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THE JOURNAL OF NEW ENGLAND TECHNOLOGY

Innovation dilemma for CEOs in down economy

In the face of a struggling economy, the topic of sustainable product innovation has moved to the top of entrepreneurial CEOs' agendas. Translating ideas into commercial products is critical to their success, as it allows CEOs to generate top-line growth, maintain competitive edge and increase market share.

While global leaders strategize on fending off recession, the two key factors driving the need for enhanced product innovation among manufacturers are impending product obsolescence and the baby boomer exodus from the work force.



Published reports state that approximately 70 percent of products will become obsolete within the next five years, which means that most of the revenue-generating products on the market today are in their sunset days. Secondly, nearly 60 percent of the baby boomer work force will retire within the next few years, taking with them the expertise that helped companies become profitable and competitive. This mass exodus demands accelerated knowledge transfer and cultural shifts to accommodate the "social network savvy" work force.

Here are four suggestions that entrepreneurial CEOs could implement to drive shareholder value in a recessionary economy:

Drive the innovation agenda. CEOs must be committed to setting and driving the innovation agenda as well as to monitoring success on an ongoing basis, especially during a slow economy. Admittedly, innovation is still a grass-roots movement. Yet, successful innovation initiatives almost

always start at the top. Look at Apple Inc.'s Steve Jobs. He drives his employees to innovate, rolls up his sleeves and launches a new product every year. At companies such as Unilever, BP and Samsung Electronics Co. Ltd., innovation initiatives start out as small projects and expand as teams begin to replicate that success across the enterprise. Rather than slashing R&D budgets in a recessionary economy, CEOs should encourage management and teams to deliver market-leading products.

Encourage new product development and enhance existing products. Given that most revenue-generating products are going to become obsolete, companies need to continue investing in new product development as well as re-engineer existing products for new markets. In the academic world, the saying is "publish or perish." In the manufacturing world, it's "create or perish." Leggett & Platt Inc., a \$6 billion Missouri-based manufacturer, launched the first folding boxspring last year. This year, they debuted the world's smartest bed that alleviates snoring, among other features. Though not a household name, Leggett & Platt understands the need to reinvent itself and continues to take steps through their "innovation redefined" initiative to create new products that will make people sit up and take notice.

While creating new products is critical to the bottom line, so is re-engineering existing products. Connecticut-based Velcro Industries is a leader in traditional hook-and-loop fastener technology. Rather than simply cruising, Velcro is looking for ways to re-invigorate its mature product lines to address the evolving needs of its existing customer base and the new generation.

Invest in technology to drive repeatable innovation. The process of innovation should be sustainable, not accidental,

especially during a recession. Though the concept of sustainable innovation is emerging, best-in-class companies are 36 percent more likely to implement a predictable, repeatable innovation process, according to a recent Aberdeen Group report. Innovation is about generating breakthrough ideas or concepts that result in cutting-edge products. With the right technology, many companies have made innovation a repeatable process versus that one time "aha" moment. Companies do not have to reinvent the wheel, but rather they need to successfully leverage internal and external knowledge.

Track return on innovation closely. In a sluggish economy, CEOs have no room for error. They are pressed for funds and resources. Therefore investments in product innovation have to yield high returns. Innovation is about turning ideas and concepts into commercial, market leading products. CEOs have to be confident that ideas for product design and product development will yield results that meet customer demand, increase revenue growth and keep costs low. This means that almost every idea or concept has to become a reality, the first time.

CEOs can successfully navigate companies through a recession by encouraging product innovation, fostering generational transition and investing in technology that will translate ideas into commercial products, consistently. The result? Increased top-line growth and market capitalization, even in a recessionary economy.

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