

Invention

Innovation

Iteration

Imitation



What is Innovation?

A 5-page guide page guide for CEOs on
where innovation fits into their business.

iONOLOGY

The Science of Strategy for Transformation

About the author

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The Science of Strategy for Transformation.

iONOLGY is a digital business strategy firm with over 15 years experience in this area. In this time we have developed the world's first digital strategy framework - The 7 Principles of Digital Business Strategy.

We use The 7 Principles framework as the structure for our consultancy, education to upskill staff and software to help manage and guide the digital strategy process.

An in-demand public speaker, iONOLGY CEO Niall McKeown lectures regularly for the University of Ulster and runs strategy workshops for business leaders for the Enterprise Ireland Excel programme. He has been blogging on the topic of digital strategy since 2008 and has co-authored two academic white papers on digital strategy.

iONOLGY work with international mid-tier companies in both the UK and Ireland, as well as the US.



**Niall McKeown,
CEO, iONOLGY.**

Overview

This ebook explores and defines the term innovation. We provide an insight for CEOs to show that innovation is not a magic business solution, but that it is one component within an overall digital business strategy. Moreover, we put theory to practice using a case study, and provide an insight into how ionology manages innovation, giving an overview of our innovation management software Propulsion.

What is Innovation?

“Innovation comes from an invention, that has been commercialised”.

The term innovation is an overused term in the business world, but how do we actually know whether or not a company is being innovative?

Michael Porter, the Harvard Business School professor and leading authority on competitive strategy once stated that innovation is defined as: *‘a new way of doing things that is commercialized’*.

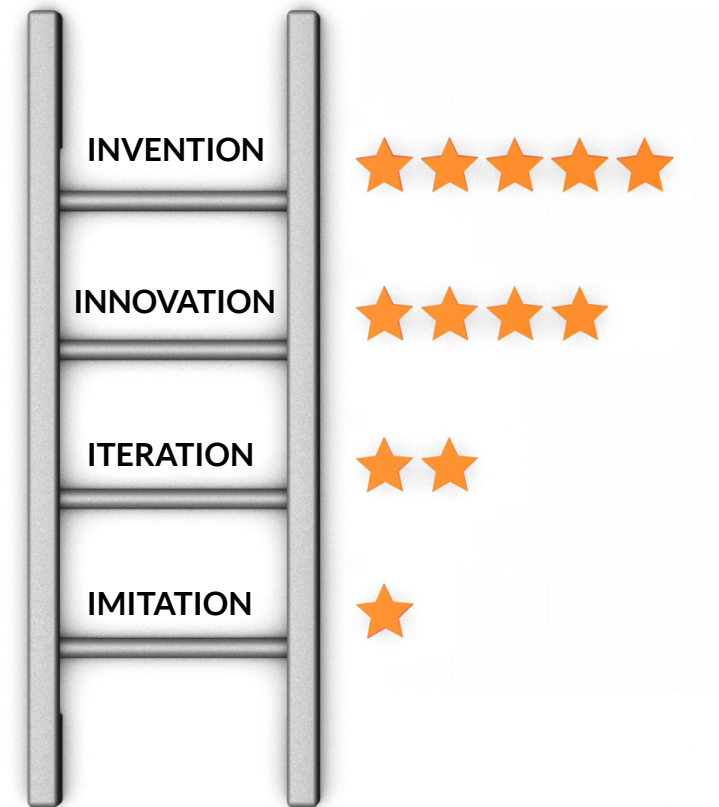
In other words, something new that has been brought to the marketplace and has consumer demand.

Looking at the iONOLOGY Innovation ladder diagram the bottom rung is imitation. Imitation is when a company takes an already existing product or service from somewhere else and copies it. The business can therefore not be 'innovative' if the same processes are replicated in other companies.

The second step on the ladder is iteration. This can be described as when a business takes a process and modifies it to match their own needs. Although this may add a little bit of value, it is not seen as true innovation and it is not stimulating the business strategy.

Innovation is when an invention has been commercialized. The innovation is unique and something that consumers are willing to pay for.

Last, but not least, is invention. Most businesses don't dare step into the domain of invention because of the unknown. Elements of uncertainty and risk mean that companies don't know if their invention will be accepted in the marketplace. Quite often when there has been an invention, it usually requires refinement and brought back down the ladder, to an innovation.



Innovation Case Study

Let's put theory to practice, perhaps the following example will help demonstrate this further. A sports apparel company (Let's call them Company X) want to start selling their products to school rugby teams in the UK.

Imitation is not enough!

The first thing they do is imitate what the leading provider within the market are doing but try to enter the marketing by offering the product a cheaper price. This has no effect on their sales because Company X have no brand equity in this market. We'll give them one star for effort! Company X need to climb up the innovation ladder, starting at the top and coming down is easier than climbing from the bottom to the top.

Ideas lead to Innovation

Company X notice that the kids are all wearing special vapor rubs on their chest, to help them breathe while playing rugby. This is a light bulb moment and they come up with the invention of building the vapor rub directly into the clothing. Although the invention is well received by the kids, it is their parents who will buy ultimately buy the products. While Mum's appreciate the benefits, they don't like the product because it makes all their washing smell of menthol. In order to overcome this, Company X create a section of the garment that allows disposable devices, which release the vapour, to be inserted. Mums are delighted! They have commercialized the invention, it is now an innovation. An iteration may be if Company X release the product in strawberry flavour.

Eventually, down the sales cycle the product will become commoditised, as competitors imitate and iterate, driving the price down. While their innovation is still current, it gives them the opportunity to reach new markets and gain higher market share. Consumers are familiar with the brand, meaning that Company X now have brand equity within the market space.

How does Innovation fit into your business?

Innovation is an essential part of a digital business strategy, but there is often confusion about where innovation fits, and where and when it is appropriate within a business.

Within organisations there is a hierarchy of needs among the employees. Businesses need to look at these internal needs to see if there is alignment and engagement, before innovation can even be considered.

If the hierarchy of needs of the individuals aren't met i.e. they haven't had a pay rise in five years, they will not be motivated to do anything outside of their job description. Asking staff to innovate will more than likely be rejected. If a pay rise is not within the company's budget, senior management need to acknowledge this but find new ways of motivating their staff, in order to get them engaged with the innovation process. One method may be to educate staff through training programs that will motivate them and encourage alignment and engagement within the business.

When all of the above has been achieved, the business will be ready for innovation. It is at this point where businesses can excel through high performance and have higher return of investment. More importantly, they now have talented, motivated staff within their organisation.



Innovation = Technology?

Innovation doesn't always lead to a technological solution, however, technology can be used as a tool to manage innovation! Crowdsourcing for ideas can unearth hidden knowledge, skills and expertise within your workforce.

Innovation comes in three forms.

- **Closed** innovation is internal to a business. This can be beneficial to a company if they want to prevent details of their innovation from leaking outside the company, i.e. if the information is highly sensitive.
- **Collaborative** innovation is when innovation is partnered. The innovation is internal and involves selected external partners. This allows for the sharing of outside ideas but still protecting the companies intellectual property.
- **Open** innovation is where the sharing of ideas is made open to the general public. Open innovation is the great way for companies to get ideas directly from the end user (consumers).

Introducing one, two, or all three styles of innovation into a business can be rejected if the business is not prepared and all parties are not engaged. Unless strategy, engagement and alignment are all achieved and capability gaps are closed - these are simply buzz terms.

Our Solution- Propulsion Software

PROPULSiON is an innovation management software tool that allows businesses to gather ideas from staff, stakeholders and customers that can be managed and developed through an easy to use, secure process.

It can be used for all 3 types of innovation management contained in one solution. Closed Innovation (internal staff), Collaborative (internal staff plus invited key partners) and Open Innovation (everyone can get involved).

Businesses can capture insights and learn what the company's customers really want. Quick wins can be identified as well as business changing concepts.

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