

Strategic Innovation

A process for exploiting
creativity in business

Develop a winning strategy by
creating innovative product and
market initiatives

By
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Strategy Workshops



Strategic Innovation:

A process for exploiting creativity in business

Contents

| Chapter | | Page |
|---------|---|------|
| | Introduction | 7 |
| 1 | Strategic Innovation | 8 |
| 2 | Leveraging innovation within strategy | 10 |
| 3 | Change is the dynamo of innovation Generating the raw material | 12 |
| 4 | Where to look for new concepts Exploring the changes | 14 |
| 5 | Where to find the resources for innovation | 16 |
| 6 | Categorising potential new concepts Prioritising in readiness for evaluation | 18 |
| 7 | Assessing Risk Evaluating each potential opportunity | 20 |
| 8 | Creativity is everyone's job! | 22 |
| 9 | Expanding the high potential concepts Develop the best opportunities in readiness for implementation | 24 |
| 10 | Impediments to creative thinking | 26 |
| 11 | Developing the best case scenarios Determine what needs to be done to trigger success | 28 |
| 12 | Optimise the factors for success Determine the promoting and prevention actions | 30 |
| 13 | Anticipating future customer needs | 32 |
| 14 | Exploiting the best innovations Constructing implementation plans to execute creativity | 34 |
| 15 | Strategic Innovation: the process Eight steps from initial concept to project implementation | 36 |
| 16 | Process observations | 38 |
| 17 | Optimising Strategic Innovation | 40 |
| 18 | Final thoughts: Factors concerning change | 42 |
| | Conclusion | 45 |
| | About Strategy Workshop Facilitators Ltd | 46 |
| | About the Author | 47 |

Contents continued on next page:



Contents continued:

| Graphics | Page |
|---|-------------|
| Strategic Decision Making | 9 |
| Strategic Innovation | 11 |
| Change is the Dynamo of Innovation | 13 |
| Opportunity Exploration | 15 |
| Strategically Focus Resources | 17 |
| Focus on Future Needs! | 19 |
| Evaluating each Potential Opportunity | 21 |
| Creativity is everyone's job! | 23 |
| Opportunity Expansion | 25 |
| Management's approach to formulating winning strategy | 27 |
| Developing Opportunity Expansion | 29 |
| Developing Opportunity Expansion Actions | 31 |
| Anticipating Future Customer Needs | 33 |
| Opportunity Exploitation Implementation Plan | 35 |
| Strategic Innovation Process | 37 |
| Strategic Innovation: A Results Driven Process | 39 |
| Implementation: Food for Thought | 41 |
| Change Fuels Customer Emerging Needs | 43 |

Strategic Innovation:

A process for exploiting creativity in business

Introduction

This handbook has been compiled to provide executive management with a quick but in-depth summary of the critical decision making process of Strategic Thinking when applied to the practise of business innovation and creativity.

My objective is to provide you with some thought-provoking concepts that I have personally used and which can be turned into profitable business practise.

I hope that you will discover some practical ideas which you will find quick and easy to convert into good strategic actions for your business.

As a full time, dedicated, professional facilitator I will be delighted to discuss in greater detail our Strategic Thinking Process and its logistics.

Roger Handley
Facilitator & Owner
Strategy Workshops

Chapter 1

Strategic Innovation

Successful strategy is defined and implemented in stages. The first stage will be to clearly articulate what sort of business it is that you want to become and what will be the issues that management need to address that are critical to the successful communication and implementation of this strategy.

The second stage will be to develop an intuitive understanding of the competitors that your business strategy will have to face and to use this knowledge to construct a plan to neutralise any competitive threats that will impair your growth objectives.

These first two stages are the subject of my previous Executive Handbooks in this series which are entitled “Strategic Thinking for top management” and “Strategic Thinking, a process to neutralise competition” respectively.

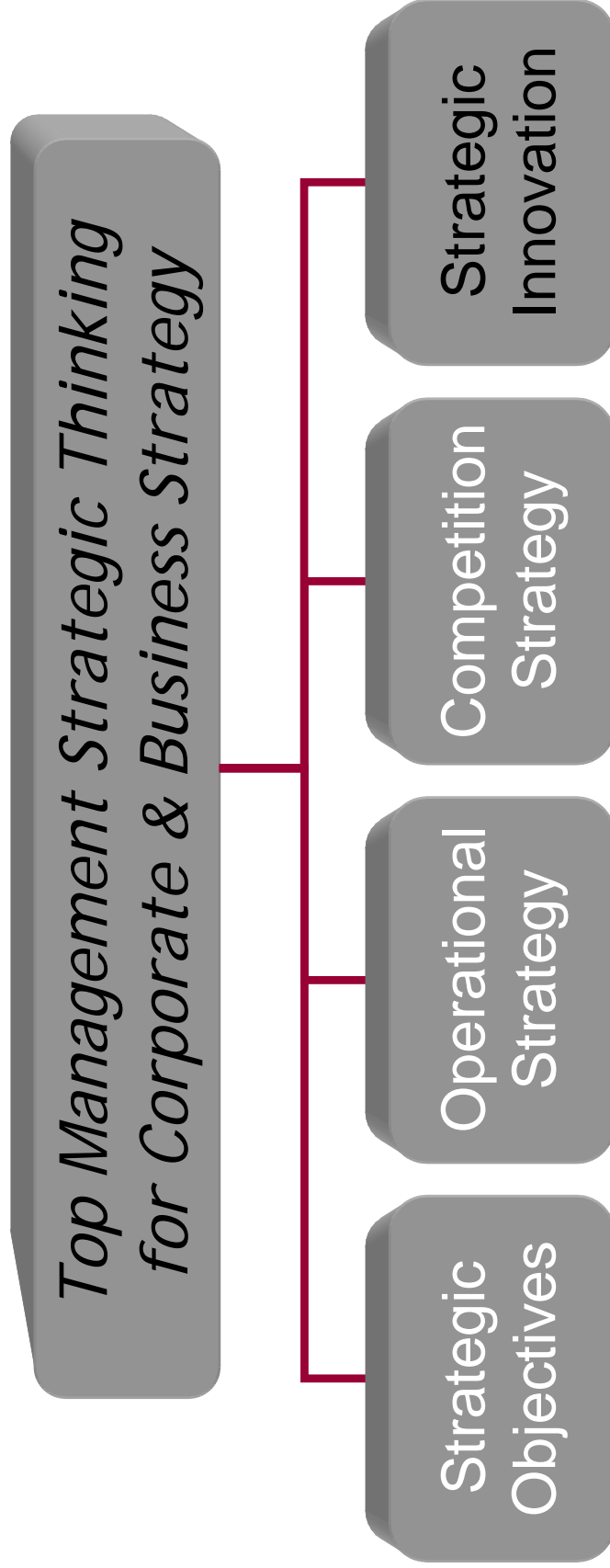
The logical third stage is to use the process of Strategic Thinking to develop business innovations that will exploit the scope for future products/services and customer/market initiatives. This form of creativity adds the dimension of proactive strategic development to the execution plans. It is designed to create and continuously cultivate a culture of perpetual internal innovative thinking with the purpose of always having available to management a choice of potential new product, service, customer and market initiatives from which to expand the business.

Strategic Innovation is a thinking process and as such can be observed and categorised into a repeatable business system. Once the method has been developed into a process it can then be used to coach others. Ultimately it can become a regular part of the business culture and in so doing help to create a business that is constantly looking for sustainable growth opportunities by leveraging creativity and innovation.

This handbook will explain the concepts behind this methodology and give you some ideas that can be used as part of your strategic implementation initiatives.



Strategic Decision Making



Critical Thinking Processes
Making Choices that are Critical to Success

Chapter 2

Leveraging innovation within strategy

Strategic Innovation will play a critical role in new product development and in determining customer and market initiatives. In short, any activity that will differentiate and ultimately influence both the top line sales and growth performance of the organisation and the bottom line profit return.

Operationally, innovation will be essential in the organisation's continuous drive to improve efficiency, productivity and quality. As with all top level decisions the two are inextricably linked but do need to be separated for the purpose of defining what needs to be done in each area. Ultimately they will become unified when the plans to decide what products to offer and to which customers and markets to offer them are finalised and the operational process of how to achieve this takes over.

Innovation is a performance enhancement tool that can be leveraged both strategically and operationally across the entire organisation. Frequently it is in this area of thinking that an organisation will begin to generate its competitive edge. As a performance tool it is the systematic process of predicting and exploiting change.

Strategic Innovation is the type of future thinking that attempts to understand the effects that change will have on our target customers and markets. Some form of change is possibly the only element about the future for our business that we can be certain about. Consequently, the more we know about what will definitely change and the better our understanding of our competitive business environment, the better chance we have of responding to the challenge of exploiting future change.

So the first ingredient we need for innovation is a business climate that has plenty of change. The more change the greater the opportunity to innovate. As we strategically define the playing field that we want to compete in, then we must examine the rate of turbulence and change to ascertain whether there is sufficient opportunity to sustain the growth and return rates that we desire. If this is found to be in question then the boundaries strategically limiting the scope for our products and markets must be re-drawn.



Strategic Innovation...

Is a Performance Enhancement Tool

- Optimising Resources, Focus & Direction
- Doing something different – a clear customer proposition
- Achieving Results – improving shareholder value
- Leveraging Capabilities across the organisation
- Having clear Objectives for each SBA
- Developing an intuitive understanding of competition
- Creating a culture of Continuous Improvement and learning
- Understanding the Issues that are critical to success

Making the best choices & allocating Resources

Chapter 3

Change is the dynamo of innovation

Generating the raw material

The driver for Strategic Innovation is change. Therefore, the input for innovative thinking is a continuous flow of data appertaining to what is happening in the targeted business environment. The important fact is to recognise that, unlike the process of defining corporate strategy, when the process of Strategic Innovation is employed you must always be looking to analyse change as it will affect your customers, both existing and new.

There is a huge area of potential through which you can systematically trawl for evidence of change. The key to this is to mentally situate yourself in the shoes of your customer and then explore what has recently changed, is about to change or is likely to change in the foreseeable future that will have an affect on how the customer will perceive your product or service.

Use stimulators for this examination firstly by looking at external factors, changes beyond your control. It will be helpful to examine areas of change affecting your customers such as:

- Changes in Economic circumstances
- Regulatory, Legislative and Political changes
- Changes in your customers' Demographics and Profiles
- Changes in Market conditions that will affect your customers
- Changes in the way Competitors are affecting your customers
- The changing use of Technology by your customers
- Your customers' tolerance to changing selling, marketing and distribution methods

The other set of stimulators that you can use will be those internal to the business and as such under your control.

- Changes, actual or potential to your capabilities, processes, structure and systems, that could enhance value to your customers
- Changes in the availability to you of human, financial and natural resources that may affect your customers

These changes are the raw material you need to fire up Innovation.



Change is the Dynamo of Innovation

How will your customers be affected by change in these areas:

- Their Economic circumstances?
- New Regulations, Legislation and Political changes?
- Their Profiles and changing Social Demographics?
- The emerging market conditions?
- What the competition are doing?
- The effects of changing Products and Technology?
- The effects of Selling, Marketing and Distribution Methods?

Generating the Raw Material

Chapter 4

Where to look for new concepts

Exploring the changes

The purpose of exploiting change will be to develop an inventory of potential new product and market initiatives from which future growth opportunities can be chosen. With the input analysis concerning what is changing in both your operating environment and the user or living environment of your customers, it is now time to explore for product and market concepts that may have the potential for development into revenue generators.

The search area is wide and so it is necessary to focus the hunt into specific categories. Not to do this will cause those participating to bounce from pillar to post in a potentially erratic fashion resulting in a reduced quality of thinking and output. Pure brain-storming may have merit in certain assignments but when looking for specific opportunities that will solve specific customer needs then the search needs to be targeted and realistic. When working in teams it is a good practice to set each team a “target mission” to explore specific areas of change and potential customer need.

As a starting point, exploring these sub sets will be beneficial, always keeping in mind that the hunt for opportunities will relate to changes in both your and/or your customers’ operating environment:


- Recent product and market successes and failures
- External events with the potential to affect you or your customers
- Internal structure and process weaknesses
- External structure changes, e.g. caused by legislation/regulation
- Markets and segments demonstrating high growth rates
- Emerging technologies and converging technologies
- Customer and user demographics
- Customer and user perception
- Completely new knowledge, technology, inventions, concepts, etc

Exploring the kind of changes that can enable you to create new product and market initiatives is not a haphazard affair. Organisations that use this approach accept that innovation is not a random occurrence. It is a rational and systematic process than can be repeated and used continuously throughout the organisation.



Opportunity Exploration

Examine Change for sources of Innovation

- Success
 - Failure
 - External events
 - Process Weakness
 - Structure (Market/Industry)
 - High Growth
 - Converging Technology
 - Demographic Factors
 - Perception change
 - New knowledge
- 

Success

- Products
- Geographic Markets
- Customer Groups
- Industry Segments
- Suppliers
- Competitors
- Technologies
- Dealers / Distributors

Chapter 5

Where to find the resources for innovation

Trying to cope with change and fund expansion will always present top management with difficult decisions. There is never enough resource to undertake all of the initiatives to please everyone and so choices have to be made. Using the Strategic Thinking Process to determine the scope for future products and markets and utilising the Strategic Filter produced at that time will provide management with some helpful high level focus.

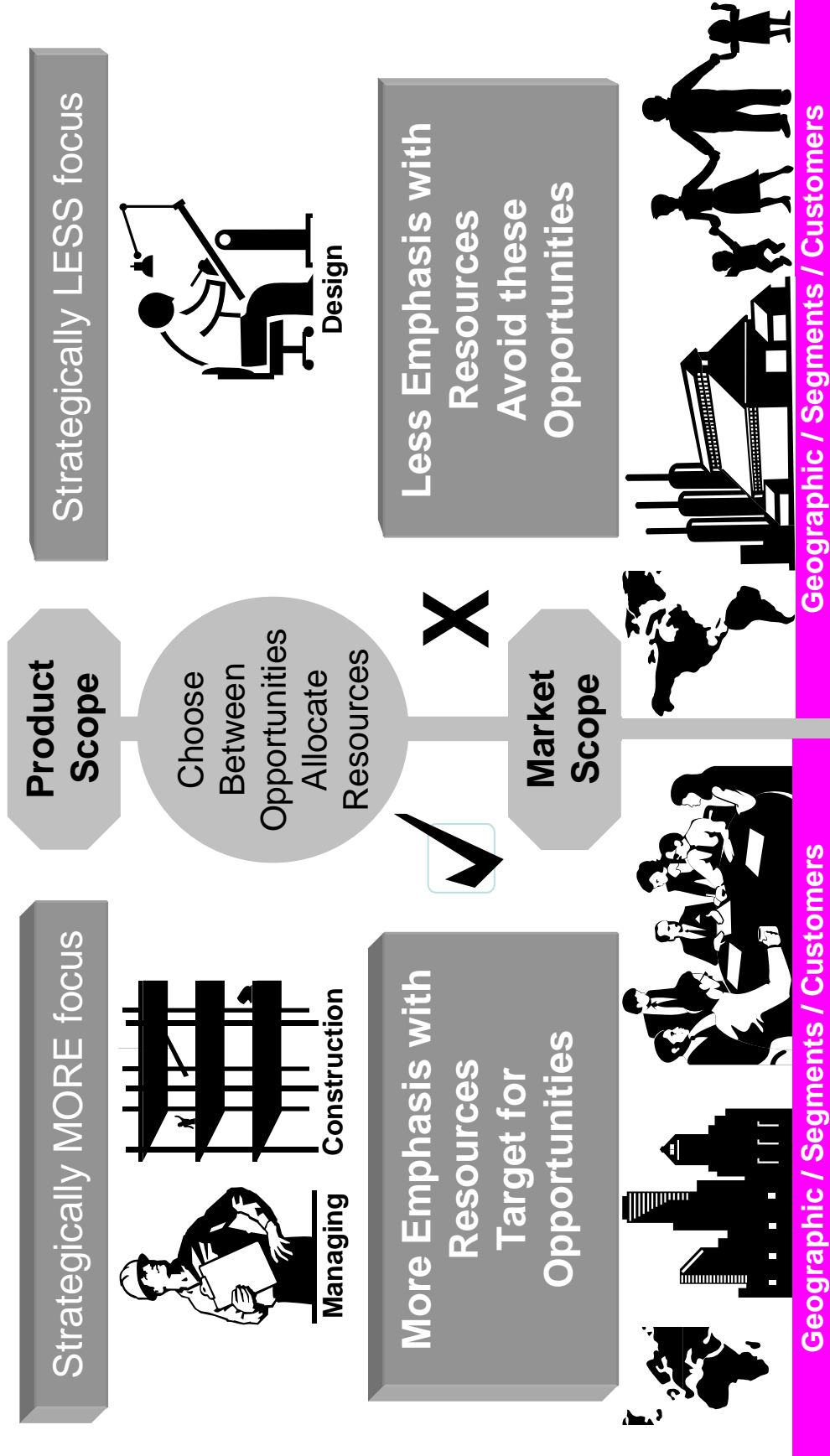
Entrepreneurial management teams will also examine what in the business they can dispose of, place less emphasis on or even cease to operate in order to release resources for alternative initiatives that promise a better return. It is practising this form of strategic focus that will enable an organisation to fund the pursuit of future growth. Practical reinvestment can be the key to unlock the potential of creativity and innovation.

A good innovation programme will aim to minimise risk. Few real entrepreneurs take big risks and will never be seen to bet the family silver. Of course nothing is without risk but normally this will be restricted by accepting only prudent risks. Those risks that can be carefully assessed, monitored and managed. Part of this process will be to ensure that any decisions taken will be supported by a plan that has contingent actions to check progress and keep a project on track.

At first glance it may seem that larger organisations with greater resources will naturally have a head start when it comes to financing innovation. On the other hand it could be argued that smaller companies are more nimble and as such they will have the natural advantage. Neither reason in isolation seems to be true. Innovative organisations appear in all sizes and upon examination it would seem that companies are innovative due to a proactive culture that has been deliberately created. There is usually a specific structure in place to encourage creativity and a staff incentive scheme to ensure everyone feels the benefit of making a contribution within an entrepreneurial atmosphere. Management are aware that using the word "NO" too soon will prematurely kill off many potential initiatives that could reap significant returns for the business.



Strategically FOCUS Resources



Chapter 6

Categorising potential new concepts

Prioritising in readiness for evaluation

Once the organisation has completed the first two steps of the Strategic Innovation Process, firstly examining internal and external areas of change and secondly exploring these areas for new concepts, it is then important to examine each potential new idea with a view to sorting them for evaluation. Naturally, different concepts will present the organisation with different levels of opportunity and so the following descriptions can be used to categorise them:

1. Completely new products, services or market initiatives that the customer has never seen previously – from anyone
2. Completely new products, services or market initiatives that the customer has never seen previously – from you
3. Major extensions to an existing product, service or market initiative – provided by you
4. Minor enhancements to an existing product, service or market initiative – provided by you
5. Initiatives to target new customers and market segments in your current geographic areas
6. Initiatives to open new geographic areas not presently being exploited by you

Strategic Innovation can identify opportunities that are (1) “new to market” and provide the organisation with higher than normal margin returns. Products developed in this way can expect to benefit from a period of exclusivity that also enables the organisation to build competitive barriers of entry and exploit premium prices.

Incremental revenues will result if development focuses only on (3&4) “extensions” to existing products or services. However, development that focuses on innovations that are (1) “new to market” and (2) “new from us” will result in substantial and new revenues.

Research by talking only to existing customers will quite naturally result in product “extensions” and incremental revenues. New revenue streams come from research on predicting future customer needs by anticipating changes in the future customer operating and living environment resulting in “new to market” and “new to us” innovations.

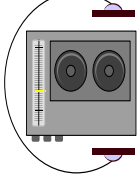
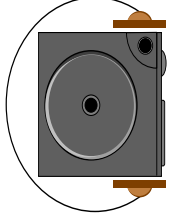
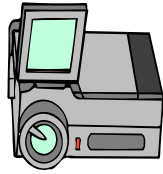


Focus on Future Needs!

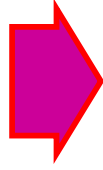
SUBSTANTIAL NEW REVENUES



NEW TO THE MARKET PRODUCTS



Post-It



FOCUS ON FUTURE IMPLIED NEEDS



Predict Future Trends

Chapter 7

Assessing Risk

Evaluating each potential opportunity

Every opportunity that has potential for the organisation and every decision taken to allocate resources carry with it a degree of risk. An important filter has to be the relationship between the element of cost and the resulting benefit. A further filter in assessing the degree of risk is to look at the relationship between the strategic fit of the opportunity and the degree of difficulty in pursuing the opportunity.

When looking at several opportunities it is wise to rank them so that each one can be analysed to reveal those that have the lowest cost factors and the highest benefit but additionally with the closest strategic fit and the least complexity of implementation. In doing this it will also indicate those opportunities that potentially will demonstrate higher levels of cost, reduced benefit, less strategic fit and more complexity with implementation.

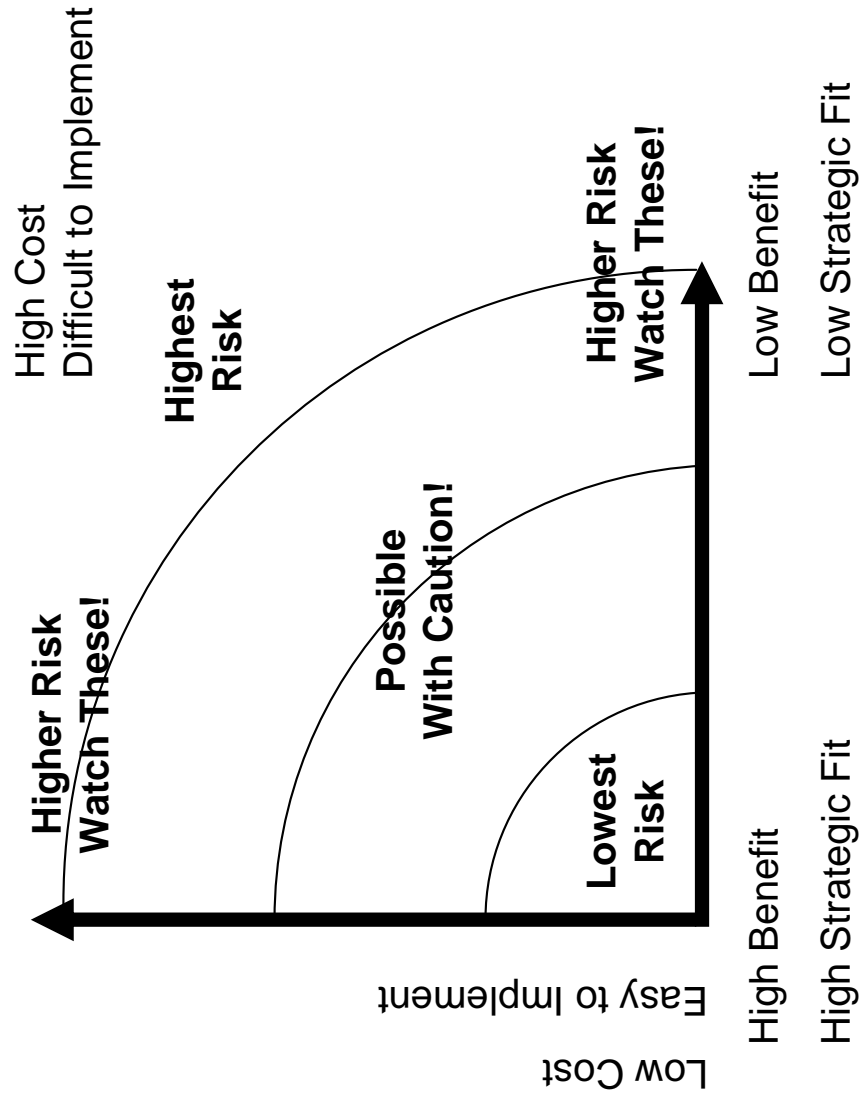
One advantage of using our Strategic Thinking Process to define corporate and business strategy is that when it comes to assessing strategic fit, that debate will already have been opened and documented. It becomes a relatively quick exercise to run any potential opportunity through the Strategic Filter that will have been agreed during that work session.

The analysis that you will have concluded as input to any Strategic Innovation project will prove valuable in assessing the degree of complexity associated with the implementation of any opportunity. In pursuit of this opportunity, the more things that are subject to change internally to the organisation, the more likely that controlling the implementation will have a greater degree of difficulty. The more control you have the easier it will be to implement.

The cost benefit relationship is a fairly standard set of criteria. This can quickly be assessed by firstly looking at all the significant factors that will add cost to the opportunity. Examples of potential cost would be areas such as research, legal, marketing, finance and contingencies. This then needs to be balanced by appraising the benefit that will accrue by pursuing this opportunity. Examples might be earnings, market share, image and reputation.



Evaluating each Potential Opportunity



Chapter 8

Creativity is everyone's job!

In business and as individuals we have no immunity from change. Consequently we must see change as a positive opportunity to seize upon the effects of change in a proactive way.

To benefit from change we as individuals need to adjust our mindset to acknowledge change as being positive. Change is not a threat. Many companies assess change as being a threat. If you want an organisation that has a positive attitude to change then it is critical that everyone initially views change as a potential opportunity before concluding that certain changes may in fact be genuine threats. However, we all know that even genuine threats can be turned into potential opportunities by the application of some creative thinking. As a very minimum output from this type of thinking, threats can be assessed as opportunities in order to minimise the impact on your business.

You don't have to wait for changes to happen. Individuals can cause change. In doing so your business can initiate opportunities in advance of your competitors in order to resolve new customer needs that will be caused by those changes. One area in your business that can fuel self imposed change is to examine your technology and proprietary processes. Making changes in these areas such as converging, separating and enhancing the way you do things can put you several steps ahead of your competitors in those areas.

Establish a culture throughout the organisation that requires creative thinking to be seen as the "responsibility of us all". Avoid the temptation to give the responsibility of innovation to one department (e.g. R&D) or, heaven forbid, one individual. To do this will almost certainly stagnate creativity within the company. You need to establish processes and procedures that encourage innovation by tapping into the minds of everyone in the business. To clarify, I am not suggesting that a department or individual should not carry the responsibility of managing this process. Conversely they should do this to ensure continuity but what needs to be avoided is one small group being the only source of input and inspiration to this process.



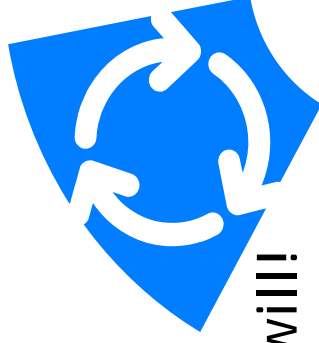
Creativity is everyone's job!

Innovation is a Culture

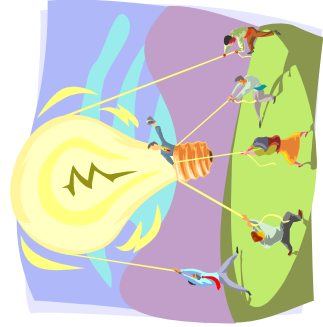


Remove the Stifling Bureaucracy!

- Begin with an open mindset



- Ensure innovation is a **CONTINUOUS** business process - don't pick it up and put it down at will!



- Don't say **NO** too quickly!

Chapter 9

Expanding the high potential concepts

Develop the best opportunities in readiness for implementation

The art of anticipation plays a key role in creativity. The importance of change cannot be overstated but it is the anticipation of how change will affect our customers that will provide the scope to innovate. This next step in the Strategic Innovation process is to anticipate the factors that will cause an opportunity to succeed or fail.

As you will have gathered, this is a thinking process based on logic and part of its methodology is to provide tools to assist management filter initial ideas in order to exclude those that indicate a higher than acceptable level of risk but also to highlight those that demonstrate a potentially good chance of success. At this stage in the process, therefore, the original list of promising concepts will have been reduced due to the assessment of risk in the previous step.

Those opportunities that remain should now be put through this next test in order to further develop their potential. The first task is to describe each opportunity in terms of its most favourable results and outcomes using the most realistic parameters possible. The second task is to describe the least favourable results and outcomes again developing a scenario that is factually realistic.

At this point, prudent risk assessment takes over again and so you now perform a judgement based on the score you would apply by looking at the best case scenario and comparing that with the score you would give to the worst case scenario. This methodology can be seen on the graphic opposite.

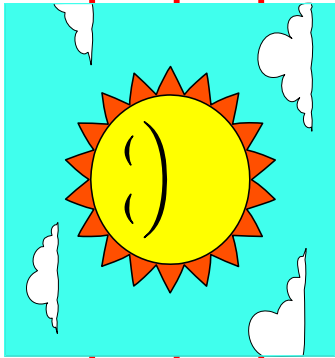
A high score for the best case (+4) compared with a low score for the worst case (-1) would indicate a highly desirable opportunity at minimal risk. Scored the opposite way round would indicate extreme caution. A more equally balanced score would indicate that whilst the benefits would be desirable the risks would have to be carefully managed. There may even be some examples where both the best case (+4) and the worst case (+1) scenarios indicate a potentially better performance than the status quo. In some cases there will be a requirement to reassess the opportunity to tighten up on the information and data needed to make a more informed decision.



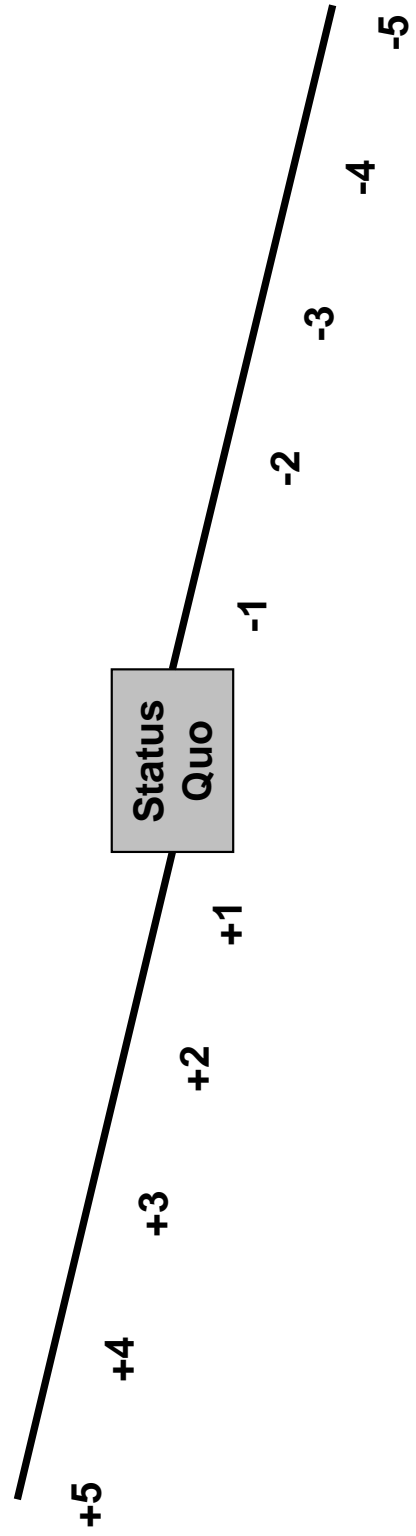
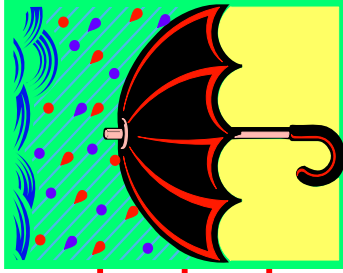
Opportunity Expansion

Describe the Best Case and the Worst Case Scenarios

Best Case



Worst Case



Chapter 10

Impediments to creative thinking

We all know how mindsets can create barriers and the unfortunate fact is that all of these barriers are usually self imposed. Mindsets can be a very real impediment to innovation which over the long term will stifle growth. So a primary objective when setting out to establish a business culture that promotes innovation is to remove negative or restrictive mindsets.

Protectionism is a mindset that encourages management to spend excessive time reacting to competition that might erode a little market share or margin of profit. They do this rather than proactively developing the next line of products that will earn them significantly more than those currently at risk. Cash cows will ultimately perish but an innovative organisation will have launched the next generation of products long before the existing ones cease to provide benefit.

The mature market and the commodity products mindsets are both self fulfilling prophecies. Once management convince themselves that their market is mature or their products are commodities then they will divert resources into other areas. Once this happens then growth in these areas slows down. With less resource there is no innovation and with no innovation there is no differentiation. The end result being your market is not growing because your customers see no reason to buy your products rather than the competitors' products. Hey presto, a mature market due to commodity products!

Organisational structure can be a serious impediment to creativity. As was mentioned earlier, the processes and procedures to develop and manage innovation must be seen as the responsibility of everyone. Barriers must be removed that prevent this from occurring as there is no room for stifling bureaucracy. Poor communications, cost focus, low productivity, conservatism, inflexibility and being risk averse are all indicators of low creativity. Innovation is not a trait gifted at birth, everyone can think creatively given that the skills are provided, that a process is in place and that the organisation will support and encourage the activity. In a truly innovation focused company, resources can always be found to perpetuate creativity. Resources will be found even during the most difficult trading periods as innovative organisations realise that to stop innovating is not an option.



Management's approach to formulating

winning strategy needs to be...

- Dynamic • embracing change ➤ **Static / struggling**
 - Flexible • internally & externally ➤ **Inflexible**
 - Innovative • products & initiatives ➤ **Too Conservative**
 - A Stretch • short & long term objectives ➤ **Risk averse**
 - Resource conscious • leveraging ➤ **Low productivity**
 - Seeking Improvement • continuously ➤ **Cost focused**
 - Culture changing • well communicated ➤ **Poor communication**
- The characteristics of a
Creative organisation
- The characteristics of a
Stagnant organisation

Chapter 11

Developing the best case scenarios

Determine what needs to be done to trigger success

In the previous step you established both the best and worst case scenarios and used those to re-evaluate your opportunities. In this next step you will move forward those opportunities that indicate most promise by identifying the factors that will trigger success.

The methodology is to take each of the opportunities and identify under the best case scenario statements, the factors and issues that would be critical to cause this best case to occur. Secondly, you then list under the worst case scenario statements, the critical factors that will cause a worst case outcome.

The key word at this point is “cause”. Factors that will cause success and failure may be found by looking at areas such as:

- Skills and technical capability
- Manufacturing and/or supply issues
- Availability of finance, anticipated growth and return
- Market potential, stability and longevity
- Marketing, promotional and selling issues
- Positioning relative to other initiatives
- Competition and launch timing concerns
- Customer perception and acceptance

The output from this step in the Strategic Innovation process would be two bullet format lists of critical issues. The first is a list of critical issues essential to manage in order to cause the best case outcome and the second is a list of critical issues that, if not dealt with, would cause the materialisation of the worst case.

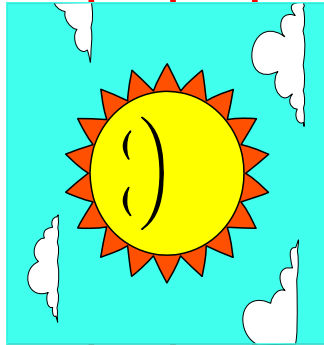
This step is very important in the process as it moves the initial assessment of risk into the area of identifying and breaking down the nature of risk. It enables you to quantify risk and identify what needs to be done to minimise or eliminate it.

The result of missing out on a good opportunity is as serious as the outcome from pursuing a bad one. Consequently, managing and containing risk forms an important part of the planning and implementation of new initiatives.



Developing Opportunity Expansion

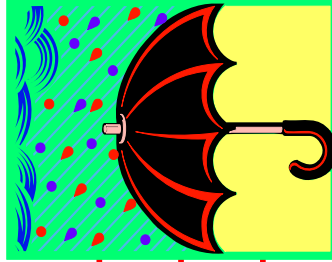
Best Case



List the Critical Factors

List the Critical Issues that will
CAUSE the **Best Case** Scenario

Worst Case



List the Critical Issues that will
CAUSE the **Worst Case** Scenario

Chapter 12

Optimise the factors for success

Determine the promoting and prevention actions

In the previous step the factors that will trigger success were identified by producing two lists of critical issues: the first list to cause the best case outcome and the second list to cause the worse case outcome. The next task is to use these lists to identify the actions that need to be taken to promote best case and prevent worst case.

Promoting and prevention actions focus on removing or minimising obstacles to implementing an opportunity. The thinking process is to examine each critical issue in order to understand what could happen that would prevent a positive action from occurring by:

- (a) Encouraging a positive result (promoting)
- (b) Eliminating a negative effect (prevention).

When you audit your list of critical issues you will see that for specific reasons some issues will carry a higher emphasis than others when it comes to causing the best possible results. These will naturally be the issues that will be the target for promoting actions as you will want to capitalise on any area of future benefit.

When you examine the critical issues that will cause the worst effects you will also note that there will be certain considerations where the impact will potentially be more severe than others. Likewise these will be the target for prevention and you will naturally want to focus on managing these to minimise or eliminate the effects.

As you complete the analysis of this step you may well discover that certain of the promoting and prevention actions are the subject of other activities being pursued within the business as this time. This being the case you can link these into the planning of new opportunities and monitor feedback as the mechanism to track progress.

The development phase in Strategic Innovation is critical in the decision making process when deciding whether or not to pursue an opportunity. The focus during this stage centres on cause and effect. Prevention actions focus on minimising the effects of negative consequences and promoting actions focus on optimising the causes of activity that will bring significant benefit from new initiatives.



Developing Opportunity Expansion Actions

Best Case Scenario

Worst Case Scenario

List the Critical Factors

List the Critical Issues that will
CAUSE the **Best Case** Scenario

List the Critical Issues that will
CAUSE the **Worst Case** Scenario

Determine the Promoting and Prevention Actions

List the Promoting Actions that will
increase the probability of
achieving the **Best Case** Scenario

List the Prevention Actions that will
eliminate the probability of the
Worst Case Scenario occurring

Chapter 13

Anticipating future customer needs

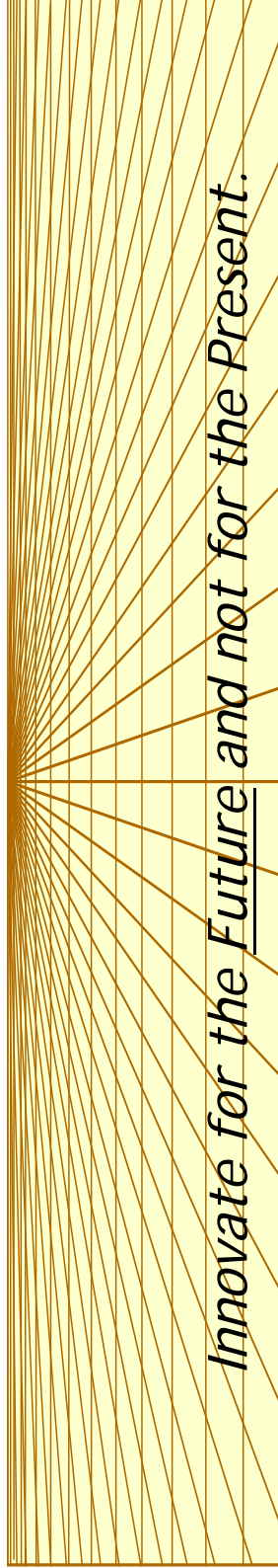
The focus of Strategic Innovation is on anticipating future customer needs so that new products, services or marketing initiatives can be launched ahead of the competition. It would be logical to assume that research by talking to customers would be the best source for inspiration. This assumption is only partly true because experience tells us that customers are very good at describing what is lacking in current offerings but not very adept in forecasting what they will need in the future. Thus a creativity initiative that focuses too much on customer feedback will end up generating mostly extensions and enhancements to existing products.

As was previously mentioned, the main chance is in developing new to market opportunities. New to market concepts are derived by predicting what your customers will need before they realise that they actually have that need. Examples of this kind of thinking would include the Sony Walkman and the 3M Post it Note. In both examples no customer actually went to either Sony or 3M and described the concept of these products. These concepts were created by predicting their customers' future implicit requirements from an assessment of changing circumstances that would require certain potential problems being resolved which at that time had no solution. Such as the desire for a personal portable music playback system and the requirement to attach messages to any surface without damage. These ideas were then developed into explicit products that were backed up by appropriate marketing initiatives.

Effective innovations often come from the simplest of ideas. It is a mistake to think that creativity needs radical change. For most new foreseeable future initiatives, the changes affecting our customers' perception or circumstances are already happening. The challenge for us is to recognise this fact and respond by generating ideas that have the potential to become winning initiatives that will satisfy a new but presently implicit customer need. Radical technology driven changes can be a long time in taking effect. The Jet Engine was first discovered in 1933, Robotics in 1949, Fibre Optics in 1955, Lasers in 1956, and Personal Computers in 1973. Yet the first viable commercial exploitation of these technologies took many more years to emerge which for most of us would simply be too long.



Anticipating Future Customer Needs



Innovate for the Future and not for the Present.

New to market Products bring

- A Period of Exclusivity
- Premium Price Differential
- Barriers to Entry

Best Innovations will

- Exploit Corporate Excellence
- Encourage Market Fragmentation
- Outthink the Competition

Chapter 14

Exploiting the best innovations

Constructing implementation plans to execute creativity

The final step in the Strategic Innovation process is to implement the best concepts. Each opportunity that has been assessed using the filtering process and chosen as being the most desirable to pursue will have an individual implementation plan.

The plan developed at this stage in the development of an opportunity is an outline plan and will consist of the macro steps that will be necessary to manage in order to successfully pursue an initiative. As the plan progresses and the opportunity further develops, then the detail and complexity of the plan will increase. For example, at this stage it may be that not all of the people who will be involved in the implementation process will be informed of the project. The outline plan format also recognises that there will be an established planning and development system working in the organisation and this will usually be commandeered to drive these initiatives through the detailed project stages.

You will find the existence of an outline plan will prove to be a very useful management tool when it comes to tracking progress and reviewing activity at scheduled points in time. The simplicity of its format and the focus on macro steps will help to efficiently facilitate these reviews and ensure that nothing is overlooked. It is also useful as an aid to communicating the initiative as its summary format is quick and easy to interpret. Although this step is primarily to plan to succeed, the very design of the outline plan will act as a further decision making filter as project teams discuss what needs to be done to ensure success. Anything that emerges as a previously unforeseen obstacle that could jeopardise the project, will be discovered and appropriate action taken.

The development of an outline plan provides a linkage mechanism between the birth of a concept and the project implementation activities needed to achieve a successful launch of the final initiative. Much input to the outline plan is sourced from the promoting and prevention actions that were identified during the previous step. In addition, other actions will be identified that will be time related and people resources will be identified to manage project step specifics.



OPPORTUNITY EXPLOITATION IMPLEMENTATION PLAN

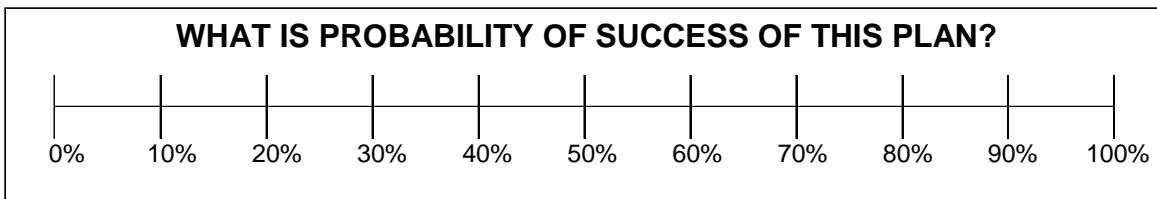
OWNER : _____

TEAM: _____ **OPPORTUNITY/CONCEPT:** _____.

CATEGORY OF OPPORTUNITY : _____

| | | | | | |
|----------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| REVENUE POTENTIAL : | 1 st Year | 2 nd Year | 3 rd Year | 4 th Year | 5 th Year |
|----------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|

| PLAN STEPS | TARGET DATE | OWNER |
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| END RESULT | | |



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Chapter 15

Strategic Innovation: the process

Eight steps from initial concept to project implementation

The logic path explained throughout this handbook is summarised as follows:

Step 1: Identify change in your business operating environment.
Detect the changes that will affect your customers' future needs.

Step 2: Explore the raw material for potential new opportunities.
Describe new ideas that your customers will find compelling.

Step 3: Categorise the new concepts.
Prioritise each idea giving special attention to new to market concepts.

Step 4: Evaluate the potential for each new concept.
Balance costs to benefits and strategic fit to project complexity issues.

Step 5: Expand each high potential concept.
Describe the best case and worse case scenarios for each idea.

Step 6: Develop what will cause success and failure.
Define the critical issues that will cause the best case scenario.
Identify the factors that will cause the worst case scenario.

Step 7: Determine the promoting and prevention actions.
List the actions that must be taken to promote the best case occurring.
List the actions that must be taken to prevent the worst case occurring.

Step 8: Construct the outline implementation plans.
List the macro steps, completion dates, responsibilities and resources.

Once the eight steps have been completed, then management need to arrange a project meeting to decide the initial choices of products and initiatives to pursue. Each team that has been developing opportunities should be asked to present their results and recommendations. The ensuing debate should have the objective of selecting those opportunities that should be further developed and the teams advised as to the extent and budget for this development. Finally, further review meetings should be set and agreement as to the format for future project progress reporting.



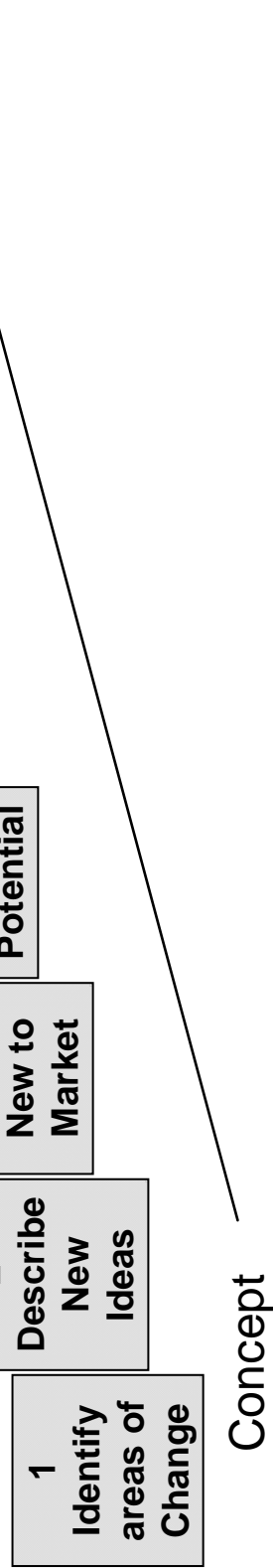
Strategic Innovation Process

8 Steps from Original Concept

Through Implementation

To Launch

Launch



Chapter 16

Process Observations

The secret of successful Strategic Innovation is to make sure that the process of creativity is institutionalised within the organisation. Your people should regard innovation as another high priority business process needed in order to be competitive. It's important to spread the process right across the business. As the process can be documented then it can be learnt, passed on and repeated by others

For the process to be at its most effective you must ensure that the inventory of potential new concept ideas is continuously being topped up. This means that you must always be looking to identify areas where change will have the most impact on your customers.

Innovation needs to be a proactive pursuit and as such this requires an organisation to be constantly looking for opportunities arising from change. Your innovation programme should cause competitors' to have to react to the initiatives that your creativity is producing. Reacting to the effects of competitors' initiatives is generally a sign of a weak or non-existent innovation programme.

It's important to always be aware of what potential ideas are waiting for development in your inventory and what the likely costs will be to take those ideas through the development steps in your process. A system of cataloguing these ideas by computer or hard copy is required to track and communicate opportunities. This makes it easier to assess what ideas to pursue and in what priority.

The best ideas to focus on from your inventory will be the new to market opportunities closely followed by the new from us concepts. New from us concepts can be particularly interesting if you can come up with some changes to the concept that differentiates it from any other initiative on the market, thus positioning the offering closer to that of one new to market.

Early success is important and so you need to select opportunities to pursue that will quickly demonstrate a pay back on this investment. Early success is important to the people participating as in the early stages this activity will often be an extension to their normal job. Communicating and rewarding success is critical to the future of an ongoing proactive innovation process.



Strategic Innovation: A Results Driven Process

1. A steady stream of new ideas
2. An inventory full of new product and market initiatives
3. Hard copy from concept through to implementation plans
4. New revenue streams with potential for premium prices
5. A process that can become a repeatable business practice
6. Strategy is proactive rather than reactive
7. Controls or influences the pace of the market
8. A common language to exploit opportunity
9. Agreement and commitment
10. Motivational and team building

Chapter 17

Optimising Strategic Innovation

Over the years I have worked with many different teams of people who have used our process of Strategic Innovation. In doing so, I have observed a number of key focus points that have successfully driven creativity projects. I would now like to share some of these.

- Don't say NO too quickly. Negativity from management will disillusion participants. Install a controlled process to allow new ideas the chance to germinate before killing them off.
- Establish a "new initiatives birthing procedure". Give all ideas, both large and small, the chance of survival by keeping them initially separated from other main stream activities.
- Appoint a steering group to coordinate new initiatives that emerge from your innovation process. It's important to keep a high profile to maintain emphasis and progress.
- Early in the process, decisions will be taken that rely on assumptions. Ensure that the project teams verify those assumptions. Test their conclusions.
- As was mentioned earlier, creativity is the responsibility of everyone. To achieve this you must ensure that all your key people are indoctrinated in the Strategic Innovation Process.
- Develop a system to continuously monitor, examine and record what is changing in your operations, customers and markets. Raw material for innovation must always be on tap.
- Instigate a method to capture ideas from any member of staff. Reward and provide sensible incentives to people for generating ideas and contributing to the process.
- When introducing a new product, always ensure that it has the potential to extend. Ascertain that you can adapt the new product to different customer and market segments.
- Talk about your innovation programme, its successes and progress at every management meeting. Encourage a similar item to be included on all meeting agendas in the organisation.
- Promote the need and importance of perpetuating a proactive programme of creativity in the organisation. Set the pace in your business arena and use innovation to outthink your competitors.



Implementation: Food for Thought

1. Remove NO from the culture of the organisation
2. Indoctrinate all KEY people in the concepts and process
3. Develop a system to COLLECT new ideas for potential initiatives
4. Keep the CREATIVE INVENTORY full of potential ideas
5. Keep NEW OPPORTUNITY high on every meeting agenda
6. Dedicate a STEERING group to follow up on new initiatives
7. Encourage all innovations SMALL & LARGE
8. Promote the need for CONTINUOUS innovation
9. Give people INCENTIVES to innovate
10. Go for EARLY SUCCESS. Measure and feed back the RESULTS of innovation

Chapter 18

Final thoughts: Factors concerning change

Change is the significant factor fuelling innovation. Of one thing we can be certain, as we look to the future things will change and will go on changing. The irony is that this is the one factor that will not change! It is also a fact that change is happening more quickly than in the past. So the lesson is “don’t get caught out by change, don’t let change catch you by surprise”.

Constantly monitoring your customers’ environment in the areas that your organisation can influence will present the clues needed to predict change. Most aspects of change will announce themselves ahead of time: you simply need to keep an eye open for them.

Changes in your customers’ demographics and economics have proved to be two major areas of opportunity since the sixties: (1) People living longer and (2) generally enjoying increased levels of disposable income. These macro changes have enabled whole new industries to emerge such as the “over 50’s market”. Also they have led to a different approach to product and market segmentation by taking segments and fragmenting them into many smaller but more targeted groupings.

Another macro change that has had an effect is the emergence of new global economies such as China. We find ourselves in a situation where there is far more supply than demand. Consequently the practice of product and market fragmentation driven by innovation and creativity has become the essence of differentiation and survival. With an abundance of choice, the customer calls the shots. With few exceptions, gone are the days when the supplier dictates. Generic products have given way to feature rich and dedicated products. Words such as customisation, tailoring and bespoke are used to define our offering. Satisfying a generic need has given way to fulfilling a specific need. Long product life cycles and production runs have given way to shorter time spans and flexible production techniques. Delivery times that suit the supplier have given way to next day delivery or on site while you wait service. Brand loyalty is replaced by consumer power by choice.

Recognising and exploiting change will sustain future growth.

Change Fuels Customer Emerging Needs

- Speed of Change, don't get caught out!
- Demographic change – we are living longer
- Globalisation – the markets are accessible to more players
- Information Revolution – the internet will affect us all
- The Customer Driven Economy – supply verses demand

Innovation stems from creative thinking that focuses on reallocating resources from areas of low return into areas of high return - continuously

Innovation is expedited by creating a culture that:

- Is open to prudent risk taking
- Encourages creativity throughout the organisation
- Is employee not function focused
- Supports opportunity of all magnitude, large and small
- Can implement as well as conceptualise
- Chooses strategically aligned initiatives
- Develops the thinking skill across the organisation
- Takes a systematic approach

Conclusion

Sheer necessity demands that most business activity focuses on dealing with short-term operational issues. Most Chief Executives that I talk to agree that more time should be spent in the boardroom defining strategy, outthinking competition and making decisions as to how best to develop and exploit competitive advantage. Strategic Innovation is a specific performance enhancement tool that can have a fast and very positive effect throughout the organisation.

During many of the process overview presentations that I give, Executives disclose that strategy for the business is not explicit but is determined implicitly by way of objectives given to them to fulfil their operational responsibilities. Also that strategy is not explicit or adequately communicated even amongst their top management. It is difficult to implement an unknown or misunderstood strategy. This will undoubtedly lead to confusion and disagreement as to how resources are allocated.

My objective in writing this publication has been to provide you with some thought provoking concepts that I have personally used, and which if implemented will result in a common understanding and commitment to your strategy. As a full time, dedicated, professional facilitator I will be delighted to discuss in greater detail our Strategic Thinking Process and its logistics.

I sincerely hope that you have enjoyed browsing through this book and that you will be motivated to apply these concepts and that in so doing, it will enhance the growth, profitably and satisfaction of commanding your business.

Roger Handley.

About Strategy Workshops

At SWF we provide a Strategic Thinking Process for top management teams to help them articulate Vision and Goals for Corporate, Business and Competition Strategy. We also facilitate an Innovation Process to assist with New Product Development, Competition Strategy and Operational Strategy.

Our Business Concept & Client Proposition

We work on strategy projects with a top management team to facilitate their strategic thinking meetings usually over two or three days. We don't tell management how to run their organisation and we don't attempt to formulate strategy on their behalf. Our business proposition is to provide a clear framework and meeting structure based on our proprietary Strategic Thinking Process using current accepted management practice.

This is to enable management to quickly discuss the important issues facing the business and make the appropriate decisions to define and implement distinctive strategy. We help our clients articulate a unique business concept that their competitors will find very difficult to copy, together with the Critical Issues that must be managed in order to quickly and successfully execute strategy.

About the Author

Roger Handley is the Facilitator and Founder of Strategy Workshops, an active management consulting business which specialises in facilitating top management work sessions that have the objective of improving strategic competitiveness.

Roger's skill is facilitating rational thinking processes that allow top management teams to challenge and re-focus their corporate and competition strategies and to define growth opportunities for new product, new service and new market initiatives.

His competence is drawn from over 35 years in business and working in management roles in organisations such as Debenhams, Rank Xerox, Apple Computer and Fujitsu.

Roger has worked as a management consultant since 1990.

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