

Strategic Innovation Research Project

03

B+I Strategic Innovation Model ***“The Innovation Kite”***

- Presentation of the Model *“The Innovation Kite”*
- WHAT: Defining innovative business
- WHAT: Developing a constant innovation capacity

3.1. Presentation of the Model

At B+I Strategy, we have worked to prepare a **Strategic Innovation Model (“The Kite”)** to help companies to develop a constant innovative capacity, with a series of elements and tools, and processes of change / reflection that must be adapted to each case.

The Model has two main elements that are closely related and complementary:

WHAT: On what innovative business does the company work or does it want to work. What differential value does it offer.

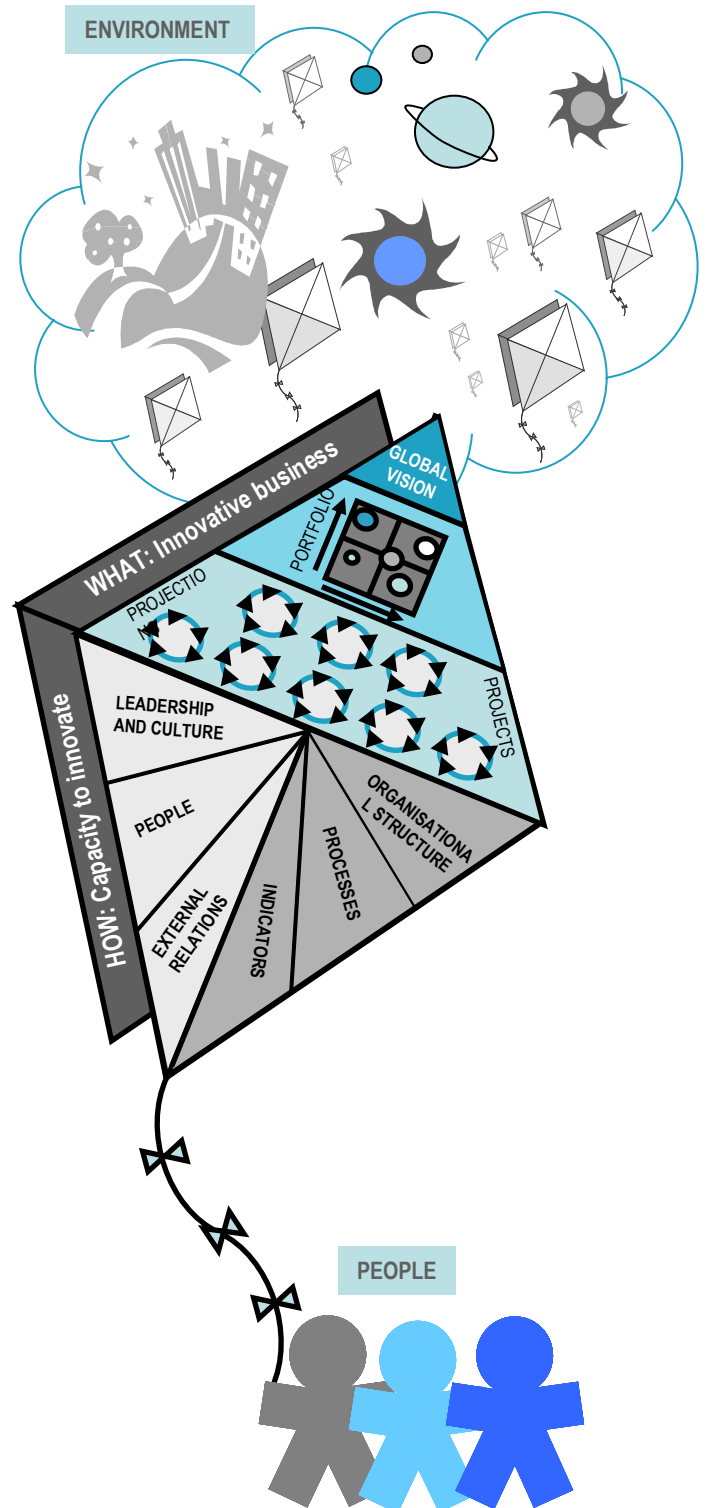
- Part of a **Global vision** of the company that is flexible and dynamic, with the aspirations and strategic axes that guide efforts in innovation.
- It is based on global, dynamic management of the business **portfolio**, experiments and ideas of new innovative business.
- It is based on a series of **innovation projects** under different phases of development.
- It focuses on seeking new business models or substantial amendments of the company value proposals.

HOW: How to develop constant innovation capacity in the company. The aim is to generate the necessary context for the activities of the company (the WHAT) that are really innovative. In that sense, one may work on the following elements for them to favour innovation :

- Leadership and corporate culture
- Managing people
- External relations
- The structure
- The management processes
- Management scales or indicators

Moreover, the Model contains representation of the **ENVIRONMENT** (market, technological, institutional). The actions by the agents in the environment (competitors, customers, providers, governments, research institutes, etc.) condition the innovation activities by the company and provide fundamental collaboration activities. In that sense, the Innovation Model is **dynamic**, as the environment changes and the company innovation strategies and activities also change.

Lastly, one must emphasise the model based on **PEOPLE**, as key protagonists of corporate innovation. People must accept their responsibility with regard to the future and develop an innovative culture and to that end must be supported by a management model that favours their contribution to innovation (training, rewards, recruitment, resources, etc.)



3. “The Innovation Kite” Model

3.2. WHAT: Developing successful innovative business

3.2. WHAT: Developing innovative business

Businesses must continuously make decisions concerning the business in which they wish to operate, or concerning other aspects that will have a major effect in the future on business alternatives they may opt to, as well as the resources they will have to undertake innovative adventures.

Companies that wish to be innovative and successful in launching and operation of differential innovations must work on three levels in parallel:

- **Defining the global vision of the company at strategic level.**

The company management must define the future vision of the company, indicating what business it wishes to be in (products / markets), with what differential elements and with what level of ambition (goals).

Moreover, it must define strategic axes that orient the innovation efforts, the criteria with which the different projects must be evaluated and the resources they intend to assign to achieve those objectives (including resources for innovation).

- **Management of the business portfolio, opportunities and projects at global level**

Taking into account the vision and strategic axes, the company must globally manage the portfolio of present products / business along with the portfolio of ideas or opportunities and the portfolio of ongoing innovation projects. To that end it will select the ideas that deserve to be studied and developed, will continuously evaluate fulfilment of objectives on the ongoing innovation projects, and will take decisions to abandon or invest more resources in the present projects (people and money). To the extent that the company may advance toward the existence of internal idea markets, money and talent, it may manage to involve more people in the corporate innovation process and will support the best projects obtaining the best resources.

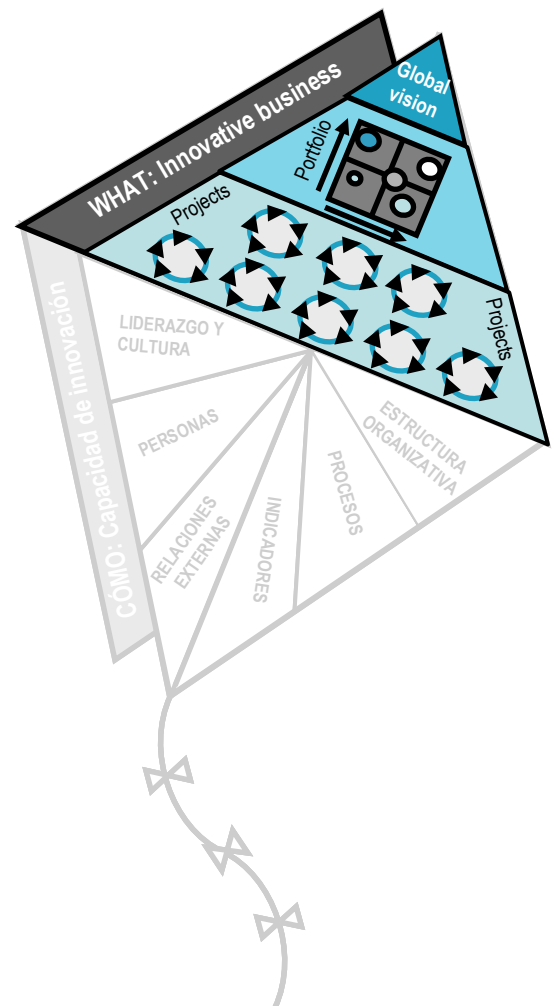
- **Managing individual innovation projects**

Moreover, it is necessary for each one of the innovation projects to be managed throughout its life. It must be supported (with the appropriate resources and recognition) and monitored, it being fundamental to ensure adequate people and external partners participate from the beginning. Likewise, it is convenient to promote low risk experimentation, in order to maximise learning over the project and to redefine the elements of the business according to that learning.

The preceding three levels are not static, but rather, are influenced and changed in parallel. Thus the global vision of the company will be much richer to the extent that the company has multiple innovation projects under way, in which it will experiment and learn from the market, and from the ideal nature of the vision previously defined. Thus, according to the results of the projects, the vision will be reviewed and enriched, and according to that new vision, the management criteria of the global portfolio will be changed and new research projects identified and implemented.

WHAT Developing Innovative Businesses

- **Global vision** : differential strategic axes
- **Portfolio management**: selection / rejection, providing resources, supporting, internal idea markets, capital and talent.
- **Specific projects**: ideas, experiments, business



Tools to define Innovative Businesses

The majority of organisations have very few people able to think in general and also specifically about new corporate concepts, or who glimpse radical adjustments to the existing business models. Due to this, great ideas are often not born – someone has a fragment of an idea, but does not know how to build a complete corporate model around it.

In order to help companies to define innovative strategies or to develop new corporate concepts with the maximum guarantees of success on the market, both to work with the global vision of the company at strategic level, as well as to work on the different innovation projects, especially in the initial phases of designing new business, products or services. Among the multiple tools defined, we propose the following ones, although each company must select the ones that are most useful or familiar to it and adapt them to its needs:

- **Elements of a corporate concept**, by Hamel: This describes four main components that form a good corporate concept and provides questions for reflection in the search for possible differential elements. It also provides a series of benefit factors and inducers that may favour exploitation of the concept on the market with greater efficiency and speed.
- **Value curve**, by Kim & Mauborgne: This is the central diagnosis and action scheme for the blue ocean. It shows the components of the value offer and proposes reflection on what factors must be reduced, eliminated, raised or created to achieve more creation of a new market, that provides more value at lower cost.
- **“Outcomes” the customer wishes**, by Ulwick: This proposes a scheme to reflect on the work or tasks the customers deal with when they use a product or service, the results they try to achieve and the limitations or difficulties they find. The aim is to obtain critical input for the innovation process.
- **“Building Customer Franchise”** by Wilton: The aim is for the company to become the only alternative the customer considers when making a buying decision, exceeding the expectations of the best imaginable for the customer.
- **Diffusion of innovations**, by Rogers: There are a series of elements that favour swift diffusion and adoption of new products or services, and they must be taken into consideration both in the design phases as well as in those of market launching.
- **Innovation at the Base of the Pyramid**, by Prahalad: After an analysis of multiple experiences of success, he describes the necessary focus to innovate in products and services for the poorest, in a very profitable manner, generating innovations that may be transferred to other markets and developed countries.
- **Joint creation of value with the customer**, by Prahalad: He provides an approach to deal with the continual effort by the consumer and company – the extensive network of the company and of consumer communities – to create value together through customised experiences, which unique for each individual consumer.

WHAT

Developing Innovative Businesses

Main tools to define Innovative Businesses

Tools:

- Corporate concept elements (Hamel)
- Value curve (Kim & Mauborgne)
- “Outcomes” the customer wants (Ulwick)
- “Building Customer franchise” (Wilton)
- Diffusion of innovations (Rogers)
- Innovation at the base of the pyramid (Prahalad)
- Joint creation of value with the customer (Prahalad)

“We do not make innovative strategies, but rather, we modify our value proposals and these are clearly differentiated from those of new competitors.”. Steve Jobs. President of Apple.

3.3. HOW: Generate innovation capacity

Companies that have not made efforts at innovation in the past and have concentrated on focus strategies for their products and services in recent years, and on quality and cost reduction strategies, cannot become innovative companies overnight.

Thus, there are different levels of innovation management maturity. Normally companies begin with innovation as a functional responsibility (R&D as a stand-alone cost centre, where the technical perspective prevails). Later, innovation is conceived as a project by project management process, evaluating its contribution to the profit and focussed on internal customers. Finally, companies adopt innovation as a system, with an integral direction, an established system and a strong innovation culture throughout the whole organisation.

In order to be good at WHAT, to successfully define and execute innovative strategies and business, companies must develop a series of elements or skills within the organisation. Specifically, we emphasise six elements:

- **Leadership and culture:** What does the management say and do to create an environment leading to business innovation (support, motivation, example, messages, spirit ...)
- **People:** How that organisation equipped with personnel for innovation (people with knowledge, creative, motivated and diverse), how incentives are created, how the contributions to innovation are recognised, how the risk is managed, etc.
- **External relations:** with what external partners (customers, providers, institutions, other companies, etc.) are there relations (formal and informal), as a source of innovation, and how are the value connections managed.
- **Structure:** Where is the innovation activity located, how is it organised and how does it receive support or how are the business units fed.
- **Processes:** How are innovation opportunities generated, developed and evaluated. How are they implemented in the core business and how is the innovation organisation linked to the core business (how is innovation supported by the operating processes: personnel, production, marketing, purchases, etc.).
- **Indicators:** How the investments, progress and results of the innovation efforts are evaluated and how important innovation indicators are compared with other business or budget indicators.

In order to expedite corporate progress in radical innovation, it is necessary to work on all the previous elements in parallel and to adapt them to each company, as there is not a sole focus for innovation, as we have seen on speaking of the different styles and models adopted by innovative companies.

HOW Generating innovation capacity

- **Leadership and culture**
- **People:** skilled (knowledgeable and creative), motivated and diverse
- **External relations**
- **Structure**
- **Processes**
- **Scales**

