



## CUSTOMER MANUFACTURING GROUP

What you choose to innovate — or may be limited to — will be largely determined by the processes you employ to continuously reach forward into your future.

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# YOUR PRIMARY INNOVATION CHALLENGE: IT MAY BE YOUR PROCESS

## YOU CAN BET ON HOPE OR RELY ON PROCESS

Highly creative people tend to believe that innovation is the product of a mind-set that cannot be duplicated and of intellectual adventure that defies replication. In order for competitive organizations to thrive, however, a process and management philosophy must also be in-place that provides the foundation for channeling creativity into sustainable market leadership.

### Where Do You Start?

Drawing a comparison with the proper juxtaposition of the horse and the cart, your customers should be the engine — or motivator — that pulls your product or service offering to the market. We're not talking about a nice to do or should do here, but rather an absolute that your company must do. Innovate or fade is an axiom that cannot be ignored in your company's growth strategy.

Your need to do something innovative will typically come from three sources: 1) What your customer needs now or will soon need from you; 2) What your competitors have just done or are about to do, and; 3) If your company is technology-based, the continuing innovations the technology will produce that have not yet become visible to your customers or your competitors.

### Begin at the Beginning

First and foremost, whatever innovation you need to do must be customer-centered; by definition, if it isn't, then you don't need it because your customers won't. It must provide customer value and thereby enhance the value your customers ascribe to your company. The project and its work product might indeed be fun, exciting, challenging and incredibly creative, and although these are most certainly positive attributes, the result must have differentiating customer value.

Second, innovation can take the form of a salable product or service, the processes involved in the sale, distribution, delivery, and services related thereto, the methodology to be employed by your customer in its use and application, and so on. Whatever it is, it must provide recognizable and appreciated value to your customer.

The third beginning point: Creativity is not innovation. Innovation does indeed stem from creativity, but it takes it a critical step further; an innovative product (and here we also mean a service or services) is one that has viable and valuable staying power in the marketplace; in short, it must be a commercial success. It doesn't flop upon introduction or shortly thereafter. In order to do this, the product must add value to your customer's business or the end consumers quality of life or standard of living in some way.

We have written on the subject of innovation in previous white papers and invite you to visit our Teamformance<sup>®</sup> website at [www.teamformance.com](http://www.teamformance.com), and download two white papers, *The Foundation For Innovation*, and *Managing For Innovation; The Only Sustainable Advantage*. These papers address many of the issues of the tactics involved with the execution of innovation, that is, the people, processes, culture and technology of innovation and innovative teams — the how of innovation. What you choose to

innovate — or may be limited to — will be largely determined by the processes you employ to continuously reach forward into your future.

**Your Customers' What**

How might you mine for and find the innovative ideas you need and then select the one(s) to go after? Why not start back at the beginning . . . with your customer?

It's not about your product. Unless you are in the high-end, prestige-value consumer arena, your product is largely, if not entirely, irrelevant. What does matter is the product's utility or functional value to your customers and the type of value they ascribe to it. And in today's incredibly competitive environment, this value must be greater than that provided by your competitors.

In the B2B arena — quoting from an often-viewed TV commercial for BASF Corporation — "We don't make the products you buy; we make many of the products you buy better." They do this by focusing on the needs of their customers' customers. The value of what your customers buy from you is measured by what they are actually buying, and that is a solution to a challenge they face. For example: less expensive operation or maintenance, high(er) reliability and durability, better quality of their finished product, more efficient use, a simpler process, better appearance, and so on.

Unless you are striving for some type of industrial award for package design, your innovation effort must be focused on what your product will do and how it will do it. If package design is part of the customer value, fine, but this must be part of the targeted design parameter. It's not what you want to sell — cooked

up the by folks in the smocks or who speak in arcane language — it's what your customers need to employ in the design, manufacture or use of their products, or to improve their quality of life.

**Is It The Product, Your Company, or Both?**

Taking both a broader and deeper look at innovation, let's expand the earlier definition:

*Innovation is the ability to generate and translate creative ideas (for products, services, processes and the like), transform them into salable items and successfully insert them into the marketplace in a continuous and customer value creating fashion.*

Here we need to make the distinction between an innovative product and an innovative company. While the former can be the "one trick pony" (the one shot wonder), the latter is an organization that continuously develops and launches new products that achieve a defined measure of market success.

What is required for the single-shot is creativity and hard work. For a continuous stream of innovative products on the other hand, creativity and hard work, aided by a repeatable process — encompassing both technical and administrative activities — and a foundation that supports and nurtures consistent marketplace achievement are all required.

Failure to have an in-place innovative process will preclude your ability to become an innovative company and thereby the best you can do is to maybe, occasionally, produce an innovative product. The word itself, innovation, connotes forward-looking. Knowing what your customers, both current and future, need now and

will soon need, knowing what your competitors are apparently working on or toward, and exploring what your current technology can evolve into, each and all of these can help you determine the *what* of your innovation, that is, what product(s) you need to be working on.

We'll not address here the evolution possibilities of your own technology, and we'll only mention the need for a competitive intelligence system and process that allows you to see into your competitors' bags of tricks. Your ability to learn and understand what your customers will need is, however, the primary key to your marketplace success.

So let's focus on your customers. What is your in-place process for determining your customers' future requirements, requirements that will energize your innovative juices to push the envelope of your capabilities? What methodologies do you employ, or need to, to encourage your customers to confide in you their product and application plans for their future? And even more challenging is the methodology you'll need for engendering this same degree of trust and confidence from your not-yet-customers, most of whom know your competitors far better than they know you.

It is from the friends you have not yet made that you will most likely realize the largest percentage increases in market share, for after all, if you already knew how to substantially increase your current share-of-customer, you'd be doing it.

**Barriers to Innovation**

Over the years we have had the good fortune to work with many different types and sizes of organizations, management associations, and the like. When addressing or working on various types

and aspects of innovative projects, one of the issues most commonly volunteered or otherwise identified is that of what innovative ideas to pick, that is, choosing one to start with.

Preceding even this in importance, however, we often find it necessary to determine why an organization has been unsuccessful — or not continuously successful enough — in its attempts to be innovative in the past.

One of our themes at Customer Manufacturing Group is that producing a single, innovative product does not make a company innovative for very long. An innovative company is one that continues to produce a string or series of innovative products that have sustainable customer value, one after the other. In the process of becoming continuously successful you must develop and incorporate your strategy for building brand value and brand equity.

During our explorations we have asked the executives we've had the pleasure to work with to identify what they thought were the principal barriers to innovation they had encountered (without delving, at least initially, into issues of their own visionary and leadership abilities). Some of the most common barriers are listed below in not necessarily any order owing to the many different types and characteristics of organizations represented:

- A. Too many ideas ("idea-of-the week" syndrome)
- B. Inability to implement ideas
- C. No defined innovation process (it happens when/if it does)

- D. Peoples' comfort zones with the tried-and-true
- E. Resistance to change (fear of the new and unknown)
- F. Lack of resources (people, time, funds)
- G. Lack of ideas

In many instances we were able to further break these barriers down into constraints that were attributable primarily to people, process, or technology issues with some measure of primacy assigned to each.

**WE FIRMLY BELIEVE THAT INNOVATION CAN BE MANAGED, AND THAT IN ORDER TO DO SO THERE MUST BE A PROCESS AND INFRASTRUCTURE IN-PLACE TO WHICH MODERN MANAGEMENT TECHNIQUES CAN BE APPLIED.**

Upon further reflection, it seems to us that most of these barriers and others have a very great deal to do with an organization's culture and structure, that is, the framework and environment in which innovation is either energized or quashed. This is an entire subject in itself and will not be addressed here but for further insight the reader is again referred to the white papers mentioned previously.

**What You Innovate: The Product of Your Process**

Aside from hoping for — and perhaps even experiencing — an occasional epiphany of sorts, how else do you plan to become that innovative company that will continue to garner an increasing market share and develop a brand reputation that: 1) Will protect your loyal customer base, and; 2) Cause your not-yet-customers to seek you out?

We firmly believe that innovation can be managed, and that in order to do so there must be a process and infrastructure in-place to which modern management techniques can be applied. The

innovative process won't result in an unbroken string of successes nor keep you from sometimes investing significant sums of resources in adventures that don't pan out, but it can produce results with a higher confidence level than would otherwise be the case.

At CMG we have identified some sixty-three attributes which, when present for the most part, will tip the probability for continued innovation success in your favor. These attributes or prerequisites for sustainable innovation are segmented into five environmental or infrastructural categories:

- 1. People
- 2. Culture
- 3. Structure
- 4. Process
- 5. Technology

These five categories or areas are then framed into two performance-related aspects: 1) How your company is actually performing now, and; 2) How critical these categories are to your success.

It may be that due to the nature of your products or services, your market and customer environment, your channel structure, and your external environment such as economics or competitive situation, for example, having and performing well in all sixty-three attributes may be inappropriate or impracticable. However, not having a set of benchmark criteria against which to at least evaluate your innovation-based operations will place you in a blind spot, that is, not knowing where you are or where you need to be.

The benchmark attributes you might want to measure include the following:

- 1. A clearly defined policy of product innovation

2. A reward system for recognizing and acknowledging innovative contributions
3. A system of managed risk-taking
4. An innovation process that uses core teams and innovative practices
5. The pursuit of both breakthrough and incremental innovation
6. Formal and documented new product assessment systems
7. Process and product ownership philosophy
8. The capability and resources to explore all sources of innovation (including your customers!)
9. A practice of encouraging serendipity unburdened with counter productive administrative folderol
10. A process that breathes life into worthy new product ideas

**A Philosophy That Pay Dividends**

The very best innovation policies, practices, procedures and management are those that stem from a philosophy that recognizes the need for constant change, a characteristic that is anathema in many businesses, particularly those that have grown from — and may still remain in — a traditional "brick and mortar" environment. Change is risky but is a far better strategy to develop than polishing the anchor chain of a static environment that rewards the historian more than the adventurer.

There is nothing wrong with selling the same old product to the same old customer in the same old way, as long as this practice remains profitable and mutually compatible. Your new customers, however, and some of your current ones, will expect and demand something more and better from you, which returns us to the three most critical characteristics of your market; knowing and understanding *Who* (your

customer is), *What* (the customer wants to buy from you that can't be obtained from anyone else), and *How* (how the customer wants to buy from — and do business with — you).

Innovate or fade, the future is yours . . . or someone else's.

**More Information**

If you would like more information about how to apply a process to improve your marketing/sales function, simply contact us and we'd be happy to help you get started. From sweeping marketing/sales management process strategies to specific branding or product launch services, Customer Manufacturing Group can help.

Detailed information on our services and a number of Special Reports and cassette tapes and CDs are also available.

If you'd like to learn more about Customer Manufacturing Group, or for a complimentary subscription to *Customer Manufacturing Updates*, give us a call at (800) 947-0140, fax us at (408) 727-3949, visit our website at [www.customermanufacturing.com](http://www.customermanufacturing.com), or e-mail us at [info@customerfmfg.com](mailto:info@customerfmfg.com).

We have offices in major cities in the United States, and our experts travel extensively throughout the world. If you'd like to schedule a meeting when we're in your area, just let us know.