

*Centro Studi*

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*Process Development & Applied Research*

 gruppo orizzonti holding

**Innovation and Growth in a Southern Italian Company:  
Strategic Thinking and the Schumpeterian perspective**

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Our knowledge development strategy is oriented at increasing our overall resilience and is directed at achieving better levels of intelligence and adaptation capacity to change in competitive situations.

**We are open to introducing innovative factors!**

We are introducing here an actual Company case, that we deem should fit pretty well with **the three main ideas** the innovation based **Schumpeterian paradigm** relies on:

- **Long-term growth relies on Innovation**
- **Innovation results from investments in R&D, skills, new markets etc**
- **Growth involves a conflict between old and new leading to “creative destruction”**

The *innovation* approach requires focus.  
While in the process some aspects might be missed or discarded, however, if you forget to explore *different perspectives*.



*Piazza del Campo. Siena, Italia.*

**Why did we decide to introduce some specific Macroeconomic Papers?  
To use them as «thinking tool elevators»**

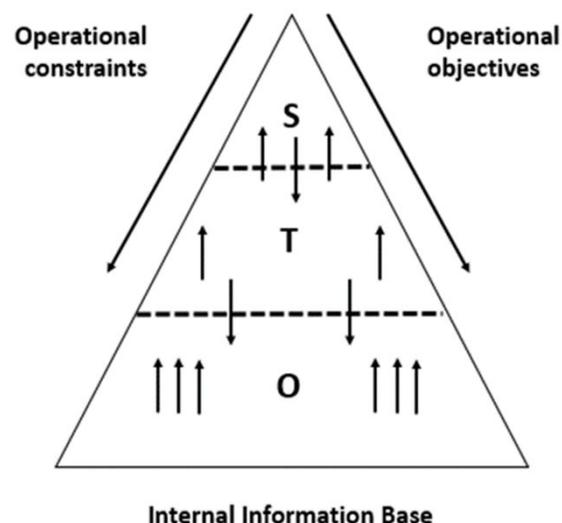
*Perspective changes point of view and perception!*



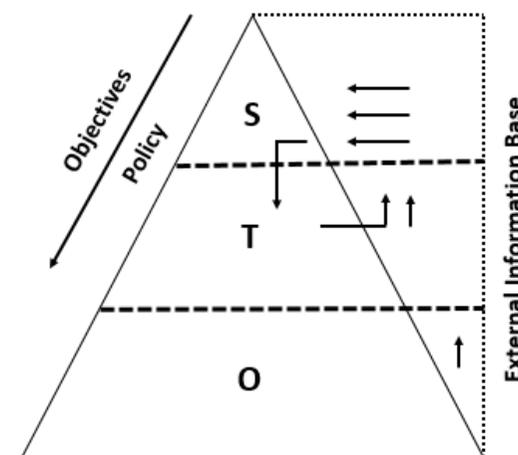
As a strategic approach, from a methodological point of view, **OH Group follows a traditional path.**

Two information systems – internal and external – coexist and are integrated within the company:

- **Strategic**
- **Tactical**
- **Operational**



*Internal information pyramid model*



*External information semi-pyramid and its relation to the company levels in the internal information pyramid*

The four constitutive elements of every business strategy need to be elaborated through information:

- **Scope:** definition of the core business
- **Use of resources:** company behaviour and limits
- **Competitive strengths:** the possibility of using the resources in a more efficient manner than competitors, within the identified scope
- **Synergies:**  $1+1$  has to be significantly  $>2$  otherwise synergy does not exist

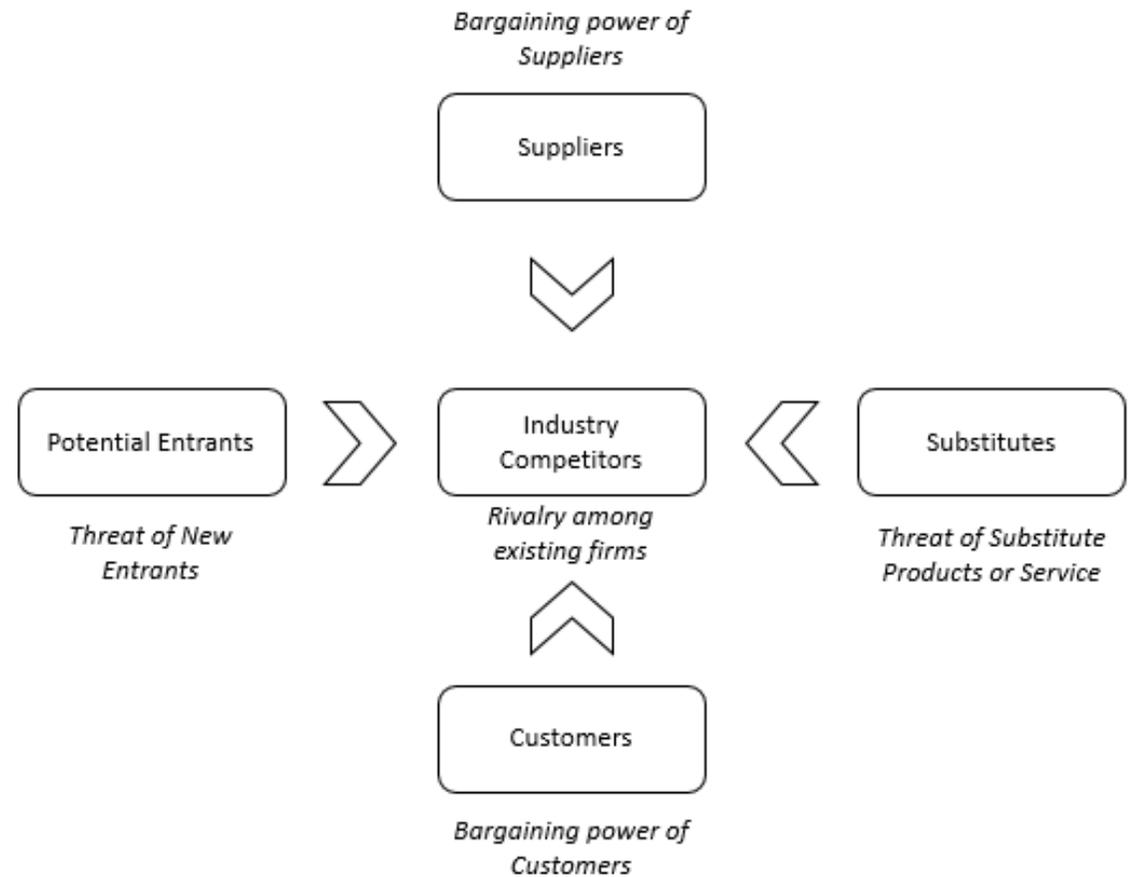
In corporate strategy there are numerous situations which correspond with **the five principles of war**:

- **Mass:** considered as a “force” in terms of personnel and equipment
- **Manoeuvre:** the combination of the forces available over time and space
- **Economy of force:** the forces to use in order to counter unexpected situations
- **Surprise:** unexpected action, conducted with secrecy and/or originality
- **Security:** activity aimed at avoiding surprise and protecting information

## Competitive advantages are relative and not absolute

The first principle of war establishes that **force is the secret to almost all victories**, and that force can be expressed in the material or intellectual means applied to the competitive environment.

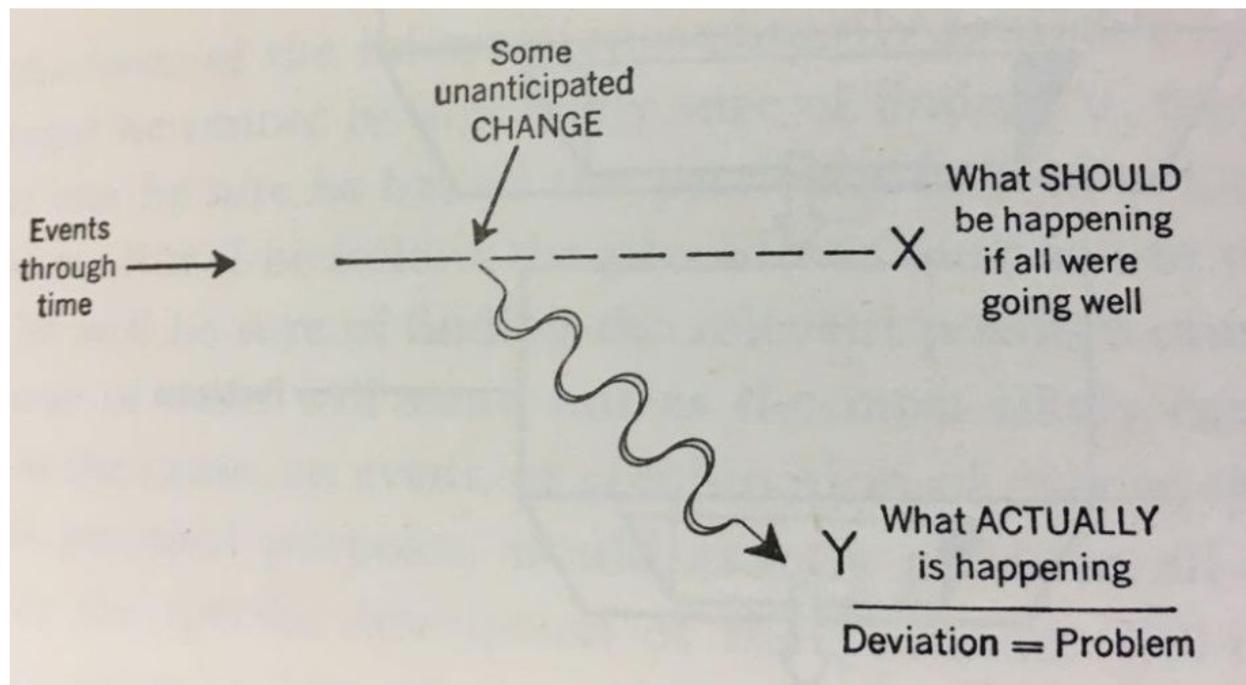
This is clearly demonstrated in the model of the 5 competitive forces by Porter.



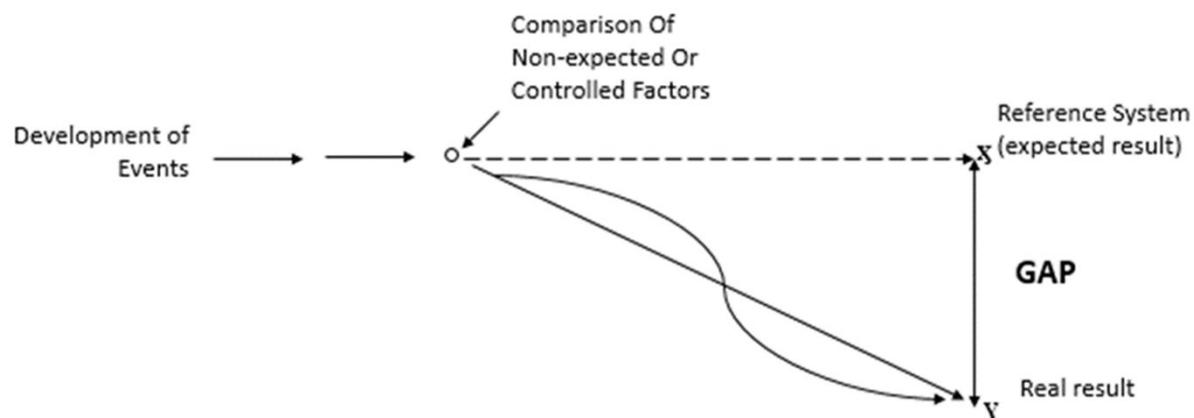
*Porter's 5 Competitive Forces Model*

A significant cultural place in our management development is linked to a clear conceptual definition and identification of Problems.

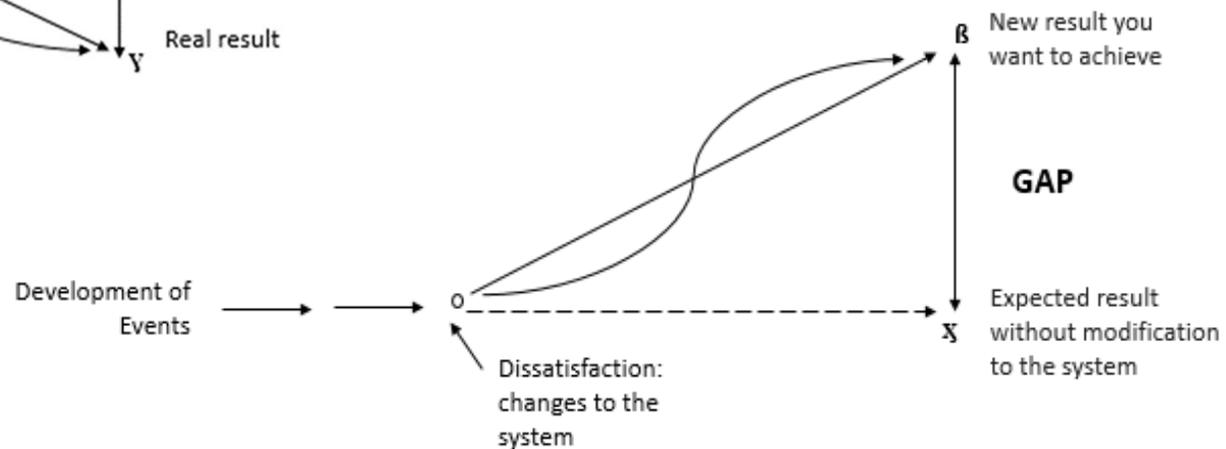
**Introducing new objectives that may lead to Innovation.**



The clearest possible **definition and identification of “problems”** leads to an organized method of analysis and reference in **process development and innovation management**.



*Diagram of deviation from a current objective*



*Diagram showing deviation to a new objective*

Innovation strategy for economic growth in a Company could be based on different combinations of 6 innovative elements:

- 1. Product Innovation**
- 2. Process Innovation**
- 3. Service Innovation**
- 4. Business Model Innovation**
- 5. Management Innovation**
- 6. Financial Approach to determine and manage Innovation**

Trying to define the power of Innovation that a Strategic overall approach might put into action is not so easy, and often becomes a demanding managerial task in terms of competencies that must be combined.

It is a complex function that can achieve multiple results.

**Innovation as a Strength (effect and durability) and Impact (capability of disruption to the other parties' actions) in our opinion can be traced as function of:**

$$I_{si} = f (X, W, H, T, L)$$

- X → Type of innovation (process, invention or combined effect)
- W → When innovation takes place (if innovation is timely or not), the “timing” has a determining value
- H → How it takes place (the effect of human resources on Impact)
- T → Stands for Timing, and states that many things depend on the effectiveness of actions carried out, at a certain moment, in a certain period
- L → Which can be summed up as Luck, but we consider it Attitude to be ready, and it is an ability which can be cultivated in a business organization

Furthermore, we would like to add something very important regarding Micro and Macro results:

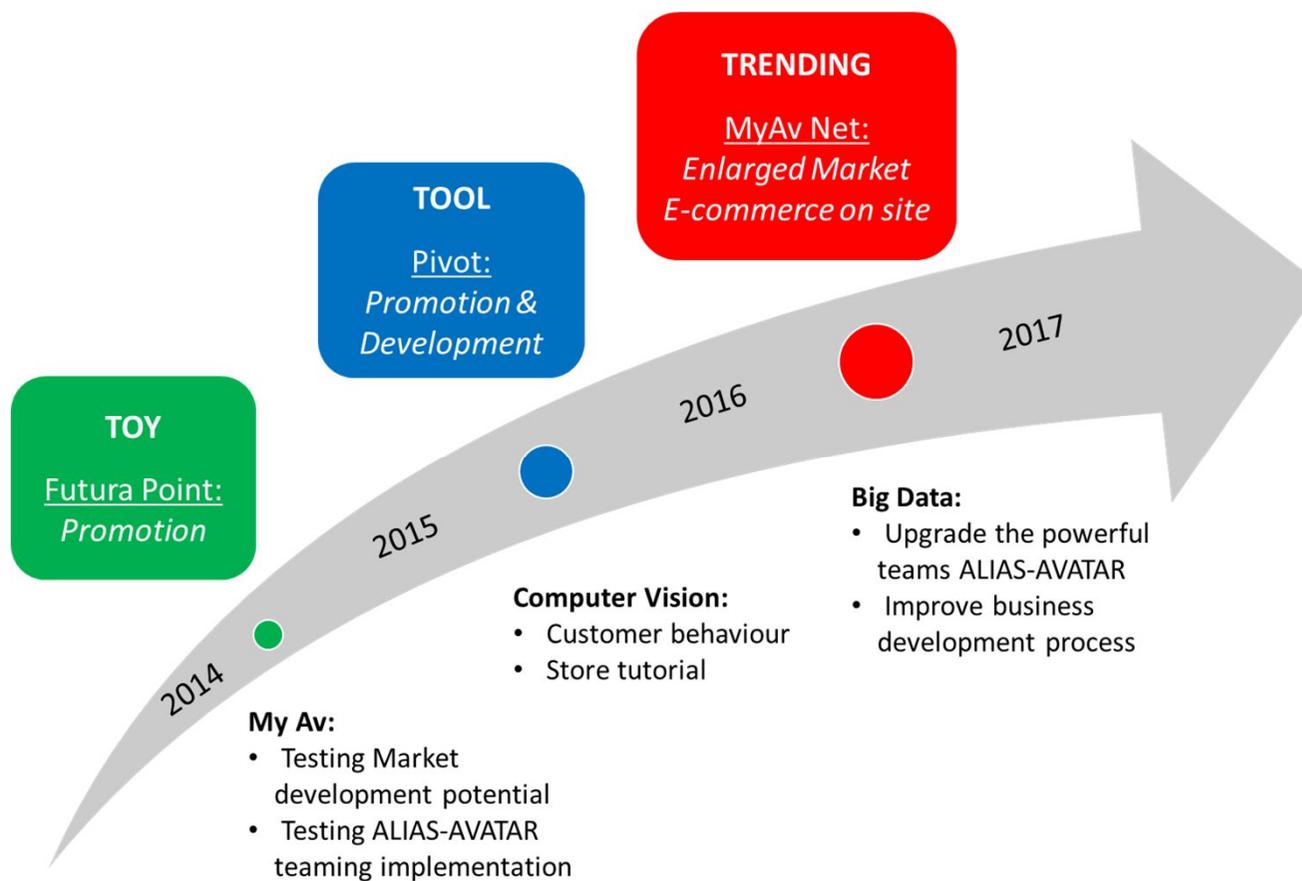
*“An important fact is that powerful psychological forces are active in determining people’s behavior, and therefore the wealth of nations”*

... and that of companies, we would add!

**Knowing how to communicate** in a manner which is appropriate to the times was important in the past, but **is a determining factor now.**

**Communicating factors of innovation and having them perceived as positive to both old and new clients is not easy, and inefficient communication can eliminate intrinsically positive potential.**

# How was our innovative path?



## Futura Point as a Toy (2012-2014)



- A simple interactive totem, that gradually acquired more intelligence, was introduced into sales outlets to provide promotional information to customers.
- Futura Point was based on the Alias-Avatar concept: the sales point operator had their own avatar in the totem, to receive information, and provide customers with service information.

The sole intervention of the totem in the scope of the process was not, in any case, considered substantial.

Customer interest was solicited solely when the totem was included in the process in a dynamic manner (promotions, rewards, etc.).

**It was an attempt at innovation which made a contribution but did not establish a real competitive advantage! How to get it?**

## **We tried then to achieve advantages by developing intelligent process tools (2015-2016)**

- It was essential to increase specific robotic and technological capacity within Centro Studi;
- It was necessary to acquire more in-depth knowledge of Computer Vision, Artificial Intelligence, Internet of Things and Big Data;
- Research Doctorates were financed to enhance contacts with Universities and Research centers in order to understand the state of the art in these scientific and technological areas.

**We reviewed our projects via “lateral thinking” → Examining the various YES, NO, PO where:**

**PO stands for Possibilities, before accepting or rejecting conventional alternatives.**

We simplified the “competitive advantage achievement” problem by determining two components, connected but severable and separately manageable:

**1**

That of the “process” to achieve specific advantages in point of sale operation, through shelf optimization and interaction with the Sales Point operator

**Mike Process Master**

**2**

That of promotional and service “interactive communication” with consumers

**Dominik Store Assistant**

**1+2=3**

Two separate projects, separately manageable, but connectable in an opportune manner using  
**Digital Communication technology**

## **In the PO perspective, we asked ourselves some questions :**

- Can we develop an effective process system on our own quickly?
- Can we speed up our project, experimenting process systems that others (in the USA) claim to have?
- How can we valorize our skills and experiences?

During a visit to the United States in June 2017, we realized that we were not behind others, on the key aspects of technology, while we had a clear idea of what we wanted on a process level.

This led us to a decision:

***We implemented our process system, integrating it with other contributions and our process knowledge***

**MyAv, as a Systems Integrator, has developed Mike Process Master, becoming third in the world to introduce a robotic system in Super Stores normal process daily duty**

Meet Mike on [www.myav.it](http://www.myav.it)

*(video part)*

Mike's work utilization generates economic advantage (increase in % Ebitda STORE margin)



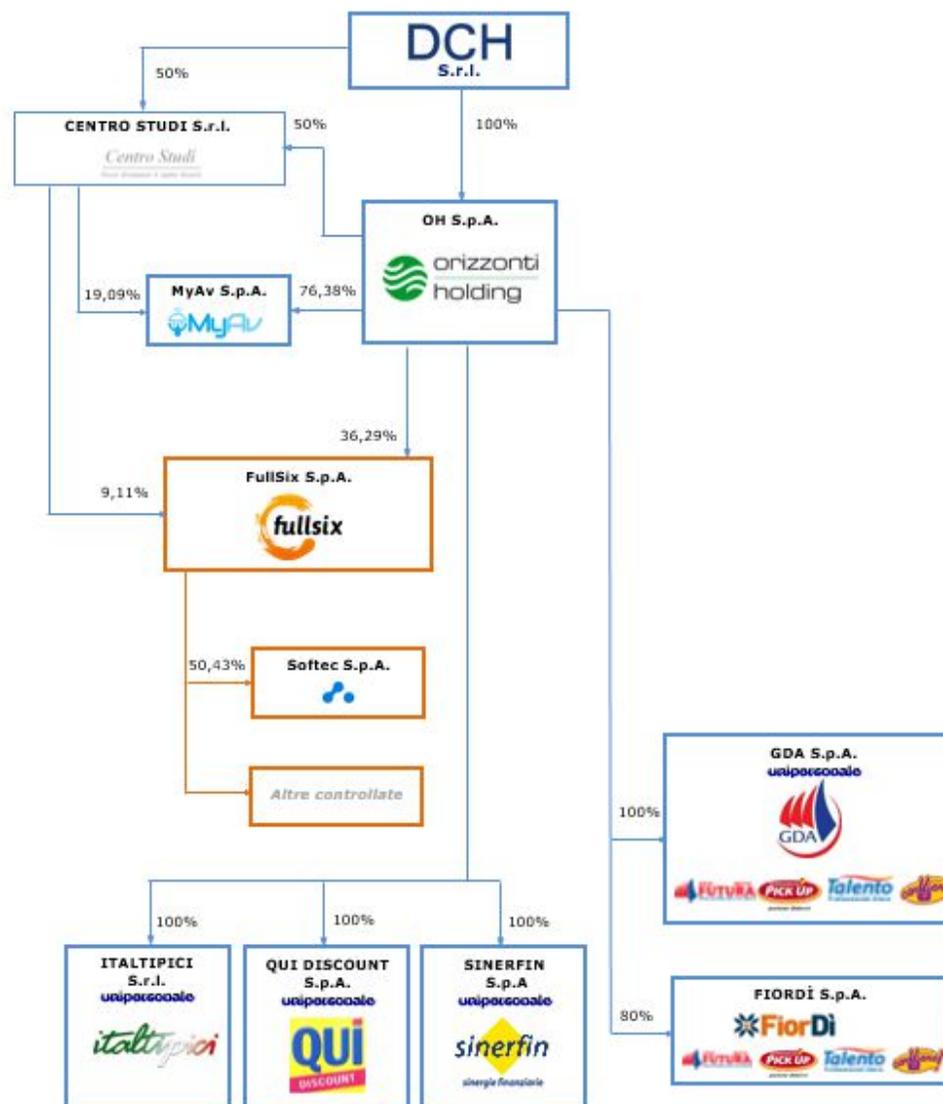
Based on the average structural advantages it is possible to evaluate a potential market either  
at national and international level



**Hence the potential economic value of MyAv**

The investment made is not aiming to reduce the number of people in stores but to enhance  
the qualification of their work and productivity

Furthermore, the MyAv project aim is to establish further qualified employment opportunities  
for young people who want to work in Italy and in Southern Italy



**We adopted a set of questions and considerations posed by the Aghion-Akcigit work, such as:**

1. Why do we need competition policy for innovation – led growth?
2. How does growth relate to firm dynamics and the size distribution of firms?
3. Does growth increase or reduce unemployment?
4. What distinguishes innovation – led growth from other types of growth? What are the main drivers of innovation – led growth?
5. How can macroeconomic policy help sustain innovation – based growth? Should we oppose structural reforms and the need for (more flexible) macroeconomic policy to enhance innovation – led growth?
6. What is the relationship between innovation – led growth, inequality and social mobility?

7. Should that lead us to dispense with patent protection: in other words, should we oppose patent protection and competition as potential drivers of innovation – led growth? Similarly, should the need for competition policy lead us to reject any form of sectoral (or industrial) policy?
8. How should we reform the welfare state in order to facilitate innovation – led growth?
9. Should governments subsidize R&D to foster innovation – led growth: is such government intervention necessary or sufficient?
10. What are the limits to patenting and intellectual property and why do we need academic freedom and openness?

## CONCLUSIONS

**What is halting innovation in Southern Italy?  
What is important and necessary in order to favour development: undifferentiated support and contributions or structural intervention measures?**

We think that the present EU situation cannot last much longer and therefore reforms and action should gradually take place, also driven at EU central level otherwise the EU itself would end up in crisis:

**Stronger action against distortion in competition**

**Increased concentration of resources to favour productive investments (tax relief on actual investment)**

**Increased allocation of resources for education**

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**Thanks for the attention**