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1. TITLE

Value Innovation in Business Markets:
Re-conceiving Industry Models

2. AUTHORS

Paul Matthyssens
LUC (Limburg University Center, Belgium), Erasmus University Rotterdam (The Netherlands), UFSIA-RUCA (University of Antwerp, Belgium)
Corresponding address: LUC, Universitaire Campus, B-3590 Diepenbeek, Belgium
tel.: +32-11-26-86-42
fax: +32-11-26-87-00
e-mail: paul.matthyssens@luc.ac.be

Koen Vandenbempt
UFSIA-RUCA, University of Antwerp
Faculty of Applied Economics
13, Prinsstraat – 2000 Antwerpen - Belgium
tel.: +32-3-275-50-57
fax: +32-3-275-50-79
e-mail: koen.vandenbempt@ufsia.ac.be

Liselore Berghman
UFSIA-RUCA, University of Antwerp
Faculty of Applied Economics
13, Prinsstraat – 2000 Antwerpen - Belgium
tel.: +32-3-275-50-74
fax: +32-3-275-50-79
e-mail: liselore.berghman@ufsia.ac.be

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Value Innovation in Business Markets:
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1. Introduction and problem statement

The industrial marketing as well as the strategic management literature stress the importance of innovation in order to create/sustain competitive advantage and to rejuvenate the business. In this paper, we focus on the construct "value innovation" within the broad field of innovation studies. We relate *value innovation* to a re-conceptualization of the supply chain of an industry. It involves a redefinition of a business whereby roles taken up by different firms and relationships among firms are 'redesigned'. In line with Christensen et al. (2002), our research focuses on efforts to create significant growth by creating new markets and new ways of competing (as such, we do not focus on growth through product/technology innovation). This approach has been labelled 'strategic innovation' by Markides (1997, 1998) and Pitt and Clarke (1999), 'strategy innovation' by Hamel (1996, 1998) and 'value innovation' by Kim and Mauborgne (1997, 1999). These authors have also proposed some managerial techniques, organizational conditions and recommendations. Overall, however, this still scarce literature is quite fragmented and normative and often misses a substantive (scientific) empirical foundation.

This paper is a first effort to operationalize the "value innovation" construct within the context of specific business-to-business markets. The **purpose** of the research is to create a mid-range theory on value innovation strategies in business markets. Starting from traditional ways of value creation, the study aims at revealing different types of value innovation undertaken by industry participants and the drivers, barriers and success factors involved. Building on the concept of absorptive capacity (Zahra and George 2002), eventually attention will be paid to best practices with respect to market sensing (acquisition), sense making (assimilation), transformation and application to commercial ends (so-called exploitation). Such a theory will also shed new light on supply chain and network dynamics. So far, the study has framed value innovation initiatives within the existing industry contexts and managerial frames ('industry logic') and identified drivers/enablers and barriers for the process of value innovation. The analysis of the qualitative data generated by a thorough interpretive methodology led to the formulation of propositions with respect to marketing management and knowledge management to be tested in further quantitative and qualitative research.

In the following sections we (a) underpin our conceptual frames, (b) clarify our methodology and research design, (c) discuss the findings, and (d) build propositions.

2. The concept of value innovation

Value innovation or strategic innovation has been suggested by management scholars as a crucial underpinning of the creation of competitive advantage (Baden-Fuller and Pitt (1996). The aim is the creation of new market space (Kim and Mauborgne 1999) enabling companies 'out-competencing' rather than 'out-performing' competitors (Pitt and Clarke 1999).

Table 1 sheds further light on this concept as it summarizes the most important contributions on this type of innovation. It must be clear that the focus of value innovation is not on technological aspects, but rather on the re-conceptualization of the industry/business model in order to create fundamentally new and superior customer value.

= TABLE 1 ABOUT HERE =

Value innovation is more important than ever, given the 'high velocity playing field' provoked by globalization forces (Eisenhardt 2002). In fact, each business model will be challenged (Stabell and Feldstad 1998), imitated, diluted and commodized due to intense rivalry. Efficiency and cost control remain important, but the spotlight must be re-focused on flexibility, creativity and timing (Galunic and Eisenhardt 2001). The only way to escape cut-throat competition and sustain growth is by launching new value concepts and continuously re-invent the way value is created and delivered. The recommendations made by numerous authors (table 1) can guide managers in these endeavors. However, a caveat must be formulated. The recommendations by these authors might be difficult to realize.

Value innovation implies breaking free from taken-for-granted assumptions about competition, industries and their intra- and inter-organisational ways of working. As such companies must deviate from the dominant industry recipe (Spender 1989). However, as Sull (1999) has shown with the concept of 'active inertia', the most successful companies/marketers cannot face market changes due to four blocking, unnoticed mechanisms growing out of success. Strategic frames become blinders, processes become routines, stakeholder relations turn out to be shackles and values derail into dogmas.

The result can be appalling. Competitive companies might lose their advantages (Charitou and Markides 2003, Sull 1999). Notwithstanding clear triggers to value innovation, they seem not to be able to overcome internal and external barriers. These are provoked by the dogmatic lack of an inquiring and non-collective mindset (Pitt 1998), the difficulty of unlearning (Sinkula 2002) and sense making (Day 2002), marketing inertia (Bonoma 1984), learning myopia (Cohen and Leventhal 1990, Levinthal and March 1993), and so forth.

It should be clear that value innovation requires from suppliers and their network partners the adoption of more effective behaviors from newly created market and business knowledge. At the same time, value innovation implies the willingness and ability to 'destruct' obsolete routines and items in the organizations' knowledge bases.

Hence, value innovation is closely related to the concepts of absorptive capacity and dynamic capabilities. The former is 'the ability to recognize the value of new information, assimilate it, and apply it to commercial ends' (Cohen and Levinthal 1990: 128). The latter refers to 'the firm's processes that use resources — specifically the

processes to integrate, re-configure, gain and release resources — to match and even create change. Dynamic capabilities thus are organizational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve and die' (Eisenhardt and Martin 2000 : 1107). Zollo and Winter (2002 : 340) state that '[a] dynamic capability is a learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness'. Zahra and George (2002) have argued that absorptive capacity is a set of organizational routines and processes oriented to knowledge management to produce a dynamic organizational capability. As such, absorptive capacity can be considered as a key dynamic capability needed to keep competitive advantages in markets.

3. Methodology and research design

This study is based on a three-year research project (started in 2002) that is coordinated by the Dutch Foundation of Technique, Marketing and co-financed by the Dutch Ministry of Economic Affairs, Dutch industry and Cap Gemini Ernst & Young. The methodology of this study rests on the following pillars:

- Multilevel theory building, in line with Klein et al. (1999), in order to reveal supply chain dynamics and implications.
- Cognitive analysis and causal mapping, with the intention of revealing industries' and managers' sense making schemes (Sutcliffe & Huber 1998, Weick 2001).
- Iterative grounded theory (Orton 1997), where the researchers examine the literature relevant to their problem, 'and employs the empirical data to fill in its gaps, reveal its flaws, elaborate its meaning, and extend its coverage' (Daneels 2002: 1101) eventually creating internal and external reference points allowing for the falsification of the emergent explanatory logic.
- Triangulation by integrating multiple data sources in a multi-method design, as recommended by Jick (1979), in order to increase the internal validity of the study.

This combination of interpretive methodologies is deemed appropriate as we are studying a complex phenomenon that is heavily contextualized. This type of methodology offers context-rich descriptions of formation and implementation aspects of value innovations.

Moreover, this research topic implies theory development rather than confirmation of existing theories. As such a qualitative methodology is needed.

Initially the focus was on six industries: graphics, printing, textile printing, truck & trailer, intelligent traffic management systems, energy management systems and food ingredients (incl. biotechnology). So far, 11 focus group interviews with multilevel industry participants and about 30 personal interviews with managers representing firms at different supply chain levels in these industries have been realised. The research is supervised by a steering committee consisting of captains of the Dutch industry and a representative of the Ministry of Economic Affairs. They meet every four months and act as critical expert panel. Each industry

selected has at least one industrial 'marketer' in the steering committee, who is also used as an informant/expert (mainly during the start-up phase).

More in general, the data collection and data analysis have followed a staged approach (figure 1). First **secondary material** was analysed. The secondary material was obtained via the library and the databases of the consultants, the Internet, sector federations and the marketing departments of the members of the steering committee linked to or participating in that specific industry.

= FIGURE 1 ABOUT HERE =

This secondary material enabled the authors to become acquainted with the structure and dominant industry recipe of each industry.

Next, **six focus groups** were set up, one for each industry context. They all consisted of 5 to 10 participants representing at least three levels of the traditional supply chain (for instance: second-tier supplier, first-tier supplier and OEM). Also an industry expert and a service provider to the industry (e.g., an engineering company or independent research lab) participated in each group. Two of the authors acted as moderator (each in three focus groups) with the third author observing and writing down specific points of interest. Each focus group was audio taped and fully transcribed by a person who typed already as much as possible what was said during the discussions and what was written on the flip charts by the moderator.
A 'moderately structured' (Morgan & Krueger 1998, Morgan 1998) interview was opted for. This means a 'funnel-based interview' in which the discussion becomes more structured towards the end of the focus group. Such a format enabled to reveal participants' perspectives in a relatively unexplored research area while at the same time keeping focus and structure necessary for staying as close as possible to our pre-established research agenda (Morgan 1998). In the first part of the focus group (generally lasting one and a half hour) the traditional industry context, strategies used by incumbents and industry mentality/recipe were discussed and the results of the desk research was validated. In the second part (lasting ½ to ¾ hour), participants were asked to suggest innovative market strategies applied in the industry which clearly are distinctive from the 'normal' industry behavior. Next they were given a definition and a neutral example of value innovation and were asked to discuss similar initiatives in their industry and whether/why they were undertaken.

Thirdly, about **five personal interviews per industry** were undertaken to provide us with extra insight on the market dynamics in each industry. The objectives of the interviews within the scope of the overall research project and a brief interview guide, built on the outcomes of the secondary research and first round of focus groups, were given to the consultants of CGE&Y who conducted the interviews with the (marketing) manager of the top 2-3 market leaders and 2-3 fast growers based on relative average growth over the last two years.

After these three stages, **'value innovation scenarios' were constructed**. This was done using a typology of "value innovations" induced by the in-depth literature study. This implies that we generated a categorization of the different types of ongoing value innovation efforts/initiatives in each of the selected industries. In line with Orton's (1997) iterative grounded theory recommendations, we 'spiralled' from data to theory and back at this stage (see (d) in figure 1). We came up with a classification of value innovation initiatives. A first group breaks through traditional supply chain thinking patterns. This can take the form of (a) new ways of cooperation of integration within the chain (e.g., parties start doing tasks which normally were done by another level in the chain, or parties make exclusive cooperative ventures based on different ways of dealing with each other) or (b) combining different value chains (e.g. of adjacent industries) to make a broader offering.

A second group of value innovation initiatives seeks to break out of traditional product thinking and emphasizes 'concepts' oriented to added value in business process management or application specificity. Here we also see some efforts to re-conceive product characteristics (e.g. not accepting the trade-offs generally accepted as suggested by Kim and Mauborgne 1997, 1999).

In the fourth stage, the **second round of five focus groups** (textile printing was removed due to a too limited number of participants), this typology of value innovation scenarios was used as an input. Managers (again from at least three 'levels' in the supply chain), an industry expert (the CGE&Y consultant who conducted the interviews) and an industry specialist from the Ministry of Economics discussed these scenarios (real examples from the industry were given) and reflected on similar initiatives, success conditions or inhibitors and the marketing impact for all relevant network partners/players (stage (e) in figure 1).

Again, a lot of effort was made to comply with the prescriptions made by Morgan (1998) and Morgan and Krueger (1998). A brief discussion guide was set up and the focus groups were led in the same way as in the first round by the same author-moderator. A lot of care was taken in the selection of participants with a double participation for the first and second focus group only deemed acceptable when short on alternatives (last minute cancellations sometimes forced us to 'sin' against our own rules).

4. Findings

In this section we present highlights from the data concerning three interlinked issues : (a) industry recipes, (b) value innovation initiatives and the drivers and inhibitors, and (c) marketing implications. We use the data only from five industries. As said, textile printing was removed from the data due to the limited number of players and the subsequent problems of setting up interviews and a second focus group with a different composition.

Industry recipes

Using our rich interpretive methodology the collective mindset of each industry can be identified. We refer to the dominant logic (Prahalad and Bettis 1986) and the industry recipe (Spender 1989) which are widely shared by managers. The mental models shape their thinking and decision-making.

Table 2 summarizes the elements typically making up the industry recipes of these industries.

= TABLE 2 ABOUT HERE =

From this table it is clear that most companies emphasize technological innovation, efficiency and service addition/differentiation. Competition is largely based on power play, i.e. outperforming the weaker parties in the chain. We mostly observe relatively limited trust among different levels in the supply chain resulting in either poor cooperation and knowledge sharing such as in truck and trailer and traffic management systems or only short term, ad hoc cooperation such as in functional foods. In general 'upstream' levels in the supply chain are more conservative in their marketing than 'downstream' levels (with the exception of traffic management systems where the Ministry of Traffic and Mobility is the end customer).

In industries like trailer and printing, in the middle of the chain some parties (such as dealers, printshops) are still relatively artisanal craftsmen with a focus on technical performance and sales.

Generally speaking, most business marketers pinpoint the near-commodity nature of their businesses, the resulting competitive rivalry and their frustration regarding the margins obtained. 'Our technical knowledge is not valued enough' is a statement that was frequently mentioned by diverse industry players.

To conclude, the industry recipes derived from the secondary material could be further refined and were 'validated' during the first round of focus groups and the wave of personal interviews. Competitive behavior 'rules' are widely shared, although some differences between upstream, midstream and downstream levels can be noticed. The industries studied are stuck between the shared awareness that 'it cannot go on like that' and the relatively limited effort put into doing it differently. Most industries (specifically upstream and midstream) seem to suffer somewhat from strategic paralysis. We will now look at initiatives to escape the dominant mindset.

Value innovation initiatives

In each industry some companies tried to deviate from the industry recipes. These value innovation initiatives took many forms. Table 3 shows selected examples from the five industries (limited to two per industry).

= TABLE 3 ABOUT HERE =

Numerous similar examples were mentioned. However, while discussing these examples, it became clear that many managers pointed out difficulties of value innovation. On the one hand the industry recipes were driving people into 'tactical value additions' which were easily copied if successful (e.g., offering leasing service to the

trailer customer, or offering combined invoices by an energy provider). On the other hand, many real 'strategic' value innovations encountered inhibitors that were ingrained in the same industry recipe from which the companies tried to break out. For instance, traditional buying behavior based on detailed specifications rather than output required by customers counters many innovative 'total solution' offerings. Traditional product and chain thinking by other players in the industry inhibits many initiatives or at least provokes delay in their market introduction or acceptance. This way we see how interdependency (Ford et al. 1998, Gadde and Hakansson 2001) plays a dominant role in the different stages of value innovation. Mistrust and old power games often block any effort from becoming a success. We may conclude that value innovations are strived for but that mostly internal and external mindsets and procedures block their realization.

The industry recipes can act so dominantly as barriers that hardly any real value innovation initiative seem to exist in an industry as energy. The recipe blocks any willingness to invest, while at the same time all industry participants realize that value innovation is the only way out…

Marketing implications

Managers have indicated the need for a different marketing approach if companies are willing to realize value innovations. These ideas can be grouped along the traditional aspects of marketing analysis, strategic planning and marketing implementation (marketing-mix).

In the area of *analysis* most managers stress the importance of sensing the end user, knowing exactly what applications are done and making this information explicit within the organization in order to really use it. More specifically, the total cost of ownership and the value of an integral solution to the downstream customer should be clarified throughout the supplying organization. Participants form the traffic systems industry emphasize the need to sense also non-customers (in this case the transporters or consumers and not only the Ministry of Traffic and Mobility). The company should sense multiple parties involved in the chain. 'We must realize the real potential of CRM' (customer relationship management), one manager claimed.

In the field of *strategic planning* two issues seem important. First, a clear segmentation with specific emphasis on differences in applications is necessary. Second, a more creative approach to differentiation, going away from narrow short term product views to real solution thinking. Also, a focus on long term bonds within customer/network partnerships, and the willingness to react early to market trends and translate them into total solutions.

In the *implementation*, each "P" might have to change. Value pricing, cross-selling, fast introduction (time-to-market of new value concept minimized), agreements with partners on exclusivity, co-branding and co-marketing, consultative selling and customer education have been indicated as the right tools here.

Overall, the participating managers stress the importance of installing a real marketing culture (implying knowledge sharing and new value creation thinking) within companies and within 'value creating partnerships'. Breaking out of the industry recipe turns out to be difficult though due to internal and external barriers.

5. Discussion

Value innovations are deemed necessary in business markets. Specifically upstream and midstream business marketers report an 'undervaluation' by customers of their knowledge. That way, downstream partners are able to squeeze them regularly. The resulting profit margins are a delusion. The product becomes a commodity.
Notwithstanding the increased importance of value innovations, managers find them hard to generate and realize. Barriers do not only exist within their own companies, though. Also at other levels of the supply chain inhibitors exist which make it difficult to create new value. Our findings indicate the need for **multilevel absorptive capacity**.

Using the conception of absorptive capacity (ACAP) advanced by Zahra and George (2002), the qualitative research presented here enables to advance the roots of a mid-range theory on value innovation in business markets. This study can be seen as responding to these authors' call for research addressing the specific operatonalization of the capabilities that ACAP comprises in the context of business markets. Zahra and George's (2002) model conceives ACAP to consist of four components, two of which represent potential ACAP (acquisition and assimilation) and two of which represent realized ACAP (transformation and exploitation).

Industry wide market sensing (Day 2002) is definitely a condition to value innovation. Learning relations with key accounts and innovative network partners must be built (Kothandaraman and Wilson 2001). We have learned that a new type of knowledge generation might be needed for value innovation. As suggested by Leonard-Barton et al. (1995) empathic design is needed. This implies 'understanding of user needs through empathy with the user world rather than from user articulation of needs' (p. 92). This implies that business' marketers must try to enter into the living world of (end) users. For instance, a biotech company has developed an ingredient and claims this helps to grow babies smarter. The company performed a kind of anthropological exploration into the mindset of parents. Eventually, these findings helped generating a value concept enabling higher value generating marketing towards the food manufacturers, their regular customers. Therefore, we posit the following proposition as a more specific interpretation of Zahra & George's (2002) proposition.

Proposition 1:

Industry-wide, open-minded inquiry based on empathic design methods and dialogue with selected network partners and end users will increase the suppliers' opportunity to develop potential ACAP

Experience is said to influence "the locus of search and capabilities of acquisition and assimilation of externally generated knowledge' (Zahra and George 2002: 193). Moorman and Miner (1996) put forward that memory affects new product development by influencing the way companies interpret incoming information and act upon it. Tripsas and Gavetti (2000) observed in the same way how experience impacts on managerial cognition. This study reinforces these observations in a different domain (value innovation instead of technological/product innovation).

We observe in the five industries that the idea generation process for value innovation initiates is highly influenced by the firm's experience with product, market, application and partner network. This impact is often negative, leading to limited information acquisition/learning (e.g., very product-bound, slow learning, etc.). The industry recipe might be so strong that open-minded search and assimilation of new knowledge becomes impossible (Day 2002). Sinkula (2002) pointed towards the importance of unlearning. In line with his ideas, our research shows that value innovation initiatives require an expansion, if not deletion, of axiomatic knowledge to allow for greater openness to outside – in processes. The leading value innovator should set a trajectory for unlearning, not only within its own company, also within supply networks.

This study shows that experience/industry recipes are shared in business markets at different 'levels' of the traditional supply chain. Most value innovations imply that different levels of the chain are willing to break out of the dominating industry recipes. Past experience in chain logic and relations between parties ('It doesn't pay to offer extra services as the customer is not willing to pay for it', or 'All suppliers are only going for their own interest') will act as blinder. Exclusivity contracts and relations built up over the years can limit knowledge acquisition and assimilation.

Therefore, we posit the following expansion of Zahra and George's (2002) proposition 2.

> *Proposition 2a:*
> *The generation of value innovation initiatives will often be limited due to funnelled search and path-dependent capabilities of acquisition and assimilation of external knowledge, driven by the firm's marketing experience and the established business relations in which it is ensnared.*

> *Proposition 2b:*
> *Industry recipes will influence the industry's development of potential ACAP. The potential of value innovation initiatives will only be seen if players at different levels of the supply chain can break out of information funnels generated by present business relations and adherence to the industry recipe.*

The study confirms that upstream and midstream companies in each industry experience 'unfair', poor margins and a failure to add extra value, notwithstanding their huge technological competencies. As such, this awareness and perception triggers the search for new information at the company level and the sharing of information among different players (acquisition). As mentioned by Büchel and Raub (2002), knowledge-creating value networks (and specifically business opportunity networks) are a competitive tool for opportunity-driven knowledge creation.

Furthermore, in such conditions partners at different chain levels will be more encouraged to experiment and try new ways 'in the periphery of the market' and to embark in more risky ventures (in line with Day 2002). Value innovation initiatives in some of these industries are clearly hindered by the lack of social integration mechanisms between different levels in the chain. Where power play rules the dominant logic, value innovations might be blocked to the detriment of all parties involved. Although PACAP is growing at value innovators, they often cannot translate it into RACAP (i.e., the efficiency factor is low, Zahra & George 2002) due to network partners' behavior. The transformation and exploitation of new value creation efforts implies network competencies (Ritter et al. 2002). Therefore, we posit, expanding Zahra & George (2002, p. 194):

Proposition 3a:
Value innovation will be facilitated if multiple parties in the chain share the awareness of 'unfair' margins and consequently exchange information and setup joint learning platforms.

Proposition 3b:
Network competencies and joint (multilevel) experiments reduce the gap between potential ACAP and realized ACAP, thereby increasing the efficiency of assimilation and transformation capabilities within industries.

In the area of realized ACAP, value innovations require innovators and their network partners to transform their offer (e.g., from a product to a concept). This implies mostly the building of new competencies or the synergistic collaboration among network partners to which parts of the new offering are outsourced. The participating managers pinpoint furthermore the need to develop new marketing 'exploitation' skills. The value innovation initiatives studied implied the following marketing skills which deviated from past marketing practice: real value pricing based on total cost of ownership advantages for the customer, co-branding and co-marketing with different levels within the supply chain and with 'adjacent' supply chain members (such as in many examples from table 3) and so forth. This leads to the last proposition we want to posit:

Proposition 4:
Value innovators and their network partners must build new marketing competencies and synergistic relations in order to 'exploit' the newly developed 'value concepts'.

Conclusion

Our research contributes to theory development in business marketing as it: (1) operationalizes the concept of value innovation (e.g., the typology) within the context of different industries, (2) bridges strategy, organization and marketing concepts, (3) studies value innovation by means of a multi-level, interpretative methodology. So far, the literature on value innovation was mainly based on single firms, not on networks or supply chains, with

notable exception of Normann & Ramírez (1993) and Normann (2001). We are confident that our focus on business markets and the network approach creates 'value' to both academics (theory development) and practitioners (recommendations on how to grow in industries).

Value innovation implies the development of **multilevel absorptive capacity** in industries. Knowledge creating value networks aware of and willing to break out of the industry recipe are a necessary condition for 'strategic learning' and new value creation and exploitation. Marketers must be aware of the fact that the tools and prescriptions of the value innovation literature (table 1) will not be productive unless 'multilevel absorptive capacity' can be created to overcome internal and external barriers to value innovation. This way, this paper also contributes to the literature of dynamic capabilities and absorptive capacity.

Most studies on dynamic capabilities and absorptive capacity are focussing on product and process innovation, not on value innovation. The paper is also a first effort to operationalize and integrate the concepts of value innovation and absorptive capacity, and this in a business marketing context. Finally, the paper sheds light on the notion of 'entrepreneurial proclivity' recently introduced in the marketing literature by Matsuno et al (2002), again in a value rather than technological innovation context.

TABLE 1: The concept value innovation/strategic innovation in the literature[1]

Auteur	Terminology	Definition	Key dimensions	Level of analysis	Recommendations
Markides, C. (1997, 1998)	'Strategic innovation'	A fundamental reconceptualization of what the business is all about that, in turn, leads to a dramatically different way of playing the game in an existing business	. new strategic position identification of 'gaps' in the industry positioning . new market segmentation, production system or distribution system . continuous experimentation	Organization	. fundamental questioning in the way business is done today . escape existing assumptions and stereotypes . innovative culture
Kim, W. & R. Mauborgne (1997, 1999)	'Value innovation'	Value innovation makes the competition irrelevant by offering fundamentally new and superior customer value in existing markets and by enabling a quantum leap in buyer value to create new markets	. no technological innovation . link innovation to mass market . firm's stock of knowledge	Organization	. new focus of corporate strategy (no conventional focus/context) . redefinition of problem (not of solution) . combine with other companies' capabilities . not at expense of other players
Normann, R. & R. Ramírez (1993)	'Value constellation'	(No formal definition)	. reconfiguration of roles & relationships among a constellation of actors . pooling & reallocating competencies, activities & roles with as many parties as necessary . value reinventing (no value adding) . offering (no product/service) customers of all parties should be pleased	Value chain	. better link knowledge base (competencies) and social relations (customer base & other parties) . continuous dialogue with customers

1 Selected authors, no exhaustiveness sought

Hamel, G. (1996, 1998)	'Strategy innovation'	The capacity to re-conceive the existing industry model in ways that create new value for customers, wrong-foot competitors, and produce new wealth for all stakeholders	. reinvent entire industry model . capture disproportionate share of industry wealth creation . industry revolution . focus on strategy process-aspects	Organization	. focus on preconditions of strategy, i.e. strategy conduct (no strategy content) . order without careful crafting (i.e. order from simple, deep rules) . new voices, new conversations, new passions, new perspectives, new experiments
Pitt, M. & K. Clarke (1999)	'Strategy innovation'	The purposeful orchestration and directed application of organizational skills and knowledge	. management of strategic innovation in 3 domains: entrepreneurial (product/market), engineering (technological), administrative and 'direction of innovation domain' . two counter-acting knowledge progression cycles . knowledge orchestration leads to out-competencing (no competing)	Organization	. fluid, directed yet adaptive learning with an awareness of evolutionary precepts . strategy is open-ended, inductive, synthetic & reflexive . balance conflicting resource constraints and innovation priorities convincingly within and among innovation domains
Tucker, R.B. (2001)	'Strategy innovation'	Discover new business models and new ways to create value for customers	. desire to grow . customer value . do more with products and services than in the past	Organization	look for opportunities: . in market positioning . in customer outsourcing . in understanding customer needs . in reinventing your business model . in redefining value-added . in distribution channels
Christensen et al. (2002)	'Disruptive innovation'	The creation of entirely new markets and business models	. search for ways to compete against non-consumption . disrupting the industry leader's business model	Organization	. start in good times . establish an aggregate project plan . train people to distinguish between sustaining and disruptive ideas . create processes for shaping disruptive business plans

2 TABLE 2: Industry recipes in a nutshell

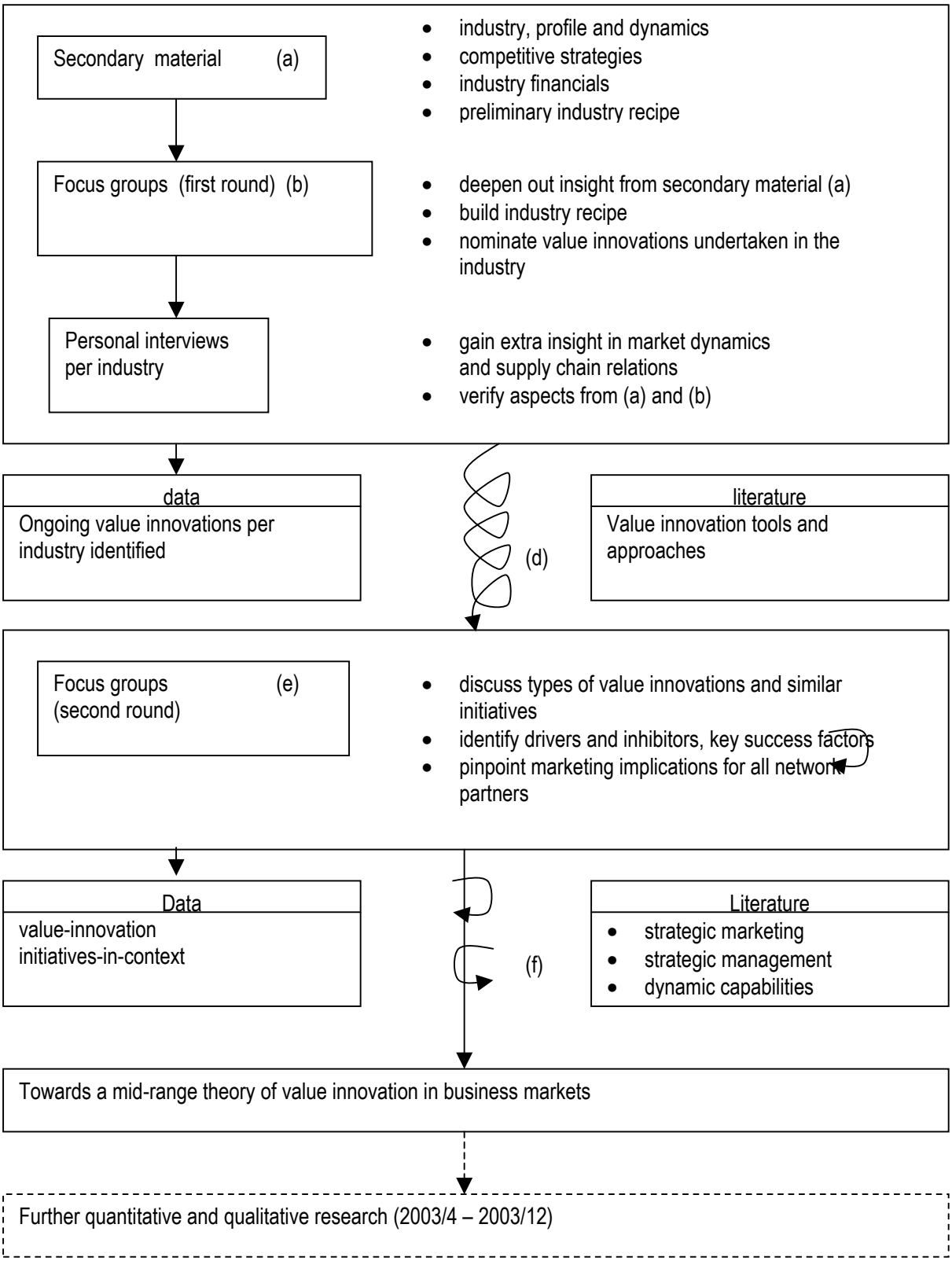
Item	**Industry**				
	PRINTING	**FOOD INGREDIENTS**	**TRAFFIC MAN.SYS.**	**TRUCK & TRAILER**	**ENERGY MAN.SYS.**
Price as competitive weapon	Yes	Yes	Yes due to purchasing policies	Yes	Yes

Efficiency and scale	Yes	Needed for R&D	Needed for survival	Cost push in chain	
Technology focus	Yes	Upstream	Upstream	Mostly	Strong
Commodization		Upstream	Yes	Trailers	Yes
Willingness to innovate & invest	Limited		Limited		No
Reactive behavior	Mainly print shops	Present	Politics set agenda	Mainly dealers	Tactical rivalry
Proactive behavior		Pending		Pending	
Power play in chain	Provoked by end users	Provoked by brand owners	Provoked by Ministry	Transport and leasing companies	Very tough
Marketing focus		Downstream only		By truck OEMS	
Cooperation between levels of supply chain		Ad hoc, R&D focus	Ad hoc, hybrid	Limited	No trust
Service differentiation			Maintenance contracts	Maintenance contracts	Somewhat, beginning
Awareness new initiatives leading to higher margins are needed	Upstream Yes	Upstream Yes	Yes	Yes	Yes

TABLE 3 : Examples of Value Innovation Initiatives

Industry	Value innovation effort
Printing	1. Some print shops have evolved into integral service provider, performing tasks such as data management, warehousing of documents, expediting, etc. 2. 'Document management' rather than printing of documents (even other media than printed documents) leading to partnerships with consulting companies and IT service providers.
Food ingredients	3. Co-marketing and co-branding by provider of (functional)food ingredient and the brand owners in so far as the ingredient suppliers builds the marketing concept, performs end user research and so on. 4. A pharmaceuticals company, a biotech ingredient producer and a food packaging specialist create a 'triple alliance' in order to couple their expertise and sell total solution to food manufacturers (optimizing vitamins, shelf live, taste and processing).
Traffic management systems	5. 'Open platform' consortium set up by mobile phone company, electronics supplier, car importer and IT systems provider in order to test alternatives for mobility management and create awareness for these. 6. Motorway traffic management contract for installer who 'manages' and guarantees fluidity of traffic.
Truck & Trailer	7. Providers from trucks and trailers offer transportation companies administrative telematics services (in order to help the customer optimize their loading processes, fuel consumption, and so on) and technical telematics (e.g., maintenance), backed up by 24 hours service. 8. A provider of paint for trucks manages the whole planning process of re-styling the house style of a customer, thereby even managing the whole logistics of taking cars from parking lots of the company, putting replacement cars, bringing cars back, etc.
Energy management systems	9. Industry 'park management' where total energy use is optimized and guaranteed by the E-provider (total solution, multi-utility). 10. Multiple channelling by E-providers (even selling energy via shoe shops in Germany).

FIGURE 1: METHODOLOGY 2002-2003/4



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