

# USC Marshall

School of Business

## **MOR-564 – Strategic Innovation: Creating New Markets, Business Models and Growth**

**Dr. Violina Rindova, Captain Henry Simonsen Chair in Strategic Entrepreneurship**

**Class session: Monday 3:30-6:20; JKP 112**

**Office Hours: *Monday 1:30-2:30, HOH 511***

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### **Course Description**

Companies increasingly find the need to innovate not only by developing new products and services, but creating entirely new markets, delivery systems, and organizational processes and competencies. This is a strategic management course about how firms innovate strategically to discover and create new sources of value and to change the rules of the game. It is a course about competition, as conceptualized by the Austrian economist Joseph Schumpeter (1942) – a process of “creative destruction,” an approach to “competition which ... strikes not at the margins of the profits and the outputs of the existing firms but at their foundations and their very lives.” The goal of the course is to introduce you to a dynamic view of strategy that enables the creation of new markets, new business models, and growth opportunities. As such, it covers some of the most current topics and tools in strategic management that are used to create and disrupt industries, design new business models, and lead strategic renewal. It is therefore not limited to technological innovation but is based on systematic understanding of the sources of value creation and capture, and the opportunities for changing and renewing them. The course combines current theories of strategic innovation, business model innovation, blue-ocean strategy, design thinking, open innovation, and frugal innovation to offer a comprehensive

toolkit for innovation at the strategic level.

As an advanced strategic management course, it is designed for the strategist and the general manager - no technical background is assumed. It is intended to provide a broad and integrative perspective on innovative thinking, innovative strategies, and innovative processes in a wide spectrum of firms. The course is also designed to hone your creative and analytical skills in combination to enable effective managerial action in companies that compete in dynamic competitive environments. As such, it requires the creative synthesis of the knowledge you have accumulated in various functional areas and can therefore benefit all students. The recent trend in the corporate world toward flatter, less hierarchical organizations has resulted in innovative strategies emerging from all corners of organizations. Functional specialists are increasingly asked to understand how their own areas contribute to the strategic change and innovation in their organizations and can benefit from understanding the challenges of developing innovative strategic solutions. Therefore, honing the creative, analytical, communication, and action skills emphasized in this course can enable all students to better contribute to the innovation and growth goals of companies.

### **Learning Objectives**

The objectives for this course reflect its main learning goal to strengthen your critical thinking skills for effective problem solving and decision making required to develop creative and innovative business solutions and discover and create new growth opportunities in complex and dynamic national and global environments. Upon successful completion of this course, you will be able to:

- Explain theories and methods for developing innovative firm strategies
- Assess and design business models to create and refine value-creation opportunities
- Use systematic approaches (e.g. design thinking, crowdsourcing) for discovering and creating new market opportunities
- Identify and assess opportunities arising from differences in market, institutional, and cultural contexts
- Devise strategies for industry creation and disruption
- Develop leadership skills for discovering new opportunities and leading organizations to pursue them

## **Instructional Method**

In order to capture the pragmatic, action-oriented, and complex nature of managing strategic innovation, this course is taught through the case method. This method has been found to be particularly useful for developing professional skills in the art of diagnosing complex unstructured problems. Appendix A provides additional information on the case method and on why it is so extensively used in the learning of strategic decision making. The classroom environment will be very interactive, so you should be prepared to get involved. Students come from a variety of backgrounds with a large and diverse knowledge base. Therefore, each participant's contribution to the learning of the other students in the class is very important. Furthermore, considerable emphasis is placed on strategic role-play and hands-on design experiences, both of which require cross-functional and integrative thinking. Most of the learning in the course is learning-by-doing – through the analyses of the cases we will discuss in class and the independent research projects. The readings provide you with tools you need to analyze the cases; the application of the concepts to the cases fosters learning of the concepts. Consequently, as a rule, I will not spend classroom time reviewing the readings; I will assume that you have done the readings and you have applied them to perform your own analysis of the cases. If you have questions about specific concepts or applications of the readings, please raise them in class. You are welcome to raise conceptual questions either at the beginning of class, or during the case discussions. To enhance your learning, I recommend that in preparing the readings and the cases you ask yourselves three additional questions: 1) How are these issues similar or different from those that companies I worked for or intend to work for face? 2) How do they confirm or disconfirm my own experience? 3) What generalizable lessons can draw for myself from this case and readings?

Finally, like other strategy courses, this course requires a high tolerance for ambiguity. Strategic problems are not programmable and, therefore, there are no formulae or decision algorithms for securing the right answer. Moreover, there is no single right answer, as a number of different solutions may be feasible. The key to good strategic analysis is understanding the trade-offs involved.

## **Course Requirements and Assignments**

1. A course packet of articles and cases can be purchased online directly and downloaded in electronic form from Harvard Business Press. The readings pack and the case pack are separated as you can access the articles, but not the cases, for free through the USC libraries.

Strategic Innovation Cases Pack (course 564-1) is available at:

Strategic innovation Readings Pack (course 564-2) is available at:

2. Alexander Osterwalder and Yves Pigneur. *Business Model Generation*. 2010. John Wiley & Sons.
3. (optional) Mark W. Johnson. *Seizing the White Space: Business Model Innovation for Growth and Renewal*. Harvard Business School Publishing.

Copies of lecture slides and other class information are available through your Blackboard account. Please activate your course in Blackboard with access to the course syllabus. USC's Blackboard learning management system and support information is available at [blackboard.usc.edu](http://blackboard.usc.edu).

## Grading

| <u>Components</u>                            | <u>Weight</u> |
|--|---------------|
| • <b>Class Contribution</b>                  | <b>25%</b>    |
| • <b>Service Redesign Field Project</b>      | <b>25%</b>    |
| - Presentation                               | 15%           |
| - 2 interviews + Individual Reflection Memo  | 10%           |
| • <b>Innovative Business Models Showcase</b> | <b>25%</b>    |
| - Case Write-up                              | 15%           |
| - Presentation                               | 10%           |
| • <b>Final exam</b>                          | <b>20%</b>    |
| • <b>Final Reflection</b>                    | <b>5%</b>     |

### Class Contribution

In-class discussions are at the core of the learning in this course. The discussions will cover the readings and cases listed in the schedule of classes below, as well as some additional conceptual material that I will present in class. This course makes extensive use of the case method. For this course to work as intended, it is critical that you come to class prepared to discuss the readings and the cases assigned. To help you prepare for class discussion of the readings and cases, I have provided you with preparation questions in the schedule of classes below. In general, you will be expected to demonstrate 1) detailed knowledge of the content of the readings and cases assigned for each class; and 2) independent analysis using the tools provided in the readings.

Criteria for assessing class participation include making high-quality, important contributions to the learning process during class. The following criteria can be used to determine the contribution of each student's participation:

- (1) Do you participate in class discussions with comments relevant to the discussion? Are you prepared to answer when called on in class? (Let me know before class if some emergency has prevented you from adequately preparing).
- (2) Do comments reveal use of appropriate concepts and tools from the readings and/or incorporate relevant insights from their prior experience?
- (3) Do comments add to the knowledge in the class, i.e. do they move the discussion forward or do they repeat what has been said?
- (4) Do comments show that you have listened to the discussion and that you are able to build on the comments of others by offering constructive critiques in a respectful way and/or building upon the ideas of others to offer additional insight?

Since you cannot participate in class discussions if you miss all or part of a class, your grade will be negatively affected by absences, tardiness, and distracting behavior, such as using personal technology without being instructed to do so. You will be allowed one absence during the semester (you do not need to provide a reason), after which absences for whatever reason will affect your grade for class participation. The template used for grading class contribution is: absence = 0; missing part of a session or attending without actively participating = 1 or 2 depending on extent of absence/contribution; attending whole session plus some contribution (meets 2 criteria above) = 3; attending whole session plus substantive contribution (meets 3 or more criteria above) = 4; attending whole session plus important contribution (meets all 4 criteria above) = 5. Also, please note that

disruptive actions such as comments that distract or disrupt the class rather than contribute to the conversation, or web surfing or e-mailing during class, negatively affect not only your learning but also the learning of others. Such actions may result in a penalty in the form of negative points.

## **PLEASE DISPLAY YOUR NAME CARDS IN EVERY CLASS SESSION**

### Team Assignments

As we will discuss in the class, creativity and innovation are essentially collective activities. To develop skills for creative collaboration, you will complete two different collaborative assignments. You also need to organize yourselves into groups of 6 to complete those. Please email me with the names of group members—one e-mail per group. I reserve the right to add a member to your group if needed. At the end of the course, you will complete a Final Reflection assignment assessing the overall team effectiveness and the contributions of each team member. Based on your feedback, individual grades for these components of your course grade may be adjusted by an amount determined by the instructor, in order to ensure equity. During your work on the assignment, if you feel that one or more of your team's members is/are not contributing sufficiently to the team's work, please provide this feedback to the team member(s), along with the changes that you would like to see. Learning to work with others is essential to managerial work.

### Service Redesign Project

Given that one of goals of the course is develop your practical skills in innovating in a wider range of industries, this assignment requires you to select a service that you consider important, like or dislike. The service context is necessary for you to conduct “field work” and gather and synthesize information through observations, interviews, and independent research. To do so, you need to apply the following processes of the design thinking method that we will be learning and practicing in class:

- 1) Visit its site and observe customers and other stakeholders to gain customer insights;
- 2) Brainstorm to frame the problem and your solution for reinventing the service;
- 3) Develop prototypes;
- 4) Obtain feedback from both customers and organizational employees and leaders on your alternative solution; **each team member is required to conduct two feedback interviews: one with a customer *and* one with an employee or a**

**manager of the service organization studied and prepare a reflection memo with recommendations for the service redesign and business model.** This component of the assignment is strictly individual work and accounts for 10% of the course grade.

5) Incorporate the feedback in a redesign of the service offering and the business model for the re-designed service.

6) Prepare a 15-minute presentation describing the synthesis of your observations about the currently available service, each of the steps in your application of the design thinking processes, and the new business model you have developed. A hard copy of the presentation slides is due at the start of class on the day of the presentations. No late submissions will be accepted. All team members are expected to present. This component of the service redesign assignment accounts for 15% of the course grade.

Each team member's feedback interviews and reflection memos should be attached to the presentation slides and clearly identified with each individual's. The two feedback interviews and reflection memos should be individual work. They can be shared with team members to inform the final design and presentation, but should not be modified based on team feedback, comments, and examples from team.

#### Innovative Business Models Showcase

Working with your team identify a business model that you consider particularly innovative. Prepare a 15-minute presentation and a 10-page double-spaced report (up to 3 additional pages for exhibits – one per page) with the following analysis:

1. Using the Business Model Canvas, map the architecture for value creation.
2. Explain its effects on consumer demand and industry structure.
3. Identify key threats to its sustainability and long-term viability.
4. Make recommendations for its evolution.

#### Individual Final Exam

In-class closed-book final exam will require analysis of a business model and its redesign to address the potential market opportunity. The case and specific questions will be provided on the day of the officially scheduled final exam for the course.

#### **Re-grade Requests**

If you believe that I have assigned too little credit for your work, you may submit your work for a re-grade under the following restrictions. (1) All re-grade requests must be

submitted with a clear, written statement that explains why you believe the original grade was incorrect. (2) All requests for re-grades must be submitted within one week of when the graded work is returned. (3) I will re-grade the entire assignment, and may deduct points, if I have overvalued your analysis. Thus, your grade can go up or down on a re-grade.

### **Academic Integrity and Conduct**

USC seeks to maintain an optimal learning environment. General principles of academic honesty include respect for the intellectual property of others, the expectation that individual work will be submitted unless otherwise allowed by an instructor, and the obligations both to protect one's own academic work from misuse by others, as well as to avoid using another's work as one's own (plagiarism). Plagiarism – presenting someone else's ideas as your own, either verbatim or recast in your own words – is a serious academic offense with serious consequences. All students are expected to understand and abide by the principles discussed in the *SCampus*, the Student Guidebook ([www.usc.edu/scampus](http://www.usc.edu/scampus) or <http://scampus.usc.edu>). A discussion of plagiarism appears in the University Student Conduct Code (section 11.00 and Appendix A).

Students will be referred to the Office of Student Judicial Affairs and Community Standards for further review, should there be any suspicion of academic dishonesty. The Review process can be found at: <http://www.usc.edu/student-affairs/SJACS/>. Failure to adhere to the academic conduct standards set forth by these guidelines and our programs will not be tolerated by the USC Marshall community and can lead to dismissal.

Discrimination, sexual assault, and harassment are not tolerated by the university. You are encouraged to report any incidents to the *Office of Equity and Diversity* <http://equity.usc.edu/> or to the *Department of Public Safety* <http://capsnet.usc.edu/department/department-public-safety/online-forms/contact-us>. This is important for the safety of the whole USC community. Another member of the university community – such as a friend, classmate, advisor, or faculty member – can help initiate the report or can initiate the report on behalf of another person. *The Center for Women and Men* <http://engemannshc.usc.edu/cwm/> provides 24/7 confidential support, and the sexual assault resource center webpage <https://sarc.usc.edu/reporting-options/> describes reporting options and other resources.



### **Support Systems**

Students whose primary language is not English should check with the *American Language Institute* <http://dornsife.usc.edu/ali>, which sponsors courses and workshops specifically for international graduate students. *The Office of Disability Services and Programs* ([www.usc.edu/disability](http://www.usc.edu/disability)) provides certification for students with disabilities and helps arrange the relevant accommodations. If an officially declared emergency makes travel to campus infeasible, *USC Emergency Information* (<http://emergency.usc.edu/>) will provide safety and other updates, including ways in which instruction will be continued by means of blackboard, teleconferencing, and other technology.

The Office of Disability Services and Programs ([www.usc.edu/disability](http://www.usc.edu/disability)) provides certification for students with disabilities and helps arrange the relevant accommodations. Any student requesting academic accommodations based on a disability is required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP. Please be sure the letter is delivered to me (or to your TA) as early in the semester as possible. DSP is located in GFS (Grace Ford Salvatori Hall) 120 and is open 8:30 a.m.–5:00 p.m., Monday through Friday. The phone number for DSP is (213) 740-0776. Email: [ability@usc.edu](mailto:ability@usc.edu).

### **Emergency Preparedness/Course Continuity**

In case of a declared emergency if travel to campus is not feasible, the *USC Emergency Information* web site (<http://emergency.usc.edu/>) will provide safety and other information, including electronic means by which instructors will conduct class using a combination of Blackboard, teleconferencing, and other technologies.

Please make sure you can access this course in Blackboard and retrieve the course syllabus and other course materials electronically. You should check Blackboard regularly for announcements and new materials. In the event of an emergency, the ability to access Blackboard will be crucial. USC's Blackboard learning management system and support information is available at [blackboard.usc.edu](http://blackboard.usc.edu).

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**CLASS SCHEDULE**

**AVAILABLE ON BLACKBORAD FOR REGISTERED STUDENTS**