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QUALIFICATION PAPER
to obtain an educational degree BACHELOR

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educational-professional program Management
on the topic:

Innovative management as a factor in increasing the sustainability of the enterprise:
disruptive and sustaining innovations

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The qualifying paper contains the results of own research. The use of ideas, results and texts of other authors are linked to the appropriate source.



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Sumy – 2024

II	CHAPTER 2. METHODOLOGY FOR SUSTAINABILITY AND DISRUPTION ASSESSMENT	<u>May 20, 2024</u>
III	CHAPTER 3. APPLICATION OF THE DEVELOPED SYSTEM TO ANALYZE THE ENTERPRISE AND DETERMINE ITS INNOVATIVE POTENTIAL	<u>May 27, 2024</u>

The content of the tasks for fulfilling the set goal of the Bachelor’s qualification paper:

In section 1, the student must explain the significance of disruptive innovation, describe low-end disruption and new-market creation, identify key characteristics of disruptive and sustaining innovations.

In section 2, the student must develop a rating system for disruptive and sustainable innovations. This involves defining specifications, creating a concept, designing the system, and documenting its validation. The process includes evaluating different approaches, selecting the most suitable solution, and implementing it to assess the innovation strategies of a specific company.

In section 3, the student must evaluate FOP “Karepin,” discussing its establishment, operations, and assessment using a developed rating system. It highlights strengths like a diverse product range and quality customer service, while also suggesting improvements such as enhancing brand visibility and market expansion through strategic measures.

8. Consultations on work performance:

Section	Surname, initials and position of the supervisor/consultant	Signature, date	
		Issued the task	I accepted the task
1			
2			
3			

9. Issue date of the assignment _____

Supervisor of qualification paper _____
(position, scientific degree, scientific title, Name and SURNAME)

(Signature)

Tasks to be completed received Anastasiia Karepina
(Name and SURNAME of the student)


(Signature)

ABSTRACT

Graduation work on the topic: “Innovative management as a factor in increasing the sustainability of the enterprise (for example, FOP Karepin “DreamHouse”)” includes 29 pages, 3 tables, 8 Figures. The bibliography list consists of 21 items.

In today's rapidly changing business environment, innovation is becoming a key factor in the success and survival of enterprises. The chosen subject of research, namely disruptive and sustaining innovations, reflects the importance of understanding these concepts for modern organizations. The topicality of the topic is due to the need for enterprises to adapt to rapid changes in the market and ensure the sustainability of their business.

The subject of my research is innovative management as a factor in increasing the sustainability of the enterprise.

The object of the study is the practice of implementing disruptive and sustaining innovations in enterprises.

In addition, the developed rating system, based on VDI 2221 light, allows you to effectively evaluate sustaining and disrupting innovations. This approach provides a clear evaluation criterion, taking into account key aspects of the innovation process. This system is proprietary and based on VDI 2221 standards.

The purpose of the study is to reveal the impact of innovative management on the sustainability of the enterprise by analyzing and classifying types of innovations and developing a system for assessing their impact. The task of the research is:

1. Study of theoretical aspects of disruptive and sustaining innovations.
2. Analysis of the practical application of innovative management in various business sectors.
3. Development of a system for evaluating the impact of innovations on the sustainability of the enterprise.
4. Application of the developed system for business analysis and determination of its innovative potential.

The research is based on the application of scientific methods, such as the analysis of literary sources, comparative analysis, empirical research, and expert evaluations.

The obtained results are of practical importance to the business community, providing enterprises with information and tools for effective innovation management and increasing their sustainability in the market.

Keywords: innovation management, disruptive innovation, sustaining innovation, enterprise sustainability, competitiveness, innovation classification, innovative activity, innovative product, development, implementation.

Table of content:

INTRODUCTION	7
CHAPTER 1. THEORETICAL BASIS OF DISRUPTIVE INNOVATIONS & SUSTAINING INNOVATIONS	9
1.1. Revolutionary changes: the essence of disruptive innovation	9
1.2. Revealing the characteristics of disruptive innovations.....	11
1.3. Stability and development: defining the essence of sustaining innovation.....	13
1.4. Features of continuity: characteristics of sustaining innovation	14
CHAPTER 2. METHODOLOGY FOR SUSTAINABILITY AND DISRUPTION ASSESSMENT	17
2.1. Rating system development for sustainable and disruptive innovations	17
2.2. Phases of rating system	18
CHAPTER 3. APPLICATION OF THE DEVELOPED SYSTEM TO ANALYZE THE ENTERPRISE AND DETERMINE ITS INNOVATIVE POTENTIAL.....	23
3.1. Inside FOP “Karepin”: a closer look at its operations	23
3.2. Evaluating FOP “Karepin”	24
3.3. Recommendations for Improvement FOP “Karepin”	28
CONCLUSION.....	32
REFERENCES	34

INTRODUCTION

Companies are striving for innovation, spending millions of dollars on research and development. The use of innovative approaches allows not only to adapt to changes in the business environment, but also to create new opportunities for development and increased competitiveness. Yet only a few of them know that there are different types of innovation. One of these types - disruptive innovation - is a threat to those who are unable to identify emerging risks to their business and instead focus on sustaining innovation. In this context, the topic of research on disruptive and sustaining innovations becomes especially relevant.

Most of us still remember how it felt to unpack our first smartphone. The feeling of turning it on for the first time and being immersed into a new, yet unknown world of unlimited possibilities, never thinking to go back to how it was before. It almost felt like we had the whole world in our tiny hands. It was THE innovation, THE technological revolution of the last decades. Disrupting the global economy by destroying and creating markets, damaging big established corporations like Nokia or catapulting companies like Apple into the ring of the biggest brands on this planet today. Many consider this as the leap into a new era, the digital era, and use this as a prime example of disruptive innovation and change.

This research aims to answer questions by defining what innovation really is, outlining the different types of innovation, their characteristics and differences and using this to create a rating system with which innovations can be reviewed and clearly assigned to a type of innovation. Application examples further define a clear line between the types of innovation and give guidance on how to apply the rating system.

The purpose of this bachelor thesis is to analyze the impact of innovative management on the sustainability of the enterprise and to develop a method to distinguish between disruptive and sustaining innovation that can be applied to different examples across all industries and leads to a constant and comprehensible result. In order to achieve this goal, an evaluation system was developed utilizing

literature research and the application of the VDI 2221 norm, a model to design technical products and services.

The developed system was applied to the example from the company, FOP “Karepin” to prove the functionality and validity of this system. With the knowledge gained about these two innovations and their application, it was found that the company is a sustainable innovation which confirmed the findings from the literature research and therefore proves the validity of the system.

The object of research is the practice of introducing innovations in enterprises, and the subject of research is the influence of innovative management on the sustainability of these enterprises.

The basis of the research was a variety of scientific literature and methodical materials on innovation management issues, as well as the VDI 2221 light standard, based on which the rating system was developed.

The theoretical and methodological basis of the research included the analysis of the concepts of innovation management, classification of innovations, as well as methods of evaluating the impact of innovations on the enterprise.

Such research methods as analysis of literary sources, comparative analysis, development, and application of rating system were used to achieve the set objectives.

The scientific novelty of this work lies in the development of a rating system for assessing the impact of disruptive and sustaining innovations on the sustainability of an enterprise. The practical significance of the obtained results lies in the possibility of applying the developed system for practical analysis and management of innovations at enterprises, which will allow them to more effectively adapt to changes in the business environment and increase their competitiveness.

CHAPTER 1. THEORETICAL BASIS OF DISRUPTIVE INNOVATIONS & SUSTAINING INNOVATIONS

1.1. Revolutionary changes: the essence of disruptive innovation

Disruptive innovation has become a big talking point in our society and scientific research over the last couple of years. As can be seen in figure 1 the number of articles written about the topic of disruptive innovation and technology has increased significantly over the last two decades and therefore it has become important to understand and recognize disruptive innovations, both for consumers as well as businesses, as disruptive innovations can threaten a company's market shares or even existence. At the same time, they offer great opportunities to enter new or even conquer saturated markets. (1)

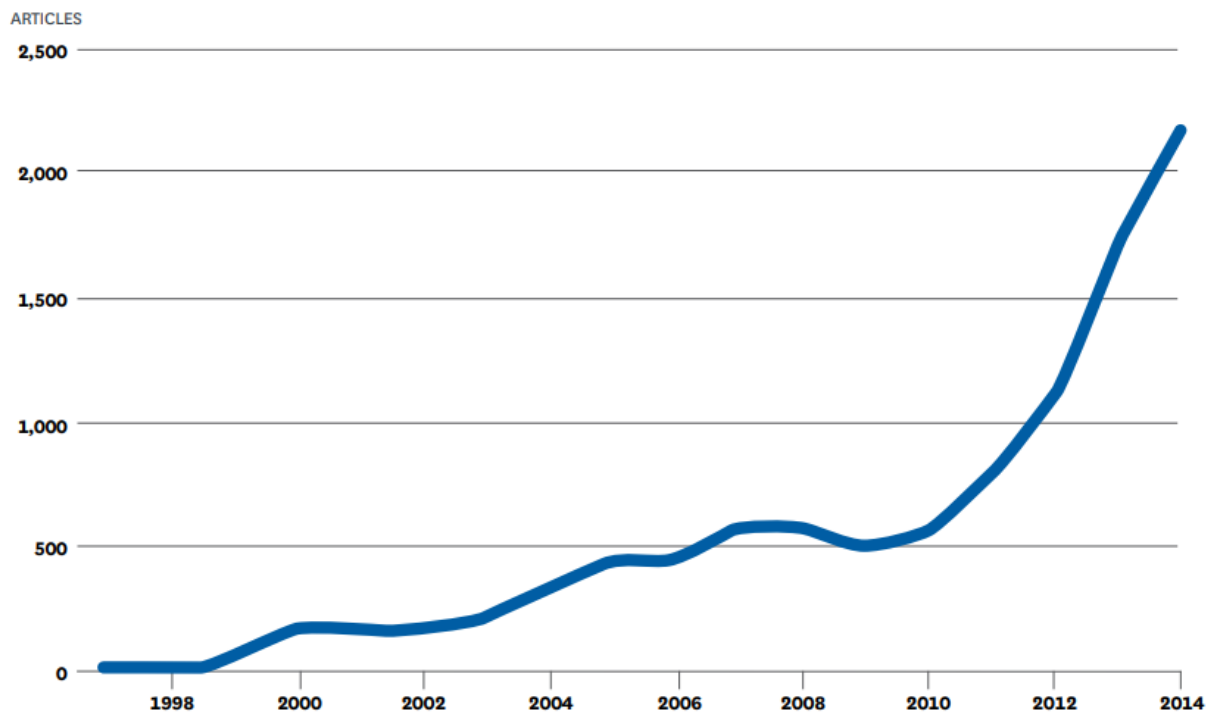


Figure 1.1 – Articles written about disruptive innovation

Source: Clayton M. Christensen, 2015

Disruptive innovation can occur within two different initial situations. Either a disruptive innovation disrupts an already existing market from the low-end or it creates an entirely new market. Therefore, it is not possible to have one strict definition.

The first initial situation that identifies disruptive innovation (low-end disruption) can be discovered when smaller companies (entrants) with almost no market share, are able to compete and challenge enterprises with a mainstream or high-end product or service that are established in the market (incumbents).

Big enterprises are focused on the most profitable consumer groups and therefore improving their products to their needs. This is illustrated by the blue line in figure 1.2 below. The incumbent improves its products due to sustaining innovation. This leaves untouched potential for smaller companies, which can specifically target those potential consumers, who are being overlooked by the big players. The products offered to this specific niche might be inferior compared to the mainstream product, but are usually found in a lower price segment and offer more suitable solutions for the new target group. (2)

By gaining a foothold in the market, the upcoming product improves the lack of performance of the mainstream attributes while still holding onto the attributes that made it successful in the first place. This is shown by the green (low-end disruption) line. The performance in the key dimensions is lower compared to the mainstream product. With time passing by, the product keeps improving in those dimensions. The product ultimately meets the requested performance of the consumers while still being inferior to the mainstream products. This event is illustrated by the green line crossing the red one, which shows the performance of the product that customers can utilize. After the entrant's product crosses that line, mainstream customers will consider that product as a realistic alternative to the mainstream product. As soon as mainstream customers are buying the new over the mainstream product, disruptive innovation has occurred. The new product displaces the mainstream product in the mainstream market. (3)

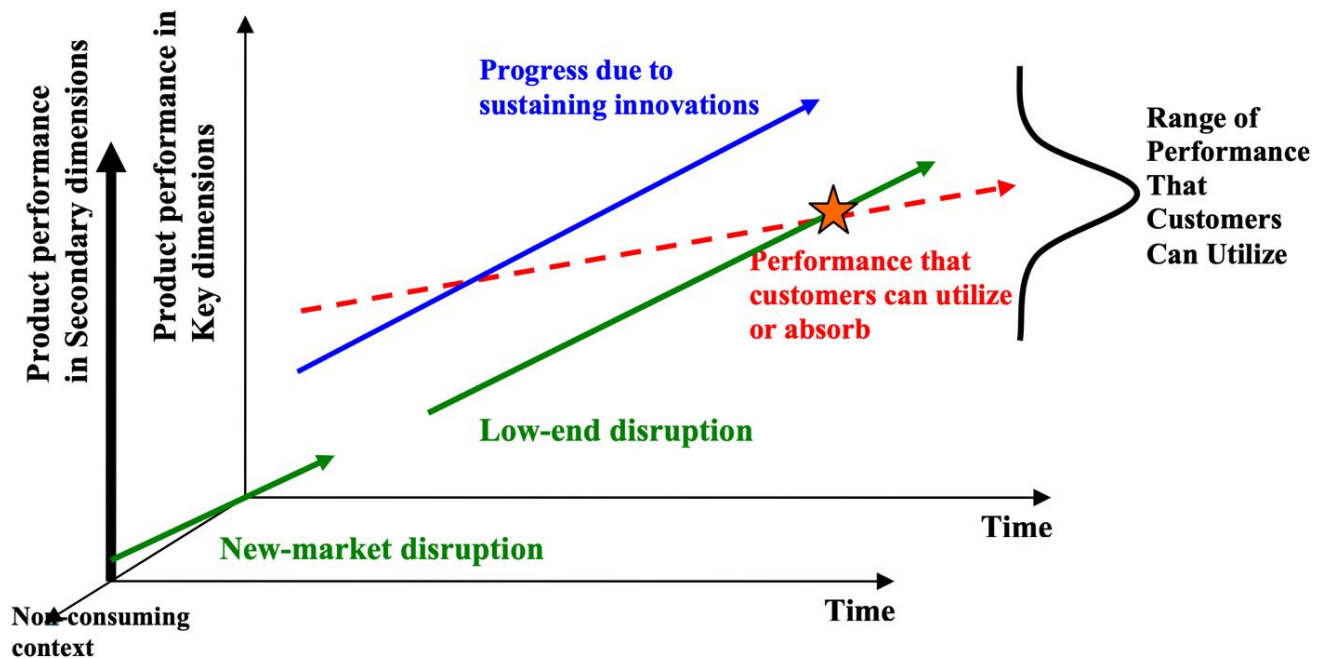


Figure 1.2 – The Disruptive Innovation Model

Source: Yu Dan, 2008

Another condition for disruptive innovation (new-market innovation) can be found when a company creates an entirely new market with their product. As it can be seen by the new-market disruption line in figure 1.2, where no pre-existing invention or products is shown. Due to that, the new entrant's product opens a new market. Therefore, they turn noncustomers into consumers and are gaining a foothold in the new market. (4)

1.2. Revealing the characteristics of disruptive innovations

With the help of the previously defined concept of disruptive innovation, the most important characteristics can now be derived and explained.

- Inferior performance in traditional attributes

When a disruptive innovation enters the pre-existing market incumbents are covering most of the market shares with products at the high-end range. These offer and feature defined attributes and performances which are an indicator for their success. Entrants developed a product that mostly do not fulfil those attributes and therefore do not deliver the performance requested by the mainstream-customers and

thus seen as inferior by them. Often the technology used is “cheaper, simpler, smaller or more convenient”. (5)

- Performance overshoot for existing customers

As explained above, the entrants are not focusing on the existing market, but on a niche market with niche customers. These arise as a result of incumbents overshooting the expectations of the customers and creating a product that leaves certain customers behind which then search for alternatives and switching to entrants that offer a suitable solution to their need. (6)

- New features that are not being valued and used

Simultaneously, the entrants have created a product that satisfies the needs of the left-out customers. The product offers a “different set of features and performance attributes relative to the existing products” (7), yet some of them are not required and thereby not being valued nor used by the niche-customer in the beginning.

- Further development necessary to disrupt the market

With the entrant serving only a small market segment but aiming to improve their product to win over mainstream customers, it is necessary to improve the product and adapt attributes, so the requested performance of the customer is being met. These developments can also express themselves in price reduction that is achieved through more efficient production or new production technologies. (8)

In conclusion, disruptive innovations challenge the status quo by offering products or services that initially seem inferior in traditional attributes, but eventually redefine industry standards. These innovations target niche markets overlooked by incumbents, leveraging new features and performance attributes to meet the needs of underserved customers. While disruptive innovations may require further development to disrupt the mainstream market, they ultimately have the potential to reshape industries, necessitating adaptation from established players. As

disruptive technologies continue to evolve and permeate various sectors, businesses must embrace innovation and agility to stay competitive in an ever-changing landscape.

By understanding the characteristics and implications of disruptive innovation, enterprises can harness its transformative power to drive sustainable growth and ensure long-term viability in the marketplace.

1.3. Stability and development: defining the essence of sustaining innovation

Using innovative technologies and modern models of the innovation process allows companies to be one step ahead of their competitors. Innovation that does not create new markets by being a dramatic breakthrough, but rather improves existing products, services and processes in increments, is called sustaining innovation. Sustaining innovation is a key component of a company's long-term growth strategy, allowing it to remain competitive in the market while gradually expanding its customer base and market share. By continuously refining and enhancing its offerings, a company can sustain its relevance and profitability over time. “Sustaining technologies are innovations that make a product or service perform better in ways that customers in the mainstream market already value.” (9) This develops pure competition with each other while maintaining improvements.

“Sustaining innovations are nearly always developed and introduced by established industry leaders.” (10) The business environment of market leaders does not allow them to apply disruptive innovations, since they are initially unprofitable, and their development may require limited resources to support innovations (need to compete with current competition). Small teams are more likely to create disruptive innovations than large ones. Leaders of incumbents are constantly looking for launching improved products to outperform the competition.

Sustaining innovation is often associated with incremental improvements to existing products or processes, aiming to maintain market stability and enhance

customer satisfaction. These improvements may include upgrades in performance, features, or design, driven by market demand and technological advancements.

“Some sustaining innovations are the incremental year-by-year improvements that all good companies grind out. Other sustaining innovations are breakthrough, leapfrog-beyond-the-competition products. It doesn’t matter how technologically difficult the innovation is, however: The established competitors almost always win the battles of sustaining technology. Because this strategy entails making a better product that they can sell for higher profit margins to their best customers, the established competitors have powerful motivations to fight sustaining battles. And they have the resources to win”- explains expert Clayton Christensen. (11)

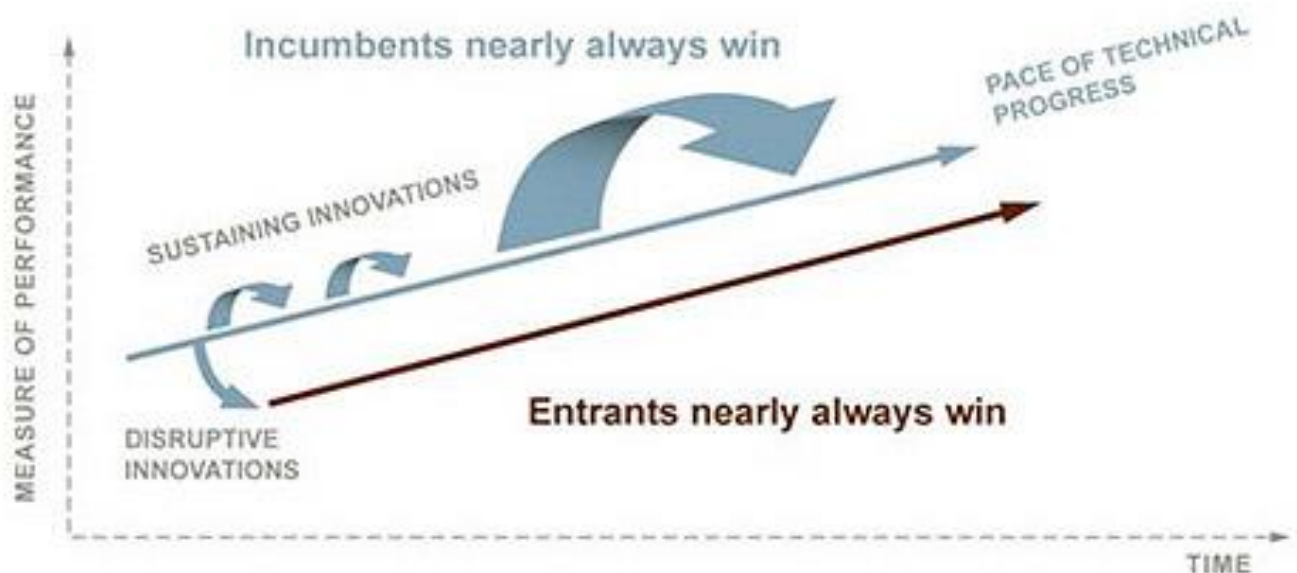


Figure 1.3 – Disruptive vs. sustaining innovation

Source: Christensen C. 2022

1.4. Features of continuity: characteristics of sustaining innovation

As sustaining innovation was first defined in the previous paragraph, now to have a clear view on sustaining innovation, characteristics need to be known.

- Launch an improved pre-existing product

The first characteristic of sustaining innovation is that the innovation is a newly launched and improved product, service or process. With this companies build on and extend the success of pre-existing established products. Companies try to meet the current customer needs in the known market. (12)

- Superior performance in traditional attributes

Another characteristic of companies that are doing sustaining innovation is that they invest in traditional attributes such as enhancing technologies in order to get better margins from developed products for their best customers. For example, improving a phones batterie life from 6 hours to 8. Over time the characteristics of sustaining innovation changed a little. Other than that, the products` value must increase when having sustaining innovation, researchers now include the use of external factors and on top of that the reduction of the environmental footprint as a characteristic. (13)

- Developed and introduced by established industry leaders

Mostly, sustaining innovation is introduced and established by industry leaders which also are able to develop processes to evaluate the technological potential and with that define the customers need for alternatives. (14) One main difference between disruptive and sustaining innovation is that they have a different response in the market. For the market leading company, it is easier to implement sustaining innovation and succeed in the market than for a new entrant which provides the similar innovation. Incumbents are more likely to overlook upcoming disruptive innovation markets. (15)

- Improvement or maintenance of financial product performance and market share

Innovation aims to be better than their competitors to gain more market share of the entire market. Main aim for companies with sustaining innovation is to create improvements which can be incremental breakthroughs but only to enable the

company to sell more units to their most profitable customer, therefore the motivation factor is profit. (16)

Sustaining innovation deals with the focus on the momentum to dive deeper into the market. It is the mixture between technology enhancement, revealing customers` insights, competition response and unfolding external factors. The main target is to hit and then to raise the customers' willingness to pay (WTP). With that kind of innovation, the WTP is naturally tending to decrease due to the competition force. Large companies, normally, cannot pursue the growth of the emerging market which will eventually grow to the WTP of industry leaders as you can see in figure 1.3. (17) Successful sustaining innovations are often the result of a customer-centric approach, where companies closely monitor customer feedback and market trends to identify areas for improvement. By aligning innovation efforts with customer needs and preferences, companies can ensure the continued satisfaction and loyalty of their customer base.

In conclusion, sustaining innovation plays a crucial role in maintaining market stability and driving long-term growth for companies. By continuously improving existing products and processes, companies can meet the evolving needs of their customers and sustain their competitive advantage in the marketplace. While disruptive innovations may garner attention for their transformative potential, sustaining innovations are equally important for ensuring the continued success and profitability of businesses. By embracing both types of innovation and striking a balance between short-term gains and long-term sustainability, companies can thrive in today's dynamic business environment.

CHAPTER 2. METHODOLOGY FOR SUSTAINABILITY AND DISRUPTION ASSESSMENT

2.1. Rating system development for sustainable and disruptive innovations

After defining the different types of innovation and identifying their characteristics in chapter 1, this chapter will be used to develop a rating system to evidently assess sustaining and disruptive innovations. In order to do this a light version of the VDI 2221 norm, a model to design technical products and systems, will be applied. (18) The light version of the VDI 2221 combines certain results of the VDI 2221 into four phases:

- I. Specifications
- II. Concept
- III. Design
- IV. Documentation & Validation.

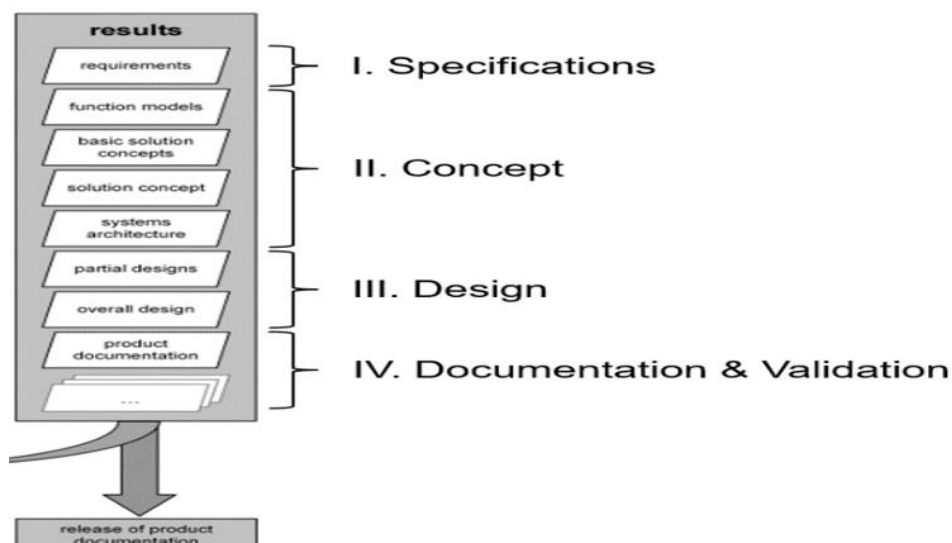


Figure 2.1 – VDI 2221 light

Source: summarized by the author based on VDI 2221

The reason for the use of the light version of the VDI 2221 is the degree of complexity of the system. In this case the system has a clear and simple use case without any subsystems making the full use of the VDI 2221 unnecessarily complex. The validity of the rating system will be tested using the example of the company where I did my internship.

2.2. Phases of rating system

In order to develop any system solving a defined problem, the general specifications and requirements must be given. This assures the correct development of a solution useful and satisfying for the stakeholder. (19) What does this mean regarding disruptive or sustaining innovation?

First, it is important to note who the stakeholders are for this system and what specifications they imply. There are three major groups of stakeholders for a rating system: users, developers, and sponsors of the system. In this case, both developers and sponsors are represented by the author of this thesis, since the need for this system and the development of this system are raised through this research, not an external person. Additionally, by validating the system by testing it, the author also partially take over the role of the user. This means that the author of this document establishes the specifications, assuming the role of all interested parties. Therefore, the technical characteristics are as follows:

Table 2.1 – Specifications

Category	Description	Requirements
Application	Type of Input	Information based on facts
	Interface of Input & Output	Computer software
	Output	Verdict on type innovation
	Decision system	Quantitative
	Accuracy	Very accurate
	Error tolerances	Very low
Design	Design	Pleasing
	Complexity	As simple as possible
	Use	As easy as possible
	Language	English

Source: summarized by the author based on VDI 2221

A morphological box is derived based on the specifications set in phase I. The morphological box offers solution principles for the system and its sub-elements. The creative technique brainstorming is used to find solutions. (20)

Partial solutions \ Partial functions	1	2	3
Interface of Input & Output	Java	Excel	Algorithm
Information gathering	Automatic research	Data comparison	Questionnaire
Rating	Numeric rating	Ranking order	
Output	Match in %	Sustaining or Disruptive	

Figure 2.2 – Morphological box

Source: own graphic

Three approaches can be extracted from the morphological box. The first solution offers an identification of the innovation type by comparing different innovations with each other using a Java interface. The system would rate the different innovations with a numeric rating and match the individual solution to a type of innovation by percentage.

Another approach would consist of a simple excel sheet including a questionnaire to be filled out by the user. The questionnaire would contain statements regarding the type of innovation, which would have to be assessed by the user. The user should be able to decide if the statements apply to the example with uncomplicated research. The different statements would then be given a numeric rating and by this matched with the corresponding type of innovation.

The third and final solution would use an algorithm to carry out automatic online research to evaluate the type of innovation, after the user would have properly described the example. Extensive research would form the informational basis for ranking the different examples in order of the types of innovation and with that automatically matching them to a type of innovation again by percentage.

The three approaches are being evaluated for their degree of fulfillment of the specifications (see phase I) using a utility analysis. The aim is to decide on an optimal solution that best meets the requirements. A utility analysis is a method used for decision-making. First, essential criteria that are important in the context of the decision are defined. Then the criteria are weighted in percent according to their relevance, whereby a total of 100% must be distributed. Examples of such aspects are costs or time expenditure. Subsequently, value tables are drawn up and the alternative courses of action are evaluated in the various criteria. A 10-point scale with numbers from 1 to 10 are suitable for evaluation. These numbers are then multiplied by the weighting of the individual criteria, with the sum of the calculated values giving the total score of an alternative. This results in a ranking of the alternatives.

Table 2.2 – Utility analysis

Criteria	Weighting in %	Solution 1		Solution 2		Solution 3	
		Rating (1-10)	Final Score	Rating (1-10)	Final Score	Rating (1-10)	Final Score
Accuracy	40	8	320	8	320	5	200
Complexity	15	2	30	9	135	3	45
Easy to use	25	7	175	8	200	8	200
Time to develop	15	2	30	9	135	2	30
Design	5	9	45	5	25	9	45
Result	100		600		815		520

Source: summarized by the author based on VDI 2221

It is clear from the utility analysis that Solution 2 appears to be particularly advantageous. Thus, this solution is being further elaborated below and designed in phase III (Design).

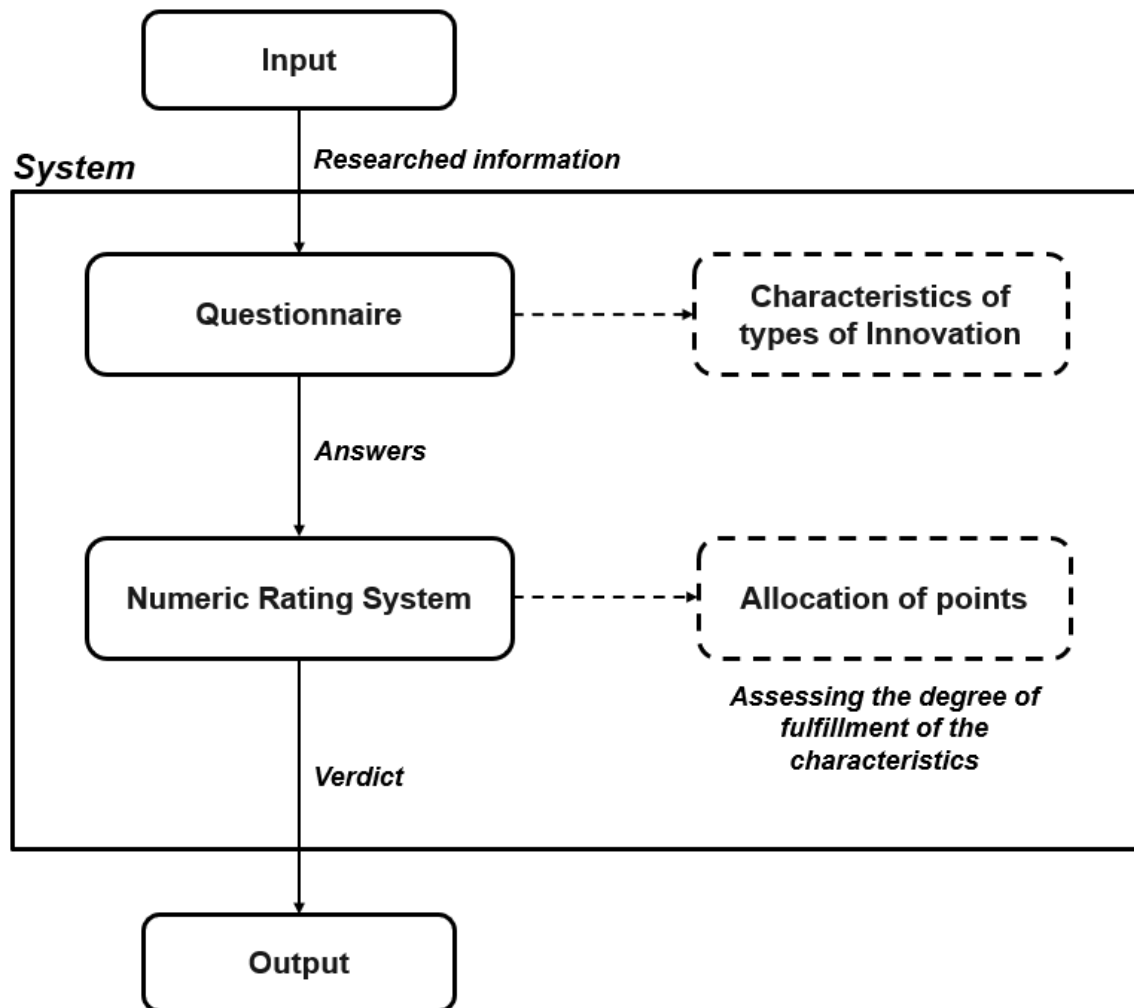


Figure 2.3 – Concept Approach 2

Source: own graphic

A further drafting of the chosen approach can be seen in figure 2.3. The Questionnaire should contain statements regarding the characteristics of the types of innovation, which the user should assess with his or her input on the degree of fulfillment of these statements. Depending on the input of the user for the different statements the numeric rating systems should allocation points. After adding up all points from all statements, the result should determine if the example is viewed as disruptive or sustaining.

Searching for and analyzing solutions settling for the best approach by using a utility analysis has resulted in a clear concept of the system. This concept will now be further used in the Design phase to develop the system imagined in the Concept phase.

Statement	Does it apply?
Inferior performance in traditional attributes	Please select
Performance overshoot for existing customers	Please select
New features that are not being valued and used	Does apply
Further development necessary to disrupt the market	Does not apply
Launch an improved pre-existing product	Partially applies
Superior performance in traditional attributes	Not known
Developed and introduced by established industry leaders	Please select
Improvement or maintenance of financial product performance and market share	Please select
Verdict	

Figure 2.4 – Basis of rating system

Source: summarized by the author based on the Questionnaire interface in Excel

With this design the user chooses to which degree the statement applies to the example. The first four characteristics are the ones of disruptive innovation and the others of sustaining. To assess this simple research by the user is required. After the Questionnaire is filled out the system returns a verdict on the type of innovation.

For illustration purposes and to use the developed rating system, in the following the rating system will be used to establish, whether the enterprise FOP “Karepin” is introducing disruptive or sustaining innovations.

CHAPTER 3. APPLICATION OF THE DEVELOPED SYSTEM TO ANALYZE THE ENTERPRISE AND DETERMINE ITS INNOVATIVE POTENTIAL

3.1. Inside FOP “Karepin”: a closer look at its operations

FOP Karepin was created in accordance with the legislation of Ukraine and was registered on February 28, 2017 under the name “DreamHouse”. The place of state registration is the Executive Committee of the Sumy City Council. The form of ownership is private. At the time of the establishment of the company, the main type of activity was the provision of services to small individuals in the field of repair and installation works.

Table 3.1 – The founder of the enterprise FOP Karepin

Location:	Sumy, st. Heroiv Krut, 27
Phone number:	+380504004442
Director:	Karepin O M
Email:	Dreamhouse2017@ukr.net

Source: summarized by the author based on the enterprise's documentation

As consultants and retailers, “DreamHouse” provides a wide range of products including paints, adhesives, furniture, and home accessories. FOP Karepin is distinguished not only by the variety of its product range but also by the high quality of customer service. It is defined by a personal approach to each client and the ability to provide individual solutions for their needs.

Currently, FOP Karepin has a large client base, whose clients are both individuals and legal entities. “DreamHouse” has proven itself as a reliable partner throughout its activity and continues to develop actively and dynamically.

3.2. Evaluating FOP “Karepin”

Inferior performance in traditional attributes	Does not apply
Performance overshoot for existing customers	Does not apply
New features that are not being valued and used	Does not apply
Further development necessary to disrupt the market	Does not apply
Launch an improved pre-existing product	Does apply
Superior performance in traditional attributes	Does apply
Developed and introduced by established industry leaders	Does apply
Improvement or maintenance of financial product performance and market share	Does apply
Verdict	Sustaining Innovation

Figure 3.1 – Application of the rating system on FOP Karepin

Source: summarized by the author based on the Questionnaire interface in Excel

Characteristics That Do Not Apply:

- Inferior Performance in Traditional Attributes

FOP Karepin lacked an established brand reputation like industry giant Epicenter, which affected its reliability and recognition. However, it prioritized safety and quality in its services.

- Performance Overshoot for Pre-existing Customers

Initially focused on personalized solutions, FOP Karepin exceeded customer expectations in service quality but faced limitations in market penetration compared to larger competitors.

- New Features That Are Not Being Valued and Used

FOP Karepin introduced various new products and innovations. However, customer uptake varied, with some segments favoring established brands. Despite this, the company's diverse offerings catered to different customer preferences.

- Further Development Necessary to Disrupt the Market

To disrupt the market, FOP Karepin needed to expand its product range, enhance brand visibility, and invest in marketing. Despite its innovative service

delivery, further development was necessary to challenge established players effectively.

Characteristics That Apply:

- Launch an improved pre-existing product

Over time, the company strategically expanded its portfolio to encompass a diverse range of products, including paints, adhesives, furniture, and home accessories. While some of these products may not represent entirely novel offerings in the market, FOP Karepin consistently strives to enhance its product offerings by introducing new designs, features, and brands. For instance, the company may introduce innovative paint formulations with enhanced durability or environmentally friendly adhesives. By continually refining its product mix to align with evolving customer preferences and industry trends, FOP Karepin demonstrates a commitment to launching improved versions of pre-existing products.

- Superior performance in traditional attributes

FOP Karepin distinguishes itself in the competitive retail landscape through its unwavering dedication to superior customer service. The company places a strong emphasis on personalized interactions with each client, striving to understand their unique needs and preferences. Whether assisting customers in selecting the perfect paint color for their home or providing expert advice on furniture placement, FOP Karepin prioritizes customer satisfaction at every touchpoint. This customer-centric approach is reflected in the high levels of loyalty and repeat business enjoyed by the company. Furthermore, FOP Karepin consistently maintains a comprehensive inventory of high-quality products, ensuring availability and reliability for its high-end clients.

- Developed and introduced by established industry leaders

Despite the fact that FOP Karepin works as a private enterprise, it cooperates with a reputable authority in the market segment with an enterprise in Germany

“REMMERS”. Through years of dedicated service and commitment to excellence, FOP Karepin has earned the trust and loyalty of its client base, which includes both individual consumers and corporate clients. Using its expertise in home improvement and interior design, FOP Karepin works with industry-leading suppliers and manufacturers to curate a wide range of products that meet the diverse needs of customers. Although FOP Karepin is not an industry leader like Epicenter (21) in the home improvement hypermarket chain, FOP Karepin has a significant presence in the local market and is recognized as a reputable supplier of home improvement solutions

- Improvement or maintenance of financial product performance

FOP Karepin's strategic initiatives and proactive approach to business development underscore its commitment to enhancing financial performance and driving sustainable growth. By diversifying its product offerings and expanding its customer base, FOP Karepin aims to bolster revenue streams and capitalize on emerging market opportunities. Additionally, the company closely monitors market trends and consumer preferences to identify areas for product innovation and differentiation. For example, FOP Karepin may introduce exclusive partnerships with premium furniture brands or offer tailored financing options to attract high-value clients. Through these efforts, FOP Karepin endeavors to maintain a competitive edge in the market while optimizing financial product performance.

As can be seen from the paragraphs above, the example was presented and analyzed using the newly created method. This involves applying different characteristics to the example and confirming or disproving the characteristics. As for the example of FOP Karepin, the application of the rating system indicates that the business model of FOP Karepin is mainly consistent with the principles of innovation sustainability. The company's focus on continually improving its product offerings, providing exceptional customer service, fostering industry partnerships and driving financial performance exemplifies its commitment to long-term viability and market competitiveness. Their ambition is to maintain their position in the

bestseller market and try to gain more leads and market share. This already makes innovations not disruptive, but sustainable.

After applying the utility analysis with the specifications, it can be said that in this case this rating system meets the specification. In the event of a specification change, another rating system may be considered preferable. In the process of creating the system and applying it to the example, it came up that.

Table 3.2 – Evaluation of Innovative Management at FOP Karepin

Strengths:	Diverse Product Portfolio	FOP Karepin offers a broad range of products, including paints, adhesives, furniture, and home accessories. This variety caters to different customer preferences and needs, positioning the company well in the market.
	High-Quality Customer Service	The company's emphasis on personalized service and individual solutions for clients enhances customer satisfaction and loyalty. This approach differentiates it from larger competitors who may not offer such tailored services.
	Strategic Partnerships	Collaborations with reputable industry leaders, such as the German enterprise REMMERS, lend credibility and reliability to FOP Karepin's offerings. These partnerships help in maintaining high standards and accessing advanced products.
	Continuous Improvement	FOP Karepin is committed to refining its product offerings by introducing new designs and features, such as innovative paint formulations and environmentally friendly adhesives. This focus on continuous improvement aligns with evolving customer preferences and industry trends.
	Financial Performance	The company's proactive approach to business development and market trend monitoring supports financial sustainability and growth. Initiatives like diversifying product offerings and

		expanding the customer base help in optimizing financial performance.
Weaknesses and Areas for Improvement:	Brand Recognition	Despite its strengths, FOP Karepin lacks the brand recognition of industry giants. Enhancing brand visibility through marketing and promotional activities could help in building a stronger brand presence.
	Market Penetration	The company faces limitations in market penetration compared to larger competitors. Expanding its reach through targeted marketing campaigns and exploring new market segments could help in increasing its market share.
	Customer Uptake of New Products	While FOP Karepin introduces various new products, the uptake varies among customer segments. Conducting market research to better understand customer needs and preferences can improve the success rate of new product launches.
	Innovation Utilization	Some innovations and new features introduced by FOP Karepin may not be fully utilized or valued by customers. Ensuring that these innovations are effectively communicated and demonstrating their benefits can enhance customer adoption.
	Disruptive Potential	To disrupt the market effectively, FOP Karepin needs to go beyond incremental improvements and aim for more radical innovations. Investing in research and development (R&D) and exploring cutting-edge technologies could position the company as a market leader in innovation.

Source: summarized by the author based on the proposed system

3.3. Recommendations for Improvement FOP “Karepin”

By addressing areas for improvement, FOP Karepin can further enhance its innovative management practices and strengthen its position in the market.

Table 3.3 – Recommendations for Improvement:

Enhance Brand Visibility:	Implement comprehensive marketing strategies that include digital marketing, social media engagement, and traditional advertising. Highlight the unique selling propositions (USPs) of FOP Karepin's products and services to build stronger brand recognition.
Expand Market Reach	Identify and target new customer segments, both in the local market and potentially in neighboring regions. Consider strategic partnerships or alliances to penetrate new markets more effectively.
Customer-Centric Innovation	Invest in customer research to gain deeper insights into their needs and preferences. Use this information to tailor new product developments and ensure they meet the demands of the market.
Leverage Technology	Embrace digital tools and platforms to enhance customer interaction and service delivery. For instance, implementing an online consultation service or an augmented reality (AR) feature for home design could attract tech-savvy customers.
Strengthen R&D Efforts	Allocate more resources to research and development to foster innovative product development. Collaborate with academic institutions or innovation hubs to explore new technologies and materials.
Communicate Value of Innovations	Educate customers about the benefits of new products and features through demonstrations, workshops, and detailed product information. Effective communication can drive higher adoption rates of innovative offerings.

Source: summarized by the author

Table 3.4 – Evaluation of the Effectiveness of the Proposed Measures

	Measures	KPI (key performance indicators)	Efficiency
Increasing Brand Visibility	Implementation of marketing strategies (digital marketing, social networks, traditional advertising).	<ul style="list-style-type: none"> - Increase in traffic to the website by 25% during the year. - Increase in brand recognition by 20% due to social surveys. - Increase in the number of followers in social networks by 30%. 	Increasing the visibility of the brand will help to increase the client base and increase sales.
Expansion of Market	<ul style="list-style-type: none"> - Identifying and targeting new customer segments. - Strategic partnerships for entering new markets. 	<ul style="list-style-type: none"> - Increase in market share by 15% within two years. - Increase in the number of new customers by 20%. 	Expanding market presence will help increase revenues and reduce dependence on existing markets.
Focusing on Customer	<ul style="list-style-type: none"> - Conducting in-depth research of client needs. - Precise adjustment of new products to market needs. 	<ul style="list-style-type: none"> - Increased customer satisfaction by 25% due to surveys. - Increase repeat purchases by 20%. 	A better focus on customer needs will increase customer loyalty and contribute to an increase in sales volume.
Investmen	<ul style="list-style-type: none"> - Increasing funding for R&D. 	<ul style="list-style-type: none"> - Development and introduction of 3 new products within two years. 	Investments in R&D will lead to the creation of unique

	- Cooperation with scientific institutions and innovation hubs.	- An increase in the share of innovative products in the total assortment by 15%.	products, which will help to stand out in the market.
Use of Modern	Implementation of online consultations and AR functions for interior design.	- Increase in the number of online consultations by 50% during the year. - Increase in the number of customers using AR features by 30%.	The use of modern technologies will improve interaction with customers and increase their satisfaction.

Source: summarized by the author

The proposed measures can significantly increase the efficiency of FOP Karepin in various aspects of the business. Increasing brand visibility, expanding market presence, focusing on customer needs, investing in research and development, as well as using modern technologies will contribute to the growth of the customer base, increasing revenues and strengthening the company's competitive advantages. Implementation of these measures with corresponding KPIs will allow to effectively evaluate their impact and adjust strategies if necessary.

CONCLUSION

The identification and classification of whether an innovation is disruptive or sustainable is not always clear. The definitions of both already offer a great understanding of both categories, but in order to always establish the right kind of innovation, it is advisable to use a ranking system. In favor of a system that reliably identifies different innovations, the most important characteristics of disruptive and sustainable innovations have been analyzed and explained. Sustainable innovations have the following characteristics:

- Launch of an improved pre-existing product
- Superior performance in traditional attributes
- Developed and introduced by established industry leaders
- Improvement or maintenance of financial product performance and market share

To properly use these characteristics for identification purposes, a system must be developed. Therefore, VDI 2221 was changed to a thin version with 4 phases. After identifying the possible models and basic concepts of the solutions, the various options were evaluated using a utility analysis. In this connection, the concept of the rating system was developed. In order to confirm the validity of the developed system, it was used on the example of the enterprise FOP Karepin (“DreamHouse”). As the rating system confirms, FOP Karepin is an example of sustainable innovation, as all characteristics of sustainable innovation can be applied. Having reviewed all the information presented above, we can say that the development of the rating system was successful. It can now be used in the future to classify innovations as disruptive or sustainable.

FOP Karepin demonstrates significant potential due to its diverse product line, high-quality customer service and strategic partnerships with industry leaders. The company constantly improves its products and strives to meet the needs of customers, which contributes to financial stability and growth. However, there are

certain weaknesses, such as insufficient brand recognition, limited market penetration and uneven customer acceptance of new products. To improve these aspects, FOP Karepin needs to focus on increasing brand visibility, expanding market presence and conducting in-depth research on customer needs. Investments in research and development, as well as the introduction of modern technologies, can increase the innovative potential of the company.

The proposed measures for FOP Karepin are aimed at improving key aspects of the company's operations and increasing its competitiveness in the market. In general, the implementation of the proposed measures will contribute to the sustainable development and long-term competitiveness of FOP Karepin. Executing these activities with relevant KPIs will allow the company to effectively assess their impact and adjust strategies as needed, ensuring market success and customer satisfaction.

Overall, FOP Karepin has every chance of success due to its customer focus, continuous product improvement and strategic initiatives. Implementation of recommendations for improvement will help the company strengthen its position in the market and become a leader in its industry.

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