



Innovation & Business Performance

Unit Type: Mandatory

Level: 5

Credits: 20

GLH: 70

Assessment Method: Examination

Throughout the world, the increasing level of innovation is a key factor that gives rise to constant changes in the market conditions for different goods and services. Business organisations therefore need to constantly evolve in order to compete effectively, underlining the need for strong business performance. This unit focuses upon the importance of business performance and the need to identify, develop and utilise the appropriate forms of measurement needed for informed managerial decisions and for the evaluation of the results of the actions taken. The impact of innovation within the organisation is very much part of this focus and its effect on business performance is addressed accordingly. As such, the unit aims to provide you with a theoretical framework of the concept of innovation that can be used to evaluate its impact in a range of business contexts and situations.

As a consequence of studying this unit, you should be able to appraise the issue of innovation as it falls within, and relates to, a range of key business functions and disciplines. You should additionally be able to form a holistic view of the drivers and effects of innovation on the business enterprise, and to develop an awareness of the need to innovate. Furthermore, you should come to realise that the concept of innovation pertains to more than just technology, and, indeed, may not even have a technological basis or dimension. However, the need to identify, develop and rely on the right measurements is crucial to developing the correct perception needed to maintain and enhance business performance.



What You'll Learn

The table below shows the learning outcomes of this unit (what you will be able to do or what you will know), along with the assessment criteria (what you will be able to do to demonstrate achievement of the learning outcome).

Learning Outcomes <i>The learner will:</i>	Assessment Criteria <i>The learner can:</i>
1. Apply measurement techniques as an aid to business performance. (Weighting 30%)	1.1 Discuss the role of measurement in the management of business performance 1.2 Discuss the behavioural issues that can impact the setting and utilisation of business performance measures 1.3 Recommend the basis for developing metrics that are useful for monitoring and measuring business performance. 1.4 Apply key measures of business performance for specific business functions.
2. Discuss the sources, drivers and patterns of adoption of innovation in goods, services and ideas. (Weighting 30%)	2.1 Explore the concept of innovation and assess its relevance to business performance 2.2 Examine the theories and models of innovation 2.3 Examine the phases in the Innovation life cycle of a typical product or service. 2.4 Compare and contrast the different adoption patterns of innovation 2.5 Appraise the environmental factors that are relevant to an innovative business undertaking.
3. Assess the information requirements needed to manage the levels of innovation within an organisation. (Weighting 20%)	3.1 Explore the concept of innovation and assess its relevance to business performance 3.2 Examine the theories and models of innovation 3.3 Examine the phases in the Innovation life cycle of a typical product or service. 3.4 Compare and contrast the different adoption patterns



	<p>of innovation</p> <p>3.5 Appraise the environmental factors that are relevant to an innovative business undertaking.</p>
<p>4. Evaluate the risks and uncertainties that innovation creates for business performance. (Weighting 20%)</p>	<p>4.1 Appraise the risks and uncertainties associated with innovation that may affect business performance.</p> <p>4.2. Discuss the potential causes of failure in innovation activities.</p> <p>4.3 Assess the legal and ethical issues that can pose risks to innovation performance.</p> <p>4.4 Analyse the key ethical issues pertaining to innovation and the implications for corporate social responsibility and governance</p>



Capabilities

Alongside academic learning and development, ABE's qualifications have been designed to develop your practical skills and capabilities. These capabilities are highlighted as certain values, knowledge, skills and behaviours that will help you in your professional development.

Below is an overview of the behaviours, skills and attitudes that you will develop through this unit include:

Element of Learning Key Capabilities Developed

Element 1 - Measuring Business Performance	<p>Ability to apply performance measurement techniques</p> <p>Ability to recommend monitoring metrics</p> <p><i>Critical thinking; Problem Posing; Problem solving using appropriate quantitative and qualitative skills; Research skills; Data Analysis;</i></p> <p><i>Critical reflection and evaluation; Numeracy; Information Retrieval. Communication and Reporting.</i></p>
Element 2 - Adopting Innovation	<p>Ability to identify sources, drivers and patterns of adoption of innovation in goods, services and ideas</p> <p>Ability to analyse models and integrate theory and practice</p> <p>Commercial awareness (i.e. of key trends and features of the current business environment.)</p> <p><i>Innovation, analysis, commercial awareness, critical thinking</i></p>
Element 3 - Managing Innovation and its Impact on Business Performance	<p>Ability to assess the information requirements needed to manage the levels of innovation within an organisation.</p> <p><i>Information retrieval; Synthesis and evaluation of data and information, adopting innovation, managing innovation</i></p>
Element 4 - Managing Risk in Innovation	<p>Ability to evaluate the risks and uncertainties that innovation creates for business performance and ascertain the business impact</p> <p>Appreciation of Ethical and legal issues; Commercial awareness (of the implications of risk and uncertainty)</p> <p><i>Communication, risk management, responsibility, evaluation,</i></p>



Localisation

The syllabus has a sufficiently wide scope to enable its content to be assessed in environments that do not have a level of high technological development, although you may focus on this aspect if you wish. The contents of the syllabus are applicable to any local environment with a reasonably competitive, enterprise culture.

For those who have had some practical business experience in business, the unit affords the opportunity to draw on your own current and/or past experiences in examining the application of measurement and to assess the impact of innovation in business in contexts that you have encountered.

You should take the following into account when preparing for your assessment:

- Innovations that are being undertaken by businesses that operate in the local economy. The scale businesses may range from large to small and the innovations that they undertake may have been developed locally (i.e. they are indigenous) or they may have been sourced from overseas and adapted for local use.
- The prevailing local economic conditions should be considered when evaluating business performance, and the measurements taken. Social and cultural issues can also be taken into account where relevant.



Indicative Content

1. Apply measurement techniques as an aid to business performance (Weighting 30%)

1.1 Discuss the role of measurement in the management of business performance

- The Input-Process-Output-Outcome framework as applied to organisational performance.
- Efficiency and effectiveness (defined and distinguished).
- Qualitative versus quantitative data (defined and distinguished) and their use in measuring business process performance
- The use of financial data (cost-savings, growth and revenue generation) as being one perspective of measuring business performance.
- Benefits to the business that can be obtained from appropriate performance measurement.
- The Balanced Scorecard as an example of a key strategic evaluation technique that utilises performance measurement.

1.2 Discuss the behavioural issues that can impact the setting and utilisation of business performance measures

- The importance and benefits of setting appropriate objectives and targets for business performance
- The behavioural theories that help to explain how business performance objectives are set.
- The challenges that managers can face when selecting and applying appropriate performance measures such as:
 - Identifying what should be measured, why and how
 - The ability and resources needed to design and set up a measurement system that is cost-effective to operate in terms of time and effort.
 - Ensuring adequate communication of metrics in terms of presentation, accuracy, frequency and timeliness of reporting
 - Designing a system with enough flexibility to be of use in changing environments – such as new competition, changing consumer attitudes
- The use of key performance metrics, e.g. KPIs and SLAs in assessing managerial performance.
- The elemental features of SMART Targets



1.3 Recommend the basis for developing metrics that are useful for monitoring and measuring business performance.

- The relevance of business drivers and the importance of identifying them.
- The important features of useful performance measurements, which enable progress to be monitored and reviewed, namely
 - Relevant and meaningful to the activities and outcomes that contribute to business performance
 - Consistency in their makeup
 - Reliable and accurate in their measurement
 - Cost effective to measure
- Some common mistakes made in devising business performance measurements.

1.4 Apply key measures of business performance for specific business functions.

- The relevance and importance of internal and external benchmarking.
- A range of appropriate performance measures for key business functions, such as the following
 - The Human Resources Function – measures of recruitment, training, retention, motivation, labour turnover, absenteeism, productivity (amount and quality of work produced) per worker.
 - The Operations Function - measures of unit quality, efficiency, capacity, productivity, wastage and sustainability.
 - Sales and Marketing – measures of customer satisfaction measures, market shares, sales growth from new and existing customers, increases in brand awareness, product trials, distribution expansion, acquisition and retention of customers., communications expenditure evaluations.
 - Finance - Measures of Profitability, Liquidity, Financial Efficiency and Investor performance.
 - Procurement & Supply chain - measures such as inventory turnover, transportation time, customer order cycle time, manufacturing cycle time, inventory carrying costs.

2. Explain the sources, drivers and patterns of adoption of innovation in goods, services and ideas (Weighting 30%)

2.1 Explore the concept of innovation and assess its relevance to business performance



- Overview of the dimensions in which innovative change can lead to new products, services and ideas in businesses (Tidd and Bessant, 2013). namely:
 - Changes in the processes carried out to create, sell and/or deliver the finished goods and services to the customer
 - Changes to the features and functionality of the products and/or services being made/delivered
 - Changes in the way(s) that the products and/or services are promoted and targeted to the customer
 - Changes in the way that the business is viewed and perceived, internally and externally, in terms of its overall mission and purpose.
- The impact of innovation within business climates and contexts with reference to “The Innovator’s dilemma” by Christensen (1997).
- Overview of the current trends in globalisation of innovation, as highlighted by the findings of the Global innovation index (2016), namely: -
 - The requirement to leverage global innovation to promote economic growth, worldwide.
 - The requirement to overcome national divisions and develop a global mindset about innovation.
 - The finding that innovation output cannot be guaranteed by spending alone.
 - The innovation momentum that has been perceived in regions of the world such as sub-Saharan Africa, Latin America and the Caribbean, in recent years.

2.2 Examine the theories and models of innovation

- Overview of the major themes of Schumpeter’s theory of creative disruption (Capitalism, Socialism, and Democracy, 1942).
- Rothwell’s (1994) five generations of innovation models (Handbook of Industrial Innovation)
- Overview of Open innovation (Chesborough, 2003)
 - Inbound and Outbound Innovations
 - The key drivers of Open innovation (skills mobility, venture capital, IP availability)
 - The different management principles adopted in the pursuit of Open innovation, compared to Closed innovation (namely the disposition towards acquiring external expertise, R&D, inventions and IP from the environment and for developing an appropriate business model to capitalise on these).
- Overview of the major themes of the Diffusion of Innovation (EM Rogers, 1962, 1995), namely
 - Adopter distributions (innovators, early adopters, early majority, late majority, laggards)
 - Stages in the Innovation-decision process (knowledge, persuasion, decision, implementation, confirmation).



2.3 Examine the phases in the Innovation life cycle of a typical product or service.

- The characteristics of the industry during the three main phases (i.e. fluid, transitional and specific) of the innovation life cycle and the implications for business competitiveness, namely
 - Fluid phase: industry characterised by rapid concept development, low volumes, uncertainty over the target market, technological knowledge and performance. Focus of business competitiveness is on product functional performance, market exploration.
 - Transitional phase: industry characterised by a dominant design, refined production techniques, decreasing focus on concept development, defined market. Focus of business competitiveness is on product differentiation, satisfying unmet market demand.
 - Specific phase: industry characterised by standardisation, market maturity. Focus of business competitiveness focus is on cost savings, efficiency and rationalisation.

2.4 Compare and contrast the different adoption patterns of innovation

- Explanation of continuous/incremental innovation (Christensen 1995,1997)
- Explanation of discontinuous/disruptive Innovation (Christensen 1995,1997)
- Comparison and contrast of the key performance challenges that a business faces in each case.
- The relevance of the S-curve to technological innovation. (Foster 1987, Christensen 1997)

2.5 Appraise the environmental factors that are relevant to an innovative business undertaking.

- Drucker's 7 opportunities for innovation (1985)
- The relationship between the business's capacity for innovation and its current market position as shown by a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis.
- The implications of the product/service portfolio of the business.

3. Assess the information requirements needed to manage the levels of innovation within an organisation (Weighting 20%)

3.1 Appraise the characteristics of an innovative organisation.



- The main stages in the process of innovation that take place within an organisation, (using Hansen & Birkinshaw's Innovation Value Chain (IVC) model, 2007), namely
 - Idea generation
 - Idea development
 - Diffusion of the developed concepts
- The organisational conditions needed to promote innovation, namely
 - Organisational culture and climate to aimed at promoting individual creativity,
 - Leadership
 - Communication
 - Appropriate business models using Open Innovation as an example (Chesborough, 2003)
 - Organisational polices aimed at supporting innovation e.g. Kaizen, promoting teamwork and high-involvement (of employees) in innovation (Bessant, 2003).
- The importance of the factors that are required for the success of open innovation and for the success of centralised Research and Development (R&D) in a business organisation, namely: -
 - Communication and connectivity,
 - Core competencies (Prahalad and Hamel, 1990)
 - Providing potential access to a variety of markets.
 - Enabling delivery of key customer benefits.
 - Essential and unique to the business, thereby conferring a competitive advantage.
 - Supporting resources including cost.

3.2 Assess the impact of innovation on overall Business Performance

- Possible measures and indicators of the effectiveness and efficiency of the innovation process, in terms of the organisational
 - Inputs – the proportion of financial resources allocated, staff development, skills and training, time and space allocations.
 - Output – the number of patents, scientific papers, new products & services and improvements to old ones, customer surveys.
 - Processes of innovation - improvements in efficiency and productivity including the number of new ideas generated and the time from inception to market launch.
- Possible implications on short term performance that innovative companies may incur, namely
 - Detriment of short term financial performance (profitability and cash flow) in pursuit of long term payoffs.



- Reallocation and diversion of internal resources (staff, equipment, financing) to new products and services during development and implementation phases.

3.3 Evaluate some of the common methods of measuring the extent and successes of innovation in a business

- The relevance of post-project reviews in innovation management
- Overview of a range of performance metrics and KPI's used in the NESTA innovation audit, (deploying the IVC framework), such as the following:
 - Accessing Knowledge: The proportion of externally sourced ideas (A1), R&D intensity(A2)
 - Building Innovation: Diversity of innovation (B3), Embeddedness of team-working inbuilding innovation (B5)
 - Commercialising Innovation: Expenditure on branding & marketing intensity as a % of sales, C2), Use of IP protection (C5).

4. Evaluate the risks and uncertainties that innovation creates for business performance (Weighting 20%)

4.1 Appraise the risks and uncertainties associated with innovation that may affect business performance.

- The sources of risks that need to be considered for new products and services such as demand risk, technology risk, competitor, governmental and network risk.
- The significance and the impact of managerial attitudes (risk aversion) to risk in innovation.

4.2. Discuss the potential causes of failure in innovation activities.

- Outline the common causes of failure of an organisation's innovation process and the actions that management could take to mitigate them, namely
 - Ensuring concise definition of goals
 - Enforcing the alignment between the business activities and these goals.
 - Fostering and ensuring team participation.
 - Appropriate monitoring of results
 - Establishing appropriate communication and ensuring access to information for all concerned.
 - Facilitating the provision of adequate resources and monitor their usage.



- Ensuring that the necessary project and change management skills are deployed in the process.

4.3 Assess the legal and ethical issues that can pose risks to innovation performance.

- The main types of property rights protection
- Definition of Intellectual Property and its purpose
- Some of the limitations of intellectual property right protection, namely
 - Ineffective enforcement of the rights, thereby expediting imitation or illegal use of the innovation.
 - Time expiration before an adequate return is earned from the innovation
 - Possibly expensive in terms of time, money and legal expertise
 - Competitors may pursue IP protection for similar innovations.

4.4 Analyse the key ethical issues pertaining to innovation and the implications for corporate social responsibility and governance

- The need to develop a corporate culture of integrity, trust and openness in all business relationships, as evidenced by shared values and communication, and the willingness to put ideas forward without fear of ridicule or reprisals.
- The need to ensure that the pursuit and outcome of innovations are commensurate with the values, concerns and interests of the local communities that they affect.
- The need to embed sustainability in the pursuit and outcome of innovations.
- The need to prevent infringement of other enterprises' property rights, and avoid the use of 'fake' or imitation products.



www.abeuk.com



ABE's offices are located in New Malden, Greater London, UK.
5th Floor, CI Tower, St. George's Square, New Malden, Surrey KT3 4TE, UK
Tel: +44 (0)20 8329 2930 Fax: +44 (0)20 8329 2945

