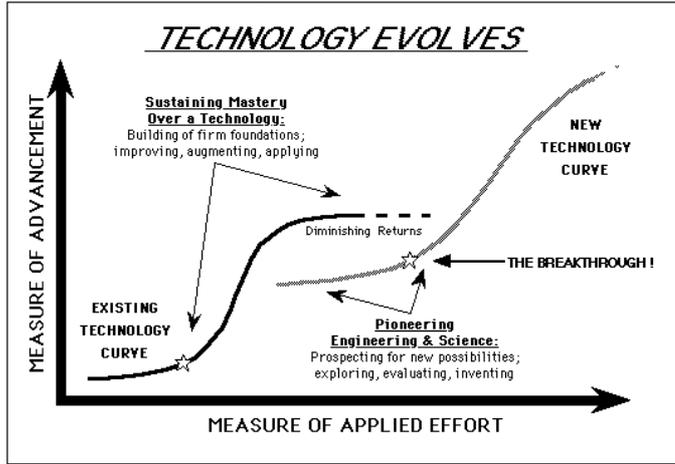


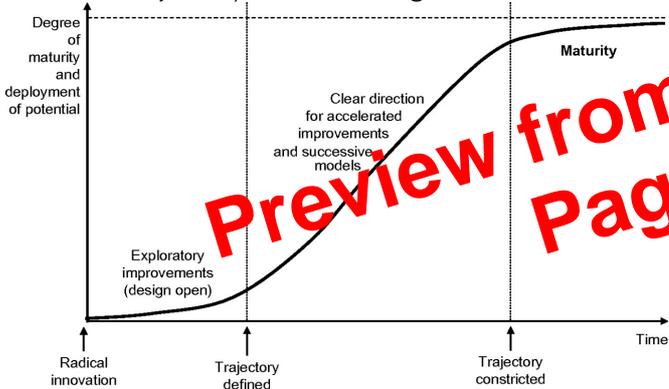
Managing for the Long Run

S-curve in Technology

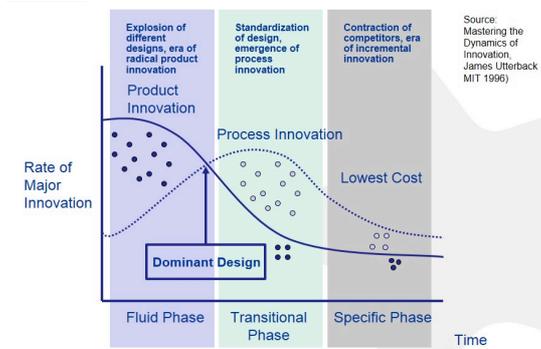


x axis—R&D, cost of development, working hard
 y-axis—performance, improvement achieved
 Who is shifting the S-Curve? Start-ups (new ones)
 Established firms: • no incentive to introduce new technology (lower performance, existing consumer base, lower margin etc.) • Investments in existing technologies • Products based on the new technology cannibalizes established firm's sales (extra cost and no extra revenue) • Do incremental changed once threat comes • Organizational obstacles when changing the core technology

The Life Trajectory of Technological Revolution



3 Stages of Innovation: Utterback-Abemathy Dynamic Model



Fluid phase (b4 establishment of DD): start-ups have lower entry barriers; can operate on small scale; can operate w/o adopting the same design as established firms

Red Ocean vs. Blue Ocean Strategy

Red Ocean Strategy	VS	Blue Ocean Strategy
Compete in existing market space		Create uncontested market space
Beat the competition		Make the competition irrelevant
Exploit existing demand		Create and capture new demand
Make the value-cost trade-off		Break the value-cost trade-off
Align the whole system of a firm's activities with its strategic choice of differentiation or low cost		Align the whole system of a firm's activities in pursuit of differentiation and low cost

(1) 6 Path Framework to get to Blue Ocean Strategy

- cape Look across alternative industries
- cape Look across strategic groups within industries
- cape Look across the chain of buyers
- cape Look across complementary products & services
- cape Look across functional vs. emotional appeal
- cape Look across time

(2) Cost of Selling Buyer Value = Value Innovation

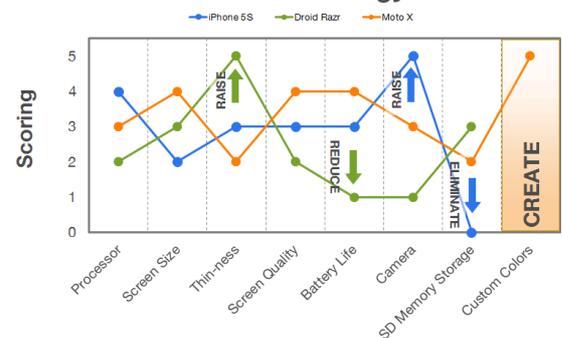
(3) Four Actions Framework: ERRC

Four Action Framework

The Case of Cirque du Soleil (A Circus Company)

Eliminate <ul style="list-style-type: none"> Star performers Animal shows Aisle concession sales Multiple show arenas 	Reduce <ul style="list-style-type: none"> Fun and humor Thrill and danger
Create <ul style="list-style-type: none"> Theme Refined environment Multiple productions Artistic music and dance 	Raise <ul style="list-style-type: none"> Unique venue

Blue Ocean Strategy Canvas



THE INNOVATIVE MANAGER

Factors of Competition