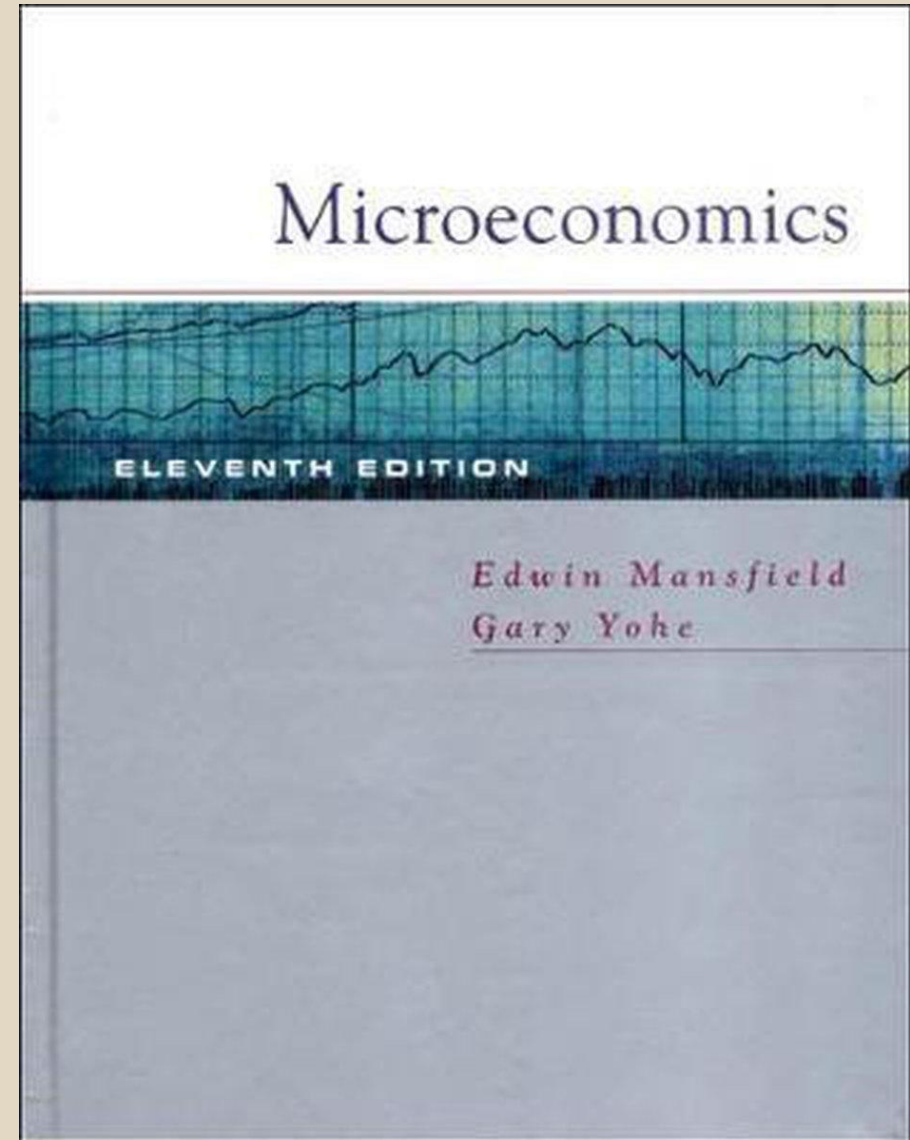


# SCALING UP STRENGTH AND RISK IN COMPETITIVE MARKETS

How Promising  
Innovations Fail Due to  
latency, Market Fear and  
Systemic Resistance

Harm Hofman  
Duurzaam Heiloo



## Economies of Scale and Resilience

- Higher investments; lower unit costs.
- Simultaneous expansion many producers = overcapacity.
- Supply outpaces demand → structural price pressure

## Sector Examples

- Europe (Heat Pumps):  
Investments by to ambitious policy; demand lagged → margins under pressure.
- China (Solar Panels):  
Early large-scale investment + stable policy → ultra-low costs, global price pressure.

## Market Correction and Survivors

- Prices fall, companies fail, lower capacity = prices recover.
  - Larger firms survive due, diversified product lines,
  - Resource access (China benefits from proximity to raw materials).

## Investment considerations



# What does the chart show?

## Investment 1 – Low Capacity (FC fixed costs = 100)

- $MC_1$  Marginal costs (blue, solid line): Technical optimum around  $Q = 5$
- $AC_1$  Average cost (blue, dashed line): Minimum around  $Q \approx 5-6$ , then rapid cost increase

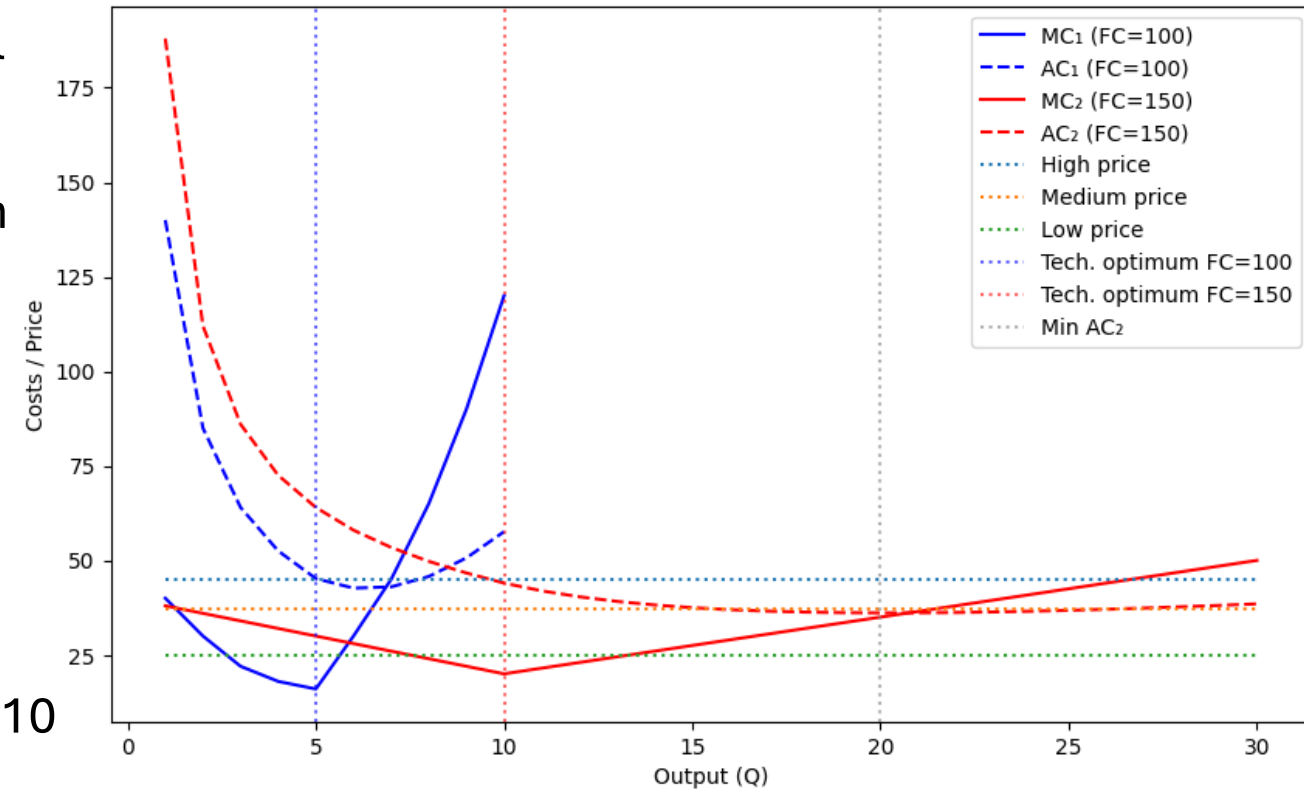
Small scale = efficient at low output, but quickly vulnerable to growth or price pressure.

## Investment 2 – High Capacity (FC = 150)

- $MC_2$  (red, solid line): Technical optimum at  $Q = 10$
- $AC_2$  (red, das. line): Minimum at  $Q = 20$  ( $MC_2 = AC_2$ )

Larger scale = higher fixed costs, but more cost-efficient flexibility.

## Micro economic model



<https://assets.openstax.org/oscms-prodcms/media/documents/Microeconomics3e-WEB.pdf> page 170

See also [https://en.wikipedia.org/wiki/Cobweb\\_model](https://en.wikipedia.org/wiki/Cobweb_model)





## Core Principle of Stage-Gate®

- Structured innovation; clear phases and decision gates.
- Invest gradually based on evidence, not upfront commitments.

## Key Phases

- Starts with Discovery, till Launch.
- Each phase ends with a gate for management to decide:

## Adaptation to Organizational Types

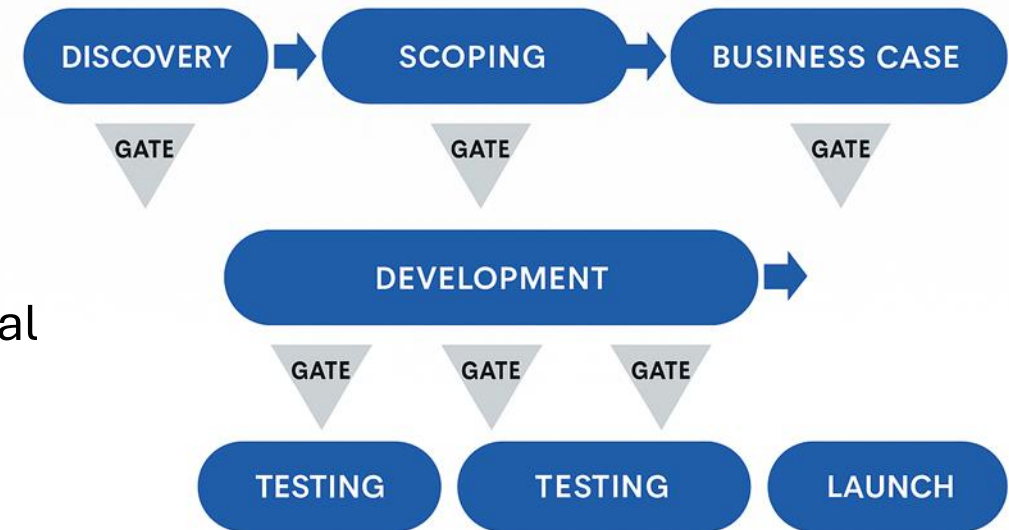
- Machine bureaucracies: Formal, documentation, hierarchical
- Adhocracies & start-ups: Flexible, overlapping phases, lightweight gates for speed.

## Strategic Message

- Stage-Gate is a guiding framework, not a rigid blueprint.
- Success depends on adapting structure and culture

## Development process

### COOPER'S STAGE-GATE



[www.stage-gate.com/leadership/robert-cooper](http://www.stage-gate.com/leadership/robert-cooper)



# Organizational Culture: More Than Behavior

- System of shared values, meanings, and practices.
- Shapes how people think, decide, and act at work.

## Two Key Perspectives

- Hofstede's Layers: deep cultural structure.
- Sanders & Neuijen: behavioral contrasts and orientations.

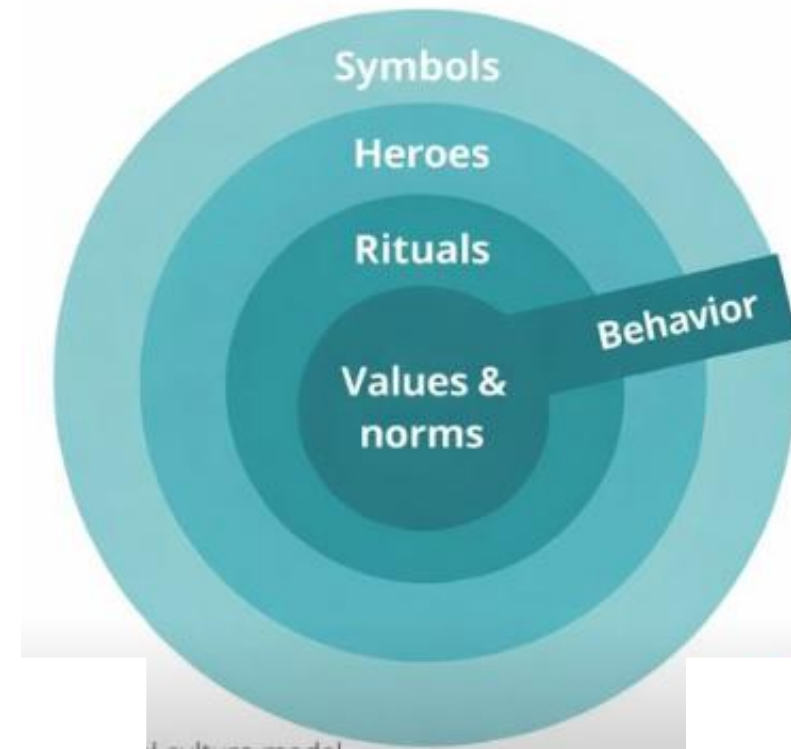
## Core and Visible Layers

- Core: Shared norms and values, what is acceptable behavior.
- Visible layers: Rituals (habits), Heroes (role models), Symbols (logos, design, language).

## Behavior as the Surface

- We see behavior = driven deeper cultural layers.
- True cultural change occurs when underlying beliefs evolve

## Culture (change) matters



<https://geerthofstede.com>



Contrasts reveal how organizations prioritize and interact.

## Key Cultural Contrasts

- Internal vs. External focus: harmony vs. market orientation.
- Process vs. Results: rules vs. performance.

## Additional Dimensions

- People vs. Task orientation; Open vs. Closed;
- Tight vs. Loose control.
- Normative vs. Pragmatic: principles vs. practical solutions.

## Strategic Insight

- Every culture should fit the production process..
- Culture change cannot be achieved by redrawing charts  
values run deeper and informal networks resist

## CULTURAL CONTRASTS



### Internal vs. External Orientation

Internal cultures focus on harmony and internal processes; while external cultures emphasize customers, competition, and market positioning.



### Process-Oriented vs. Result-Oriented

Process-oriented organizations prioritize rules and thoroughness; result-oriented ones focus on performance and outcomes.



### People-Oriented vs. Task-Oriented

People-oriented cultures value employee well-being and development, whereas task-oriented cultures stress efficiency and task completion.



### Open vs. Closed Culture

Open cultures embrace transparency and change, while closed cultures are reserved and conservative.



### Tight vs. Loose Control

Tight control involves strict rules and supervision; loose control favors flexibility and autonomy.



### Normative vs. Pragmatic

Normative cultures emphasize ethics and principles; pragmatic cultures focus on practical solutions and customer needs.



# SCALING UP: STRENGTH AND RISK IN COMPETITIVE MARKETS

From Vision to Energy  
Transition in Manageable  
Steps

Aligning Stage-Gate with  
Organizational DNA

Harm Hofman  
Duurzaam Heiloo

