Innovationedge® Insights

Reinvigoration and Renewal

Spring is the season of rebirth, and that's true for business as well as nature. It's time to dig, plant seeds, and fertilize. For organizations seeking to grow, the metaphor extends beyond products and pipelines. It's about your **organization's capabilities** and **business models** - both of which create the foundation for sustainable growth and competitive advantage. It's about perennials, not annuals.

Gardening metaphors aside, our latest research and insights underscore the importance of strengthening talent, skills, resources, enabling technologies and processes to compete. Business model innovation is pivotal to differentiation.

Products come and go, markets and technologies change frequently. Your capabilities and models are anchors; they are greater than the sum of their parts.

In this issue, I share my insights and research findings about both.

IE is continuing to research companies' progress with these and other key initiatives in our 2019 Innovation Pulse Survey. We invite you to participate - it only takes 5 minutes, and you'll receive the summary report with exclusive benchmarking data and analysis.

As always, I welcome your questions and comments, and would love to hear what you're up to. Send me an email (cperkins@innovationedge.com) or give me a call (920-205-3297) anytime.

Cheryl Perkins
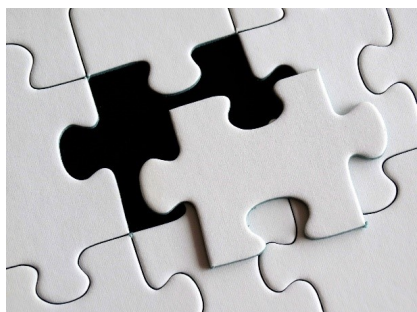
Is Your Business Model Still Relevant?

We've been receiving more and more inquiries lately about business model innovation. Companies recognize that their current models are becoming less effective, and that new upstarts are changing the game. It's a fact: the lifespan of business models is shrinking, and companies cannot afford to stand still.

The challenge is deciding what new model to adopt.

While there are templates and canvases to provide structure, there's also a dizzying array of new business model archetypes to choose from. To sort the wheat from the chaff, we have extensively researched what leaders are doing and which models are most impactful.

First, our definition of business model:

> *The differentiated way in which a company creates and receives value -- both societal (customers, partners, investors, stakeholders) and financial (sales, margins, cash flow, return on investment, shareholder gains). Models encompass products, services, operations, processes, capabilities, assets, channels, alliances, supply chains, and logistics. They are systemic; changing one element will change the rest. To succeed, all the pieces must fit together synchronistically.*

Business models are not one-size-fits-all; depending on your core strengths and future goals, the structure will vary. Models can be and often are combined; you can also have several models in place at once. The key is going beyond products and processes; beyond what you're doing today. The unique way you construct your model and execute is what will give you sustainable competitive advantage.

That said, we've identified five primary model archetypes that embrace the full spectrum of value creation in today's digitally-driven, intensely competitive business environment. While each has its own value proposition and situational applicability - *all* are focused on the customer. A company will typically choose one primary play, based on core strengths and strategic objectives.

Here, we describe what these models are. (For more insight, download our latest briefing report, ***Five Business Models for Sustainable Growth****,* which discusses the value proposition, capabilities required to execute, and company examples of each.)

1. Subscription/Rental Model -- "retain the customer"
2. Premium, Personalized, and Service-focused -- "cater to the customer"
3. Digital/Physical, Omnichannel -- "own the customer"
4. Platforms and Ecosystems -- "connect the customer & marketplace"
5. Accelerators and Incubators -- "test and launch with customers"

The power of Business Model innovation is in the orchestration of your value proposition with operational excellence. The key is focusing on your unique points of differentiation and recognizing that the holistic system is what makes it sustainable, hard for others to copy, and impactful.

For more insight: Again, we discuss the capabilities required to execute, the value each provides, and company examples in our complimentary report ***Five Business Models for Sustainable Growth***, which you may download here.

Digital Innovation - The 3 Key Capabilities You Need to Remain Competitive

There's no turning back. Digital transformation has raised the stakes for innovation. New products and services must go beyond features and functions. The digital customer is king.

With the rise of smart connected technologies and the increasing blur between physical and digital delivery, today's consumers expect complete experiences that more than meet their needs. They want products/services to understand them personally. They want 24/7 accessibility online, but they also want to see, touch, and feel products in person.

Digital consumers will share personal data if they trust it will benefit them (for example, MyFitnessPal). Their shared insights can help shape future offerings, but more importantly will help forge bonds. Trust is the operative word.
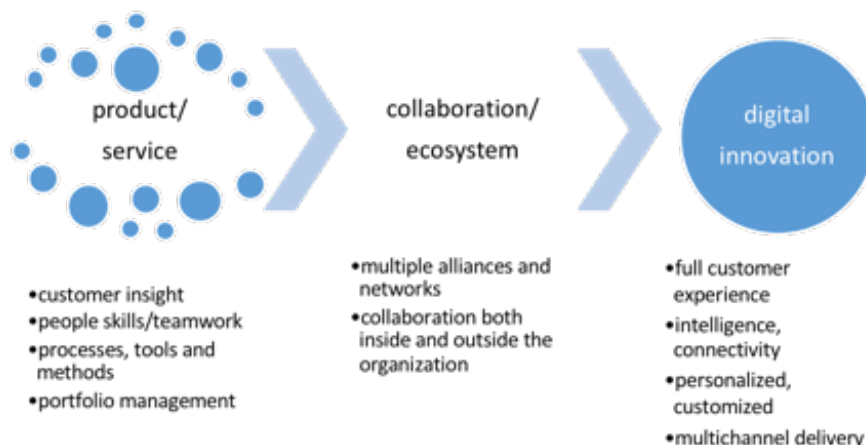
While technologies such as Artificial Intelligence (AI), Machine Learning, Analytics, etc. enable the development of such offerings, they're only part of the equation. Data must be translated into insights, trust and human connection must be established, and delivery must be seamless. This must all be done with confidence and speed. Opportunity windows are short, competitors are everywhere.

Is your organization digitally capable?

For most of the firms we work with, new capabilities are needed. In fact, capabilities (or lack thereof) can make or break digital transformation. In our experience, innovation capabilities progress from product/service to digital innovation.

1. **Product/service innovation**
2. **Collaborative innovation**
3. **Digital innovation**

While the capabilities overlap, they also build on each other as follows:

product/
service

- customer insight
- people skills/teamwork
- processes, tools and methods
- portfolio management

collaboration/
ecosystem

- multiple alliances and networks
- collaboration both inside and outside the organization

digital
innovation

- full customer experience
- intelligence, connectivity
- personalized, customized
- multichannel delivery

1. **Product/service innovation** is the ability to define, develop, and deliver profitable new offerings, ranging from incremental to breakthrough. Fundamental

capabilities include:

- **People skills** such as creativity, drive, insight, pattern recognition, competitive and market awareness, etc.
- **Teamwork** - assigning the right people to the right jobs and blending diverse and complementary talents.
- **Processes, tools, and methods** to gather data and insights; test hypotheses and concepts; and more. Includes data analytics, algorithms, machine learning, AI, behavioral science, design thinking, and more to assist in data collection and interpretation.
- **Customer insight** derived from multiple sources, both online and in person. Know what questions to ask, listen empathetically without bias, identify the right 'problems to solve' and/or 'jobs to be done.
- **Service.** Business interactions today are customer-centric, and the way companies serve customers is key to competitiveness. Since customers shift between channels (phone, email, chat, in store, social media, etc.), firms need an omnichannel communication strategy. As service components are increasingly embedded in products and platforms, companies also need automation, AI, and knowledge. CRM, case management, and other enterprise data stores.
- **Portfolio management.** Strategic capability in the areas of risk/reward assessment, idea/initiative management, project selection, go/kill decisions, and resource allocation.

2. **Collaborative innovation** takes product/service delivery to the next level. Through partnerships, acquisitions, incubators and co-innovation centers companies can test new ideas and accelerate delivery as well as increase capability. Digital experiences require ecosystems and multiple alliances to coordinate the full spectrum of services and technologies. (Think Kroger with Microsoft retail-as-a-service platform, Instacart for same day delivery, Home Chef meal kit acquisition, Ocado for e-commerce, etc.) Internal collaboration must advance as well - R&D and marketing need to speak a common language and set unified goals. Software will increasingly be embedded with 'hardware' - agile development methods like scrums and time-boxed sprints should be part of the process.
3. **Digital Innovation Capabilities**. Delivering fast, personalized customer experiences requires deep customer insight. Companies need to know what customers need now and what they will need in the future. This requires alignment between technology and business functions, along with shared real-time data. Capabilities and skills around data science, analytics and interpretation are paramount. The main technologies enabling digital transformation are data science, AI and machine learning, and the cloud.

Overall, organizational capability is achieved by continually building on existing competencies through leadership development, technical training/upskilling, knowledge sharing, mentorship programs, hiring and retaining top talent, partnering with and/or acquiring capable firms, updating tools and systems, funding/resourcing, and providing centralized access to data and insights.

The role of leadership cannot be overemphasized. At every level, function, and business unit there must be a culture of learning and experimentation, not fear. 'Failures' must not only be acceptable, they should be expected. Openness, teamwork, and honest communication should be nurtured and rewarded. The corporate vision and strategy must be articulated and well-understood.

Many companies are at the early stages of digital transformation, and there is still much to be learned. Nonetheless advancing these capabilities is high priority.

Innovation Pulse Survey

Innovationedge is asking Insiders and subscribers to participate in an innovation pulse survey. The short survey will allow them to share their perspective and provide valuable insights. Survey results will be shared with respondents including a summary of:

- Primary targets for innovation efforts
- Types of innovation focused on
- Measuring innovation success
- Barriers to innovation success

Innovationedge will **not** share individual identities or company names. The information provided will be kept confidential, aggregated, and will be used only for statistical purposes.

The survey will be only be open for a limited time. You can participate in the survey by clicking on this link:

Innovationedge Pulse Survey

Innovationedge is a global strategic innovation consultancy with offices in Florida and Wisconsin. Our team's fearless champions of innovation break barriers to help executives define their strategy, develop capabilities, design a winning organizational structure, and deliver breakthrough innovations through a robust growth pipeline of sustainable solutions and new-to-the-world innovations.

Innovationedge also gives inventors an edge by crafting winning business propositions and creating strategic corporate partnerships that deliver commercial success.

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