

## INNOVATION AT PLAY: THE CASE OF HIGH-END CUISINE

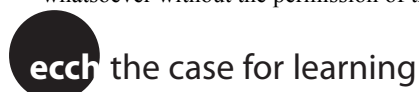
### Teaching Notes

Giada Di Stefano, Andrew A. King, Gianmario Verona

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## Innovation at Play: The case of High-End Cuisine

### Teaching Notes

### Abstract

This case deals with the idea of an experienced young chef, named Linguini, to create a new venture, namely a restaurant in the Milan area. In order to support Linguini's choice, the case describes both the general context of Italian *gourmand cuisine* and the specific, geographical context around Milan. The students are asked to analyze specific issues and define the characteristics and positioning of Linguini's new venture.

### Substantive issues

The decision maker, chef Linguini, is described as a young chef, who, after receiving his degree in gastro-nomic sciences, has worked as an apprentice in many famous kitchens around Europe. During these years, not only has he learned to master the technicalities and the art of cooking, but was also given the chance to understand the complexity of the industry and the subtle challenges that running a restaurant entails. He is described as a very analytical person, able to identify four phenomena characterizing the general context and four phenomena characterizing the geographical context of reference.

With respect to the general context, four phenomena are described in the case, i.e. : (1) the increase in competitive pressure, due to the growth in the number of high-end restaurants, as well as to the mushrooming of restaurant guides and industry experts; (2) the intensification of issues related to the protection of intellectual property and hence sustainability of competitive advantage, in a context in which innovation is not protected by traditional legal mechanisms; (3) the introduction of technological innovation in the kitchen; and (4) the changing demand landscape that is discovering value for money as well as alternative food and way of enjoying it.

With respect to the Milanese context, he is able to position restaurants on a continuum ranging from those whose innovation is more "cautious" and targeted at exalting existing products in the simplest way, to the *avant-garde* cooks who focus on technology and techniques and are going beyond the traditional boundaries of cuisine.

### Pedagogical objective

The case allows the reader to get a first, rough idea of the main features of the fine dining industry. It also gives instructors the chance to teach a variety of topics related to innovation and entrepreneurship. Mainly, it aims to discuss different types of innovation. In particular, it makes it possible to deal with concepts like product and process innovation<sup>1</sup>, incremental and radical innovation<sup>2</sup>, niche/market creation<sup>3</sup> and

<sup>1</sup> Tushman ML, Anderson P. 1986. Technological discontinuities and organizational environments. *Administrative Science Quarterly*, 31: 439-465.

<sup>2</sup> Henderson RM, Clark KB. 1990. Architectural Innovation: The Reconfiguration of Existing Product Technologies and the Failure of Established Firms. *Administrative Science Quarterly*, 35 (1): 9-30.

<sup>3</sup> Abernathy WJ, Clark KB. 1985. Innovation: Mapping the winds of creative destruction. *Research Policy*, 14: 3-22.

disruptive innovations.<sup>4</sup> The case study attempts to derive the definitions directly from empirical observation, thus letting students understand them better. In this respect, while the case is more focused on technology sources of innovation, the debate should allow students to let demand sources of innovation emerge.

The case can also be used to discuss the practice of market and competitor analysis, providing an example of the type of analyses that an entrepreneur should carry out before starting up his new venture.

In either case, the instructor will help the students create a map of competition in the context of creative industries, with specific reference to gourmand cuisine, also thanks to the descriptions of real restaurants provided in the case.

## Positioning and use

The case is targeted at courses that deal with innovation management and technology strategy. It can be used to discuss the broad topic of managing innovation-based competitive advantage, with particular reference to the peculiarities of innovation and related business models in creative contexts. More specifically, it allows the instructor to deal with a variety of innovation types and also introduce the topic of entrepreneurship and the notion of intellectual property rights.

For this last issue, see also: Di Stefano G, Verona G. 2009. Protecting Innovation in Low-IPR Regimes: The Fine Fashion Industry. *ECCH Case Collection*, ref. 310-120-1.

## Suggested questions

- 1) What are the main features of the industry of gourmand cuisine in Italy?
- 2) How can we describe the innovation strategies of the main players in the Milan area?
- 3) How do the different players maintain their competitive advantage?
- 4) Are there threats in the environment that could hamper the survival of classic business models?
- 5) What strategy should Linguini ultimately implement?

## Hypothetical teaching plan

The time devoted to discussing the case should be 90 minutes, divided into 60 minutes devoted to reconstructing the characteristics of the industry and of the strategies of its players, and 30 minutes to laying out the possible strategies that Linguini could adopt in order to enter the business. In this second, the instructor should encourage the students to discuss the pros and cons of the various solutions arising from the class discussion, including the most fundamental question, i.e. should Linguini enter the business?

The teaching plan should be as follows:

- 1) Broadly describe the industry of gourmand cuisine: history, facts, main characteristics (10 minutes);
- 2) Describe the main changes that the industry has undergone in recent years (10 minutes);
- 3) Describe the main types of innovation strategies that one encounters when analyzing, for instance, the cluster of restaurants in Milan (30 minutes);
- 4) Explain how the changes in the competitive landscape may hamper or sustain the different innovation strategies (10 minutes);
- 5) Critically discuss the alternative strategies that Linguini could adopt to open his new restaurant (20 minutes);
- 6) Takeouts (10 minutes).

<sup>4</sup> Christensen CM, Bower JL. 1996. Customer power, strategic investment, and the failure of leading firms. *Strategic Management Journal*, 17 (3): 197-218.

## Case overview

### Broadly describe the industry of gourmand cuisine: history, facts, main characteristics (10 minutes)

As a first step in approaching the study of this case, the teacher should give a brief overview of *gourmand cuisine*.

As one of our informants told us during one of the interviews that we conducted in writing this case, “the first essay on cooking dates back 3,317 years from now, the second 2,000 years, the treaty by Bartolomeo Scappi from the Middle Ages ...the “Last Supper” from Leonardo...you find the history of a country on the table, the history of the whole society. Hippocrates wrote that food is medicine, he was a doctor and, as you can see, it was already clear 3,000 years ago that if you eat well you will live better and longer.”

Although food has always been a fundamental component of human life, the first attempt to study food from a scientific standpoint dates back to the beginning of the nineteenth century, in 1825, when Jean Anthelme Brillat-Savarin published his “The Physiology of Taste” (originally titled: “Physiologie du goût, ou Méditations de gastronomie transcendante”), the first formal study of gastronomy. Gastronomy (from the Greek γαστήρ, stomach, and νόμος, knowledge), indicates the study of food in a scientific manner, i.e. looking at production, distribution, promotion, and communication of high-quality foods.<sup>5</sup> Thanks to their scientific approach, the French have profoundly influenced the codification (and creation) of the rules of cuisine. It should therefore be no surprise if most of the words used in this domain are French.

*Gourmand cuisine* refers to the high-end of the restaurant industry. It is usually divided in *cuisine classique* (classic cuisine) and *nouvelle cuisine*. The principles of *cuisine classique* were formalized by Antonin Carême’s *Philosophical History of Cuisine* (1833) and Auguste Escoffier’s *Culinary Guide* (1903). The main characteristics of this cuisine type, as described in Table 1 include the use of ingredients like high game, shellfish, cream, poultry, river fish; a service organized through the saucepan, with the waiters cutting and serving the dishes; very long menus containing all the classic dishes.<sup>6</sup> *Nouvelle cuisine* emerged in the late '60s as an alternative approach to food. “The modern usage can be attributed to authors André Gayot, Henri Gault and Christian Millau, who used nouvelle cuisine to describe the cooking of Paul Bocuse, Alain Chapel, Jean and Pierre Troisgros, Michel Guérard, Roger Vergé and Raymond Oliver, many of whom were once students of Fernand Point”.<sup>7</sup> Its main characteristics, described in Table 1 include: the mix of old legitimate ingredients/techniques with new techniques/ingredients; service through the plate and under a “cloche”; very narrow menus in which the menu of the day is offered.

Although from a quantitative standpoint, *gourmand cuisine* “represents a marginal segment of the industry, with less than 0.5 per cent in volume, from a qualitative aspect it plays a key role. Indeed, as haute-couture operates in the fashion industry, haute-cuisine plays a key role in trend setting, image building and in setting quality standards for the industry as a whole. It operates as a kind of lighthouse in the industry”.<sup>8</sup>

### Describe the main changes that the industry has undergone in recent years (10 minutes)

There are four main changes that have influenced the development of the industry in recent years, namely: (1) the increase in competitive pressure due to the growth in the number of high end restaurants, as well as to the mushrooming of restaurant guides and industry experts; (2) the intensification of issues related to the protection of intellectual property and hence sustainability of competitive advantage, in a context in which innovation is not protected by traditional legal mechanisms; (3) introduction of technological innovation in the kitchen; and (4) the changing demand landscape that is discovering value for money as well as alternative food and ways of enjoying it.

<sup>5</sup> [http://www.unisg.it/pagine/eng/about/history\\_and\\_mission.lasso](http://www.unisg.it/pagine/eng/about/history_and_mission.lasso). Last access: 06/26/10.

<sup>6</sup> For a detailed description, see: Rao H, Monin P, Durand R. 2003. Institutional change in Toque Ville: Nouvelle cuisine as an identity movement in French gastronomy. *American Journal of Sociology*, 108 (4): 795-843.

<sup>7</sup> [http://en.wikipedia.org/wiki/Nouvelle\\_cuisine](http://en.wikipedia.org/wiki/Nouvelle_cuisine). Last access: 06/26/10.

<sup>8</sup> Surlemont B, Johnson C. 2005. The role of guide in artistic industries – The special case of the “star system” in the haute-cuisine sector. *Managing Service Quality*, 15 (6): 577-590.

### A) Increase in competitive pressure

In the last decades, Italy has experienced a sharp increase in the consumption of food outside the home: the case shows an increase from 20.8% in 1985 to 32.4% in 2007 in the weight of this category over the total food expenditure of Italian families.<sup>9</sup> Under the stimuli of this increasing demand, Italian cuisine has undergone a profound evolution in its *nouvelle* dimension, a modern form of *haute cuisine*, characterized by a higher and more widespread creativity.

The advent of this modern new Italian cuisine, acclaimed at the national and international level, has triggered the development of a series of dedicated fairs, events and initiatives, which further support the evolution of Italian cuisine in a virtuous cycle. In the wake of this renewal, the system of evaluating restaurants also changed, with two main implications: an improved evaluation of establishments (shown by the increase in starred restaurants along the peninsula), and an increase in the number of culinary guides (including the phenomenon of cuisine blogs that are becoming increasingly important).

### B) Protection of intellectual property

*Gourmand cuisine* is characterized as an industry with rapid innovation and weak protection of intellectual property. Recipes cannot be protected by patents or copyrights. Even trade secrets have proven ineffective. Despite these intrinsic problems, the industry is experiencing a high rate of innovation.<sup>10</sup> This intriguing puzzle has found an explanation in the existence of a set of social norms that regulate the exchange of information in the industry.<sup>11</sup> According to the three basic social norms, when a chef receives recipe-related information from another chef, he: (1) must not copy the recipe exactly; (2) must credit the author of the recipe if he is going to significantly rely on it in preparing a dish; and (3) must not pass the recipe-related information to a third party without asking the author of the recipe permission to do so. In case of deviation from the norms, the chef will be sanctioned through: (1) negative gossiping within the community; (2) lowering of his own reputation; and (3) decreased likelihood that his additional requests for information will be answered by community members.

In short, not only does the existence of norms imply the adherence to what the community of reference judges as appropriate behavior, but it also requires a credible commitment, i.e. the existence of likely punishment if the chef deviates from the expected path. Moreover, in order to punish chefs who misbehave, the other members of the community need to be able to detect such misbehavior so that it can be sanctioned.

Despite the sharp increase in competition and the advent of the Internet (which has lowered the barriers to access information), the community of high-end chefs seems to coherently stick to norms of good behavior.

### C) Technological innovation

The culinary landscape has also witnessed the emergence of molecular gastronomy, a new style of cooking, grouping together different *avant-garde* cuisines such as “culinary constructivism” and “techno-emotional cuisine”, many of which are now grouped under the umbrella term “experimental cuisine”. Ferran Adrià and Heston Blumenthal, chefs “elBulli” and “The Fat Duck”, are just two names among the many who have joined (and created) this stream of cooking. Despite the debate that emerged in 2008 regarding the risks associated with the use of chemistry in the kitchen, molecular gastronomy is by far the next dominant design in high-end cuisine.

The main characteristics of this new approach to cuisine are described in Table 1, next to those of *classique* and *nouvelle cuisine*. In molecular gastronomy, eating is considered an experience that should stimulate all the senses (taste, touch, smell, sight, hearing), including a “sixth” sense that is activated by reflection. Technology is used together with cooking techniques on top quality products with the aim of maintaining the purity of the original flavor despite modifying the characteristics or appearance of the products themselves.

### D) Changes in demand

<sup>9</sup> Source: Istat, as reported in Basile ND. 2009. *New Menu Italia*. Baldini Castoldi Dalai.

<sup>10</sup> Fauchart E, Von Hippel E. 2008. Norms-based intellectual property systems: The case of French chefs. *Organization Science*, 19 (2): 187-201.

<sup>11</sup> Fauchart and Von Hippel, *op. cit.*

A last phenomenon that we can observe in the current culinary landscape involves a profound transformation on the part of consumers. Consumers have discovered value for money. In the context of gourmand cuisine, this does not mean “MacDonaldization” of the whole system, but a stimulus for chefs to find another way. For instance, restaurants have started to offer tasting menus at more “popular” prices. This is also exemplified by another Milanese one-star restaurant, *Innocenti Evasioni*, which is currently piloting an after-dinner experience, in which it is possible to go for a drink and some food, without necessarily having a complete gastronomic experience. Although popular in other countries such as the United States, this format has never been tried in Italian *gourmand* restaurants. Analogously, one can think of the experience of another prestigious chef, Claudio Sadler, who opened *Chic 'n Quick*, the accessible version of his two-star restaurant, next door to the original establishment.

Another major change in demand refers to the fact that consumers are starting to approach different cuisine styles, in a country, Italy, which was dominated by traditional cuisine and regional traditions. Ultimately, they are changing their approach to cuisine, thanks to the widespread diffusion of phenomena like show cooking, targeted cuisine classes, and house-to-house chefs, who can be hired for special occasions. This democratization of high-end cuisine, which is coupled with the previously described phenomenon of culinary blogs, may create great opportunities for change.

### **Describe the main types of innovation strategies that one encounters when analyzing, for instance, the cluster of Milan restaurants (30 minutes)**

In his examination of the cluster of restaurants in Milan, Linguini positioned restaurants on a continuum ranging from those whose innovation is more “cautious” and targeted at exalting existing products in the simplest way, to the *avant-garde* cooks who are into technology and techniques, and are extending the boundaries of cuisine. This difference uncovers a fundamental distinction in innovation types, i.e. the one between incremental and radical innovation.

#### **A) Incremental vs. Radical Innovation**

This distinction is based on the intensity of change that the innovation introduces. “*Incremental innovation* introduces relatively minor changes in the existing product, exploits the potential of the established design, and often reinforces the dominance of established firms. Although it draws from no dramatically new science, it often calls for considerable skill and ingenuity and, over time, has very significant economic consequences. *Radical innovation*, in contrast, is based on a different set of engineering and scientific principles and often opens up whole new markets and potential applications. Radical innovation often creates great difficulties for established firms and can be the basis for the successful entry of new firms or even the redefinition of an industry”.<sup>12</sup>

Restaurants described by Linguini clearly illustrate this tension between more traditional chefs, who use innovation to modify and improve traditional and classic recipes, and more provocative chefs, who introduce radical innovations that completely overturn the existing ones. In this respect, Figure 1 compares a signature creation of chef Aimo Moroni from *Il luogo di Aimo e Nadia* and a signature creation of chef Massimo Bottura from *Osteria Francescana*. So, what is special about restaurants like *Il luogo di Aimo e Nadia*? What is the focus of their innovation efforts?

#### **B) The main building blocks: Input, Output and Process**

When talking about innovation, a second main distinction that has been usually made refers to whether the innovation is aimed at creating new outputs, in terms of new products or services (product innovation), or at mediating between inputs and outputs (process innovation).<sup>13</sup>

In the context of *gourmand cuisine* product innovation, in the form of new recipes, is a fundamental feature characterizing all restaurants, irrespective of their approach to innovation. Process innovation characterizes those *avant-garde* chefs who are willing to experiment with new techniques, such as those of molecular gastronomy, in their operations. However, we also observe another category of chefs who are strongly into raw materials, and whose innovation effort is targeted at finding the best materials from which to draw perfect but simple recipes. We can call this “input innovation”, since it is focused on raw

<sup>12</sup> Henderson and Clark, *op. cit.*

<sup>13</sup> Tushman and Anderson, *op. cit.*

materials, with a targeted investment on each single components of the finished product. In the words of chef Aimò Moroni<sup>14</sup>: “I used to say that in a dish, the chef puts in 70% quality raw materials and 30% cooking techniques, intelligence, fantasy and love. High-end cuisine is just good, neither rich nor poor, but it is the product of love and fantasy, quality raw materials”.

Looking again at Figure 1, we can now see how the first recipe focuses on input and incremental innovation, whereas the second one is more based on process and radical innovation.

### The third way

These two categories uncover some of the most topical distinctions in innovation types that have been discussed in the literature and are considerably used in business practice. However, up until now, restaurants have been described in terms of the intensity as well as of the focus of their innovative efforts. Another important component in the identification of innovation opportunities relates to the recipients of such innovation efforts, i.e. the market. Recent years have witnessed an increasing interest in innovation that focuses on a new, active relationship between the firm and its external environment, especially as regards the customers and the users. The understanding of consumers and the ability to serve them have been pointed out as a core explanation of value creation and hence competitive advantage. This is the intuition that Linguini seems to capture when discussing about the possibility of a third way. Moving the focus of the analysis from the production/technology to the customer/market component of innovation, we encounter other two categories of innovation that emerge from examining the case of *Joia* and *D'O*.

### C) Niche creation

The first case is that of niche/market creation, i.e. a case in which through the use of existing production/technology a new market opportunity is opened.<sup>15</sup> In the context of *gourmand cuisine*, this is the case of chef Pietro Leemann, who opened a “vegetarian” (or better “natural high cuisine”) restaurant, i.e. *Joia*, targeting a specific market niche, whose needs were previously unmet by other establishments in the area. In his extreme choice, Leemann is guided by a real philosophy of life:<sup>16</sup>

In simple terms, my idea is that food is not only food for the body but also for the mind and the spirit...to me this is a philosophy of life. [...] In my opinion, based on the choices that I have made in my life and experienced on myself, the choice of eating without meat is more evolved with respect to a choice with meat. It has been proved. I experienced it on my body, on my soul. This eating habit has helped me to evolve, to get better. Even doctors say this, mystic traditions say this, philosophers say this, great thinkers say this, it is something real. I understand that it may be difficult to become a vegetarian, but I think that a vegetarian choice is a more evolved one.

This type of innovation requires a profound understanding of customer needs, but may come at the cost of the long-term sustainability of competitive advantage if the innovation is copied.<sup>17</sup> This is why *Joia*, not only meets the needs of a specific market niche, but also constantly pursues what we call input innovation, by looking for different raw materials to be treated in the most natural way.

### D) Disruptive Innovation

A second category of innovations that are deeply linked to demand dynamics regards disruptive innovation. Managerial attention to the target market and mainstream customers influences the resource allocation in the innovation process and poses a serious threat to the firm's ability to co-evolve with innovation dynamics. As a consequence, entrants can develop disruptive innovations that are initially useful in emerging markets but subsequently invade mainstream markets at the expense of previously dominant innovations.<sup>18</sup>

As well as fashion experienced the revolution of fast fashion in the late 1990s, some players of high-end cuisine have started challenging the high quality-high price rule, by democratizing *gourmand cuisine*. The most popular example of this new business model is the restaurant *D'O* opened in the proximity of Milan by chef Davide Oldani, a former apprentice (among others) of Maestro Marchesi. The revolution repre-

<sup>14</sup> Personal interview with the authors.

<sup>15</sup> Abernathy and Clark, *op. cit.*.

<sup>16</sup> Personal interview with the authors.

<sup>17</sup> Abernathy and Clark, *op. cit.*.

<sup>18</sup> Christensen and Bower, *op. cit.*.

sented by this new business model is simple but powerful: to break the link between quality and price. Oldani's cuisine has been referred to as "pop".<sup>19</sup>

Many people tell me that I am popular, *pardon pop*. The first time they told me was four years ago – well someone also wrote it. I have come to a point in which I play with this label, for instance by being portrayed wearing a weird pair of glasses à la Andy Warhol. But this is just a game indeed, the truth is elsewhere. My true being pop is all there, in most famous dish: caramelized onions. [...] It is not about "poor" cuisine [...], it is more about humble cuisine, created and served with a good dose of humility.

The restaurant offers a tasting menu at a price below 40 Euros, with lunch menus costing below 15 Euros. However, despite the trattoria-like look and prices, the restaurant was awarded one Michelin star soon after it opened. The success of the formula is unmistakable: the restaurant is always full, without any availability for months. A revolution in a world where gastronomic restaurants are rarely accessible to the masses. In the words of a culinary critique, "his formula caused a sensation mainly because of his prices, very low thanks to his choice of simple and extremely fresh ingredients, which enhance artisanship and the hand of the chef. In the menu we find a varied tradition, going from Friuli to Sicily, technically correct without technological tenacity, suited to the target and the characteristics of the restaurant".<sup>20</sup>

*D'O* is a case of business model disruptive innovation. Indeed, "to qualify as an innovation, the new business model must enlarge the existing economic pie, either by attracting new customers into the market or by encouraging existing customers to consume more. The requirement to enlarge the market implies that a business model innovation is much more than the discovery of a radical new strategy on the part of a firm. It is important to note that business model innovators do not discover new products or services; they simply redefine what an existing product or service is and how it is provided to the customer".<sup>21</sup> What chef Davide Oldani did is indeed quite consistent with this definition: he created a new business model (the "pop" *gourmand* restaurant), attracted new consumers into the *gourmand* market and encouraged foodies to consume more.

At this stage of the discussion, it can be useful to show Figure 2 which distinguishes the main building blocks of different innovation types, by grouping innovations on the two dimensions of markets and technology, and emphasizing the difference between increasing degrees of radicalness.<sup>22</sup> The instructor may challenge students to position on the graph the different types of innovations discussed.

### **Explain how the changes in the competitive landscape may hamper or sustain the different innovation strategies (10 minutes)**

In this part of the discussion, students should try to combine insights from previous discussions. Issues that might be brought up are the following:

- The increase in competitive pressure may pose serious threats to restaurants occupying specific niches, forcing the entry of new players within those niches. In this respect, the instructor can point out that: a) it may not be the optimal choice for a new entrant to enter a niche already occupied by an existing player with a consolidated reputation; b) moreover, as previously pointed out, restaurants adopting the niche strategy should also be differentiated in other dimensions in order to preserve competitive advantage in case competitors enter.
- The protection of intellectual property could become an issue if less prestigious chefs (external to the élite of chefs whose interactions are regulated by social norms) start copying the menu of established players, hence eroding the sustainability of their competitive advantage. This comment may however be offset by recognizing that different type of customers exist and may be interested in going to the top restaurant for the experience itself, and who strongly believe –as chefs do – that the same recipe tastes completely different when executed by a different pair of hands. Moreover, public disclosure of

<sup>19</sup> Oldani D, *op. cit.*

<sup>20</sup> <http://www.identitagolose.it/english/relatore.php?id=306>. Last access: 06/26/2010.

<sup>21</sup> Markides C. 2006. Disruptive innovation: in need of better theory. *Journal of Product Innovation Management*, 23: 19-25.

<sup>22</sup> Smith and Tushman, *op. cit.*



the information through, for instance, recipe books can prevent misappropriation of the paternity of particularly innovative techniques.

- The rise of molecular gastronomy as a dominant design may outset the more traditional forms of high-end cuisine, causing a shift similar to the one from *classique* to *nouvelle cuisine*. In this case, however, it is crucial to point out that: a) traditional and *avant-garde* restaurants serve different customers (*gourmand* customers are not the only one visiting *gourmand* restaurants – for instance the business clientele is a fundamental component of the customer base); b) traditional restaurants in high end cuisine still innovate but along different dimensions (product innovation through new recipes, input innovation through the retrieval and use of particular raw materials); c) going back to the past, *nouvelle cuisine* did not completely outset *classique cuisine*: over time, different identities may co-exist and influence each other.
- The changes in the demand landscape have already influenced competition favoring both niche players and disruptive strategies, but they have also pushed price-related innovations on the part of more traditional players, such as *Innocenti Evasioni* and *Sadler*. Of course, this threat seems potentially very harmful, but again it hits the differentiation in the customer base of the industry. Customers going to *gourmand* restaurants also for the atmosphere may not be willing to give that away in order to pay less.

### Critically discuss the alternative strategies that Linguini could rely on in opening his new restaurant (20 minutes)

In this part of the discussion students should:

- Work out possible innovation strategies that Linguini could develop in order to enter the industry (including avoiding entry);
- Consider the pros and cons of each of them, taking into account the risks associated with the changing landscape and, in particular, the effect on the different innovation strategies that it may have.

The discussion should address these points without ruling out other considerations that might emerge from this case. In particular, the instructor should lead the discussion so that students may:

- Work out the pivotal role that differentiation plays in the industry, which is characterized by each firm being slightly different from the other;
- Compare differentiation-based solutions (e.g. creating a high-end ethnic restaurant or creating a new restaurant concept in which, for instance, furniture and *mise en place* are fundamentally innovative with respect to other alternatives that are on the market) with a number of potential alternative solutions suggested by the students.

Regarding the topic of differentiation, the context of *gourmand cuisine* is very peculiar since it has been described as a monopolistic competition. Monopolistic competition is defined as a “market situation in which there may be many independent buyers and many independent sellers but competition is imperfect because of product differentiation, geographical fragmentation of the market, or some similar condition. The theory was developed almost simultaneously by the American economist Edward Hastings Chamberlin in his *Theory of Monopolistic Competition* (1933) and by the British economist Joan Robinson in her *Economics of Imperfect Competition* (1933). The theory encompassed a variety of market phenomena, including product differentiation, a situation in which each seller carries goods that have some unique properties in the eyes of the consumer (brand names, special ingredients, accompanying customer services, etc.) so that the seller may be considered to have a partial monopoly”.<sup>23</sup> Monopolistically competitive industries are hence highly fragmented and populated by many firms characterized by attribute combinations that are different in some potentially non-trivial fashion.<sup>24</sup> Within this context, competitors may wish to remain distinct from others for the purpose of profit maximization. This consideration would push toward the choice of differentiation as a winning strategy in opening a new restaurant IN an area populated by a variety of other establishments.

<sup>23</sup> <http://www.britannica.com/EBchecked/topic/390037/monopolistic-competition>. Last access: 06/26/10; Gans JS, King S, Stonecash R, Mankiw NG. 2003. *Principles of Economics*. Thomson Learning.

<sup>24</sup> Davies A, Cline TW. 2005. A consumer behavior approach to modeling monopolistic competition. *Journal of Economic Psychology*, 26 (6): 797-826.

## Takeouts (10 minutes)

The examination of the context of high end cuisine can be used to discuss the broad topic of managing innovation-based competitive advantage, with particular reference to the peculiarities of innovation and related business models in creative contexts. More specifically, it allows the instructor to deal with a variety of innovation types, as well as to introduce the topic of entrepreneurship and the notion of intellectual property rights. In wrapping up the discussion, the instructor concludes by briefly showing the main takeouts of the class, i.e.:

- Innovation along the production/technology dimension: product vs. process, incremental vs. radical
- Innovation along the consumer/market dimension: niche creation and disruptive innovations
- Long-term sustainability of competitive advantage: the role of resources, capabilities and knowledge
- Intellectual property rights and informal mechanisms of protection

A summary of the case discussion is reported in the Epilogue.

## Epilogue

The case deals with the choice of creating a new venture, namely, a restaurant in the Milan area, on the part of a young but experienced chef, named Linguini. In order to support Linguini's choice, the case describes the general context of Italian *gourmand cuisine* and the specific geographical area around Milan.

With respect to the general context, the four phenomena described in the case are: (1) the increase in competitive pressure; (2) the intensification of issues related to the protection of intellectual property and hence sustainability of competitive advantage; (3) the introduction of technological innovation in the kitchen; and (4) the changing demand landscape that is discovering value for money as well as alternative food and way of enjoying it.

With respect to the Milan area, restaurants are positioned on a continuum ranging from those whose innovation is more "cautious" and targeted at exalting existing products in the simplest way, to the *avant-garde* cooks who focus on technology and techniques and are going beyond the traditional boundaries of cuisine.

Based on the analysis the competitive landscape, the case discusses four typologies of innovation, namely: (1) input, output and process innovation; (2) incremental and radical innovation; (3) market/niche creation; and (4) disruptive innovation. In particular, the case is used to ground each of these definitions and to provide examples from all these categories.

The students are finally challenged to define how the changes that the environment has witnessed in recent years may erode the long-term sustainability of each innovation strategy.

The solution of the case aims at showing that any specific positioning can indeed pose challenges and create opportunities, and that the most important element to take into consideration when approaching the industry is the positioning of the establishment. The *gourmand cuisine* industry is indeed described as a monopolistically competitive setting, in which competitors preserve differentiation for the purpose of profit maximization.

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### Some video sources about the industry

- Molecular Gastronomy: [http://dailymotion.virgilio.it/video/xffg3u\\_molecular-gastronomy\\_tech](http://dailymotion.virgilio.it/video/xffg3u_molecular-gastronomy_tech) and [http://dailymotion.virgilio.it/video/xfhodn\\_molecular-gastronomy-2-2\\_tech](http://dailymotion.virgilio.it/video/xfhodn_molecular-gastronomy-2-2_tech) (A conference on the topic,

given by physical chemist and father of molecular gastronomy H. This at l'Ecole du Cordon Bleu – October 2010)

eIBulli: <http://www.guardian.co.uk/lifeandstyle/wordofmouth/2008/oct/16/restaurants-restaurants> (A tale of a day with Ferran Adrià, by journalist Jay Rayner from The Guardian - October 2008)

Osteria Francescana: <http://www.youtube.com/watch?v=307Me41PLbs> (An interview to Massimo Bottura, owner chef of Osteria Francescana). See also: [http://www.osteriafrancescana.it/index\\_eng.html](http://www.osteriafrancescana.it/index_eng.html), under books and video.

## Exhibits

*Table 1. A comparison of Classic, Nouvelle and Molecular Cuisines*

	<b>Classic Cuisine<sup>a</sup></b>	<b>Nouvelle Cuisine<sup>a</sup></b>	<b>Molecular Cuisine<sup>b</sup></b>
<b>Culinary rhetoric (names of dishes refer to)</b>	Rhetoric, memory, and legitimacy.	Poetry, imagination, and evocation.	Irony, art, and raw ingredients.
<b>Rules of cooking</b>	1. Conformation, or staying in conformity with Escoffier's principles. 2. Sublimation, or sublimating the ingredients.	1. Transgression, or using old legitimate techniques with new ingredients, or using old legitimate techniques with old ingredients for which these cooking techniques were not legitimate. 2. Acclimatization, or importing "exotic" foreign cuisine traditions, notably seasoning and spices.	1. Technology, i.e. "as it has occurred in most fields of human evolution down the ages, new technologies are a resource for the progress of cooking". 2. Decontextualization, i.e. "irony, spectacle and performance are completely legitimate, as long as they are not superficial but respond to, or are closely bound up with, a process of gastronomic reflection".
<b>Archetypal ingredients</b>	High game, shellfish, cream, poultry, river fish	Fruits, vegetables, potatoes, aromatic herbs, exotic ingredients, sea fish	Vegetables and seafood, dairy products, nuts and the like. No red meat or large cuts of poultry
<b>Role of the chef</b>	The restaurateur, rarely the owner, and never the cook, has the power in the rooms of luxury hotels and palaces. The classic service is organized through the saucepan. The waiters cut and serve the dishes, blaze ("flambé") preparations. The rituals are off the plate.	The chef is at the centre of operations. Service through the plate and under a "cloche". Waiters no longer intervene in the process.	Creation involves teamwork. In addition, research has become consolidated as a new feature of the culinary creative process. The dishes are finished in the dining room by the serving staff. In other cases the diners themselves participate in this process.
<b>Organization of the menu</b>	1. Extremely long menu, almost all the classic dishes are registered. 2. Consuming is a long ceremony. 3. Related art is Architecture (three dimensions). 4. One sense is critical: vision.	1. Very narrow menu, "Cuisine du marché", "Cuisine selon saison". 2. Consuming is a shorter ceremony. 3. Related art is Painting (two dimensions). 4. The five senses are important.	1. Tasting menu as the finest expression of cooking 2. Consuming is a performance involving a series of "acts" and lasting up to four hours <sup>c</sup> 3. Related art is Performance Arts. 4. Sixth sense, to enjoy and interpret

<sup>a</sup> Rao H, Monin P, Durand R. 2003. Institutional change in Toque Ville: Nouvelle cuisine as an identity movement in French gastronomy. *American Journal of Sociology* 108 (4): 795-843.

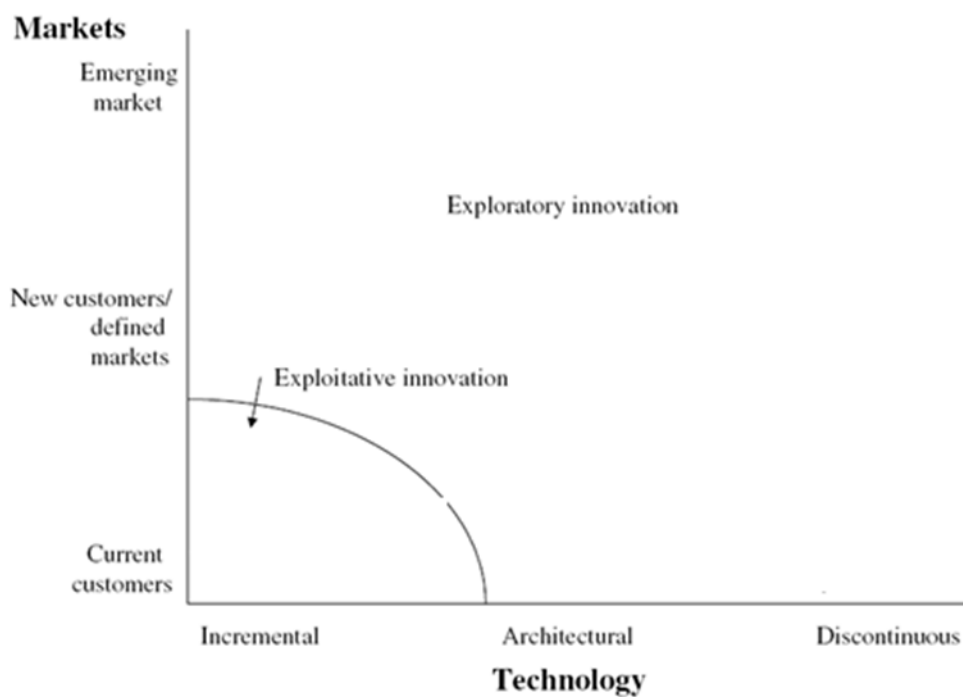
<sup>b</sup> See the Appendix for a complete description of the code of molecular gastronomy according to F. Adrià.

<sup>c</sup> Prats MA, Quintanilla J, Mitchell J. 2008. elBulli's Magic Recipe. IESE Business Case, IES214 0-608-017.

Figure 1. Comparing two signature dishes along the dimensions of incremental vs. radical innovation<sup>25</sup>



Figure 2. The Innovation Map of Smith and Tushman, 2005 (adapted from Tushman and Smith, 2002)



<sup>25</sup> <http://www.aimoenadia.com/>; [http://www.osteriafrancescana.it/index\\_eng.html](http://www.osteriafrancescana.it/index_eng.html). Last access: 06/26/10.