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# Introduction

The food and beverage industry is one of the most important industries as it serves the basic needs of consumers globally. Over the years, the industry has had various huge players that have influenced how food and beverages reach consumers. This report will be based on an analysis of two of the renowned companies that operate in the food and beverage industry serving multitudes of consumers globally. It will focus on the Coca-Cola Company and the Nestle SA companies. It will identify the innovation strategies that are employed by both companies concluding with the best practices that organizations in the industry can employ to be more innovative and thus competitive.

The Coca-Cola Company is renowned for its beverage products such as soft drinks and its geographical outreach and [phenomenal campaigns. Nestle SA is known for its food and beverage products such as noodles and also the brands ‘Nescafe’ coffee that has taken over the market for years. The two organizations have headquarters in different countries; Coca-Cola is located in the United States and Nestlé’s in Switzerland. The report will thus focus on the innovation space and how it related to both companies. It will compare innovation strategies and their contribution to the success of the identified companies.

## Background of Companies

### The Coca-Cola Company

The Coca-Cola Company was started in the United States in 1886 by pharmacist John Pemberton. It was one of the earliest soft drinks in the American market with most of it being sold out of fountains before the company was incorporated. The company was incorporated as a public company in 1919 leading to its strategic growth into the company it is today. The Coca-Cola Company increased its market and geographical reach in the 20th century thus becoming a global sensation (The Coca-Cola Company, 2017).

Over the company’s history, Coca-Cola has made efforts to improve its innovation and sustainability goals to help reach a larger consumer base. Through its efforts such as partnering with social and community groups, the company has managed to create consumer loyalty to its brands and encourage potential consumers towards its products (The Coca-Cola Company, 2022). As of 2021, the Coca-Cola company ranks as the largest and one of the best beverage companies globally. Statistical results show that the global brand value of the company stands at $30.378 billion. It has the most valuable soft drink brand in the world, Coke, valued at over $70 billion (Statista, 2022). It is also ranked as the most sustainable company in the United States dealing with consumer goods.

The Coca-Cola Company has over 200 products in its product portfolio and operates within over 200 countries and territories. They have numerous partners such as bottlers worldwide making them have a magnificent supply chain management. **The vision of the company is**:

 “To craft the brands and choice of drinks that people love, to refresh them in body & spirit. And done in ways that create a more sustainable business and better-shared future that makes a difference in people’s lives, communities, and our planet (The Coca-Cola Company, 2022).

 **The purpose is to:** “Refresh the world. Make a difference.”

#### Innovation

Innovation has been the main recipe for keeping the Coca-Cola Company on top of the charts in the food and beverage industry. It is through innovation that the company has maintained its relevance. Incremental innovations have allowed the company to meet the ever-changing demands of consumers. It allows the company to identify new products, for example, new flavors of their drinks such as the Cherry Coke product that eventually satisfy the needs and changing preferences of their consumers. Innovations in marketing strategies and business process strategies have also seen the company maintain its relevance and constantly encourage consumers towards its products. The product, process, paradigm, and people innovations create a competitive advantage that results in the overall success of the organization as witnessed through its financials.

### The Nestle SA Company (Nestle’)

Nestle SA is a multinational company that operates in the food and beverage industry with headquarters in Vevey, Switzerland. The company was founded in 1866. The company as it is today is an amalgamation and merger between companies over the years. It is however named after founding father Henri Nestle’ the founder of ‘Farine Lactee Henri Nestle’ in 1867. The company was formed after the merger between Henri Nestlé’s company and the Anglo-Swiss Milk Company founded by brothers Charles and George Page in 1866 (Nestle S.A., 2022).

Nestle SA merger was in 1905 and its growth is attributed to WWI and WWII which saw an increase in the demand for processed foods and beverages. WWII led to the growth of the company due to the high demand for condensed milk products by the army. After the war, Nestle acquired numerous companies to increase its portfolio by adopting a diversification strategy. Some of the companies it acquired were L’Oreal in 1974 and Alcon Laboratories in 1977. In recent years the company has diversified into the health industry and also the beauty industry increasing its size and impact globally.

Nestle is the world’s number one fast-moving consumer goods brand globally. It has net sales of $93 billion as of 2021. As of 2021, the company was leading in net sales and profits worldwide compared to the ten biggest competitors (Statista, 2022). The company also boasts of over 2000 brands in its portfolio that ring in billions of dollars in revenues each year.

**The vision of the company is:**

*“To be a leading, competitive, Nutrition, Health and Wellness Company delivering improved shareholder value by being a preferred corporate citizen, preferred employer, preferred supplier selling preferred products (Nestle S.A., 2022).”*

The mission is:

*“to provide consumers with the best tasting, most nutritious choices in a wide range of food and beverage categories and eating occasions, from morning to night* (Nestle S.A., 2022).”

#### Innovation

Nestle has a research and development team and department that is tasked with innovations within the organization. Developing innovative services and products that provide nutritional benefits to consumers has been a selling point for Nestle. It is through innovation that the company drives its purpose. It invests heavily in technology and expertise in science to increase the efficiency and effectiveness of its products. An example of innovations currently being done by Nestle S.A is the move to animal-free dairy proteins that serves the changing preferences of consumers. The growing vegetarian population for instance creates a market for animal-free products (Hancocks, 2021). Freedom of innovation is crucial to the company worth entrepreneurs having access to information to deliver quality products from their ideas.

# Innovation Space in the Organizations

Innovation is defined as the process of turning an idea into a tangible reality. It is the main aspect of maintaining the competitive advantage of firms especially those that operate in highly competitive markets. Many scholars have tried to develop theoretical ad conceptual approaches to organizational innovations. One of the most renowned models of innovation is that identified by Tidd and Bessant. The model identifies the 4Ps of innovation; product innovation, process innovation, position innovation, and paradigm innovation (Tidd & Bessant, 2020).

Product innovation is based on constant improvements in the products and services offered by an organization. It is based on the development of new products or services for consumers. In many cases, it comes as an improvement to already existing products and services. Process innovation is focused on how the organization delivers its service or product to the consumers. It includes elements of production technologies and improvement on tools used for the delivery of products or services. Position innovation is about where the organization and its products and services stand in the market (Bessant & Tidd, 2007). It involves creating a unique value proposition that will capture the consumer and lead them toward the company's offering. Paradigm innovation is more complex and is about the mental model communicated by the business.

## Coca-Cola innovation space map



### Products

Figure 1 shows the innovation space map for the Coca-Cola Company identifying the 4Ps and how they influence the innovation process within the organization. Coca-Cola has an innovative product development where it improves on already existing products within its portfolio. For instance, the company already has soft drinks as part of its [products. It however changes the products each time to meet the rising demands and preferences of consumers. It is an incremental innovation other than radical innovation. It has not created a new product but improved on already existing products to meet consumer needs.

For example, Coca-Cola has the Coke brand which is a sugared soft drink. In relation to changing the health needs of consumers, the company created diet coke which is a slight change to the original coke to meet the needs of health-conscious consumers. The company has made numerous incremental innovations in relation to its products allowing them to maintain its relevance in a fast-paced market. The company also engages in radical innovation when it comes to developing products. For instance, the company created the monster drink from scratch as a new product that was meant to serve the different needs of consumers. The ‘Monster’ product stands out and is not an improvement on the original soft drink products of the company. Recently, the company is moving into the production of healthier drinks not aligned with the original carbonated soft drinks (Chua et al., 2020). The packaged Dasani water sold by the company is an example of a radical product innovation s it is not a twitch or improvement on their existing product.

### Process

The process aspect of the innovation space maps is based on the ways that the company creates its product through technology and automation. Coca-Cola is one of the most automated companies globally with their production lines being close to fully automated from the production to packaging of their products. The incremental innovation by the company includes the improvement of supply chain management. For instance, it takes a shorter time for goods to move from production to customers and final consumers compared to a decade ago. Coca-Cola has thus improved the logistics process to reduce the lead time. Diversification of production is also another incremental innovation under processes. For instance, the company has numerous partnerships with bottlers globally. There are over 200 bottling companies that work with Coca-Cola to enhance the production process, ensuring that goods are produced to meet the demand (Kelechi, 2021). Diversity of production also creates efficiency in the supply chain as the bottling plants are geographically diversified.

A radical innovation witnessed through the processes in Coca-Cola Company includes the implementation of their online stores. The online approach allows the stakeholder to participate in business processes such as inventory awareness and even the purchase of finished products. Online shopping for customers such as wholesales makes it easier to supply products changing from the traditional in-person sales models of the company.

### Position

The aspect is based on creating a brand that is well-represented and strong within the market. It involves creating an understanding of how the consumers and stakeholders view Coca-Cola as a brand which affects brand loyalty and the public image. The Coca-Cola Company has positioned itself strategically in the market creating a strong brand name and image over the years. It has a huge portfolio of products and is known as a leader in the soft drink market globally, facing huge competition from only PepsiCo in the soft drink markets. Its core products create an identity such as the Coke brand (Shui, 2019).

Its position in the market is further strengthened by segmenting its products into various categories. They have made radical innovation moves in relation to positioning by identifying new markets and moving into developing nations. That reduces the competition they face in already developed territories and also increases their market share.

### Paradigm

Paradigm is an expression of the self-understanding of Coca-Cola that they would like their customers to understand. The business model of Coca-Cola is based on its vision and mission, which is refreshing the world through its products at the same time participating in corporate social responsibility (CSR). Coca-Cola has had to redefine itself through its services and products to affect the perception of its consumers. For instance, their packaging innovation has an impact on their image. Coke finds relevance with the market such as millennials when designing new packaging. For instance, branding coke with popular names creates an identity with the brand and perception consumers have of the brand.

## Nestle innovation space map



### Product

Figure 2 shows the innovation space map of Nestle S.A. The first aspect of the model is the product which involves incremental innovations and radical innovations. Nestle's product innovation falls into both categories. It has over 2000 products in its portfolio and continues research and development to bring new products into the market. They have beverage and food products such as the Nescafe, Garden gourmet, Mezeast, and Maggi noodles amongst others (Nestle, 2021). The products have been developed over the years and constantly improve to meet the needs and preferences of consumers. The incremental product innovation example is in the Maggi noodles where the company has over the years improved the product to meet the health needs of consumers. Despite controversies related to the product, Nestle engages in research and development that ensures continuous improvement to a nutritious and tasty product.

In relation to radical innovations, the company develops numerous new products that they launch in the market. For instance, their website shows that there are over 4000 employees that are in the research and development department many being biologists, scientists, and nutritionists. They enhance success and growth through fast innovation of new products that are healthy and safe for consumption. The company for instance is developing new products that are plant-based thus serving the growing needs of the vegetarian population.

### Position

The position of Nestle is based on identification in the food and beverage market. The positioning of the company is based on its differentiation and segmentation strategies. It provides goods targeted to different consumers. For instance, it has products for infants, youths, and for all populations as part of its portfolio. It also has 25 variants of products such as Nido to help meet the different needs of youngsters. For infants and newborns, the company has different feeds such as lactogen 1 to 3. The company also creates a channel of differentiation where most of its products are sold through professional salespersons to ensure that it reaches its customers uncontaminated (Nestle, 2021). The company has also positioned itself as the number one in healthy food production. Many consumers can identify the company logo on products since it is distinct from any other in the market. Radical innovations include the change in product segmentations about class and pricing. For instance, the company offers premium products in its KitKat line and also premium ice cream products.

### Process

The company has improved retailed logistics ensuring that the products reach consumers on time or before time. The consumers are mostly satisfied with the logistic processes in Nestle which ensures that it meets any type of demand in the market in different geographic regions. Technological innovations play a critical role in the research and development of the company. Nestle has employed the technology in their research, packaging, and food processing equipment. The technology has enables the manufacture of new beverages such as the Nescafe Dolce Gusto and the Nespresso (Nestle Global, 2022). Technologies also allow food scientists and engineers to develop safe and nutritious products.

Nestle is a leader in a huge number of technologies. For instance, the Nestle Research Centers are amongst the first to identify the molecular interaction of probiotics and the digestive tract. That has allowed them to improve the process of fermentation and production of healthy probiotics (Nestle, 2021). Hot extrusion technologies in the company allow the production of nutritious foods and snacks such as common cereals and baby meals. Technology also allows the company to make their Maggi product healthier by creating an ability to use natural plant fats in products other than hydrogenated fats.

### Paradigm

Nestle has created an image in the market that allows consumers and stakeholders to understand who they are. For instance, their innovation in relation to marketing practices communicates the brand as the number one safe food and beverage company globally. The message develops consumer trust and thus loyalty to the brand. The organization communicates the message of ‘partner or perish’ to its competitors within the market. The paradigm innovation strategy also calls for sharing the outcomes of innovation with stakeholders and creating partnerships that go far and beyond business processes.

# Analysis of the Innovation Process in Coca-Cola and Nestle

Tidd and Bessant’s 4-step model (search, select, implement and capture) identifies the innovation process that many organizations adopt. There is no single approach to enhance the success s of an organization, but a proper innovation process and strategy help create a competitive advantage that eventually translates into a successful organization.

## Search

The search step identified in the Tidd and Bessant model acts as a phase where the organization collects all the ideas regarding a product. The organization represents a funnel where all the ideas from diverse sources are collected. The first phase is laden with creativity and is one of the most difficult phases in the innovation process (Ferreira et al., 2015). Market research and feedback from stakeholders create an avenue for new ideas for products and services a company should offer.

The Coca-Cola Company searches for its data through available market information, trends, and consumers. The company is known for encouraging g its consumers to become part of its brand helping in the innovation process. For example, the company unveiled a global innovative platform known as ‘Coca-Cola Creations.’ The platform allows feedback from consumers and the use of market data to create new products that are aligned with the values and interests of their consumers. For example, the launch of the Coca-Cola Starlight product despite being a limited edition shows an innovative product developed through the ideas obtained from consumers and global stakeholders (The Coca-Cola Company, 2022).

The search phase at Nestle is based on their competency of having a huge number of innovative staff that is specifically employed for research and development purposes. Nestle encourages over 5000 of their employees in the department to think like entrepreneurs other than employees. That motivates individuals to turn around innovations due to a change in their mindset (Nestle Global, 2022). The company encourages internal start-ups as a way of encouraging more innovation and the discovery of new products. The company also collaborates with external organizations such as academic institutions, NGOs, and external start-ups that help provide new ideas on product innovation and development. The use of consumer trends also influences innovation in the organization. For instance, the company has capitalized on the vegan trends from their consumers to develop plant-based products.

## Select

The second phase of the model focuses on where the organization is going with its innovation and why. The stage occurs after the innovation opportunities or projects are identified and the organization has to choose which ones to adopt. The Coca-Cola Company employs predetermined criteria to identify the new products that get to the market. For instance based on its current Coca-Cola Creations, and connection to the galaxy, the Coca-Cola Starlight product was among the newest innovations of 2022. The product communicates a message to consumers and keeps a predetermined group of consumers satisfied. The selection of the appropriate innovation is also based on the voice of the consumers (Innovation Circle, 2021). The company aims at creating value for every product rolled out into the market thus increasing consumer satisfaction. Nestle also uses the same approach prioritizing their consumer preferences and trends in the product innovations that they choose.

## Implement

It is the third step of the model of innovation and deals with how the organizations are going to make the chosen ideas into reality ( Ferreira et al., 2015). In the case of Nestle SA, the research and development team has resources that are provided by the organization to ensure that they produce prototypes by the most efficient and fastest means possible. Investment in technology allows the organization to create prototypes that are used to test the market readiness for the new product. On its global website, the organization shows how innovation is implemented within the research and development facility. The organization identifies that having ideas is great but the opportunity lies in how fast such ideas can be transformed into reality and taken to the market (Nestle Global, 2022). Coke adopts an implementation strategy based on pilot studies of a new product. They produce a limited edition of the new product to see the reception in the market before going full-blown production for the particular product.

## Capture

It is the last stage of the innovation process and identifies how the organization is going to capture the benefits of the innovation. Coca-Cola and Nestle aim at ensuring that they create maximum value from their new products in the following ways: The first is through generating information about the new product and acquiring new knowledge related to the innovation. That allows the companies to identify areas of improvement and what about the product fascinates their consumers. The two companies work on codifying the knowledge, storing it, and safeguarding the same through patenting. The rationale is that the innovation is for the company for each of its products and a patent prevents rivals in the market from copying the product. In so doing the companies maximize their values in their markets of operation by having copyrights to the innovative products brought to the market.

# Recommendations

Nestle SA and Coca-Cola are performing well in the market and the innovation space. They lead as examples for other organizations operating in the global sector. The following are some of the recommendations to help the organizations maintain a top-notch approach to innovation that will drive to increase future relevance and market success:

Companies should invest in a culture that easily accommodates innovation. The innovations in an organization are brought about by open-minded individuals that are daring to go a step ahead and take a risk to make an idea a reality. Nestle and Coca-Cola must create a culture that fancies innovation and creativity by motivating their employees towards the same. Change in culture is associated with the identity of the need for change not only in processes but on the way the business handles its employees (Lijauco et al., 2020). Empowerment gives a voice to employees and they thus can contribute to the growth of innovation through ideas that eventually turn out into innovative products for the organization.

In relation to product and production, organizations should invest heavily in technology and artificial intelligence. The technology ensures that a product is as per the needs of the consumer and that any shortcomings of a product are identified before it is dispatched to the consumer. Technology in the innovation process makes the development of new products easier and makes it also easier to quickly and efficiently develop prototypes that help in market research (Widjaja et al., 2020).

Eliminating inefficiencies in the supply chain and production lines will improve the innovative ability of the organizations. Inefficiencies increase the costs of innovation and also influence the satisfaction that consumers have with innovations hitting the market. Knowledge is power and thus the two organizations should focus on acquiring as much knowledge about their consumers and markets as possible. Benchmarks make part of the search phase as identified in the innovation process. It helps organizations make informed decisions about the type of innovations to adopt and which to let go of.

Nestle and Coca-Cola should ensure that they have a legal team within their innovation departments. That ensures that any new product that comes to the market is aligned with the standards and regulations of the jurisdiction of development. It cuts costs associated with recalled substandard products and also helps the organization stay out of legal confrontations in relation to their products.

# Conclusion

Innovation is a critical aspect of success in many organizations in the world. The Coca-Cola Company and Nestle SA are perfect examples of how innovation can lead to the growth and development of an organization. Innovation also increases the relevance of an organization within the market even in changing ties. The innovation space maps identify the 4Ps of innovation; product, process, position, and paradigm, and how the two organizations employ the same in their innovation strategy. The P’s of innovation is based on incremental innovation which is an improvement of what exists or radical innovation which is the creation of a new product/service or process in the organization. Tidd and Bessant’s four-step of innovation explains the process through which organizations go through during innovation. The search phase is the harshest as it is the idea development stage. The selection, implementation, and learning phases are based on ideas developed in the first phase.

Coca-Cola and Nestle operate in almost similar global environments and also in the same industry. The recommendations provided thus apply to both organizations and will help them improve their innovation management to enhance further success. Companies should continue creating quality relationships with consumers to take advantage of trends and changes in preferences. They should also ensure they have a legal team that ensures all innovations are within the aspect of the law to avoid political issues on innovations.

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