

Growth Through Value Innovation

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January 2002, submitted as *work-in-progress paper*

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This work-in-progress paper focuses on how companies in business-to-business industries can fulfill their growth objectives in highly competitive market environments. Driven by demands of shareholders for higher returns and by new and unconventional competitors, incumbents are forced to explore new ways to realize shareholder value growth. Moreover, commodization and a limited product innovation record pushes managers to add value to their traditional businesses.

The strategy and industrial marketing literature has hailed innovation as the way forward. The concept of technological innovation has been elaborated upon conceptually as well as empirically, but, the concept of value/strategic innovation (see for instance, Kim & Mauborgne, 1997 and Markides, 1998) seems underdeveloped in the literature so far. Especially with respect to empirical measurement and the application of the construct in different contexts, much work still needs to be done. Value/strategic innovation refers to “a fundamental re-conceptualization of what the business is all about that, in turn, leads to a dramatically new way of playing the game in an existing business”.

The problem statement of this paper thus pertains to how industrial companies can grow through value/strategic innovation. More specifically, the following research questions are formulated: (1) given the existing industry and supply chain context, what are the *traditional* ways to create value for customers, (2) what types of value innovation initiatives are presently undertaken, (3) what best practices can be identified in value innovation initiatives and (4) in what way are value innovation initiatives backed by the reconceptualization and reconfiguration of supply chain relations into a demand driven logic and the establishment of value creating networks among the selected parties. The overall aim of the research is to advance (1) a mid-

range theory on value innovation strategies in business markets and (2) ways to operationalize the construct of value innovation in specific contexts.

For budgetary reasons, the data for the empirical research will be collected from multinational companies with Dutch headquarters or with a substantial subsidiary in Holland or Belgium and active in business-to-business markets. After two brainstorming sessions with managers from the companies sponsoring the research, the following industries were selected: traffic control technology, printing industry, energy management systems for buildings and industry, automotive suppliers and the food ingredients industry. Given the problem statement and the derived research questions a three-step methodology is opted for. The first phase consists of desk and expert interviews (building a knowledge base on each industry; February-April 2002); in the second phase focus groups will be organized in each of the selected industries in order to build an inventory of value innovation initiatives (May-August 2002). These focus groups will uncover value innovation initiatives that will be further studied (third phase; as from August 2002) using comparative case-study analysis (Eisenhardt, 1989; Yin, 1998).
