

Profit Driven Innovation

Clarifying Innovation, Growth, and Scalability

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Introduction

- Why We Innovate
- Explore the Key Drivers of Successful Innovation
- Understanding Company Operations
- Innovation Impact Across the Company
- Necessity for Strong Leadership



Why We Innovate – Sustaining Growth

- Profitability Comes From Scalable Growth
 - A careful balance of innovation, sales, operations and delivery is required
 - Scalability is growth of revenue without linear growth in costs
 - Innovation is key to growth as offerings become commoditized and get revenue gets eroded
 - By definition innovation needs to be scalable to keep costs efficient
- Innovation and Scalability Are Not the Same



How We Innovate – Respecting the Machine

- **Managed Growth in a Scalable and Repeatable Fashion**
 - Financial -> Human capital
 - Human -> **innovation** capital
 - **Innovation** -> structural capital
 - Structural -> process capital
 - Process -> customer capital
 - Customer -> financial capital
- **How Does this Map onto Your Company**
 - Many different functions in the organisation
 - **Who is driving this background process?**



What We Innovate – Points of Innovation

- **Approaches Within Software Companies**
 - Strategic focus – operational realignment
 - Repositioning assets – whole solution/product
 - Tackling new markets – hires from other industries
 - Functional additions
 - New products into product line
 - Divisional focus and growth
 - Acquisition
- **What is Your Role in Innovation**
 - The recipient and launching point
 - The driver of innovation – in which case how fast?
 - Which cog in the machine are you?



Innovation Pitfalls

- **Typical Pitfalls Resulting in Lost Profit**
 - Impact to company is underestimated
 - Innovation saps revenue from foundational business
 - Innovation creates compensation and team imbalance
 - Key people manage the inception to ongoing delivery of innovative ideas
 - Tempting to innovate too early ahead of the commoditization curve



Understanding Cheetahs, Romans, and Derivative Traders

- Cheetah Chasing Two Men
 - “Hope we can outrun this cheetah”
 - “Just hope I can outrun you...”
 - There is a time to ‘innovate’ when position is stable – and getting the timing right is key. There is that element of trust as well....
- Downfall of the Roman Empire
 - Source of innovation, outsourcing model, good territory growth
 - Didn’t keep up the innovation and streamlining – sat on laurels in the end
 - While the business language remains, economics can shift and you must innovate or stall
- Derivative Traders Look at All Aspects
 - Make big decisions with only a few present data points
 - Future indicators are used as basis to simulate
 - Decisions are made with very broad communication so that the team can anticipate and change tactics leveraging one another



Being In It for the Long Haul

- **Are the Right Items Looked at When Innovation is Explored?**
 - Competitive differentiation - innovation vs. core competencies
 - The economics of the whole picture
 - Making decisions based on potential outcome
- **What Horizon do you Look at?**
 - IBM OS/2 vs. Microsoft Vista – timing of investment
 - Beta vs. VHS – sticking to strategy or market driven
 - Apple Mac technology stack vs. Microsoft open platform
 - Dell vs. HP or IBM
- **Core Competencies Shift**
 - US et al. drives market innovation and focuses on cost reduction
 - India business process innovation, China production innovation
 - English is currently the business language, like Latin, when will this change?

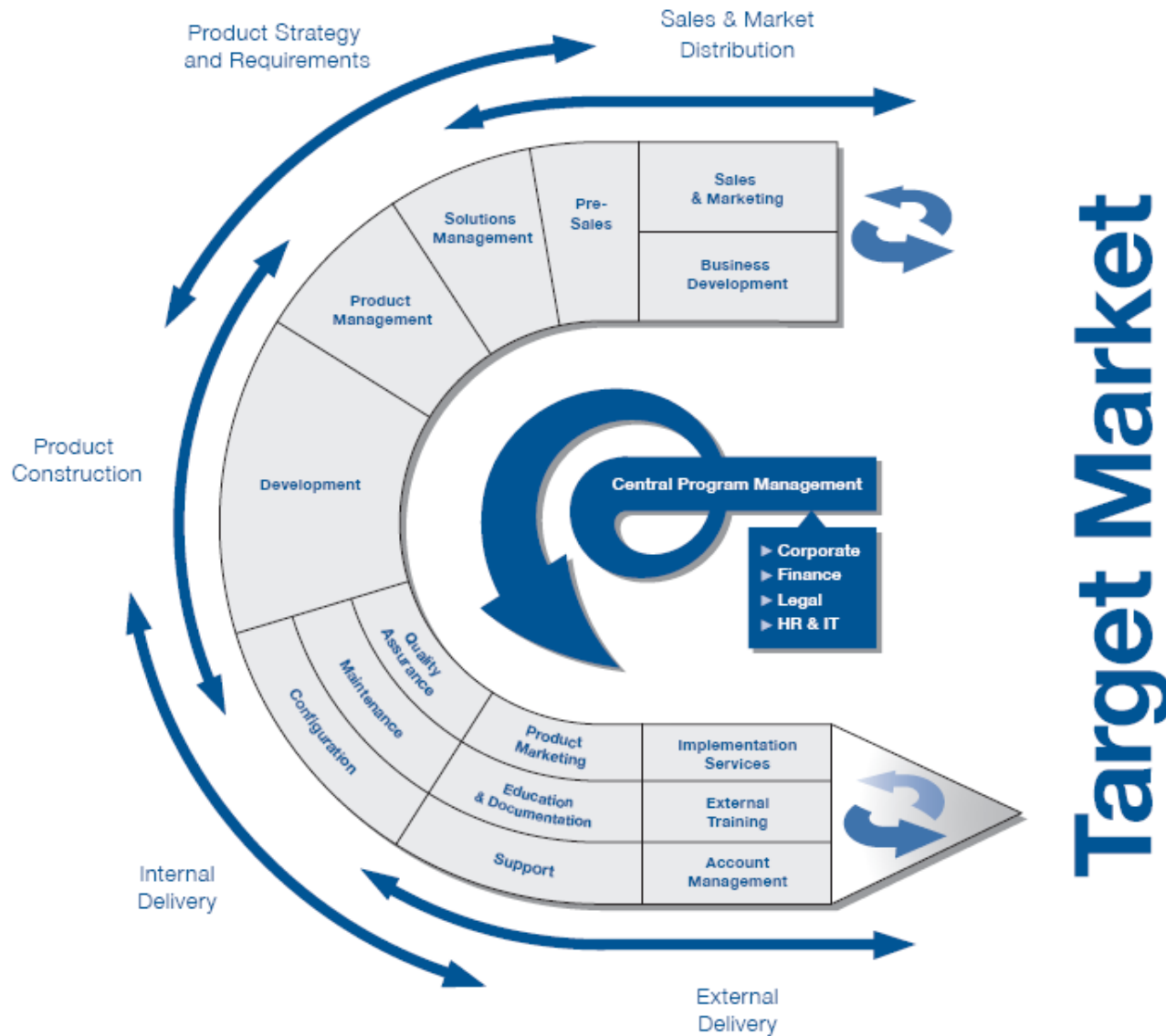


Key to Successful Innovation

- **Need to Understand Your Company First**
 - Don't confuse operational scalability with innovation
 - Understand when to innovate - commoditization vs. optimization
 - Is the trinity between sales programs, market feedback, and delivery established?
- **Innovate with Strong Leadership**
 - Create an environment that is comfortable for people to create a repeatable process
 - Ensure that delivery can scale
 - Ensure that the plan is well communicated

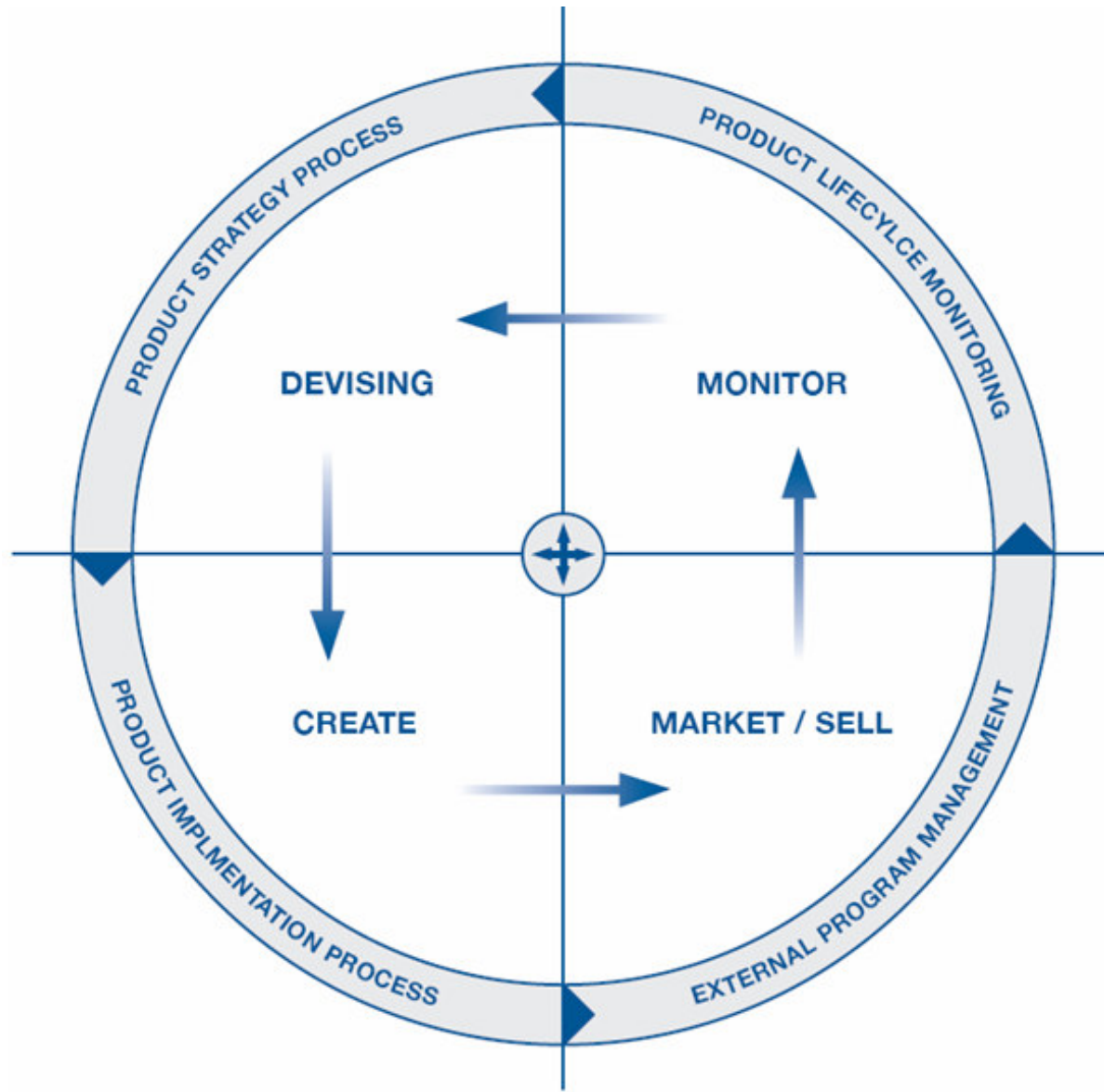


Understanding the Company Mechanics



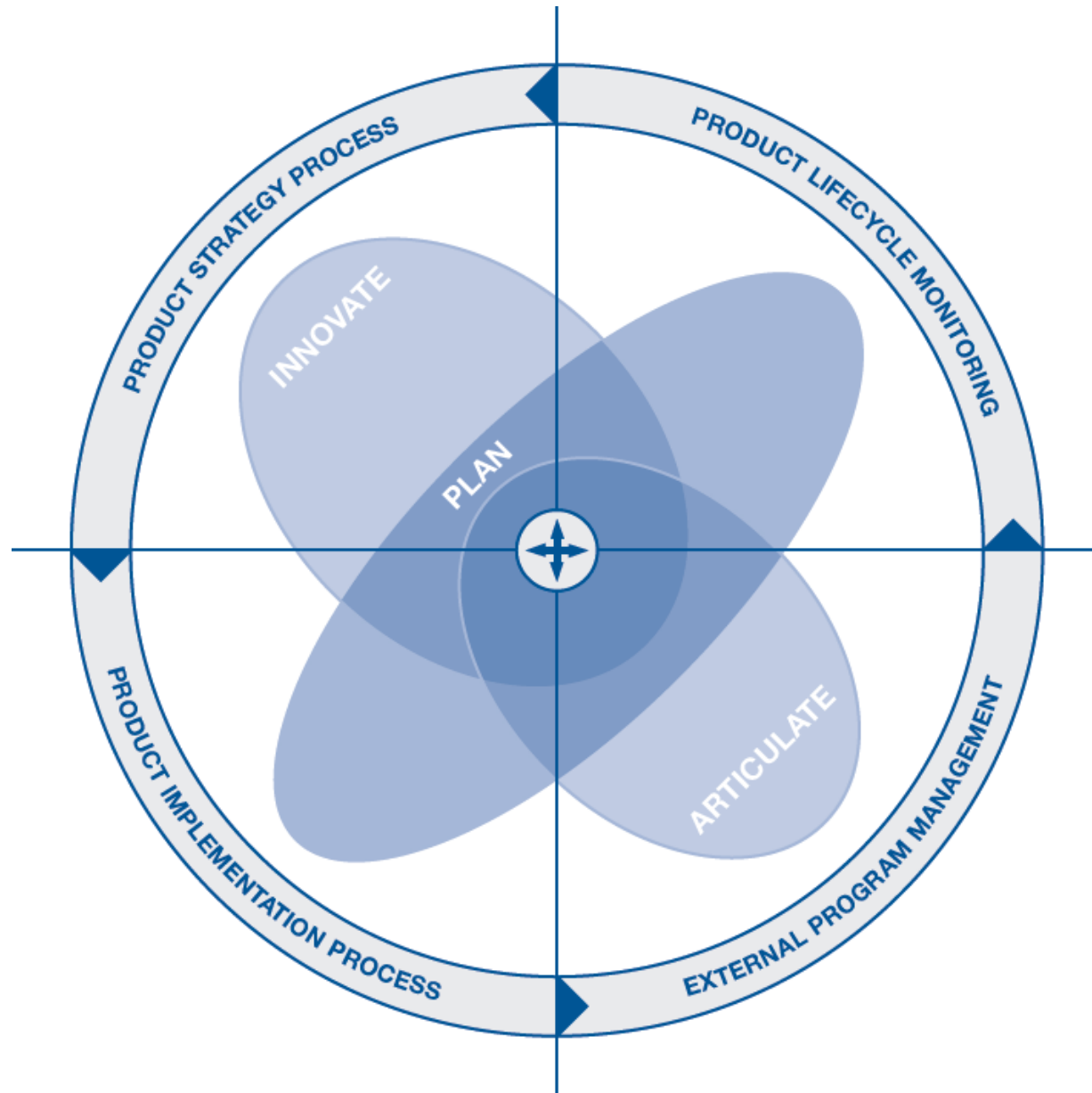


Company Cross Role/Department Functions



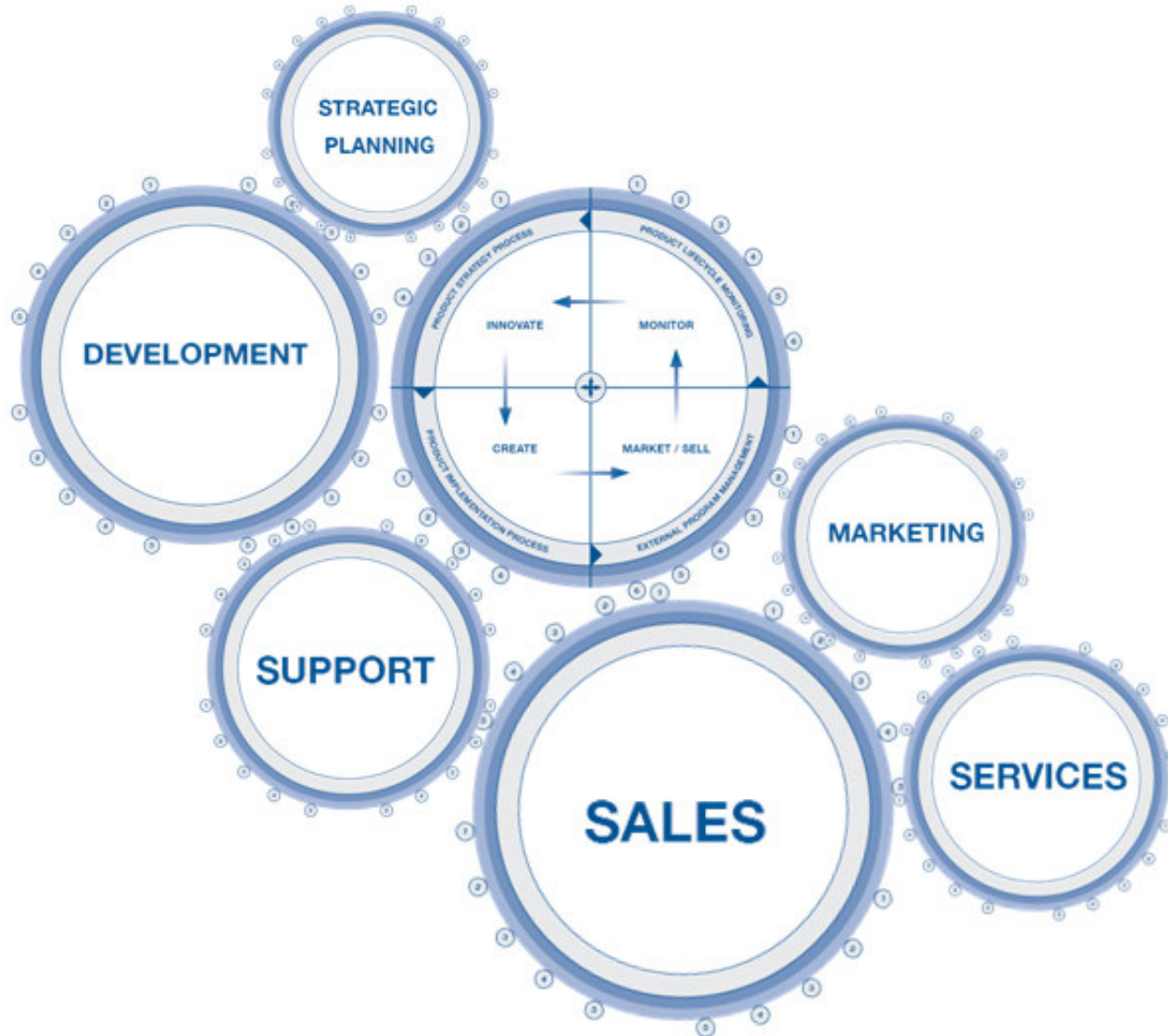


Innovation From Within Each Function





Net Profit of Innovation Across all Functions?





Summary

- Innovation is Key to Growth in Companies
- Innovative Ideas Impact Each Function in the Organisation
- Many Pitfalls Exist that Erode Profit Quickly
- Innovation Must be Led From the Top
 - Understanding of when to innovate and strategic intent
 - Leadership to foster a repeatable environment
 - Ensuring the plan is focused, differentiation and understood
- Need to Reassess the Core Competency That is Being Innovated



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Questions?

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