

For Innovation that Works, Dispel Obsolete Assumptions and Ask New Questions

By Pierre Loewe and George Chen

Management suites across the globe today have begun shouting to the rafters that “innovators win!” Yet for most firms, no road map exists to direct them toward consistently successful innovation, including how to achieve it or how to implement it. Nonetheless, attaining innovation that works again and again is possible. By challenging outdated assumptions and then adopting an “innovation architecture,” you can “chart out” what you need to do around the three most critical dimensions of innovation – the “what”, the “who” and the “how.”

The first step is to challenge three very common but obsolete beliefs. Factors such as globalization, the blurring of industry boundaries, the explosion in the availability and accessibility of information, the increasing dissemination of knowledge, and the growing use of alliances and partnerships have dramatically shifted the landscape of innovation. As a result companies must rid themselves of the following assumptions:

1. Innovation is only about new products and services. Though new products and services are vital to growth, leaders must also ask themselves these questions: a) what new customers should they be serving and what do these customers need? b) how should they configure their firm’s value chain? c) what alternative

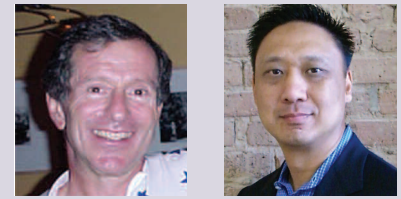
economic models might be worth considering?

- 2. Innovation is exclusively the domain of R&D.** Research and development plays an important role in the innovation process, but every group inside a company and beyond (partners, customers and suppliers) needs to be involved as well. In this way, a firm has a much greater chance to uncover opportunities to innovate that will lead to a competitive advantage.
- 3. Breakthrough innovations arise from luck or a visionary leader.** While luck and/or an innovative genius can be a great thing, the majority of companies cannot rely on either one. Thus organizations must design and implement systematic innovation processes that maximize their chances of identifying and taking to market new profitable opportunities time and time again.

Innovation Architecture

After confronting these obsolete assumptions, you’ll be ready to design your innovation program. Our Strategos Innovation Architecture (Exhibit 1) is a simple way to organize thinking and actions about innovation by asking three key questions:

- What is the purpose of innovation?
- Who should be responsible for innovation?



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- How do you innovate?

Purpose of Innovation: from new products and services to new business models

Studies of innovation conducted by the Doblin Group and IBM Consulting have found that the majority of companies focus their efforts on new product and service development. However, the studies also found that business model –innovation nets a disproportionately higher return.

For example, the Boeing Sonic Cruiser, a great technological innovation, lost out to competitors with better business models. Unveiled in 2001, this new aircraft was designed to cut transatlantic flight time from 7 hours to 5½ hours – a substantial improvement. However, to save the hour and a half of flying time, Sonic Cruiser passengers would have had to pay an estimated \$10,000, compared to

\$5,000 for a first class ticket on other flights. And total travel time from downtown London to downtown New York would only have been reduced from 12 hours to 10½ hours.

A surprise competitor then entered the market in the form of semi-private time-share jets. These focused on reducing on-the-ground time by flying from London's Northolt to Teterboro, New Jersey, which avoided the many delays associated with commercial flights using big airports. Total travel time decreased to 9 hours, at a per passenger cost of just \$7,500. Boeing ended up shelving its technological marvel while the time-shared jets – the business model innovators – took off.

Innovation Players: from few to everyone

Besides R&D, who should be involved in innovation? The answer is two-fold: most functions, levels, business units, and geographies within a company have an important role to play; and outsiders such as suppliers and customers of the company should be involved as well.

Cemex, the global, Mexico-based cement and building-solutions company, takes this broad involvement concept to heart. More than 3,500 employees have submitted in excess of 6,300 proposals to its web-enabled data bank. In addition, the company holds nine innovation days each year, and for each event, the hosting VP invites everyone in his/her unit to participate. During such an event,

hundreds of ideas are generated and the successful innovators are honored with company-wide recognition. Its innovation program has transformed Cemex from a commodity material supplier to a value-added solution provider, generating growth rates, gross margins and returns on equity that are unparalleled in the cement business worldwide.

Approach to Innovation: From serendipity to a systematic process

A systematic innovation process sounds like an oxymoron. After all, if it's systematic, how can it possibly be innovative? Yet this is another obsolete belief. A recent survey of ours has found that firms with an established innovation process in place out-innovate others in their industry. One participant wrote: "An innovation process is critical to bringing structure to a fundamentally unstructured activity... Without a process to bring order to the chaos this money is wasted." The keys are not to let the process become bureaucratic, and to allow both enough exploration at the front end and crisp decision-making at the back end.

Where to start?

That innovation is an unavoidable imperative is no longer in doubt. That innovation can be achieved by any company that sets its mind to it and implements a systematic innovation process has been proven. The key issue is to figure out how to get an effective innovation effort started.

Using innovation architecture to organize your innovation efforts is your first step. Determining who should be involved is a close second step, erring on the side of broad engagement since imagination and creativity are randomly distributed. Train the team you have assembled in the what (business model) and the how (systematic innovation process), freeing up enough of their time so they can be effective, and warning them of the pitfalls they are likely to encounter.

Next, send members of your team off on their discovery mission. Ask them to address questions that typical planning or innovation processes don't address: What outdated assumptions about our business might we consider overturning? What unarticulated needs are currently held by our customers, and as important, our non-customers? What discontinuous changes in the environment may be about to occur that we might capitalize upon? What true core competencies does our company possess that may be leverageable in different ways?

Once your team comes back to you with answers to these questions, have them generate ideas that will capitalize on these insights. Finally, get and stay involved in the process as a coach, resource and sounding board – but not as a traditional reviewer or a doubting Thomas. Based on our firm's experience with our clients, by following these guidelines, you will be pleasantly surprised by the ultimate results.



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