



Restructuring ■ Acquisitions ■ Sales Leadership

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## # 11 - Product Innovation

The leadership team has completed their strategic review and they are confident of the company's new positioning. They are clear on the unique market that they will dominate. Organic growth through product innovation within their unique market seems attractive but practical guidance is thin on the ground. A few thoughts worth sharing:

### Big Picture

Recessions are a great time to innovate! [Big companies](#) spent almost as much on R&D in the last quarter of 2008 as they did in 2007 (28 large US groups spent just 0.7% less in that period). Comparing Apple and Motorola after the last bubble burst is interesting. Apple increased R&D from 1999 to 2002 by 42%, Motorola slashed spending by 13% in 2002. [Coca-Cola](#) recently announced a small but important investment in a fast growing UK company that dominates the Smoothies market. Google and the iPod are great examples of innovation being achieved during tough times. GE is hooking up with Intel to attack the Healthcare market. Innovation comes in many forms, products, services, delivery mechanisms. The current fascination with cloud computing/SaaS being an example of the latter. Re-engineering consultancy services exploded during the recession of the early 90's. The explosion in the eco-system of i-Phone apps is yet another example of innovation in tough times, 25,000 apps, 800m downloads!

### Dangers

Of course not all R&D is effective and competitive advantage is gained by smart investing not just any investment. Feature creep is famous in the software world where the vast majority of sophisticated features of Excel are never touched by the average user. Validation is essential. Will the customer notice these investments? Innovation needs to be thought through all the way to the application at the end user. How are your innovations improving life for your customers, how is your client's performance enhanced? Be careful also of building for today's recessionary buyer. By the time your product comes to market perhaps your audience has moved on. There needs to be short term and long term thinking. Recessions can be brutal on production-led technology companies and mistakes in good times can hurt but in bad times they can be fatal.

### Tips

I believe there is a strong argument for simplification. Cash constraints force us to make tough choices. ROI on new product development needs to be watertight. Validation with key customers and fast effective pilot schemes may be the best way forward. Leadership teams often make the mistake of throwing time and intellectual



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bandwidth at the 80% of the products that don't make much money. Focus on your best 20% and make them remarkable. Create huge gaps on the competition. By the way, customer requests can be terrible reasons for building new products, unless they are prepared to invest alongside you and bring some certainty to the outcome. The key is to build rigor into the "business result" that can be achieved by your innovation. Of course innovation can relate to new relevant service offerings as evidenced by; solutions around Y2K, Six Sigma consulting, and Sarbane Oxley advice. Business model innovation is also an exciting area of growth when combined with great product innovation. In summary as with all growth initiatives, think through how your customers and prospects might deploy your innovation. Ensure your innovation delivers a business result for your customer, which is simple to understand. Better still; get your early adopters to testify that it actually works!