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# Purposeful, Systematic Innovation

## The Key to Sustained Competitive Advantage

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### Introduction

"Business has only two basic functions: marketing and innovation. Marketing and innovation produce results. All the rest are costs."<sup>1</sup>

Peter Drucker

We go even further to state that innovation in marketing is also essential. Therefore business has only one basic function - innovation. Innovation is the basis of all competitive advantage: the means by which organizations anticipate and fill customer needs and the method by which organizations utilize technology.

Innovation either endows resources with a new capacity to create wealth or creates a new resource. Innovation is the process of implementing new ideas, of turning creative concepts into realities. In a broader sense innovation can occur in all areas:

- Technical
- Social
- Political
- Economic

Innovation in one area always affects the other areas. Innovation can cause change or it can exploit change; systematic innovation which exploits change is generally the most effective.

Systematic, purposeful innovation will create an effective and efficient organization. Systematic, purposeful innovation begins by identifying the changes occurring in a market. This is followed by understanding the opportunities and threats that will result from these changes, developing a strategy to take advantage of the opportunity and avoiding or minimizing threats, assessing the organization's capability to implement the strategy, and developing an organization which can effectively and efficiently innovate.

If this systematic, purposeful innovation process is followed, the organization will benefit by becoming market driven. It will do what is appropriate for the market and it will anticipate the

market. As a result, the organization will become more effective and efficient. Society will benefit because the organizations within it that create wealth and meet societal needs will be more sharply focused on the proper targets.

The purpose of business is innovation, which, when properly focused, creates wealth as defined in the broadest sense. The creation of wealth benefits all.

## Exploit Change through Innovation

It is obvious now even to the casual observer that we are in a time in which continuous innovation—a constant commitment to change—is an essential ingredient to organizational success and, even more fundamentally, to survival. Change will never go away. It will always be with us. However, at this moment the pace and magnitude of change is at a crest. In the aftermath of the crest, some of us will be among the missing, swept away by the crosscurrents of change—and this applies to individuals, companies, and whole industries. No one is safe; history teaches us that.

The question, then, is not whether to innovate, but how? Books and articles by the thousands promise easy solutions or easy strategies. But, as someone once said, for every complex problem there is a simple answer, and it's probably wrong. If we are to solve the problem of continuous organizational innovation, we must respect the complexity of the issue.

Innovation is the organization's way of implementing new ideas, of turning the creative concepts of its members into realities. It can cause change or it can exploit change. Systematic innovation which exploits change is generally the most effective. In the American culture, exploiting change is not what is expected of an innovator. America's image of innovators is that of lone inventors struggling against tremendous odds to bring ideas to the world. Then, when they have succeeded, the world rewards them by beating a path to their door. However, this is the least successful way to innovate.

Quite often, the Japanese are labeled as being non-innovative. However, they are very innovative. It is just that they prefer to take advantage of change. When innovations result from change, they seem to be very normal and natural developments, even though they may, in reality, be breakthroughs, such as the Sony Walkman.

Drucker has defined systematic innovation as the purposeful and organized search for changes, and in the systematic analysis of the opportunities such changes might offer for economic or social innovation.

Organizations need innovation in order to survive. With innovation they can:

- Delight customers
- Establish competitive advantage
- Deliver quality products and services
- Be more productive
- Meet goals

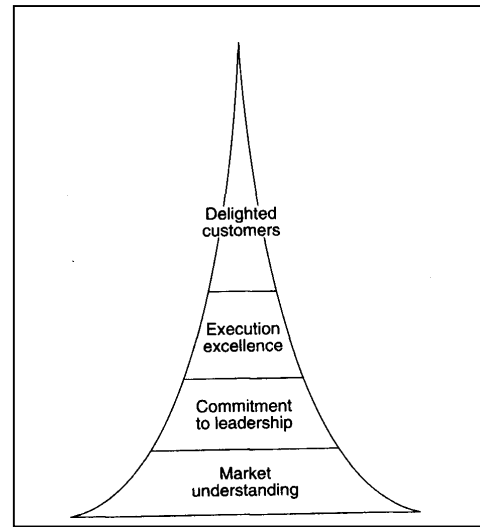
- Attract and keep the best people

But how do organizations innovate purposefully, taking advantage of changes that are occurring? Cookbook approaches do not provide the answers. Such approaches are more like a development process, steps to go through in a very general sense, but with little clue as to how to focus the organization's innovative activity. General advice books are good for hints about creating an innovative culture or organizing for innovation, but they, too, are unfocused. Organizations that follow their advice may well work on unnecessary innovations while forsaking the necessary ones.

And, lastly, the single-strategy books and articles promise success if you just follow their advice. Most of them recommend that you move quickly and that you make incremental changes. This may be good advice for some industries and for certain companies within those industries, but it is not correct for everyone and may lead to failure.

## Become Market Driven

The correct strategy is to be market driven; that is, to innovate in the direction the market indicates. This way, the organization can develop the purposeful and organized search for changes that Drucker suggests. The principles of being market driven are very simple, fundamentally sound, and very powerful. To be market driven, organizations must understand the markets, commit to leadership in the markets they choose to serve, execute with excellence across the organization, and keep the customer foremost.



## What Is a Market?

A market consists of three components: customers, competition, and technology. The pull of the market comes from current, identified potential, and unidentified potential customers. Market push comes from the technology-direct, supportive, and enabling. The clash in the marketplace comes from competitors-direct, indirect, and structural.

A systematic search through these elements of the market identifies the innovation opportunity. Ideally, organizations would prefer to pinpoint an area where customers want innovation, where the technology has the potential to provide it, and where there is little competition. To understand the market, then, is to develop a description of the innovation opportunity. That opportunity is there for everyone to discover. Whether the organization takes advantage of it or not depends on its strategy and capability.

## Innovative Organizations

A shared vision is the enabling force that drives an organization. If this vision encompasses the commitment to leadership and embraces innovation, it can be used to develop an innovation strategy; to do that, the innovation opportunity must be developed through understanding the markets. It is through a management style called teleocracy, described by Mobley and McKeown<sup>2</sup> that the vision can be established.

Organizations have gone through three fundamental styles of management over time - autocracy, bureaucracy, and entrepreneurship (or intrapreneurship). Each has its place in history, its organization, and environmental conditions. In the current environment, teleocracy is more appropriate for most organizations.

## References

1. Peter F. Drucker, *Innovation and Entrepreneurship*, Harper & Row, New York, 1985.
3. Lou Mobley and Kate McKeown, *Beyond IBM*, McGraw-Hill, New York, 1989.

## About the Authors

Paul Schumann and Donna Prestwood are the founders of Glocal Vantage, Inc., an Austin, Texas based consulting firm. They offer consulting, training, seminars and speeches on developing innovation strategies. More information about Glocal Vantage can be obtained at [www.glocalvantage.com](http://www.glocalvantage.com). This article was excerpted from their book, *Innovate!*, McGraw-Hill, 1994.