

# What's the Strategy Driving your Innovation

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*Six key questions to ask to create a clear market-driven new product strategy for your company's innovation efforts.*

(IW - Mike Dalton: 1-11-16) It's almost axiomatic - business growth requires a clear vision or goal and strategies to support it. However, a lack of clear direction continues to be one of the most common complaints I hear from the development groups of industrial business to business companies. Of course a lack of direction also means wasted innovation resources, so let me share a story about a company dealing with that issue.

I was meeting with a group of top managers from a mid-size lighting company struggling with new product programs that were severely delayed. They were being constantly interrupted with smaller opportunities and just couldn't seem to make progress on what the team felt were the really big opportunities and threats they were facing in the market. As a result, growth had stagnated and an increasing percentage of their sales were becoming commodity driven.

Of course, that prompted me to ask about their strategy. If these new areas had been identified as important elements for success, what was the strategic level plan to address the gaps? One of the managers replied "What strategy—we don't have one!" Another replied, "No that's not fair, there's a strategic plan and it's managed by the CFO." That's when I knew what a big part of their problem was.

Nothing against CFOs in general, but in this case what they were calling a strategic plan was actually just a top-down, multi-year budgeting exercise. It didn't really address key market facing initiatives and cascade them down to the focus areas and activities within each part of the company—not all that uncommon in mid-size and smaller firms.

When I asked how they knew what areas they should be focusing on, the VP of R&D

looked across the table at me and just shook his head, “We know what the important drivers are in the market and try to run projects against them, but sometimes I feel like our strategy is to just work on projects for whichever customer is the biggest or screams the loudest. For once, I’d like to be sharing new products that we’ve already developed in anticipation of their needs.”

The company was at a point where they needed to make a transition from customer driven to market driven, but without a clear delineation of their new product strategy and its importance to their growth, they were struggling with the transition.

So here are some of the key questions the company needed to answer in order to create a clear market driven new product strategy around each potential market driver or unmet need:

- What’s changing in your customers’ world making it harder for them to do business?
- What kinds of challenges are those changes creating for your customers in terms of new sales throughput, working capital and operating expenditures (Delta T, I, and OE for those familiar with Theory of Constraints)?
- What solutions (products, services, or a combination) could you potentially offer to help them address the change?
- What value would your solution create for your customer and for downstream users as compared to competitive alternatives?
- How would you share in that value through either value-based pricing strategies or through new business models?
- Would that share of the value be a good return on your development investment?

If a cross-functional team can answer these questions to provide a compelling argument for investment, then it’s time to put dedicated resources against a plan to build that new market segment. From there, execution still requires competent project and resource management, but recovering this hidden innovation capacity all starts with a clear strategic focus on unmet market needs.