Strategic Innovation

Asymmetries and Innovation Theory
Flow of Seminar

1. Ideas and Customers
2. Tools and Methods
3. Business Design Assessment
4. Innovation Capability Assessment
5. Action Plan
Module Objectives

- Understand and list the two key types of asymmetries, and how they work in innovation.
- Understand and list the RPV Theory of Innovation.
- Understand how asymmetries and the RPV theory can help you define and create your own innovative product, service, or business model, and hinder your competition at the same time.
- Create and construct a first draft of how asymmetries and RPV theory could help you create a successful innovative business model, product, or service.
The two key Asymmetries of Innovation are the Asymmetry of Motivation and the Asymmetry of Skills. These asymmetries imply that the absence of motivation and/or the lack of skills may suggest an opportunity for innovative products and services.

**Asymmetry of Motivation** : When new entrants produce a disruptive innovation, incumbents are initially motivated to ignore the disruption as it usually occurs in a market, or with a customer set, that is unattractive (or non-existent) to the incumbent.

**Asymmetry of Skills** : When new entrants produce a disruptive innovation, incumbents - over time - realize that they do not have the requisite skills to compete effectively with the new entrant.
Strategists need to consider how asymmetries are related to theories of innovation and implications for value creation and capture.

Asymmetries are the result of the ..... 

....... Resources, Processes, and Values Theory (RPV Theory)

RPV Theory asserts that: A company’s strengths and weaknesses are best described by its’ resources, processes, and values.

Resources = what a company has, or has access to
Processes = how a firm does its’ work
Values = what a firm wants to do and how workers make prioritized decisions

Source: Seeing What’s Next, Clayton Christensen et al
How do the asymmetries work in innovation?

**RPV Theory**: A company’s strengths and weaknesses are best described by its’ resources, processes, and values.

**Resources**
- People (skills)
- Products
- Technology
- Equipment
- Cash
- Brand
- Information
- Channels

**Processes**
- Hiring
- Training
- Manufacturing
- Market research
- Planning and budgeting
- Sales and distribution
- Finance

**Values**
- Cost structure
- P+L
- Size of opportunities
- Customer demands
- Prioritization

Source: *Seeing What’s Next*, Clayton Christensen et al
Examples of asymmetries at work in innovation

RPV Theory:
A company’s strengths and weaknesses are best described by its’ resources, processes, and values

AT&T and Western Union

Source: *Seeing What’s Next*, Clayton Christensen et al
Additional examples of asymmetries at work in innovation

**RPV Theory:**
A company’s strengths and weaknesses are best described by its’ resources, processes, and values

<table>
<thead>
<tr>
<th>Resources</th>
<th>Values</th>
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<tbody>
<tr>
<td>People</td>
<td>Cost structure</td>
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<td>P+L</td>
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<td>Information</td>
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**Microsoft and Linux**

**Processes**
- Hiring
- Training
- Manufacturing
- Market research
- Planning and budgeting
- Sales and distribution

Source: *Seeing What’s Next*, Clayton Christensen et al
The Motivation/Skills (Ability) Framework also implies the role government could play and subsequent impact on competitive environment and overall health of associated ecosystem.

Source: *Seeing What’s Next*, Clayton Christensen et al
Let’s take a moment to examine your organization’s existing RPV framework regarding your innovation relative to a traditional competitor, an innovative competitor and the government.

**Asymmetries and Innovation Theory Activity:**

- Identify and record the key **Resources, Processes and Values (RPV)** that will make up your company’s support of your new idea. Think about the RPV weaknesses and strengths for this new idea.

- Identify one key traditional competitor and record the key **Resources, Processes, and Values** available to them. Think about what they lack in RPV, i.e., their weaknesses vs. your new idea.

- Are asymmetries present? Do they help or hinder your idea?

- Finally, how does (or could) government, or other entities, impact your innovation?

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**Timing:**

- Preparation 30 minutes
- Workshop discussion 15 minutes
## RPV Worksheet - Comparing your new idea, your company, and your competitors

<table>
<thead>
<tr>
<th>Companies</th>
<th>Key Resources</th>
<th>Key Processes</th>
<th>Key Values</th>
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<tbody>
<tr>
<td>Your Organization</td>
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<tr>
<td>What do you lack +/- your weaknesses?</td>
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<tr>
<td>Most Innovative Competitor</td>
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<td>What do they lack +/- their weaknesses?</td>
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<td>Toughest Traditional Competitor</td>
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## Asymmetries Assessment

<table>
<thead>
<tr>
<th>Asymmetry of Skills</th>
<th>You vs. Most Innovative Competitor</th>
<th>You vs. Toughest Traditional Competitor</th>
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<tbody>
<tr>
<td>Advantage or disadvantage for you, and why?</td>
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<table>
<thead>
<tr>
<th>Asymmetry of Motivation</th>
<th>You vs. Most Innovative Competitor</th>
<th>You vs. Toughest Traditional Competitor</th>
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<tbody>
<tr>
<td>Advantage or disadvantage for you, and why?</td>
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Motivation/Skills (ability) Framework - Government Assessment

Notes relative to the role of government and other market forces and their future potential impact in the relevant framework: