

# THE COMPETITIVE EDGE

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## INNOVATE TO GROW

Innovate to grow your business. Without innovation, growth slows, stagnates, even declines.

Product and service innovation is an important source of potent growth. Examples: Canon in copiers in the '70's; Gillette in razors; Intel in microprocessors; Apple with iPod, iTunes, and iPhone.

But don't limit innovation to just products and services. Equally important is innovation in value propositions, operational processes, and business culture.

Innovation in value propositions has driven growth in many companies, such as Southwest Airlines, Dell, FedEx, Amazon, Netflix.

Innovation in operational processes also drives growth. Process innovation is essential for success with new value propositions. Southwest Airlines, FedEx, Amazon, and Netflix used, and continue to use, process innovation to deliver on the promise of their value propositions. Process innovation also drives growth by increasing quality and lowering costs: lean manufacturing, GE's Six Sigma program, Walmart's supply logistics.

Process innovation enables companies to grow by acquiring and strengthening weak businesses. Newell Brands did so and grew 15% per year from 1970 to 1990. In the same way, Danaher has achieved 15 % annual revenue growth for the last 35 years.

Innovations to improve the business culture also can improve growth. Gordon Bethune did so at Continental Airlines in 1994, saving the company from bankruptcy and restoring growth. Steve Jobs did it when he returned to Apple as CEO in 1997, setting the foundation for the growth to follow. The Chinese appliance maker Heier has done so, enabling it to grow from a small regional company to one of the world's largest appliance makers.

## INNOVATION CHALLENGES

Significant challenges can block robust innovation. These include bureaucracy, role perception, performance mindset, and neglect.

Bureaucracy stifles innovation. Interesting ideas are muffled by rules and red tape. Risk-taking seems career limiting. Variety becomes unacceptable.

Employees limit innovation when they fail to see that they have a role, when they think it's someone else's responsibility—those guys over there.



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## INNOVATION CHALLENGES (cont.)

Obsession with short-term financial performance, quarterly financials, etc., limits innovation. This obsession leads to approval procedures that tend to reject more innovative ideas because they seem too risky. Only modest product/service improvement ideas tend to get approved.

Neglect stifles innovation. In most organizations there is a clear home for product innovation, but not for innovation in services, value propositions, process improvement, and culture improvement. Result: neglect, which results in infrequent, limited, marginally effective ideation and stunted growth potential.

## INCREASE INNOVATION

Three initiatives can help you meet innovation challenges and improve growth:

1. Create an innovation attitude.
2. Create a home for all types of innovation.
3. Avoid destroying high-uncertainty innovations.

Here we give a brief summary of the initiatives. Contact us for more detail.

### **1. Create an innovation attitude.**

Promote and support an innovation norm: everyone in the organization can and should contribute to generation of innovation ideas. Give innovation priority in meetings and management time. Use well-crafted processes to reduce reluctance to come forward with ideas and to create increased idea flow.

### **2. Create a home for all types of innovation.**

Establish a process, managed by a senior executive, to solicit, collect, evaluate, and recommend non-product innovations and to manage their implementation. The first step is to assess the current level of non-product innovations and to set improvement targets. Once the home is created, an employee with an interesting improvement idea will know how to get it noticed.

### **3. Avoid destroying high-uncertainty innovations.**

Traditional product-development processes kill high-uncertainty projects. Avoid this by using a different process. Make the goal reducing uncertainty fast and at low cost. Use plans with low-cost, high-learning steps and rapid experimentation. Use reverse financials to estimate performance needed for success. As fast as possible, build minimum viable versions of products or services. Use them to get customer reactions and test key assumptions. The minimum viable versions should be built in days or weeks, not months or years.

## MAKE IT HAPPEN

You and your team will benefit from having an innovation meeting to assess your current and desired level of innovation. Often, this will reveal deficiencies in non-product innovation, as well as problems with conventional product development. Give it a try.