

Where do innovative ideas come from



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As the story goes, if you put a large number of monkeys in front of typewriters, one of them might even end up typing the Mahabharata. But the point is after he has typed the Mahabharata, do we expect him to come up with the Ramayana next time around? Obviously not. Similarly, innovation is not just plain luck.

As Peter Drucker points out in *The Discipline of Innovation*, an article he wrote for the Harvard Business Review, "Above all, innovation is work rather than genius. It requires knowledge. It requires ingenuity. And it requires focus." All this obviously is easier said than done.

In the last few years a lot has been written on the discipline of innovation and a major part of this writing has been devoted to "how does a firm generate ideas for innovation." These are the few ways which you can go about doing just that.

Question the strongly held industry dogmas: As Peter Skarzynski and Rowan Gibson write in *Innovation to the Core – A Blueprint for Transforming the Way Your Company Innovates*, "The first thing one discovers about radical innovators is that they are, almost by definition, contrarians. They are people who take some piece of conventional thinking – that everybody in the industry has accepted as absolute gospel – and turn it completely on its head."

Take the case of Dell computers. Before it broke onto the scene, computers were always sold through the traditional distribution channel. Michael Dell, the founder of Dell Computers, thought why not sell directly to customers. By doing that he would be in a position to understand the needs of his customers in a much better way. At the same time any cutting away the traditional distribution system, he could even offer a more competitive price to customers. As the internet developed this business model that Dell had developed really picked up.

What also helps when a company takes on an unconventional approach is the fact that the existing companies cannot move onto the new bandwagon straight away. As Scott Anthony and others, point out in *The Innovator's Guide to Growth – Putting Disruptive Innovation to Work*, "When computer retailer Compaq tried to respond to Dell by creating its own online direct-to-consumer arm, it had to shut the offering down because owners of the stores that sold its computers protested."

Target the non consumers: On the face of it, this might sound strange. But there is a sound logic to it. If you target the non consumers, you are not taking on the present incumbents head on. As Anthony and others write in *The Innovator's Guide to Growth*, "If you follow a strategy that looks attractive to market leaders, you can bet they will be quick to respond, and as incumbents, they often have advantages that are difficult to trump."

An excellent home grown example to this strategy is the 'washing powder Nirma' (as the jingle goes). Hindustan Lever Limited (now Hindustan Unilever Limited) first introduced the bucket wash concept in India in 1959 to basically free the housewife from the drudgery of scrubbing the laundry soap, day in day out, to wash clothes. But it was Nirma, that helped expand the washing powder market in India.

HLL's in 1959, through its blue powder Surf pioneered the bucket wash concept in India, to relieve housewives from the drudgery of laundry soap scrubbing. However, it was Nirma that really expanded the detergents market by providing the benefit at a very affordable price.

In 1969, Karsanbhai Patel launched Nirma. Back then Nirma used to be sold at Rs 3.50 per kg. At the same point of time, Surf used to sell at Rs 15 per kg and the lowest price detergent used to sell at Rs 13.50 per kg. Nirma created an entirely new market of consumers, who till then could not afford buying washing powder.

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For a long time, the *box-wallahs* at Levers did not notice Nirma simply because the price at which Nirma sold, did not fall into Levers' scheme of things. By the time the management graduates at Hindustan Levers figured out that there is a huge opportunity in trying to replicate what Nirma was doing, Nirma had already established itself as a household name across India.

As we had seen in the last column, when Apple was first launched, it concentrated totally on the home PC market and not on the institutional market, as had been then norm till then.

Identify demographic trends: As Peter Drucker writes in *The Discipline of Innovation* "Of all the outside sources of innovation opportunities demographics are the most reliable." This is primarily because demographics have a huge lead time. They don't change overnight and entrepreneurs can capitalise on these trends and build sustainable business models.

An excellent example of a company, which clearly saw the demographics changing and capitalised on it is Nokia. "Nokia began to take note, back in the early 1990s, of the emergence of a global youth culture. Instead of simply reading about it in trend reports, the company decided to send a group of engineers out into the field to observe it "firsthand" in some of the world's trendiest youth hot spots: Venice Beach in California, King's Road in London, and the club scene in Tokyo's Roppongi district. As a result, those engineers came back to Finland with new insights that helped Nokia reinvest the whole concept of the cell phone, rapidly pushing the company to the cutting edge of technology," write Skarzynki and Gibson write in *Innovation to the Core*.

Don't follow the leader: A lot of entrepreneurs try and follow the existing players in the market and try and compete on price. While this business model, may work very well initially, the incumbents will hit back after a point and then survival may become difficult. Take the case of Microsoft, the world's largest software company. Time and again companies have tried to take it head on and failed. As Skarzynki and Gibson write in *Innovation to the Core* "We all know what happened to Netscape, Lotus Notes, IBM's rival operating system OS/2, and a whole list of other hopefuls."

Companies and concepts which have been successful against Microsoft have challenged the way it works.

"Historically, Microsoft has tried to make all of its software programs work together in a tightly integrated way, with the Windows operating system as the glue that holds everything together... Google, on the other hand, has overturned this "integrated software" paradigm by making each of its services independently accessible via your browser. This has taken the complexity out of the software development process," write Skarzynki and Gibson.

Everytime Microsoft puts out a new version, the users have to buy this separately and this is a huge source of revenue for the company. Google on the other hand works on a completely different business model. Its users do not have to pay Google for using it. As the authors point out, "Microsoft's core business model is essentially based on selling software. Google, on the other hand, makes its money through self-reinforcing network of connections: advertisers who pay for space and click-throughs, and users who enjoy the simplicity of Google searches."

This in a very short time has helped Google become a highly profitable company and nowhere along the way has it followed anything that the existing leader Microsoft built its success on.

These are the major ways through which entrepreneurs can come up with ground breaking new innovative ideas. But following these methods does not mean that ideas will come out perfectly from the innovator's head. As Anthony and company write in *The Innovator's Guide to Growth*, "No idea ever emerged perfectly formed from an innovator's head. And no amount of analysis and investigation can possibly prove that your idea is the right one."

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