you sure that you have done everything to prevent damage to the company's reputation in extreme or unusual situations?' | <input type="checkbox"/> | e 'Yes, we have contingency plans to deal with that. A special crisis management team will meet to deal with the situation.' |

Over to you

- What is the biggest risk for your organization or one you would like to work for?
- How has your organization handled risks in the past? What lessons has it learnt?