

Post Graduate Diploma in Management-IB, 2016-18

Business Innovation & Growth Strategy

Sub. Code: IB-601

Trimester – VI, END-TERM EXAMINATION, February 2018

Time: 2 Hrs 30 mins

Max Marks: 50

Roll No. -----

Instructions: Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. In case of rough work please use answer sheet.

SECTION A (3X5=15 Marks)

Note: Attempt any three Questions

1. Apply Rogers' five factors to any example of your choice to explain each of the factors that impacts diffusion rates for innovations.
2. Can an individual's ability to innovate be enhanced? Give justifications for your answer?
3. What are the characteristics of the stage gate innovation process?
4. How is big-bang disruption defying conventional strategic wisdom?
5. What are the various kinds of innovation outputs using 'component knowledge' and 'component configuration'?

TURN OVER

SECTION B (2X10 MARKS)

Note: Attempt any two questions

1. Forecasting adoption and diffusion rates for innovation is a challenge for most innovators. Can you use a people based approach for this? Please explain.
2. Given below are figures for R&D expenditures for some companies and their innovativeness rankings. Why is it that the most innovative companies are not necessarily the biggest spenders on R&D?

Innovativeness Rank	Company	R&D Expenditures (US \$ billion)	R&D expenditure rank	Sales (US \$ billion)	R&D / Sales (%)
1	Apple	1.3	81	42.9	3.1 %
2	Google	2.8	44	23.6	12.0 %
3	3M	1.3	84	23.1	5.6 %
4	GE	3.3	35	155.7	2.1 %
5	Toyota	7.8	4	204.3	3.8 %
6	Microsoft	9.0	2	58.4	15.4 %
7	P&G	2.0	58	79.0	2.6 %
8	IBM	5.8	12	95.7	6.1 %
9	Samsung	6.0	10	109.5	5.5 %
10	Intel	5.7	13	35.1	16.1 %

(Booze & Co., 2009 figures)

3. Inability to navigate successive S-curves in an industry has been a problem for many companies. Give an example of a company that has failed to transition successfully from one S-curve to another in its industry. What could the company have done to rectify this?

TURN OVER

SECTION C

(Case Study)

Note: Case Study is Compulsory

(15 Marks)

Cemex

Cemex, the Mexican construction materials giant, with \$15 billion in revenues and over 50,000 employees, is the world's third-largest seller of cement and – if its other products are added in, such as readymade cement – the world's biggest supplier of building material. In 1994/95, Mexico went through an economic crisis and Cemex saw a 50 per cent drop in revenue. However, during the same period, revenue from low-income families building their own houses reduced by less than 10 per cent. Cemex believed that this \$500-million market had the potential for growth, and could help in diversifying its customer base and hedging it against business cycle fluctuations. But building houses for the poor had often proved a lengthy and risky endeavour in the past. To establish a profitable and scale business by serving this segment, Cemex designed and rolled out a unique programme "Patrimonio Hoy" (Property Now) in 1998. Patrimonio Hoy innovatively addressed the key issues faced in dealings with this segment. Broadly, there were three issues that Cemex was faced with:

Issue: With no savings or access to credit, low-income families could only buy small amounts of building material at a time. Construction of a single room sometimes stretched over years.

Cemex's Approach: Through a membership system based on small monthly fees, Cemex provided collateral-free microfinancing.

Issue: Distributors had little interest in delivering small volumes of building material to remote areas where the poor lived, while materials saved up over years deteriorated for lack of adequate storage space.

Cemex's Approach: Provided professional storage space and served as an intermediary for distributors of building material other than cement, increasing the volumes by bundling requirements of several families.

Issue: Lack of expertise led to many constructions being started but never completed or being of very low quality.

TURN OVER

Cemex's Approach: Provided engineering and architectural expertise as part of the membership.

Cemex divided the market into areas comprising 100,000 people each, and established small managerial cells in each area consisting of just one to four full-time staff members – typically a manager, an engineer and an architect. It contracted promoters from the local community, mostly women, and paid them a commission for attracting clients. Linking the commission to the customer's membership ensured that promoters had an interest in ensuring long-term financial discipline of participants. It is not surprising that Patrimonio Hoy turned out to be a success: Cemex reports the programme has reached 265 million families so far. Over the years, it has been rolled out in other countries, too, including Colombia, Costa Rica, Nicaragua, and the Dominican Republic.

Question

1. How can a similar approach be used in India for products other than building materials? Illustrate with an example. (10 marks)
2. What are the kinds of Innovation that you see in the Cemex case study? (5 marks)