



Five Steps to Profitable Innovation

Innovation is one of the hottest topics in business these days. More and more, companies are coming out with new products and services designed to amaze their customers and get them to dig deeper into their pocketbooks. Only problem is, most of what passes for innovation these days doesn't stand out as very new, different or compelling. As a result, most innovation efforts are lucky to pay for themselves, much less actually turn a profit.

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In this article, Holly G Green, well-known key note speaker, best-selling author and experienced business leader, offers a very brief introduction to five basic steps to follow when you want to develop new products and services that actually make money.

1. Aim high.

Strive for disruptive, rather than incremental, innovation. Incremental innovation focuses on making small improvements to existing products and services. It adds a few new bells and whistles, but does not significantly alter the product or the perceived value to the customer.

Disruptive innovation creates new products or services that solve customer problems in entirely new and different ways. It fundamentally alters the customer's perception of value, and can literally turn markets and entire industries upside down. Often, disruptive innovation solves problems that customers didn't know they had or were unable to clearly articulate.

Most companies are set up, both structurally and philosophically, to pursue incremental innovation. The R&D team strives to extend and improve existing products or services rather than come up with radically new ones. People get rewarded for doing things a little bit faster, better and cheaper, not for shaking up the status quo. Managers are trained to protect and defend the existing brand rather than look for ways to make their own products obsolete.

As a result, the pursuit of disruptive innovation demands a very different way of looking at and managing the innovation process. It involves asking questions like, "What is our goal with innovation? Where do we get new ideas and how do we handle them when they surface? How do we keep up with the changing needs of our customers? How do we determine customer value? How do we reward (or not reward) innovation, and what message does that send to employees?"

Incremental innovation generally costs less and is easier to achieve. But it rarely leads to a position of market leadership. Disruptive innovation takes longer, costs more, and has a much higher failure rate. But when successful, the payoff is huge.

2. Get your customers involved.

A recent study of future mobile phone services compared new product ideas from customers with those put forth by "internal" sources: professional developers and technology experts. Researchers found that the internal experts come up with more new product ideas that had a good chance of actually making it to market. However, customers created more new product ideas that actually solved their problems, a major factor in determining perceived value.

Getting customers involved in the creative/idea generation phase of your innovation process may take longer and cost more. But it greatly increases the odds of developing successful new products. It also keeps you in touch with the problems your customers face, which can change a lot faster than you think. Your customers represent a bountiful source of new product ideas, and the process of engaging them is likely to produce other benefits like stronger working relationships and deeper loyalty as well.

Before getting customers involved, however, I strongly recommend unlearning what you think you already know about them.

Our built-in assumptions, beliefs and "thought bubbles" about the way things work are so deeply ingrained that we often don't realize how strongly they affect our thinking and decision-making processes. This is especially true with companies that have been serving

the same customer base for a long time. We think we know all about what our customers want and need, so we rarely take the time to question our attitudes and beliefs. But in rapidly changing markets, those assumptions can quickly become obsolete. Until we identify and discard our outdated ideas, attitudes and assumptions about customer relationships, any efforts to invite them into the innovation process may cause more harm than good.

3. Manage the process.

Many people think that in order to successfully innovate, all you have to do is come up with a bunch of creative ideas. Not so.

To reap the desired rewards, innovation must be carefully managed from beginning to end. It starts with idea generation, followed closely by idea evaluation and then implementation. Creativity doesn't become innovation until you actually bring a new product or service to market that customers are willing to pay for.

To manage the innovation process, start by identifying the innovation model that best fits your business. Develop strategic targets to guide your efforts. Understand the value of close customer relationships, but actively seek ideas from many different sources. Most of all, train your management team to recognize and skillfully handle breakthrough ideas that lead to disruptive innovations.

4. Build a culture that supports innovation.

To succeed, innovation needs to become an integral part of how you do business. It must be an ongoing process in which you never stop looking for new and better ways to add value. And that requires a culture that supports innovation for the long-term.

To establish a culture where innovation can flourish, define what successful innovation looks like for your business. Paint a picture of what your organization looks like when innovation becomes a way of life and how it will benefit all your key stakeholders.

Get in the habit of constantly challenging your assumptions about your business, your market and your industry so that you don't get stuck in "that's the way we've always done it around here." Teach your people to think differently so they can see the world in new and different ways.

Show employees how and where they fit into the innovation process. Ask for their ideas on how to improve products, processes and workflow, and keep the lines of communication open up and down the organization.

Develop teams with diverse skills and analytical styles, and learn to get comfortable with contention, debate, and tension. Give people continuous feedback on their performance,

and reward them (both publicly and privately) for their innovation efforts. Most of all, demonstrate your commitment to innovation through your actions as well as your words.

5. Look outside the box.

For most companies, innovation remains an internal process. Ideas are generated, developed, and brought to market using the talents, skills and resources that reside within the organization. In a world that doesn't change very quickly, this approach will generally produce satisfactory results.

But the world moves a lot faster these days, and relying solely on internally generated ideas may mean that faster, more agile competitors will beat you to market with new products or services. For this reason, forward-looking companies have begun experimenting with innovation models that combine internal and external resources.

Some companies are having success with the “connect and develop” model, which consists of importing ideas from outside sources and enhancing them internally. Others are “off-shoring” their R&D centers to put them closer to sources of raw materials, labor and new ideas. Regardless of the model, the idea is that tapping into ideas and resources outside the organization will enable you to bring new products to market faster, cheaper and with a better chance of success.

The next generation of market leaders will do more than just brainstorm their way to success. They will aim high, get customers involved, establish the right culture, and look beyond their borders for new product and service ideas. Most of all, they will manage the innovation process as if their very survival depends on it. In today's markets, that may well be true.

By Holly G Green

About the author



Holly Green is the chief executive officer and managing director of **The Human Factor, Inc.**, an organizational and management consulting firm. Green has over 20 years of experience developing strategic plans and comprehensive business strategies for FORTUNE 100, entrepreneurial, and management consulting organizations. An award-winning consultant and keynote speaker, Green has been responsible for successfully designing and building critical infrastructures in several organizations and has worked as both an internal and external resource for multinational corporations. Green is also a highly rated speaker for Vistage, the world's largest CEO membership organization.