

# MICHELMAN®

## Innovation, Easy to Say, Hard to Do.

### An Innovation Model that Works!



# Agenda

- Terms
- Innovation then and now
- How to get from then to now
- Keys to success
- The Model that Works
- Parting words of advice

# Terms

## Innovation

- The commercialization or value capture of unique creative ideas.

## Internal Innovation

- The commercialization or value capture of unique creative ideas generated within a company.

## External or “Open” Innovation

- The commercialization or value capture of unique creative ideas generated from sources outside of a company.

## Holistic Innovation

- The natural use of either internal or external innovation as a seamless mechanism to generate value.

# But Why Holistic Innovation?

- All companies have some of the answers but no companies have all the answers!
- Change is happening faster and faster.
- It makes the “world your lab”.
- Helps you to achieve truly market changing concepts.

# Issues to Address

- Intellectual Property Issues—who owns what?
- Confidentiality issues
- Revenue sharing challenges
- Cultural issues.
- Trust issues

All of these can be addressed in a positive manner.

# Innovation Then



# 10 to 15 years ago or so....

- Innovation was inwardly focused
- Short term in thinking– customer centered.
- Innovation was largely iterative i.e., small tweaks to existing products
- Only “external” innovation was in directing suppliers on what a company needed and holding back on detail necessary to succeed.
- Lots of siloing i.e., Business units/groups were isolated from each other.

# Innovation Now





# Now

- Still a lot of customer focused research— good!
- Still a lot of iterative innovation-- okay.
- Greater top down support and encouragement on the use of holistic innovation practices— great!
- A blend of transformational, categorical, marketplace and operational innovation— critical.
- Partnerships with suppliers, customers and universities-- chancy
- Newer facilities promote collaboration— good but...
- Tools that allow for more open and broader internal and external innovation— great!

# How Does a Company Get From “Then” to “Now”?



# The Evolution Begins

- Sometimes it takes a crisis in business to “stimulate” alternative thinking
  - Remember TQM (Deming)?
  - How about oil from shale?
- Many corporate leaders have recognized that their product line is “over the hill” and profits are eroding.
- They also realize that they can no longer grow sufficiently just by doing the same thing over and over and over again.
- In other words, internal innovation alone is not enough.

# Keys to Success



# Key #1-- Get Us Out of the Fray!

- Create a New Technology department/new business development with a long term commitment from executive leadership.
  - This department does not reside in any business unit/group.
  - Rather it sits apart from them yet in constant collaboration with them.
  - This keeps them out of the everyday fray and fire fighting that commercial groups face.

# But There are Challenges to Overcome!

- Cultural change— not an easy thing to do!
- Commercial Business Units operate in the here and now and they need to!
  - But they frequently seek short term solutions to long term challenges.
  - This favors a culture of iterative internal innovation.
- In house expertise is lacking on how to make this transformation become real.

# And There Are Mistakes Along the Way

- Commercial priorities getting in the way of strategic priorities.
- Presuming the need.
- Incomplete or absent marketing data to support perceived needs.
- Lack of buy in from the business groups.
- Result:
  - Lots of resources and efforts put against ideas and product developments that no one cares about!

# Key # 2--Back to the Black Board!

Key things for a company to learn to optimize innovation success:

- How to balance short term and long term needs in parallel with equal priority.
- How to properly technology scout.
- How to properly do market research.
- How to leverage external search partners.
- How to access data bases that can help in searches.
- How to network with other companies to learn how they do innovation.
- What types of innovation there are and how they fit in with business models.



# Key # 3--Innovation Types\*

- Transformational
- Categorical
- Marketplace
- Operational.

## Key Point and Red Flag!!

Each one of these types possess a different thought process and an optimum environment/culture in which to thrive.

\* Special thanks to Jane Stevenson of Korn/Ferry who educated *me* to this reality.

# Key # 4--Create and Fill an Innovation Tool Box!

- External search firms
- Literature databases
- Credible marketing studies and patent searches,
- Connection with industry experts
- Internal Ideation
- University Affiliations

# Key # 5--Collaboration

Assuming that a New Technology Group is created:

- Meet with each Business Group to discern their strategic i.e., long term, priorities.
- Ask them to qualify and quantify these.
- Then meet with all Business Group Sales/Marketing/Technology leaders collectively.
- Finally, generate a corporate wide prioritized master list.

Reality– Resources are limited. You cannot do it all!

# Key# 6--Establish Innovation Metrics

Just a Sampling:

- New product numbers over the past five years (volume, revenue, income).
- Measuring new products whose concepts originated outside the company:
  - Over the past X Years
  - As a percent of revenue
  - As total income.
- Number of ideas that came from outside that were employed in research projects.
- Number of grants awarded and amount.
- Number of university projects/alliances
- Number of joint development agreements and what percent of those become commercial.

# Metrics— A Word of Caution

- Sometimes metrics can box in innovation.
- Metrics are many times rear view mirror in scope.
  - In other words don't put in place a metric that anticipates a high success rate in terms of number of projects that commercialize.
- External innovation driven projects are much like aggressively managed mutual funds— they have high potential but high risk as well.
- Successful companies do not pale at this prospect but rather embrace it!

# Summary-- Keys to Holistic Innovation Success

- Top down support, promotion and long term commitment.
- Vision.
- Strategy.
- A recognition that this cultural shift will not happen over night— patience, patience, patience!
- Tools that allow you to engage.
- Passion to succeed.
- Putting the right people into the right innovation roles.
- Resources dedicated to longer term strategic opportunities.
- Networking— it's all about continuous improvement!

# The Model



# The Model

- Determine to be in it for the long run.
- Establish a group focused on longer term initiatives.
- Staff with the right innovation mindsets for your company.
- Provide a means of collaboration between this group and the Business Groups
- Have a marketing presence that confirms needs before pursuing solutions.
- Create, fill and use the tools in an Innovation Tool Box
- Establish forward looking metrics of success.



# Eight Keys to Innovation Failure

1. Lack of a long term commitment to the process by executive leadership– give it at least five years.
2. Failure to define and reinforce terms used.
3. If you are not good at internal innovation you will not be good at external innovation.
4. Don't copy what a competitor is doing unless it matches your culture. Design an innovation system that works for you!
5. Lack of alignment, particularly by commercial business units.
6. Executives unwilling to take risk and give up control.
7. The current best innovative people in the company may not be the best holistic innovation people.
8. Failure to focus on win-win scenarios for your company *and* your customer.

# Words of Advice

- Be patient– changing the culture takes time.
- Define your terms.
- Recognize that what is needed is a healthy blend of external and internal innovation.
- Develop an Innovation Vision and communicate this to the entire work force constantly.
- Separate strategic projects from tactical projects and have the discipline not to take resources from strategic projects to tactical projects when crises occur.
- Establish metrics that work for your company.
- Get involved with networking opportunities
- Equip your toolbox.
- Reward your innovators for taking a chance!
- Keep in mind that innovation is not limited strictly to product development.

And Lastly...

Enjoy the Journey!!



# Thank you

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