Innovation strategy

The Innovation Radar - A Framework for a Structured Approach to Innovation

Abstract

Many companies have a very narrow view of innovation. However, innovation can happen in many dimensions of a business. This is exemplified in a concept called the Innovation Radar which has been pioneered by Mohanbir Sawhney, Robert C. Wolcott and Inigo Arroniz. The Innovation Radar integrates established and new perspectives on where a company may innovate and suggests some practical applications.
Introduction

In today’s business environment, companies do not have the luxury to treat innovation as optional. Being innovative in this day and age is the only way to stay in business for a prolonged period of time. Many successful companies such as Microsoft, Mars, General Electric, or 3M have embraced innovation and made it part of their corporate culture.

What is Innovation?

Thinking of innovation, it is a good idea to remind oneself of what innovation actually is since there are a lot of misconceived ideas out there. To see innovation simply as the process of creating new products or as an extension of the R&D department is way too narrow and leads companies to miss out on real business opportunities.

The Innovation Radar: A holistic perspective

Innovation comes in many flavors and can happen in virtually any dimension of a business system. It is important to take a holistic view of innovation and include all the possible dimensions in your innovation endeavors. The goal of any innovation process should be to create or add value to the company – this does not necessarily imply that the end result will be a new product or a new manufacturing process. Innovation can for example mean providing a better customer experience while shopping online or finding a new customer segment that hitherto had gone under the radar.

The researchers Mohanbir Sawhney, Robert C. Wolcott, and Inigo Arroniz (Sawhney et al, 2011) have come up with a framework for innovation along business dimensions. They call this framework the Innovation Radar (see Fig. 1).

The Innovation Radar outlines twelve different business dimensions which were compiled together with the help of a number of companies, such as ADT, Sony or Microsoft. Much like a map, it displays the areas of a business system in which innovative processes can take place. Anchor dimensions are offerings, customers, processes and presence.

Fig. 1: The Innovation Radar shows all aspects of a business where innovation can happen. (Source: Sawhney et al., 2011)

Offerings

Offerings are one of the four key dimensions in the Innovation Radar. They are what a company sells to customers, i.e. its products and services. In this area, innovation typically means developing new services, creating new products.

Platform

The platform dimension describes the components, the production processes, and the underlying technologies that are necessary to create the aforementioned products and services. The more you can rearrange these building blocks, the more useful the platform is and the more varied the output can be. A platform can be a process to assemble a variety of cars using the same resources or a programming environment that developers use to create different types of applications and programs.
Solutions

When you combine products, services, and information into one big package, you create value for customers through solutions. Comprehensive supply chain solutions for example are often born out of innovation activities in this area.

Customers

Customers are the second key pillar of the Innovation Radar. The offerings of a company are purchased and then used or consumed by the customer. They can be individuals or organizations. Innovation in this dimension can mean that a company discovers a new group of customers which until now has not been considered; or new customer needs come to light that provide new sales opportunities.

Customer experience

When somebody enters a shop or browses the webpage of a company they have a customer experience. How should a better customer experience look like? This should be the core question for innovations in this dimension. Providing a better customer means for example designing a more comfortable seat on an airplane or a cleaner web interface. For instance, European airplane manufacturer AIRBUS employees a whole market research department which is looking for trends in ‘airplane seats’ to be able to provide a better customer experience to passengers.

Value capture

The dimension value capture deals with the fact that companies need mechanisms to capture the value they create. When companies innovate along the lines of this dimension, they create new revenue streams based on the value they have created earlier on. A simple example is online advertising. Let’s say a website creates value by providing useful articles to the internet-browsing public. In order to capture value, they place adverts next to the articles. The more value the articles have, the more visitors will arrive at the page and the ads will earn more clicks.

Processes

The third key dimension of the Innovation Radar, business processes, denote the internal workings of a company, i.e. “how things are done”. If a company wants to innovate in this area, it needs to think about how to do things better, more efficient, with shorter cycle times. This may involve decoupling or relocating existing processes. Outsourcing certain tasks is something that happens frequently when business processes are given the innovation treatment. Take luxury hotel group Kempinski as an example. Kempinski does not consider itself as a company who owns hotels – its core business is “knowing how to run a 5-star hotel”. This is a highly intangible asset which however is embodied in Kempinski’s processes.

Organization

Companies always have a certain internal and external structure. This includes partnerships, the roles of employees, and how the responsibilities are divided. Innovation in this area means redefining this setup, re-thinking how the roles, responsibilities and incentives are distributed can, for instance, eliminate inefficiencies.

Supply Chain

A supply chain is a system of organizations, people, activities, information, and resources involved in moving a product or service from supplier to customer. In order to make innovation happen in this area of the business, a firm can make changes to the flow of goods, services and information through the supply chain, create a better structure or make suppliers cooperate more efficiently.

Presence

Presence is the fourth anchor of the Innovation Radar. A company takes its offerings to the market through points of presence, in other words, distribution...
channels. If you want to be innovative in this area of a business, you need to think about how to distribute your products and service in a new, innovative way. This could involve creating new points of presence or using existing points in a new way.

**Networking**

Most businesses use a network to connect to customers. Bringing innovation into this area involves upgrading or improving this network, which also increases the value of the company’s offerings.

**Brand**

Brand is the name, term, design, symbol, or any other feature that makes one seller’s product distinct from those of other sellers. Innovation in the brand dimension means extending your brand or increasing the value of a brand through innovative means.

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<th>Dimension</th>
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<th>Examples</th>
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| Offerings | Develop innovative new products or services | • Gillette Mach3 Turbo razor  
• Apple iPod music player and iTunes music service |
| Platform  | Use common components or building blocks to create derivative offerings | • General Motors OnStar telematics platform  
• Disney animated movies |
| Solutions | Create integrated and customized offerings that solve end-to-end customer problems | • UPS logistics services Supply Chain Solutions  
• DuPont Building Innovations for construction |
| Customers | Discover unmet customer needs or identify underserved customer segments | • Enterprise Rent-A-Car focus on replacement car renters  
• Green Mountain Energy focus on “green power” |
| Customer experience | Redesign customer interactions across all touch points and all moments of contact | • Washington Mutual Occasio retail banking concept  
• Cabela’s “store as an entertainment experience” concept |
| Value capture | Redefine how company gets paid or create innovative new revenue streams | • Google paid search  
• Blockbuster revenue-sharing with movie distributors |
| Processes | Redesign core operating processes to improve efficiency and effectiveness | • Toyota Production System for operations  
• General Electric Design for Six Sigma (DFSS) |
| Organization | Change form, function or activity scope of the firm | • Cisco partner-centric networked virtual organization  
• Procter & Gamble front-back hybrid organization for customer focus |
| Supply chain | Think differently about sourcing and fulfillment | • Moen ProjectNet for collaborative design with suppliers  
• General Motors Celta use of integrated supply and online sales |
| Presence | Create new distribution channels or innovative points of presence, including the places where offerings can be bought or used by customers | • Starbucks music CD sales in coffee stores  
• Diebold RemoteTeller System for banking |
| Networking | Create network-centric intelligent and integrated offerings | • Otis Remote Elevator Monitoring service  
• Department of Defense Network Centric Warfare |
| Brand | Leverage a brand into new domains | • Virgin Group “branded venture capital”  
• Yahoo as a lifestyle brand |

*Table 1: The 12 dimensions of the Innovation Radar with examples. (Source: Sawhney et al., 2011)*
German car manufacturer Porsche, for instance, is well-known for its sports cars. In 2003 it started to market premium timepieces, sunglasses, leather cases, and other accessories under its Porsche Design brand.

The Innovation Radar in practice

Truly innovative processes create disruptions across several dimensions. The authors of the study cite as an example Apple’s iPod, which touched the dimensions of offerings, platform, supply chain (through the content owners), presence (the entire music collection on the go), networking (both Mac and Windows OS was supported), value capture (through iTunes) and brand (extension of the Apple brand from computers only to multimedia, music and other content distribution).

The Innovation Radar is a tool that allows companies to approach innovation in a strategic way. It can be used to find out how a strategy compares to a competitor’s approach. Strengths and weaknesses become immediately clear once all the dimensions have been analyzed.

In the course of their study, the research team around Sawhney teamed up with a well-known global banking company to create an innovation profile and compare it to their three biggest competitors in Latin America. The result is shown in Fig. 1. The innovation radar image shows that apart from bank three, each competitor has pronounced strengths in different areas of innovation. Bank 1 is especially innovative in the area of presence, whereas bank 2 focuses its innovation efforts on the dimension of brand. Bank 3 has an overall low profile when it comes to innovation, and bank 4 is particularly strong in the dimensions of value capture and organization.

But the Innovation Radar can also be applied to one’s own business. CEOs can easily assess which areas had been the focal point of innovation so far and which ones still have untapped potential.

References

Sawhney, Mohanbir; Wolcott, Robert C; Arroniz, Inigo (2011): The 12 Different Ways for Companies to Innovate, MIT Sloan Management Review, Sloanselect Collection Winter 2011
About CrowdWorx

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