



Innovation Strategy and Management

Day 2

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Day 2 - Agenda

1. Recap from Day 1

2. Technology Adoption

- Adoption lifecycle (innovators → early adopters → majority → laggards)
- Barriers (cost, complexity, resistance)

3. Innovation Processes

- Stage-Gate model (structured checkpoints)
- Agile (iterative flexible development)
- Lean Startup (quick testing with users)

4. Business Models

- Business model (how value is created and captured)
- Subscription and platform examples

5. Managing Teams

- Leadership styles
- Cross-cultural collaboration

Workshop – team work

Round-table discussion



Why do good ideas fail in the market?

Is a great idea more important than a good business model?

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4.3 Lean Startup method

4.4 Choosing the appropriate innovation process

Chapter 5. Business models and team management

5.1 Business models

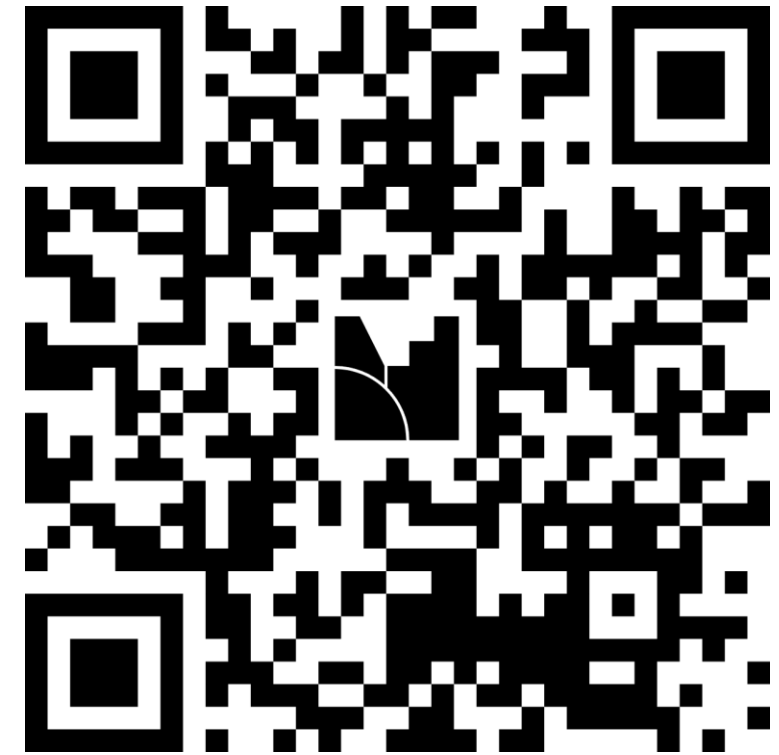
5.2 Subscription business models

5.3 Platform business models

5.4 Managing innovation teams

Innovation - recap

What do you remember from Day 1?
Add 3 things you remember most clearly.



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Technology adoption

Technology adoption is the process through which:

- individuals
- organizations
- societies

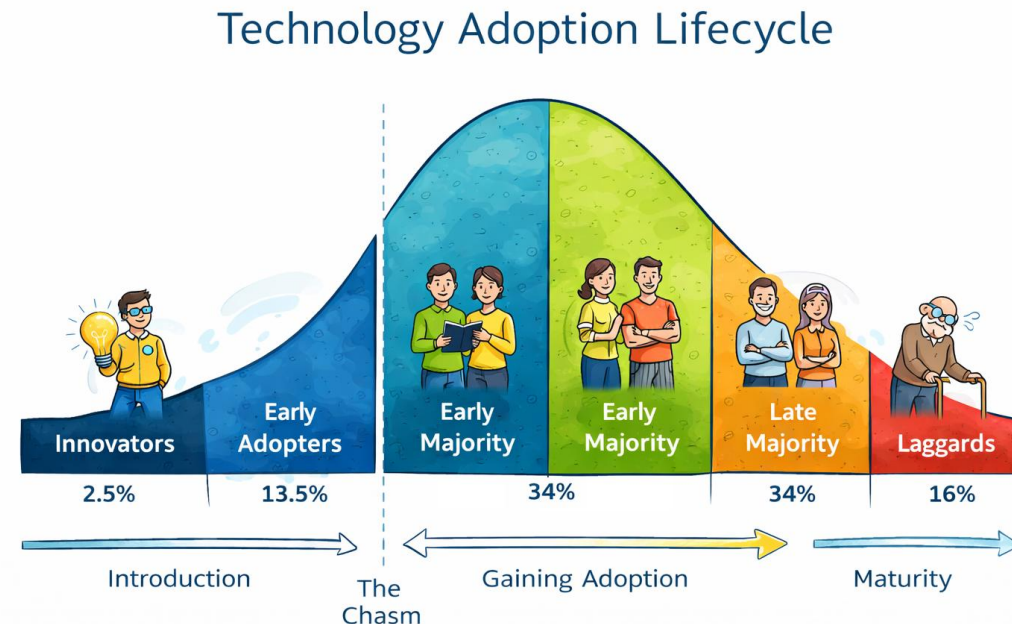
begin to **accept, integrate and regularly use** a new technology or innovative solution.

Example: Even though electric vehicles offer environmental and long-term economic benefits, their widespread adoption was initially slow due to concerns regarding battery life, charging infrastructure and high acquisition costs. Over time, technological improvements, government incentives and increased social acceptance accelerated adoption in many countries.

The technology adoption lifecycle

The lifecycle is typically represented as a bell-shaped distribution and divides adopters into five major categories:

- ❖ Innovators
- ❖ Early Adopters
- ❖ Early Majority
- ❖ Late Majority
- ❖ Laggards



Innovators

Innovators represent approximately 2.5% of the total population. They are the first individuals willing to experiment with new technologies, even when uncertainty and risk are high.

Characteristics:

- high tolerance for risk
- strong interest in emerging technologies
- access to financial resources
- willingness to test incomplete or beta versions

Example: early users of cryptocurrencies such as Bitcoin in the years 2009–2012 can be considered innovators. At that stage, Bitcoin had no established regulatory framework, high volatility and unclear mainstream value, yet innovators were attracted by its technological novelty and decentralization potential.

Early adopters

Early adopters represent approximately 13.5% of users and are considered critical for innovation success. Unlike innovators, early adopters are more selective but still willing to embrace novelty earlier than the general population.

Characteristics :

- strong social influence;
- strategic interest in competitive advantage;
- greater focus on practical benefits than innovators.

Example: many organizations that implemented cloud computing services in the early 2010s were early adopters. Although concerns regarding data security and vendor dependency existed, these firms recognized advantages such as scalability, reduced infrastructure costs, and operational flexibility

Early majority

The early majority accounts for approximately 34% of the population. These users are more pragmatic and cautious. They adopt only after observing evidence that the innovation works effectively and provides measurable benefits.

Characteristics :

- preference for proven solutions
- lower risk tolerance **Example:**
- reliance on peer recommendations and case studies

The early majority often requires:

- testimonials
- pilot studies
- documented benefits
- customer support

many companies adopted video conferencing platforms such as Zoom or Microsoft Teams during the COVID-19 pandemic after observing their effectiveness in maintaining remote operations. Although such tools existed earlier, large-scale adoption accelerated only when practical necessity and peer validation aligned.

Late majority

The late majority also represents approximately 34% of users. These individuals or organizations are skeptical and typically adopt innovations only after they become widely accepted, standardized, and relatively low-risk.

Characteristics :

- high sensitivity to cost
- skepticism toward novelty
- dependence on social norms

Late majority users often adopt due to:

- market pressure
- institutional requirements
- disappearance of alternatives

Example: many traditional public institutions only transitioned to digital document management after legal frameworks or administrative reforms made paper-based processes inefficient or non-compliant.

Laggards

Laggards represent the final 16% of adopters and are the most resistant to change.

Characteristics :

- strong preference for tradition
- distrust of new technologies
- limited technical skills or access

Laggards adopt only when alternatives become unavailable or external pressures make adoption unavoidable.

Example: certain businesses continued relying on fax communication or paper invoicing long after digital alternatives became widespread. Their transition occurred only when suppliers, regulators, or customers stopped supporting older systems.

Barriers to technology adoption

Cost barriers: purchase price, implementation expenses, training costs, maintenance fees, switching costs.

To reduce cost barriers, organizations may use: leasing, subscriptions, pilot programs, subsidies.

Example: Adobe successfully shifted from expensive perpetual software licenses to the subscription-based Creative Cloud model, reducing entry barriers.

Complexity barriers: complicated interfaces, steep learning curves, unclear benefits, technical jargon.

To reduce complexity barriers, organizations may use: intuitive design, onboarding tutorials, training programs, technical support.

Example: Apple products are often cited as successful partly because they reduce perceived complexity through user-centered design and ecosystem integration.

Resistance to change: job loss, increased monitoring, reduced autonomy, competence gaps.

To reduce resistance to change, organizations may use: participatory implementation, transparent communication, change management programs, incentives, leadership support

Example: digital transformation in banking. Employees initially resisted AI-assisted customer support systems, fearing replacement. Institutions that framed AI as decision-support rather than workforce replacement experienced smoother adoption.

Round-table discussion

Why do good ideas fail in the market?

Focus on:

❖ the gap between idea and reality

Is a great idea more important than a good business model?

Focus on:

❖ business thinking vs. creativity



Innovation processes

Innovation is not only about generating creative ideas, but also about organizing those ideas into structured activities that can lead to real implementation and measurable value.

Among the most widely used innovation process models are

- ✓ **Stage-Gate model**
- ✓ **Agile method**
- ✓ **Lean Startup approach**

The Stage-Gate model

Process stages:

- Idea generation (opportunities, needs, trends)
- Initial screening (strategic fit, market potential, feasibility)
- Detailed analysis (market research, technical and financial evaluation)
- Gate reviews (continue, revise or stop the project)

Benefits:

- ✓ reduces risk by stopping weak projects early
- ✓ gradual resource investment
- ✓ clear accountability and structured decision-making
- ✓ widely used in high-risk industries (e.g., pharmaceuticals)

Limitations:

- ✗ can be rigid and slow
- ✗ may create bureaucracy and delays
- ✗ less suitable for fast-changing markets (e.g., digital products)

The Stage-Gate model – example: Development of a new smartwatch

Stage 1. Idea Generation: A tech company identifies a market opportunity for a smartwatch focused on health monitoring (heart rate, sleep, oxygen levels).

Gate 1. Initial Screening: Management evaluates: strategic fit (does it align with company direction?), market demand (is there enough interest?) and basic technical feasibility

Decision 1: Go forward

Stage 2. Concept development: market research on target users (athletes, elderly, general consumers), competitor analysis (e.g., Apple Watch, Samsung Watch etc.), define the initial product concept

Gate 2. Business case review: estimated costs and revenues, technical risks assessed, evaluate the product value proposition

Decision 2: Approve detailed development

The Stage-Gate model – example: Development of a new smartwatch

Stage 3. Product development: engineering design of hardware and software, prototype creation, internal testing

Gate 3. Testing decision: prototype performance reviewed, quality and usability assessed

Decision 3: Proceed to testing

Stage 4. Testing and validation: user trials conducted, reliability and accuracy tested, regulatory compliance checked (if needed)

Gate 4. Launch decision: final evaluation of results, market readiness confirmed

Decision 4: Launch product

Stage 5. Commercialization: product released to market, marketing campaign launched, sales monitored and improved iteratively

The Agile method

Process stages:

- Planning and backlog creation (define initial requirements and priorities)
- Sprint development (short iterative cycles, of 1–4 weeks)
- Testing and review (evaluate each increment with stakeholders)
- Feedback and adaptation (adjust features based on user input)
- Release and continuous improvement (deploy updates gradually)

Benefits:

- ✓ high flexibility and adaptability
- ✓ continuous customer involvement
- ✓ faster delivery of functional outputs
- ✓ early detection of problems and improvements
- ✓ strong cross-functional collaboration

Limitations:

- ✗ risk of scope creep (constant expansion of requirements)
- ✗ requires intensive communication and discipline
- ✗ can become chaotic without clear priorities
- ✗ less suitable for highly regulated industries with strict documentation requirements

The Agile method – example Development of a university mobile application

Sprint 1. Team develops basic features: student login, timetable access, class notifications

Result 1: A basic working version is released to students.

Feedback collection 1: students report that they also need exam schedules, assignment deadlines and push notifications for room changes.

Sprint 2. Team adds: exam calendar, assignment tracker, notification improvements

Step 2: Updated version released.

Feedback collection 2: students request additional features, such as library room reservations, campus map and cafeteria menu.

Sprint 3. Team adds: library room reservations, campus map and cafeteria menu

Step 3: New features added based on latest priorities. (and so on)

Application continuously improves through short iterations.

The Lean Startup approach

Process stages:

- Build (develop a Minimum Viable Product (MVP) with essential features only)
- Measure (collect data from real users through registrations, retention, feedback and conversions)
- Learn (analyze results and validate assumptions)
- Persevere (adjust strategy or continue development based on evidence)

Benefits:

- ✓ reduces waste and unnecessary investment
- ✓ early validation of market demand
- ✓ faster learning from real users
- ✓ lower financial risk in uncertain projects
- ✓ encourages experimentation and adaptability

Limitations:

- ✗ excessive focus on short-term results
- ✗ risk of misleading feedback from small user groups
- ✗ early adopters may not reflect mainstream customers
- ✗ may neglect long-term strategic planning

The Lean Startup approach – example Online food delivery startup

Build (MVP). A startup wants to create a food delivery platform for university students. Instead of developing a full mobile app with payment integration, GPS tracking and restaurant partnerships, the team first creates: a simple website or landing page, basic menu options, order form using Google Forms or email.

Goal: test whether students are interested in ordering food online.

Measure. The startup collects data such as: number of website visits, number of orders placed, customer feedback, most popular meals and delivery times.

Possible findings: high website traffic, but many abandoned orders due to limited payment options

Learn. The team analyzes results and discovers: strong demand exists, students prefer mobile payments and faster checkout

Persevere. Based on feedback, the startup decides to: add online payment options, simplify ordering steps, focus on late-night delivery, which showed highest demand.

Result: After validation, the company invests in a full mobile application.

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Choosing the appropriate innovation process

The Stage-Gate model is particularly appropriate for innovation projects involving high investment, strict compliance requirements or significant safety risks, such as pharmaceuticals, aerospace or industrial manufacturing.

The Agile method is better suited for software development, digital transformation and environments where user requirements evolve continuously.

The Lean Startup approach is especially valuable for startups, entrepreneurial ventures and innovation projects requiring rapid market validation.

In practice, organizations increasingly combine these approaches.

Team exercise

Task. You are consultants advising different organizations on how to manage their innovation projects. For the scenario you were given, decide which innovation management approach is most suitable:

- ☐ Stage-Gate
- ☐ Agile
- ☐ Lean Startup
- ☐ Combination of approaches

Explain your choice in 2–3 arguments.

- Team 1 – Scenario 1
- Team 2 – Scenario 2
- Team 3 – Scenario 3
- Team 4 – Scenario 4



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Business models

A business model typically answers several key questions:

- Who are the target customers?
- What problem is being solved?
- What value is offered?
- How is the product or service delivered?
- How does the organization generate revenue?
- What are the major costs involved?

Components:

- value proposition – describes the unique benefit offered to customers.
- customer segments – refer to the groups targeted by the innovation.
- Channels – describe how value reaches customers.

Subscription business models

Examples:

- Netflix, which offers streaming access through monthly subscriptions;
- Spotify Premium, which provides ad-free music and enhanced features;
- Microsoft 365, which shifted from perpetual software licenses to subscription access.

Advantages:

- ✓ Predictable recurring revenue (improves financial planning and stability)
- ✓ Higher customer retention (encourages continuous service improvement and customer engagement)
- ✓ Lower entry barriers for customers (replaces high upfront costs with smaller recurring payments)
- ✓ Scalable revenue growth (revenue increases as subscriber base grows)

Challenges:

- ✗ Customer churn (risk of subscription cancellations if value declines)
- ✗ Subscription fatigue (customers may feel overwhelmed by multiple recurring payments)
- ✗ Continuous value delivery required (organizations must regularly improve products and services)
- ✗ High competition (customers can easily switch to alternatives)

Platform business models

Examples:

- Airbnb, connecting hosts and travelers;
- Uber, connecting drivers and passengers;
- Amazon Marketplace, connecting sellers and buyers.

Advantages:

- ✓ Network effects (platform value increases as more users join)
- ✓ Self-reinforcing growth (more users attract even more participants)
- ✓ Scalability (rapid expansion without owning all resources directly)
- ✓ Market connectivity (efficiently connects supply and demand)

Challenges:

- ✗ Chicken-and-egg problem (difficulty attracting both sides of the market initially)
- ✗ High early investment (often requires subsidies or incentives to attract first users)
- ✗ Dependence on user activity (platform loses value if participation declines)
- ✗ Trust and quality control issues (must ensure reliable interactions between users)

Managing innovation teams

Innovation success depends not only on strategy, but also on people and team dynamics.

Strong business models may fail without effective leadership and collaboration.

Innovation teams operate under:

- Uncertainty
- Ambiguity
- Rapid change

Teams are often multidisciplinary, including:

- Technical specialists
- Designers
- Business analysts
- Marketers
- Project managers

Leadership styles

Transformational leadership - focuses on inspiring and motivating teams through vision, empowerment, and intellectual stimulation.

Example: Satya Nadella transformed Microsoft's culture by promoting collaboration and a growth mindset, fostering innovation and experimentation.

Transactional leadership - focuses on structure, rules, performance monitoring, and reward-based motivation.

Example: Project managers in regulated industries (e.g., quality assurance or compliance projects) use strict milestones and control mechanisms to ensure reliability.

Servant leadership - focuses on supporting and empowering team members by removing obstacles and enabling their success.

Example: Agile product owners often act as facilitators, helping teams stay productive rather than directing tasks in detail.

Cross-cultural collaboration

Advantages:

- ✓ innovation increasingly takes place in international and multicultural teams;
- ✓ cultural diversity brings different perspectives, experiences and problem-solving approaches;
- ✓ diverse teams can generate more creative and innovative solutions.

Challenges:

- ✗ communication styles;
- ✗ attitudes toward hierarchy;
- ✗ approaches to decision-making;
- ✗ time orientation;
- ✗ conflict management preferences.

Cross-cultural collaboration

Effective cross-cultural collaboration requires explicit coordination, and some practices include:

- establishing communication norms;
- clarifying team roles;
- encouraging inclusive participation;
- promoting active listening;
- discussing expectations openly.

Digital collaboration platforms can also support multicultural teamwork by centralizing communication, documentation, and task management. In innovation contexts, cross-cultural competence is increasingly considered a strategic capability. Organizations that manage cultural diversity effectively often outperform homogeneous teams in creativity, adaptability, and global market understanding.

Workshop No. 2

Build Your Innovation

- The same teams from Day 1
- Develop business model, risks and adoption strategy

-  Team 1 – purple 
-  Team 2 – orange 
-  Team 3 – yellow 
-  Team 4 – grey 

Task: Each team will have a report to complete and will present point 8 of the report, and the other teams will ask questions and offer their input/opinions on:

- ☐ “Why will this innovation succeed?”
- ☐ if the “Long-term vision” is sustainable or not

Miro platform

Link for the Miro platform:

https://miro.com/welcomeonboard/anJwak1ZU1JSTDBXL3ZZZDNIZFBJRURCYW53WTJSZmpRRGVsMGxRZmhOMFcxMU1KNVBIvNf5OVorMmxVbkYwMnN3M052ZUNPZUJpOXp2UHJSQ0ZydmtnVmjteVZFRTYwRndQYzkxOGdicmpqa283Vk91YldrY2kzVjdZN01PTkZNakdSWkpBejJWRjJhRnhhb1UwcS9BPT0hdjE=?share_link_id=668442567086

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