The Conceptual Framework for Innotegy

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Abstract

Despite many previous studies, there are still problems that cannot be solved in the strategy field. First of all, many researchers still fail to make a clear distinction between strategy and innovation. Some researchers consider strategy as part of innovation and vice versa. Therefore, this study proposes a framework for Innotegy to make a clear distinction between innovation and strategy. To do this, we expect that these efforts will improve not only the conceptual differences between strategy and innovation, but also the understanding of the interrelationships between these two concepts.

Keywords: Innovation; Blue Ocean Strategy; Competitive Advantage; Strategy; Innotegy.

1. Introduction

Strategy that originated from war is simply defined as “ways to win”. The art of war that can be used to implement a strategy are called tactics. The aim of strategy was to win the war. That is, there is no strategy for losing the war [1]. The concept of strategy was first introduced in management field by I. Ansoff. The goal of strategy in management field is to gain a competitive advantage [2]. There has been a growing interest in sustainability since the 1980s. In accordance with this trend, the goal of strategy has been changed from competitive advantage to ‘sustainable’ competitive advantage [3]. A strategy in management field is fundamentally different from a strategy in battlefield. In the battlefield, a strategy is ways to win specific enemy, so analysis of oneself and enemy is very important. Therefore, the participants need to form a strategy in this field are self and enemy. On the other hand, in the business field, it is needed to analyze the company and its competitors [4]. However, the success of the strategy is not simply achieved by considering competitors. The success of the strategy is ultimately determined by the customer. Thus, key participants in business area are a company, competitors, and customers to establish a strategy. Innovation is another technique that has been attracting attention for a long time along with strategy [5-6]. The origin of innovation has been started by Joseph Schumpeter. He referred the term ‘creative destruction’. Creative destruction refers to the incessant product and process innovation mechanism by which new production units replace outdated ones. It was coined by Joseph Schumpeter [7], who considered it ‘the essential fact about capitalism’. Creative destruction is the starting point of innovation.

Many researchers have conducted researches on innovation and strategy to follow the research trends at that time. Also, many researches are still continuing. However, in spite of many previous studies, there are still problems that cannot be solved. First of all, many researchers still fail to make a clear distinction between strategy and innovation. Some researchers consider strategy as part of innovation. In other studies, innovation is seen as part of a strategy. Therefore, this study proposes a framework (‘Innotegy = Innovation + Strategy’) to make a clear distinction between innovation and strategy. To do this, we hope that these efforts will improve...
not only the conceptual differences between strategy and innovation, but also the understanding of the interrelationships between these two techniques.

2. **Innotegy Framework**

The conceptual framework (hereafter called Innotegy) that clearly distinguishes and harmonizes the concepts of strategy and innovation is shown in Fig. 1. Innotegy represents a combination of innovation and strategy. The market in which competitors exist is called the red ocean. On the other hand, the market without competitors is called the blue ocean. Red ocean requires strategy, and blue ocean requires innovation. Strategy and innovation are also divided into two types depending on whether the market value is high or low.

![Figure 1. The Framework for Innotegy](image)

**2.1 Competitive Strategy**

The most common type of strategy is a competitive strategy. The prerequisite for the establishment of this strategy is the presence of competitor. If there is no competitor, the strategy itself cannot be valid because of absence of a competitor to compete with. The general strategies available in these situations are cost leadership, differentiation, and focus by Michael E. Porter [3]. On the other hand, a market without competitor is called innovation. Innovation is creating a new market without competitor. Therefore, a very new insight into market is required for innovation.

**2.2 Innovator’s Dilemma**

The Innovator’s Dilemma quadrant is related to innovation. This means that it is new market, but it’s not well known to customers. In addition, there is enough potential value in this market. The question is how to commercialize these values. Kodak, for example, invented a digital camera for the first time around the world, but Kodak failed to transform a digital camera into valuable product and eventually Kodak has faded out our memory. Products that go too far ahead of the customers’ expectation could also fail in the market. Therefore, another important factor in this market is to make customer expectations that lead to customer needs.

**2.3 Blue Ocean Strategy**

When the 'Blue Ocean Strategy' was introduced in 2005 [8], it shocked business industry all over the world. At that time, most executives have sought only to success in Red Ocean area where competitive intensity is very high [9]. The key message in blue ocean strategy is to “avoid competition”. This message was so fresh because main concerns of many companies are how to compete and accommodate with competitors. In other words, the blue ocean strategy is based on 'creation' and 'value innovation' rather than 'imitation' or 'competition'. Since then, companies as well as governments around the world have been committed to adopting the blue ocean strategy and finding new markets. However, there are many objections raised
against this strategy. Blue ocean market (low competition) will be also changed over time to the red ocean market (high competition) when blue ocean market has potential gains. So, blue ocean strategy has been criticized as a very costly challenge to many companies. Especially, in a low-growth era, finding a blue ocean can be a risky decision because competitors will flock in a flash. That is, the competition is intensifying more and more and now the red ocean is the only way to go wherever it is. Furthermore, many companies would be stronger than before through a various of competitions. In this case, the avoidance of competition does not help the company’s long-term growth. Kim and Mauborgne [5] mentioned that benefits from the blue ocean can be for about 10 or 15 years. They agree with the fact that the blue ocean market will be changed to the red ocean over time. That is, the exploited blue ocean market will not last forever.

3. Conclusions

The purpose of this study is to propose the framework (herein called Innotegy) that clearly distinguishes between strategy and innovation. The cut-off point between strategy and innovation is the presence of competitors. That is, strategies are needed in markets where competitors are present (red ocean), and innovation is needed in markets without competitors (blue ocean). Strategy and innovation are also divided into two types depending on the market value. If market value is low, the face-out strategy is required. On the other hand, if the market value is high, competitive strategy is required. Blue ocean-based innovation is required in mature markets where customers are naturally ready to accept without the objection to the products/services companies offer. On the other hand, innovator dilemma is required in immature markets where customers are not yet ready to accept new products/services.

References