

What is Innovation?

by John Di Frances

A simple definition that I coined some time back is that Innovation occurs when: “When an idea, action or activity creates new markets or transforms the way business is done, thereby adding new VALUE.” Creating new (additional) Value is the center-point of ideation and innovation.

Many people mistakenly equate ideation and innovation with creative new ideas, products or services. This can be correct, but it can also be antithetical of true innovation. Allow me to illustrate with an example.

Some years ago, I was asked by a Vice President of Manufacturing to consult to a bio-tech company. The company had been founded some years earlier by a one-man-wonder Phd. genius scientist. The company grew and prospered until by the time I was called in, it employed a few hundred people. Unfortunately, by this point, it had stagnated. The company had outgrown the leadership and management capabilities of the founder, who viewed the company as one large research lab where fellow scientists could ‘play’.

Over half of the company’s operating budget was allocated to research and development, not in itself a problem for an research and development driven company. However, each of the many Phd. project team leaders controlled his or her own projects and budget exclusively, without consultation with the other business functions. Each decided, literally in a vacuum, which areas of research they would pursue.

Although the scientists loved this freedom and they constantly achieved many spectacular discoveries, the problem with this approach surfaced when it was time to market these new products. As marketing had never been consulted, they found that many of the new products lacked any significant markets. Furthermore, the Manufacturing V.P. found that what the scientists had produced in test tube quantities in the lab, could not always be readily and reliably produced in production quantities at costs that resulted in competitive products.

In short, the scientists’ marvelous ‘creations’ could not be commercialized. Rather than being dismayed, the scientists simply moved on to their next pet project, certain that the ‘product failures’ were the failure of the manufacturing, marketing and sales staff.

At the point my assistance was requested, the company had a huge pipeline of expensive new research, rapidly expiring patents and virtually no new commercial

products ready to go to market. The company was still flush with positive cash flow from the existing patents, but the hand-writing was clear on the wall that time was running out.

I have often wanted to make up a sign with the word 'CREATIVITY' on it and with a red circle and a strikethrough. Not that I am in any way against creativity, to the contrary, I am a constant proponent of developing a culture where creativity flourishes. However, the 'creativity' I encourage is 'focused creativity'.

Focused creativity feeds ideation and innovation. Random, unfocused creativity has value in itself as an art form, but not in producing high value innovations.

In business, we are seeking to innovate in order to achieve added value. Thus, we must seek to encourage creativity and ideation that leads to commercialization, whether it be through new markets, products and services or improvements in the way we do business, such as in improved customer service, product design and line extensions, delivery and service, improved internal processes and systems or a host of other opportunities that add real value to what we do. This added value is the essence of successful Ideation and Innovation.

Strategic Innovation Consulting (www.StrategicInnovation.Consulting) provides Open Innovation and Strategy consulting services to a wide range of corporate, Fortune 100's to startups, not-for-profit and government organizations globally. John Di Frances is Managing Partner.