Create a company. Innovation and agility from the beginning

Starting a new business is an exciting process in which, from the beginning, should not miss the two factors listed in the title, *innovation and agility*.

A new company is actually implementing a good idea in the economic field, to generate profits and endure over time. And it will better be an innovative idea agilely implemented.

Good ideas are scarce, and in companies and organizations that have long running and large structures, there are significant barriers to grow and develop. So start from the beginning, in this case, it is still an advantage.

Innovation is a necessity; it is no longer an option. In a crisis environment, constant and accelerated change, there are three basic resources needed today, especially for medium and small companies to consolidate and grow:

• **Innovation**. Allows differentiation, stand in a line of leadership, whether technological, positional in market segment or cost excellence.

• **The agility**. It is the heart of survival of the company. It means that from the beginning sought simplicity in all processes and all of them are focused on creating customer value. It means not only react quickly to changes, but proactively seek opportunities and reach them more quickly and efficiently.

• **Focus externally**, looking out, rather than inside. It means thinking globally considering foreign markets not something alien to us. What is not yet in our immediate environment may appear at any time and therefore we must know it and evaluate.

What is innovation?

Innovation is a process to be implemented across organizations in order to create a "culture of innovation". It is knowledge supported, based on information and intangible resources, but measurable and that embraces all and all areas of the company.

It is based on exploration, finding opportunities, external openness, research, risk, trial and error, in the individual skills but also in the highly efficient team working.

The dimensions of innovation, performance and also its three main approaches are:

• Innovation in products or services. Make something new.

• Innovation in market position, focusing in a different customer orientation. Position yourself in a new way.

• Innovation in internal processes. Do things differently.

Actually there would be a fourth dimension that is innovation in a "paradigm", ie innovation that produces a change of "category", so far nonexistent. In this case, the effects are long term and may change mental models, how to think and act collectively.

The innovation process could be visualized as a "funnel" that is a continuous flow from idea generation to the exit and completion of specific projects of innovation.

Exploration and generation of ideas and opportunities	Selection and validation by Business Filters.	Projects Planning and implementing programs	Realisation Capture 1st benefits Revision
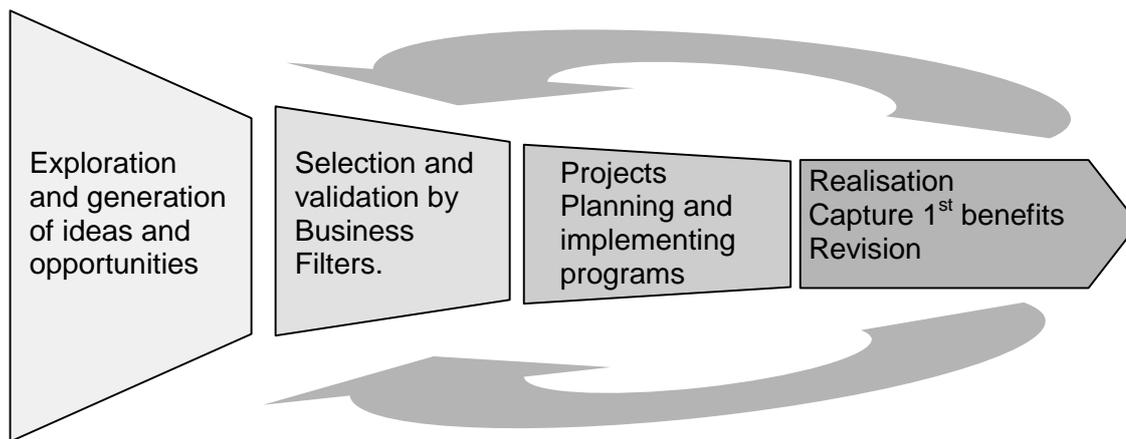
Innovation is a change.

Like any change, it takes effort, generates resistance and precise vision and leadership.
What differentiates companies able to create value and do so sustainably, is its capacity for innovation and agility.
However, for many companies, existing or new, innovation management is challenging. The success rate obtained both with new projects; internal innovation processes or marketing new products and services, is still very low.

Ideas.

It is difficult that a company may be arising out from a single great idea. It is much more likely and more fruitful arising from a careful process of selection and evaluation of different ideas. Therein lays the importance of what we call "business filters" to approach this process of selection and evaluation, after generating ideas.

Furthermore, the generation of ideas is not only a creative act of imagination emerged, but a structured process which includes exploration, research, openness to potential customers, to the external environment, modelling, team discussions and analysis; work with opportunities and risks, skills, strengths and weaknesses.

Good ideas may come from people individually but in many more cases arise from teamwork. It is normally from multi-functional teams, working in an interdisciplinary way, where most ideas take place. We organize these teams so that they are trained in the methodologies that support their work. It should be noted that there are environments that crush new ideas whereas in others seem to be flourishing without effort. There are a number of barriers that must be removed and there are also a common set of

patterns that we see recurrently in the most fertile environments and teams.[i] The innovation is based on the connection of ideas, openness and simulation of models and prototypes. These common patterns are:

• **The possible adjacent**. Actually the term "possible adjacent" it's likely opening doors from our actual position where we are, and in each successive door we multiply possibilities and discoveries. Its boundaries grow as we explore. In 1879 a gynaecologist called Stèphane Tarnier working on the possible improvement of mortality in premature births, visiting the zoo in Paris, noted that heat was used in a kind of incubator for young chicks. He decided to design and built an incubator likely, to apply to human infants. This was the first Tarnier box hatching.

• **Liquid Nets.** This concept comes from the study of the human brain and human history. One idea is like a net, is produced in the brain by a multitude of neural connections. Similarly the close connection of the various individual skills produces a network that favours the creation of ideas. The concept of liquidity means that there is closeness and plasticity in the network, that is, capable of adapting new settings without losing distance or communication. So we talk about promoting "creative environments." The Renaissance expresses the configuration of the cities of northern Italy as "liquid nets" through which the knowledge and artistic creation was flowing.

• **The slow hunch**. One idea that often is considered as arising from a sudden inspiration, the classic "eureka", actually comes from a hunch incubated since time ago, according to available data then. This incubated hunch can be shared with others and become in another hunch. Most hunches that become important innovations, take their time, are becoming stronger by establishing new connections, until one day that jump to light, due to a factor or newly discovered fact, a new association, that opens tightly to real possibility.
This is how Tim Berners-Lee explains the idea of the World Wide Web:

> "There was no "eureka" moment in the invention of www. I gradually came to realize that linking the ideas in a non-restrictive way in a network had so much potential. And yes I came to realize was precisely through this kind of process. The Web came because it was time to answer an open problem, gathering influences, ideas and conclusions from many sides until, thanks to the wonder of the human mind; a really new concept was cemented. It was a process of adding to, not to go solving one problem after another in a linear way".

• **The happy finding, "Serendipity".** These are coincidences that are individually generated in the state of chaos or doze, or by a group in endless discussions without apparent hyphen. Robert Thatcher in 2007 pointed out a concept that the brain needs periods of order, but also periods of chaos. And it seems the more disorganized brain belongs to the smarter owner. Without a clear explanation, it is assumed that the electrical noise that gives rise to chaotic mode, allows the brain to explore new links between neurons that otherwise would never have been connected. The possible accidental connections and their creation potential have a word in English: "serendipity".

• **Error**. It would be hard to find something that helps more to innovation and the generation of ideas than the trial and error. And yet in our companies error is being punished. Consequently nobody wants to make mistakes; this is a major obstacle to any innovation. In this environment the ideas are crushed. Thomas Edison was wrong for about 6000 times before having a near final version of his "invention", the electric light bulb.

• **The exaptation**. Name which means borrowing a gimmick, concept or an idea designed and used for a purpose, to apply it in a completely different area. It comes from a term of biology, an "exaptation" is simply an example of a feature that has evolved, but it is not considered an adaptation to the environment. The presses were known for pressing grapes and facilitate the process of wine: Gutenberg adapted it for the first printing press that allowed the large-scale printing of books. He had to complete the "movable types" that already had precedent.

• **Platforms**. Platforms are fertile grounds in which living beings collaborate and make the system itself into something much more efficient than if they worked separately. Coral platforms as an example. Nowadays Internet is also a new form of platform on which information flows, is recycled and reused for purposes other than those originally intended. To build platforms is, by definition, a kind of exercise of emergent behaviour. When a platform is open, the information flowing through it is based on the prior assumption that good ideas can come from anywhere. The example here is Twitter, which was open before the construction of the platform.

The value proposition

Every company, consciously or unconsciously, is making a value proposition to its customers. We use the model "proposal or value discipline"[ii], to help understanding and implementing the concept as a useful strategy. The company can focus primarily on three different areas or disciplines that represent their customer value proposition. Each is based on a different offer:

• We compete on price. It means operational excellence.
• Innovation and leadership in product. It means we offer the most innovative product.
• Customer intimacy. It means to know their needs before and better than anyone else.

The diagram represents a typical company focused on Customer Intimacy, without neglecting its proposed product innovation, but that does not compete in costs or prices.

Ref.: Treacy y Wiersema. 1996. Value disciplines
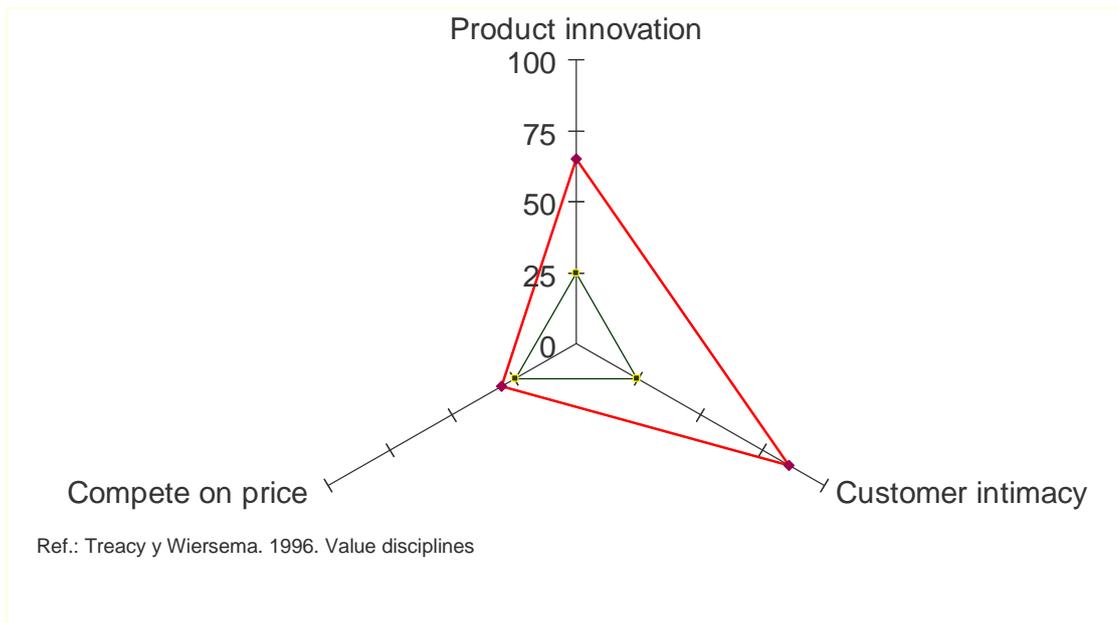
It is proposed that to be competitive, companies must be proficient in all three disciplines (the minimum threshold in the diagram, in green), but to be a leader in the market, a company must excel in one discipline (in red on the diagram). In addition, a company can not excel in all three disciplines, because the basic business culture, structures, people, facilities, processes and business models that lead to excellence in any discipline are strongly incompatible or contradictory to achieving excellence in others.

Product Innovation

It is characterized by products which are the most innovative in their market segment and highly valued by customers. It becomes leadership in the segment. Focus on innovation, the flow of new products and the highest quality above customer expectations.

Compete on price. Operational Excellence

Competing in prices means that with the same price as the competition, we gain more, our margin is highest. Therefore we manage to have better costs and trouble-free service through operational excellence, pushing systems, "lean" or other methodologies. Focus on design, production and supply chain.

Customer intimacy

It means that we know before and better than anyone else customer needs and anticipate them. Proximity may be geographical or otherwise. We provide the whole service. Focus on service and customer relations.

Agile innovation, what does the term related to agility?

If we introduce the concept of agility in all processes of the company including creativity, we entered in an advanced stage of excellence. We call it "agile innovation"
We can apply the concept of agility in all phases of innovation process including the generation of ideas. The origins of the methodology are "Lean" and "Lean Startup" in companies that are newly created.

Winning Innovation is often the ability to take an opportunity at the right time, with good organization and good resources. This is specifically to make an innovation "agile".

What do we mean by innovation "agile"?[iii]

The essential benchmarks for one company to focus its innovation in an agile way are:

- Integrate innovation as central to his vision in the medium / long term, integrated in the strategy.
- Learn as organisation and fix knowledge, both internally generated and from external environment.
- Ability to anticipate and permanent reconfiguration
- Do not consider innovation as a "cost", a theme of "R & D" or an investment for which we must subsidize, but a vital resource, a source of transformation and income
- Create and maintain an internal culture of competitive differentiation
- Maintain a culture of openness and network relationship with the environment
- Build on collaborative design to increase the knowledge and know-how internally
- Use projects and innovation as mobilization and motivation tool for individuals and teams
- Know how to create partnerships and collaborations with balanced external innovation resources.
- Perpetuating innovation development as a continuous flow of projects or programs.

What is agility?

Agility is the quality of being light, quick, speedy. In the most commonly used in the business context, it would mean the ability to be flexible in a proactive manner. Not only react quickly to changes and events but proactively seek opportunities and how to reach them more quickly and efficiently.

See the previous post "The Agile Enterprise" published in this blog.

Conclusion

These concepts, which are already applied in many companies today seeking to be more efficient in an environment of accelerated change and crisis, also serve to create a company from scratch. With the advantage that no acquired habits or initial barriers, except in the mind of the founder or entrepreneur.

It is essential to take a holistic view of the enterprise from the beginning[iv]. Integrate innovation, design, customer experience, the value proposition and the operations of the supply chain in a single process designed in a flexible way.

Francesc Güell
December 2012

This article was published in the website of Fundación Prevent. Dec.2012:

http://ahoratu.fundacionprevent.com/es/2012/12/20/innovacion-y-agilidad-desde-el-principio-por-francesc-guell/

---

[i] Steven Johnson. Las buenas ideas. Turner Publicaciones. 2011. Original: Where good ideas come from. ISBN 978-84-7506-289-1

[ii] Michael Treacy & Fred Wiersema Value-Discipline Model. Harvard Business Review article "Customer Intimacy and Other Value Disciplines," (c. 1993) Book: "The Discipline of Market Leaders". 1995

[iii] Innovation agile! J.F. Lacoste-Bourgeacq, Philippe Crapart, Gilles Lauga, Patrick Morin. AFNOR, 2007. ISBN: 978-2-12-475571-4

[iv] Design Thinking. Ed. by Thomas Lockwood. 2010. ISBN: 13-978-1-58115-668-3