

# Avoid the Gurgler: Innovate!

## An Important Message for Business Owners

Companies go broke while pursuing innovation projects. Companies run out of time and miss their window of opportunity in the market. Why does this happen? How can you prevent this happening to you?

As entrepreneurs you and I both understand the necessity of innovation. Everything is always changing in business. The economic climate, the regulatory environment and the competitive landscape are always shifting, and businesses that do not adapt and change are soon irrelevant. Your competitors are always looking for new and better ways to meet your customers' existing and emerging needs, even if you are not. In business, standing still is death.

Yet the risk of innovating seems so high. The cost of it seems never-ending, infinite. Here's a secret: innovation does not have to be risky and expensive. In this short report I will tell you why companies go broke attempting to innovate. I will also reveal an extremely simple and inexpensive way you can avoid going down that same road. You might think that top-notch innovation is more expensive and takes longer than the other kind. Actually, the opposite is true. Successful innovation costs less, takes less time, and gets better results than doing it wrong. But why can't just anyone do it?

A typical project combines business leaders and technicians. Business leaders are the ones who know why they are doing it and have a fair idea of what the outcome should be. They know how to run a company, raise capital, hire a team, do the marketing, build a supply chain and a distribution network, and so forth. They organize things. Technicians are tradesmen, builders, engineers, scientists, electronics people, software developers, IT people, geologists, chemists, and the list goes on. They make things. Is anything missing?

For normal business operations, the answer is no. But innovation research and development are alien beings to normal business. It is not the usual thing people do. They do not teach this stuff at business school, and they do not teach it at TAFE or in universities. Chances are, no one on the team at either end of the spectrum knows how to carry out a commercial, for-profit research and innovation project. The project often suffers from a lack of decisive, confident leadership and begins to wander off course.

This is where businesses go broke. It is like casting off in a ship with a novice crew and no captain, hoping that they learn to sail before anything unlucky happens. They try to learn to do research themselves, make it up as they go, improvise, trial and error. They underestimate the level of specialist expertise and training required to avoid all the pitfalls and take advantage of all the opportunities in innovation. While they may gradually discover the secrets or may stumble upon success by chance, most such projects fail needlessly.

Some businesses appeal to academic consultants for help. This is not usually helpful because academic research has a totally different system of goals and incentives that are incompatible with for-profit business or commercial research.

Some businesses will try to hire technicians with experience in innovation and then hope that they will know what to do. Unfortunately it is very difficult to find people who have good experience in innovation R&D. Bad experience, yes. Bad habits, misinformed ideas about how it's done, flawed practices, and worst of all, the belief that one knows exactly what one is doing. This becomes the greatest obstacle to successful Innovation – the inability to recognize sub-par R&D when it occurs, and the belief that one does not need to look any further for someone with the necessary skills. The most important first step is to remove that barrier and become open to the possibility that specialists in Innovation Leadership exist from whose experience and training you can derive immediate value and benefits. Smart business leaders know how to take full advantage of all available resources, and they don't leave things to chance.

We use the words Research, R&D, Innovation and so forth fairly loosely because we all know what it means. Or do we? Let me take a minute to show you how innovation relates to your business. Then I'll let you in on a big secret: the true definition of innovation.

Like this milking chair, your business is supported upon three pillars.

1. Assets. Your plant, machinery, tools, vehicles, computers, database, IP, land, buildings and so forth.
2. Connections. Your supply chain, distribution network, customer relationships, partnerships, JVs, employee relationships, customer loyalty, branding, leases, contracts and so on.
3. Knowledge. Your knowledge of how to work the business, how the business works, what your customers want, who your customers are, how your product works, how to make and deliver your product or service, how to protect your assets, ways to create connections that have worked in the past. Your company's Corporate Knowledge. The things your employees know that they didn't know their first day on the job.



With just two of these, you haven't got a business. You will not be able to sit and milk. They are deeply interdependent, too. The Knowledge leg helps to support and create the other two.

Companies that are successful in the long term are those that have developed a "Learning Culture" that values knowledge as much as it values the other two legs of the chair. You create a "Learning Culture" in a company easily by doing little things that place a monetary and social value on knowledge such as rewarding team members who find out important things, putting systems and

traditions in place that support sharing knowledge among people, making heroes of Innovators rather than only promoting the most dogged adherents to the old ways of doing things. This starts at the very top and must be infused into the company from the board room right through to the mail room; from the call centre to the broom cupboard. It's not just the domain of the R&D department.

The process of creating, maintaining and strengthening that third leg of the chair is called R&D or Innovation. Once we understand that Innovation is about creating knowledge, NOT about building prototypes, we will finally be in a position to profit from innovation, and to stop throwing time and money straight down The Gurgler! Until then, not a chance.

Here's why. Knowledge is valuable to your business, as valuable as its assets (except that assets are replaceable, and anyone with money can acquire them). Knowledge is also as valuable as your connections (except that anyone can create those too if they are determined enough). The goal of Research or Innovation is to create knowledge. But not just any old knowledge. It must be knowledge that is

- Valuable
- Relevant
- Reliable



The Gurgler.

Valuable to your business means having some real intrinsic monetary value. It means an immediate connection to profit, and a real potential benefit to your customers.

Relevant to your business means knowledge that you need, that your business can actually use, knowledge that will help you in what you do.

Reliable means as close to factual as possible. True, accurate, dependable, real. Thinking you know something that turns out not to be right can be a business and financial disaster.

When you engage in Innovation without the specific aim and plan to create knowledge that meets these criteria, then it's like walking into a grocery store, selecting your items, swiping your card, and walking out again without them. Have you ever done that? I have, unfortunately. It's both time and money down the gurgler when the asset you paid for is left behind, discarded and forgotten. This is the big secret: Innovation means creating Knowledge, not Prototypes.

Allow me to repeat this most essential point. When doing innovation, it is knowledge that you are after. Knowledge is the value for money spent, provided it is valuable, relevant and reliable. Knowledge is the **ASSET** that you acquire when you **INVEST** time and money in R&D. Failing to create and collect and retain that asset is exactly like walking out of the shops leaving your paid purchases behind. So many businesses have the experience of spending years doing R&D with absolutely nothing to show for it, leaving investors understandably confused and furious.

This is precisely what most businesses are doing when they attempt innovation, and why experienced Innovation Leadership is able to stop time and money being wasted while simultaneously producing better quality results. Here's how we do it in 5 easy steps.

Step 1: Evaluate the Business Opportunity. What do my customers need that I think I can supply with an innovative idea? Is there a profit in it? How much? What does the market research say? Will my customers see value in it? Evaluate the idea using the Evaluation Checklist, available from:

<http://www.wallingup.com/EvaluationChecklist.pdf>

Step 2: What don't I now know that I need to know before this idea can make any money? Usually these are technical questions or unknowns. Use my proven brainstorming techniques to identify these areas.

Step 3: Design an R&D project that will produce the required knowledge. Specialist expertise is essential here. This is **NOT** a DIY step.

Step 4: Carry out R&D project using correct methodologies for knowledge creation. I train your team and supervise this critical step closely. Sometimes a business gets this far only to stuff it up with shoddy methods, resulting in meaningless data. Time and Money down the gurgler!

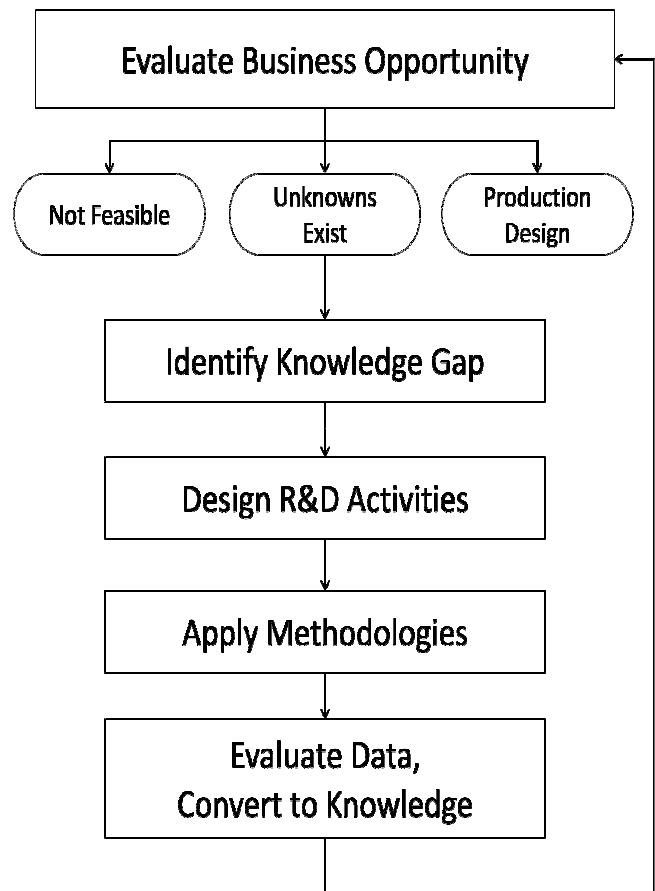
Step 5: Evaluate and interpret the data, turning it into knowledge. Plain English results. It's Valuable because you did Step 1 correctly; it's Relevant because we did steps 2-4 correctly, and it's Reliable because we did steps 4-5 correctly. Close the loop by using the new Knowledge to re-evaluate the Business Opportunity. Is it still there? Is it still a go? A Leader is needed who can make a decision.

Now you know:

- You must innovate to survive, and
- Innovation is not a DIY job for novices – it requires experience and training.

You may be wondering, "How am I going to learn to do all that, and gain all that specialist expertise before going broke?" Answer: You will go broke if you try to learn it all yourself, as so many businesses have. But you don't have to do that. That's what I'm here for.

Consider how much you invest in your Capital Asset leg, acquiring and maintaining equipment and tools, upgrading them from time to time, training your team in its use and care, insuring your assets,



protecting them with security systems etc. Is it \$10,000 p/a? \$50,000 p/a? \$100,000 p/a? How much have you personally invested in your business? Can you think of any better investment than in a business run by the smartest, most trustworthy person you know? (And the best-looking besides?)

What about the external connections? What is the value of your distribution network? Your supply chain? Your partnerships, employee relationships, Brands? How much do you spend on advertising and sales commissions to create each new customer relationship? Business Development consumes a substantial portion of your time and gross revenues.

Fortunately, strengthening the Knowledge that underpins your business requires far less investment if it's done intelligently. As an experience specialist I meet with you to understand what you are currently doing about creating knowledge for your business. I provide a customized, practical plan for protecting, securing and insuring your knowledge base against loss and forgetfulness while making it available within your organization, and thereby increasing its inherent value. I work with you to form a strategy for creating the new knowledge your business will need in the future. This is the Practical Research Outcomes Innovation package.

This service is not available elsewhere. The alternatives are to pay less experienced and more expensive consultants an hourly rate that never stops, or to learn to do it yourself the hard way, which can cost literally millions and can even cost you your business. By far the best way to achieve the benefits of a more robust, innovative business is by investing only \$695\* in the Practical Research Outcomes Innovation package.

For the price of one cheap computer you obtain a stronger, more innovative, more future-proof business. When additional services are required such as leading and supervising a significant R&D project, fixed-price packages with affordable progress payments are available. Alternately if you prefer, a very reasonable hourly consulting rate is available that is suitable for occasional one-off advisement, assessments, or technical reviews.

R&D is a significant investment. All it takes to protect and enhance that asset is a small additional investment in the right expertise. Don't leave things to chance.

If you have an idea you've been saving to try someday, now is the best time to give it a go. Only, don't let your idea go anywhere near the Gurgler!

Best Regards,

John S. Jacob  
Director, Practical Research Outcomes

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\* Pricing as at 10 September 2009 subject to change without notice. Contact Practical Research Outcomes for current pricing and service availability.