

Everyone An Innovator

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Talk about innovation, and technological innovation is the one that leaps to most people's minds. And many people incorrectly decide that as they are not in a technology business, innovation isn't really a key issue for them.

Actually the most valuable innovation opportunities are often *not* technological, even in high tech companies. To show you what I mean, let's start by identifying three types of innovation: technology, process and customer-value (see the table below).

<i>Innovation Type</i>	<i>What it is</i>	<i>Issues include</i>
Technology	Some novel <i>technology</i> which enables you to offer a completely new product, service or feature to a customer or client e.g. new digital storage media, blockbuster drug development.	Large investment required, payback, risk etc. Commercialisation: a product is not a business.
Process	Some new or improved <i>process</i> within your operation which allows you to offer the current or evolving products or services in a more efficient /effective manner. e.g. Toyota Production System and other lean approaches simultaneously improve customer choice/responsiveness and reduce inventory.	Necessary to avoid backsliding but not sufficient for enduring competitive advantage. Does culture support or hinder required behaviour? Relationships with suppliers and customers require care (As my friend Phil Stunell says: "Lean, not Mean".)
Customer-value	Some new arrangement of product and service feature that enables you to offer much more (ideally 'game changing') <i>value</i> to the customer even though it uses existing technology. e.g. the recent classic is Apple's iPhone/iTunes – there were mp3 players already, but not an easy way to get access to lots of songs.	Seeing the world and perceiving value the way the customer does. Not being seduced by beautiful tech for the sake of it, or limited by apparently unchangeable bureaucracy and silos.

Here are eleven ideas for value-creating innovation in all kinds of businesses (I know most such lists are ten top tips – just regard it as a 10% value-added bonus).

Eleven Tips For Creating Value through Hi-tech, Lo-Tech and No-Tech Innovation

1. **Don't think that innovation is just for tech companies.** In the Entrepreneurship programme for Aston University I invite guest speakers. One of my favourites is Peter Selkirk, Chief Executive of Taylor. Why? Well Taylor make bins, and I can't imagine a lower technology than a bin. It's just a container. But Taylor have innovated the ways their bins appear, the way they lock, how easy and safe they are to handle, how they fit into the built environment, and they have even provided consultancy to cities on waste management. Peter dramatically makes the point to our budding entrepreneurs that there are many aspects of a business that contribute value to the customer, not just the latest technology. Other examples: Wetherspoons Pubs, Starbucks Coffee, Coca Cola.
2. **If you are a tech company, don't think that innovation is just the tech bit.** An invention is not a business. Mouse and windows type computer interfaces were invented at Xerox – but they aren't even in the computer industry now. It took Steve Jobs of Apple to commercialise the idea. Rolls Royce have phenomenal innovation in turbines, but a key *commercial* innovation has been long-term “power by the hour” contracts (in essence you pay for the thrust your aircraft use, rather than for the jet engines, and RR takes the responsibility for maintaining service). This key insight has helped them weather the current economic downturn so much better than other manufacturers who need to keep selling new engines and parts.
3. **Value innovation is where the action is in almost all businesses.** You cannot take an averagely performing business and create a sustained competitive advantage by cost cutting. You have got to find ways to provide a better ROI to the customer. If you are going to do that by being low cost, then you have to innovate your systems so that no-one can undercut you, like Ryanair do. If that isn't viable, then forget competing purely on cost – look what happened to BA Connect. Instead, focus everyone on how to make sure that the premium that your customers pay (compared to the low-cost leader's price) is *worth it*. This doesn't necessarily mean making big capital expenditures, but it may mean a lot of hard thinking.
4. **Think about your business from the outside in.** When Tesco started Fresh 'n' Easy in the US, their execs spend months living with typical consumers. Don't Tesco already know how to run a supermarket? Yes they understand logistics/distribution etc as well as anyone, but they didn't assume that what they know about merchandising would translate across the Atlantic. They knew the answers were in the outside world – the world of their intended customer – so that's where they went in order to figure out a better experience than that offered by incumbent competitors.
5. **Don't waste time with group brainstorming.** Research supports what many of us have learned from experience. Brainstorming in a group produces unimpressive ideas. The group has a dampening effect on the creativity of all but the most confident, and nay-sayers jump in prematurely with reasons why something won't work (breaking the rules of

brainstorming, but that's what happens). Much better to give people time to come up with ideas individually so they can think them through before presenting them.

6. **Use deliberate techniques.** There are many deliberate techniques for fostering ideas, and we look at a range on the Aston entrepreneurship programme. They almost all work better than pure brainstorming because a blank sheet of paper often just triggers a blank state of mind. Innovation requires structure. Specific techniques are outside the scope of a short article such as this, but give me a call if you would find help in this area useful.
7. **Have systematic ways of turning ideas into reality.** The astronomers have a saying: "if it's not written down, it wasn't seen". The business equivalent: If you can't commercialise an idea, it ain't an innovation. Ideas, good ones, are two a penny. I am sure loads of people independently thought of phones that can surf the internet. But BlackBerry and iPhone are the far-out leaders because RIM and Apple commercialised best. If you don't have standard ways to assess ideas against factors such as strategic fit, value to the customer, your ability to implement them, risk-reward and so on, then you need to establish them in order to have any chance of making progress.
8. **Create a culture where people can take acceptable risks.** I hear loads of people bemoaning the lack of entrepreneurialism among their people. But they fail to acknowledge that getting on in an organisation is often more a matter of not making mistakes, and not showing their boss up, than it is a matter of creating new value.
9. **Create a way to run experiments.** Sometimes there is just no way to know for sure if an idea is a good one. Rather than having what sounds like a logical argument about the merits without actually having any facts, or searching for more and more data which does nothing to resolve the ambiguity, run some experiments. Strictly define the parameters, decide on kill points, but remember too that you have to spend some money to make money. And remember to reward people who run a competent experiment that doesn't work out – they just saved you a load of money!
10. **Figure out how to jump on opportunities.** Apple's Steve Jobs claims that his strategy is to see what's going on, and then jump on it. That is how he accounts for the iPhone/iTunes phenomenon. But to be able to do this, you have to be ready. When presented with a square centimetre of opportunity, can you seize it? Is your decision process fast enough? Can strategic fit be assessed quickly enough? Can resources be redeployed?
11. **Instead of emphasising problem-solving in operational areas, emphasise improvement.** A problem should not be seen as a cue merely to restore previous performance, yet many people think they are doing a good job as long as they maintain 'business as usual'. The trouble is that the best competitors are working to make business as usual into 'business as it used to be'.

Innovation ought to be of crucial concern to *all* businesses, yet many people think it's just for high-tech firms. Actually high-tech innovation is generally the costliest and highest risk sort of innovation, and many high-tech (and top-notch professional service) businesses have superb products and services which they fail to exploit to their potential, precisely because they don't innovate in processes and especially in value as perceived by the customer or client.

Contrast that with Coca-Cola. It's sugary water. It's not even the best tasting sugary water by the standards of Coca-Cola's own tests. Yet over a century of innovation in marketing, advertising, customer research, licensing and distribution have built what's often spoken of as the most valuable brand in the world.

Final Thought

The old cliché is that the only constant is change. Looking around, we can find lots of evidence for that. But the problem with thinking that way is that it can put you in a mindset which is constantly reactive, where you are always on the back foot, responding to events, customers, competitors and the economy.

Let's readjust that cliché: imagine what would happen if you approached your business with the thought that *the only constant is innovation*.

To learn more about ways to create valuable innovation in your company, contact:

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