

STEPPING
OFF THE
CRAZY
TRAIN



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RE-ENGINEERING

INNOVATION FOR THE DIGITAL AGE

“Doing the same thing and expecting different results.” It’s a popular definition of insanity. And it’s precisely what many companies are doing today when it comes to innovation: using established legacy practices to tweak products and services and expecting growth as a result. To be competitive in the digital age, companies must step off of the crazy train and fundamentally change their approach to innovation and product development—or they risk being wiped off the competitive map altogether.

Before the rise of digital, larger companies were able to grow profit margins by tweaking their existing portfolios. Tweaking supply chains gained big advantages for high-tech companies. Household product companies changed bottle sizes for their shampoo assortment. Car manufacturers introduced new design details and made vehicles more aerodynamic and fuel efficient. But still the basic product on offer was a phone service, a car, or a shampoo. And it worked. Tweaks produced the desired bump in sales for the most part. And companies stayed on track...

...Until digital came along and customer expectations changed. Consumers don't care as much about brands. They want products and services on their terms. And they can get ready access to a variety of product and service alternatives through a multitude of digital channels. Now the rate of innovation has skyrocketed so far and so fast that many companies can't move fast enough to realize new sources of value. In automotive, the very concept of car ownership was upended.

Nimble competitors entered the market with car sharing approaches—Lyft, car2go and RelayRides, to name a few—built on technology platforms that allowed users all the benefit of mobility without the hassle of ownership. For those choosing to continue to purchase, digital services were introduced, often provided by third-party players from outside the borders of the industry.

MOST COMPANIES ARE STILL STUCK IN **“SMALL CHANGE”** MODE

Although the days of incremental tweaking aren't entirely over (most companies' portfolios consist of products that have been enhanced), winning means creating breakthrough innovation. That calls for organizational structures that are nimble, open to new input from the extended ecosystem to drive a higher percentage of breakthroughs. And it means working in tandem with consumers. Yet most companies are still stuck in “small change” mode, using outdated innovation methods and expecting different results. Now is the time to step off the crazy train and fundamentally change the approach to innovation and product development—or risk being wiped off the competitive map.

GETTING INNOVATION BACK ON TRACK

In the digital world, game-changing innovation is the only currency that counts. Yet according to research by Accenture Strategy, a full 80 percent of companies surveyed still use an outdated approach to innovation:¹ gated innovation processes (with lean innovation and development) dominated by engineering and R&D good enough for incremental tweaking, but not strong enough to produce real breakthroughs. Companies should adopt a total solution mindset that creates a specific customer experience driven through an ecosystem of partners.

Many incumbent companies are falling behind, unable to capture value from digital, and smaller, nimbler rivals are moving in. Consider WhatsApp.² Facing giant telecoms, this startup effectively decimated the mobile text market—all by developing an innovative platform for smartphones.

GE has changed to meet the new demands of the digital marketplace. The company has placed big bets on innovation through their own platform called Predix.³ Predix connects people, data and machines over the Industrial Internet and allows GE to move from product development to solutions. It is at once an innovation GE created and the source of innovation—insights from Predix will help shape “the next Industrial Internet of Things era.”⁴

EXPERIENCE AND SPEED

For decades, speed-to-market was the most important metric when it came to innovation. That's because competitiveness was about tweaking the status quo. Whoever got out fastest had the advantage. Now, in the age of digital, while businesses will continue focusing on their products and services, they will need to also focus on creating customer experiences and building the ecosystem that supports those experiences.

It's something most leaders appreciate. Leaders report that incorporating digital as part of the customer experience value proposition was more important than speed-to-market (50 percent versus 44 percent).⁵ And most, (more than 70 percent) report that their most successful innovations are derived from improved customer experience over new products alone.⁶ It may be one reason Apple has delayed some of its high-profile product launches.⁷

SWITCH TRACKS: SOLUTION MANAGERS

Doing things differently when it comes to innovation will involve transforming company roles. To extract value from digital, companies need to re-engineer the role of product manager, building up the role of solution managers instead—a role that will orchestrate the innovation pipeline and ecosystem interaction. It requires a change in mindset from approaching innovation as one person/department's wheelhouse to seeing it as the secret sauce that's created when bringing different disciplines together.

It's something most leaders anticipate. In fact, 81 percent agree that industry boundaries will dramatically blur as platforms reshape industries into interconnected ecosystems.⁸ And solution managers will be on point to drive innovation through the interrelationships of hardware, software, connected customer experiences including service, and continuous big data flows.

Many leaders are already leveraging solution managers who integrate analytics with product and service development to harvest multichannel insights—which will enable re-imagined customer experiences, not just functionality. The result: insights that lead to innovation and higher value solutions—and more than double the growth (18 percent CAGR) when compared to companies that were products only (8 percent CAGR).



MARRIOTT ECOSYSTEM INNOVATION IN ACTION⁹

They've innovated their customer experience using an array of third-party providers across an extended ecosystem, underpinned by data analytics. Now you can check in and out of your room on the company's app. And they're piloting a number of additional innovations like using your mobile phone to unlock your room and text-message applications to improve communications.

NEXT STOP: *THE FUTURE*

Stepping off the crazy train of doing the same thing and expecting different results requires companies to get a few things right:

FOR STARTERS

COMPANIES NEED TO INNOVATE AROUND PLATFORMS.

Like GE's Predix, developing a platform approach is an innovation to the business, and it generates innovation. How? Because platforms bring together an extensive innovation network. Think of the innovation Apple enables through its App Store. By establishing a platform and becoming the orchestrator, not just a follower, companies can command and enable the ecosystem to drive value.

CREATE

AN "OPEN INNOVATION 2.0." It's time to fully capture the potential of the innovation partner network, going beyond paper-based ideation to capturing the culture and processes from different ecosystems to bring innovation to life.

- BMW is emulating the agile-based innovation culture and processes of Mobileye, an Israeli startup.¹⁰ The automaker benefits from Mobileye's fast-moving, experimental nature to develop self-driving cars while keeping the engineering integrity they're famous for.

MOVE BEYOND

CUSTOMER RELATIONSHIP MANAGEMENT. Winners will upgrade or build connected customer insight capabilities within their R&D/innovation network. That will entail creating connections to a multitude of customer data sources from social media and around the web, and using analytics hand-in-hand with product development to harvest multichannel insights to enrich solutions based on the wants and needs of customers.

- John Deere transformed its business by moving beyond pure equipment to providing farmers with digital services such as crop advisories, weather alerts, planting prescriptions and seeding population advice.¹¹

AND THEY'LL CHANGE

OLD-SCHOOL ROLES—FROM LEADERSHIP ON DOWN. Boosting innovation requires finding the leadership to orchestrate change in an organization's way of innovating and developing customer-centric solutions—and bringing in new talent pools like analytics experts. In order to successfully extend products into services, companies need solution managers in place of product managers.

- In 2013, Michelin launched a new business—Michelin Solutions—to deliver a range of innovative mobile services to business customers to help them manage fuel efficiency and tires across fleets of vans and trucks.¹²

FAST-TRACKING INNOVATION

Boosting innovation requires companies to change: adapting platforms that allow them to support networks of innovation, moving beyond customer relationship management and getting real about crafting customer experiences, and reshaping roles to allow for innovation to flourish. Those companies that do will fast-track innovation and gain a competitive edge. Those that don't risk disappearing altogether.

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NOTES

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