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In Search of Innovation

When companies try to come up with new ideas, they too often look only where they always look. That won't get them anywhere.

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By JOHN BESSANT, KATHRIN MÖSLEIN And BETTINA VON STAMM

If you want to understand why some companies lack innovative ideas, think about the man who can't find his car keys.

His friend asks him why he's looking for the keys under the lamppost when he dropped them over on the lawn. "Because there's more light over here," the man explains.

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improve what it's already good at, it misses out on the breakthroughs—those eureka moments when a new concept pops up, as if from nowhere, and changes a company's fortunes forever.

Those ideas, however, don't really come from nowhere. Instead, they are typically at the edge of a company's radar screen, and sometimes a bit beyond: trends in peripheral industries, unserved needs in foreign markets, activities that aren't part of the company's core business. To be truly innovative, companies sometimes have to change their frames of reference, extend their search space. New ways of thinking and organization can be required as well.

In other words, they have to look away from the lamppost.

None of this is easy to do. But companies that succeed may just recognize the next great opportunity, or looming threat, before their competitors do. And that's important in tumultuous economic times with rapidly changing technologies. Indeed, every once in a while, that blip on the horizon turns out to be a tsunami.

For the past several years, we and other researchers have participated in workshops with more than 100 companies discussing and experimenting with new ways of looking for and developing innovations. Here are nine examples of practices with the potential to produce a company's eureka moment.

BUILD SCENARIOS

Many companies use teams of writers with diverse perspectives to create complex scenarios of what future markets may look like. The writers try to imagine detailed opportunities and threats for their companies, partners and collaborators. An oil company that wants to explore energy opportunities in cities of the future, for example, might want to work on scenarios with writers from construction, water and utility-management companies.

Industry organizations and government agencies use scenarios, too, sometimes in collaboration with companies. Bord Bia, the Irish food agency, works on scenarios with global food companies based in Ireland like Kerry Group PLC and Glanbia PLC. Danish pharmaceutical giant Novo Nordisk AS has shared scenarios with the Oxford Health Alliance, a British nonprofit. Novo Nordisk thus helps the cause and broadens its own views by gaining the input of alliance members.

SPIN THE WEB

A few companies have created Web sites that act as literal marketplaces of ideas. InnoCentive.com is a site where people and companies look for help in solving scientific and business challenges. Posters of challenges sometimes offer cash rewards for solutions. Amounts have ranged from \$5,000 to \$1 million. The site began as an in-house tool for research scientists at Eli Lilly & Co. to help one another. Now it is independent, with Indianapolis-based Lilly as a founding shareholder.

By opening the site up, Lilly gets wider access to individuals and companies with ideas that may be of value. Problem solvers can be professionals, retired scientists, students or anyone who can answer a problem that has stumped a company's own researchers. InnoCentive, based in Waltham, Mass., says the site gives solutions to about 40% of the problems posed.

Other companies use their own Web sites as open invitations for new ideas. BMW AG, for example, through what it calls its Virtual

Innovation Agency, invites ideas from "small and medium-sized innovative companies" on the Web site bmwgroup.com/via.

ENLIST LEAD USERS

Ideas and insights from so-called lead users can be the starting point for new markets, products and services.

Lead users are innovators themselves. They tend to be people working in or using products in a specific market who are frustrated by the tools, goods or services currently available and yearn for something better. Many medical devices, for example, originate from sketches drawn by surgeons, surgical nurses and other medical staff who feel driven to experiment with new ideas because current products aren't meeting their needs. They are often supportive, and tend to tolerate product failures as part of a process that helps bring about improvements. Software and other online-products companies have shown interest in lead users for perpetual beta testing and other product development.

British Broadcasting Corp. sponsors a Web site for lead users at Backstage.bbc.co.uk. Several times a year the BBC uses the site to host what it calls "hack days," when it lets subscribers play around with source codes the BBC uses for such online applications as live news feeds, weather and TV listings. BBC staff look at what the Backstage subscribers come up with to see what can be useful. Some of this work is feeding through

to applications used on the BBC Web sites and elsewhere. For example, one idea from a hack day led the BBC to link its iPlayer, a tool for watching BBC video on the Web, with Facebook.com, the social-networking site. Facebook users can set up an iPlayer window on their pages to watch BBC programming.

DEEP DIVE

Interest has surged in market research that uses detailed, firsthand observation to learn more about consumers' needs or wants. Deep diving is one of many terms used to describe the approach, which resembles an anthropological study in the way researchers immerse themselves in the lives of the target consumers.

Such approaches can help uncover underserved or unserved markets and give clues to new directions and new frames in which to search for innovative ideas.

Novo Nordisk, for one, mobilized teams in several developing countries to research how health systems with limited resources were handling diabetes care. Researchers compiled detailed interviews and observations—documenting cases by interviewing patients and recording them on video, and spending time in hospitals, rural clinics and the health ministry. The result: a rich picture of the market, of needs that weren't being met, and fertile suggestions for alternative products and services that might be delivered.

PROBE AND LEARN

Some companies design probe-and-learn strategies that study opportunities in segments of markets the company isn't active or strong in. This strategy goes further than deep diving by actively experimenting with new ideas in a new context. The experiments might not always work, but they will give valuable insight about future directions of markets.

BT Group PLC, the British telecommunications company, for instance, is looking at ways to help the elderly live longer at home. By 2026, about 30% of the U.K. population will be more than 60 years old. As part of its probe-and-learn exercise, BT is conducting a test service in which it places sensors in the homes of elderly customers to monitor their movement; if the sensors detect unusual activity, or none, they trigger an alarm. BT says that the service already is generating revenue, but that its greater significance is as a stepping-stone to help the company learn more about what will be a huge and very different market in the future.

MOBILIZE THE STAFF

By engaging more of its own workers in the search for innovation, a company can broaden its vision. For example, the duties of procurement, sales or finance groups can be expanded to include learning about trends they encounter that ordinarily might be considered not of primary interest to the company.

Reckitt Benckiser PLC, the U.K.-based maker of household-cleaning and personal-hygiene products, has mobilized a large number of its agents in purchasing, marketing and customer relations to be on the lookout for relevant new market trends. A small in-house team attempts to verify reported insights and to build on them. The team reports regularly to senior managers, who decide which concepts to pursue further. A company spokeswoman adds that 40% of revenue in 2007 resulted from innovations launched in the prior three years.

CATER TO ENTREPRENEURS

Innovation can bubble up inside a company as well—when the organization follows practices that favor it.

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How Management Innovation Happens Julian Birkinshaw and Michael Mol (Summer 2006) Few companies understand how such innovation occurs and how to encourage it. To foster new management ideas and techniques, firms first need to understand the four typical stages in the management innovation process. <http://sloanreview.mit.edu/047415>

Institutionalizing Innovation (Winter 2008) Scott D. Anthony, Mark W. Johnson and Joseph V. Simfield Building an engine that produces a steady stream of innovative growth businesses is difficult, but companies that are able to do it differentiate themselves from competitors. <http://sloanreview.mit.edu/049216>

The Great Leap: Driving Innovation From the Base of the Pyramid Stuart L. Hart and Clayton M. Christensen (Fall 2002) Billions of poor people aspire to join the world's economy. Disruptive innovation can pave the way, helping companies combine sustainable corporate growth with social responsibility. <http://sloanreview.mit.edu/04415>

Integrating Innovation Style and Knowledge Into Strategy Edward F. McDonough III, Michael H. Zack, Hsing-Er Lin and Iris Berdrow If you devise strategy by thinking only about the positioning of your company's product or service, you are missing a huge opportunity. <http://sloanreview.mit.edu/050114>

internal Web sites where employees are encouraged to share knowledge and skills important to the company.

A British company, meanwhile, has taken the idea a step further. To encourage more interactions and exchanges of ideas, the U.K.-based engineering-services company Arup Group has developed something it calls a "knowledge map" depicting the company's areas of expertise and how workers and departments are connected to one another in terms of information flows.

BREED DIVERSITY

Close, long-term relationships—depending too much on the same customers, partners or suppliers for innovation ideas—can reinforce old ways of doing things and make changing a frame of reference difficult.

Some companies seek innovation partners with whom they wouldn't normally work, and who might bring a fresh perspective. Doctors at the Great Ormond Street Hospital for Children in London, for example, consulted with members of a pit-stop crew from Italy's Ferrari Formula One motor-racing team to explore ways of improving how children were being moved out of heart surgery and into intensive care.

Some companies are also recruiting staff with very different perspectives to spice up their knowledge mix. The Danish enzyme maker Novozymes actively recruits experienced entrepreneurs. Such characters aren't afraid to challenge corporate perspectives and to make waves. As one manager put it, they create a little grit to stimulate the oyster to produce pearls.

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