

Profit and Growth Through Innovation



Dr. Y. B. Vasudeo
Innovation Consultant,
E-mail: yatish@drvasudeo.com

Innovation

Ref: Oxford Dictionary of Economics

The economic activity of new idea.

Product Innovation involves a new or modified product.

Process involves a new or modified way of making a product.

Innovation sometimes consists of a new or modified method of business organization. Many cases, for example the introduction of credit card, have involved all these types of innovation.

What can India make?

What can Indian Plastics industry make?

How can we possibly compete China when all they do is to produce products with a wage scale that is so much lower than ours

..... An American Expression

How can we compete with our competition from China or FTA countries when they produce products which are offered at much lower cost.

..An Indian Expression.

Many companies constantly strive to increase efficiency, implement best practice and deliver increased share holder value. They seek to improve cash flow through efficiencies of scale and cost reductions. But there are limits to cost savings. In a global economy your competitors in lower cost countries can beat you at that game.

The best way to create value is to innovate your way ahead of the competition. You need to create temporary monopolies where yours is

the only show at the market place.

One can easily do this by utilizing the creative power of your greatest asset, **YOUR PEOPLE.**

The goal is to turn them into opportunistic entrepreneurs who are constantly looking for new ways are doing business.

To build a truly innovative organization one need to have a vision, a culture and process of innovation.

Types of Innovation include:

- Business Model Innovation
- Market Innovation
- Organisational Innovation
- Process Innovation
- Product Innovation
- Service Innovation
- Supply Chain Innovation

Innovation may be classified in two categories.

1. Incremental
2. Radical

Incremental Innovations are improvements to current products, methods, processes, services, partnerships and so on.. Customer complaints and suggestions are a good source of ideas for incremental improvements. So are the people working in the organization.

Most organizations are good at incremental innovations. They make things better. However very few organizations are good at radical innovations.

“Businesses are good at getting better but poor at getting different”.

– Gary Hamel.

Customers are good at demanding incremental improvements in products, lower prices and better service but they are notoriously poor at predicting significant new products or innovations to meet their needs. Though customers can be an important source of innovative ideas but can not obtain breakthrough ideas by simply asking customers what they want or need.

One can expect customers to say that they want of what you offer and they want it better, faster and cheaper. But one can not count on them to say about new or different ways to meet their needs.

Radical Innovation starts with imagination and implementation of entirely new business models that could deliver benefits that customer wants

The great management guru Peter Drucker has said,

“Every organization must prepare for the abandonment of everything it does.”

In the vanguard organizations individuals or team conceive changes in technology, processes, fashion, competition or demographics that might completely replace their current business model. They develop scenarios that are imaginative but possible. Very often the best way to test idea is not to analyse it but try it. Hence one should not allow **“Paralysis by analysis”** to happen.

Soichiro Honda, the founder of Honda said **“Many people dream of success. Success can only be achieved through repeated failure and introspection. Success represents the one percent of your work that results from the 99 % that is called failure.”**Hence the slogan **“Fail often to succeed sooner.”** The great philosopher Nietzsche has said **“That which does not kill me makes me stronger.”**

It is therefore necessary to build some prototypes to test new prototypes to test new products or business methods based on radical innovative ideas. Test them in the market place.

From ideas, imagination, creativity to innovation

Every business knows that it needs to innovate to grow. Therefore, most businesses seek creative people. Such people were commonly sought by advertising or fashion companies. But, in present times creative talents are required and recognized by all businesses. To stay ahead of competition you need to innovate and for which you need creative people as innovation is creativity implemented.

Imagination is the basic tool of creativity. Imagination allows people to put themselves in the shoes of others such as customers and colleagues in order to understand them better and work with them better.

Imagination provides the vision that allows people to see in their minds how a process will work from beginning to end. Imagination allows people to see what may go wrong in a process and envision how various solutions might solve these problems.

Imagination allows leaders to envision the big picture and devise strategy.

Without imagination, people simply can not dream up new ideas.

Therefore it's time to think about ideas as a new form of capital available to your organization : **Idea capital**

Idea Capital

Unlike financial capital, idea capital is difficult to measure and it's more difficult to buy.

Idea Capital refers to the inventory of existing ideas as well as latent creative potential of an organization, which does not appear on the balance sheet.

Idea capital walks into your office building and factories every morning and leaves every evening. Idea Capital is a key product of the human resources management cycles of hiring, training, motivating and inspiring employees and idea capital does not come from employees alone. Customers, partners, vendors can all contribute to your idea capital.

Idea Capital isn't something you can touch but you know when it's there. It shows itself when passion and problem-solving intersect. The “Innovation Process” focuses on creating greater stocks and faster flows of idea capital transforming into product and service capital that eventually derive tangible revenue capital.

The challenge today is to measure and communicate the idea capital in the organization. It is growing or eroding? It is full of high quality ideas or plagued with mediocracy?

Now imagine a world in which today's financial statements are supplemented by **“Intellectual Capital Statements”** that include a component of idea capital and investors can consistently compare and evaluate within and across industries. That would be a wonderful day that directors begin asking the question: How is our idea capital creating shareholder value?

It's time to rethink your Idea Capital Strategy.

..... create entrepreneurship culture within the organization.

Entrepreneurs are those

- Individuals who take a concept and convert it into reality: a product, policy or institution.

- They become champions of a new process & they are engines of change.

- Entrepreneurship occurs in all areas: business, academia, government etc.

- Entrepreneurs are everywhere, in Dalal street & in industry |

- Entrepreneurship can be used for good & evil. The Godfather was an entrepreneur who misused the talent.

It is therefore necessary to create entrepreneurs. Organisations need to

- Tap, encourage and promote entrepreneurs.

- Openness to ideas, freedom from investigation of operation and promotion and pay based on merit.

- Excessive regulation, rigid hierarchy, lack of freedom and excessive control discourage Entrepreneurship.

I n n o v a t i o n s i n Organisations

To create a culture of innovation in an organization, three ingredients are necessary.

1. The ability of people within the organization to be innovative.
2. The desire of people to act in an innovative manner.
3. An environment that enables & empowers innovation.

Innovation culture extends beyond the enterprise. When stakeholders in the process are considered (e.g.; suppliers, alliance partners, distributors, customers & their customers) the view of knowledge base

from which organization might learn is expansive.

Innovation as a Weapon in Global Competition.

Today, the global economic environment is undergoing the most rapid change in the history of business. To make matters worse, many companies are increasing facing resistance, internal & external, as they try to expand globally.

These changes combined with an already declining global economy have left executives on edge. But as before, the fundamentals stand: If you create a business that can adapt quickly & flexibly to the changing economic & cultural landscape, you win the competition. A key to achieving this kind of quick response is learning how to inject decision-making at all levels in the organization. Real innovation requires broad cultural change based on values, guidelines and outcome-based measurement system that give flexibility to all employees, while mitigating risks for the business as a whole. Done properly, a company can stay ahead of the change curve & beat the competition, while easing its move into new markets.

To achieve & sustain leadership position in a global marketplace, the organization must be a hotpot of creative thinking, flexibility and agility ~ 24 hours a day, seven days a week.

24*7 Innovation: Putting Customer needs at The Forefront of Your Thinking

Today's organization need to be customer-centric, putting customer at the forefront of the thinking process & making them the centre of attention. We are now in the buyer-driven economy, where customers are in the driver's seat. Customers determine how & when they want to do business. To meet his

challenge, companies need organizational flexibility to quickly meet new customer requirements & respond to unpredictable customer demands. The answer to this unpredictable, demanding & ever-challenging business environment is a **“continuous”** or popularly called **“24*7 Innovation”**.

Moving a company to a level of high flexibility requires a shift from “Box” thinking. When people say, you need to get **“out-of-box the box”** to be innovative, they are right, but for the wrong reasons. The box that most people operate in, is focused on activities, computers, people or departments within the company. However, it is through the lines, the **i n t e r c o n n e c t i o n s** and interdependencies between the boxes, that innovation emerges.

Innovative thinking comes from making the connections between the boxes- connection between people and ideas. Focusing on the lines, frees an organization to improve within guidelines of simple structure. And it allows employees to respond to unpredictable demands in real-time at the moment of need.

As innovative business is not the one that installs new computers & on-line solutions and then ignores the people or just trains people on how to operate new technology. Quite the opposite, it has everything to do with people and narrowly connected with technology- except insofar as technology can be used to enable people to do their jobs more efficiently.

Contrary to the hype in today's economy, technology is not the differentiator. Of course, technology is needed, but it is how it is used, that really matters.

The Bottom Line

No business / organization is in a

position today to stop thinking about how to make improvements. The volatility of markets & wider choice that consumers enjoy today makes “Complacency” tantamount to business suicide.

Even if technology is attractive, the organization must provide the required flexibility that people can create new products & offer these to the marketplace. In a changing business, any corrective steps must go beyond the traditional solutions of the past & tackle the key relationships within & outside the business. By freeing up the potential for innovation for innovation, business can evolve in a way that will confront the competition of the 21st century.

So the key for companies trying to compete in today's difficult & volatile environment is creating a **“Culture of Innovation”** where decision-making is pushed to the lowest level in the organization. This then needs to be balanced with a set of simple structure, rules & measures that enable coordination throughout the company.
