

Selling Innovation

Keywords: innovation, sales management, IMP approach, supplier-buyer relationships

Abstract

The purpose of this paper is to outline an initial theoretical framing that will serve to develop a doctoral research. The aim of my research is to describe and investigate, how innovation is sold, and how it becomes marketable. I intend to do that adopting the IMP approach, identifying mechanisms, processes and features that characterize the interplay between actors, buyer-sellers, involved in the adoption of an innovation. Interaction approach gives us the opportunity to understand some more about “selling an innovation” because innovations are developed and implemented in relationships context, and at the same time, in that context the selling process is carried outs. The research will adopt a qualitative approach based mainly on multiple case studies and participant observation.

Introduction

Innovation is one of the most important elements for companies today. In order to survive in competitive markets all companies, large and small, well-known and unknown business, need to innovate. Companies need to combine several different types of knowledge, capabilities, skills, and resources to develop new products that shift or expand an organization's domain, or new process or procedures within existing domains. It is becoming accepted that companies need to innovate.

Scholars addressing strategic management issues and managers studied innovation and different disciplines focus on this topic, but the understanding of the innovation phenomenon from business perspective (Becheikh, Landry and Amara 2006) (Wolfe 1994) remains limited.

Long time ago, Schumpeter, in his "The theory of economic development" in the 1934, observed that the difference between invention and innovation is the diffusion of it in the market. Invention is the idea of a new product or process, while the innovation is the commercialization of the idea (Fagerberg 2003). The ultimate goal of many companies is thus to implement, diffuse and sell innovation successfully, which is to make "invention" marketable. The commercialization of an invention is a crucial phase, and the manner in which is handled is decisive (Aarikka-Stenroos e Sandberg 2009). This research project focuses on this critical aspect of innovation, the selling of it, adopting an interactive approach.

This paper aims to outline an initial theoretical framework that will serve to develop a doctoral research. The thesis 'issue will be an empirical research that investigates the process of sales when the object is an innovation. In particular the research will focus on the observation and analyses, through the illustration of multiple empirical case studies, of how an innovation is sold, what affect the selling of innovation and what imply this process.

A brief story of an innovation in a semiconductor industry inspires me to conduct this research. The empirical illustration is about a new chipset product that was not adopted by mobile phone manufacturers. Inspiring by this story, rises in me the curiosity to understand why an apparently perfect technical product "fails" in the commercialization process, and therefore, know more about the selling process when the exchange object is an innovation.

Theoretical Background

The Industrial Network Theories developed by the Industrial Marketing and Purchasing (IMP) group, and other interaction theories such as Actor-Network theory, in the Sociology of Science and Techniques (Callon 1986) (Callon 1999) (Law 1992) suggest a fundamental change of the unit of analysis: from company to business network. Adopting this approach, innovation process and sales management is a phenomenon that should be understood considering network and the interactive and interdependent nature of the business landscape. Business world is not comprised of companies that are independent of each other and which are each able to build and execute their own sales strategy, but of inter-connected relationships between interdependent companies.

In this research it will be observe how suppliers and customers interact transforming an invention into an innovation. The peculiarity of this research is given by the nature of the object of selling. Parties do not discuss about the possibility to sell, for the supplier, or to buy, for the customer, a defined offering but about an undefined, uncertain and unknown solution, the innovation. To contextualize the research two theoretical frameworks will be briefly present: a perspective of innovation and sales.

A perspective of Innovation

The purpose of the research is to understand sales activities of a new product or a new process, hence a brief paragraph is dedicated to the innovation issue. The characteristics and dynamics of innovation are analyzed in order to understand the specificity and peculiarity of selling when something is new.

Adopting the interaction approach, interdependences and interactions characterized the business life of companies, hence innovation has to be dealt with across companies rather than just within companies (Håkansson, Ford, et al. 2009). Managers are not free to take independent action about innovation, they cannot direct, plan and orchestrate the product development process, due to the characteristic of this process: non-linear, non-hierarchical (Dubois e Araujo 2006), impossible to planned fully in advance and characterized by uncertainties (Gressetvold e Torvatn 2005).

Focusing on the complex processes of interaction that take place among companies (Håkansson 1987), new product or process is conceived as the outcome of combination of

different resources and activities that exist within different organizations and actors in the network (Johnsen and Ford 2000). A lots of studies and evidence from practice highlight that innovation is the results of composition of old and new ideas in different manner or context perceived as new by actors involved (Van de Ven, et al. 1999) (A. H. Van de Ven 1986).

Companies cannot provide all the resources needed to develop something new by themselves, but rely on external parties, such us customers or suppliers; as a result relationships emerge and through interactions new resources are created by combining existing ones in new ways or by introducing new elements into the existing structure (Håkansson e Waluszewski 2002). Several empirical studies demonstrate that the major source of innovation is not science but business relationship (H. Håkansson 1989) (Pavitt 2004), in interaction innovation journey take places (Ingemansson and Waluszewski 2009) characterized by series of decision over time (Gressetvold e Torvatn 2006). During this process innovation emerges, influenced by actors and their resources (Seidel 2007), therefore it is extremely difficult foresee how this process evolve and what will be the “final” innovation product (Gressetvold e Torvatn 2006).

Researchers highlight that, given its uniqueness, innovation should be studied in its contexts, in its organizational space, defined by actors involved, activities carry out by companies and resources that they use and develop (Lind e Dubois 2008); the success of an innovation does not depend straightly on the level of the technologies developed, rather than on its adoption in the context, considered one of the most critical aspect in the innovation process (Wagrell e Waluszewski 2009). Accordingly several researchers were carried out on the integration of innovation product in the existing context (Dubois e Araujo 2006). Something new to get widespread use and to become an innovation has to fit in an established business landscape, characterized by interdependencies across companies. Innovation emerges in a trial and error process where the development, production and use of something new emerge in relation to established context (Ingemansson and Waluszewski 2009). For this reason, adopting IMP perspective, the focal interest is directed not to the new product itself, but to the business landscape where something new could emerge (Håkansson, Ford, et al. 2009).

Potential innovation affects the context in which it is developed, produced and used. Indeed any attempt to introduce potential innovation has effects unforeseeable both on producers and users side. Not only innovation affects business landscape but also business landscape affects innovation. According to Håkansson and Waluszewski (2007) innovation to get a commercial

use has to survive in the business landscape, in particular in the developing, producing and using settings. The developing setting is characterized by companies involved in a constant search for new solutions, combining material and immaterial resources. The production setting is characterized by producer and the network in which the producer is embedded, hence the transformation of potential innovations into product is affected by the focal producer, suppliers and their material and immaterial investments required to produce it. Finally the success of innovation depends on how well it fits in the user setting and how many investments are requested in order to create a fit (Hakansson and Waluszewski 2007).

Innovation has to survive in these three settings, but the larger the difference between the three settings, the larger the difficulties to create something new that will fit into all these settings. This explain why is difficult to embed a solutions that is emerged in one context into another one (Hakansson and Waluszewski 2007).

According to the purpose of this research user setting, its features and its dynamics, will get broad attention. As it was highlight above a potential innovation to become an innovation has to fit with the organizational and technological aspect already in use (Wagrell e Waluszewski 2009) and the adaptations requires in order to fit can entail problems and costs (Hakansson and Waluszewski 2007).

ARA model, proposed by the IMP, help us to identify and understand how a new solution impacts on business relationships between companies involved, producers and users, and how the three elements – actors, resources and activities - are influenced by the selling process of an innovation.

Resources. Innovation affects company's resources, new resources are created and others are transformed and adapted. In the relationships between suppliers and customers adaptations create mutual dependency, leading to formation of resource ties. (Ford, et al. 2003).

Activities. Activities are affected by the introduction of something new in the established relationships; the activities of an organization are dependent on others activities within the organization or they are dependent on activities of others organizations, and over time activity links are developed (Ford, et al. 2003).

Actors. Actors play a central role in making the innovation marketable. Actors 'view and their interpretation of the situation is affected by interaction, as well as their identities in

relation to each other and to third parties. Innovation emerges in interaction and interaction between parties leading to the formation of actors bond, based on their mutual learning, trust and commitment. (Ford, et al. 2003). Innovation has to be accepted by actors involved, and according to Christensen (1997) actors involved in innovation process, because of novelty and risky of innovation, often find hard to accept a new product that could change the market structure. According to the aim of the research, actors and their features will be study in depth in order to understand their role in the selling process.

Sales management

In most of sales management researches, a normative approach come out, books and articles suggest how sales force should be managed and how manager should orchestrate sales, focusing less on the comprehension and description of sales process. Several streams of literature in sales management, following a chronological order, have moved from a simplistic process, such as the transactional selling approach, to extremely complex and participative exchange, as relationship selling strategy (Donaldson 2007).

Sales theories focused on different aspect, such as the influence of seller's behavior on buyer's outcome (Sheldon 1902), the role of customer needs (Rackham 1995), the purchasing process and tasks (Howard and Sheth 1969) and the role of buying center (Webster and Wind 1972) (Donaldson 2007). In the last decades selling theory evolution come with interactive approach (Donaldson 2007), focusing on the relationship between buyer and seller (Dwyer, Schurr e Oh 1987) (Gadde e Snehota 2000). Adopting this approach sale is considered a complex process rather than a single and discrete act of purchasing, from just selling a products to solving customers problems.

Many researchers stressed the importance to build long-term relationships with customers rather than obtaining a one-time sales (Paley 1996), viewing sales role as attracting, developing, and retaining customer relationships and not only selling products in the short run (Ingram, et al. 2009) (Parasuraman, Berry e Zeithaml 1991) helping customers improve their business is the best way to implement the long term customer relationships that will lead to long-term success.

Relationship marketing literature (Christopher, Payne e Ballantyne 2002) suggests that company in order to be successful has to build a relationship with customers. Adopting interactive approach have a relationships is not a matter of choice (Ford, et al. 2003), relationships with customers exist and in that context sales process takes place. Relationships with customers are not the outcome of the unilateral activity by the sellers, all parties are responsible for the development of the relationships and for the outcomes of the interactions, furthermore each actor involved have an idea about the expectation from the relationships and from the sales process too. Accordingly to the traditional view of sales management, selling is considered an activity pursues mainly by supplier alone, in fact several studies tried to understand the determinants of good sales performance. Over the past years researchers have examined many possible determinants of sales performance, as motivation (Miao and Evans 2007), role perception (Hawes, Mast and Swan 1989), aptitude (Oschrin 1918) and skill level (Churchill, et al. 1985); but the studies have produced very inconsistent results with respect to what factors affect sales performance (Churchill, et al. 1985).

Adopting interactive approach, selling's performance do not simply depend on supplier activity alone, but on the relationships between customers and suppliers.

Selling is a process that takes place in interactions between parties and in interaction the offering is discussed, specified, developed, ordered, modified and delivered. It is not a simply exchange of a bound and determined physical product or service, is not a single and discrete event and, consequently, is not easy identify the starting and the ending point. Selling activities require to parties involved the managing of the relationships in order to solve customers 'problems and to find a solution. Each customer face different problems, hence the offering supplied to one customer could not fit to others Even though product is the same, others elements will be adapted to met the customers 'needs. Hence, the quality of the solution is not given by the intrinsic characteristic of the exchanged product but its suitability to a particular problem. Offering is shaped in interaction among companies, affected by resources and operations of companies involved and on their respective others suppliers and customers. Therefore, supplier's offering do not directly depend on supplier's decision but on the relationships between supplier and customers. Selling means managing customers 'relationships and not merely decide what should be the product that customers want; this imply communicate with customers, define, redefine and fulfilling the offering and monitoring the performance in a ongoing process (Ford, et al. 2003).

The missing link of selling and innovation

The sales management literature focuses mainly on the selling process when the object is a product already developed and defined. According to this, IMP studies have enriched the comprehension outline that even though the selling product is already defined, other elements of the offering change in order to fit with the established business landscape of the customer. The interactions between suppliers and customers imply a change in the offering even though interaction is mainly based on already known product.

What happens when the object of selling is an innovation, or better a product unknown by parties? There are many reasons to believe that selling innovation has specific features and is particularly challenging. The literature highlights that innovation emerges in a trial and error process between parties and sale takes place in interaction, hence we expect that selling process has important effects on the development of the innovation itself. Selling could contribute to shape innovation, is not the last step of the innovation process but could be a fundamental step of this process. Another insight from the literature suggests that innovation cannot be it if it is not been used, or better integrated in the context. The integration in the established business landscape could require adaptations, and these adaptations can emerge during the selling process.

Selling innovation implies a process in which the object of the transaction is not totally known by parties. Looking at the seller, the innovation is a possible way to improve its business, it is confident about the value that the new solution can generate in the customer's business. Looking at the customer, the innovation is something fashionable but, at the same time, it is not well known and it is quite difficult to assess, in advance, the value created by the adoption of the innovation. When suppliers and customers interact, they understand that many aspects should be defined and many features should change in order to fit with the context.

In the IMP stream, the innovation is largely studied but previous research has had less attention to the selling activities, and at the same time sales theory gave few consideration to the selling process of an innovation. In order to fill this gap, the research is aimed to understand the peculiarity and the characteristics of selling process of something new.

Research question

Interactive approach gives us the opportunity to understand some more about innovation and sales: innovation is developed and implemented in business relationships context, and at the same time, in that context the selling process is attained. The purpose of the research is to investigate, describe and understand how, adopting IMP approach, innovation is sold in the sense how it is made marketable, identifying mechanisms, processes and features that characterize the interplay between actors, buyer-sellers, and context in the business network. Adopting interactive perspective the focal interest is not the artifact of the innovation but the presses that allow the innovation to emerge and to be accepted by customers. In particular the research will focus on the observation and description, through the illustration of multiple empirical case studies, of how an innovation is sold, what affect the selling of innovation and what imply this process.

Research method

By following the study aims to investigate, describe and understand how innovation is sale the way that I will adopt to research is the qualitative approach. There are many reasons why I choose the qualitative approach, first of all the nature of the research question. The research question in fact starts with a how and a what, so that initial questions conduct into the topic describing what is going on. The second reason is that this topic needs to be explored, variable in fact cannot be easily identified; theories are not available to explain behavior of actors involved in these specific activities. Finally, the last reason is that it will be presented a detailed empirical illustration in order to have a deep view of the topic.

The research will be based mainly on multiple case studies. The case study approach, due to the flexibility in design and open-ended nature in data generating, allows a process and context analyzes of the issue, in considerable depth. Longitudinal perspective is needed to have a spread and deep understanding of the evolution of the innovation concept and to capture changes occurred in that process. Due to the current stage of development of this research, how many and which case study are not decided yet. I would investigated more than one case study in different industry to have a rich picture of the phenomenon, in fact more

than one innovation in business-to-business industry in Switzerland will be chosen to be observed and analyzed.

The method that I would like to adopt is the participant observation and semi-structured interviews. Accordingly to the research questions I would like to study the selling process as it takes place, observing selling interactions between parties involved. It will be interesting observe how the interaction evolve, tracing the evolution of the process. The observation allows to identify actors involved, how actors interact and the context and to understand the process as a whole.

Formal semi-structured in-depth interviews will be conducted and the selection of interviewees, how many and which individuals, will be indentify in the network observing process.

In this research others methods could be used, as the scenario and visual techniques, according to different phases of the researches.

The idea of this research is emerged observing a story of a Suisse company, Nemerix, though having a successful product cannot reaches what they think were the “right” customers, and the product did not get in use widespread. The purpose of my doctoral research is to investigate in depth this case study, trying to understand the dynamics that contribute to bring this product to the “failure”, and describe and analyze others case studies in order to understand what does imply sales when the object is an innovation. In the following paragraph a brief and initial description about the inspiring case study.

Selling a perfect product in an attractive market

Nemerix, a fables firm in the semiconductor industry, in the 2000 started to develop and produce GPS chipsets with a relevant competitive advantage based on low consumption of energy and compact design. Looking at articles and news in newspaper and in specialized magazine, at the time Nemerix is highly successful.

In the 2002 the company was ready to go to the market with the first generation of GPS’ chipset, used mainly in “attachment products” such as receiver and antenna that used GPS to localize a subject. The customers were formed principally by ODM, original design

manufacturer, and according to the founder declaration for Nemerix was easy to sell them the chipset and hence to continue the business.

In 2004 Nemerix developed the second generation of chipset for use in Personal Navigation Device. This second generation was considered by the founders an intermediate phase in transitioning towards the mobile phone. In fact, in 2006 with the third generation product Nemerix entered in the mobile phones markets. In those years mobile phone market was considered much more consistent, promising and attractive than the previous ones and Nemerix, confident on the superior low-power performance and reliability of the chipset, expected to enter in the mobile phone sets market, becoming a central player. But something went amiss and Nemerix was not able to sell product to the main players in the mobile phone markets, and, as declared by the founders, this was one of the reasons that brought Nemerix to the bankrupt in early 2009.

Hence, it is not enough to have a superior technical product in order to succeed in a promising market. Something from the selling point of view failed, but what? Why Nemerix was not able to sell product in the mobile market? Inspired by this story, I raised in me the curiosity to understand why an apparently perfect technical product fails in the commercialization process, and therefore know more about the selling process when the object is an innovation. The next step of the research will be the observation and an in-depth analysis of the case study.

Research findings

Due to the current stage of development of this research, the research findings cannot be anticipated yet.

Conclusion

This paper is not the presentation of the research findings but just the identification of a research topic, and I am pretty sure that other questions and other issues could arise during the research process. I believe that adopting a positive perspective rather than a normative one, some novel aspects, dynamics, features could come out contributing to the innovation and sales management theory. Thus, this study could offer novel implications in the innovation

field, giving a deeper understanding of critical issues of the innovation, and in the sales management.

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