

Strategic Innovation Research Project

06

Project conclusions

Conclusions of the project

Throughout the research project into Strategic Innovation, the professionals at B+I Strategy have had the opportunity to learn a lot and from many sources: from reading the main reference experts in matters of strategy and innovation, from the training sessions we have attended, from analysis of surveying companies, from valuable remarks by members of the Contrast Group, etc. However, above all, **most of what we have learned in the field of strategic innovation is due to our relation with many innovative companies** with which we have been fortunate to work throughout our professional experience and, specifically, with the four innovative companies presented in the preceding section. One of the main conclusions of the project is **the importance of people in innovation**. This sounds like a topic and it seems that nobody doubts that people are important, but at the most innovative companies, we may emphasise the existence of **leaders who are totally convinced of the need to continuously innovate** and who spend a fair amount of their time on innovation. Moreover, those leaders have **enormous confidence in the people** they work with and their capacity to innovate, giving them responsibility, resources and motivating challenges, generating highly productive tasks by **focussed teams** and developing organisation and management **structures and processes that favour people being able to contribute their ideas and skills to innovation**.

However, when speaking of the importance of people, we not only think of people inside the company, but people in other companies and organisations who are also vitally important for innovation (at customers, providers, technological centres, etc.) with which they are related, as **innovative companies increasingly use their external relations** and reach agreements, alliances or joint-ventures that allow them to carry out their business and innovative projects.

Another fundamental conclusion of the project is that **successful innovative companies have a strategic vision of innovation**, and do not reduce it exclusively to the field of technology, of launching new products or Marketing. Due to this, they try new strategies and business models that usually involve **innovation in several fields at the same time** (in the position of the value chain, in technology, in the customers / markets they serve, in conception of the service, in the channels, in the brands, in the way revenue is obtained, etc.), that amount to different value proposals to those of competitors and which are better for the customers.

In general terms, innovative companies are more successful in their bids because they make an effort to **visualise the future and** spend time thinking how they may evolve their customers' needs, relations in the value chain, etc., and how they may act and influence that future, **making decisions with agility**, sometimes with risk (although "there is no greater risk than not running risks"), and without excessive fear of failure.

However, in addition to making correct decisions concerning innovation (in most cases), with agility (without waiting to obtain all the information that never arrives), innovative companies know they must match those decisions to **brilliant execution**, assigning sufficient resources to be successful, reviewing the concept of innovation according to the market response, taking the necessary organisational measures, on occasions creating new divisions or companies so innovation may have sufficient impulse and autonomy, etc.

We would also like to conclude that innovative companies are characterised by major **adaptation capacity and a constant search for opportunities**. In general, with the perspective of several years elapsed, one may see how their evolution goes through **different phases in which, although they never lose their innovative vocation from sight, the corporate emphasis varies**. Thus, they alternate stages in which the greatest concern is to develop business, products or novel proposals that are radically better than those that exist on the market, with others where the emphasis lies on growing and expanding toward a larger number of customers and toward new markets, acquiring a certain critical mass and taking advantage of the opportunity to grow, due to major acceptance of their innovation on the market. They also experience other stages in which concern to improve efficiency and optimise organisation prevails, seeking synergies and certain common standards, and other stages in which they seek efficiency of a network of allies or the value chain. The skills to develop the different stages vary, requiring major adaptation capacity and in many occasions, equipping themselves with the necessary capacities (for example, with people to provide knowledge in financial operations for expansion, etc.).

6. Conclusions of the project

Based on our experience of working with many more or less innovative companies, and based on the knowledge we have acquired throughout this project concerning the innovation capacity of the Spanish companies, we may conclude the following:

Why innovate

The majority of companies are aware of the need to innovate ...

- For the majority of executives, increasing innovation capacity lies among their strategic priorities, although, in many cases, cost reduction is considered a more important objective than innovation.

... however, they do not see the need for breakthrough innovation, or it seems beyond their possibilities

- On speaking of innovation, few companies aim to perform breakthrough innovations that break the rules of the game in the sector. The majority apply effort to innovation to following the leaders in the sector.
- Many companies think they are not large enough to make radical innovations, or think their sector is mature and that there is no room for major innovations.

What to innovate

Most companies perform incremental innovations and not pioneering ones, with a partial vision ...

- Many companies perform improvements of products and services they already have, or launch new versions or extensions of their present offer, on many occasions following the movements of other competitors.
- Moreover, many executives have a partial vision of innovation and only think how to technologically innovate or bring out products with new features.

... but they should also seek innovations in all fields and increase the number of bets

- Innovation efforts must start with a global strategic vision, that must continually be reviewed, and with a vocation to be different, not only to copy, seeking markets where there is little competition, and to exploit these.
- In general, companies should increase the bids, having a project portfolio including radical and incremental innovations, those with a greater and lesser impact on the organisation and with diversified risk.
- In addition to technological or product innovation, one should consider innovation holistically in the services, in the channels, in the revenue obtention logic, in the value chain, etc., always seeking greater, differential value for the customer.

How to innovate

At most companies, innovation is not managed or is left to the R&D or Marketing department ...

- In general, few people participate in innovation at the companies, and it is frequently left to the R&D or Marketing teams, who are isolated from the rest of the company and do not have clear strategic objectives.

... but they should assign more resources, focus the efforts and turn innovation into a basic skill

- The leaders must be the main preachers of innovation, becoming involved in explaining the strategies and in supporting and providing the necessary resources. People play a key role and must be motivated and skilled to be able to contribute their ideas and knowledge to innovation.
- To that end, it is necessary to work in all the areas of the company for innovation to be managed and to become a basic capacity of the company: in the style of leadership and culture, in managing people, in management of external relations, in the organisational structure, in the management processes and monitoring systems.

The following are some of the basic recommendations for companies who wish to progress on the path of innovation, with a selection of quotes we have gathered throughout the project and which we consider a very good reflection of the tasks and difficulties, challenges and passions involved in innovation. These are summarised by five actions:

5 actions to be an innovator

1. Believe in people
2. Think of the future
3. Aim high
4. Be agile
5. Strongly desire and enjoy it

1. Believe in people

- Because people are the real protagonists of innovation, those who generate new ideas, and whether or not the new ideas are successful depends on them.
- Attract excellent people and develop good teams.
- Motivate people with new challenges and an interesting project for the future.
- Train your employees in the company strategic, concerning the need to innovate and what that means in their work.
- Give them focus, time and resources to think about the future and carry out the projects.
- Recognise their worth and contributions.
- Involve the largest possible number of people in innovation, and seek diversity of opinions, ages, origins, experiences, etc.

In order to be leaders in innovation and creativity, all our employees must have the capacity to innovate and due to that company owners and managers must be able to create the appropriate environment for ideas to flow continuously. We need to be able to communicate, to co-operate, to have a passion for the corporate project, we must enjoy working. *JM Pujol, Ficos*

Nothing is as contagious as enthusiasm. *Samuel Taylor Coleridge*

People want to be part of something larger than themselves. They want to be part of something they are really proud of, something to fight and sacrifice themselves for, something to trust in. *Howard Schultz, Starbucks*

People generally like to think about the future and they do it very well if you give them the necessary time and resources. *M. Urizarbarrena, Panda Software*

“First Who Then What” because “The best people attract better people and in the end that produces the best ideas”. *Prof. Oliver, IESE*

Within a few years, the notion that “ordinary” employees are a well of innovation will be no more extraordinary than supposing that everybody is responsible for quality. *G. Hamel*

2. Think of the future (be alert and seek opportunities)

- Spend time thinking about the future. Establish the necessary mechanisms so day to day routine does not take up all the executives' time and to avoid pressure to obtain short term results conditioning decision making.
- Learn to be non conventional and to be a novelty addict. To do so, you must seek discontinuities and trends that have been passed over, trying to guess the chain of consequences of the different changes. It is also convenient to go from the analytical to the experimental plane, so you live and feel the changes, and to establish new conversations with the protagonists.
- Network to think about the future, with diverse people in your own company and with people outside your company, from other external organisations.
- Prioritise the efforts and focus on what elements in the future you wish to work on, what objectives you aim to achieve and how that fits in with the company strategy.
- Leave space for opportunistic management, leaving it open to quickly take advantage of some opportunities that might arise, although they may not be among the objectives.

People often do not know what they want until you show it to them. *Steve Jobs, Apple.*

Inspiration not coming does not depend on me. All I can do is make sure I am working when it arrives. *Picasso*

No problem comes without a gift in its hands. You look for problems because you need their gifts. *Richard Bach*

Precisely the moments of greatest crisis are when someone gives up and, if you are brave, that is the moment for you to go for it. *Gabriel Barceló, Grupo Barceló*

"We have a saying: fight against the inertia of doing things like in the past, fight to continually change, because if you do not, you will be thrown out of the market". *Andrés Arizcorreta, CAF*

It is not the strongest species that survives, nor the most intelligent, but rather the one that best adapts to change. *Charles Darwin*

I attribute the skill to maintain the success of Intel to the company's ability to be constantly on the lookout for threats, both technological as well as competitive. The word paranoia would be the most adequate to describe this attitude. It is an attitude that constantly looks over the horizon, seeking those threats that might get between us and success. *Andy Grove, President of Intel*

Nobody jumps into the abyss with two leaps. *Chinese proverb*

We are already working on difficult. Impossible will take a bit longer. *Russel*

Wikinomics: How massive collaboration changes everything: *Tapscott & Williams*

Each company must become an opportunity seeking missile, the tracking system of which is based on what is possible, not on what has already been achieved. *G. Hamel*

Paradoxes usually show the way to great conceptual leaps. *Javier Sampedro*

The winners during the gold rush were not those who went looking for gold, but those who sold them the spades. *H.G. Bruster*

Market studies help you, but consumer habits are learned in the street. *José García Carrión – Founder of Don Simón*

3. Aim high

- Consider ambitious objectives, “not reasonable ones for your competitors”, as your aspirations set the upper limit on what is possible.
- Consider motivating objectives, so every employee feels he is contributing to something that will make a real, positive difference on the lives of customers and colleagues.

The size of your success is determined by the size of your faith. Think of minor objectives and expect small achievements. Think of great objectives and achieve large successes. *D. Schwartz*

Innovation distinguishes the leader from whoever follows. *Steve Jobs*

“The best way to predict the future is to invent it”. *George Pake, Xerox*

If you cannot be the first in a category, create a new one where you can be. *Ries & Trout*

“Always dream with your feet on the ground”. A company can never be fully satisfied because it has challenge after challenge”. *JM Pujol, Ficosa*

It is almost better to look for where there are no market segments. Thus, companies that have that inertia, that problem of cannibalisation, are kept out of your way for a time and provide you the opportunity to grow enough to create a brand and begin a network effect. Then, it is very difficult for them to get out of the way. *Bill Gross*

“Me too ” = “I’m dead”
They say “Better”. I say “Different”
They say “Improve ”. I say “Re-imagine”
“Always excellent”. *Tom Peters*

4. Be agile (experiment and network)

- Make customers participate and be quick in taking new ideas to market. The only way to resolve the inevitable uncertainty over new opportunities is to offer something real to customers or consumers and to see if it provides them value.
- Be quick in eliminating ideas that do not work.
- The goal is to maximise the learning per investment ratio. The greater the initial uncertainty there is over what customers will buy, what product configuration is best, what price scheme will work and what distribution channels will be most effective, the greater the number of experiments that must be carried out.
- Distinguish between project risk and portfolio risk. To discover a new, surprising opportunity, all companies must create an experiments portfolio.
- Try to benefit from network effects (creating a customer network that, as it grows, makes it more difficult for possible competitors to create equivalent networks) and from the positive effects of user feedback (improving your products and services faster than your competitors).

Make mistakes, but do it quickly. *Watson (Former President of IBM)*

You lose 100% of the shots you do not fire. *Wayne Gretzky*

Nowadays, many resources that are vital for the success of a company are beyond its direct control. Design and management of value connections may be major sources of innovation in corporate concepts. *G. Hamel*

To remain where you are, you have to run as fast as you can ... and if you want to go somewhere else, you must run, at least twice as fast. *Lewis Carroll, Alice in Wonderland)*

For us, success does not lie in size, but rather in agility, speed, creativity and in understanding that being the best means knowing how to understand the needs of our employees, customers, community and shareholders to an equal extent . *(Ficosa vision)*

If you seek different results, you do not always do the same. *Einstein*

In a year’s time, you will wish you had started today. *Karen Lamb*

Of course we make mistakes. Most of them were omissions we did not think about when we initially developed the software. We fix them over and over again. Now we do the same. While our competitors are still trying to come up with the perfect design, we are already on prototype version no. 5. When our rivals are ready with cables and bolts, we are on version number 10. Everything boils down to reducing planning vs acting: we act from day one; others plan how to plan for months. *Bloomberg by Bloomberg*

5. Strongly desire it and enjoy yourself

- Be prepared to overcome barriers and resistance to change.
- Be the first defender of the need to innovate and fight to carry out the new projects (except if you find incorrigible defects in their conception).
- Celebrate success with joy and praise the lessons learned from failures.
- Enjoy the creative facet of innovation, and share enthusiasm to create new things with greater value for customers and for society at large.

There is a driving force that is more powerful than steam, electricity and atomic energy: willpower. *Einstein*

All great truths began as blasphemies. *George B. Shaw*

Never think of me as a businessman. I was interested in creating things I could be proud of. *Richard Branson*

My starting point is that to want is to be able. You have to set the challenge and work toward it. What is important is to work on something you enjoy and what must not be important is fear of failure. *Mikel Urizarbarrena, Panda Software*

Nothing more difficult to undertake, nor more dangerous to drive than taking the initiative in introducing a new order of things, because innovation stumbles over the hostility of all those who the previous situation smiled upon and it only finds lukewarm defenders in those who hope to benefit from the new one. *Machiavelli*

... why “Experts” are not always right.

“We do not believe his reputation will last”. *The Saturday Review on Charles Dickens, 1858.*

“Just a toy”. *Alexander Graham Bell's father in law, 1876.*

“This telephone has too many defects to be seriously considered as a means of communication. The device has no intrinsic value for us”. *Western Union, rejecting the telephone, 1876.*

“When the Paris Exhibition closes, electric light will be switched off and no more will ever be heard of it”. *Erasmus Williams, professor at Oxford University, 1878.*

“I am sorry Mr Kipling, but you simply do not know how to use the English language”. *Publisher of the San Francisco Examiner, rejecting Rudyard Kipling's work, 1889.*

“Everything that could be invented already has been”. *Charles H. Duell, Patent Commissioner, 1899.*

“That the automobile has practically reached the limit of its develop is proven by the fact that no radical improvements have been introduced during the last year”. *Scientific American, 1909.*

“There is no reason for anyone to have a computer in his house.” *Ken Olson, President, Digital Equipment Corp – 1977*

“The problem with television is that people have to sit and stare at the screen. The average American family has no time for that”. *New York Times, 1939.*

“I believe there is a worldwide market for approximately 5 computers”. *Thomas J. Watson, Chairman,, IBM, 1943.*

“You're not going anywhere son. You should go back to driving a truck”. *Manager of the Grand Old Opry, firing Elvis Presley after a performance, 1954.*

“We do not like the sound. Guitars are out of fashion.” *Decca Records executive Dick Rowe, rejecting the Beatles, 1962*

“With more than 50 foreign cars already on sale here, the Japanese automobile industry cannot forcefully enter the American market.” *Business Week, 1968*

“In these times, no woman will become Prime Minister.” *Margaret Thatcher, 1969*

“640K should be enough for the whole world.” *Microsoft Chairman Bill Gates, 1981*

“How can you make business out of a search engine?” *Guy Kawasaki rejecting the Management of Yahoo!, 1996*