

Dealing With Darwin - How Great Companies Innovate at Every Phase of Their Evolution.

Introduction:

In just the same way as a Darwinian battle for the survival of the fittest occurs in the natural world, a similar kind of phenomena often arises within the marketplace. To survive and prosper, companies need to keep innovating all the time to retain a competitive advantage. The following information lends insight into the different phases of evolution and how businesses can innovate throughout the business cycle to not only survive, but thrive.

1. Managing innovation in growth, mature and declining markets

To be innovative doesn't always mean to come up with a new breakthrough product. In reality, there are fifteen distinct innovation strategies, each of which can be useful at different times depending on the evolution of the marketplace as a whole and each of which comes to the fore at a different stage of industry evolution. No one of these strategies guarantees success but you need to be aware of the range of possibilities. Instead, success demands that your organization choose one of these strategies to excel at so you can in the process leave all the competition behind.

Zone: Product Leadership, Growth Market

Disruptive Innovation Strategy

This is what most people think of when they visualize innovation. It means to create a new offering which is incompatible with existing products and therefore results in the creation of an entirely new and original market category. This is a high risk activity because a lot of things can go wrong. It makes sense to target disruptive innovations at very large potential markets so as to generate sufficient returns to make the risks tenable.

Application Innovation Strategy

This type of innovation develops new markets for existing products by finding novel or previously unexploited uses for them. An example would be the adaptation of the Apple Macintosh to desktop publishing. Application innovation works backwards – you identify a niche market and then develop a product which will fit that need.

Product Innovation Strategy

Product innovation is all about building a better mousetrap. You're trying to get to market first with an offering which packs in more features than existing products. Product innovation centers on giving the consumer more value, or in other words, more bang for their buck.

Platform Innovation Strategy

Platform innovation involves positioning an existing or a new product in such a way the entire industry can move forward. The emergence of a new platform can rejuvenate a stagnating industry. There are really only two ways to achieve platform innovation:
Ship so much free product yours becomes enshrined as the de facto industry standard
Provide a complete proprietary solution to a pressing customer need right from the outset

When you're innovating in a growth market, you have to focus on just one of these four growth strategies. If you try and follow more than one of these strategies at once, things just won't work well.

In mature markets, there are only two ways to grow your business. Either you make your offerings more attractive to your customers or you find ways to make your business run more efficiently.

Zone: Operational excellence, mature market

Value Engineering Innovation Strategy

In essence this means finding cheaper ways to build your product with the same quality and features. Typically it involves substituting expensive components with low-cost standardized items which use economies of scale to good effect. Value engineering often involves outsourcing and specialization.

Integration Innovation Strategy

Pure and simple this type of innovation means to take a number of disparate or complex elements and integrate them into a single system which can be more readily managed. In practical terms, integration provides a management layer which will take care of all the details while keeping things consistent within the system as a whole.

Process Innovation Strategy

Process innovation is all about improving profit margins by extracting waste from all the enabling processes which create, deliver and support a product or service. The goal here is to remove any steps which don't add value. This means going beyond what everyone else in your industry is doing to become more efficient so you create a competitive advantage competitors are unable or unwilling to match.

Value Migration Innovation Strategy

Over a period of time, many products become commodities. As this happens, the scarcest and most valuable element in the value chain migrates from one part of the chain to another. Typically, in the early days, systems integrators and technology providers earn the greatest rewards but as more and more intelligence becomes embedded within the products, marketing expertise and customization takes precedence. Eventually, cost-reduction enablers, service firms and outsourcers do well.

Note value migration innovations will mean there will be a significant reallocation of power between the various parts of your enterprise. That can create some rather intense internal resistance at times. In a mature market, you either try to make your business work more efficiently or you develop ways to get closer to your customers.

Zone: Customer intimacy, mature market

Line Extensions Innovation Strategy

Line extensions means to make structural modifications to an established product in order to create a new and distinctive niche or subcategory product. The goal in doing this is either to reengage existing customers more compellingly or to appeal to an entirely new customer base by offering a more personalized product or service, thus expanding market share.

Enhancements Innovation Strategy

Whereas line extensions were about bringing in new customers, enhancements focus on earning more from existing customers – either by increasing their loyalty or by upgrading them to premium offerings. You can differentiate yourself from your competitors by incorporating distinctive add-ons into your product or service.

Marketing Innovation Strategy

Sometimes it is possible to make your current offering more competitive by varying some of the elements in the marketing mix. For example, sporting goods manufacturers do

this all the time when they bring out a line of products which are endorsed by a charismatic sports star. The overall goal is to try and outsell competitors rather than developing products that are demonstrably better.

Experiential Innovation Strategy

This is the ultimate in customer intimacy. With experiential innovations, you are attempting to differentiate on the basis of the experience provided by what you offer rather than functionality alone. This requires that you focus on the time interval your customers actually spend in direct contact with you and find ways to enhance the quality of that time. To come up with experiential innovations, you need to look closely at the customer experience and mount a tightly focused campaign to proactively reshape that experience.

Zone: Category renewal, declining market

Sooner or later, all markets enter into a decline. The market as a whole will still be a valuable asset worth targeting and harvesting, but you will need to keep an eye out for an effective exit strategy. You'll also need to be very judicious in the amount of resources you pour into the market because it will be clear better returns can be generated by investing in other growth markets just at the start of their trajectories.

Organic Innovation Strategy

Organic evolution means the company uses its resources to position itself advantageously in a growth category which is just about to take off. In simple terms, this may involve reconnecting with customers, identifying new problems to solve for them, developing a innovative new product or service which will meet those needs and then realigning the enterprise behind this new offering.

Structural Innovation Strategy

Sometimes a market declines faster than anticipated and before R&D can get up to speed on the needs of the next growth market to migrate to. When that happens, it makes sense to do something noteworthy from a structural point of view, either by making an acquisition to move into the new market or alternatively by allowing your firm to be acquired by someone else.

Harvest-and-Exit Strategy

No markets live forever. If it becomes clear neither organic innovations nor structural innovations are working, then it makes sense for a firm to exit the marketplace. This may be achieved in the form of a leveraged-buyout or through a number of other mechanisms. There may be fifteen different types of innovation to choose from, but attempting to do all at once simply won't work. Instead, a seven point plan should be followed
Get everyone in the organization involved by communicating the options available to your business.

Analyze your current portfolio from the product category life cycle perspective and look at all the factors involved.

Analyze the dynamics of your chosen product category

Come up with a short list of innovation types to consider

Develop some attractive options

Select your organization's prime innovation vector

Engage the entire organization

In essence, the organization should be moving towards one key objective. Choose one specific innovation strategy and become so good at it that you create definitive separation from all your competitors over a prolonged and sustained period of time.

Reference:

Book:

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How Great Companies Innovate at Every Phase of Their Evolution

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Schooley Mitchell Telecom Consultants are recognized as one of North Americas leading authorities in Telecommunications.