

Managament of innovation and technology marketing essay



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Entering a market early has several advantages such as being capable to establish brand loyalty and technological leadership by learning effects and long-lived reputation; seizure of scarce assets by obtaining key locations; government permits; access to distribution channels and closer relationships with suppliers; taking advantage of buyer switching costs by using customers' reluctance in switching to a more technologic product or service due to its complexity and unfamiliarity; reaping increasing returns advantages by utilizing self-reinforcing positive feedback mechanisms.

(Schilling, 2010, p. 93-95) However, there are some advantages to entering a market late such as benefitting from the ride-effect which enables late entrant to utilize first-mover firms' research and development investments; capitalizing established-suppliers, existing distribution channels, and consumers' familiarity to the technology; ability of ensuring the market to be more certain by more effectively estimating and determining customer expectations and demands; exploiting incumbent inertia by more easily adopting the new technologies and their required production processes. In terms of considering these advantages, late entrants can surpass first movers although there are a lot of advantages of entering a market early.

(Schilling, 2010, p. 95-96)

Name a successful (a) first mover, (b) early follower, (c) late entrant. Identify unsuccessful examples of each?

Successful example of first mover: Polaroid – Instant camera

Unsuccessful example of first mover: Kodak – 8-mm Video Camera

Successful example of early follower: Samsung – Microwave

Unsuccessful example of early follower: Intel – Microprocessors

Successful example of late entrant: Palm Computing – PDA

Unsuccessful example of late entrant: Dvorak – Keyboard

(Schilling, 2010, p. 98)

What factors might make some industries harder to pioneer than others? Are there industries in which there is no penalty for late entry?

Limited existence of natural resources, suppliers, complementary goods, distribution channels, and installed base; requirement of the most advanced technologies; establishing consumer awareness and familiarity of the newest technology; uncertainty and ambiguity of customer preference and desirability; high threat of competitive entry into the market are some remarkable factors that might make some industries harder to pioneer than others. Exceptionally, when there are industries in which a unique firm has capability to produce an unduplicated product or service, this firm can enter the market whenever it wants. Namely, there is no penalty for later entry into such industries. Hydrogen-powered automobiles can be considered as a good example of such an industry. (Schilling, 2010, p. 99-102)

Chapter 5 – Case Questions

Why did most of the early PDA companies fail, even if they had innovative and sophisticated product designs?

Despite of having innovative and sophisticated product designs, most of the early PDA companies fail because of some critical factors such as running out

of money and funds; having insufficient complementary goods, suppliers and distribution channels; having a narrow installed base; due to lack of advanced and enabling technologies, facing difficulties in terms of developing memory capacity, process power, modem size, battery life and size, software products; lack of awareness of PDAs functions. (Schilling, 2010, p. 90)

Could early PDA companies have done anything differently to survive?

Early PDA companies underestimated the sales volume as well as the cost of PDAs process and production that is why they encountered financial difficulties to afford and execute their projects as a result most of PDA companies ran out of money. However, some companies like Sharp and Casio were differently focused on more specialized devices and vertical markets. By doing so, these companies could survive and kept operating. (Schilling, 2010, p. 90-91)

From my point of view, the best and most logical thing that early and failed PDA companies could have done was to apply merger and acquisitions strategies in order to create more financial resources, more complementary goods, more distribution channels, and larger installed base so as to sustainably carry out their projects and accomplish their short-term and long-term goals.

Why was Palm successful where so many others had failed?

As a late entrant and observer, accurately assessing and estimating its target market; preventing to do the same mistakes the early PDA companies

did; properly determining and defining the desirability of consumers from the product; producing a cost-efficient and straightforward product design were key elements ensured Palm to be successful. (Schilling, 2010, p. 91)

Was being late to the smart phone market a disadvantage for Apple? What factors enabled Apple to successfully enter when it did?

As an overall evaluation, I do not think that being late to the smart phone market was a disadvantage for Apple because Apple benefitted from previous operations and advancements with regard to appropriately linking to complementary goods and enabling technologies in the smart phone market. Furthermore, producing a smart phone with an aerodynamic interface and elegant design, providing additional features like taking pictures and downloading music also contributed to Apple's achievement. In conclusion, all these factors enabled Apple to successfully enter and operate in the smart phone market despite of being late. (Schilling, 2010, p. 92)

Are there increasing returns in the smart phone market? Is it likely to eventually pick a single operating system as the dominant design?

According to me, it is obvious that there are increasing returns in the smart phone market because two principal sources of increasing returns; learning effects and network externalities are continuously being improved and advanced. If we look at today, there is a great competition between Apple and Samsung in the smart phone market. Almost all software products and mobile applications are predominantly designed and produced to be compatible to these companies' smart phones. Additionally, there is a high

local and global demand for both Apple and Samsung smart phones.

Therefore, I believe that smart phone market is likely to pick Apple and Samsung together as the dominant designs.

Chapter 6

What is the difference between strength, a competitive advantage, and a sustainable competitive advantage?

Strength is considered as a firm's resources and adequacies that provide a firm competitive advantage. However, competitive advantage is firm's power and capability to beat and surpass its competitors by using its strengths.

Eventually, sustainable competitive advantage refers a firm's scarce, unduplicated, precious, constant, and long-standing resources' enabling it to continuously outperform its competitor for a long period of time. (Schilling, 2010, p. 119)

What makes an ability (or set of abilities) a core competency?

According to the model of Prahalad and Hamel, ability's power to provide superiority in strategic differentiation; effective combination and coherence of numerous initial abilities; ability's additive to increasing product value and perceived customer value; ability's strength to foster a firm's flexibility and configuration to changes and new improvements; ability's sufficiency to contain series of different organizations; ability's inimitable mechanism and structure are key factors that convert an ability into a core competency.

(Schilling, 2010, p. 122-123)

Why is it necessary to perform an external and internal analysis before the firm can identify its true competencies?

As Gallon and his research fellows suggest, building specific goal-oriented teams; establishing an elaborate and detailed set of capabilities; assigning the significance, power, and value of capabilities for a firm; analysis and evaluation of each competencies in respect to providing a competitive advantage and effective fulfillment of market needs; finding key competencies to be empowered and improved so as to provide a sustainable competitive advantage over competitors are critical steps in order a firm to accurately identify its competencies and accomplish its organizational goals. Hence, performing an external and internal analysis is essential and necessary. (Schilling, 2010, p. 125)

Pick a company you are familiar with. Can you identify some of its core competencies?

I would like to evaluate and identify Apple's core competencies as a familiar and popular company. Basically, Apple's core competencies are highly focusing on innovation; considerably investing in research and development; creating elegant and aerodynamic designs; manufacturing various multifunctional products such as iMac, iPhone, iPad, iPod; large installed base and availability of complementary goods; high brand recognition and loyalty; efficiently addressing its target market; successfully exhibiting its products and training its customers through Apple Stores.

How is the idea of “ strategic intent” different from models of strategy that emphasizes achieving a fit between the firm’s strategies and its current strengths, weaknesses, opportunities, and threats (SWOT)?

The main difference between strategic intent and SWOT is their time perspective in terms of executing objectives and accomplishing goals. In this context, strategic intent has a future and long-term perspective (approximately 10 to 20 years). In essence, strategic intent’s core consideration is to ensure overall organization to focus on estimating future market demand, enhancing and improving its existing core competencies in order to fulfill the future market demand. On the other hand, SWOT has a short-term perspective in carrying out objectives and achieving the organizational success. In the light of this, SWOT is fundamentally focuses on current data and information such as current competencies, current market demand and meeting this demand. (Schilling, 2010, p. 125-127)

Can a strategic intent be too ambitious?

Although strategic intent focuses on achieving future goals, it should not overlook current condition of the firm in respect to determining and establishing future plans and goals. In this context, if a firm has inadequate capabilities and resources to allow a transition between its current position and aimed future position, strategic intent can be considered too ambitious. (Schilling, 2010, p. 127)

Chapter 6 – Case Questions

How does Genzyme's focus on orphan drugs affect the degree of competition it faces? How does it affect the bargaining power of customers?

Genzyme's focus on orphan drugs positively affects the degree of competition it faces, namely taking this action ensured Genzyme to lead competition in the market. There were several factors that weaken the competition. Initially, Genzyme's competitors were quite reluctant focusing on orphan drugs due to its low demand and small market. Subsequently, Genzyme benefited from FDA's regulation and law which indicates that if a firm gets a patent and approval for an orphan drug, its drug gets a market exclusivity and protection from competition for seven years. As a result, there was no threat of potential entrants or existing rivalry at least for seven years, thus Genzyme remained powerful in the market. In addition to this, manufacturing and supplying a scarce and limited drug to relieve the pain of a particular illness induced patients not to have another choice except purchasing this drug. Therefore, Genzyme enhanced its bargaining power as a supplier whereas customers stayed with less bargaining power. (Schilling, 2010, p. 110)

How does focusing on orphan drugs affect the types of resources and capabilities a biotech firm needs to be successful?

Focusing on orphan drugs requires a biotech firm to use the existing resources and capabilities predominantly related to producing orphan drugs rather than generally providing benefit to the medical environment so as to be successful in its commitment. Therefore, such a biotech firm should

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highly invest in research and development. Furthermore, such a firm should independently operate with limited and adequate employees in its own production, sales, and testing facilities so as to have higher profits and lower costs, correspondingly to be successful. Overall, I think, in this particular case focusing on orphan drugs has a positive effect in respect to more productively using the existing resources and capabilities. (Schilling, 2010, p. 111)

Does Genzyme's focus on orphan drugs make sense? Do you think Genzyme has a long-term strategic intent?

Genzyme's focus on orphan drugs makes sense in terms of struggling to provide a medical treatment to rare diseases and illnesses. Accordingly, aiming to be highly profitable in this lowly competitive market also makes sense for Genzyme's focus on orphan drugs. In my opinion, Genzyme demonstrated that it has a long-term strategic intent by dividing its businesses in different areas of medicine, and spreading its power to be dominant and leader in the market. (Schilling, 2010, p. 113)

Why do you think Genzyme has diversified into other areas of medicine? What are the advantages and disadvantages of this?

I think, Genzyme has diversified into other areas of medicine in order to develop and advance its solutions to more diseases; capture more market share; reinforce and enhance its competitive advantage; profitability and sustainability; dominate the biotech market with its effective approaches to the critical medical issues. Despite of these pluses, it is inevitable for

Genzyme to face more research and development costs to estimate and assess future solutions to diseases.

What recommendations would you offer Genzyme for the future?

I would offer Genzyme to maintain and sustain its diversified organizational structure so as to come up with new drugs for various diseases. By doing so, it can also foster and raise its profitability. However, diversifying and spreading its power to different medicine areas requires Genzyme to put more effort into developing, manufacturing, marketing, and selling operations so as to achieve the success. In this context, I think, Genzyme should only use this effort in creating and developing new drugs, namely it should pay less attention to the manufacturing, marketing, and selling processes by considering strategically established collaborations. By doing so, Genzyme can advance its core competencies and operational effectiveness in each medicine area it performs correspondingly it can considerably increase its profits.