

Creating new value through smart innovation strategies



INNOVATION
THOMAS MENKHOFF

ACCORDING to management textbooks, strategy matters because it helps organisations to be different. Strategy is about “choosing what not to do” (Michael Porter) and how to respond to the new era of disruption.

While many business leaders succeed in asking the right questions — “Do we aspire to play to win?” — as part of their strategic management process, others fail to align value propositions and internal capabilities with new mega trends, future-ready scenarios and the “right” strategic choices as evidenced by innovation flops such as Apple’s Lisa computer (Lisa was one of the first computers with a graphical user interface but it was too costly), the two-wheeled Segway or Colgate’s frozen meals.

Research suggests that few (visionary) leaders are good at both creating good strategies and putting them into practice.

In their book, *Strategy That Works*, Paul Leinwand and Cesare Mainardi have shown that gaps between strategy and execution are often created unintentionally.

Strategy implementation and execution fail if leaders do not speak with one voice about the vision; if goal-oriented programme objectives are detached from leadership accountabilities and future-oriented metrics; if early warnings such as an idea-unfriendly culture or the denial of major quality problems are not escalated to the top; or when team-related, intra-organisational interdependencies are poorly managed.

Performance tracking and communication of early wins can help to drive confidence. But once morale has declined, it is an uphill battle to restore the staff’s confidence into the power of innovation as a source of value creation.

The authors also shed light on some of the strategy secrets of successful companies such as white goods-maker Haier or Ikea that have managed to skilfully connect strategy and execution based on “strategic focus”, “customer-centricity”, a “winning innovation culture” and so forth. So, where do we go from here?

Technology and business model innovation are great levers which business leaders can pull to become more different and find new revenue sources.

Amazon is a shining example of impactful strategic innovation leadership.

As a new product and service offering, its cloud computing division Amazon Web Services offers third parties the highly responsive on-demand IT infrastructure that was originally created for amazon.com’s own developers.

As part of its continual business model optimisation, it created Amazon Author Central that provides independent authors with online exposure and a source of additional sales which can be linked to the writer’s Twitter account, blog and other social media.

Space ambitions

Amazon founder Jeff Bezos also set up the aerospace manufacturer and spaceflight services company Blue Origin for a new type of affluent customer eager to be sent on a brief journey into space at a sub-orbital altitude.

Some regard Blue Origin as the most ambitious “transformational” innovation in Amazon’s portfolio.

The key to strategic innovation is to have a well-defined idea which excites (almost) everyone in the organisational network, the iron will to include the inclination to innovate in the business strategy and to utilise information and communication technology.

Business as usual is not sustainable in an era of big data, artificial intelligence and big bang disruptions (remember Kodak?).

The next step is to translate strategy into concrete innovation processes.

This may imply more regular idea meetings with staff, systematic observations of the innovative behaviour of competitors and/or stronger collaborations with new partners such as technology specialists or deep smarts in institutions of higher education in the innovation process.

Finally, the leadership team needs to come up with clear procedures of how to implement the various process elements such as rapid prototyping and risk assessment while maximising time and resources.

German innovation

Rose, a German bicycle retailer, recently opened Bike Town, a 300 sq m concept store in a Munich mall where customers can use iPads to create customised bikes and virtually experience the final 3D design of their new products via large touchscreens and digital displays.

The combination of the traditional bricks-and-mortar retail

the right shoes as per the customer’s size and delivers them to the shoppers.

Creating new value through smart innovation strategies is not rocket science.

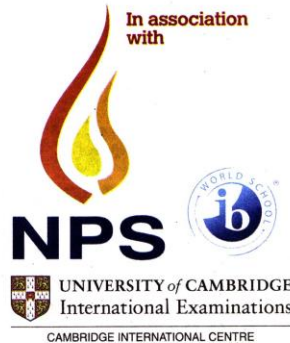
Business leaders who want to make a difference are well advised

to (i) challenge the status quo and seek new information, (ii) to systematically observe customers (human-centric design can help to gain insight into pain points to ideate how things could be done differently), (iii) to network with diverse individuals to get and validate new ideas, and (iv) to cautiously experiment with new concepts and ideas before going live with pilot tests.

Creating and capturing new value requires a smart innovation strategy propelled by an innovative business model and smart technology, well-managed innovation processes, a motivating change culture and effective execution.

▀ tabla@sph.com.sg

Thomas Menkhoff, professor of organisational behaviour & human resources (education), Lee Kong Chian School of Business, Singapore Management University.



business with modern e-commerce solutions and (configurated) service offerings is a clever innovative approach that leverages both technology and business model innovation.

Another innovative example from Germany is fashion retailer Solebox (Berlin) where a robot (stationed in the stock room) picks