Innovation processes to underwrite survival and growth

By Mike Robson

For most businesses, sustainable success depends on innovation and bringing new products to market. Nothing destroys value in a company more than obsolete products and outdated services.

A typical new product introduction process comprises five principal stages to be undertaken in order:

Knowledge – the basis of innovation is insight. The more you understand your customer's needs, the more likely you'll be to create a winning product.

Hunches and "gut feel" play their part but develop a system to capture feedback from all customer facing staff whether they be in marketing, sales or operations. All should be asking customers (and themselves) appropriately tailored variants of the questions: What problems does our product or service solve for you, what is its value to your organisation, what are the aspects you don't value, what other things will you need in the future?

The last of the above questions is hardest to answer. In many industries an advisory board or network of people in your industry can be illuminating and good value for money. Good research will also help you forecast the remaining life of your existing products and the likely trends in the market and identify adjacent markets that may be of value

In many companies these activities are ignored or become secondary to daily tasks - but they are fundamental to medium term survival and growth.

Concept – Encourage colleagues to develop concepts for new products or services or variations of existing products.

Keep the concept document at a high level (perhaps only a page) but make sure it answers a few key questions: How does it fit in with our vision? Is the target market likely to be large enough to make it viable? Will the returns be large enough for a business of our size? What commercial or technical risks are there? What else do we need to know?

Run the concept past customers, experts and independent reviewers to determine whether your innovation is likely to be well received.

The concept stage should not take up large amounts of time but should lead to a clear "yes we want to consider this" or "no it is not for us" decision. Always provide considered reasons to the originator of the concept if the decision is no.

Consider applying the same process to existing products or services - are they future proofed?

Commercial viability – Now the serious planning and evaluation starts. Notice that we put "Commercial Viability (Will it make money)" ahead of "Technical Feasibility (Can we do it)" - many organisations answer the questions the other way round, because the second question is usually easier for people in the organisation to answer at great length whereas assessing commercial viability takes people into harder territory.

Consider in detail: What are the features and benefits of the product or service, who are the customers and why will it be of compelling value to them, how do we beat the competition, what routes to market will be successful? If you cannot answer these questions, do not go to the next stage.

Technical feasibility and risk management – produce detailed product specifications, cost analyses and project plans. Include risk assessments, operational and delivery plans and manufacturing plans. This will help you decide if you can produce a product or service of the right quality, at the right cost, in the necessary timescales. If you can, move to the final stage.

Business plan – create and communicate formal marketing, sales, financial and resourcing plans. Much of the work will have already been done in the above sections. Assess risks identified in the earlier stages.

Two don'ts:
Don't be scared to abort a new product development plan at any stage. Use the lessons learned to improve the viability of future innovations.

Don't let these processes slip. Appoint a director to drive innovation and take on board responsibility for new product introduction.

Two cautionary tales

A ten year old, profitable technology company overestimated the life of its principal product and had not put enough effort into replacing it

A well established and profitable provider of leisure services missed a change in customer expectations allowing a competitor to gain a significant foothold before re-launching their service

Both of the above companies survived and are prospering, but revenues were reduced for a 2 year period, the businesses were put at risk and the owners suffered sleepless nights.

About the Author

Azure Partners work alongside the Boards of progressive companies from their earliest stages though growth and maturity to preparing them for sale or flotation. We have the skills, the commercial experience and the necessary knowledge to significantly enhance the value of your business. In 2013 the aggregated turnover of our 5 most engaged clients increased by 16% to £35 million. The profits of those 5 companies increased by 107% to £7.5 million in total.

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