

True Innovation Creates Sustainable Value

By Nancy Munro

What is the true definition of innovation? We see organisations making claims of how innovative they are. But if pressed, their innovations are really nothing more than extensions of existing products or services.

A business innovation is a process that transforms an idea into commercial value. We can measure the impact of the innovation by the commercial value it creates over its lifetime.

For example, the highly acclaimed Motorola Razr phone received a tremendous amount of praise and recognition as a new innovation.

But was it really?

Granted the Razr phone was a commercial success but it was a product marketed to the same target as its predecessor products. It did not take Motorola into a new selling channel or open new customer markets. It simply enabled the company to capture larger market share within their existing market.

This gave Motorola incremental growth, but did not create sustainable improvement. While its immediate value was high, its lifetime value will be limited compared to more sustaining innovations.

So how do we leap to the next level of innovation that allows us to open new markets or create unique value in a way that will produce significant and sustainable new growth in revenues or profits?

We need to first define the stages or types of innovation. Praveen Gupta, author of the Six Sigma Scorecard, has defined innovation into four stages:

- Variation.
- Derivative.
- Platform.
- Fundamental.

Variations are commonly observed innovations. For example, a newspaper moving from traditional format to tabloid would be a Variation Innovation.

A Derivative Innovation in newspapers is exhibited when they move content from print to online. The offering does not really change, just the delivery mechanism.

So far, no newspaper has turned this into a sustainable innovation for improved lasting value creation. If we look more to the business process versus product innovation your ability to add significant value will increase over time.

A Platform Innovation is occurring in telecommunications, where increasingly customers are abandoning old

fashioned land-lines for a mix of wireless telephones and broadband digital access. This is especially prevalent in customers under age 35 — the same ones who are increasingly moving away from newspaper readership.

Platform Innovation requires the customer experience to shift. This increases the work required to implement, and also the perceived value to customers. It also increases the potential return to the innovator.

The last innovation stage, Fundamental, incorporates all the value chain as well as all aspects of marketing — from suppliers through distribution and customers and including product, price, distribution and promotion.

In order for newspapers to take the next leap in innovation, they will need to become more cooperative in shifting the value chain and adopting innovation.

The ongoing challenge of online versus print is still stuck at the Derivative Innovation stage. Moving up into Platform and Fundamental will require disruptions with customers, suppliers, and business processes.

Many companies often fail at these stages because they require a higher degree of resources and cooperation from outside parties.

Yet to avoid this innovation means allowing the marketplace of newspaper companies to erode, and create an eventual industry decline.