

# Values Based Innovation Management

## Innovating by What We Care About

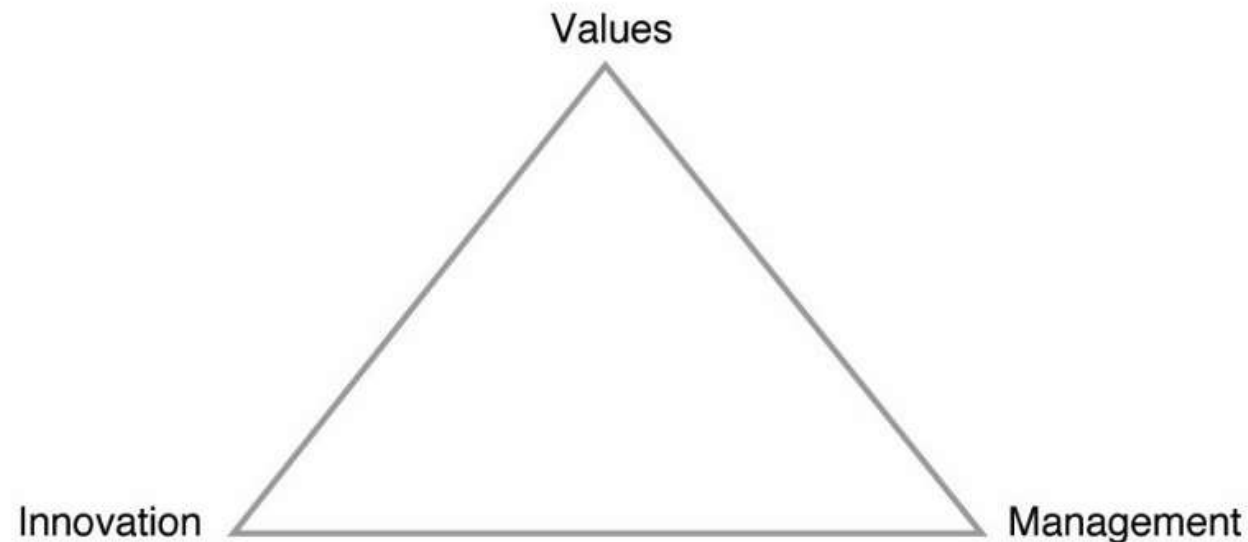
Prof. Dr. Henning Breuer & Dr. Florian Lüdeke-Freund 2017

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**UXBerlin**  
Innovation Consulting

**UH**  
Universität Hamburg  
DER FORSCHUNG | DER LEHRE | DER BILDUNG

Background /// Values play a key role in branding and HR, but rarely inform innovation and its management in any structured way.



- *How do, may, and should values impact and direct innovation and its management?*
- *How do and may values facilitate the creation of new products, services, business models, or networks?*

Background /// Instead innovation managers and trendscouts keep looking for the NEXT BIG THING, in consumer electronics, telecommunication, mobility?



Image: [http://images.scribblelive.com/2015/1/6/36b27e8b-2523-49bf-a471-3d0ddb5ffb90\\_800.jpg](http://images.scribblelive.com/2015/1/6/36b27e8b-2523-49bf-a471-3d0ddb5ffb90_800.jpg)

Background ///  
Could it look like this? Should it?



Image: [madisonmovie.files.wordpress.com/2014/07/godzilla-1954.jpg](http://madisonmovie.files.wordpress.com/2014/07/godzilla-1954.jpg)

The dark side of invention persists.

The dark side of invention persists:

'To invent the sailing ship or the steamer is to invent the shipwreck. To invent the train is to invent the rail accident of derailment. To invent the family automobile is to produce the pile-up on the highway' (Paul Virilio, 2007, 10).

Background /// 1955 James Dean died in his Porsche Spyder. Driver safety was not a big issue back then.



Image from <http://www.arts-stew.com/wp-content/uploads/2012/09/James-Dean-Crash-Scene.jpg>

What We Care About /// *Even in the 60ies safety did not sell, until competing car companies succeeded in Europe with safety as main value (proposition).*

- Corning's "Chemcor" glass failed on the **1960ies market**: "Americans were having such a love affair with their cars that safety was not an issue" (Howard). **Safety did not sell.**
- In **Europe**, in 1944 Volvo introduced the safety cage and laminated windshields, in 1959 the modern three point safety belt. "Cars are driven by people. The guiding principle behind everything we make at Volvo, therefore, is and must remain, safety" (Assar Gabrielsson and Gustav Larson, 1927).
- After European companies like Swedish Volvo succeeded in the **1980ies** in the UK and then US with safety as a key value proposition, all manufacturers incorporated safety as a key value for innovation efforts.

Background /// Today the market for driver safety for passenger cars is worth several billion Euros, estimated at 3.2 Billion USD by 2025.



# VOLVO SAFETY HISTORY

- Eye-Tracking/Blink-Monitoring,
- Facial Expressions/Head Movements,
- Heart Rate-Monitoring,
- Pressure/Angle Steering Sensor,
- Lane Departure Warning
- ...

Volvo has always held safety as one of its main focuses, so much so that they developed much of the industry technology that we use today. Take a look below at some of our Volvo safety firsts.



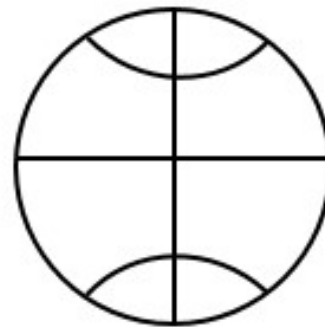
Case from Breuer & Lüdeke-Freund (2017). Values-Based Innovation Management. See companion site for cases and questions for discussion. <https://he.palgrave.com/companion/Breuer-Values-Based-Innovation-Management/>



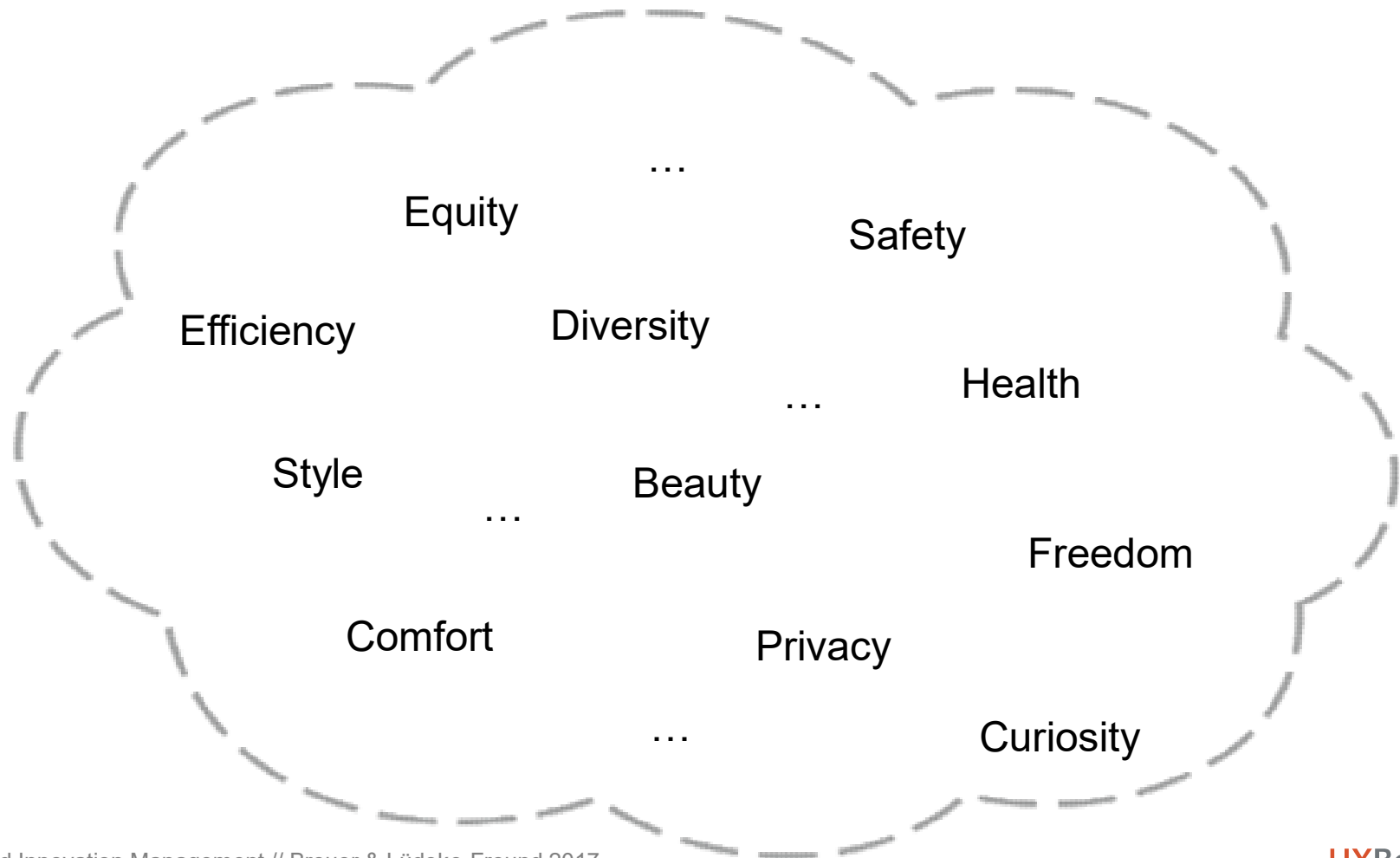
May we expect a similar prospect for sustainability-oriented innovation?



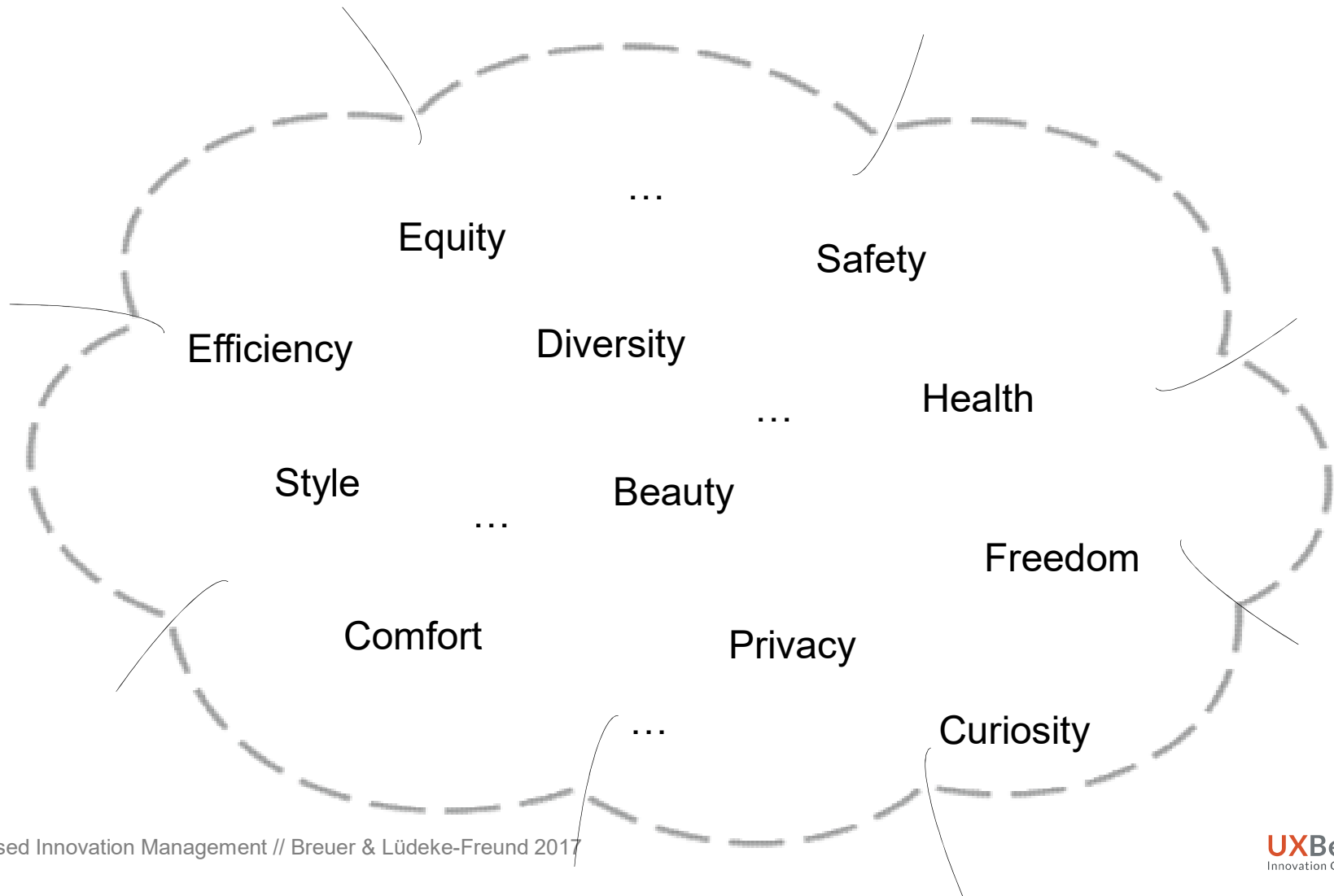
Or for other currently subordinate values such as privacy, or ...



... for what else we care about? Values abound.



# Values impact our relations and activities, they ...



... open up opportunities to drive innovation and constitute new markets.

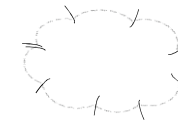
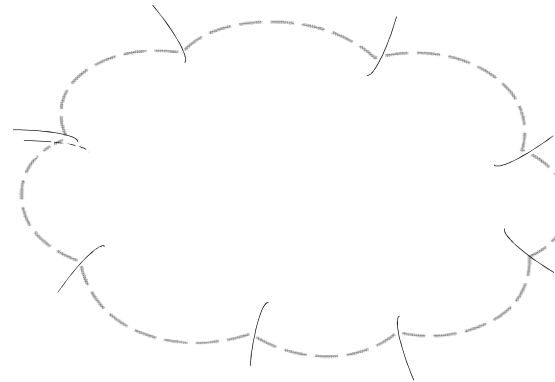
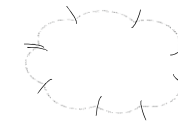
sustainability-oriented innovation

safety-oriented innovation

new health markets

efficiency-oriented processes innovation

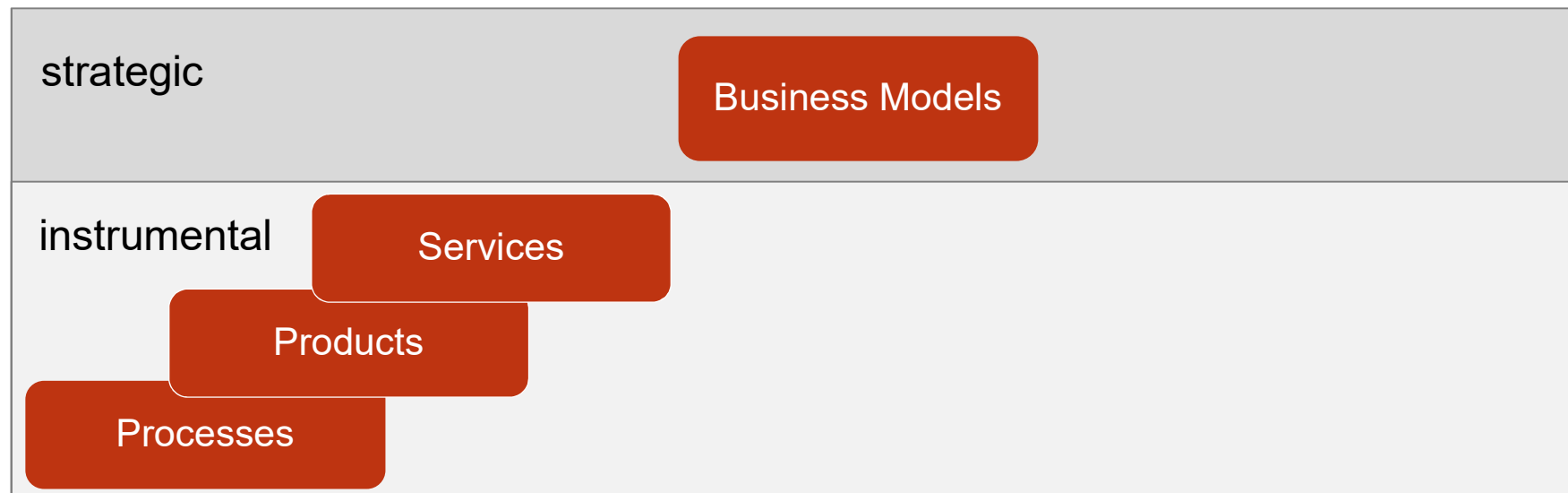
you name it ...



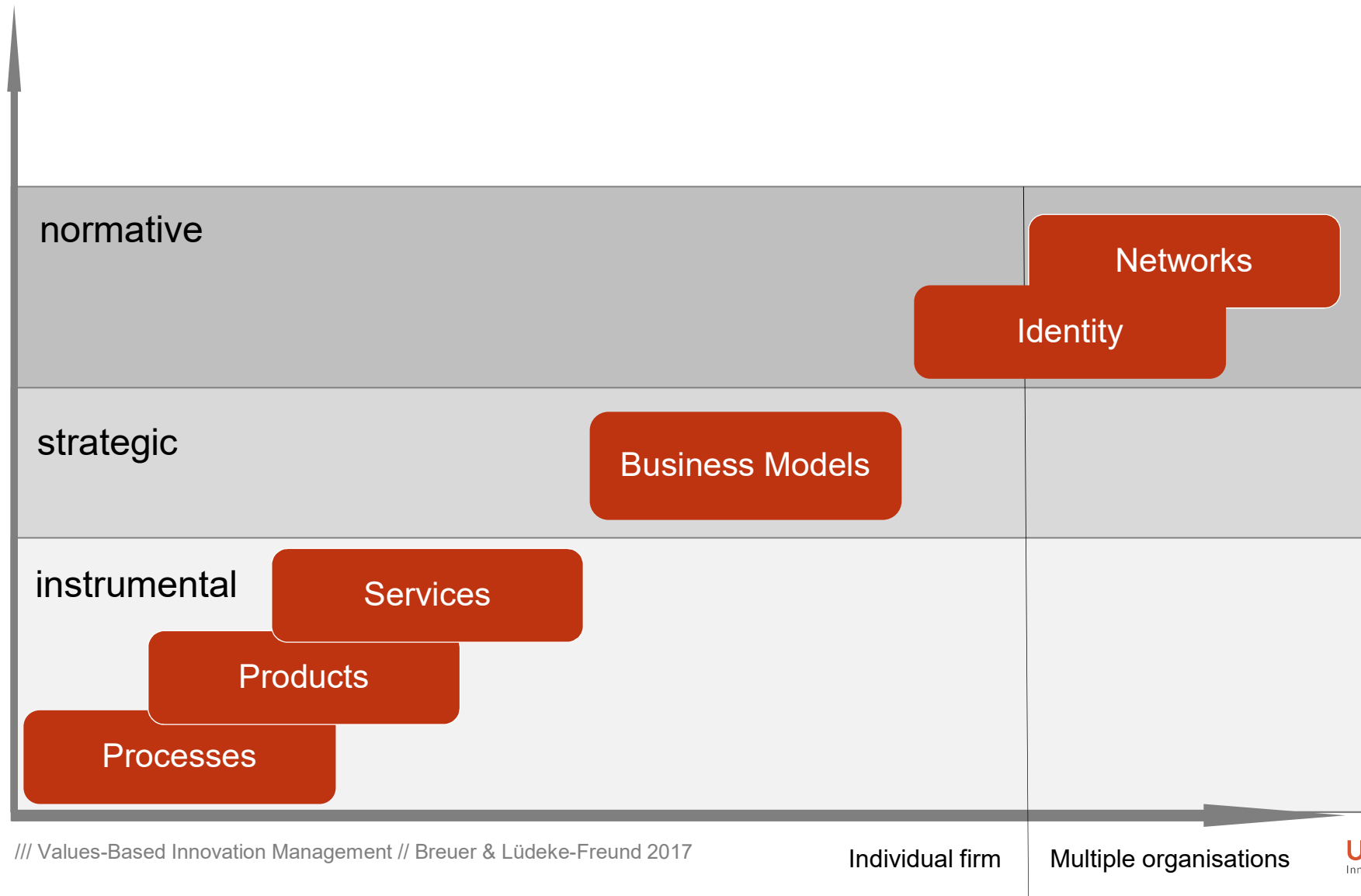
## Chapter 1 /// *The values-based view on innovation management builds on simple observations.*

1. Organisations must work economically and most have to make profits. However, this is never all they do. Every organisation and employee pursues a variety of values. Just as 'every company has a business model' (Chesbrough 2007, 12), **every company pursues values** and normative orientations.
2. The **role of values in** business and **innovation** is not yet well understood. While values are used to select and align employees, and to communicate brand offerings, they do not (yet) drive innovation.
3. Innovation cannot be well understood, designed or **managed** without recurring to the values of those involved. Innovation **in** processes, products, services or business models has often been declared as, but is in itself not, key to success on **markets** that are **impacted by the values held by their participants**.
4. Values should be explored, elaborated upon, evaluated and developed to drive innovation towards what we care about. There is even a chance to simplify and innovate your business by focussing on its essential values.

# Chapter 1 */// Traditional innovation management focusses on competitive advantages through innovation in business models and marketing instruments.*

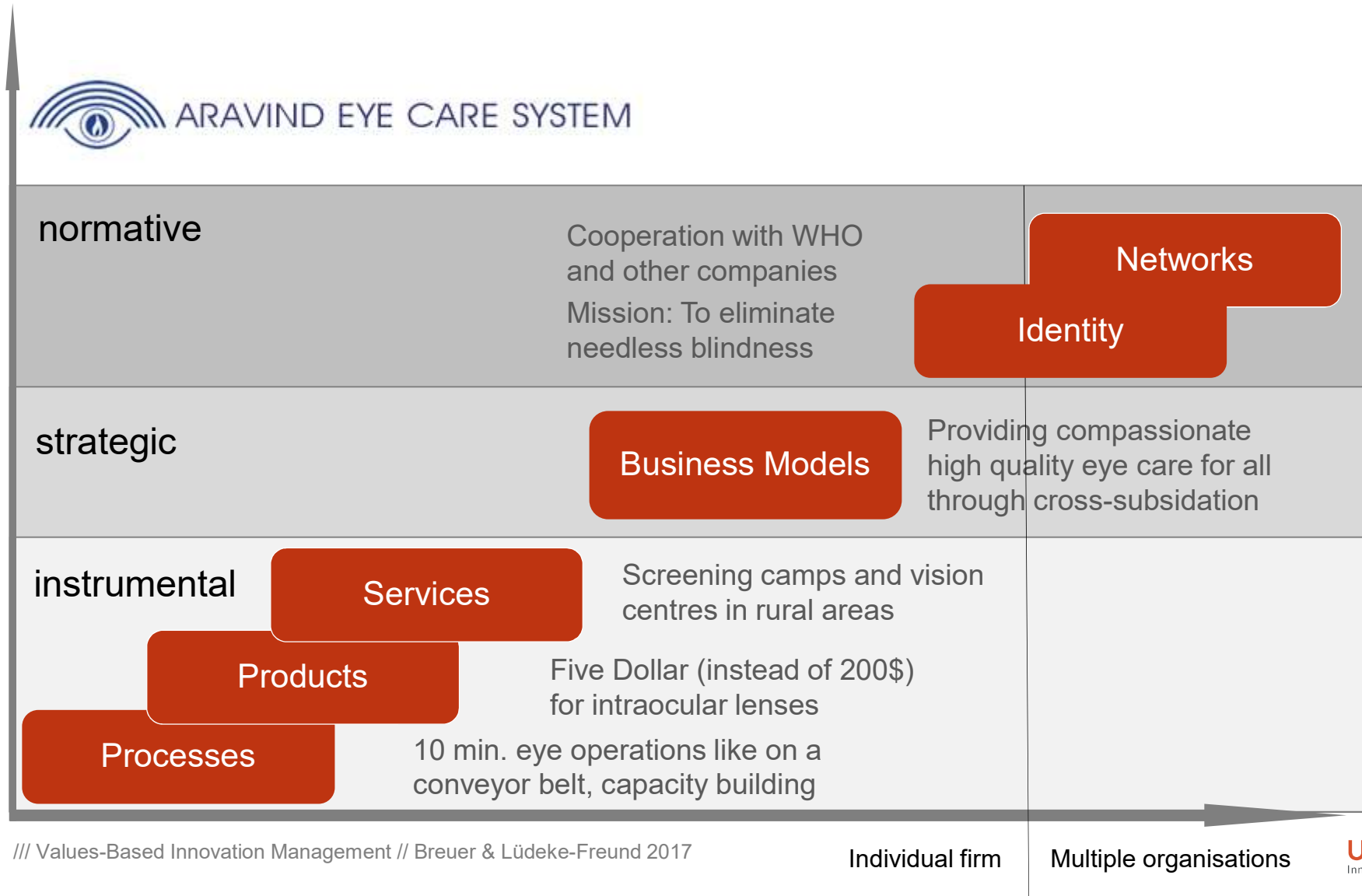


# Chapter 1 /// *Ignoring values and normative orientations innovation research falls short to explain innovation success and failure ...*





Chapter 1 /// ... and innovation management misses the full potential that values driven companies such as Aravind successfully spell out.



## Chapter 1 /// *The values-based view on innovation management pursues what we care about in business. It has several objectives.*

- **Reconnect** what we care about with what we do through and in (and what counts for) business.
- Empirically **differentiate** the impact and conceptually **leverage** management potentials to work with values on different (operational, strategic and normative) levels of business.
  - *Reconstruct and interpret* cases of success and failure from a values-based point of view,
  - *Understand* the potentials of business to *realize* ideals,
  - *Develop* new methods to establish new business based on engaging values.
- **Reflect** upon the potentials of a normative turn in innovation management.

## Chapter 1 /// *Summary*

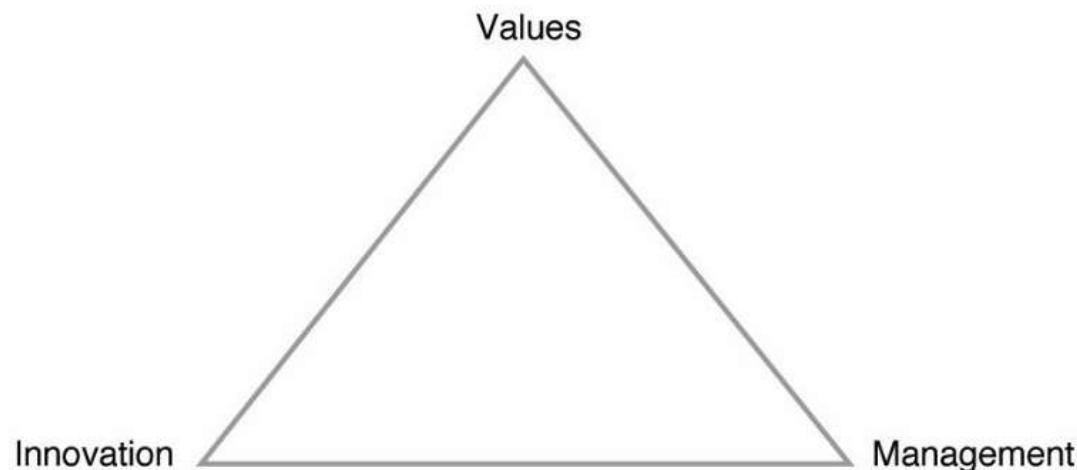
- Currently, process-, product-, service-, and business model innovation are often **missing direction**.
- Innovation and its management benefit from being interpreted and designed from a **values-based point of view**.
- Values, i.e. notions of the desirable, held by individuals or a social group provide a basis for **inspiring, directing, and evaluating innovation**.
- **Every company** pursues values and normative orientations. Some are made explicit in mission, vision or purpose statements, some are implicitly effective.
- The values-based view on innovation and its management brings notions of the desirable **from the periphery to the heart** of corporate value creation and renewal.
- Values as notions of the desirable and normative orientations can and should be used to drive and guide innovation.

## Chapter 2 /// *Summary*

- The values-based innovation (VBI) framework builds on a **pragmatist** view on values, defining them as the subjective **notions of the desirable**.
- Values serve as decision **criteria**, and form for our attitudes and behaviour in daily life and on different levels, from individual to global.
- To get an understanding of the vast “values universe” we distinguish theoretical and empirically grounded notions of values as well as values-related statements.
- Linking values to management in general and innovation management in particular, we introduce the Integrated Management Concept and its differentiation between operational, strategic, and normative management.
- We show that values fulfil different **integrative functions** across the major management dimensions of any organisation.
- The resulting values-based view of the organisation is the theoretical basis for the values-based innovation framework rolled-out in chapter 3.

## Chapter 2 /// *Values-based innovation management is still a blank spot for most scholars and practitioners.*

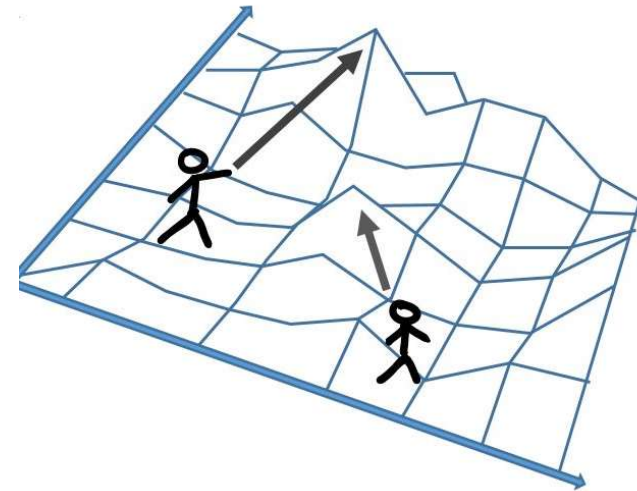
- Values-based innovation refers to values, i.e. notions of the desirable, held by individuals or a social group that provide a basis for inspiring, directing, and evaluating innovation. Values may fulfil integrative, directive, and generative potentials for and within innovation projects.



- The synthesis of values, innovation, and management makes up the values-based view on innovation and its management.

## Chapter 2 /// *Values-based innovation management leads to unique questions.*

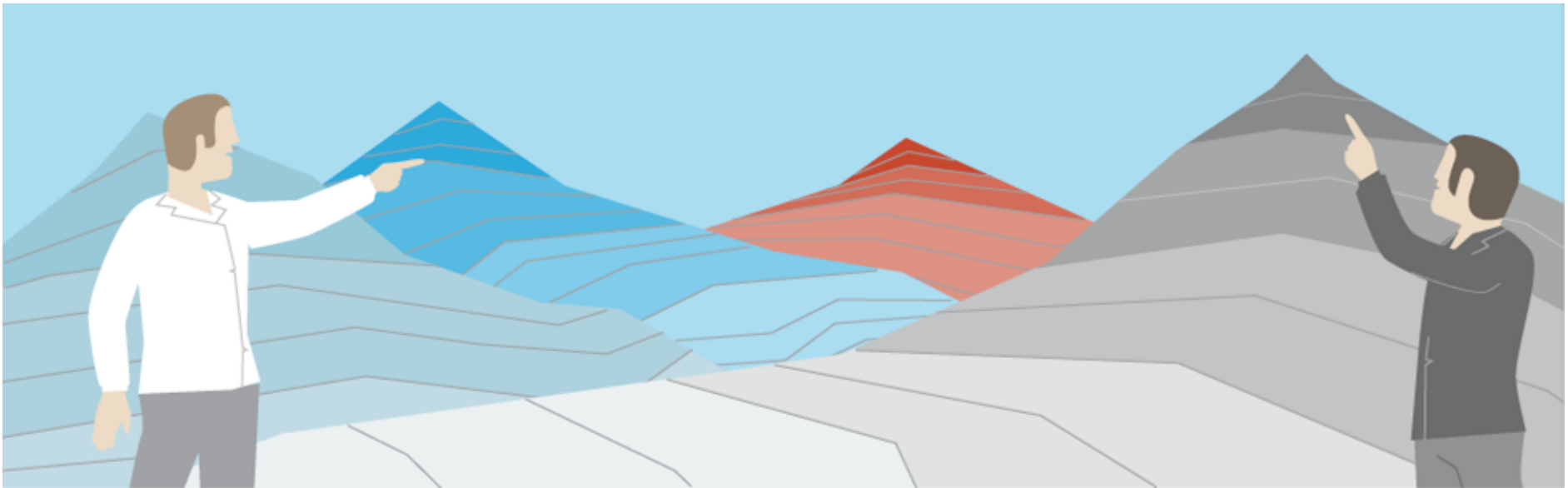
- How do, may, and should values impact and direct innovation and its management?
- How do and may values facilitate the creation of new products, services, business models, or networks?



## Chapter 2 /// *The values-based innovation (VBI) framework builds on a pragmatist view on values as the subjective notions of the desirable.*

- Values are as omnipresent and ubiquitous as they are ill-defined. However, In spite of postmodern uncertainties violation of values matters for most people (Joas).
- Starting from a minimal **working definition**, we understand values as notions of the desirable that are held by individuals and social actors. They define what *is conceived as being desirable and important, worth working towards or fighting for.*
- Following Harry Frankfurt and Charles Taylor we distinguish between first and second order **desire**, as well as weak (desire-based preferences) and **strong evaluations** that are central to one's identity and constitute value commitments.

Chapter 2 /// *Systems of related values may be depicted as “mountains”, providing orientation, within a “topography”.*

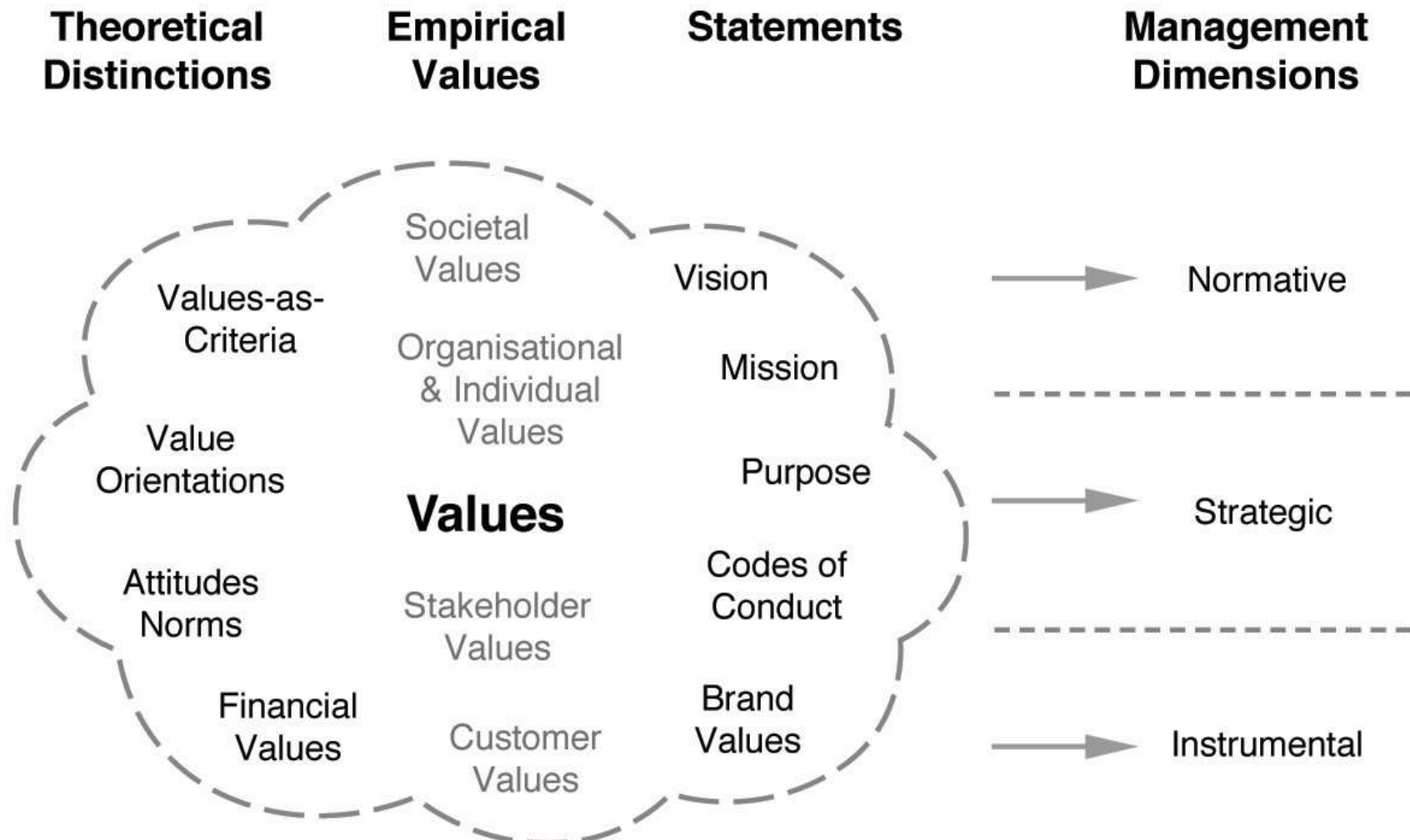




## Chapter 2 /// *Values can fulfil different potentials or functions for an individual or an organisation.*

- **Integrative potential (affiliation):** Values form ordered systems of priorities and relative importance (values systems according to Schwartz, 2012). This hierarchical feature allows the inclusion of diverse subordinate values in the joint pursuit of overarching values.
- **Directive potential (orientation):** Values are not only what an individual or an organisation stands for, but also what it works towards. “The outlook of a person who cares about something is inherently prospective” (Frankfurt 1988, 83). Distinct from desires and beliefs, values have an inherent persistence providing for guidance and direction.
- **Generative potential (heuristic):** Values can have a heuristic and generative function, especially when new values emerge. Grounding innovation efforts on a new set of values (such as protecting the natural and social heritage) may lead to a re-framing of problems, identifying emerging needs and markets, and defining directions and areas to search for potential solutions.

Chapter 2 /// *Different notions of values are used in different disciplines such as economics, management, sociology, or psychology.*



## Chapter 2 /// *Theoretical distinctions with respect to values include values-as-criteria, value orientations, attitudes, and norms.*

- **Values as criteria** (*not* qualities inherent in, or assigned to, objects, persons, or situations): *The values-based view on innovation focuses on values-as-criteria, i.e. the beliefs and notions of the desirable that underlie attitudes and behaviours.*
- **Value orientations:** Though values cannot be directly observed, they are understood as constraining attitudes and become evident through theoretically meaningful patterns among attitudes. These patterns are called “value orientations”, i.e. configurations of values in (here political) discourse.
- **Attitudes:** *expression of favour or disfavour of concrete objects in concrete situations (e.g. a meal, another person, or a political party), that this is to some degree an expression of the person’s values and self-concept.*
- **Norms:** “Norms capture an ‘ought’ sense; values capture a personal or cultural ideal. People acting in accordance with values do not feel pushed as they do when acting under normative pressure.”
- **Non-financial values** (e.g. contained in “business cases for sustainability”, (Schaltegger et al., 2012) may lead to good financial performance.

## Chapter 2 /// *Cases of Google and Überpreneurs*

The Google logo is centered on the page. It consists of the word "Google" in its signature multi-colored font: 'G' is blue, 'o' is red, 'o' is yellow, 'g' is blue, 'l' is green, and 'e' is red.

Case from Breuer & Lüdeke-Freund (2017). Values-Based Innovation Management. See companion site for cases and questions for discussion. <https://he.palgrave.com/companion/Breuer-Values-Based-Innovation-Management/>

## Chapter 2 /// *Empirical inquiry on values searches for overarching patterns in attitudes, judgements, and activities as evidence for underlying values.*

- **Individual and organisational values:** are influenced by, but also exert influence on, **institutional** values (e.g. on the industry or public sector level and their specific rules and regulations), **societal** values (e.g. on the level of different societies and cultures across the globe), and **global** values (i.e. universally valid values such as love, freedom, or respect for life).
- **Customer values** are studied to understand and address motivations and evaluation criteria of potential customers – i.e. to align offerings or brands with the notions of the desirable held by customers.
- **Stakeholder values:** resist simple negotiation since what we care about defines to some extent who we are (e.g. when private time with the family relates to a fundamental value that is of highest importance for a person).
- **Societal values:** are influenced by the general economic situation, cultural, political, religious, and ethnic conditions, and national heritage.
- **Brand Values** turn offerings (products or services) or whole companies into easily recognizable brands to achieve differentiation from competitors.

## Chapter 2 /// *Case of Whole Foods Market.*



Case from Breuer & Lüdeke-Freund (2017). Values-Based Innovation Management. See companion site for cases and questions for discussion. <https://he.palgrave.com/companion/Breuer-Values-Based-Innovation-Management/>

## Chapter 2 /// *Values-related statements express commitment and dedication. Codification and reinforcement turn values into organisational norms.*

- **Vision, Mission & Purpose:** A *vision* describes a desirable future, whereas a *mission* is the path to get there, including statements about in the economical purpose of business and who is to benefit from its activities.
- **Codes of Conduct** define how an organization and its members are expected to behave (e.g. towards other employees, suppliers, or customers) and which values should serve as guidance.

## Chapter 2 /// *Cases of Netflix and SanoCore*

# NETFLIX

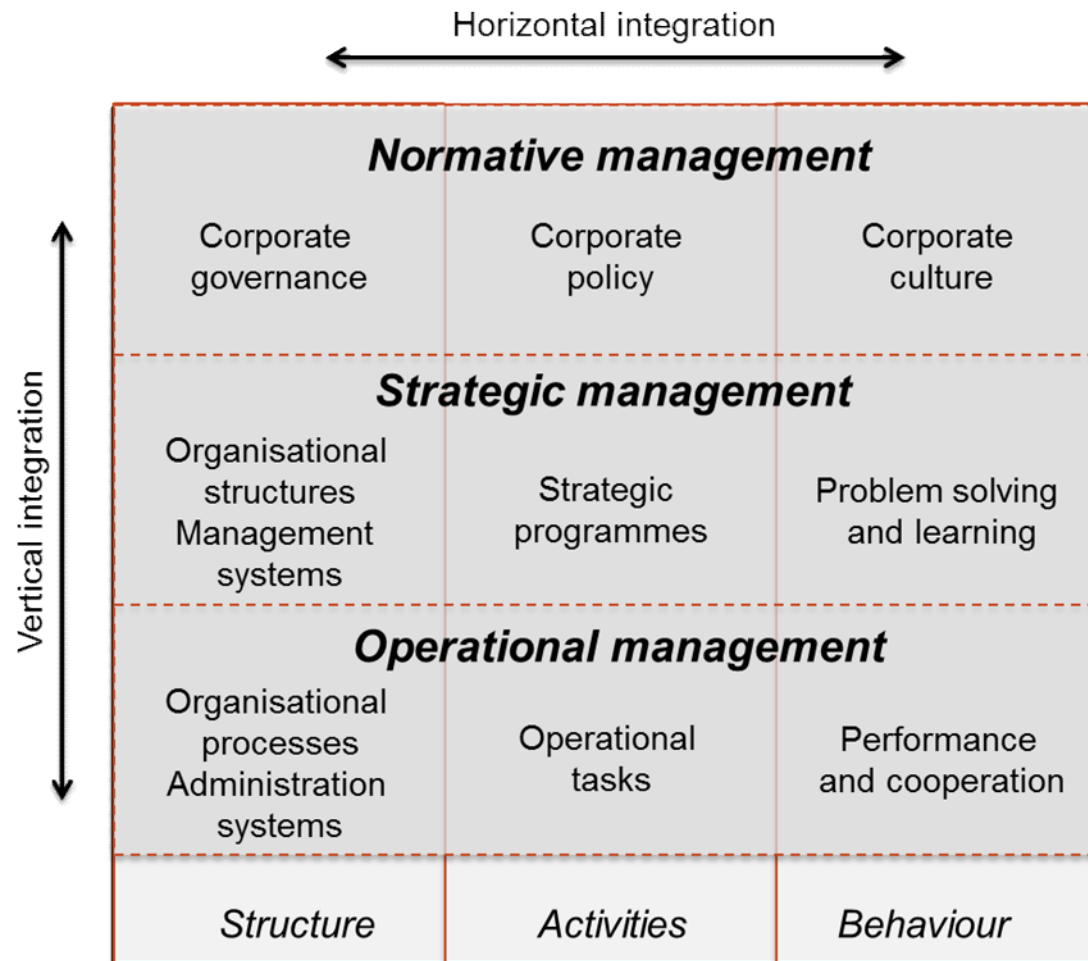
# SanoCore



Case from Breuer & Lüdeke-Freund (2017). Values-Based Innovation Management, . Case of SanoCore from Glauner 2013; see companion site for cases and questions for discussion. <https://he.palgrave.com/companion/Breuer-Values-Based-Innovation-Management/>



Chapter 2 /// *Integrative Management distinguishes between normative, strategic and operational management.*



## Chapter 2 /// *Integrative Management distinguishes between normative, strategic and operational management.*

- **Normative management** deals with the overarching values, identity, and aspirations of an organisation and codifies the norms, principles, and strategies for their realisation, e.g. through vision, mission and purpose statements.
- **Strategic management** deals with identifying, achieving, and exploiting competitive market positions. It translates visions, missions, and purposes from the normative dimension into strategic programmes and orientation for value-creating activities in the operational dimension.
- **Operational management** steers the processes and activities necessary to realise the visions, missions, and strategic programmes defined by normative and strategic management. The development of processes, products, services, and further business model components is realised by operational management.

## Chapter 2 /// *Meta-integration, vertical integration, and horizontal integration ensure that an organisation is a coherent and aligned system.*

- **Meta-integration** is based on management and business philosophies. A management and business philosophy expresses how a company's role and behaviour are defined with regard to its societal embeddedness, i.e. its relations to stakeholders' values
- The **vertical integration** of an organisation is achieved through structures, activities, and behaviour that connect the normative, strategic, and operational dimensions top-down and bottom-up.
- Through **horizontal integration** structures, activities, and behaviour are integrated within each of the three management dimensions.

## Chapter 2 /// *Case of Lichtblick*



Case from Breuer & Lüdeke-Freund (2017). Values-Based Innovation Management. See companion site for cases and questions for discussion. <https://he.palgrave.com/companion/Breuer-Values-Based-Innovation-Management/>

## Chapter 2 /// *Values impact management on every level.*

- Changing values in society, such as growing environmental consciousness or decreasing importance of digital privacy, do not only have an effect on consumer behaviour and buying patterns (Burg, 2007). Every management dimension is affected, and with respect to different stakeholders, different kinds of values can come into play.
- “The business of business is *not* only business” and “[p]rofit seeking is only one of many value-oriented viewpoints on the entrepreneurial ‘creation of value’” (Ulrich, 2013a, 8, 14), e.g. when a company like Google declares “to organize the world’s information and make it universally accessible and useful”.
- Values-based management, on the contrary, starts with the identification of diverse stakeholders’ interests and values, in contrast to Friedmans (1970) argument that the pursuit of profit is the only social responsibility of the company.

## Chapter 2 /// *Normative systems and global standards*



Case from Breuer & Lüdeke-Freund (2017). Values-Based Innovation Management. See companion site for cases and questions for discussion. <https://he.palgrave.com/companion/Breuer-Values-Based-Innovation-Management/>

## Chapter 2 /// *Theoretical propositions as a foundation for the values-based view on innovation.*

- **Values abound** in organisations, but often they do not inform or direct innovation in their core businesses.
- Multiple **notions** of values need to be distinguished.
- Values can be implicit, shaping individual or group behaviour. Within organisations values demonstrate different potentials.
- Values impact management on normative, strategic, and operational dimensions.
  - Values-based **vertical integration** aligns normative, strategic, and operational management.
  - Values-based **horizontal integration** takes place among collaborators within one management dimension.
  - Values-based **meta-integration** unfolds within whole organisations and beyond their boundaries.

## Chapter 3 /// *Summary*

- **Innovation alters our capabilities to act.** The values-based view on innovation management asks for the notions of the desirable that trigger and guide the development of these capabilities.
- Whereas normative approaches to responsible or sustainability-oriented innovation build on particular value systems, the values-based view is open to **any kind of values** that may enable and drive innovation.
- Values **“enter” and “leave”** organisations on different management dimensions and can unfold their potentials in a top-down, bottom-up, or lateral manner. The integrative function of values includes open innovation relationships with external stakeholders.
- Values are a source for innovation on operational, strategic, and normative management dimensions, leading to new processes, products, services, business models, organisational identities, and values-based networks.
- Organisations have the chance to spearhead changing values in their potential customer base, their workforce, and the society at large. They also face the threat of lagging behind and being driven out of the game.



## Chapter 3 /// *The values-based view on innovation and its management.*

- What is innovation and what is it good for? **Innovation alters our capabilities to act.**
- Innovation has, for example, been defined as:
  - ‘the doing of new things or the doing of things that are already being done in a new way’ (Schumpeter, 1946/1991, 412);
  - ‘the generation, acceptance, and implementation of new ideas, processes, products or services’ (Thompson, 1965, 2);
  - ‘the process of matching problems (needs) of systems with solutions which are new and relevant to those needs, and which can be supplied by the innovating organization (means)’ (Rickards, 1985, 28);
  - an evolution of skills and ‘outgrowth of previously acquired know-how’ (Pennings & Harianto, 1992, 358), or simply as ‘significant positive change’ (Berkun, 2013);
  - ‘... the results of a creative process involving different actors from one or more organizations, which leads to a qualitatively new means–end combination that is introduced to the market or the operations of a firm for the first time’ (Gemünden & Salomo, 2004, 505).

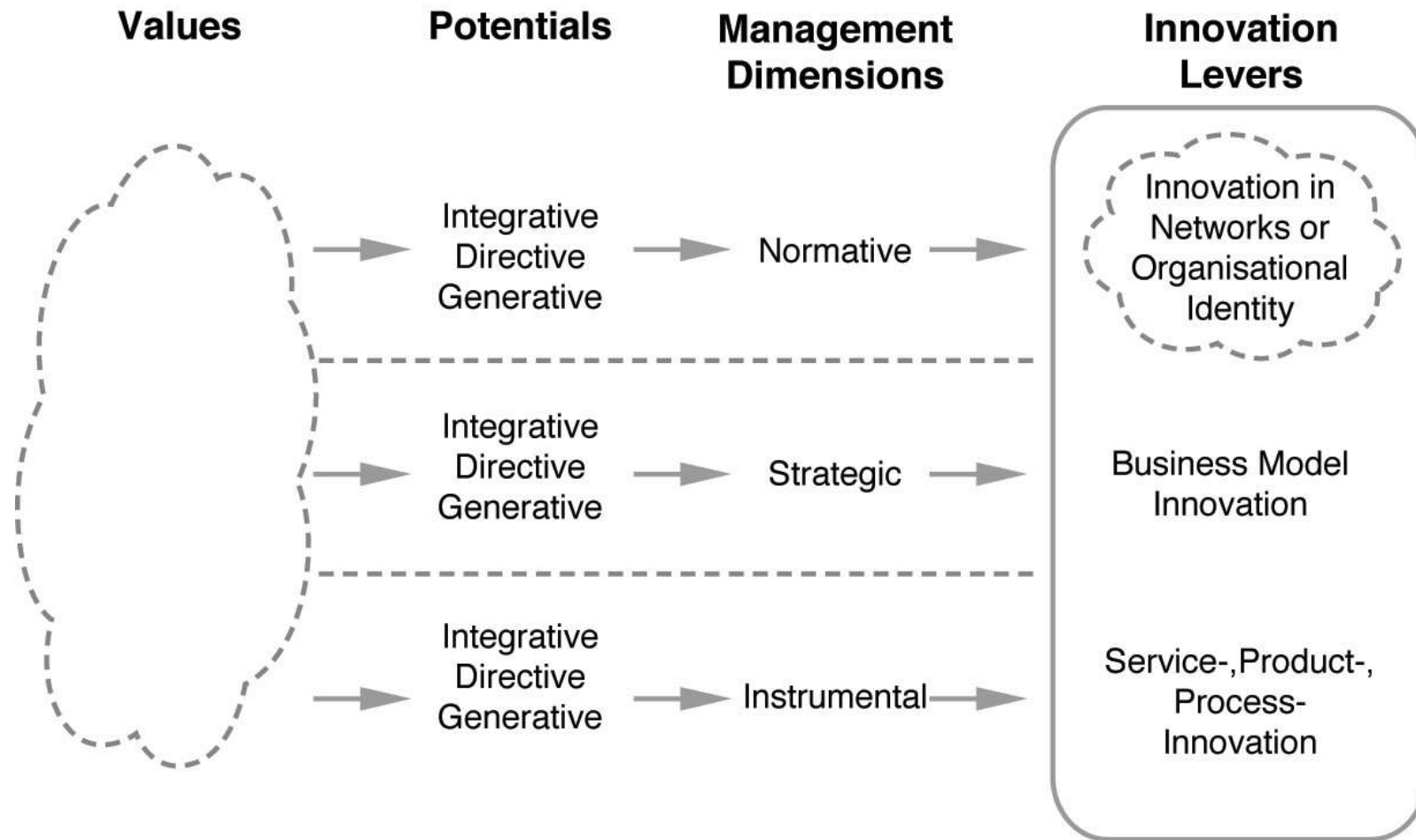
## Chapter 3 /// *The values-based view on innovation and its management.*

- The **values-based view on innovation management** focuses on the integration of organisational values with those held by affiliated individuals as well as the wider business environment and society, offering a new source, lever, and orientation mark to drive innovation.
- Values can be seen as **enablers and drivers of innovation**. Within an integrated management approach, values fulfil integrative functions. Values may enter and unfold throughout organisations in a more or less top-down and/or in a bottom-up fashion.
- Depending on the most visible effects of values and normative orientations, we differentiate between **values-based instrumental, strategic, and normative innovation**, leading to process, product and service innovation, business model innovation, new organisational identities, or innovation in values-based networks.

## Chapter 3 /// *The values-based view on innovation and its management.*

- **Values-based normative innovation:** New values introduced to the normative dimension – e.g. initiated by a new CEO, a change of mind among the board of directors, or changing societal expectations and regulations touching the identity of a company – are expressed as values-based statements such as new corporate visions and missions or new codes of conduct and policies..
- **Values-based strategic innovation:** Strategic innovations refer to changes in the preconditions of a company's competitive advantage and its associated strategic goals due to the introduction of new values on the strategic dimension.
- **Values-based operational or instrumental innovation:** Operational innovation refers to successful changes in operational processes and the associated ways of doing business; operational innovations can be motivated by.

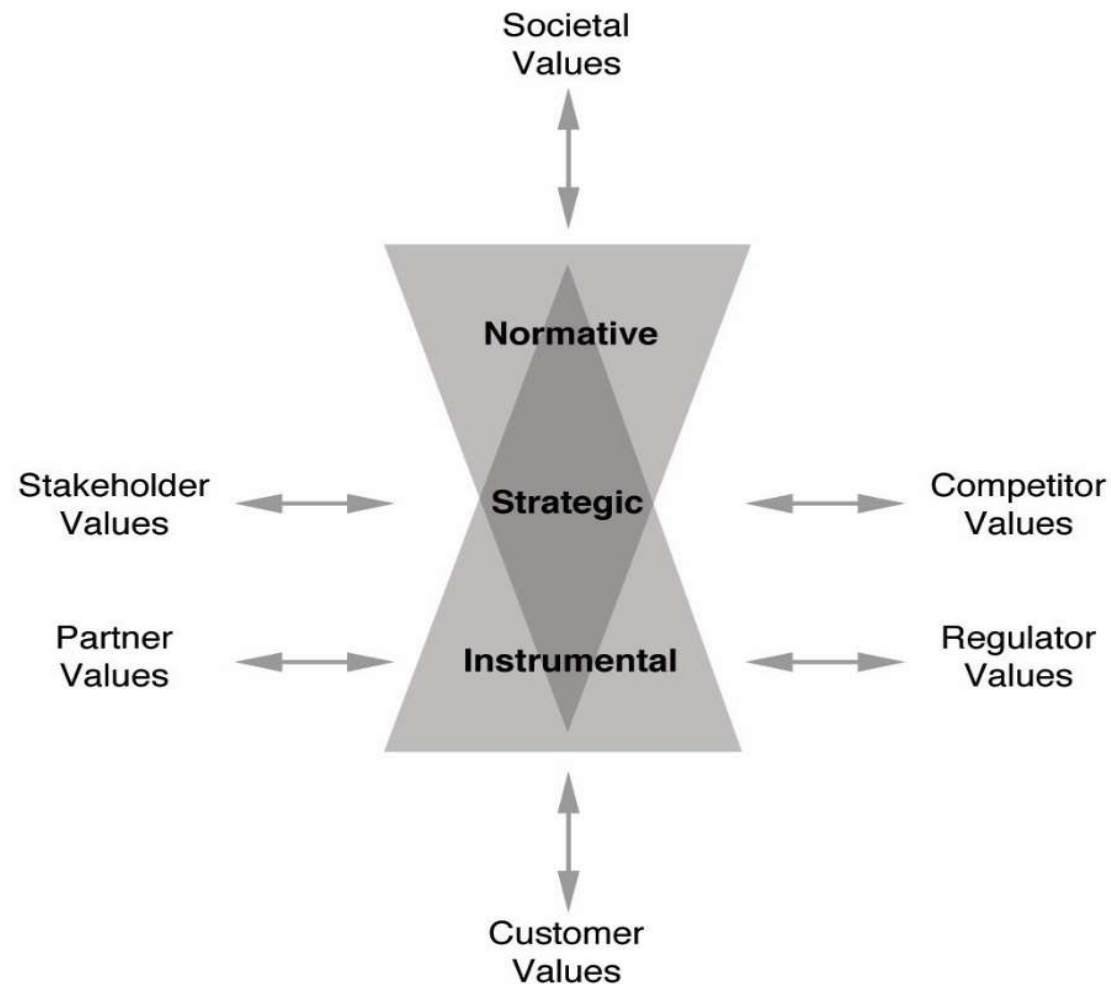
## Chapter 3 /// *The values-based view on innovation and its management.*



## Chapter 3 /// *The values-based view on innovation and its management.*

- The understanding of **values as generative, enabling, and motivating** is the key to the values-based view: seeing values as enablers and drivers of innovation, and not as constraints to creativity.
- Instead of driving innovation in whatever way and direction haphazardly to create new value-added for a company and its customers, values-based innovation understands and applies **individual, organisational, societal, and global values**, and corresponding normative orientations as a basis for innovation.
- Values are not only a given or retarding factor of organisational change, they are also a **dynamic** element 'entering' and 'leaving' organisations.
  - **Top-down**, e.g. external or peripheral pressures, e.g. based on legislation, new cultural trends, or public expectations, can motivate new normative orientations of organisations.
  - **Bottom-up**, e.g. product-related customer values can be taken up by employees to adapt the product portfolio, which might also lead to overall changes in strategy.

## Chapter 3 /// *Values enter organisations and disseminate through stakeholders, media and instrumental channels.*



## Chapter 3 /// *Cases on values in innovation and its management.*

*Please select two of these cases. For each one please reflect upon and answer the following questions:*

- *What do these cases tell us about the role of values in business and innovation? Think of a question this case could answer.*
- *Which requirements for success, which potentials for innovation and which risks for innovation projects does the case suggest?*
- *Which questions for further discussion or empirical research emerge?*

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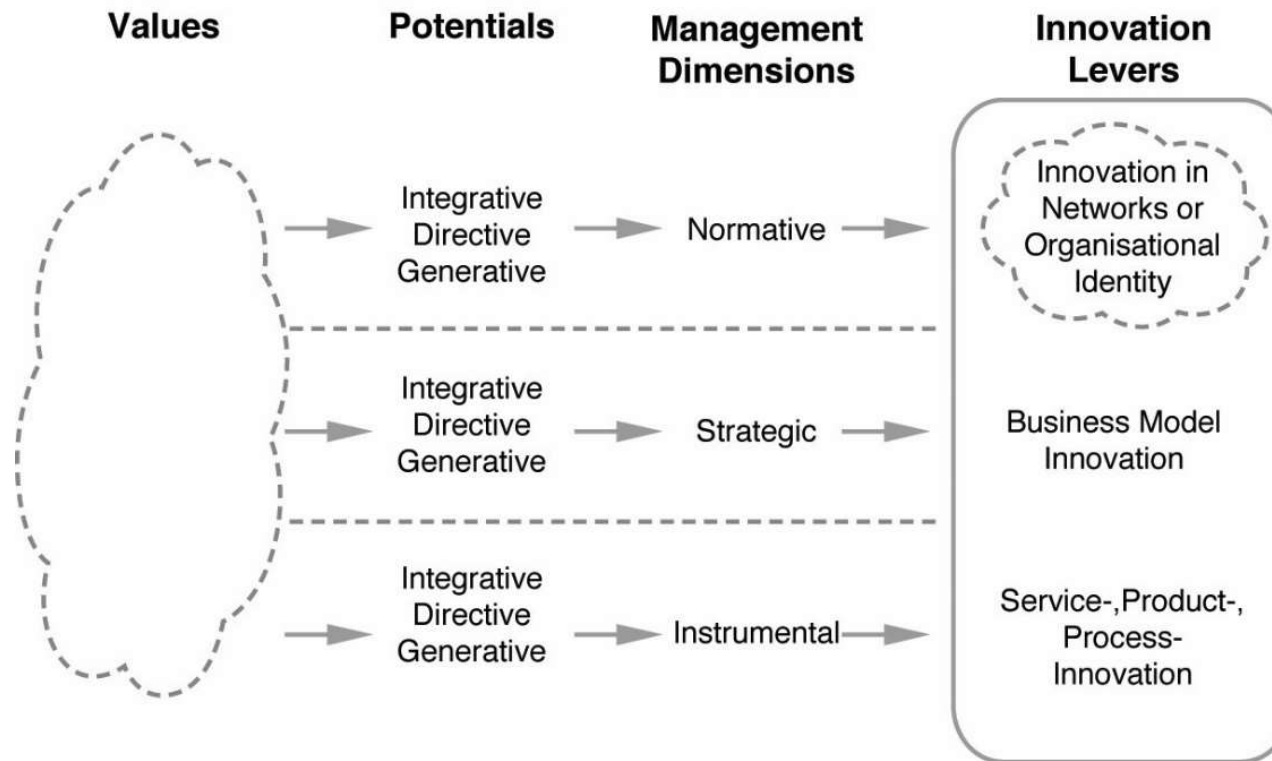
## Chapter 3 /// *Case of Lichtblick*



Case from Breuer & Lüdeke-Freund (2017). Values-Based Innovation Management. See companion site for cases and questions for discussion. <https://he.palgrave.com/companion/Breuer-Values-Based-Innovation-Management/>



# Chapter 3 /// *Values inform normative, strategic, and instrumental management and impact innovation.*



## Chapter 3 /// *Case of Aravind*



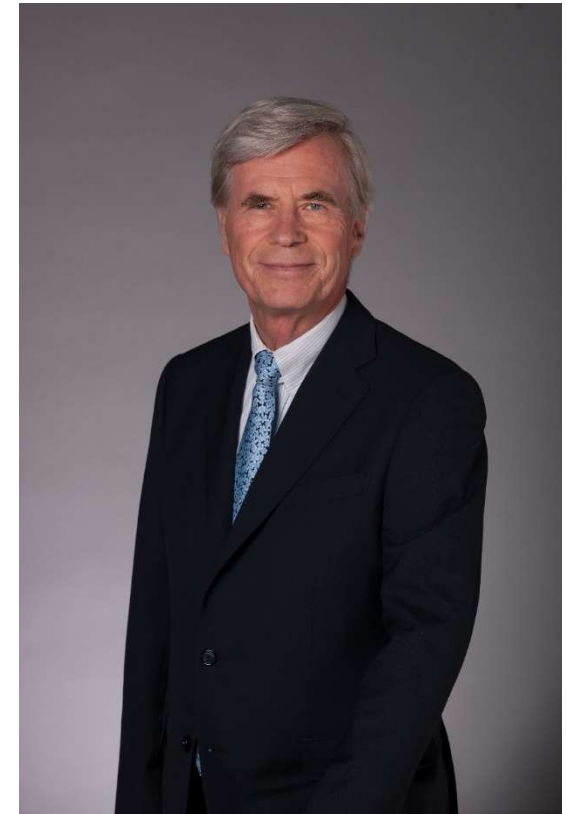
Dr. Govindappa Venkataswamy



Case from Breuer & Lüdeke-Freund (2017). Values-Based Innovation Management. See companion site for cases and questions for discussion. <https://he.palgrave.com/companion/Breuer-Values-Based-Innovation-Management/>

## Chapter 3 /// *Case of Otto*

# OTTO

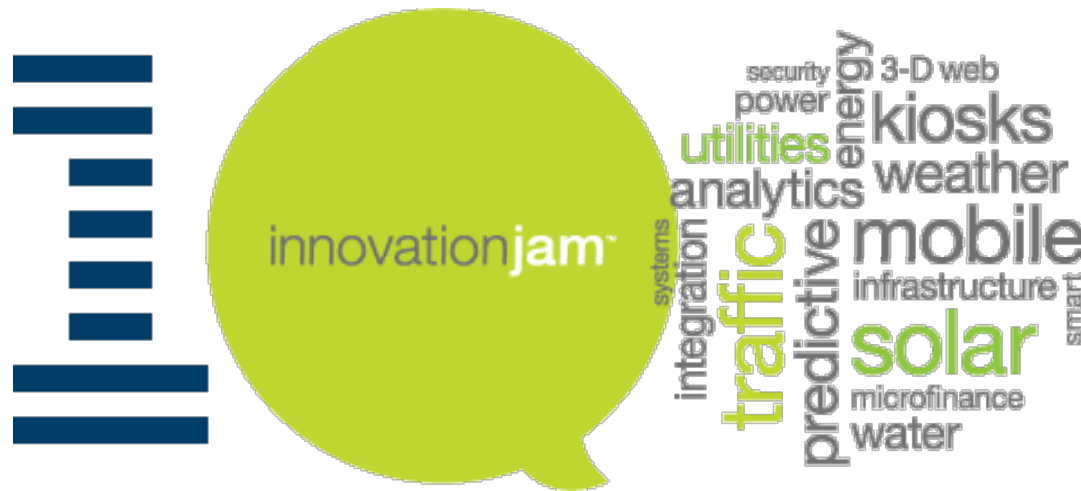


Dr. Michael Otto from <http://www.ottogroup.com/de/presse/material.php>



Case from Breuer & Lüdeke-Freund (2017). Values-Based Innovation Management. See companion site for cases and questions for discussion. <https://he.palgrave.com/companion/Breuer-Values-Based-Innovation-Management/>

## Chapter 3 /// *Case of IBM: Bottom-up: IBM conducted several Values Jams, first in 2003 with 50000 employees using a new Jamalyzer tool.*



- Dedication to every client's success,
- Innovation that matters – for our company and the world,
- Trust and personal responsibility in all relationships.

/// Palmisano, S.J. (2004). Leading Change When Business is Good. HBR Interview conducted by Hemp, P. & Stewart, T.A., Harvard Business Review December 2014, pp 62-70. /// Yaun, D. (2006). Driving culture change by consensus at IBM. Using technology to involve employees in shaping corporate culture. Interview with David Yaun. Melcrum Publishing.



Case from Breuer & Lüdeke-Freund (2017). Values-Based Innovation Management. See companion site for cases and questions for discussion. <https://he.palgrave.com/companion/Breuer-Values-Based-Innovation-Management/>

## Chapter 3 /// *Values serve as input and as evaluation criteria throughout the innovation process.*

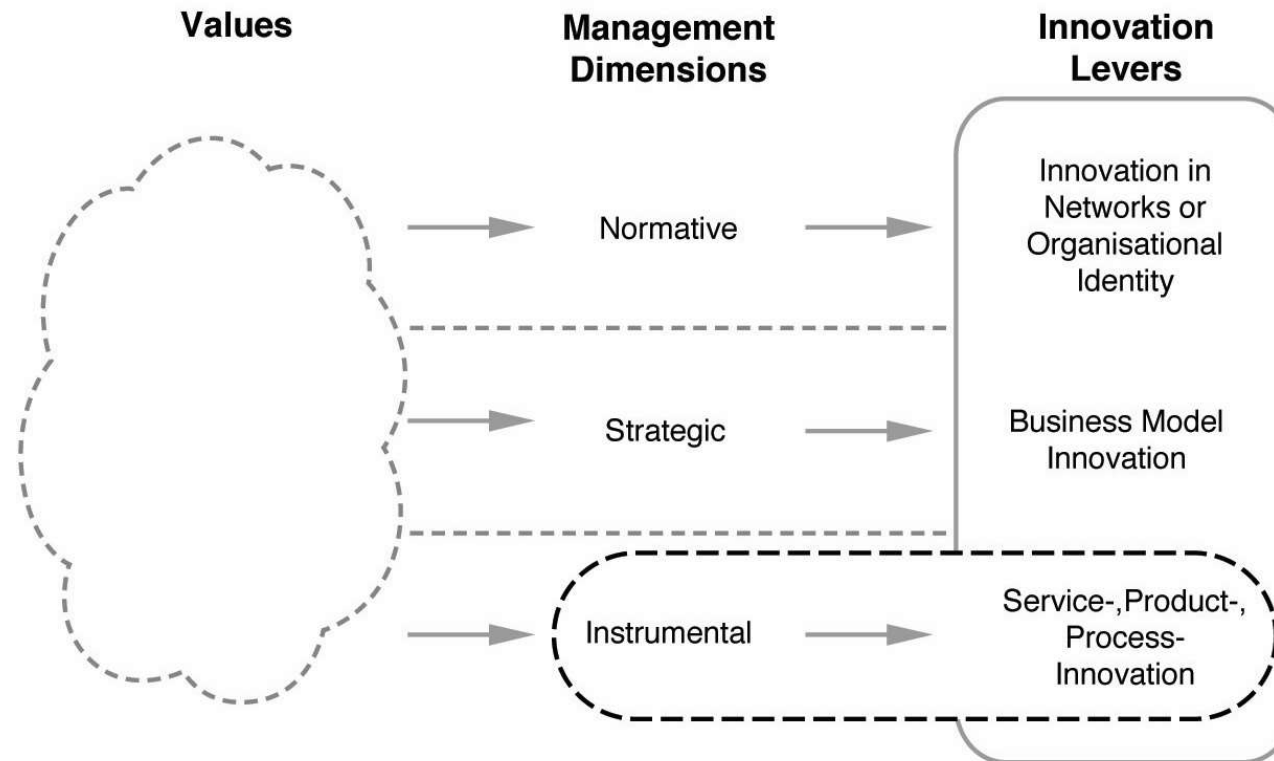
Values play a decisive role:

- within the ***initiation and initial definition*** of innovation projects,
- as ***indicators***, regarding internal and external stakeholders' integration and role definitions, i.e. which stakeholders take an advisory and/or gatekeeper function within an open innovation approach,
- as an enrichment and ***perspective*** for different innovation methods, i.e. with respect to the design of individual methods,
- for the ***evaluation*** of intermediary results and solutions, as a basis for selection criteria at decision points such as stage-gates.

## Chapters 1-3 /// *Values and normative orientations provide untapped potentials to understand and design innovation and its management.*

- **Chapter 1:** Every company pursues values and normative orientations. Some are made explicit in vision, mission, or purpose statements, some are implicitly effective. The values-based view on innovation and its management brings notions of the desirable from the periphery to the heart of corporate value creation and renewal.
- **Chapter 2:** We distinguish theoretical and empirically grounded notions of values (i.e. notions of the desirable) as well as values-related statements. They may fulfil generative, directive and integrative potentials for innovation management on instrumental, strategic, and normative management levels.
- **Chapter 3:** Values “enter” and “leave” organisations on different management dimensions and can unfold their potentials in a top-down, bottom-up, or lateral manner. As a source of innovation values lead to new processes, products, services, business models, organisational identities, and values-based networks.

## Chapter 4 /// *Values-based instrumental innovation in processes, products, and services.*



**Values-based instrumental innovation** refers to a systematic consideration of customer and other stakeholder values that lead to innovation in processes, products, and services, as well as other marketing instruments (such as pricing or communication).

## Chapter 4 /// *Values-based instrumental innovation in processes, products, and services.*



**Values-based instrumental innovation** refers to a systematic consideration of customer and other stakeholder values that lead to innovation in processes, products, and services, as well as other marketing instruments (such as pricing or communication).



## Chapter 4 /// *Values-based instrumental innovation in processes, products, and services (summary).*

- Innovation can be classified as process, product, or service-oriented.
- Values have an influence on any type of innovation. We discuss how values such as efficiency and variety can shape **process innovations**, using the historical example of the early automobile industry.
- **Product designs** can be influenced by the values held by their developers, target customers, or society at large, as in the case of climate-friendly products.
- **Service design**, with its focus on customer needs and provider–customer relationships, requires clarity about customer values to allow for mutually beneficial co-creation processes.
- Consequently, attention must be paid to the particularities of **customer values** and how they can be addressed by careful value proposition design.
- In total, the values-based view suggests that innovators must consider and reflect upon the fundamental **values that are involved in problem definitions and potential solutions**, i.e. processes, products, and services.

## Chapter 4 /// *Major types of instrumental innovation.*

- **Process innovation** refers to the implementation of a new or significantly improved production or delivery method. Examples include the assembly line for industrial production or 2D barcodes used to track deliveries or trigger purchases.
- **Product innovation** focuses on the invention, design, and marketing of new products. Examples include digital cameras, MP3 players, or motion controllers for video games.
- **Service innovation** introduces new service products, service processes, or service firms. As services rely on customer participation and co-creation of value, service innovation is centred on (new) customer values.
- **Product- or service-related customer values** are key to understanding innovation in terms of these marketing instruments. Customer valuations are based on exchange value, use value, experience value, sign value and ideal value, and are being attributed to and drawn from products and services.

## Chapter 4 /// *Values-based process innovation in the early automobile industry ...*

- If a significant invention or renewal is not introduced to a market but to internal business operations such as sourcing, production, or delivery, it is called **process innovation**.
- The assembly line made possible cost efficiency and price reductions for customers. Besides, or even as a part of efficiency, other values like safety of the workforce came into play from the very beginning in the Ford Motor Company factory.
- Orientation towards **operational and cost efficiency** came along with a standardised and functionalist design of the product; instead of 'monkeying with styles' and catering to a minority of customers with a 'personal whim' (Ford, 1923, 72). Henry Ford spread the word: 'Any customer can have a car painted any colour that he wants so long as it is black' (ibid.).

## Chapter 4 /// ... enabled GM to beat Ford.

- With respect to processes, values from process participants and stakeholders are mirrored in the definitions and goals of the process.
- GM embraced what Ford refused: the integrative adoption of customer values (called 'personal whim' by Ford) as a directive and as a heuristic function to inform product design.



## Chapter 4 /// *Four options on product offerings to find new ways to increase revenues from existing customers or to enter new markets.*

- **Keeping the status quo:** To keep a product in the portfolio as it is.
- **Elimination:** To eliminate a product from the portfolio if it fails to deliver revenues or no longer complies with strategy or brand values. For instance, production of Formula One cars may not be in line with sustainability-oriented strategy.
- **Modification:** To modify a product without changing the total number of products being offered in a product portfolio. Typically, improved products replace outdated models.
- **Innovation through differentiation and diversification:** Through differentiation, new or modified products are added to an existing product line, e.g. a new flavour to a line of soft drinks. Diversification on the other hand introduces new product categories broadening the portfolio.

## Chapter 4 /// *The case of Lego shows trade-offs between product innovation strategies.*

- *What negative effects did LEGO's over-diversification cause? What were some of the reasons behind this strategy? When and how can innovation become a bad thing?*
- *How did LEGO turn the company around? Why did LEGO's focus on retuning to their origins through streamlining and narrowing a broad product portfolio succeed?*



- *Please explain the interplay between strategy, mission & values, and product innovation in the case of LEGO. How would you describe a mission statements role in innovation? To what degree should innovation be influenced by a company's values and mission? How does a mission focus innovation? Inspire innovation?*



## Chapter 4 /// Services become the primary form of offering.

- “**Servicising**” refers to the growing shares of service components in new business models such as mixed “**product-service-systems**” (van Halen et al., 2005).
- A new “**service dominant logic** for marketing” (Vargo & Lusch, 2004) has been proposed. Manufactured goods become distribution means for services such as medical treatments (drugs), barbering (razors), or consulting and teaching (e.g. by means of computers). “Value is defined by and co-created with customers rather than embedded in output” (Vargo & Lusch, 2004, 6).
- ***Decision making power to pursue and implement certain values moves further away from the producers and towards their customers and the wider stakeholder networks.***
- Methodologies to develop and manage innovation have followed this shift towards services. Design scholars and practitioners from disciplines such as **human-centered design, service design, and design thinking** have been promoting methods to understand and innovate for individual and customer values.

Chapter 4 /// *Companies try to understand and integrate changing customer values into the marketing of their products and services.*





Chapter 4 /// *In how far do you (dis)agree with what Simon Sinek argues in his TED talk on why to “start with why”?*



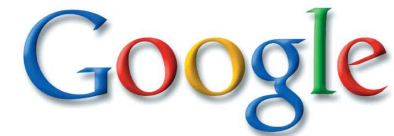
Video: <https://www.youtube.com/watch?v=sioZd3AxmnE>



See companion site for cases and questions for discussion. <https://he.palgrave.com/companion/Breuer-Values-Based-Innovation-Management/>

## Chapter 4 /// *Cases of “Innovation Time Off” and “Employee-led Innovation” shows how to utilize values of developers.*

- *What kinds of innovation are most likely to be triggered by “innovation time off”? What kinds of innovation are less likely to result from it?*
- *For which industries do you consider this appropriate?*
- *Which measures to foster employee-led innovation are described, and what are the (dis)advantages of each one?*
- *Which one would you recommend to foster employee-led innovation (you can select a specific company as an example)? How would you go about implementing them?*



Chapter 4 /// *The case of Zappos shows how service as such becomes a value proposition and domain for innovation efforts.*

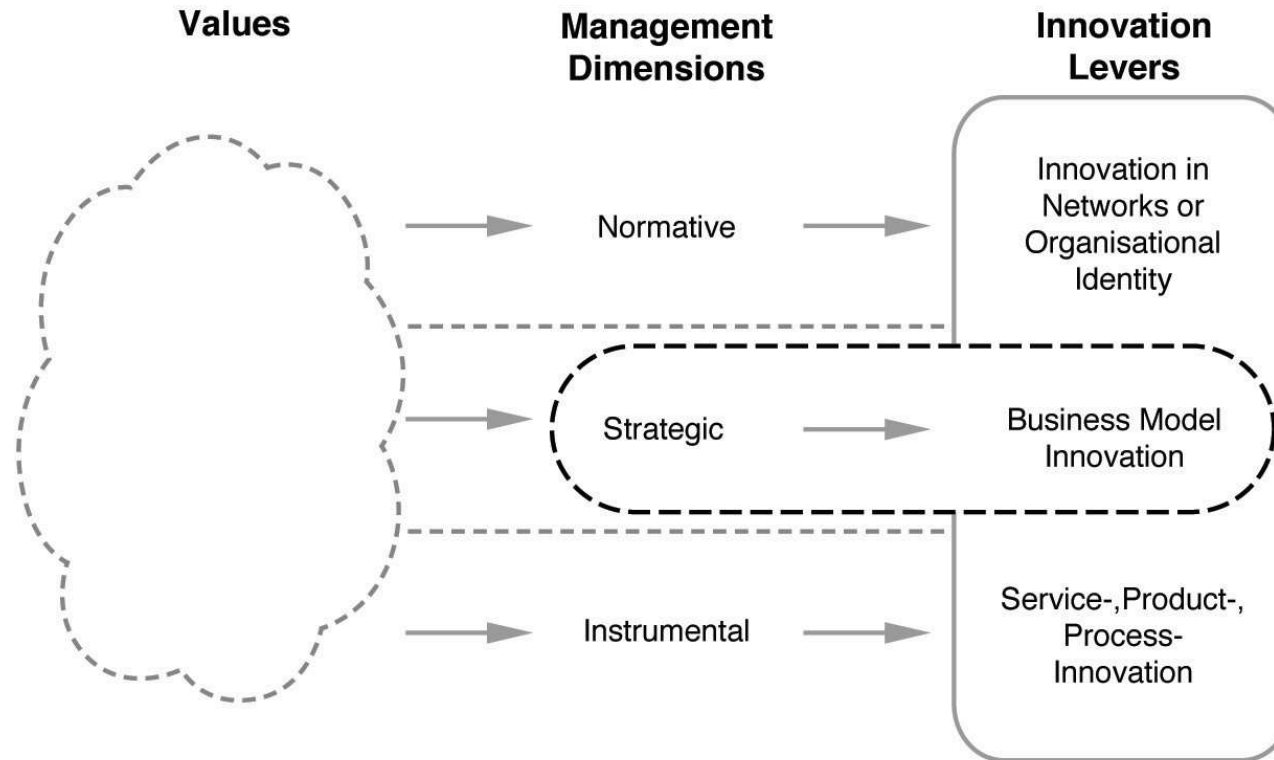


Video: <https://www.youtube.com/watch?v=5CcLIPaUz3E>



Case from Breuer & Lüdeke-Freund (2017). Values-Based Innovation Management. See companion site for cases and questions for discussion. <https://he.palgrave.com/companion/Breuer-Values-Based-Innovation-Management/>

## Chapter 5 /// *Values-based strategic innovation in business models.*



**Values-based strategic innovation** changes the preconditions of an organisation's competitive advantage and its strategic goals based on the introduction of new values and normative orientations into the strategic management dimension.

## Chapter 5 /// *Values-based strategic innovation in business models* (summary)

- Values-based strategic innovation introduces new values and normative orientations to strategic management. They provide an additional lever to reach strategic goals, to achieve **competitive advantages**, and to establish new ways of **value creation**.
- **Business model innovation** is a powerful approach to work towards notions of the desirable. They can be driven by integrating values and normative orientations into new value propositions, other business model components, or whole business model configurations.
- To put new business models into practice, potentially conflicting values of **stakeholders** need to be reviewed and understood as both potential enablers and barriers to business model innovation.
- Sustainability-oriented companies exemplify values-based business model innovation. Cases include US carpet manufacturer Interface and Indian eye care provider Aravind. Their **green industry and social no-frills business models** reveal the particularities of values-based strategic innovation in business models.

## Chapter 5 /// *Business model and business model innovation.*

We define ...

- ... a ***business model*** as a representation of organisational value creation, based on a value proposition (the benefit offered to customers and further stakeholders), value delivery (how value propositions reach and unfold for respective customers and further stakeholders), and value capture (how the focal company obtains net value from its interaction with customers and stakeholders); and
- ... ***business model innovation*** as modifications of existing as well as the introduction of new forms of value creation, delivery, and capture, leading to new qualities and/or new configurations of business model components.

## Chapter 5 /// *Values-based business model innovation.*

- ***Values-based business model innovation*** describes changes in the way an organisation creates, delivers, and captures value by pursuing values of its internal and external stakeholders. Their values can impact the design of value propositions, i.e. the benefits offered to target groups, as well as further business model components and configurations.

## Chapter 5 /// *Values-based business model innovation can be driven in at least three ways.*

- New business models can be developed based on ***new value propositions***. Value propositions address customer values, often in the narrow sense of economic benefits or use value for the customer, but also with respect to more existential customer values such as comfort, health, or safety (Chapter 4).
- Values held within the organisation can drive innovation in ***single or multiple business model components*** such as distribution channels, customer touchpoints, or cost structures.
- ***Innovation in whole business models*** and their value creation rationale can be pursued as a means to address societal problems and ideals. In this case values are clarified and their integrative, directive, and/or heuristic functions are applied to design, review, and configure business model components until new business models are found.



## Chapter 5 /// *Values-based business model innovation driven by new value propositions.*

- **Sustainability-oriented business model innovation** can be used as a reference case for values-based innovation.
- Some business models with **ecologically and socially motivated value propositions** are making headlines, such as Grameen Foundation's banking or mobile communication businesses.
- **Striving for sustainability and responsibility**, these companies develop their value propositions in ways that differ widely from their primarily profit-driven counterparts.
- The **values of diverse stakeholders** such as employees on different hierarchy levels, business partners along the supply chain, further collaboration partners, customers (such as 'scooter families' – see Tata case), and further societal stakeholders may inform new value propositions and business models and become relevant for their implementation.

## Chapter 5 /// *The case of Indian Tata and its “Nano” illustrate the strength of innovative, values-based offerings to customers.*

- **Tata’s Nano** is a minimalist automobile offered at an extraordinarily low price that allows average Indian families to buy it. The vision behind the Nano, which led to a formerly unknown market segment, is that every Indian ‘scooter family’ can afford safer mobility.
- *What are further underlying values that made Tata develop the Nano – do you see a tension between traditional business motivations and the idea of offering safe mobility to otherwise vulnerable families?*
- *How do you evaluate the trade-off between safety for families and children, and increasing traffic, resource consumption, and emissions to the environment? Is this trading-off responsibility against ecological sustainability?*



Picture from: [http://m3.paperblog.com/i/9/92358/tata-nano-aus-purem-gold-L-tAhn\\_K.png](http://m3.paperblog.com/i/9/92358/tata-nano-aus-purem-gold-L-tAhn_K.png) & <http://www.billigstautos.com/wp-content/uploads/2009/09/tata-motors-logo.png>



Case from Breuer & Lüdeke-Freund (2017). Values-Based Innovation Management. See companion site for the case and questions for discussion. <https://he.palgrave.com/companion/Breuer-Values-Based-Innovation-Management/>

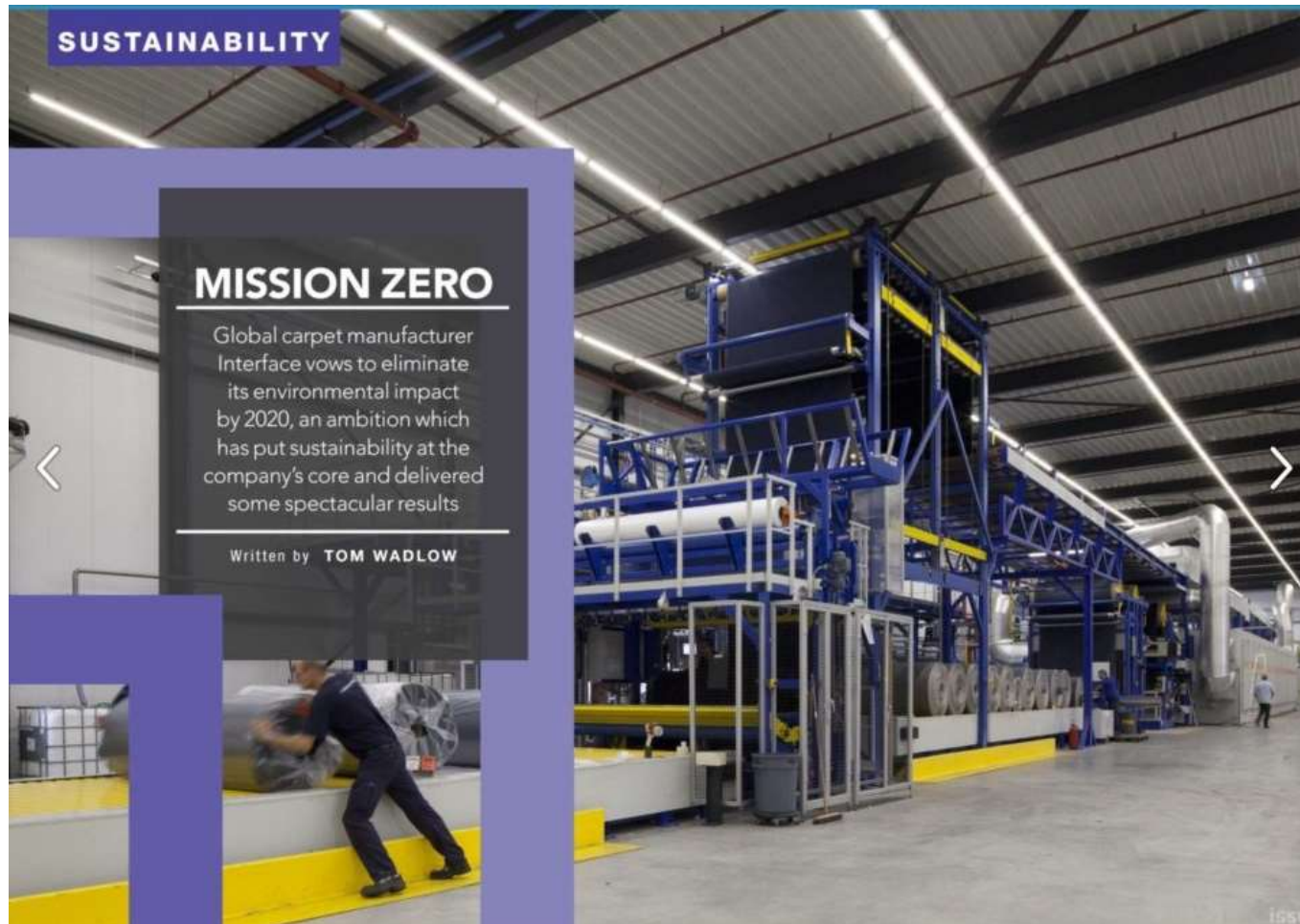
## Chapter 5 /// *Values-based business model innovation in further business model components.*

- To understand **innovations in single business model components**, take a look at a global corporation that, for some time, engaged in clean energy technologies, which was a far cry from its original core business: British Petroleum and its solar energy business.
- BP Solar's business model innovations were mainly built on **component variations** such as distribution, partnership, and financing models, aiming to serve particular use, experience, and ideal values of their customers.
- The case reveals how **BP Solar introduced four new business models** based on component innovations and variations: Home Solutions, Builder Solutions, Business Solutions, and Project Developer business model.

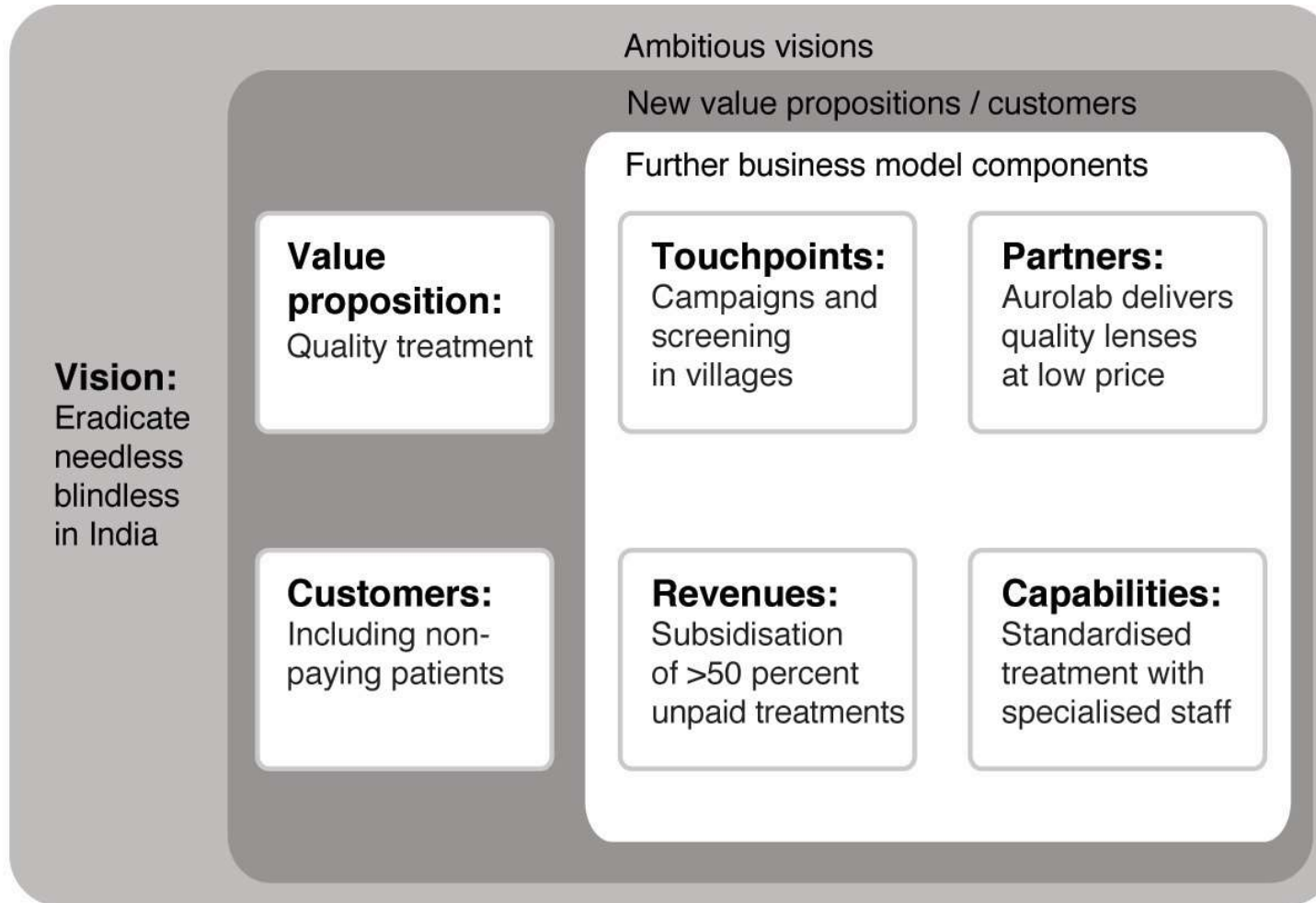


## Chapter 5 /// *Values-based business model innovation driven by ambitious visions.*

- Values-based business model innovation is *the* way for some companies to pursue ambitious visions and fulfil their purpose. We can use two remarkable cases to understand how **ambitious, entrepreneurial visions** led to whole new, values-based business models.
- Imagine you are striving to eradicate needless blindness in a large and diverse country such as India, where the majority cannot afford medical treatments. How do you reach those in need – your ‘customers’, i.e., your patients? With **Aravind Eye Care Systems**, Dr. V found an answer: a **social freemium business model**.
- **Interface Inc.** is another example of internally motivated values-based business model innovation aiming at greater ecological and social responsibility in the company’s floor-covering core business.

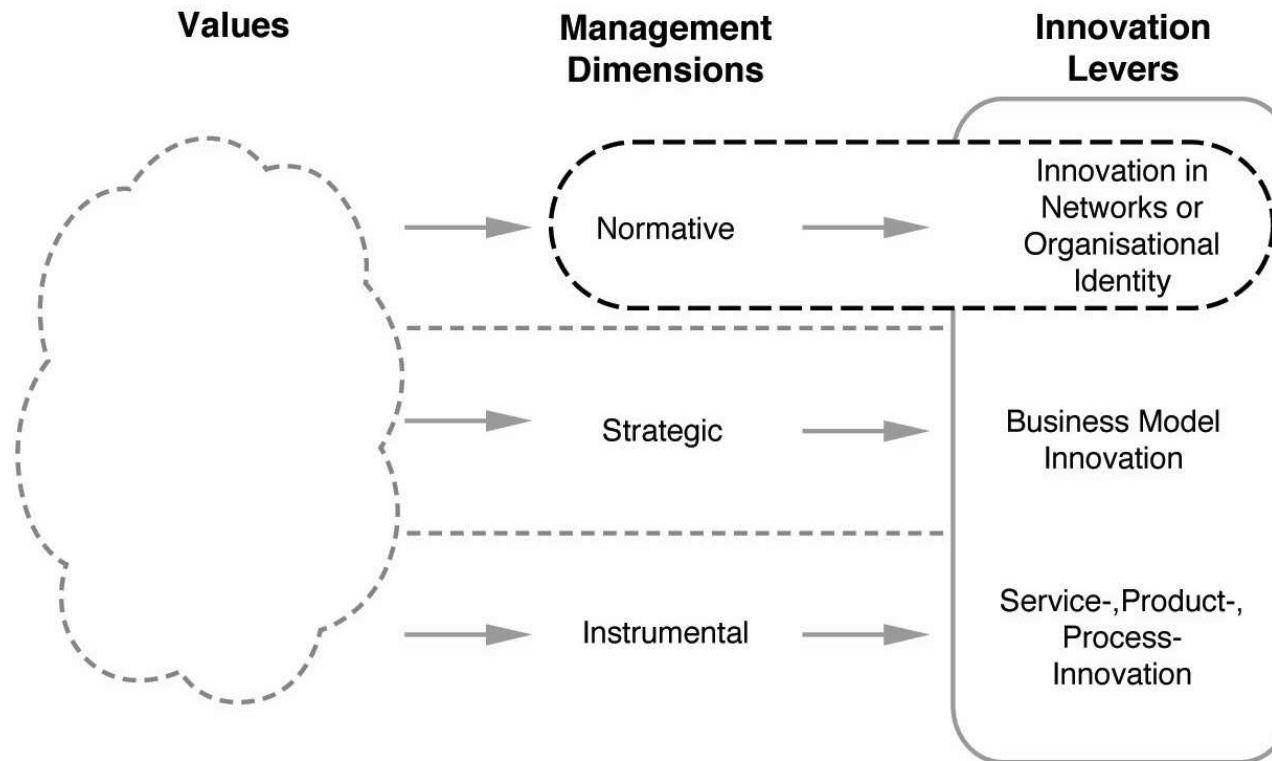


## Chapter 5 /// *Case of Indian Aravind Eye Care System*



Case from Breuer & Lüdeke-Freund (2017). Values-Based Innovation Management. See companion site for the case and questions for discussion. <https://he.palgrave.com/companion/Breuer-Values-Based-Innovation-Management/>

## Chapter 6 /// *Values-based normative innovation.*



**Values-based normative innovation** redefines the values, aspirations, and the identity of an organisation and/or a network of organisations, leading to new norms, principles, and strategies.

## Chapter 6 /// *Values-based normative innovation in organisations and networks (Summary).*

- Normative management defines the **overarching identity and aspirations of an organisation** and codifies the norms, principles, and strategies for their realisation.
- Its main task is to **explore, identify, and codify the values of internal and external stakeholders** and to integrate these with an organisation's identity and aspirations.
- Values-based innovation helps with **developing or renewing these normative foundations**. For example, in order to embed sustainability into an organisation and its culture, values-based normative innovation is required to adapt its structures, activities, and behaviours accordingly.
- **Beyond single organisations**, values unfold integrative, directive, and generative potentials in the **constitution of networks**. The more linear value chains lose their relevance, the more values-based innovation can facilitate the creation and stabilisation of multi-actor networks.
- The case of **BP's vision of moving 'beyond petroleum'** and a report from a project to build a **sustainable energy region in Northern Germany** illustrate the importance of values-based normative innovation within and beyond organisations.



## Chapter 5 /// *Values-based normative innovation.*



Case from Breuer & Lüdeke-Freund (2017). Values-Based Innovation Management. See companion site for cases and questions for discussion. <https://he.palgrave.com/companion/Breuer-Values-Based-Innovation-Management/>

## Chapter 6 /// *Visions and missions provide for normative orientation.*

- Different concepts are used to **define an organisation's normative orientation** and, more specifically, the directions and guidelines for its development and behaviour. Here, we focus on visions and missions as they are the **most common normative statements**:
- ***Vision statements** describe the desired future state of an organisation. It is a statement about the organisation, explaining why it is doing what it is doing, and where it intends to be in some years. A vision statement emphasises an organisation's ambitions for its future development and is formulated in a way that allows for personal identification, which makes it an important communication tool within organisations.*
- ***Mission statements** are mostly used to define the business an organisation is in, the type of work it does, and the type of customers it addresses. Such statements provide direction and orientation for an organisation's members but also help external stakeholders in defining their expectations of an organisation; it answers the question how customers and stakeholders should perceive the organisation.*

## Chapter 6 /// *Visions and missions provide for normative orientation.*

- **Visions and missions are based on values.** Operationalising visions through organisational structures and policies, which in turn lead to particular activities and behaviours, means operationalising their underlying values.
- *“Visions are implemented through practices that operationalise core values in day-to-day initiatives. Values are demonstrated in how relationships are developed with stakeholders, including employees, customers, community members, owners, local authorities, and nature. In other words, visions are implemented through the processes, policies, and procedures – in sum, the practices – that organizations develop” (Waddock & Rasche, 2012, 57).*

## Chapter 6 /// *Visions and missions provide for normative orientation.*

- The translation of visions and missions into operations can require the definition of clear **principles to guide daily business.**
- “**Sustainable supply chain management**” is an approach to tries to bring the vision of sustainable business down to the ground of daily business operations.
- Take a look at the case of **Italian coffee maker Illy** and its approach to sustainable coffee supply chains.



Pictures from <http://www.illy.com> & [http://www.menusofchange.org/images/made/images/uploads/pages/illy---2016-MOC---Sustainability-Photo1-350\\_400\\_275\\_s\\_c1.png](http://www.menusofchange.org/images/made/images/uploads/pages/illy---2016-MOC---Sustainability-Photo1-350_400_275_s_c1.png)



Case from Breuer & Lüdeke-Freund (2017). Values-Based Innovation Management. See companion site for the case and questions for discussion, <https://he.palgrave.com/companion/Breuer-Values-Based-Innovation-Management/>

## Chapter 6 /// *Exploring, identifying, and codifying new values within organisations – e.g. sustainability.*

	<b>Fulfilment</b>	<b>Innovation</b>
<b>Informal</b>	<p><i>Fostering commitment</i></p> <p>Support and encourage those who are making efforts to act sustainably</p>	<p><i>Building momentum for change</i></p> <p>Support a culture of sustainability-oriented innovation, develop new ideas to bring an organisation closer to its sustainability goals</p>
<b>Formal</b>	<p><i>Clarifying expectations</i></p> <p>Integrate sustainability into the core of an organisation's governance, policies, strategies, and processes</p>	<p><i>Instilling capacity for change</i></p> <p>Create structures and scaffolds that will form a foundation for future changes in the organisation</p>

Based on Bertels et al., 2010

Exploring, identifying, and codifying new values within an organisations and its culture requires different approaches; those that affect values and behaviours (informal), and those that establish rules and precedures (formal).

Chapter 6 /// *Exploring, identifying, and codifying new values within organisations – the case of BP’s (failed) move “beyond petroleum”.*



Case from Breuer & Lüdeke-Freund (2017). Values-Based Innovation Management. See companion site for the case and questions for discussion. <https://he.palgrave.com/companion/Breuer-Values-Based-Innovation-Management/>

## Chapter 6 /// *Exploring, identifying, and codifying new values within organisations – the case of BP’s (failed) move “beyond petroleum” - extended.*

An extended version of the BP case can be found in Lüdeke-Freund & Zvezdov (2013): This case allows you to discuss further issues, for example:

- Why should an economically successful company such as BP add an alternative business field to its activities? As long as the core business offers a good financial performance for its shareholders, why invest in alternatives?
- Is this not a rather risky strategy – also for the former celebrity CEO Lord Browne (cf. Healy and Griffin, 2004)? What were BP’s and Lord Browne’s options in the year 2000?
- As BP’s head of corporate strategy, what would you have advised Lord Browne to do in 2000 regarding the issues of climate change and alternative energies? What would you advise Robert Dudley (successor of Tony Hayward) to do in 2010?
- What are BP’s future options for re-building its reputation, both as a potent oil major and as a corporate citizen concerned with future energy challenges?
- The central question for the future (which is strategy’s domain) is: Can and should BP still follow the “beyond petroleum” path in a credible manner?



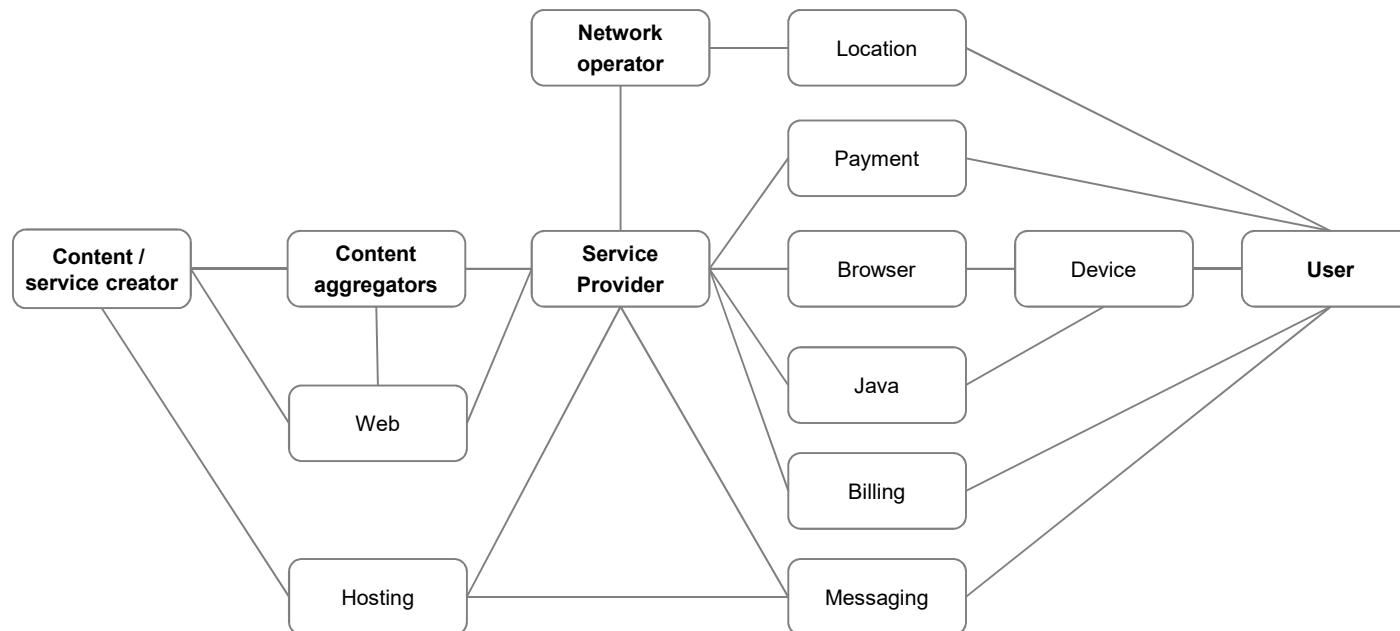
## Chapter 6 /// *Beyond single organisations – values-based network innovation.*

- Reasons why a network perspective is needed:
  - **Products and services** in many industries are becoming **dematerialised**, their according value chains lose their physical and linear properties.
  - **Competition is no longer the single dominant mode of interaction**; today, inter-firm relationships such as strategic alliances, co-opetition, or virtual organisations are rather the rule than the exception.
  - **Technological complexity** is another core driver of network development.
  - *As a result of these developments, the notions of ‘value network’ or ‘value constellation’ are more appropriate to grasp the value creation logics of modern industries.*



## Chapter 6 /// *A value network innovation - exemplary partial network map for mobile content services.*

- Another argument for a value network perspective is that many industries require that **value-creating activities are performed simultaneously** instead of sequentially. Mobile communication, for example, requires the **simultaneous availability** of mobile devices and a variety of highly specialised infrastructures and content services.

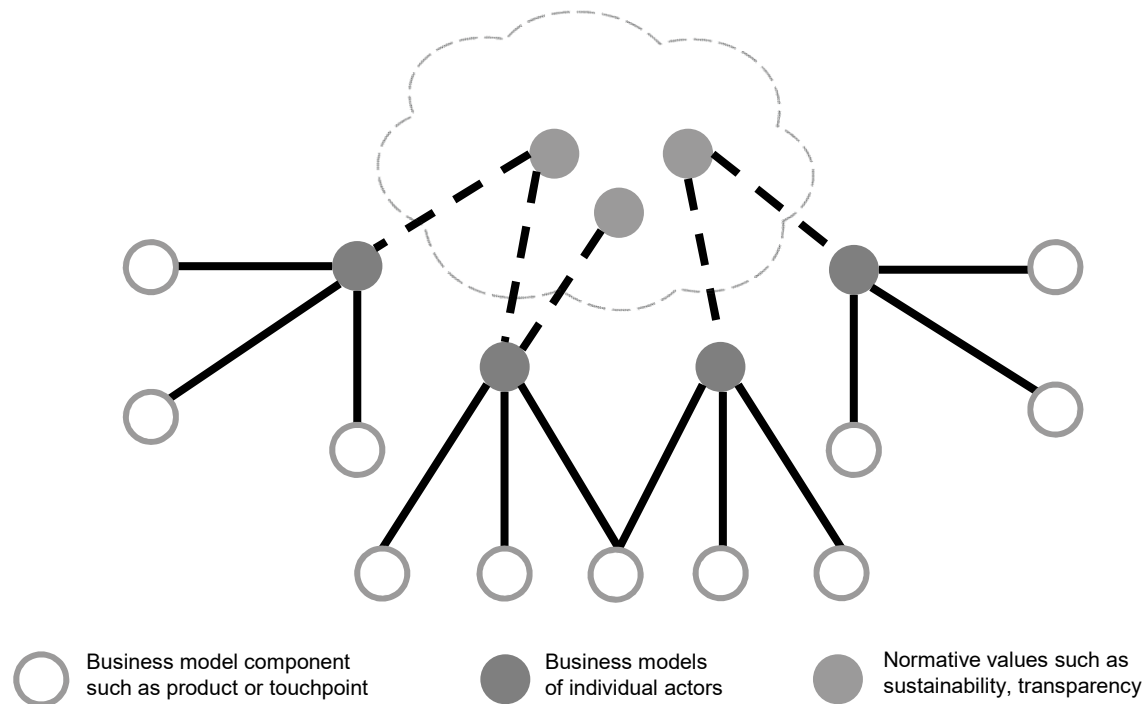


## Chapter 6 /// *Beyond single organisations – values-based network innovation.*

- Examples of classic arguments for network formation:
  - **Digitisation, dematerialisation, increasing technological complexity, and new forms of inter-organisational relationships** are characteristics of today's markets that render the classic, linear value chain concept ineffective.
  - Organisations might join a network for **opportunistic reasons** or they might be **“forced to do so”** because of a lack of alternatives, e.g. when an organisation depends on a dominant set of actors.
- The values-based view introduces a new argument:
  - Besides understanding how value is created in networks, another central question refers to the **motivations of actors for joining a network**.
  - **Values are the fabric of a network** and at the same time an **extensive source of innovation potential** for its members.
  - Values influence technological or strategic objectives that **motivate or impede joint innovation and business activities**.

## Chapter 6 /// *Beyond single organisations – values-based network innovation.*

- Representation of the values-based view on network innovation:

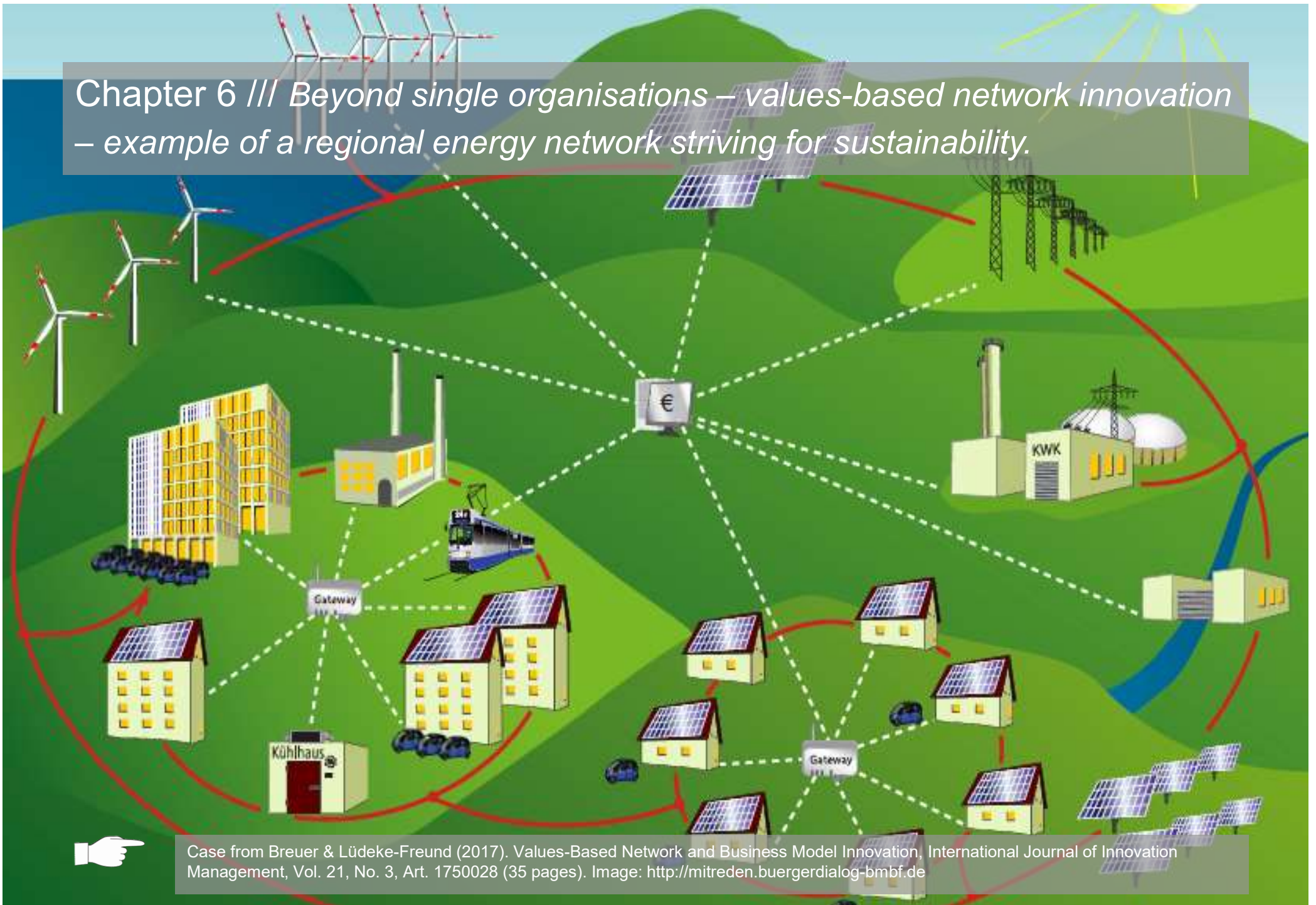


## Chapter 6 /// *Beyond single organisations – values-based network innovation – example of a regional energy network striving for sustainability.*

- **Overcoming unsustainable forms of energy generation and supply** is one of the major challenges of our time.
- Several initiatives are working towards enabling and pushing this transition, but these face serious **barriers due to powerful private and public actors**, their diverging vested interests.
- One approach to foster the intended changes is to **focus on regions** first before moving into a national or even a European scale.
- In this context, **VPP (virtual power plant) technology** represents the prototype of a technological **network where value emerges from the distributed activities of different actors** such as suppliers, consumers, and storage and IT service providers, etc., instead of being centred on a single focal and dominant actor.
- The **case of EnERgion** explores the challenges and opportunities of values-based network innovation in practice.

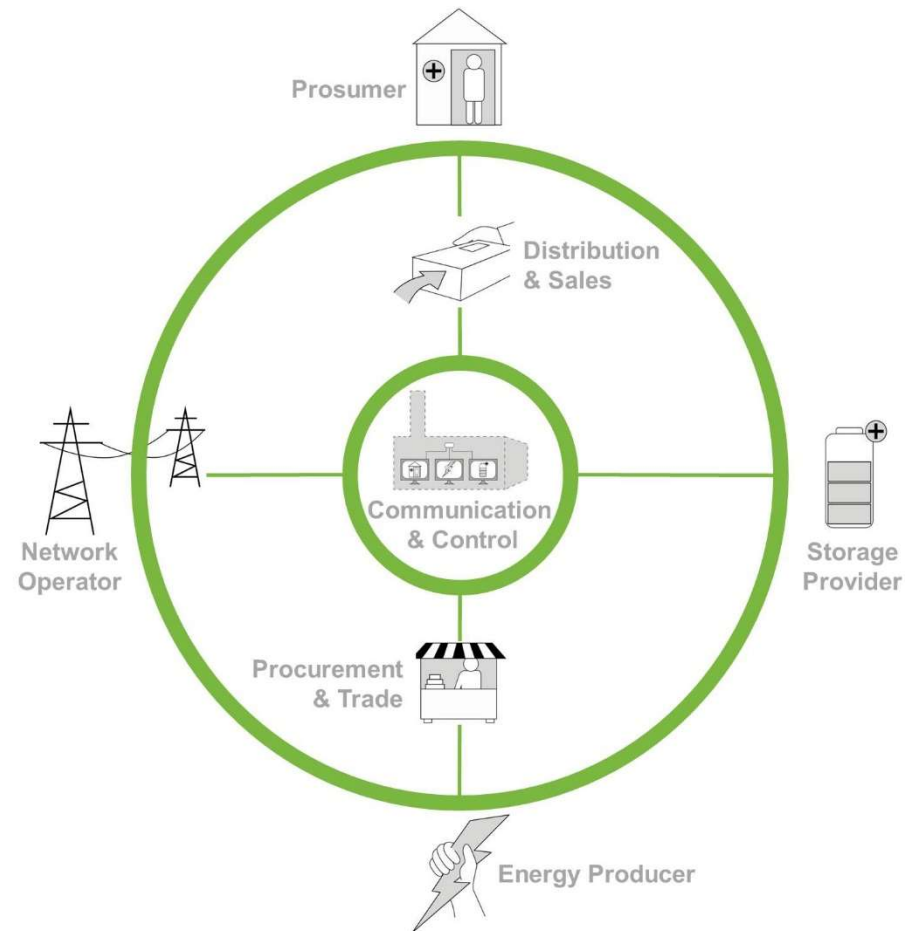


Chapter 6 /// *Beyond single organisations – values-based network innovation – example of a regional energy network striving for sustainability.*



Case from Breuer & Lüdeke-Freund (2017). Values-Based Network and Business Model Innovation, International Journal of Innovation Management, Vol. 21, No. 3, Art. 175028 (35 pages). Image: <http://mitreden.buergerdialog-bmbf.de>

Chapter 6 /// *For three stakeholders we focused on shared values and distinct business models to establish a sustainable energy market.*



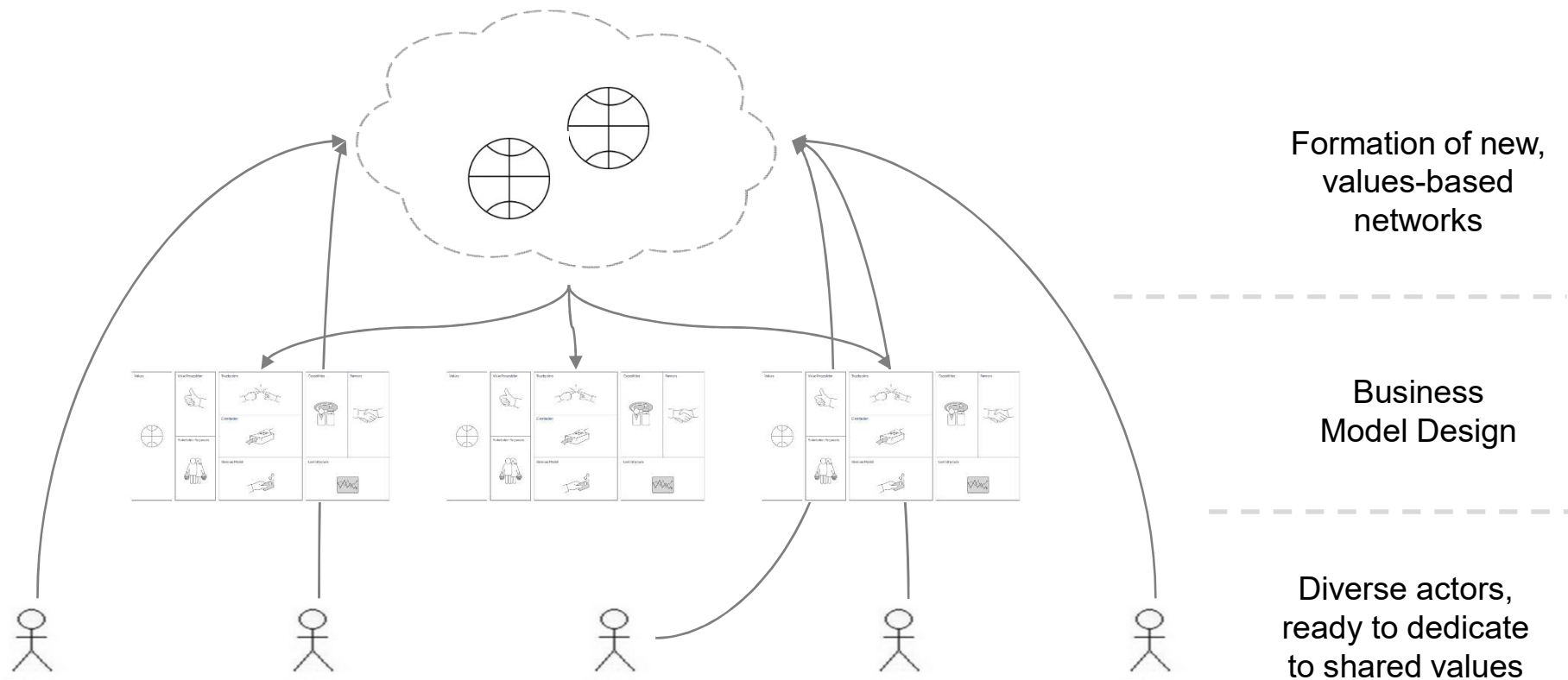
Case from Breuer & Lüdeke-Freund (2017). Values-Based Network and Business Model Innovation, International Journal of Innovation Management, Vol. 21, No. 3, Art. 1750028 (35 pages). Image: <http://mitreden.buergerdialog-bmbf.de>

Chapter 6 /// *Shared values and parallel creation of new business models promoted mutual tolerance for negative impacts on some actor's business.*

		<i>Network Actors</i>		
		<i>Prosumers</i>	<i>Energy Producers</i>	<i>Network Operators</i>
<i>Innovation Levels</i>	<b><i>Values</i></b>	Regional sustainability, education and independence	Regional sustainability, innovation and independence	(Cross-)Regional sustainability and education to drive innovation
	<b><i>Business Model</i></b>	Local energy community	Financial equity participation	Agency for virtual power plants
	<b><i>Components</i></b>	Advanced storage technology and trade platform	Partnering in marketing, finance & operation	Repurposing consulting capabilities



Chapter 6 /// *Key values such as independence, transparency, efficiency, and proximity provide an evolving reference point to work towards a shared vision.*

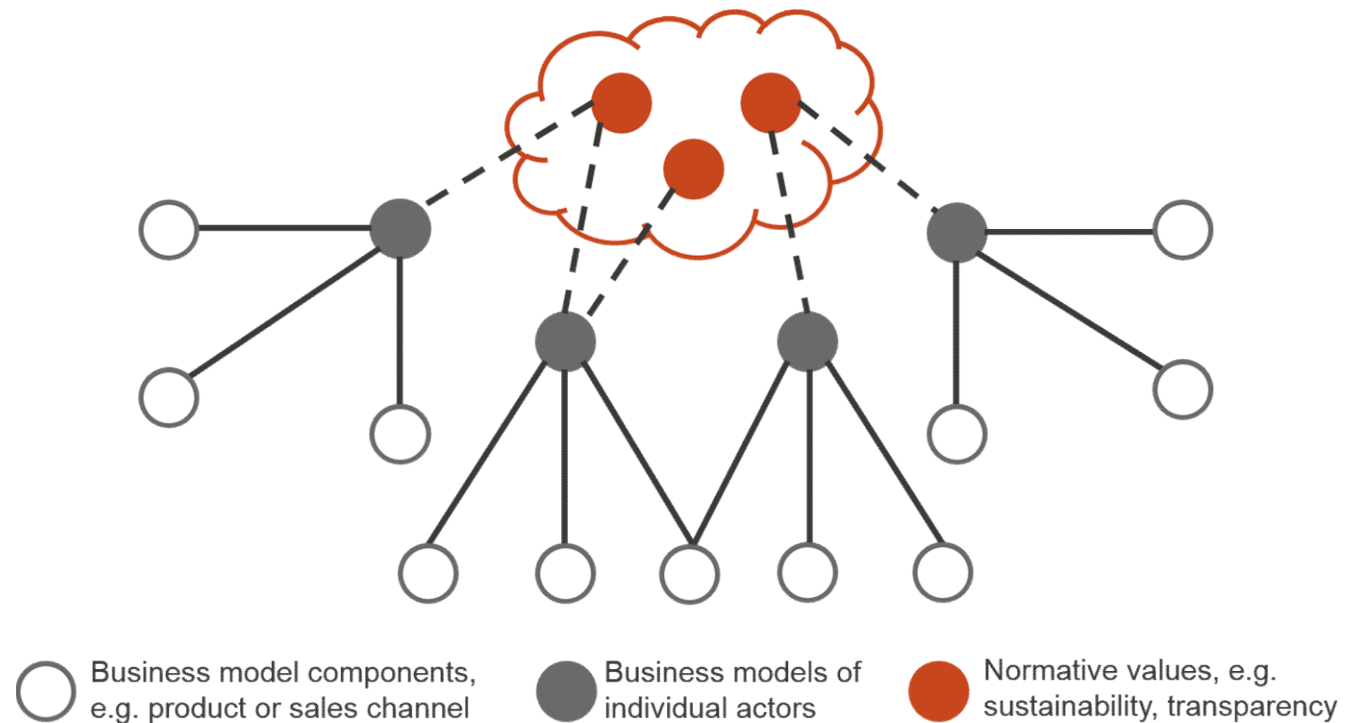


Formation of a values-based network: Different actors (at the bottom) from an industry or region convene to explore shared values and formulate a common vision (cloud at the top). This may be realized through the network of new business models of the participating parties.

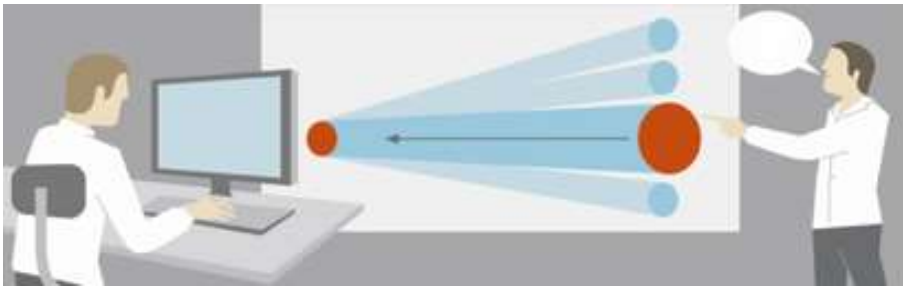




Chapter 6 /// *Sustainability specified in such ways becomes a driver for innovation on normative, strategic and instrumental management levels.*



## Chapter 7 /// *Values-Based Innovation Methodology*



## Chapter 7 /// *Values-Based Innovation Methodology*

- Exploration and elaboration of values and normative orientations are applied to **reframe and expand existing innovation methods** and frameworks.
- **Stepping beyond** the open innovation funnel, peripheral values and normative scenarios are integrated into innovation management.
- **Future scenarios** sensitise companies, networks, and business ecosystems to alternative developments. Normative scenarios focus on desirable trajectories.
- **Ethnographic approaches** help to reveal and differentiate values held by customers and other stakeholders. They unveil the generative, directive, and integrative potentials of values, but do not predetermine solutions.
- Values-based **business modelling** as a strategic method is grounded in the consideration of stakeholder values and is reinforced by values-based (e.g. sustainability-oriented) business case drivers.
- **Combine** these methods to turn the pursuit of notions of the desirable into new business and values-based innovation into a reliable and repeatable practice

## Chapter 7 /// *Values can play a decisive role throughout the innovation funnel.*

Values can play a decisive role ...

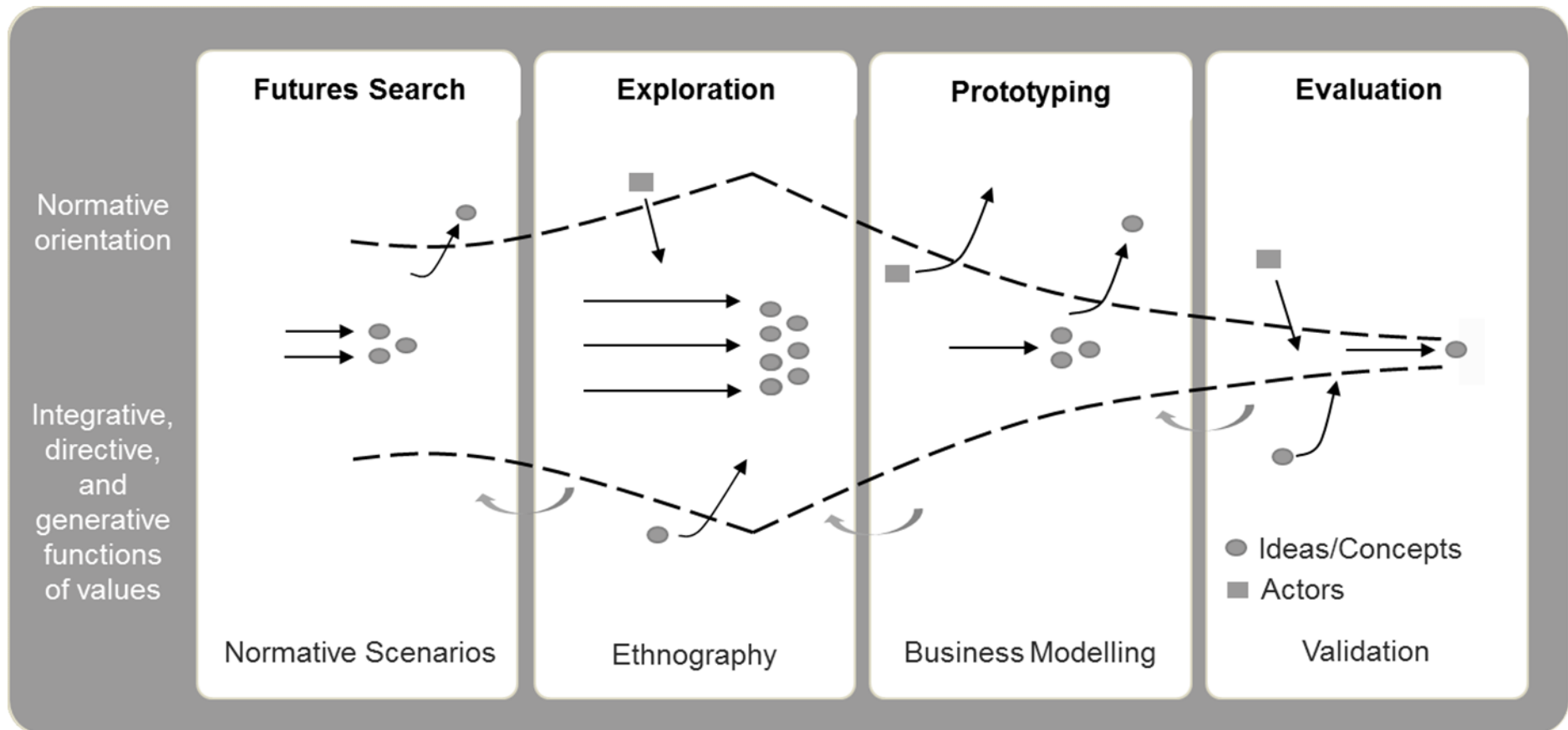
- ... within the **initiation and initial definition** of innovation projects based on internal and/or external stakeholders' values and normative orientations;
- as enrichment and perspective for the **(re-) design of individual methods for futures search, exploration, prototyping and evaluation**, and overall methodology;
- ... for the **evaluation of intermediary results** and solutions and as a basis for selection criteria at decision points, such as stage-gates, including the selection of suitable stakeholders fulfilling an advisory role and/or gatekeeper function; and
- ... as an integrating momentum that fosters collaboration and allows developing shared and common ground.

## Chapter 7 /// *Initiation and project definition build on what we care about.*

- If applications and purposes are sought for an already existing idea or technology, its owners will usually start from the potential use values of this idea or technology.
- Contrastingly, in a green field approach, only a more or less defined problem or challenge is given or generated. Long learned personal values, intuition from contingent experiences, techniques of creative search (Johnson, 2010b), and generative heuristics (McGuire, 1997) may inform the identification and initial specification of problems and challenges to be confronted.
- Ambitious starting points need to be iteratively refined to develop a more precise definition of a challenge that can be addressed.

*Value commitments and normative orientations, or, more precisely, their clarification and negotiation within an innovation or entrepreneurial team, create the normative foundations for new business and the initial heuristic for entering an innovation process.*

Chapter 7 /// *A values-based open innovation funnel applies (re-)designed methods for futures search, exploration, prototyping and evaluation.*



## Chapter 7 /// *For an evaluation of intermediary results values are translated into more or less well defined criteria.*

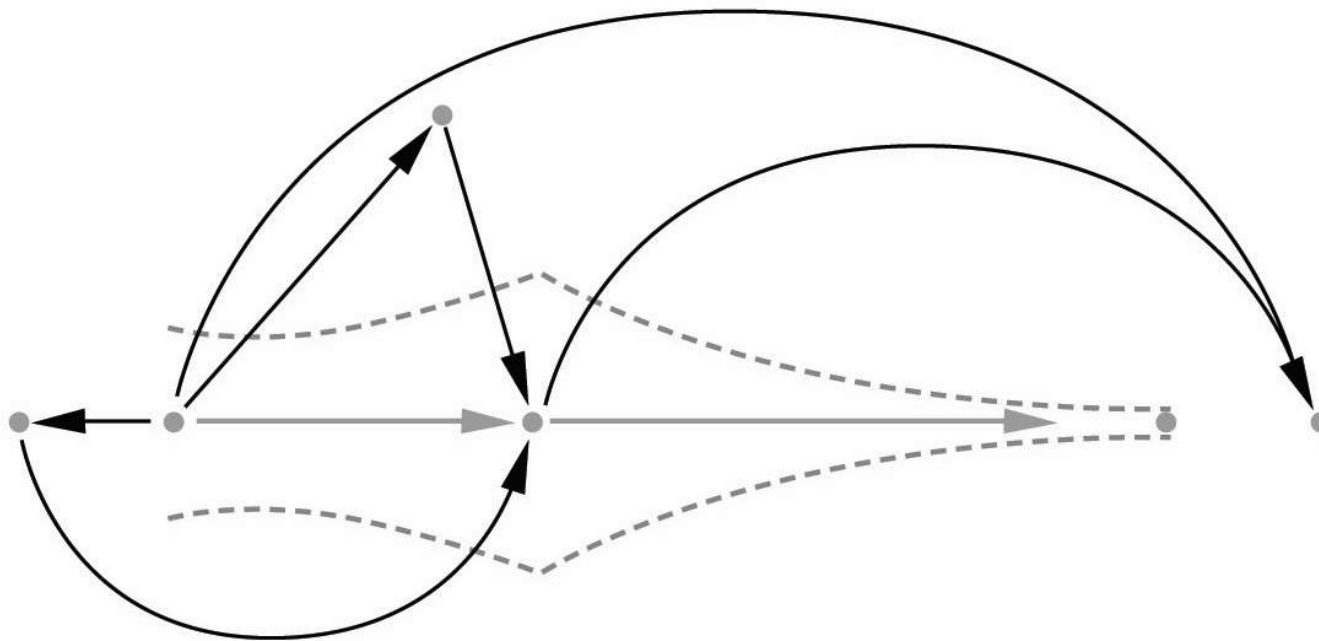
- Even if values are only **vaguely defined**, everyone may still invoke them. Former Google chairman Eric Schmidt reports a case where the companies' motto 'don't be evil' (e.g. Google, 2012) served as a criterion to stop and redirect a given course of action. *„The idea was that we don't quite know what evil is, but if we have a rule that says don't be evil, then employees can say, I think that's evil .... So what happens is, I'm sitting in this meeting, and we're having this debate about an advertising product. And one of the engineers pounds his fists on the table and says, that's evil. And then the whole conversation stops, everyone goes into conniptions, and eventually we stopped the project. So it did work" (Schmidt 2013).*
- Formal **decision criteria and scorecards** should be extended by values-based factors. These factors, criteria, and scorecards need to conform with normative statements, such as vision, mission or purpose statements of the organisation, on the one hand. On the other hand, they need to be specified with respect to the initial innovation project idea and purpose.
- With regard to sustainability-oriented innovation diverse and complex **indicator systems** are being discussed. Standardss are missing.

## Chapter 7 /// *Detour through fundamental values, peripheral perspectives and/or future points of view steps beyond the classical innovation funnel.*

- **Stepping back** refers to different heuristics and methods that are applied in order to investigate, reflect upon, and clarify values of individuals, stakeholder groups, or other collaborating parties. E.g. ask Martin (2010) suggests ask: ‘What would have to be true for the option on the table to be a fantastic choice?’
- **Stepping aside** is a call for stakeholder participation and integrated management in an open innovation paradigm, putting emphasis on the integrative potential of values. Diverse representatives like non-users, extreme users (making excessive or unintended use of a product or offering) or previously unforeseen stakeholders are integrated and allowed to contribute ideas, feedback, and evaluations.
- **Stepping ahead** builds on the directive potential of values by reaching out into desirable and/or possible futures. This implies imaginatively stepping out of given restrictions and pressures and heading off into desirable futures until currently perceived limits of feasibility dissolve.

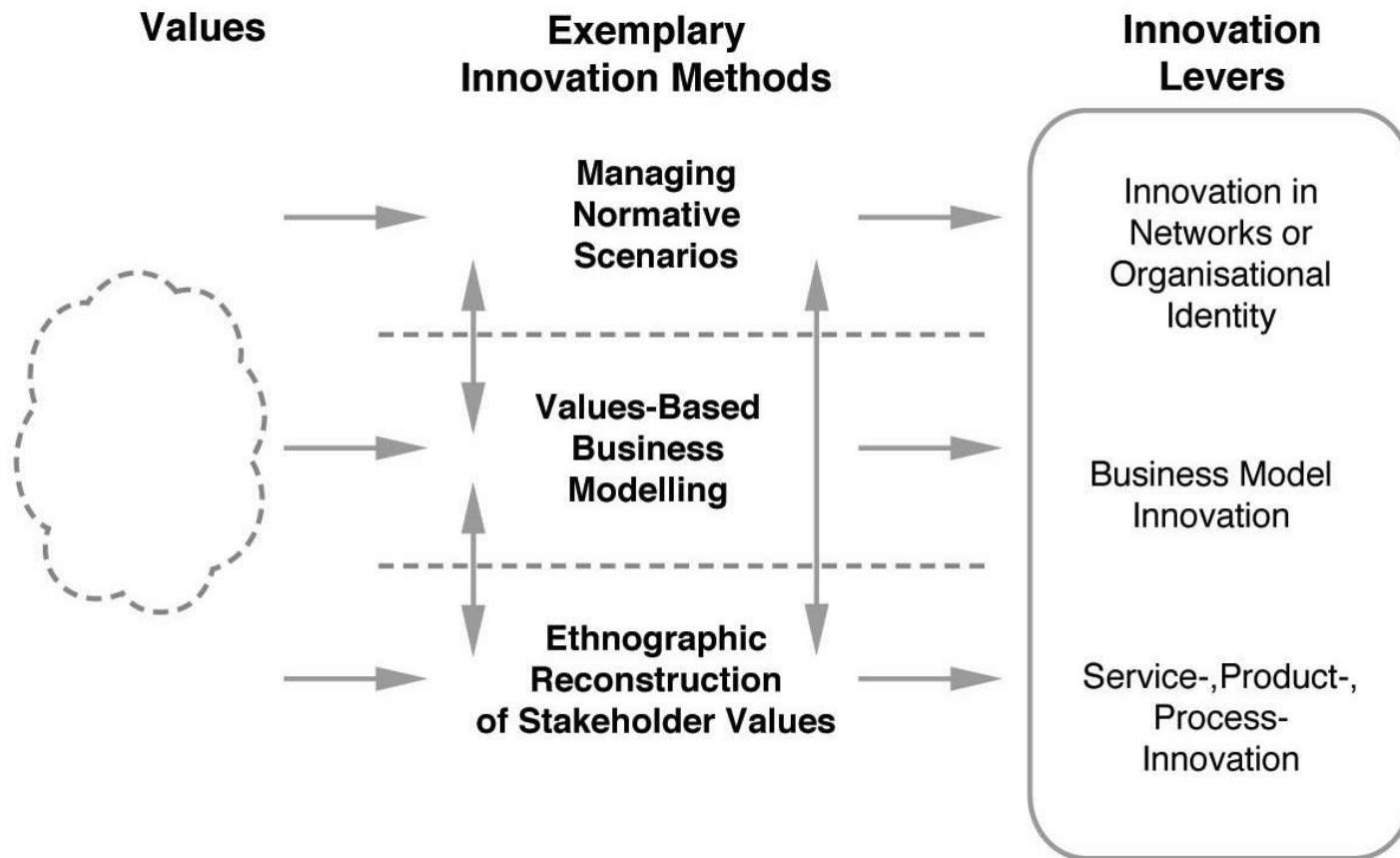


Chapter 7 /// *Detour through fundamental values, peripheral perspectives and/or future points of view steps beyond the classical innovation funnel.*

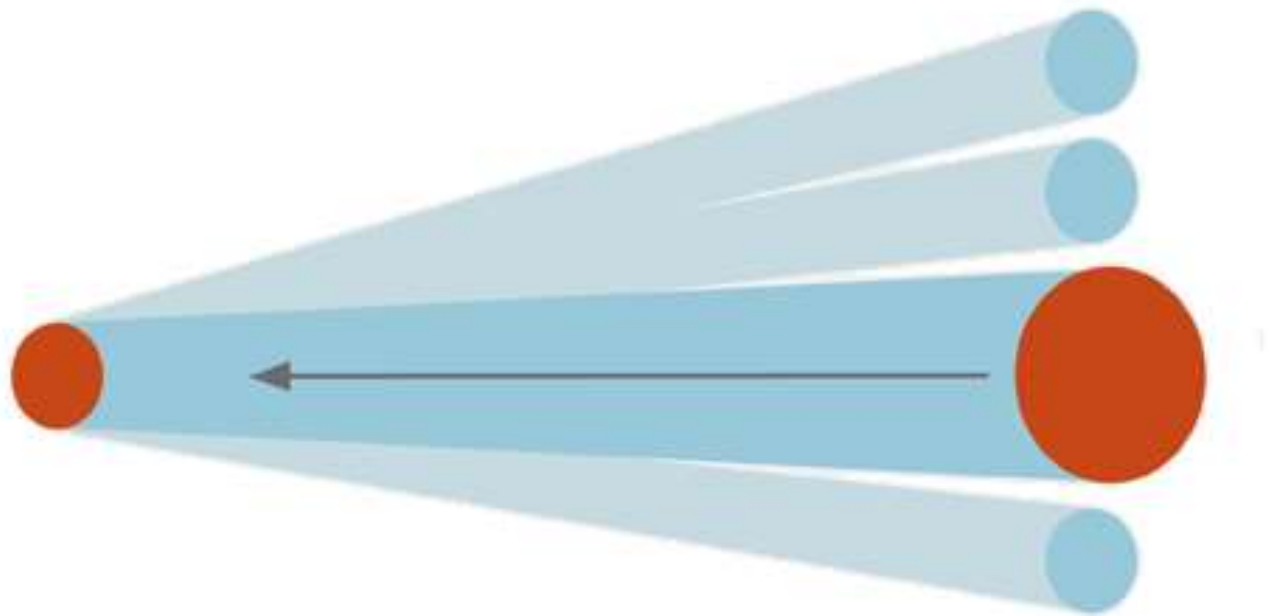


Detours outside the (dotted line) innovation funnel by stepping back through fundamental values, stepping aside to take peripheral perspectives and/or stepping ahead to future points of view.

Chapter 7 /// *Values-Based Innovation Methodology applies distinct methods to explore and apply values to foster and inform innovation on each level.*



Chapter 7 /// *Exploratory scenarios (light grey circles on the right) and a normative scenario allow back-casting strategic measures for the present.*



Chapter 7 /// *Normative scenarios contextualise instantiations of values in future worlds that can be conclusively derived from the present state of affairs.*

	<b>Explorative</b>	<b>Normative</b>
<b>Procedure</b>	Explores possible future developments with the present as the point of departure	Identifies desirable futures or investigates how to arrive at future conditions
<b>Function</b>	Explorative and/or knowledge function	Target-building function and/or strategy development function
<b>Implementation</b>	Study of factors & unpredictabilities, test of possible actions to be taken and/or decision-making process	Definition and concretization of goals and/or, if appropriate, identification of possible ways to reach a goal
<b>Central question</b>	What? / What if?	How? / How is it to come about? How do we get there?
<b>Inclusion of probabilities</b>	Possible	Indirect, part of plausible shaping and planning

Chapter 7 /// Scenarios provide levers to negotiate preferable futures, for instance regarding telecommunication access.

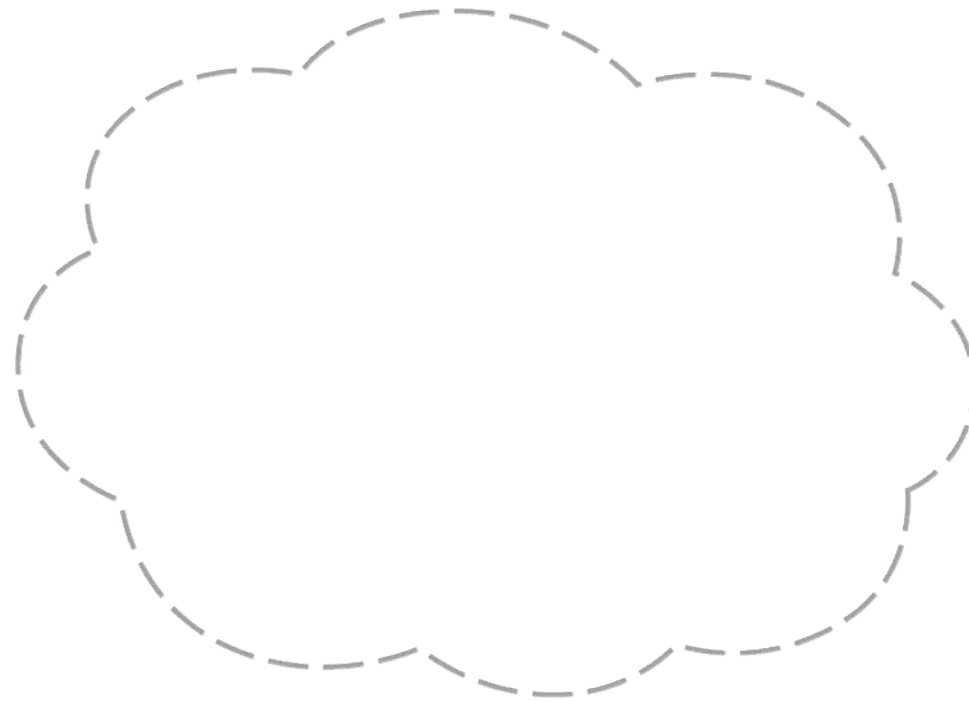


Case from Breuer, H., Schulz, J. & Leihener, J. (2012). *Learning from the Future – Modeling Scenarios Based on Normativity, Performativity and Transparency*, ISPIM, Spain ([https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2125750](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2125750)).

## Chapter 7 /// *Values-based and normative innovation in most cases require, and in all cases will gain from ethnographic exploration of values.*

- **Business anthropology and ethnographic methodology** provide a privileged path to empirically explore and differentiate value commitments of stakeholders, as well as explicit and implicit normative orientations within and across organisations.
- Cultural anthropology and ethnography explore **symbolic forms**; the experiences, values, and layers of cultural meaning that are often not evident to its participants.
- **'Insights'** in this sense combine three characteristics, they:
  1. address issues of overarching and major relevance for the respondents;
  2. communicate reasons for observable actions and are capable of explaining a variety of patterns and findings within their domain (explanatory power);
  3. articulate a tension between conflicting parties or individual desires and values and adverse circumstances.

Chapter 7 /// *Sometimes only ethnography is capable of unpacking global notions of the desirable, for instance notions of privacy with respect to data types.*



## Chapter 7 /// *Values-based business modelling reframes business modelling approaches based on an elaboration of values and normative orientations.*

- The Business Innovation Kit facilitates *exploration and evaluation of values-based business models.*
- Due to its global impact the normative foundation needs to be common ground among the founders of a new business' (Breuer, 2014).
- For instance, an orientation towards sustainability can be broken down into different interpretations of the term, e.g. with a focus on social or ecological aspects, or on justice or financial transparency within the social dimension.

### **Review values and agree upon the normative foundations of your business.**

#### **Understand the purpose of your endeavour**

Establish common ground of fundamental values and assumptions to work on with your team. This should include a purpose beyond economic success criteria. The initiator of the session or a group of participants may present the fundamental business attributes (e.g. sustainable, social, queer, (non-)profit... or values such as integrity, stewardship or respect for the individual).

#### **Briefly discuss and agree upon**

- What is the purpose of the whole endeavor?
- Formulate a preliminary vision and mission statement.
- Does normative differentiation lead to new potentials for innovation?

#### **Why?**

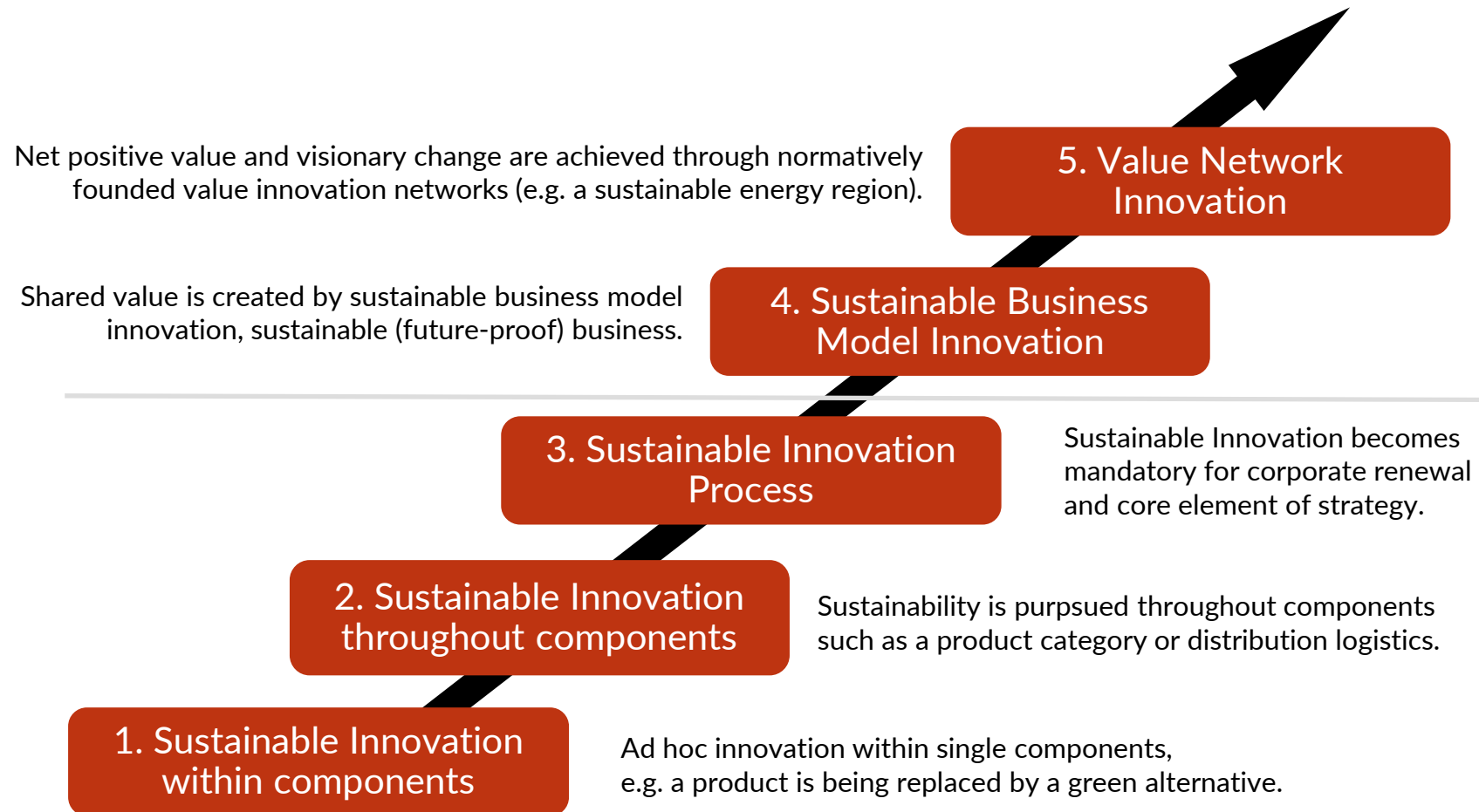
Entrepreneurial activity inevitably pursues beyond the pursuit of profit. Shared values like transparency, privacy, health or sustainability are explicitly formulated and specified, or implicit in the course and effects of business activity. Due to its global impact the normative foundation needs to be common ground among the founders of a new business.



# Chapter 7 /// *The Business Innovation Kit facilitates modelling new business or remodelling existing business with a new values-based framing.*



## Chapter 7 /// *We distinguish between five maturity levels of sustainability-oriented business model innovation.*



## Chapter 7 /// *Eight sustainability-oriented business case drivers may be applied to expand into new markets.*

- The Business Innovation Kit and Sustainability Innovation Pack systematically support an orientation towards such business case drivers during business modelling projects.
- An orientation towards sustainability for instance is specified with respect to particular business case drivers, i.e. variables with an influence on business success (Schaltegger et al., 2012).
- Research on corporate sustainability found positive relationships between companies' sustainability engagement and business case drivers such as costs, reputation, or innovativeness (e.g. Schaltegger & Burritt, 2015 ; Schaltegger & Hörisch, 2015 ).

### **If striving for sustainability is a fundamental value for your business, how do you create competitive advantage and impact?**

Consider the following business case drivers. How can they be improved through sustainability-oriented business model innovation?

- 1) Costs
- 2) Risks
- 3) Revenues
- 4) Efficiency
- 5) Reputation
- 6) Workforce
- 7) Innovation
- 8) Ecosystem

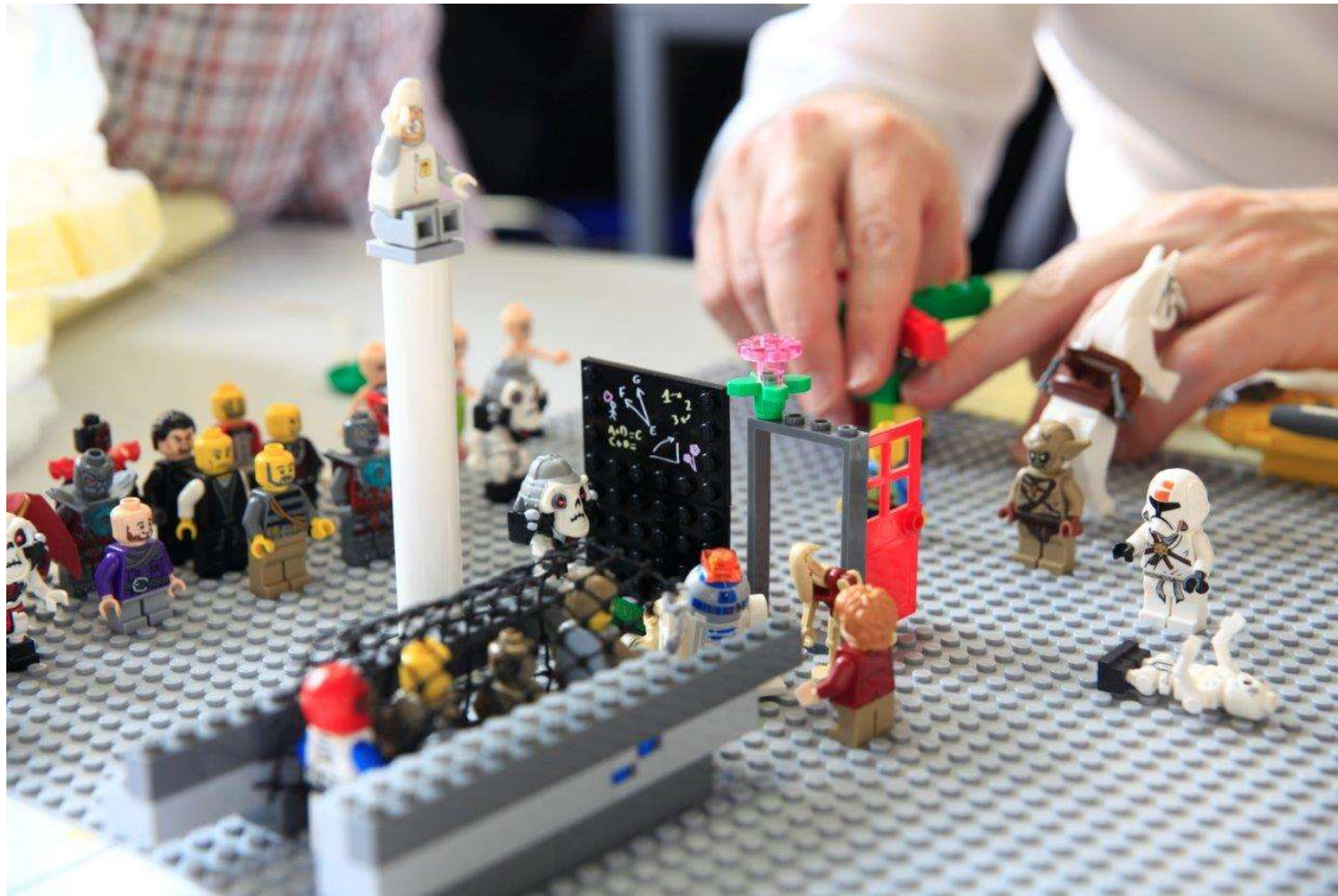
One card for each driver exemplifies measures how you empower your business case. Use these cards to identify levers in your business model and its components. Create your own business case for sustainability.

These cards are part of the Business Innovation Kit by UXBerlin; card set by Henning Breuer & Florian Lüdeke-Freund; based on Breuer & Lüdeke-Freund (2014); Hockerts (2014); Schaltegger, Lüdeke-Freund & Hansen (2012).

## Chapter 7 /// *Eight sustainability-oriented business case drivers may be applied to expand into new markets.*

Driver	Description
Costs	Reduce the costs of your own business operations, or the costs incurred for your partners, customers, or other stakeholders. I added the 'cost' category again – please make sure that you use this version of the 'cost' category.
Risiks	Proactively anticipate, control, and reduce ecological and/or social risks. This includes financial risks associated to costs of potential proxy wars or prosecution.
Revenues	Increase sales volumes and tap new revenue sources with more sustainable products and services.
Effizienz	Increase your operational efficiency by harvesting 'low hanging fruits' and substantial improvements of your core processes.
Reputation	Improve your reputation and brand value and improve the positioning of your products and services through ecological and social business practices and offerings.
Arbeitskräfte	Increase your attractiveness as an ecologically and socially responsible employer. Motivate employees to engage in real customer relationships.
Innovation	Take sustainability-related goals and metrics as a foundation and evaluation criteria to initiate and manage innovation.
Ecosystem	Contribute to and profit from your wider business ecosystem, e.g. exploring new forms of cooperation based on shared values.

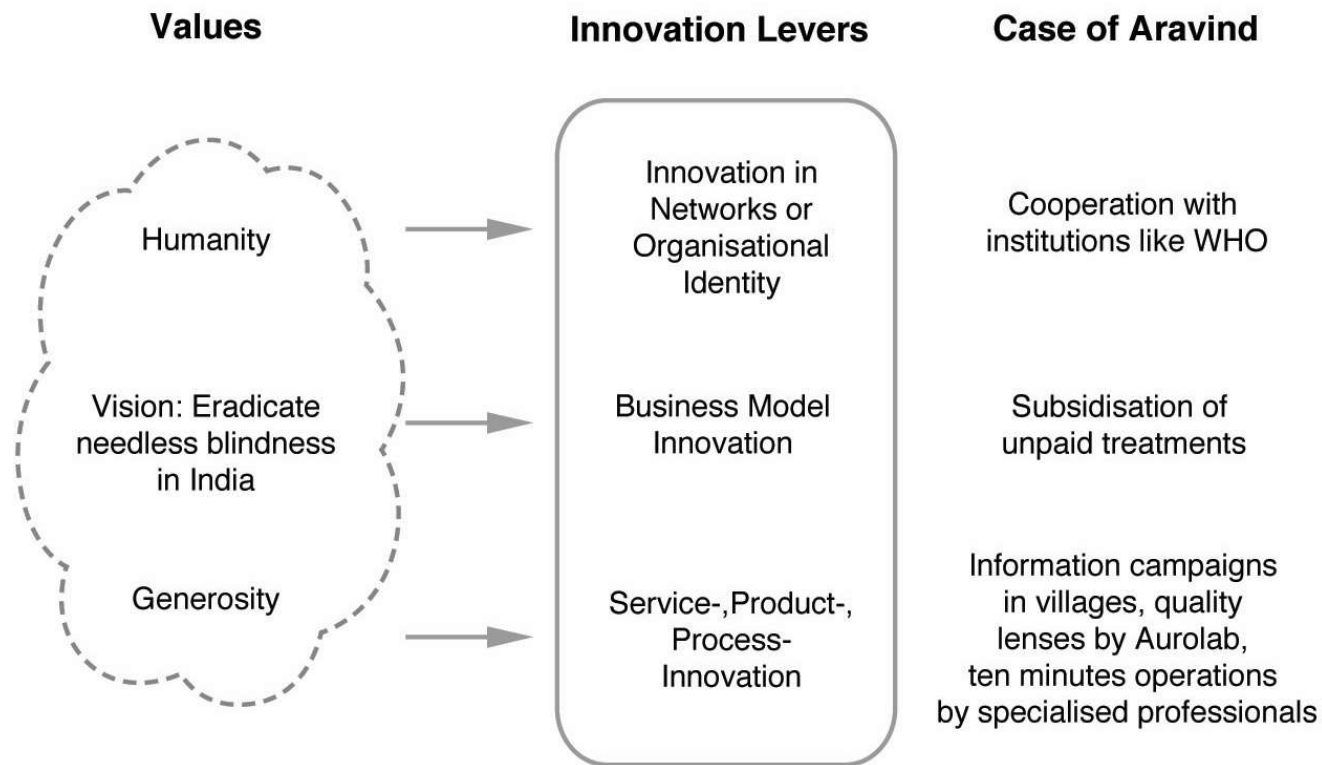
Chapter 7 /// *Projective methods utilizing tangible materials enrich collaborative efforts to design and negotiate values-based models.*



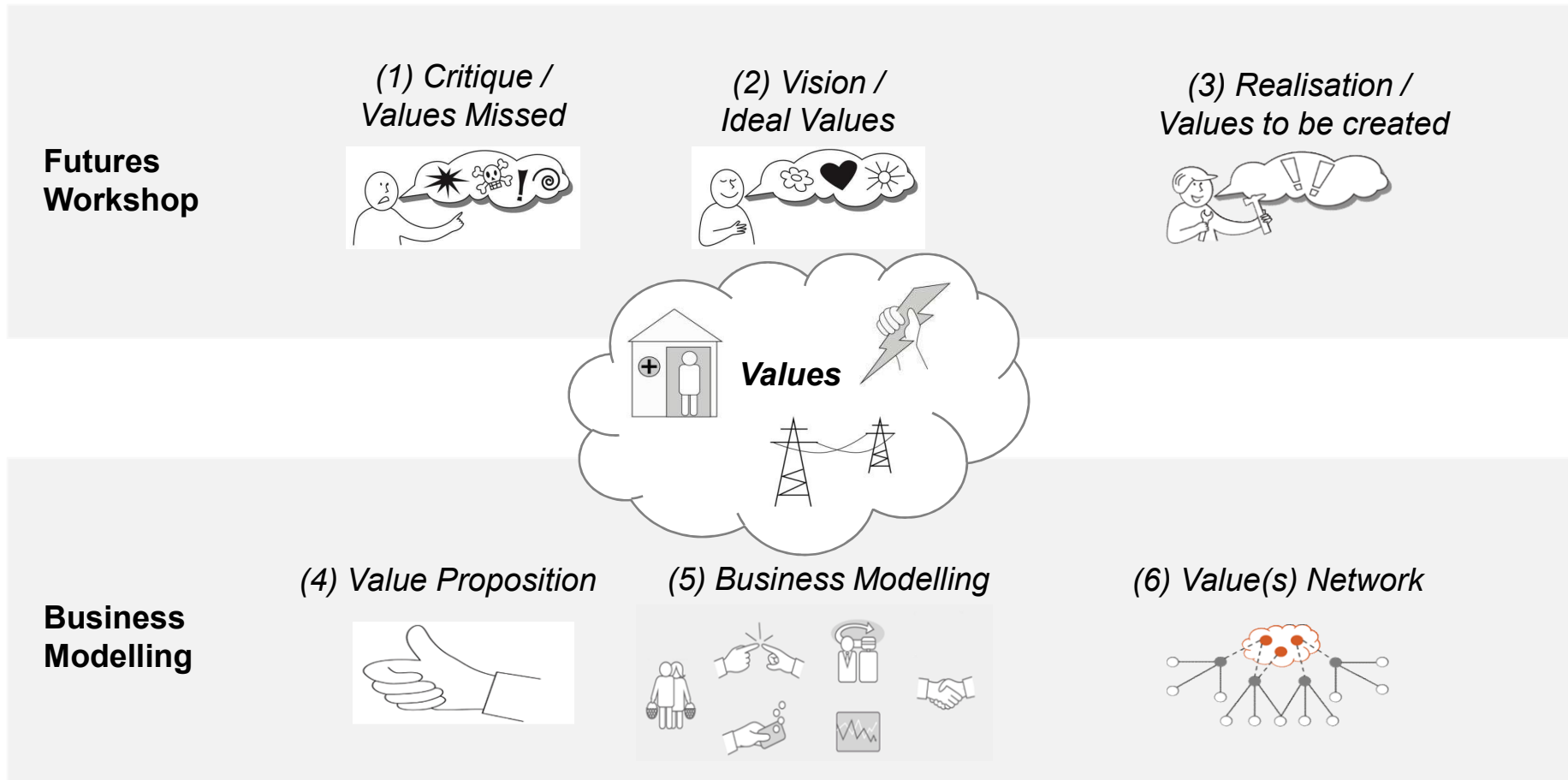
## Chapter 7 /// *Selecting, adapting and combining methods values-based collaboration is facilitated and values-based innovation may be managed.*

- **Bottom-up**, value commitments of employees are reviewed to initiate and direct innovation in products, services, and marketing instruments and to inform innovation strategy.
- **Outside-in**, customer and stakeholder values assume a similar role. Methods from the rich toolboxes of business and design thinking (e.g. Kumar, 2012) may be adapted to clarify innovation values and drive efforts in a values-based view.
- **Inside-out**, organisational value creation and communication may create or reinforce customer loyalty and substantiate changing values and transformation in domains of society, such as privacy or education (Breuer & Erkel, 2013a).
- **Top-down**, normative and strategic management have the chance to spearhead values-based transformations (such as sustainability-orientation or increasing awareness of privacy values such as informational self-determination).
- In-depth analysis of a broad variety of **cases** from social and conventional business would be desirable to form a rich repository of cases, patterns, and measures.

Chapter 7 /// *Cases like those of Aravind, Interface and EnERgion provide blueprints for values-based innovation across all levers & management levels.*

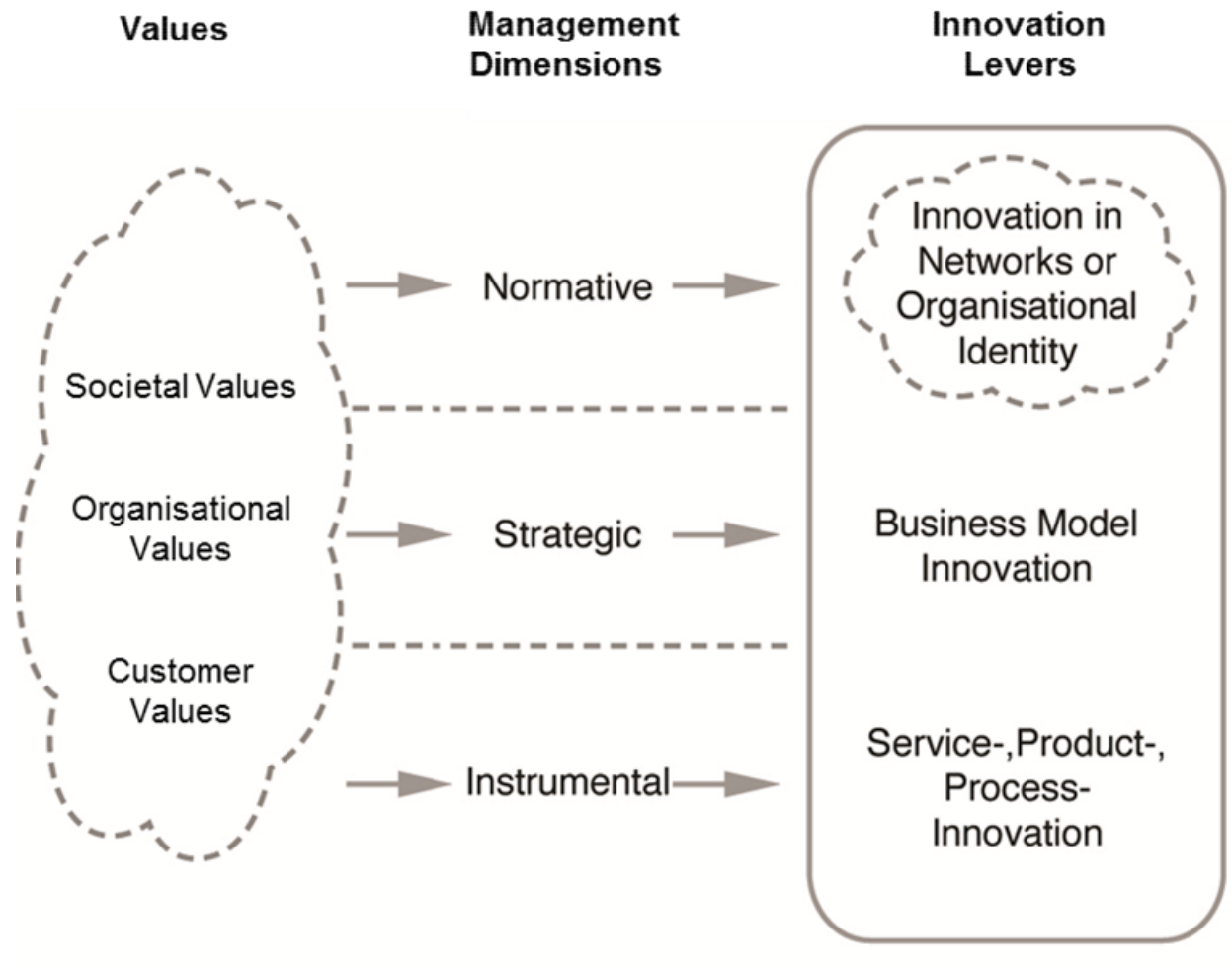


# Chapter 7 /// *Values-based networks may be established combining facilitation methods and collaborative activities.*





## Epilogue /// *A normative turn towards our futures.*



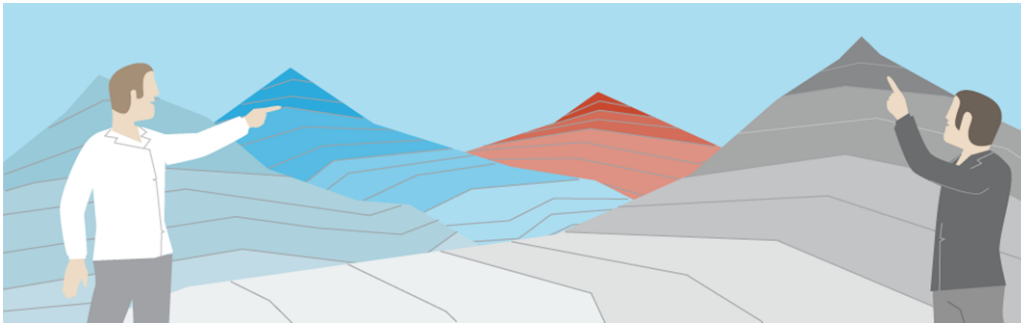
## Epilogue /// *A normative turn towards our futures.*

- Start-ups, entrepreneurs, and companies benefit from taking a values-based view on their activities and on innovation management.
  - Changing values in society, and values-based orientations that societal actors and individuals inevitably pursue, already impact and redefine business strategies and practices.
  - Spanning the gap between private desires and serious business and science, we tried to show how this normative turn is taking place and how it can be managed using appropriate methods and tools.
  - The establishment of normative directives and legal frameworks requires political debate and democratically legitimised regulation on a global scale. ‘Faith in an ideal ... is the foundation of all the power and of all the impotence of democracy’ (Mommsen, 2006/1854).
- Working with values pays off and increases chances to succeed in innovation.

## Epilogue /// *Innovating by What We Care About*

- The values-based view provides a new and necessary perspective to understand cases of and adequately design innovation projects.
- A values-based view emphasises and promotes an analysis and negotiation of values in innovation and its management. A normative turn (in customer and labour markets as well as in innovation management) implies a reframing of management frameworks and methods based on a review and codification of values.
- A values-based view is simple in its explanation of things, events, and developments based on what we care about. It is complex as it is not only facing the adversities of empirical research and 'post heroic' implementation, but also the negotiation, clarification, and formulation of what we care about in the first place.
- Consumers, clients, and employees: Stay aware of what you care about while you are striving for specific outcomes. Understand what you working for implicitly, and for what explicitly stated purpose. Business is political, and it is becoming more aware of its impact for and on society.

*Thank you for your attention, and thanks to everyone who contributed!*



**Contact:**

- [henning.breuer\(at\)uxberlin.com](mailto:henning.breuer@uxberlin.com)
- [florian.luedeke-freund\(at\)wiso.uni-hamburg.de](mailto:florian.luedeke-freund@wiso.uni-hamburg.de)

**Further References**

- **Book / sample copies:**  
[Values-Based Innovation Management](#)
- **Materials and Downloads:**  
[www.uxberlin.com/businessinnovationkit](http://www.uxberlin.com/businessinnovationkit)

