Evolution and Innovation

What Darwin can teach business about innovation, survival and growth

BY ASHIR THAKORE

The theory of "biological evolution of species" proposed by Charles Darwin in 1859 could very well have been the “evolution of businesses". The concept of survival of fittest is as true for businesses as it is for living organisms. Just as those species that develop features and abilities to suit the changing environment outlive others; only those businesses that continually evolve, innovate and acquire new abilities succeed over the long term, outperform their competitors, and thrive.

There are many examples of companies who have exemplified the survival of the fittest concept by consistently gaining new capabilities and features to outperform their competitors and survive the toughest of challenges. More often than not, the engine of their success has been powered by innovation.

According to the Comparative Performance Assessment Study (CPAS) conducted by the PDMA Foundation, new products account for 25 percent of revenue and 27 percent of profits. With a quarter of revenue and profits dependent on new products, it pays to focus on understanding what drives innovation success and apply these approaches to improving new product development capabilities.

Equally compelling is the fact that companies like Circuit City who was one of eight companies featured by Jim Collins in *Good to Great*¹, filed for bankruptcy in 2009 due to an inability to adapt.

Thankfully, there are also examples of companies who have successfully utilized innovation to make a comeback from the brink of failure. Ford and P&G are great examples of companies that got back on track through innovation with attractive, fuel efficient cars like the Ford Fiesta and products like Swiffer and Crest white strips. Let’s explore what sets these companies apart from the rest.

**Four Evolutionary Qualities of Innovation Leaders**

Innovation leaders excel in four key areas, which differentiate them from their rivals.

1. **Clearly define, communicate and follow an innovation vision**
   A clear vision for innovation focuses efforts in a common direction. However, it is critical that the vision is not too narrowly focused, limiting growth potential. Communicate the vision in a straightforward way so that everyone involved with new product development has the same level of understanding.
McDonald’s is a good example of a company with a clear vision. Their goal is to be the world’s best quick service restaurant, which they have successfully executed. Recently, they have added healthy options to their menus increasing their appeal to a broader audience. It is because of their vision for innovation that McDonald’s has continued to remain the leader of the fast-food industry, while also adapting to capture a new and evolving consumer base.

2. **Build a strong culture of innovation**

Successful companies have a strong culture of innovation. Failure is not frowned upon; it is accepted and in some cases celebrated. JetBlue for example tried to replace a popular snack called Munchie Mix with a healthier choice. The junk food fans complained and caused the company to reverse course. According to a Bloomberg Business week article, they used this to poke fun at themselves on their intranet site by starting a "Save the Munchie Mix" campaign that read: "Some pinhead in marketing decided to get rid of the Munchie Mix!" Employees were invited to write in poems and stories about why the snack should return to JetBlue. Why? By keeping things fun, they hoped employees wouldn't be afraid of failure.

Some companies that have been able to sustain strong innovation cultures even allow employees to spend time on “pet” projects and provide tools and the opportunity for them to experiment. Intuit allows employees to work on projects that interest them for a portion of their time and has reaped benefits such as Intuit’s TurboTax app for the iPad.

3. **Employ structured idea-to-launch processes**

Freedom of thought and flexibility are important for building a strong innovation culture, but structure is critical when it comes to turning ideas into profitable products. According to the PDMA CPAS study, roughly 68 percent of companies that ranked as top innovation performers use a structured new product development process. Once product concepts or ideas are defined and broader cross-functional teams can visualize them, projects enter a structured process to evaluate market potential.

What does that process look like? Customers are engaged to understand their perspective and to obtain their input and feedback. Manufacturing and quality teams are brought in upfront to incorporate their inputs in the product development process. Suppliers and partners are engaged to ensure no issues will be uncovered late in the development process. Activities and deliverables are developed and actively managed with a “win quickly-lose fast” mentality. There are numerous successful companies that have implemented and utilize an end-to-end gated development process. According to a Cooper and Kleinschmidt survey of management at companies that had implemented a structured process, the effectiveness of those processes were rated at 4.25 out of 5.
4. Measure what is important and reward the right behaviors

If you believe that people respond to incentives and want to be recognized and rewarded, knowing what is important helps people focus on the right things. In addition, tracking the right metrics helps ensure that development teams are spending time and effort on what is important. Keep the number of metrics small because measuring too many things can be confusing and potentially have a negative impact.

Mobil Corporation measures new product ROI and acceptance rate at division levels. They also link 30 percent of salaried employee bonuses to the organization’s ability to find better ways to execute the business model². This has helped Mobil achieve and maintain industry leadership.

Innovation Approach

If innovation is not powering your company’s growth engine and you are not satisfied with the revenue and profits generated by your new products, it is time to evolve. Innovation success requires much more than creativity, out of the box thinking and big ideas. It also requires discipline and structured processes to help evaluate, enhance and turn ideas into profitable products.

Leading innovators are ensuring their long-term survival by articulating a clear vision, building a culture of innovation, adding a level of structure to their idea-to-launch processes, and measuring success.

Kalypso can help. After years of assisting companies across industries improve innovation capabilities and drive results, Kalypso has developed a unique, comprehensive approach to help companies adapt their innovation capabilities and become better at developing differentiated and breakthrough products.

As history proves, evolution did not happen overnight – adapt, evolve and remember the four qualities of innovation leaders as you drive your innovation evolution.

It is, after all, survival of the fittest!

References: