

2016

Volume 5, Issue 2



One doesn't need to be especially creative or innovative to come up with great new ideas, just smart enough to listen to creative people and collect ideas from experts.

In this spirit, the OWIC Executive Innovation Brief summarizes thinking from global innovation experts that we feel have application for forest industry companies.

In addition, each Brief includes insights from a group of advisors, listed below.

Executive Brief Advisors

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OWIC EXECUTIVE INNOVATION BRIEF

Developing an innovation strategy

You Need an Innovation Strategy. GP Pisano. Harvard Business Review, June 2015
Summary by: Eric Hansen, Eric.Hansen@oregonstate.edu

In this article Pisano argues that the difficulty in building and maintaining innovation capacity derives from a lack of an innovation strategy. Good strategies consist of, 1) alignment among groups in the organization, 2) clarity regarding objectives and priorities, and 3) focus of those objectives/priorities. In his decades of experience, companies regularly define or redefine their business strategy, yet only rarely do they concretely state how innovation efforts are designed to align with business strategies. Without alignment, innovation efforts may be unstructured and less than successful.

The ability of an organization to innovate is based in an 'innovation system' that prescribes how a company, 1) searches for new solutions, 2) synthesizes ideas into product designs/concepts, and 3) chooses projects for investment. An innovation strategy can help a company to design a tailored system for its competitive needs and keep the entire organization focused on the same priorities.

Pisano suggests that an innovation strategy should answer three specific questions: 1) how will innovation create value for potential customers?, 2) how will the company capture a share of the value its innovations generate?, and 3) what types of innovations will allow the company to create and capture value, and what resources should each type receive?

How will innovation create value? For an innovation to create value it must cause the customer to pay more, save the customer money, or provide some larger societal benefit. Deciding on the value you will create and staying true to that over time is a critical element of success since capabilities required are different depending on approach and capabilities accumulate over time.

How to capture a share of the value? Innovations attract competitors. Trus Joist maintained I-joist market share via its brand and customer service despite entry of lower-cost players. Depending on your channel power, other members may have the ability to capture most of the value. Think of the history of forest certification. The forest owner was the primary innovator yet most (if there was any) of the value was captured much nearer the final consumer.

What types of innovations? Forest sector companies have traditionally focused on manufacturing process innovations, but new products and new business systems can also be sources of competitive advantage. Pisano outlines four types of innovation (graphic to right). Routine innovation relies on existing technical competences and the company's existing

business model. At the other end of the spectrum, architectural innovation requires new technical competences and a new business model. In the graphic, if Roseburg Forest Products, a major US particleboard producer, offers a new overlay for its panels, this is a routine innovation since it likely does not require new competences or a change in the business model. Cox Industries, Inc. and its creation of Cox Recovery, a logistics subsidiary designed to take back retired utility poles from its customers, is an example of architectural innovation. Cox Recovery required a totally new business model as well as new technical competences (logistics).

Your innovation strategy must capture how each of these types of strategy fit with your business strategy and must also direct allocation of resources among the types. Routine innovation certainly should not be ignored in your innovation strategy, however, there should be more to your strategy than routine alone. There should be a balanced mix among the four, with a healthy respect for the risks associated with each.

Pisano ends his article by emphasizing the role of company leadership in creating the capacity to innovate. Because innovation cuts across essentially all functions of the company, it is senior leaders that are in a position to orchestrate creation of the processes, structures, talent, and behaviors needed for an effective innovation system. There are four essential tasks a leader faces when creating and implementing an innovation strategy, 1) determine how to create value, 2) plan for allocating resources to the four types of innovation, 3) manage the tradeoffs (since different parts of the company may serve their own interest, and 4) recognize the need for innovation strategies to evolve over time. He ends by stating that, "...an innovation strategy involves continual experimentation, learning, and adaptation.

