



Winnovation

BY ROWAN GIBSON

The Innovation “War Room”

There are three ways to react to an economic crisis. One way is to bury your head in the sand and hope the whole thing just blows over (good luck!). Another way is to run around in a panic-induced cost-cutting frenzy that could seriously impair your company’s long-term growth potential. The third and, of course, smartest way is to recognize the impending threat to both your top and bottom line, and quickly adapt your company’s strategy and business model to the new market conditions. Is that what your organization is currently doing? Perhaps. But what if you’re having a difficult struggle radically rethinking and reinventing what you do, and how you do it, as economic circumstances rapidly change. If so, here’s some advice.

I have, via this monthly column, argued vigorously over the past few years that, in a world where the pace of change has gone hypercritical, today’s most important race is the race for strategic renewal. It is the race to change as fast as the environment is changing around you; the race to invent new sources of profit before the old ones disappear; and the race to reinvent

your strategy and your business model before they become obsolete. When the economy is on the up, most companies tend to postpone this work of strategic renewal based on the old notion that “If it ain’t broke, don’t fix it”. Yet, as the current crisis proves once again, a successful business model can get broken almost overnight when the economy takes a downturn.

So what exactly is strategic renewal? It’s the act of dynamically adjusting business models and strategies to the deep changes at work in the external environment. Above all else, this requires innovation. In a 2003 article in Harvard Business Review entitled “The Quest for Resilience”, Gary Hamel wrote, “Strategic renewal is *creative* reconstruction”. It’s about taking your traditional business model apart and looking for imaginative ways to reconstruct it to create significant new value for your customers and your company. This becomes all the more urgent in recessionary times, when customer needs and market conditions swiftly and dramatically change.

But how can you actually go about the task of strategic renewal? My answer is this: set up an “Innovation War Room”. This may well be a physical space, as in the case of Emerson Electric, the global technology and engineering leader, where former CEO Chuck Knight set aside a specific room, right next to his own office, for directing the company’s strategic renewal efforts. It was reminiscent of the cabinet war room in London, used by Winston Churchill to direct military strategy during World War II. Chuck Knight’s Innovation War Room was a simple but highly effective device that forced all of Emerson’s people to focus on reinventing the business model and finding bold, new growth opportunities. And its impact on the company’s strategies – and, ultimately, its performance – is still being felt today. Earlier this month, even in the face of formidable pressures, Emerson announced record financial results for 2008, and it continues to be one of the most reliable earnings machines in the American economy.

Very few companies could claim to have a specific innovation war room somewhere at headquarters. But what every company can and should do – right now! – is organize a serious, high-level strategy forum (at least *call* it the “Innovation War Room”) to start rethinking their business from the customer backward. One of the fundamental questions they need to ask at that meeting is, “How do we get the sales curve moving upward in a market where customers are no longer buying?” And, in a nutshell, my own response to that question would be identical to a slogan IBM is now using: “Stop selling what you have. Start selling what they need!”

The absolute worst thing your company can do in a stalled economy is to assume you can just continue to sell the same old product or service to the same old customers in the same old way – and at the same old price. Instead,

you need to get busy working out how your customers' priorities may have changed, and quickly realign your business model to address their new needs. When I read through yesterday's *Wall Street Journal*, most of the ads (for luxury watches, exorbitant real estate, and fabulous vacation resorts) looked embarrassingly inappropriate in view of the times. One ad, from NOKIA, stood out in contrast. The headline: "Can anyone provide cost cutting solutions that work now? Yes, we can." Now, there's a company that seems to get it. But wait a minute. Didn't that headline sound more than a little like Barack Obama? NOKIA seems to have understood the lesson from this month's US election: whether you're selling politics or products, the winners will be those who recognize that the game has changed, and that "same old, same old" will no longer cut it.

In my own keynote speeches and strategy workshops, which – guess what – are now entitled "The Innovation War Room" (hey, right product at the right time, no?), I teach companies to unpack their business model into five components: who they serve, what they provide, how they provide it, how they make money, and how they differentiate and sustain an advantage. Then I show them how to radically rethink each component using the "Four Lenses of Innovation" – the cutting-edge ideation methodology outlined in my latest book "Innovation to the Core". So I get the strategy teams to (1) challenge deeply-held orthodoxies about who their customers are, how they interact with them, how they define their products or services, how they configure the value chain, and so on; (2) harness emergent trends and discontinuities to substantially change the way things are done in their industry, (3) leverage core competencies and strategic assets in novel ways to generate new growth; and (4) understand and address deep customer needs that are currently going unmet. Isn't it time you subjected your own business model to some "creative reconstruction", aimed at making it better suited to today's shifting customer needs and new economic realities?

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