


STRATEGIC INSIGHT

VALUE INNOVATION SERIES

V i P GLOBAL ENTERPRISES

INNOVATION: THE HEART OF LONG TERM ORGANIC GROWTH

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Innovation: The Heart of Long-Term Organic Growth



How you innovate determines what you innovate. Sustained, repeated cycles of successful innovation are unquestionably the most critical drivers of long-term competitive differentiation and profitable organic growth.

In particular, when it comes to earnings before interest and taxes (EBIT) growth, our innovation benchmarking data shows that the companies with the best innovation practices outperform their competitors by as much as 50%.

Broadly, there are two forms of innovation that drive growth: innovation of customer offerings and innovation of how an organization operates to deliver value. While companies have traditionally focused on developing innovative offerings, operational innovation can be equally powerful. Business innovation combines both types and has game-changing consequences.

Take the example of Johnson Controls (JCI), which according to *Fortune* magazine is the most admired company in the motor vehicle and parts sector. Previously a manufacturer of automotive seats for OEMs, JCI now sells the entire automotive interior experience. At the same time, the company has innovated how it operates, moving from a focus on low-cost, just-in-time (JIT) production to delivering a high-value automotive experience to the customer's

customer. This approach has allowed JCI to increase its addressable market from 2% to 20% of a total car.

At a time when many auto suppliers are fighting off bankruptcy, JCI has seen impressive results. Over the past decade, the company has averaged an annual growth rate of 10% and JCI's Automotive Experience business alone generated \$18 billion in 2006.

Fortunately, innovation is not a black art. It's a management discipline requiring leadership, intuition, and execution across your offerings and operations.

Leadership—Innovation can and must be led.

True innovation means identifying something your customers will need but may not yet be able to articulate. To gain rich insight into customer perspectives, effective leaders put their innovation teams into real-world customer situations. Armed with the resulting knowledge, innovation teams can then innovate around customer needs. Leadership defines why you want to be there and rewards people involved in the innovation process.

Intuition—Creativity remains untapped without an environment that fosters the right kind of intuition to drive exploration and learning. Campbell Soup Company, for example, has realized that soups are part of a broader category of "simple meals." By encouraging its employees to observe, think, and develop their collective intuition around simple meals, Campbell will have a much wider canvas to work with—and a much richer set of problems to solve for its customers.

Execution—Often, the opposite of success in innovation isn't failure. It's inertia. Successful innovation depends on putting enough focus on exploratory areas and seeing an innovation through to market, not just keeping the main lines of your business going. In our experience, it is increasingly advantageous to use the idea of open innovation and "do it any which way you can"—leveraging internal development, alliances, co-development partnerships, out- or in-licenses, and acquisitions. Procter & Gamble has embraced this approach through its "Connect and Develop" model, which strives to garner 50% of innovative ideas from external sources and 50% from in house.

In the end, winning companies learn how to find the innovative concepts with real value and commercialize them to capture that value. These companies measure and manage execution as though their company's future depends on it—because it does.

FIVE ESSENTIAL QUESTIONS FOR DRIVING INNOVATION INTO THE ORGANIZATION

Ask yourself these compelling questions. The answers will help one start to build the road map to more successful innovation.

1. What are we doing to look for insight and generate innovations in *what* we offer customers as well as *how* we provide those offerings?
2. How well do we frame what innovation means to us?
3. Do we reward all kinds of innovation and attempts at capturing it?
4. Are we fully tapping sources of innovation beyond our own organizational boundaries?
5. Is the balance right between creativity and commercialization?

Building sustainable value and innovation place these answers at the very center of competitive advantage and organic growth.

About ViP Global Enterprises, Inc.

ViP Global is a seasoned team and network of proven senior executives, entrepreneurs, investors, subject matter experts, and educational providers with proven experience in addressing the challenges facing high growth and troubled organizations. Through our practice areas we help organizations strengthen initiatives in Corporate Strategy, Procurement, Organizational Change and Human Resources, Product & Service Development, Sales & Marketing, and Operations Improvement.

ViP Global is a Design, Marketing, and Innovation Service Provider which has been assisting organizations with their creativity, sales & marketing, research, new product and service development, and innovation issues for over 20 years. Engagements may include Design, Outsourcing, Value Innovating, Sales & Marketing Creative Destruction, and Fertilizing Growth.

ViP Global has successfully implemented innovation strategies across the Fortune 500, Mid-Market, and smaller organizations desiring to find new and refreshing sources of ideas. ViP Global innovates expressive value through creative destruction which is reflected in successful new services and products.

Contact Information

In order to best serve our clients, ViP Global provides flexible fee options for their consulting services. Clients often choose between contingency (gain sharing) based, fee for service, or a hybrid arrangement.

For more information about ViP Global, its business and team members, or to discuss a structured business arrangement, please contact us directly at 312.725.6095 or the web at www.vip-global.us

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