

INNOVATION THAT FITS

Moving Beyond the Fads to Choose the Right Innovation Strategy For Your Business

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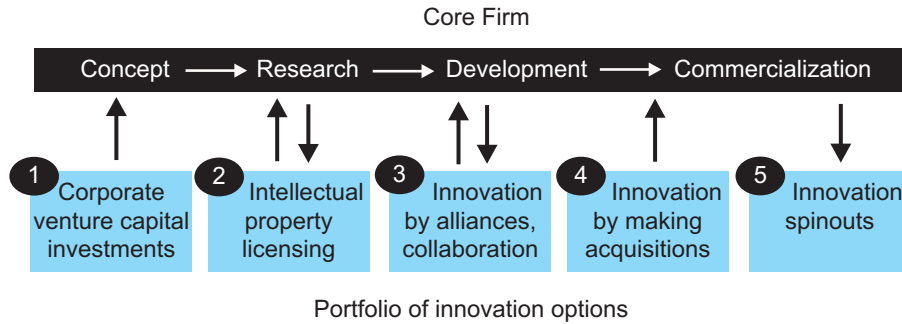
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MAIN IDEA

Just about everyone in business today loves the idea of innovation as a way to grow revenues and profits. As a result of that interest, there have been a succession of innovation fads and ideas. None of these concepts, however, have proven to be one-size-fits-all or definitively superior. Therefore, instead of trying to find the lone “silver bullet” of innovation, successful companies are now using a mix of different innovation tools and tactics to successfully innovate.

The main elements of this emerging portfolio of innovation options are:



The key to making a portfolio of innovation options work is to link what’s being done closely with the core of the business. Innovation choices need to be made in the context of balance and fit with that core rather than in isolation. Juggling the entire portfolio effectively is essential. At various times, specific innovation tools and tactics will come to the fore, while at other times different tools will be better suited. Managing this portfolio and keeping it fine tuned is surely the future of sustainable and beneficial innovation.

1. The five innovation options Pages 2 - 6

- 1 Corporate venturing is where an established firm attempts to emulate how a venture capitalist works. The company makes equity investments into outside start-ups or establishes a standalone internal “skunkworks” where new ideas can be pursued without interference from the corporate hierarchy.
- 2 Intellectual property licensing has come to the fore since the Internet boom and the arrival of the New Economy. It involves licensing the intellectual property of others (in-licensing) and offering your own intellectual property to others (out-licensing).
- 3 Collaborating with others to innovate has also expanded the boundaries of innovation. Today, companies form strategic alliances, research partnerships and development-stage joint ventures with a variety of companies. Often, companies that collaborate on new technology then compete aggressively with each other in the marketplace to commercialize them.
- 4 To jumpstart innovation, some companies acquire other firms which have developed new technologies. This is also seen as an excellent means to hire the best employees. Integrating the acquired firm successfully with the acquiring entity is usually the main stumbling block.
- 5 The objective with spinouts is to take promising technologies and let them become their own standalone companies. That way, promising technologies can flourish and create value without being hindered by restrictive bureaucratic practices or big company thinking.

2. Managing and balancing the innovation portfolio Pages 7 - 8

Due to the fact innovation is context driven rather than one-size-fits-all, a smart approach to achieving ongoing innovation is to run it as a portfolio of the five different options. Each innovation option has its advantages and disadvantages, so by running a portfolio approach which can be varied as circumstances change, the optimum innovation option can always be applied.

The key in making this portfolio concept work, however, is to link all innovations closely to the core business. Unless there is a strong internal R&D culture and home-grown skills in taking new products through to commercialization, there will be no coherent and consistent direction in the firm’s innovation efforts. The core provides a base and leverage from which additional innovations can be profitably exploited. Innovations which do not add value to the core business are of little or no value whatsoever.

In total, don’t try and decide in advance which innovation option your firm will specialize in. Instead, become skilled at all the innovation options. Then whatever the situation demands, you can then use innovation to infuse the core of your business with new energy and vitality. Be open-minded about where your innovations come from, but stay grounded on the need to build and nourish the resources and capabilities which make you money. That’s the true aim of innovation.

