

# Which comes first the Innovation or the Strategy?

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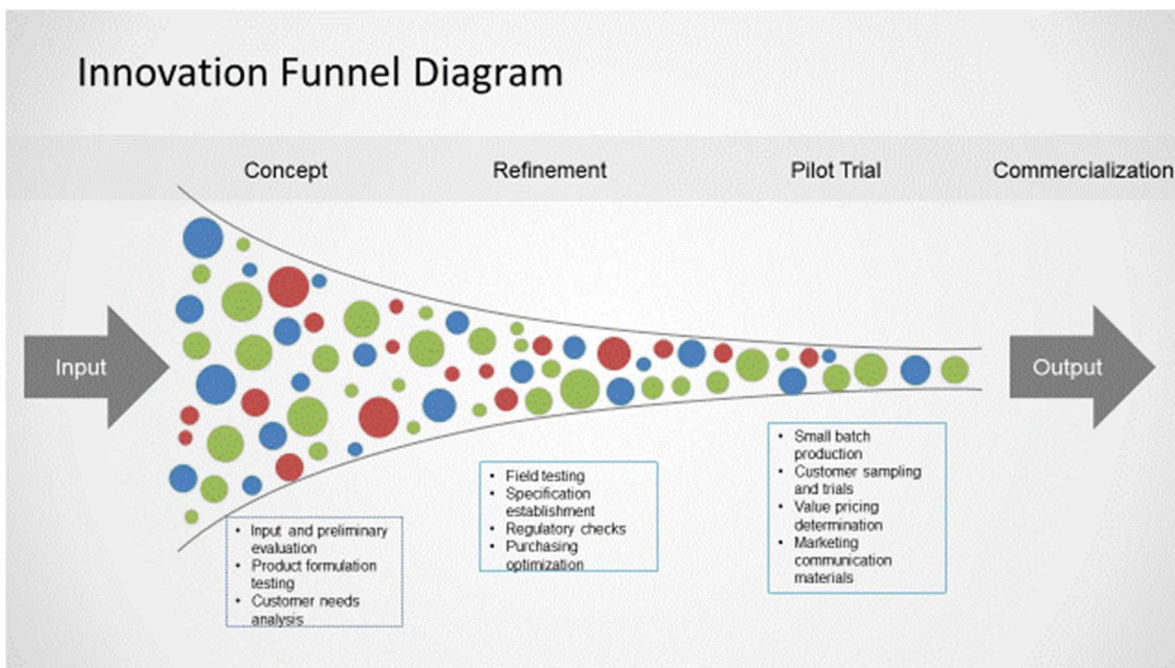
Ever hear the saying, “Which comes first the chicken or the egg”? In many companies this question appears frequently in another form. Do we develop the strategy for the market first or do we innovate for the market first? Market pull versus market push. It is an age-old question.

## Innovate First

In the innovation first case, one has to figure out very early what the market wants or needs otherwise the innovation will fail to sell. You can have the best “buggy whips” but who buys “buggy whips” these days. With no specific strategy in mind at this point you are more likely to think “outside the box”. This style lends itself to the innovation that can change a market or lead to a need not yet realized by the consumer. Finding the first company or consumer can be very difficult. Not only have you taken a risk but you’re asking them to absorb the risk of a step out innovation. This will limit your customer base. On the other hand, this can strengthen the partnership with the customer. “We are all this together” is a strong bond and can lead to a very long relationship/partnership.

Innovate first can also be a great approach to entrepreneurial enterprises. By discovering a product or service first it may be much easier to obtain financing and develop a business plan for the new venture. Many venture capitalists are looking for new product or service concepts that serve yet defined markets or customers.

At the very least an innovation should be plotted against a tool such as an innovation funnel. This also can be a Stage Gate plan or any type of analysis which promotes strategic thinking of the innovation. These tools can help solidify the direction of the innovation and lead to a more structured way of innovating.

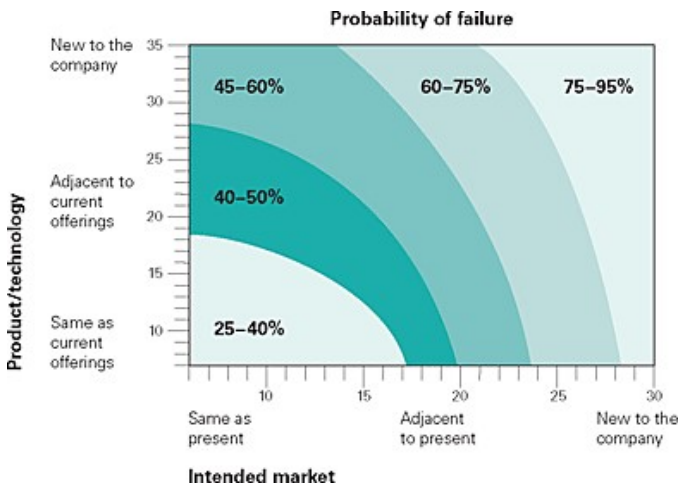


As you innovate and land on that new product or service the strategy question becomes even more pressing. How do I protect my innovation? Do I keep my innovation trade secret or do I file for patent? Do you offer this new product to everyone or just selected customers? If it meets market needs why would everyone not be interested? What pricing consideration will you need to bring the greatest value? Can you extend your offering in different forms for different customer segments? What are the customer segments which should be considered for your product? At some point strategy will become a key milestone in the development of your innovation.

### Strategy First

A basic market plan/strategy can direct the innovation and assure you are meeting a market need. All members of the business team help to develop the key elements of the strategy: Understanding the Markets, Customer Segmentation and Targeting, Positioning and Customer Engagement Plans. With a proper strategy the questions around customer offerings, targeted segments and appropriate pricing are all resolved before embarking on the innovation concepts. By gaining alignment within the team innovation does not become a R&D isolated venture. Everyone understands the direction and their role in achieving the strategy. This can effectively minimize innovation time and result in a faster cycle time to commercialization.

The one downside to all of this is that truly new and innovative thinking might be constrained due to the desire to stay within the strategy. It is important in the development of the strategy to consider the innovation space. Through the use of an innovation tool a company can determine how far in the risk spectrum they are willing to push innovation. This clearly sets the objective and helps to define the potential investment necessary to achieve the results thus eliminating many of the common failures and wastes of time in innovation.



**Is it Real? Can we succeed? Is it worth doing? Managing Risk and Reward in an Innovation Portfolio – George Day, Harvard Business Review, December 2007**

### What is the answer?

So, what is an organization to do? Innovate first or develop the strategy first? This question should be debated and discussed with various levels and disciplines throughout the organization. Organizations should consider bringing in an outside expert to assist or facilitate this discussion. Many times, participants in this

discussion will base decisions on their position in the company. An outside facilitator can recognize these biases and work through the biases to obtain the best overall solution. All resolutions and outcomes have to be owned by the participants and the overall choice of direction is with the company. High risk-taking companies that want high reward should consider the innovation platform thus giving wide berth to the innovation team to develop what even the customer does not know they need (e.g. the i-phone versus a mobile communication phone). Lower risk-taking companies or companies with limited capital and cash flow may find incremental change more appealing. A solid strategy with incremental developments will assure strong return to the investors and slow steady growth. In reality both questions need to be worked simultaneously to achieve the results most are after with their business. When an organization looks beyond one or the other of the questions and asks, "How do we plan our innovation to match our strategic objectives?", the optimum result is achieved. Facilitators can provide valuable assistance in challenging the organization to achieve the desired results and even wrestling with the innovation versus strategy question BUT, in the end the company has to choose the path to take.

pHocas LLC is well positioned to act in this facilitator role. Through the StaMP workshop, pHocas can guide your team through the strategy development and innovation process. Many years of experience in multinational companies and projects with several large consulting firms insure pHocas can lead you to an effective solution.

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