

Five Keys to Profitable Innovation

Advantage Series White Paper

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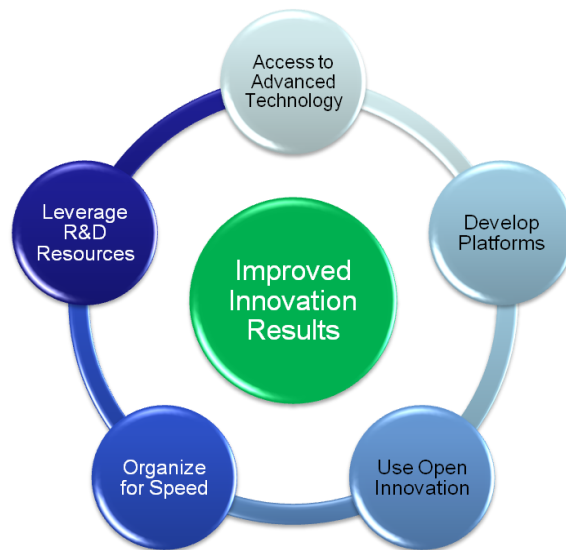
Abstract



Most companies agree that innovation is the key to building a sustainable business. In fact, you have probably heard the mantra “Innovate or die” many times. Sounds good. Most companies would say they are working on innovation and product development. How many companies have cut their R&D staff in the recent downturn? If you listen to the Wall Street quarterly reports, you hear a lot of companies increasing profits with flat top-line growth. That’s great for the CEO with the short term incentives, but how are you going to grow revenues? How will the company continue to grow in the long term? There are a lot of companies that are great innovators and product developers. But how do they do it? A few years back, PRTM conducted a study (1) on what makes companies good innovators. Their work found three key aspects of product development that improved both profitability and revenue growth. From my own experience, I have added two more. So there we have it! The five keys to profitable innovation:

1. Access to advanced technology
2. Development of platforms not single products
3. Creating an organization designed for speed
4. Utilizing “Open Innovation” as a regular part of the development process
5. Leveraging your R&D resources

I also want to clarify what we mean by innovation. Innovation is the process by which customer unmet needs are translated into commercially viable products or services. The emphasis is on commercially successful new offerings. These can be a new product or a new way of serving the customer. The goal of all development activities is to grow revenues with enhanced profitability. This means understanding the unmet needs and then having a robust, flexible process to handle the project from start to finish.



For polymer companies and especially formulation driven companies (those that use high tech ingredients to formulate value-added products such as adhesives, laminates, coatings, composites, etc.) having access to advanced technology is the foundation of the innovation process. The auto industry has successfully used the platform approach to reduce development time and leverage platforms to develop multiple products from established platforms. Successful companies also are adept at organizing for speed using multifunctional teams (breaking down functional silos) but at the same time ensuring quality in the new products. There are few companies that have all of the technical resources available inside the company. Companies

must be facile at using outside resources (open innovation) to enhance product development. Did you know that the Nintendo Wii used an outside company, Gyration, to develop the remote for the wildly popular Wii and Wii Fit? And finally, you need to make sure your highly talented R&D staff is focused on development. Sounds strange, but many companies divert R&D resources to chase the “firefight of the day” and rob precious time from the development schedule.