

Last week *Business Week's* Chief Economist, Michael Mandel, published an article titled “Innovation, Interrupted – The Failed Promise of Innovation in the U.S.” where he stated and supported his belief that U.S. innovation has failed to realize its promise over the last decade. He correctly asserts that “a high-wage country such as the U.S. either has to develop innovative products and services to compete with low-cost countries such as China or accept a lower standard of living.” In May, Mandel published another article pointing out that U.S. companies are slashing their professional research and development workforces to deliver short-term results; effectively “eating our seed corn to get through the financial crisis.” What should we do about it?

There is no shortage of information and advice available on the topic of innovation. It is the subject of hundreds of books, articles, blogs and conferences. Gurus by the dozen espouse different theories and approaches. *Business Week* itself devotes an entire section to innovation. If Mandel is correct, we seem to talk about it more than we do it. I do not believe that we lack big ideas or ambitions. Nor do I believe that we lack the hard skills required to develop life-changing technology. In large enterprises, the problem is more often in the basic fundamentals of new product development and commercialization.

We see it every day. Companies of all sizes in every industry struggle with the business process of turning an idea into a successful commercial product or service. Because this process is inherently cross-functional (and these days likely to involve multiple companies), it is difficult to get it right, but building a sustainable and repeatable innovation capability requires addressing the fundamentals. The essential components of success include:

- A clearly articulated innovation strategy that is consistent with the company’s business strategy
- Methods for creating and capturing new ideas from multiple internal and external sources
- An objective process for deciding which innovations to pursue and continuously evaluating progress
- The ability to simultaneously and cooperatively execute development and commercial activities
- A plan to extract value from an innovation over the entire lifecycle of a new product or service
- Leadership that values, understands and actively supports the role of innovation in company success

The decision by a company to cut spending in R&D may be perfectly legitimate. We know that much of this spending is “wasted” as not every dollar invested results in a profitable product. The question is not how much should we be spending on innovation but what should we expect in return. Most companies cannot answer this question as they do not measure the expected commercial value of their product development pipelines. This makes those pipelines a fat target for short-term cost cutting.

This highlights the issue of leadership - and ultimately ownership - of innovation in our companies. We do not believe that we lack the ability to deliver innovation nor that success is necessarily dependent on brilliant insights or strategies. We need to focus on the fundamentals and make better business decisions. As Mandel points out in his article, there is a huge amount of capital out there desperately seeking a better deal than that offered by government bonds. Improving our ability to repeatedly execute the successful commercial launch of cutting-edge products will attract that capital.

For most organizations delivering on the promise of innovation is a function of addressing the basics.

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