



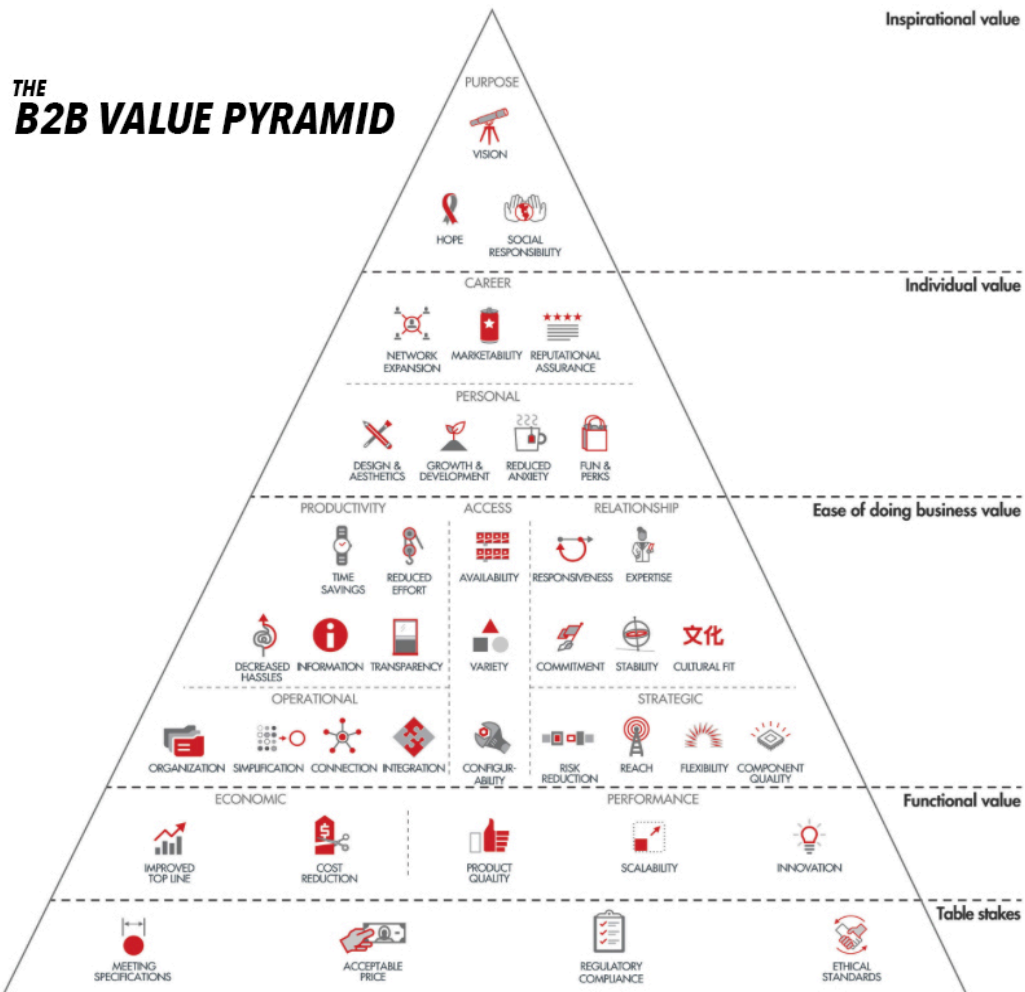
Driving Innovation for Business Success

RFG Perspective: Innovation, the process of translating an idea or invention into a good or service that creates value or for which customers will pay, comes in many flavors. From a business perspective, it can be tied to existing core markets and offerings, adjacent spaces, or be transformational. The bolder the vision, the greater the resistance and inertia to adaptation. Nonetheless, companies need to continually innovate or face the prospect of losing their customers and markets to competition.

Ever since the beginning of the industrial revolution, innovation has driven change and companies have needed to adapt or die. At one point it took decades for new developments to become mainstream but today this occurs in a few short years. The Internet, smartphones, and tablets are just a few examples of new technologies that have become staples almost overnight.

What is Innovation?

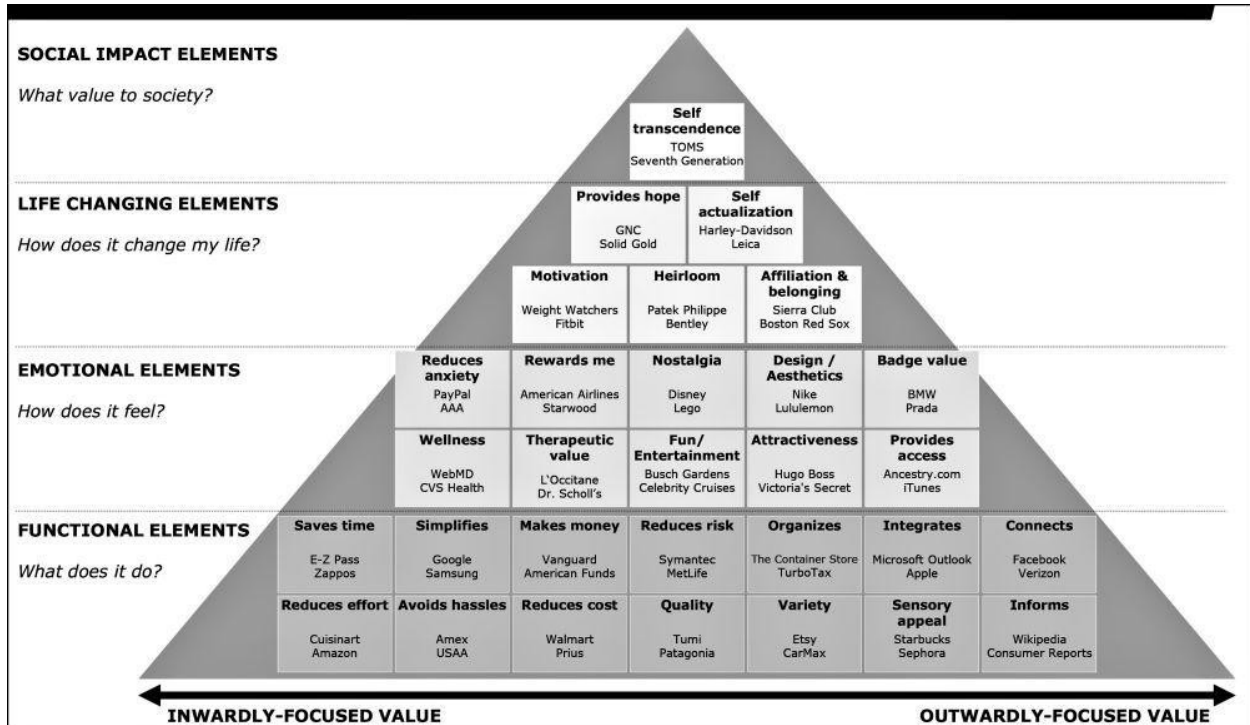
Bain & Company constructed a value pyramid to help define it. (See below.)



© COPYRIGHT 2018 BAIN & COMPANY INC.



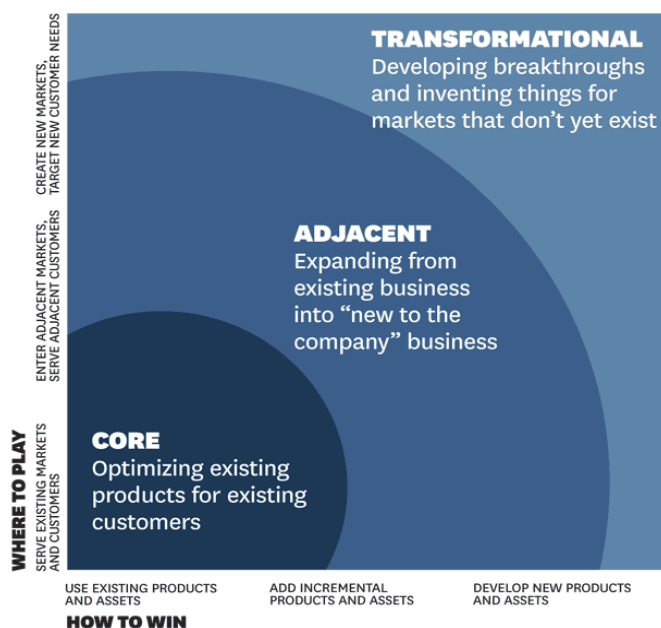
To be successful, innovation must address a number of the elements in their value pyramid in a way that dramatically changes current paradigms. Transformative innovation must improve productivity or performance by more than 20 percent, reduce costs by more than 20 percent, drive significant revenues, create a new market or brand...or a combination. The below chart shows examples of companies that fulfilled elements in each of the value pyramid elements.



Artplusmarketing.com

Another way to think about innovation is to examine it through the lens of type of change vs. markets. Basic innovation, which has limited value, is to enhance current core products for use by existing customers and markets. Whereas, the most transformational change is creating a new offering that offers a breakthrough solution that expands the company into new markets and new customers.

Creating innovative products or services does not mean going entirely outside of one's comfort zone. It does mean stretching the box beyond one's current parameters to find adjacent opportunities. It may also require a rethinking of existing





rules and challenging assumptions. Breaking current paradigms is a requirement if one is going after transformational change.

Additionally, it means thinking about the vision and solution through a business lens, not in terms of the technical speeds and feeds. The vision needs to address the why (business requirements), what (user requirements) and how (system requirements) so that one can communicate a fully conceptualized solution to the different players and stakeholders that will be needed to buy in and fund the project. One needs to have both a strategy for the long term and a tactics for the near term. To quote an IT executive I know, “Strategy without tactics is useless and tactics without strategy is hopeless.”

Additional Findings

According to a [study by Michael Gale](#) 84 percent of companies fail at digital transformation. Digital transformation, which is just another form of innovation, cannot just be a directive. The deliverable has to exceed expectations on core, cost, leadership, risk, and/or time if it is to be adopted once delivered. One should also remember that version one is not the end but the beginning of an OODA loop (observe, orient, decide, act) or a Deming Cycle (plan, do, study, act), which will drive modifications, quality improvements, and new releases.

Unfortunately, in many cases it takes a corporate crisis to create the opportunity for change. That is when many executives are open to new ideas. Since IT executives are usually not in the room when strategies are developed, they will need to step forward and be prepared to provide a business solution that would gain acceptance. History has shown the best way to do this is to meet with multiple members of the group (starting with ones that are known to be more favorable) to gain their buy-in and willingness to support bringing you into the room to present your solution. It is worth noting that buy-in of your vision can be won more easily through masterful storytelling than through presentation of abstract concepts.

Summary

Innovation goes beyond the initial ideas to the full vision defined above if there is going to be any chance of getting project funding. Intrapreneurship is hard and concepts that don't fit today's assumptions or rules must be sold, which means the story must be well communicated in terms that are easy to visualize. It is tough sometimes for others to envision concepts that break the norms and get them to believe that the new approach would actually work. That is why in today's world so many new solutions are created by startups and not born out of enterprise workshops or skunkworks.

RFG POV: Companies need to innovate to survive and thus, executives must encourage employees to suggest changes – from modest improvements to new business models. Valuable ideas can come from anywhere and anyone in the company or supply chain. To encourage this ideation, business and IT executives should create environments and processes that facilitate the flow of new ideas, support projects that have a strong business case, and not punish failures.



Additional relevant research and consulting services are available. Interested readers should contact Client Services to arrange further discussion or interview with Mr. Cal Braunstein, CEO and Executive Director of Research.