Beyond technology: An integral approach to innovation

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IESE's Joaquim Vilà and Steven MacGregor call for a much broader definition of innovation that goes beyond technological and product innovation.

Some years ago, Procter & Gamble revolutionized the world of marketing by creating The Cave, a virtual shopping center in which visitors could stroll around, examine the products that caught their eye and even read the labels before proceeding to the checkout.

The results were as valid as those obtained through marketing studies in the real world, and helped the company's consumer goods marketing team redesign both the distribution and presentation of products at stores, as well as well as the design and packaging of the products themselves.

Procter & Gamble had developed a tool that generated unprecedented levels of value. But how do you classify this kind of innovation?

As IESE's Joaquim Vilà and Steven MacGregor argue in their paper, "Business Innovation," innovation is about much more than just technology or product development.

Competitive advantage

If innovation were merely about technological development, what could it possibly offer services companies and those not in cutting-edge tech sectors?

Clearly, a much broader definition of innovation is needed — and ideally one that more

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accurately reflects the diverse business opportunities that markets offer.

After all, among the most successful business innovations of recent years are the Starbucks chain, the Amazon model, the Cirque du Soleil concept, low-cost flights and total solutions for clients. Even in the case of Apple's iPod, the product's overall success is the result of much more than just mp3 technology or good product design.

Keys to successful innovation

In order for executives to foster innovation in any business area, they must first transform their company's very values, principles and practices. Most importantly, for it to be effective, innovation must be broad, continuous and systematic.

- *Broad.* If one explores innovation opportunities without having a shared purpose, the scale of the challenge will be much greater and the benefits much smaller. Therefore, strategy is fundamental to aligning and enhancing the efforts of the different working groups within a company.
- *Continuous.* Companies should apply a series of initiatives to generate a continuous flow of projects that contribute to the company's strength over the short, medium and long term.
- *Systematic.* The best way to reduce the uncertainty inherent in innovation is to adopt a systematic approach. By adopting a top-down approach to innovation management, companies can ensure a gradual, orderly transition to more innovative business practices.

Fundamental prerequisites

To maximize innovation, however, a series of fundamental prerequisites are necessary.

- A holistic vision of the factors that determine a company's ability to instill this broad approach to innovation.
- A culture of innovation, which one works toward constantly, through gradual changes in values, principles and management practices.
- A systematic process of innovation, which turns management's concerns into ideas, ideas into strategic initiatives and strategic initiatives into results.
- Action to overcome obstacles to change, such as inertia, mental blocks, prejudice and other forms of resistance.
- An approach based on leading change in people and inspiring them to get involved.

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- Getting senior executives on board, while also relying on a broader contribution within the organization. In advanced cases, companies may even turn to outside players for inspiration.

As recent rags-to-riches stories have shown, companies' ability to foster innovation on a broad front is a major driver of success.

Ultimately, the lesson for companies is that, while building a culture of business innovation across their operations may pose immense challenges, their ability to do so could prove crucial to their future prosperity.

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