

BA Leadership and Management skills for the Workplace
Module: Developing Innovation and Creativity for Business
Advantage
BMSW6102

Assignment title: Innovation Strategy for Business
Advantage



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Executive summary

The purpose of this report is to present a formal business report of successful innovation strategy for PIZZA HUT delivery. This report was compiled by the employee of the organisation. As the employee has noticed that there are innovation opportunities within the organisation, this report was highly requested by the manager. This will help the manager understand the importance of innovation and capitalising on innovation opportunities will provide the organisation with a business advantage.

The employee conducted a SWOT analysis and various innovation models and identified the proposed opportunity which is the incremental business model innovation. Further this report will draw conclusion and offer recommendation to implement an innovation strategy.

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1.0- Introduction

This report was requested by the manager of the local organisation. The purpose of the report is to provide an innovation opportunity for a local organisation. By providing successful innovation strategy that will guide the employer to understand the importance of innovation and take advantage of innovation opportunities that will provide the organisation with a Business Advantage.

1.1 Brief introduction of PIZZA HUT delivery

The local PIZZA HUT delivery is based in 1315 Neath road in Swansea. The products they offer are popular pizzas, sides, dips, desserts, and beverages. There is only delivery and collection option and online app for delivery via the just eat app. The opening time and closing times start from 12-00 to 23-00 pm seven days a week. Also, the food hygiene rating is 5. A good, fun working environment with great customer service.

The PIZZA HUT was founded by Frank and Dan Carney in 1958, Wichita, USA. Later in 1973 first PIZZA HUT was opened in London, since then PIZZA HUT expanded globally. PIZZA HUT is continuously trying to develop innovative products and improve product lines.

1.2.1 Definitions of innovation

Trott (2017) stated that, "innovation is the management of all activities involved in the process of idea generation, technology development, manufacturing, and marketing of a new (or improved) product or manufacturing process or equipment".

On the other hand, Drucker (2002), defines innovation as a real work which could and should be handled in the same manner as any other organisational function. However, it is not same thing as other corporate practises. Innovation is the job of learning more than doing.

1.3.1. The importance of innovation in a Business context

Innovation is important for all organisations. To remain competitive in the market, businesses need to adapt to change and identify new opportunities. This will gain competitive advantage by creating new products and services for customers.

Innovation also can help create innovative ideas by developing a positive, optimistic mindset for innovator to take chances and get things done. It will easily grow when a company has an innovative culture (Henderson,2017).

1.4.1 Definition of creativity

McClean (2009) defines creativity as, "The production of novel and useful ideas by an individual or small group of individuals working together".

Also, there are many ways of describing creativity for example, it also means, the desire or ambition and the ability to create something, also inventiveness and imagination.

1.5.1 the importance of creativity in an organizational context

Creativity is a crucial element to consider in developing a workplace that workers appreciate and are encouraged to create. Establishing a creative environment is a perfect way to create a sense of connection and indulge in creative passion (Gordon, 2018). By addition offering new experiences, services and creating new products to gain competitive advantage for successful businesses.

In business world, innovation and creativity are interrelated. As majority of people believe that you must be creative to create innovative things. Also, some people would believe that, without innovative thinking there is no creativity. Both points of view are logical, however there is distinction between them. According to Gregerson (INSEAD,2011), 25 % of innovation capacity is in our DNA. People are born creativity skills, that is nurtured and developed continuously

1.6.1 The differences between Innovation and Creativity

Innovation is defined as a process that turns new concepts into value-added goods, services, or processes in the business world. The consequence of such a transition may be radical, evolutionary, or incremental in its effect on the status quo (Smart storming,2018).

Whereas Creativity, is most often described as the mental ability to visualize mentally new, or unique ideas, to see the new link between different or unrelated things. However, the relationship between innovation, and creativity and the dependencies, is vital for business success (Business insider, 2013).

There are several factors that can limit innovation in businesses such as organisational structure and culture, technological Limitations, knowledge management and environmental barriers (Pradyumn,202).

2.1 SWOT analysis of Pizza Hut

Definition of SWOT analysis

SWOT is acronym for strengths, weaknesses, opportunities, and threats

A SWOT analysis is a framework for assessing fours aspects for all business. To minimise any risks and identify possible factors that will lead to success for the organisation. The benefits of SWOT analysis include, is easy and simple method, no cost involved. It focusses on the most important aspect affecting organisations (Mindtool, 2020).

However, there are limitations, because for complex issues, the organisations need to construct more analysis and in-depth research to make final decision. A SWOT analysis has been applied on the organisation and identified the innovation opportunities (refer to appendix 1). The opportunities identified those include, to create a diverse dietary requirement for the diverse multicultural costumers, small changes in their menu, introduce a halal, and healthy options. Furthermore, customize pizza size in rectangular size. As some popular high street chain such as the Nando and Subways, serve halal meat in the UK. According to the online INEWS (2018), the foods served at PIZZA HUT are not halal certified in UK and Ireland.

2.2 Types of innovations

Davilia et al (2012), suggest that there are four types of innovations:

1. Business model innovation
2. Technology innovation
3. Incremental innovation
4. Radical innovation

The Innovation Matrix is a simple tool, that structures innovation management and strategy for all sizes of organizations, and institutes, or social establishment, and professionals. This tool will assist in managing innovation and building strategy (Al- Tameemi et al,2018).

By utilizing innovation matrix, it can improve organisational goals and identify where resources and skills are needed. Also, organisations can explore opportunities that will support their innovation strategy.

This framework delivers a powerful step to manage decisions about innovations. As Davilia et al, (2012), mentioned “how you innovate affects what you innovate, understanding the nature of the change required is vital so that innovation effort can be managed, funded, and resourced appropriately”.

The innovation matrix has been applied to the organisation and identified that it would be Business model innovation for PIZZA HUT and the change will incremental because they need to innovate the menu (appendix 2).

2.3.1. open and closed innovation models

The open innovation model was created by an American organizational theorist, Henry Williams Chesbrough in 2003. he defined open innovation as, “the use of purposive inflows and outflows of knowledge to accelerate internal innovation, and expand the markets for external use of innovation, respectively” (Chesbrough, 2011).

Therefore, the purpose of open innovation model is to utilise external ideas as well as internal ideas for the external market paths to progress the development of new technologies (Open Innovation, 2020).

2.3.2 Advantages/disadvantages of open innovation

Open innovation reduces research cost, it increases differentiation in the market and creates new revenue streams also provides new opportunities to achieving success and entering to new markets.

According to Vanhaverbeke et al (2008), open innovation strategy allows organisations to have opportunity to reach a broader variety of technology and business opportunities is of financial benefit, because there may be more diverse opportunities, some of which may be contrary to opportunities perceived internally.

However, there are disadvantages of open innovation which includes, possibility of disclosure of documents not meant for sharing also businesses can lose competitive advantage because of the disclosure of intellectual property and, increased complexity of controlling innovation and regulating the impact of contributors on the project.

Furthermore, technical, and structural barriers for open innovation. The most challenging part is how to execute the open innovation to start off a project. There are other negative factors such as diminishing returns of cost of opportunity, Lack of commitment, Lack of process and ideas not created or incorporated (Kylliäinen,2018).

There are successful companies that adopted open innovation method such as Google. According to Copeland (CNN, Business 2010), Google uses external research and development to produce unique products which includes, android model, and Google apps etc.

Closed innovation is based on the perception that innovation is created by businesses themselves (Francis, 2018). The process of innovation takes place within the organisation from the generation of ideas to development and marketing

The differentiation between open innovation and closed innovation is defined by the way where its innovation is produced. Whereas in a self-contained business environment a closed innovation is created, open Innovation integrates external expertise in innovation management (Francis, 2018).

The drawbacks of closed innovation include, large-scale investment in the production of internal research and development teams, a lengthy innovation cycle, high licensing costs, restricted marketing research and increased risks for businesses during their innovation phase (Francis, 2018).

However, there are successful companies adopted closed innovation method which includes, Apple. Apple is a popular branded company that delivers unique products and services to customers. (Appendix 3).

The employee applied the open/close innovation model and identified that the organisation will be adopting the open innovation. The organisation will be looking at competitors in the marketplace and comparing with their products and services and generate ideas for the improvement of products. By conducting external market research, evaluating strengths and weaknesses of competitors, to stay ahead of them.

2.3.2 The innovation process model

The innovation process involves the following steps that systematically structures and implements the establishment of innovative products, services, and business models (Ward,2019).

A structured innovation model will help the organisations through challenges and take the innovation critically.

The advantages of this model are that it runs in logical order, and well structured. Creates urgency for innovation and the change and the innovation does not hinder other processes. Also improves productivity and quality – By focusing on a standardised innovation process, you improve efficiency and the innovation results are more likely to be made available on the market (Luenendonk,2019).

On the other hand there are disadvantages and limitations of this model which includes, too much emphasis on the original idea, source of innovation is necessary at the beginning and it is not clear, what type of innovation it is looking at. Important aspects are missing from the model such as feedback loop and creativity, these factors should be incorporated to strengthen the model.

Tidd and Bessant (2018) four stages of the innovation process model (Appendix 4)

1. Recognising the opportunity- to stay competitive in the intense pizza chain, the organisation needs to innovate their products by innovating their menu.

2. Finding the resources- the resources they will need includes, human resources, to find new staffs. Physical resources, equipment for storage and new supplier. Financial resources, patents, copy rights and customer database.

3. Developing the venture/idea- planning includes the goals, target market, the organisations target market is middles class and families. Hiring right staffs, funding, and operations. The execution phase involving the marketing activities such as distribution leaflets/flyers, posters on shop window, posters on billboards, advertising online website and social media with special offers and discounts. Also set up a small stall to promote free tasters.

The benefits of developing the venture is to retain loyal customers and attract new customers from diverse background. As there are large Muslim community in Hafod area.

4. capturing value

- by providing excellent customer service, to offer high quality foods to customers, highest value for money. Regular monitoring and evaluation of customers preferences by using the CRM system. This will allow managers understand customers behaviours and offer special offers, discounts, and promotions to existing customers, this will attract more customers, as customers will be satisfied and recommend to family/friends.
- Continual diversification of their pizza in line with culture, people, and regional values.
- Distribution of brochures, and ad in magazines
- Online questionnaires/surveys to customers
- Book for pre-order online and over phone, this will keep customers satisfied.

The benefits of capturing the value includes, increased customer base, customers' demands are met, increased probability and growth, increase in fast food market share and to retain competitive edge of innovation.

2.3.3 The 4ps innovation model

The innovation mix or 4 Ps was created by John Bessant and Joe Tidd. The 4Ps of Innovation is a framework tool that can be utilised to analyse the innovation space and discovers the direction of innovation and focus the resources to it.

The 4ps stand for product, process, position, and Paradigm (Agola & Hunter, 2016).

Every organisation should be innovative in all these all these 4 areas, to gain competitive advantage in the long run.

The benefit of the four dimensions of the innovation model is that it reveals four aspects and enables us to be mindful of how progress and change affect each other. In addition, the continuum from incremental to radical is a simple method for evaluating one 's position and serves as a strong starting point for beginning the process of thinking about possible improvements in the current way of business. Such developments could eventually contribute to the new way of doing business and the implications (Agola & Hunter, 2016).

Criticism to the model is that they can overlap each other. Also, this model does not include the decision-making process for new products as traditionally practiced by organisations. The decision-making process is crucial as it has direct impact product cost and quality (Goldkuhl & Lagsten, 2014).

The employee has applied the 4ps innovation to the organisation. And identified that it would be product innovation and position innovation for the organisation.

Product/service innovation

It will be incremental change as they will offer Halal ingredients, halal meat, toppings, and healthy options for vegans such as custom-made pizzas and introduce new rectangular pizza size.

Position innovation- incremental change

This innovation will attract customers from diverse cultural background. PIZZA HUT has always been No 1 pizza chain because of their innovative products which provides great value to their customers. In last few years pizza hut been taken away by other competitors offering customers pizza at lower prices. (Appendix 5).

The benefits of product innovation

There are several benefits for the organisation such as, gaining competitive advantage, products are differentiated from business, brand switching – successful product innovation will attract customers from their competitors' brand.

According to Reguia, (2014) Innovative companies have a greater global market share, higher demand price, higher productivity, and higher market valuation.

Disadvantage of product innovation

Business owners can run out of funds if they invest large amount and do not get new product to market timely, resources can be wasted if the product does not sell, Risk of Ruining reputation of business, if the new product is not good quality and evolving markets, by the time the product is launched the consumers interest have already change (Gardenstein, 2019).

2.4 Assessment of the Effectiveness – Lewin's Force Field Analysis

Force Field Analysis was developed by psychologist Kurt Lewin in the 1940s. Kurt Lewin's Force Field Analysis is a powerful strategic tool used to understand what is needed for change in both corporate and individual environments (Mindtools, 2020).

One of the main benefits of a force field study is that it offers a visual overview of all the different variables that encourage and oppose a specific proposal, with all the data gathered on a possible decision condensed into a single graph. In addition, force field research also broadens the assessment beyond the data. It considers the psychological factors that could influence the success or failure of the decision being analysed (Brent, 2018).

Force field research requires the full involvement of those concerned to provide the reliable information needed for an effective analysis. It could be a drawback if full participation is not available, engaging in an analysis that does not have a clear image of the supporting and opposing forces (Brent, 2018).

Another drawback is the probability that the analysis does not result in an agreement between the parties. In addition, a force field analysis will cause a conflict within the community among those who agree with the decision or those who criticise it.

The employee has conducted force field analysis and identified that the forces for the propose change is stronger than the forces resisting change. This indicates that the organisation can move forward with change. The forces for change include customers want new product, new taste, enough funds, attract new customers, increased profitability, revenues, increased customer base. The forces resisting change such as, hire a new staff which means training and development costs, new supplier, and high cost. However, there will be barriers and risks that needs to be minimized before going through the change (refer to appendix 6).

2.4.1 Barriers and risk

The barriers and risks involved such as not having an innovative culture at the workplace, lack of systematic innovation process ,lack of awareness and contact with customers, the business, and the industry and lack of information, vision, and guidance on the part of management and leadership (Filguenrias , 2013).

3.0 Conclusion

This report has been conducted by the employee of Pizza Hut delivery, on request by the management of the company. The request is to present a business report of a successful business strategy. It had been found that PIZZA HUT delivery has good technology system with relevant delivery apps. However, they are lacking in innovating their products/services.

The innovation for their product has been influenced by the social and economic factors. The employee conducted a SWOT analysis and identified the innovation opportunities. In this research various models of innovation have been applied to the organisation. From the analysis of the applications, it has been identified by the employee that it is an incremental business model innovation. The employee discovered that PIZZA HUT adopted an open innovation method, as they engage in external research and development to improve their products/services and to stay ahead of competitors. The organisation is effectively monitoring and evaluating obstacles. The application of each model has supported the employee to evaluate the strengths and weakness and how they can improve by implementing an innovation strategy.

4.0 - Recommendations

The organisation needs to start marketing/advertising their products on social media, Facebook and online website. Also, they need to engage with customers and local community through surveys/questionnaire, to understand what their target consumers need, behaviour expectation this can invite loyalty and deliver long-term returns. This will enable them to focus and improve decision making process and start the innovation process. The employee has developed an innovation process (refer to 2.3.3), the employee recommends that the manager apply that strategy.

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Appendix 1 SWOT analysis of PIZZA HUT delivery

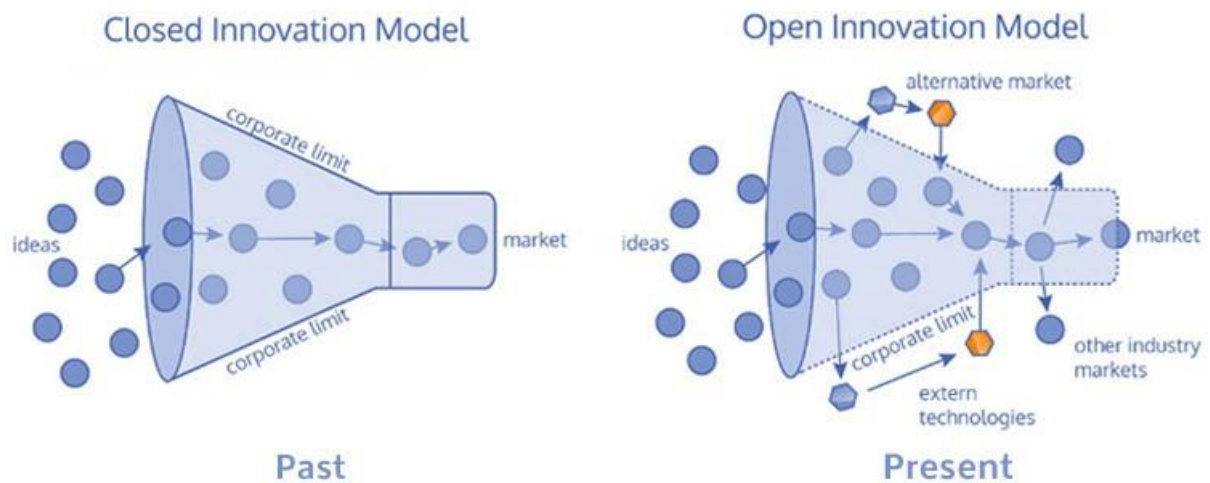
<u>Strengths</u> • <u>Strong brand recognition</u> • <u>Food of high quality</u> • <u>Innovative ranges, apart from pizza they also offer BBQ chicken and pasta.</u> • <u>Awarded for food hygiene rating of 5 in 2019 by Swansea council</u> • <u>Hut reward- online pizza hut delivery loyalty programme</u> • <u>Introduced new online delivery speed guarantee</u> • <u>Add Special offers</u> • <u>Online website, delivery apps just eat, Deliveroo and uber</u>	<u>Weaknesses</u> • <u>Delivery times takes longer than usual, customers feedback</u> • <u>Lack of innovation -no vegan or halal food</u> • <u>Pizzas high price in comparison to competitors</u> • <u>More focused on western taste</u> • <u>Busy commercial road</u> • <u>No delivery to some local areas</u>
<u>Opportunities</u> • <u>Make changes to the menu</u> • <u>Create a diverse dietary requirement for the diverse</u> • <u>Multicultural population</u> • <u>Include halal food options and</u> • <u>Healthy food</u> • <u>Customize pizza size into rectangular shape</u>	<u>Threats</u> • <u>High competitors such as papa johns, domino pizza, pizza express and McDonalds.</u> • <u>This can see as threat to pizza hut</u> • <u>Location in commercial road that also can be a threat as there many takeaways and pizza shops offering with lower price.</u>

Appendix 2 innovation matrix

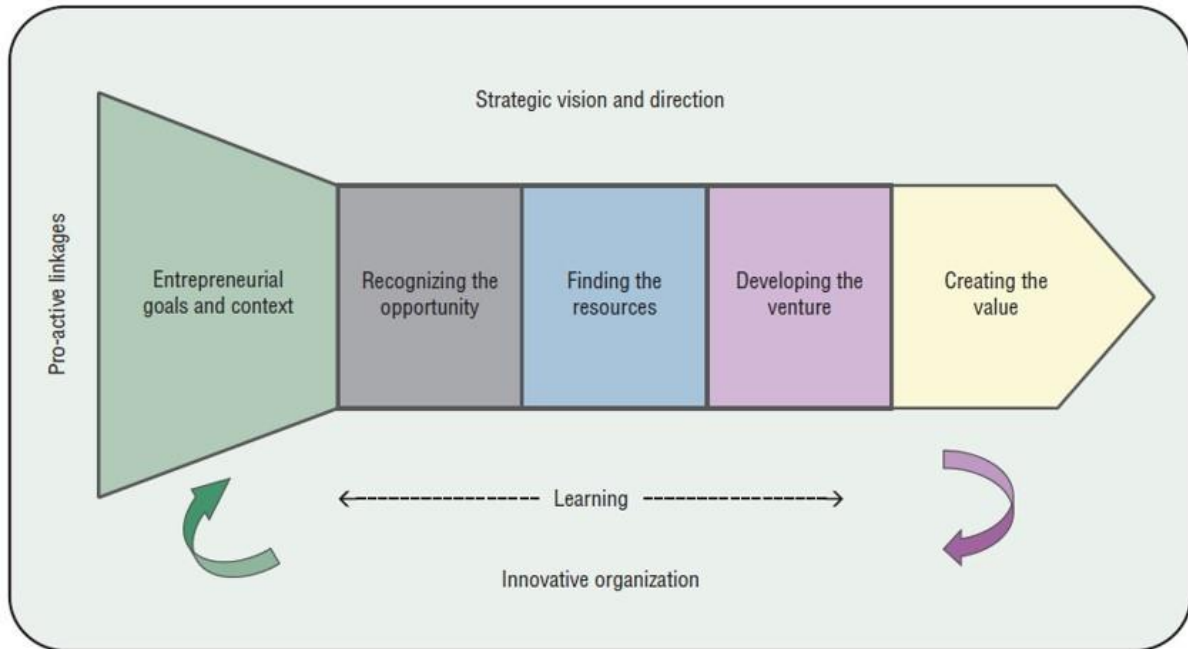
Technology Change	New	Semi-Radical	Radical
	Near to the Existing	Incremental	Semi-Radical
		Near to the Existing	New
		Business Model Change	

Figure 1

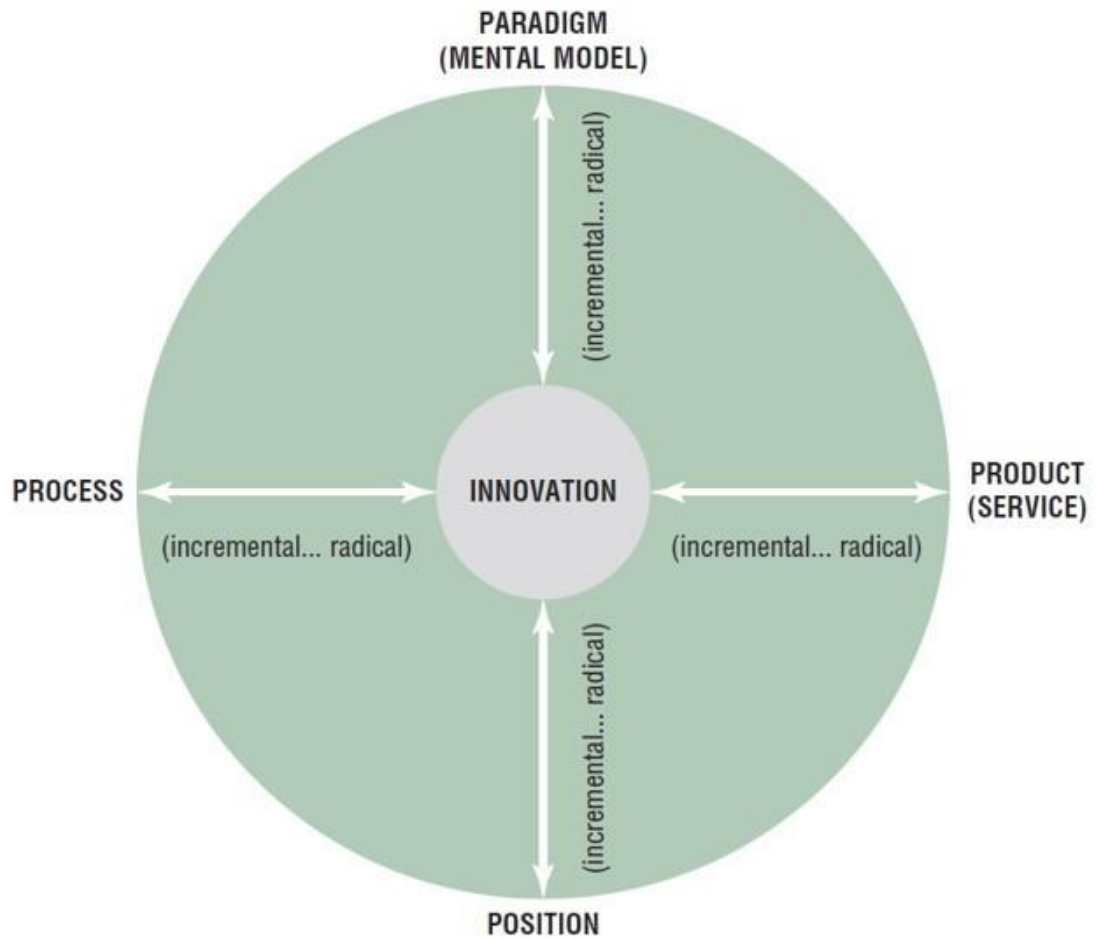
Appendix 3 open/close innovation model



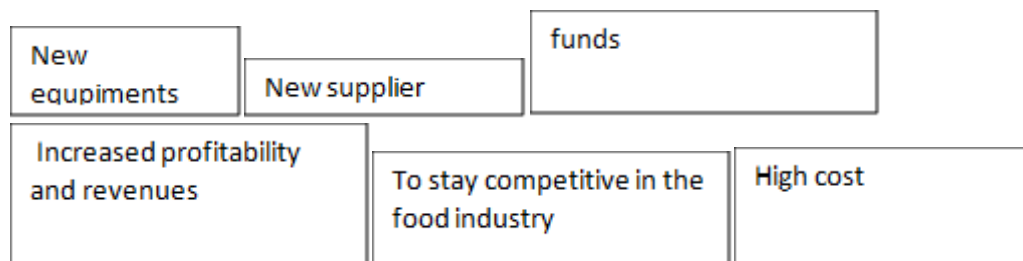
Appendix 4 the innovation process model



Appendix 5 – 4ps of innovation



Appendix 6 Force field analysis



Hire a new staff,
training, and
development

