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STRATEGIES FOR SUCCESSFUL INNOVATION

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Abstract

In the present era of open market, customers get more options than ever before to choose from, making it difficult for a product to find buyer unless it has some unique attribute over others. This has increased the competitive pressure on the business. Thus to maintain product distinction companies are forced to innovate. While a need based innovation increases the perceived value of the product offerings making it more affordable, knowledge based innovation helps companies to create new market and opportunities. Though much desired, many firms fail to successfully innovate. This may be ascribed to many extrinsic and intrinsic reasons. A careful identification of these factors and taking corrective actions can help firms to churn out commercially viable innovative products.

Key words: Need based innovation, Knowledge based innovation, Life Cycle Management of an Innovation.

Introduction

An enterprise, especially the one that is a new entrant in the market has many ways to begin its operation. The easiest and probably the most commonly used strategy is to start producing large selling generic products, i.e. the products which are already available in the marketplace, and not covered by intellectual property rights and are having significant market size in terms of sales. However there is another very important dimension, which is usually overlooked but which can make it a win-win situation for both, producers and the customers. The dimension that can do this and a lot more is an innovation based business model.

Innovation in the business world is multifarious. It should not only be an innovation in the form of a new product offering, new production method or a new way of marketing. It can be an innovative way of packaging, application or use. Thus there may be different areas where innovation can be incorporated in the product offering.

An innovation may not always lead to a blockbuster product, but it certainly increases the chances of the market success. The import of innovation has been further augmented by opening the market frontiers across the world and the resultant rise in market competition. 'Innovate or parish' is the buzzword in the market. In fact many

companies in India, which used to be purely generic players, have started investing heavily for introducing more "innovative" products. The famous axiom 'Survival of the fittest' may very well have an addendum; 'The most unique is the fittest'.

Types of innovation

An innovation may be classified as 'need based innovation', and 'knowledge based innovation'.

Need based innovation

Innovations that provide solutions to the needs of the customers are categoried as the need based innovation. It may be in various areas like improving the functionality of the product, increasing the application of the product, improving the technique of production etc. Need based innovations can be exemplified as:

P&G Today serves about two billion-plus consumers around the globe, but there are six billion consumers out there. That has led the company to put increased emphasis on low-end markets and in mid- and low-level pricing tiers in developed geographies. That has caused it to put a lot more attention on the cost aspects of its products (Hof, 1994). Thus the company has increased its market share by cost rationalisation.

Maruti pioneered an innovative mode of payment (remember 2559 offer) in the four-wheeler automobile segment to facilitate customers, especially those belonging to middle class, and to make them perceive the product affordable.

In these times wherein one gets less time to spend in home with family members, 'McDonald' & 'Pizza hut' came up with home delivery offers. Increasing parking problem has also factored into implementing this strategy.

'Air Deccan' is one of the most successful brands in 2003. Its success can be ascribed to its innovative strategies of, no-frill, 100% e transaction model, selling food & beverages on flight etc. that makes them to provide air travel at 50% the price that of other established airlines.

Need based innovations prove to be more successful as the idea of innovation is conceived keeping the customer's requirement & convenience in the mind. Due to the risk free nature of these innovations, the chances of failure decrease. However, these innovations are of limited help only. Thus while the strategy may help to increase the market share of an existing product, it may never lead to developing an organisation that can run their business with a single product neither such innovation can create a new market/business opportunity.

Knowledge based innovation

In this case the innovation is based on some technical knowledge, which is applied to design new product, new production method, improving the existing products etc. In this

type of innovation the chances of failure are high as many companies ignore to assess the actual need of the customers. R&D people may not be backed with market information & thus many times have less information as to what are the needs and requirements of the customers, how much customers are ready to pay for the new product etc. Some knowledge-based innovations can be exemplified as:

1. Introduction of 'iPod' range of products by apple computers,
2. Introduction of new drugs by pharmaceutical companies,
3. Launching of improved versions of automobiles,

Success of knowledge-based innovations is further prone to regional regulatory framework. This makes the success of knowledge- based innovation highly probabilistic.

Life Cycle Management of an Innovation

Chart-1 The lifecycle management of innovation based products

Phase-I	Market information
	Conceptualisation
Phase-II	Research & development
	Prelaunch analysis
Phase-III	Market launch
	Post launch study

As shown in the chart-1, the lifecycle management of an innovation should start from the identification of the opportunities based on systematic market analysis. Changing social and economic conditions lead to continuous changes in the needs of the people and organisations which in turn offer new opportunities of business. These constantly changing global requirements have lead to the emergence of sectors like trading, manufacturing, service, information technology etc. This can be exemplified by under given cases which have emerged in recent past:

1. Enactment of the Patent bill has opened opportunity for many small pharmaceutical firms to take up contract manufacturing related job-work form MNCs.
2. CNG gas stations are set to replace the ubiquitous petrol pups.
3. Digital technology is leading a phenomenal change in the entertainment industry.

Once a problem (i.e. opportunity) is identified, the next stage is to find the concept of the probable solution. This is the most critical stage of the product life cycle. Any error at this stage will lead to the failure of the innovation irrespective of how innovative the product is. An example can be sited as the fate of e-commerce in B2C concepts. Once hailed as the future growth engine of the IT sector, the service providers failed to remain afloat. The conceptualisation of the prospective innovative product and its evaluation from the perspective of legal protection is even more important in the era of heightened awareness of intellectual protection.

Once the concept is well framed, a long journey of research and development, and the product testing before its launch begins. What matters at this stage of the innovation are the focused approach, funding and the speed. Once the product is ready, the product is launched in the market. To sell the innovation to the target customers, what is required is the right promotion to the right audience at the right time. A good innovation that gains a strong foothold in the market needs to be refurbished by ongoing development of the product and re-launching its improved versions.

Factors affecting success of innovation in various Phases

Phase-I

(1) Careful analysis of need and capabilities of the intended users: A market orientation need to be an essential base for innovation. A successful innovation at laboratory may fail at marketplace due to mismatch between the product offering and the customers requirement, price and paying capacity, time of launch of product and time of demand etc. Thus a success of any innovation is a multiple of various factors and a zero at any single mismatch may result into failure. Whatever happened to HMT's number one position was the result of Titan's market orientation only? Titan has convincingly uprooted this giant and they drew the entire watch market to their comfort. Titan in fact created an entirely new market - that of quartz watches. HMT, fortunately, altered their strategy to slowly regain some of the lost glory and market share (Muhamed, 2000).

Over-optimism about the marketing plan leads to a forecast that cannot be sustained in the real world (REF). The fate of Real Value exemplifies the end result of wrong analysis of the market. Overconfident with their phenomenal success with fire extinguishers, they launched air- tight containers for the household use. Unfortunately it was out of step with their target customers. The firm couldn't see the simple fact that Indian housewives do not prefer to store food for extended periods (Muhamed, 2000).

The failure of 'Vanilla Coke' also makes a case for poor market perception & over-optimism. Even as a market research by Coke indicated that consumer likeability and acceptance of the vanilla flavour was among the best ever for any product, the 'Vanilla Coke", launched with much fanfare, fizzled out within a few months of its launch.

(2) Organisational barriers to Innovation: If diligence, persistence and commitment are lacking, talent, ingenuity, and knowledge are of no avail (Drucker, 1991). For an innovative enterprise, the organisational structure plays a pivotal role in keeping employees motivated for attaining goals. Following factors play very crucial role in this aspect:

(a) *Number of hierarchical levels*: Top management's concern and interest plays important role in encouraging and implementing the creative ideas. Large number of hierarchical levels results in hindrance in reaching the creative ideas from bottom (i.e. lower level staff) to top (i.e. upper level staff having authority to select and implement the ideas). Elaborate approval systems grind promising innovation to a halt (Pearson, 1991). This also acts as bottleneck in involving the professionals of other functional area who may be required to assist in commercialising the idea. Proper involvement of lower level staff is important, as it is generally the lower level staff that remains in touch with customers and hence knows market realities better.

(b) *Freedom to innovate*: A constant dedication to bring a change for better is required to implement economically successful innovation. Creating and implementing ideas needs more thinking. One cannot force innovation to happen. However in the industrial atmosphere and more especially in small sector industries, it's often difficult. Often a committee of employees from various functional areas are drawn and made in charge of idea generation and implementation. Under these circumstances, the committee members handle dual responsibilities of its parent departments as well as ad hock job of idea implementation. Such situation does not allow them to put required efforts toward innovation. This may even result into a premature death of a viable idea. To be constantly innovative a permanent dedication towards innovation and implementation is required.

(c) *Supportive leaders*: Top management support is critical for a company to be innovative. This requires leader who may not necessarily be creative or idea generator but should be open to ideas and change. This serves as an encouragement to the creative people.

(3) Commercial feasibility: Translating ideas successfully into a product can cost millions of dollars to the company. Business is for making profit, and therefore it is essential to look at the commercial feasibility of the selected idea. The idea should be capable of giving at least one of the following: higher profit, higher sales, higher revenue, better brand equity or brand awareness. It is necessary to estimate the returns and gains before any substantial investment in realising the idea. Innovative companies tie their visions to the practical realities of the market place, a strong market orientation at the top of the company and mechanisms to ensure interactions between technical and marketing people at lower levels (Gilder, 1991)

Several years ago the world-famous Playboy shirts and garments made an entry into markets through their exclusive showrooms called 'The Rabbit's Show'. These garments were priced very high to give it a premium halo, but failed to deliver the value in terms of quality, and customers rejected it outright (Muhamed, 2000).

(4) Budget: As a long-term strategy provision should be made every year for investment to be made in development of creative ideas. At the same time some element of

flexibility should also be made to meet contingent requirement of finance above the stipulated budget. This ensures that good ideas find the necessary capital. Else the work of idea implementation may get delayed and the firm may lose to their competitors in the highly dynamic market scenario.

Phase-II

(1) Intellectual protection: A look into the past reflects that it is usually very difficult to reap long-term profits even if the product is very innovative and useful. This is because no sooner the product is launched, the market gets flooded with cheaper me-too products. However the introduction of intellectual property laws has offered an important tool to avoid such incidences.

In fact industrial houses have already started to reckon the importance of protecting their products. Suing of 'Star TV' by 'Sahara One' for using the logo 'one' in its product name (a recently launched TV channel); filing a case by Pepsi against the use of the slogan, 'Ye dil mange more' as a title of a recently released movie; withdrawal of imatinib mesyalte, a blockbuster anticancer drug of Novartis, by Indian pharma biggies; and more importantly, a sudden deluge for filing patents, indicate the heightened awareness about protecting the intellectual rights.

While evaluating an innovative idea, it is very important to check that (i) the idea is novel and hence can be protected legally, and (ii) there is "freedom to operate" while reducing the idea to a product. The critical evaluation of the idea from these two angles will ensure that the product will not infringe any other product which is patent protected, and the product will remain legally protected making it difficult for the competitors to have a head on collusion in the market place with me-too products.

In case of non patentable ideas, companies should try for successive innovation in the same product, so that no sooner the competitor come up with a replica, innovator should launch improved version.

(2) Focused efforts: To be successful in realising creativity and innovation, it is of paramount importance that the efforts of the organisation should remain focused in the strategic direction. Thus not only strategically deciding to further work on the creative idea is essential but also the direction in which the idea needs to be developed and implemented should be clear rather then merely beating around the bush. In fact a focused effort towards things that will work against competitors is more important than merely investing in R&D activities. An analysis of 143 companies found that there was no correlation between companies' innovativeness and their R&D expenditure in terms percentage of sales (O'Reilly, 1997). The critical issue in technological innovation, thus, is not only the quantum of expenditure in research, but also that how the research function is managed and leveraged by the company. It

appears that companies which innovate tend to manage and deploy their R&D resources more strategically and effectively than others

(3) Speed of the business: The companies introducing an innovative product must ensure first mover's advantage not just to cover the expenditure made in R&D but also to generate money for future requirements. The 'smart' speed concept needs to be applied. The companies should streamlining or removing activities in the process that did not produce value**.** This is especially important in cases where the product is all together new as by the time innovator company gets success in making the customers to adopt the products, its competitors may give it a run for the money by offerings similar products at lesser price, serving the customers in the market prepared by the innovator. Thus, while deciding the direction of innovation, it should be checked if the customers will adopt it soon, how difficult it will be for the competitors to copy the product & whether the customers will be ready to pay the price that will give the company sufficient reward for its innovative efforts made to launch that product.

(4) Pre-launch evaluation: Various aspects related to the product needs to be fully evaluated before launch of an innovative product even if the product seems to have potential market demand. This is especially important where the product is associated with environment hazard or health hazard. In pharmaceutical sector, innovative pharmaceutical substances are very rare to find and need years of continuous research and development efforts and millions of dollars. A pharmaceutical substance is subjected to rigorous studies under the surveillance of regulatory bodies. Still the product may fail in the market scenario due to unforeseen adverse effects. A recent example is Vioxx (Rofecoxib), a blockbuster molecule of Merck & Co. The product saw huge demand and the market size in US reached more than one billion dollar. However, the reports that the patient treated with the drug are exposed to cardiac arrest lead to the market withdrawal of the drug. Such incidences can be avoided by subjecting the product to rigorous tests before introducing it into the market.

Phase-III

(1) Market launch & Post launch strategy: A successful launch of innovative product should not be a halting point for companies. As mentioned previously, competitors keep an eye on every step of other players. No sooner they realise the potential of an innovative product, they flood the market with cheaper version of the product with an equally good quality. Every innovation has a life- cycle. The exploitation of an idea starts in a modest fashion, reaches a peak and thereafter obsolescence sets in and the innovation fades into oblivion (Gera, 1996). Thus it is necessary to be more vigilant at this stage, record the customers' response, look for the ways to enhance the product quality, add more features & to improve the production technique to

make it more economic thus supplying the improved version at better price much ahead of competitors.

Conclusion

They're in no denying that innovation provides a big opportunity for growth. While many desire to innovate, only a few try it and very few manage to actually do it. Further, not all who succeed in creating an innovative product taste market success. The reasons for this abysmal rate of successful launch of innovative product are aplenty, as described above. What is required is to identify reasons that seem to be impediment and find ways to circumvent them.

As competition in the market is increasing, more and more firms are trying to become innovation-based companies. The fact that many of the top Indian Inc belongs to areas such as IT, Pharmaceuticals and telecom verifies this claim.

At the same time 'innovate and survive' is not a sure panacea for the growth in business. Innovation alone doesn't guarantee success. It needs to march together with the organisation's long-term strategy. Innovation tends to be individually motivated, opportunistic, customer responsive, tumultuous, nonlinear, and interactive in its development (Quinn, 1991).

As the customer awareness increases due to increase in the socio-economic conditions, the demand for the more innovative & user-friendly product is set to increase. And that offers a huge opportunity of growth.

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