

## Making Innovation work for your company

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Several companies have invested significant resources in innovation related programs with very poor outcomes. This has made such companies walk away from further investment into innovation. It is important that they realize “doing the right things” has to be matched by “doing them right”. While innovation is the right thing to be pursued by any company it is important that they align their innovation related programs for realizing harmonious and stellar outcomes. Getting the Innovation Culture right, pursuing the innovation programs to realize the mission and vision of the company, engineering the Innovation DNA required to generate successful innovation outcomes and monitoring and managing Innovation Efficiencies are some of the aspects of “doing things right.”

### Innovation Culture

Several companies have rushed into innovation projects without attempting to institutionalize an innovation culture. Any culture is often defined by shared vision and values by its community. The components of innovation culture include policies, programs, management and the Innovation DNA.

### Key Innovation related factors

There are six key factors that any company should be clear about before they set out on their innovation journey and these are - Innovation Strategy, Innovation type, Value discipline, Innovation Leadership Style, Growth Strategy and Innovation Focus.

**Innovation Strategy** is a plan that a company can use for creating innovations. There are three popular types of innovation strategy – Market reader, Need seeker and Technology Driver. These are defined below.

Innovation Strategy Type	Objective
Market Reader	Create products customized to local markets and geographies
Need Seeker	Consult external sources to create need based innovations
Technology Driver	Use technology innovations to develop low cost innovations

All three of the above out together aim to deliver superior performance and quality

A company can define a portfolio of innovations wherein different innovation efforts can deploy any of the four innovation strategies.

**Innovation Leadership Style:** This is the emphasis that a company places when creating innovations. There are four possible leadership styles for a company to choose from. These are listed in the table below. A company can choose different leadership styles for different innovation projects. For example a new product or service will use growth orientation whereas service innovations that have short lifespan will choose agile leadership. A company’s offering that is in a sunset stage may focus on profit maximization whereas a company focused on lowering its business costs could choose to adopt Asset Utilization approach

Innovation Leadership Style	Key Principle
Agile	Always ready to respond to changes in market
Asset Utilization	No new purchases until all assets are fully utilized
Growth Orientation	Delegated decision making in order to increase revenues
Profit Maximization	Increasing profits is the main management goal and innovations to achieve this goal

**Value Discipline:** This defines what is considered to be important in developing and delivering innovations. There are four value disciplines as shown in the table below. A contract manufacturing company might focus on operational excellence as the value discipline whereas a fast moving consumer goods company may choose customer intimacy as its value discipline.

Value Discipline	Characteristics
Customer Intimacy	Focus on life time value of customers
Operational Excellence	Standardization of operating procedures
Product / Service Leadership	Emphasize on constant innovation
Sustainability	Focus on environmental and reusability considerations

**Innovation Types:** There are four basic types of innovation, as given by the table below. A company with low risk appetite might choose use process and incremental innovations whereas startups, in general pursue disruptive innovations to upstage the industry leaders. Some companies may choose modify or replace their business models in order to deliver superior value to their customers.

Innovation Type	Main focus
Business Model	New ways of delivering value and making profits
Disruptive	Birth of new generation of products and services
Process	Improving quality and efficiency
Sustaining / incremental	Incremental improvements in cost, quality or function

**Growth Strategy:** Companies have four options for designing their growth strategies. They could enhance the functionality of their current offerings, or add new offerings to expand their product portfolio. Sometimes companies choose to extend their product offerings by entering a new line of business. Exit can be used as a growth strategy by redirecting resources used for maintaining an offering in a sunset industry to innovations that are in an evolving market.

Growth Strategy	Description
Enhance	Add functionality or features to current offerings
Exit	Drop an existing business or market – redirect
Expand	Add new offerings / enter new geographic markets
Extend	Enter a new line of business / add new business models

**Innovation Focus:** Companies can create innovations to improve the performance, safety and security of their customers or they could focus on creating innovations that meet the emotional needs of their customers. Generally speaking enterprises would be keen to purchase innovations that improve their own performance whereas consumers are more likely to look for innovations that satisfy their emotional needs. Safety and security will be of interest to both enterprises and consumers albeit at different levels of granularity.

Innovation Focus	Description
Performance	Innovations that deliver significantly higher performance
Emotion	Innovations that meet the emotional requirements of consumers
Security	Innovations that improves the security of an individual or enterprise
Safety	Innovations that improves the safety of an individual or enterprise

### **Innovation DNA and Business Transformation**

A company's Innovation DNA is made up of six elements – three internal and three external. The three internal elements are the business organization, business goal and business strategy. The three external elements are market maturity, technology innovation deployed and the type of customer.

Business organization refers to decision making behavior and archetypes in a company. Business goal refers to whether a company is focused on topline growth or bottom line health. Business strategy refers to whether a company prefers to be a pioneer or a fast follower with regard to innovation opportunities. Markets can be either well developed or in early stage without a market leader. Customers can be either consumers or enterprises. Technologies used could be disruptive in nature or mature / incremental improvements.

Given three internal and three external factors, there can be sixty four innovation DNAs. The sixty four innovation DNAs or Innograms are discussed in detail in the Kindle ebook titled I Ching of Innovation [1]. The first step for any company is to clearly understand its current Innovation DNA.

Each Innovation DNA defines and to some extent constrains the type of innovation, leadership style and value discipline that can be pursued by a company. It also defines innovation strategy, growth strategy and Innovation focus. It is futile for a company to create innovations that are not aligned with its Innovation DNA. Such attempts are likely to result in wasted resources with no significant impact on a company's top and bottom lines. The following tables present an Innovation DNA and the corresponding six factors.

<b>Innovation DNA 1</b>	
<b>Business Goal</b>	Increase profits through increasing revenue
<b>Business organization</b>	Hierarchical Management
<b>Business Strategy</b>	Fast Follower
<b>Type of Technology</b>	Disruptive
<b>Type of Markets</b>	Well Developed
<b>Type of Customers</b>	Enterprises

<b>Six factors defined by Innovation DNA 1</b>	
<b>Innovation Strategy</b>	Market Reader
<b>Innovation Type</b>	Business Model Innovation
<b>Value Discipline</b>	Operational Excellence
<b>Leadership Principle</b>	Growth
<b>Growth Strategy</b>	Extend
<b>Innovation Focus</b>	Performance

Every company ought to critically assess whether its current Innovation DNA will help achieve its vision. If a company feels the need to change its Innovation DNA it then ought to examine which of the remaining sixty three Innovation DNA best suited for achieving its vision. Once the target Innovation DNA is clearly identified a company can take the steps to transform itself from its current state to the desired state.

A company can have teams that each work with a different Innovation DNA although that company might still have an overarching Innovation DNA.

### **Mission, Vision, Values and Innovation DNA**

It is critical for every company to reexamine their mission and vision statements periodically to ensure that they are relevant with respect to progresses in technology and markets. Once their mission and vision statements are reviewed and revised, it is very important for companies to choose the right Innovation DNA that can help them achieve their vision. That company should align its core values to the chosen Innovation DNA.

The goals of a company should be derived from its desired vision. Each of the goals ought to be decomposed into sets of SMART (Specific, Measurable, Achievable, Relevant and Time defined) *Objectives*. These SMART *Objectives* should be the basis for defining the innovation policies, programmes, portfolios and projects of the company. SMART *Objectives* of

a company should be aligned with its Innovation DNA. For example if a company's Innovation DNA suggests a business model innovation then all *Objectives* should be driven by business model innovations.

The SMART Objectives of different parts of a company may require different facets of Innovation. For example, an *Objective* to create next generation products will demand a disruptive innovation, while a second *Objective* to expand a company's current product line will require an adjacent innovation, whereas a third *Objective* such as Offline to Online sales will require a business model innovation, Pursuing a disruptive innovation is the riskiest. It is important to assess whether the elements required to create a disruptive innovation are available and aligned. The Kindle eBook on Discovering Disruptions [2] describes a methodology that can be used to ensure that a disruptive innovation project is ready to take off. The Kindle eBook titled Adjacent Innovation Methods [3] describes how to go about identifying adjacent innovation opportunities. A means for constructing a business model innovation can be found in the eBook Business Model Buffet [4].

### **Innovation Efficiencies**

Innovation Efficiency can be defined as how well a company is able to define, design, develop, market and service its innovations. It is measured in terms of the resources expended on each of the innovation projects. A company with high Innovation Efficiency will be able to create its innovations with minimal resources.

What is not measured cannot be managed. Hence companies should get their innovation offices to track the performances of their innovation projects. It is easy when a company practices Stage-Gate method to develop its innovations. The resources deployed at each stage gate pair and the number of revisions or iterations at a stage gate pair can be measured to better manage Innovation Efficiencies. More information on Information Efficiencies can be found in [5].

### **Summary**

Companies can get better results from their investment into innovation related programmes if they can choose the right Innovation DNA required to realize their Vision, generate SMART *Objectives* from their vision and monitor and improve their innovation efficiencies.

### **References**

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### **About the author**



Professor Arcot Desai Narasimhalu is the founder of Simha Innovations Pte. Ltd., a Singapore based innovation consultancy firm. He is concurrently an Adjunct Professor at the Singapore Management University's School of Business. He consults for governments, universities, corporates and start-ups. Desai has forty five years of innovation design, development, management and commercialization experiences. He has directed groups whose intellectual properties have been transferred to companies such as Apple, Computer Associates, Fujitsu, Hewlett Packard, Hitachi, IBM, Internet Appliances, National Semiconductors, Siemens and Singapore Technologies. His teams' IP was used to create high tech start-ups including Hotcard, SecureAge, Trustcopy and XiD Technologies.

Desai has developed proprietary innovation opportunity identification and design methods for Adjacent Innovations, Business Model Innovations, Disruptive Innovations, Incremental Innovations and Service Innovations that were used by his students to start companies. Desai has also developed methods for designing and implementing innovation culture in large institutions. He had oversight and first hand responsibility in creating and nurturing innovation culture at Kent Ridge Digital labs and Singapore Management University. Industry / Corporate engagement: Desai has conducted innovation training for top level executives from Abbott labs, DuPont, Overseas Chinese Banking Corporation, Peter Tan Organization, Proctor and Gamble, Salim Group, Singapore Airlines, Singapore Telecoms and TATA Sons.