

How to Jumpstart New Product Development Through Innovation

by Mark Kotzer

What is the best way to boost innovation within your company? I had the opportunity to explore that question in depth at the Frost & Sullivan Executive Summit on Innovations in New Product Development, Technology, and Marketing. Over the course of four days I heard the heads of innovation, R&D, and product planning from a Who's Who list of Fortune 500 companies share the management challenges they face in trying to drive innovation and develop disruptive technologies. I rapidly discovered that while Corporate America has a solid grasp of incremental innovation, the management of radical innovation poses a much greater challenge.

Innovation comes in two primary forms: incremental and radical. Established companies are generally quite savvy at developing and implementing the processes necessary to make the incremental, or evolutionary, innovations to existing products or services that enhance their competitiveness and keep them in the game. Six sigma quality in manufacturing, concurrent engineering, product portfolio management systems, and streamlined management are among those tools that have enabled incremental improvements in product features, quality and cost.

By contrast, the process for spurring radical innovation remains largely a mystery for mature companies. According to Richard Leifer, et al, in the book Radical Innovation: How Mature Companies Can Outsmart Upstarts, breakthrough transformational innovations change the economics of a business, alter the relationship between customers and suppliers, and can often create entirely new product lines. Leifer, et al posit that while incremental innovation enables mid-market and large companies to remain competitive in the short term, it is only radical innovation that can change the game and drive long-term growth and competition. Radical innovation is where small, entrepreneurial companies have a tremendous competitive advantage.

Small companies are better at radical innovation in large part because they cannot afford incremental innovation. Lacking the brand name, distribution channels, marketing muscle, and overall resources of much larger companies, they are forced to focus on developing new ideas and technologies. Their small size and clarity of mission enable them to develop new ideas and technologies faster and more cost-efficiently than companies with far greater resources. The very systems, processes, and bureaucracies that established companies create to grow and scale also make it very difficult for their management teams to respond creatively and quickly to customers' needs.

What can mid-market and large companies do to enable radical innovation to succeed? How can the companies that are today's rising stars avoid getting outmaneuvered by the next generation of upstarts? The solution for both types of companies is the same. They should apply the best practices of entrepreneurship and venture development to drive radical

innovation and identify and develop new products and services. Three best practices that are particularly effective are the recruitment of external advisors, the recruitment of the right team, and the providing of compelling incentives for successful entrepreneurship within the established company, or “intrapreneurism”.

1. **Recruit External Advisors** – Start-up entrepreneurs who seek to rapidly grow their companies pursue outside capital from angel investors and venture capitalists, and they recruit an advisory board. The fresh perspective and industry contacts these relationships provide are often of even greater value than the funding received. The fundraising process forces the entrepreneur to develop and defend his business model with far greater rigor than corporate intrapreneurs experience in the relative security of an established company.

Established companies seeking to develop new products, services, and lines of business through radical innovation should recruit industry experts and thought leaders who can provide a reality check on team projections and assumptions. They should be straight-shooters who can help assess new opportunities without being prejudiced by the internal bias, conventional wisdom, and political turf battles that can distract staff.

2. **Recruit the Right Team** - Established companies need to assess the qualifications of the key people driving radical innovation and new product development in much the same way that venture capitalists assess the founder and management team of a start-up. These companies often assume that staff successful in managing existing lines of business will also be successful developing new lines of business. This is rarely the case because the skill-sets required for success are so very different.

Key questions top management should ask when recruiting these teams include:

- Does the team leader have entrepreneurial experience and domain expertise?
- Does the team leader have strong sales and persuasion skills?
- Does the team leader have the passion to drive the initiative to success?
- Does the team represent a diversity of internal functional areas?
- Are team members well-regarded and well-networked within the company?

3. **Reward Intrapreneurism** – Entrepreneurs who are responsible for turning a creative idea or invention into a commercial success benefit financially for their risk-taking and drive. Companies that seek to achieve similar results with their own internal creative ideas and inventions should create a workplace environment and compensation structure that effectively rewards intrapreneurs to have that same “do what it takes” drive.

By adopting these and other best practices of entrepreneurship and venture development, your company can increase the likelihood that new product development will succeed through radical innovation.

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