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Unit

# 1

## Corporate Innovation

### In this unit you will learn

#### □ Language Skills

Reading: Apple Sends a New Signal to Consumers; Products and Services: Innovation Matters

Writing: Summary Writing

Translation: Google's Advertising Program

Vocabulary: Corporate Innovation

#### □ Business Focus

- The Significance of Innovation to the Success of a Business in a Changing Marketplace
- General Knowledge of Corporate Innovation

#### □ Business Skills

Brainstorming

*“Every organization — not just business — needs one core competence: innovation.”*

— Peter Drucker

*“The world is changing very fast. Big will not beat small anymore. It will be the fast beating the slow.”*

— Rupert Murdoch



## Section I Opening Case

### Text A



### Apple Sends a New Signal to Consumers

Apple isn't Apple Computer any more. It's still a computer company, but the CEO Steve Jobs and other top executives want the world to know it's far more than that. So its name is now Apple Inc., signaling a new direction for the firm. The name change coincides with the launch of the **iPhone**<sup>\*</sup>, which offers users a full-featured cell phone bolstered by music capabilities and a 3.5-inch video screen for playing movies and television shows. "I don't want people to think of this as a computer," says Jobs. "I think of it as reinventing the phone."

But the iPhone is much more than a communications device. It represents Jobs' idea of technology convergence, integrating multiple media into a single product. The widescreen **iPod**<sup>\*</sup>, new mobile phone, and revolutionary Internet communications device are all rolled into one iPhone. "These are not three separate devices," said Jobs at the presentation introducing the iPhone. By renaming itself, Apple demonstrates that it intends to lead the charge into the next era of digital communications. "When you see the Apple name change, it's clear computers are everywhere now," observes a certified Apple consultant. "It's not just a phone or computer. It's the same thing. They've come together."

But to be successful, the iPhone has to be unique for consumers — to continue the firm's legacy of innovation. Apple's goal is to capture 1 percent of the smartphone market in one year, which means it will have to sell 10 million phones right out of the gate. Jobs believes his firm can achieve that objective. "We're going to enter a very competitive market," he admits. "We think we're going to have the best product in the world." Apple says the iPhone has a large screen, switches smoothly between programs, and integrates easily with the firm's **iTunes**<sup>\*</sup> music software — all of which set it above potential competitors. If the iPhone attracts users the way its predecessor, the iPod,

has, it will secure Apple's position in the marketplace. Because of the iPod, portable CD players are nearly a relic of the past. And cell phones are a daily necessity for many consumers. The combination of the two — with the added feature of video — likely will become the next must-have, even at the price of \$500 to \$600 for a phone and two-year contract with **Cingular**\*.

Even before the launch of the iPhone, Apple reported a record-breaking \$1 billion profit during the final quarter of one year. The firm sold 1.6 million **iMac**\* computers and 21 million iPods during that period. Consumers are obviously interested in Apple's unique offerings, but will they snap up the new iPhone?

(From *Contemporary Business*, by Louis E. Boone.)

#### Notes:

- 1 iPhone: Apple's first Internet-enabled smartphone. It combines the features of a mobile phone, wireless Internet device, and iPod into one package.
- 2 iPod: a portable media player designed and marketed by Apple and launched on October 23, 2001.
- 3 iTunes: a proprietary digital media player application, used for playing and organizing digital music and video files. The application is also an interface to manage the contents on Apple's popular iPod and other digital media players such as the iPhone and iPad.
- 4 Cingular: the second largest mobile phone carrier in the United States formed in 2001 as a joint venture of SBC Communications (now AT&T) and BellSouth.
- 5 iMac: a range of all-in-one Macintosh desktop computers designed and built by Apple Inc. It has been the primary part of Apple's consumer desktop offerings since its introduction in 1998, and has evolved through four distinct forms.

### Questions for Critical Thinking

- 1 With iPhone, Apple combined innovative hardware features with the world's most advanced mobile operating system to redefine what a mobile phone can do. What special features do you know about iPhone?
- 2 By renaming itself, Apple sent a new signal to consumers. What is it? What do you think made Apple develop toward a new direction?
- 3 In what ways do you think Apple has already gained an advantage over its competitors? How can the firm maintain this advantage?
- 4 Do you think Jobs' idea of convergence — integrating different technologies in a single product — represents the future for firms like Apple? Why or why not?



## Section II Related Theories

Innovation is the result of bringing to life a new way to solve the customer's problems that benefits both the customer and the sponsoring company. It is at the heart of discussions about competitiveness and sustainable success.

### **Innovation Defined**

Innovation is a process by which an idea or invention is translated into a good or service for which people will pay. To be called an innovation, an idea must be replicable at an economical cost and must satisfy a specific need. Innovation involves deliberate application of information, imagination, and initiative in deriving greater or different values from resources, and encompasses all processes by which new ideas are generated and converted into useful products. In business, innovation results often from the application of a scientific or technical idea in decreasing the gap between the needs or expectations of the customers and the performance of a firm's products.

### **Why Innovate?**

Innovation is a process of taking new ideas through to satisfied customers. It is the conversion of new knowledge into new products and services. Innovation is about creating value and increasing efficiency, and therefore growing your business. With many markets becoming more and more competitive as a result of new competitors from global or deregulated markets, those who innovate best will win in the future.

To remain competitive, today's companies need to do more than simply deliver products or services that are better or cheaper than those of their rivals. They must also add features, improve performance, and reduce prices more quickly. They must be faster to launch new lines. To grow, they may need to create entirely new markets and develop venture strategies. Without innovation, new products, new services, and new business models would never emerge, and most organizations would be forever stuck doing the same old things the same old way.

### **Kinds of Innovations**

Corporate innovation can be divided into four categories:

- Customer-oriented innovation
- Product innovation
- Process innovation
- Strategic innovation

Customer oriented innovation refers to all aspects of corporate-customer interaction, including: marketing, sales, delivery, customer service and everything in between. It focuses on how to better

serve your customers. Nowadays, as there is less and less to differentiate one product from another, customer oriented innovation is one area where your firm can demonstrate a real lead over the competition.

Product innovation is the development of new products, changes in design of established products, or use of new materials or components in the manufacture of established products. Product innovation can be divided into two categories of innovation: development of new products, and improvement of existing products.

Process innovation changes the way a given good is produced within the firm or across a supply chain, or makes internal processes that allow the company to run more efficient.

Strategic innovation is rare because it is about fundamental changes in how a company operates. And in a large company, that is about the most difficult task of all. Strategic innovation requires an innovative CEO with vision and determination. For example, Jack Welch transformed GE from an old fashioned American industrial company into a powerful global services company.

Quite often, the innovation turns out to be a mix of all of four kinds of innovations, as with the case of the introduction of a new product that require new productive competences and changes in the organization. Furthermore, what is a product innovation for a supplier can be a process innovation for a user, as with the case of a new machine which revolutionizes the process of manufacturing.



## Section III Case Study

### Text B



## Products and Services: Innovation Matters — A Case Study of Google Inc.

### Company Background

Google Inc. is a multinational public cloud computing\* and Internet search

technologies corporation.

Google began in January 1996 as a research project by Larry Page and Sergey Brin when they were both PhD students at Stanford University in California. Two years later, Google Inc. was founded. In 2004, Google went public in an unconventional initial offering at \$85 per share, raising nearly \$2 billion in the largest technology IPO\* ever. Today, Google is a top web property in all major global markets with a market cap of more than \$160 billion. Headquartered in Silicon Valley\* with offices throughout North America, Europe, and Asia, Google hosts and develops a number of Internet-based services and products. Millions of people use them daily in more than 100 languages and have come to regard Google and the Internet as one. People have come to rely so heavily on Google that they cannot imagine how they ever lived without it.

### **Products and Services**

Google is a company that owns an impressive number of products from multiple categories. First and foremost, Google is a search engine. Throughout its brief history, Google has focused on developing the “perfect search engine” by combining overall importance and query-specific relevance to present search results. There are more than a hundred Google services & products and some useful ones are little-known. In addition to its dominant search engine, Google offers many tools and platforms including its more popular products. Generally, Google’s products and services are broken down into ten categories: Search, Advertising, Communication & Publishing, Location, Personal Productivity, Online Shopping, Business Solutions, Mobile, Development and Social Responsibility.

Presented below are just part of Google’s most favorite products and services.

- Google Search is regarded as one of the best search engines on the Internet because it provides an impressive amount of information from numerous websites in the entire world.
- Image Search is one of the most comprehensive image searches on the web, allowing you to find pictures from the websites located on the entire Internet.
- Google News is one of the most popular sources of information on the Internet because it receives news and latest headlines from almost 4 500 publications from the entire world.
- AdSense is one of the most attracting services provided by Google because it allows users to earn money quickly and easily by placing ads on their websites. Many websites use AdSense to monetize their content.
- Google AdWords offers pay-per-click\* (PPC) advertising, and site-targeted advertising for both text and banner ads for a specific keyword. With Google AdWords, you can create and run ads for your business, quickly and simply.
- Gmail is a new kind of webmail, built on the idea that email can be more

intuitive, efficient, and useful.

- Blogger is a free blog publishing tool for easily sharing your thoughts with the world.
- YouTube is a leader of the online video services that allows you to upload, share and comment videos with friends or other members of the community.
- Google Maps is probably the most popular solution in its category, allowing users to view maps and other imagery captured directly from the satellites.
- Docs & Spreadsheets is a free, web-based word processor, spreadsheet, presentation, form, and data storage service offered by Google. It allows users to create and edit documents online while collaborating in real time with other users.

### Powering the Google Engine: Innovation Is Key

Google is renowned for its innovation chops. The company consistently ranks among the Top 2 most innovative companies in the annual survey of *Business Week*.

## Business Week

2009 Rank	2008 Rank	Company	Known for its Most Innovative (% who think so)
1	1	Apple	Product (47%)
2	2	Google	Customer Experience (26%)
3	3	Toyota Motor	Process (35%)

Google is unique in today's bifurcated world of sophisticated software and hardware companies because it is a leader in both areas. To power its search and search-related services, Google runs patented, custom-designed programs on hundreds of thousands of machines that it also custom builds. The optimal blending of technologies by the world's most innovative company produces superior search results instantaneously. No word in the English language exists to describe this seamless melding of hardware and software at such a massive scale, so we have named it Googleware\*.

The soul of the Google machine is rapid innovation, the most important subject discussed at nearly every board meeting of the firm. To Brin and Page, the founders, sustaining innovation as Google grows is their foremost challenge, for innovation is the reason the company raced ahead of others and stays out in front. They are keenly aware that someone, somewhere, is always attempting to find a better, faster, and smarter way to do things. And maintaining smart innovation amid torrid growth is a complex undertaking that has vexed other young enterprises of enormous promise.

### How has Google created a culture of innovation?

Google has a reputation for innovating new products and services. They are

consistently improving their existing products and changing the game for their competitors. But how has the company, which has consistently landed on top of “Great Places to Work” lists, fostered an environment where innovation is the rule, not the exception?

A big part of building that culture at Google is the often-admired but rarely-imitated 20% rule. All Google engineers have 20% of their time to pursue projects that they’re passionate about. This has led to the creation of some well-known Google products, like Gmail, and Google News — products that might otherwise have taken entire start-ups to launch. So no matter how busy, how strapped for time, a project is, the key players will still be able to spend time working on their true passions.

Giving 80% sounds counter-intuitive, since most of us blithely promise our employers 100% dedication to any task. However, this strategy not only results in innovative products from some of the companies’ best minds, but also happier employees.

Google invests not only in product development, but also in employee development. The 20% project is a fast and firm rule, not to be tampered with during hard times. Instead of cutting back on benefits and perks, Google maintains them to encourage employee retention and job satisfaction. While many businesses say, “Our people are our most important resource,” Google lives this platitude by giving them an environment where they can be innovative.

### **Google v.s. Microsoft**

The technology industry is a battleground as two of its biggest companies go after each other’s meal tickets. Google, the world’s most successful Internet company, dominates search while Microsoft, the world’s biggest software company, owns the operating system universe. Each is trying to cut into the space the other rules. The battle escalated in 2009 as the two high-tech titans went after each other’s market share and revenue stream in Internet search, operating systems, enterprise applications and browsers. With each company seeing the other as a major threat to its bread and butter products, 2009 may be just a warm-up for the battle that will ensue in the months to come. Both tech conglomerates realize that growth drivers must be had at the other’s expense. Microsoft must poach market share from Google’s dominant Internet position. On the other hand, Google must branch out from the web into some of the many markets which Microsoft has a foot in.

### **Google’s Challenges**

Challenges come from all sides. Google’s war with Microsoft and Apple extends to several fronts. Google’s governmental malaise extends to Europe, where it is being accused of anti-competitive practices by smaller rivals. And in the United States, Google Buzz\* and Google Book Search are among the Google Web services the FTC\*

and DOJ\* are looking at.

Like past monoliths of new growth industries, Google appears to be invincible. But Google is vulnerable just because it is thinly spread in a rapidly changing marketplace where rivals are eating away at the edges and fighting for turf. A major shift in technology or consumer behavior could alter the playing field, just as it once did for broadcast TV networks, music companies, telephone companies and typewriter manufacturers. Google is locked in its fiercest battles over search, email, office applications, social networking, portals\* and brand advertising, web browsers, mobile operating systems, ad servers and exchanges, and operating systems.

The biggest obstacle in Google's path — as Microsoft has found many times in the past — is its size. Google has reached a point where it could be accused of being equally dominant in its key market sector as Microsoft is in its. The Internet giant has tangled with regulators, lawmakers and consumer watchdogs over privacy concerns, copyright protection and the sheer dominance of its search engine.

Long-term, Google has some pressing issues that are too easily discounted and overlooked by investors:

Can or should Google expect to continue to dominate all complex aspects of online search, advertising and data management as they evolve and move into cloud computing?

How will Google use, or be allowed to capitalize on, the extensive databases it collects and stores about all users?

In a complex high-tech world, can Google be good at and innovate everything?

Where can and should it strive to make the most important marketplace advances?

Is Google ultimately as vulnerable as every one-time dynamic monopoly?

In the end, could Google turn out to be its own worst enemy?

(Sources: David A. Vise and Mark Malseed, *The Google Story*, Bantam Dell, 2005; Erdem Ozkan, *Google 101: The Ultimate List of Google's Services and Products*, <http://siteboat.com>, January 10, 2010; Haley January Eckels, *How Google has created a culture of innovation*, <http://www.talkibie.com>; Diane Mermigas, *Is Google's Run Sustainable*, <http://designmind.frogdesign.com>.)

### Notes:

- 1 cloud computing: Internet-based computing, whereby shared resources, software, and information are provided to computers and other devices on demand, like the electricity grid.
- 2 IPO: short for initial public offering, which is when a company (called the issuer) issues common stock or shares to the public for the first time. They are often issued by smaller, younger companies seeking capital to expand, but can also be done by

- large privately-owned companies looking to become publicly traded.
- 3 Silicon Valley: located in the southern part of the San Francisco Bay Area in Northern California, the United States, the region is home to many of the world's largest technology companies. The term originally referred to the region's large number of silicon chip innovators and manufacturers, but eventually came to refer to all the high-tech sector.
  - 4 pay-per-click (PPC): an Internet advertising model used on websites, in which advertisers pay their host only when their ad is clicked. With search engines, advertisers typically bid on keyword phrases relevant to their target market. Content sites commonly charge a fixed price per click rather than use a bidding system.
  - 5 Googleware: the assortment of tools produced by Google that can be used to search, report, play, research.
  - 6 Google Buzz: a social networking and messaging tool from Google that is integrated into the company's web-based email program, Gmail. Users can share links, photos, videos and comments organized in "conversation" and visible in the user's inbox.
  - 7 FTC: Federal Trade Commission
  - 8 DOJ: Department of Justice
  - 9 portal: or web portal, known as a links page, presents information from diverse sources in a unified way. Apart from the standard search engine feature, web portals offer other services such as email, news, stock prices, information, databases and entertainment.

## Tasks for Case Analysis

### 1 Case Presentation

- Read about Text B quickly to get an overall view of the case. Do NOT read the questions first. If you do, your focus will be to find answers to the questions and your approach to the answers will be very narrow.
- Read about Text B a second time to gain a good grasp of the facts. Make a short presentation about Google Inc., giving a description of Google's business scopes and its major products and services.

### 2 Case Analysis

- Study all of the exhibits carefully, as the numbers, figures and diagrams often have hidden strategic issues that need to be identified and analyzed.

- Work in groups and discuss the following questions.
  1. What are the factors which contribute to Google's success?
  2. As an innovative company, what major innovations has Google made?
  3. How have these innovations sped up Google's rapid growth?
  4. How has Google created a culture of innovation?
  5. What are the challenges facing Google?

### 3 Case Summary

1. Summarize Text B, identifying good practices used in Google's operation and the company's current problems.
2. Identify and discuss the most serious challenge that Google is facing.

### 4 Decision Making

- Microsoft has been Google's significant competitor for a very long time. There is no doubt that it remains Google's biggest adversary in the years to come.  
Suppose you are one of Google's consultants. Work in groups to do the following:
  1. Make a comparison between Google and Microsoft in products and services that they provide.
  2. Decide on a strategy for Google to rise to face the challenge from Microsoft.
- Google makes money by selling ad inventory. As more people use cell phones and their tiny screens to gain access to the Internet, Google and its fellow online advertisers will have less space, or what's called ad inventory, to place marketing messages for customers. What suggestions can you make for Google to deal with the threat?



## Section IV Focus on Skills

### Language Focus

- 1 Find words or expressions in Text B which correspond to the following definitions.
  - 1 A measurement of size of a business enterprise (corporation) equal to the share price times the number of shares outstanding of a public company.

market cap

- 2 The tendency for different technological systems to evolve towards performing similar tasks.  
t \_\_\_\_\_ c \_\_\_\_\_
- 3 A mobile phone that offers more advanced computing ability and connectivity than a contemporary basic feature phone.  
s \_\_\_\_\_
- 4 A type of website or part of a website. They are usually maintained by an individual with regular entries of commentary, descriptions of events, or other material such as graphics or video.  
b \_\_\_\_\_
- 5 A company with a limited operating history. These companies, generally newly created, are in a phase of development and research for markets.  
s \_\_\_\_\_
- 6 One that is gigantic in size or power; a person of exceptional importance and reputation.  
t \_\_\_\_\_
- 7 A method that a company, organization, or individual uses to collect money — often automated — from users of their product or service. In essence, it is a method of earning money and a way to collect it.  
r \_\_\_\_\_ s \_\_\_\_\_
- 8 A combination of two or more corporations engaged in entirely different businesses together into one corporate structure, usually involving a parent company and several (or many) subsidiaries.  
c \_\_\_\_\_

2 Complete the company profile about Google with the information from Text B.

**Facts About Google Inc.**

**Company Name:** Google Inc.

Date of Establishment: \_\_\_\_\_

Founders: \_\_\_\_\_

Headquarters: \_\_\_\_\_

Offices: \_\_\_\_\_

Market Cap: \_\_\_\_\_

Market Position: \_\_\_\_\_

Products & Services: \_\_\_\_\_

\_\_\_\_\_

- 3 Read the passage “How has Google created a culture of innovation?” in Text B and write a summary of it.

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- 4 Translate the following passage into Chinese.

Ninety-nine percent of Google’s revenue is derived from its advertising programs. Google has implemented various innovations in the online advertising market that helped propel them to one of the biggest advertisers in the market. Using technology from the company DoubleClick, Google can determine user interests and target advertisements appropriately so they are relevant to the context they are in and the user that is viewing them. Google Analytics allows website owners to track where and how people use their website, allowing for in-depth research into getting users to go where you want them to go.

## Business Focus

### Creative Thinking Technique — Brainstorming

Brainstorming can be an effective way to generate lots of ideas on a specific issue and then determine which idea — or ideas — is the best solution. Brainstorming is most effective with groups of 8-12 people and should be performed in a relaxed environment. If participants feel free to relax and joke around, they’ll stretch their minds further and therefore produce more creative ideas.

A brainstorming session requires a facilitator, a brainstorming space and something on which to write ideas, such as a white board, a flip chart or a software tool. The facilitator’s responsibilities include guiding the session, encouraging participation and writing ideas down.

Brainstorming works best with a varied group of people. Participants should come from various departments across the organization and have different backgrounds. Even in specialist areas, outsiders can bring fresh ideas that can inspire the experts.

Brainstorming needs to be structured and it follows brainstorming rules. The brainstorming process is described below.

- 1 Define your problem or issue as a creative challenge. Your creative challenge should be concise, to the point and exclude any information other than the challenge itself.

- 2 Give yourselves a time limit. Larger groups may need more time to get everyone's ideas out. Alternatively, give yourself an idea limit. At minimum, push for 50 ideas.
- 3 Once the brainstorming starts, participants shout out solutions to the problem while the facilitator writes them down — usually on a white board or flip-chart for all to see. There must be absolutely no criticizing of ideas.
- 4 Once your time is up, select the five ideas which you like best. Make sure everyone involved in the brainstorming session is in agreement.
- 5 Write down about five criteria for judging which ideas best solve your problem.
- 6 Give each idea a score of 0 to 5 points depending on how well it meets each criterion. Once all of the ideas have been scored for each criterion, add up the scores.
- 7 The idea with the highest score will best solve your problem. But you should keep a record of all of your best ideas and their scores in case your best idea turns out not to be workable.

**Presented below are 10 brainstorming rules.**

- 1 **Set directions.** Describe the situation and define the problem. Help people to understand the problem to be solved and clarify the objectives. Focus on productive objectives and keep group on track.
- 2 **Involve everyone.** Encourage everyone to contribute. Control dominating participants. Celebrate diversity. Use different techniques to draw ideas from group.
- 3 **Encourage cross-fertilization.** Build on each other. Let others' ideas take you somewhere else. Combine, synergize, and improve upon ideas.
- 4 **Encourage outside-the-box (or beyond common sense) thinking.** Challenge assumptions. Be creative. Go crazy. Think outside the box. Sometimes the wildest ideas lead to great ones. Encourage active listening.
- 5 **Don't overlook the obvious** — the obvious solution is sometimes the best.
- 6 **Suspend judgment.** No ideas are bad ideas. All ideas are good ideas. (Actually, a minority opinion offered during group decision making often stimulates more innovative solutions to problem).
- 7 **Don't fear repetitions.** At different moments you see with different eyes. During discussion afterwards the duplicate ideas you may find them different or they may trigger a different response at a different time.
- 8 **Don't stop and discuss.** Go for quantity, not quality. Keep the momentum going.
- 9 **Record and display each idea.** Make sure each idea is complete — don't use one-word descriptions to avoid misunderstanding. Don't edit.
- 10 **Apply the 80/20 rule and change hats (your thinking mode) to select the best ideas.** Look through your list of ideas and circle the 20% that will yield 80% of the results you are looking for. Encourage full-spectrum thinking.

**Section V Business Humor****A Car as Collateral**

A Russian businessman walks into a Swiss bank in Geneva and asks for a \$100 loan. He offers his luxury Mercedes car as collateral. The collateral is too good, and the bank manager approves the loan. A year later, the Russian comes back. He repays the loan and the 10% interest and is ready to collect his car. Finally, the puzzled bank manager dares to ask him: “Excuse me, sir, could you tell me: did you really need that \$100 so badly? In order to get the money, you left your luxury car with us for a whole year!” The Russian replied, “That’s simple — just think outside the box: where else in Geneva can I find such a great parking place for just \$10 a year?”