

Featured Articles

The Innovation Game

“How to Better Find It, Embrace It and Transform It into Explosive Growth”

William A. Burns

OVERVIEW: The term “innovation” seems to be spoken everywhere these days. In many new ventures, it is the sole “coin of the realm,” the purest element of today’s hyper-paced business environment. Learning to surf the innovation wave and the market with all the success it bears is a winning strategy; failing to embrace it means everything a company has worked for, no matter how long and how hard, can come crashing down. With so much at stake, why do so many companies experience difficulty in finding innovation, embracing it and leveraging it as part of the very growth engine needed to stay on top, not just for a brief span of time, but consistently year after year, decade after decade? This article explores some central themes related to innovation and answers some questions. What impact does the pace of change have on companies today? How and why are some players stumbling when seeking innovation? Finally, how are companies like Hitachi surfing the innovation wave to fuel growth, unlock markets, and pave the way for a better tomorrow?

IN THE AGE OF HYPER-INNOVATION, NO ONE IS SAFE:

DRIVING the pace of innovation in today’s business encompasses a revolution in technology that leaves no aspect of an enterprise, from the factory floor to marketing, unaffected. Society is currently experiencing its very own industrial revolution, one that is every bit a match for what the world went through in the late 18th century. Innovation then gave rise to steam engines, power looms, canals, the factory system, mass production, paper money, stock and bond markets, and the corporation as the modern business organization. Today, innovation arises in developments in microelectronics, driverless cars, the Internet of things, instant communication, genetic engineering, sustainable materials, bio-engineering, electronic money, real-time payment to inventory systems, and the sharing economy.

The way in which business had been traditionally conducted turned upside down overnight. However, some of the best business executives continue to run their enterprises as if the real excitement is still to come. A word of advice: stay put too long and watch the enterprise become as obsolete as the horse and buggy, the vinyl record, or the mechanical watch.

Each in its day dominated; each was abruptly done in by emerging technology.

Embracing a faster pace of innovation in today’s business environment requires more nimble organizations than ever before. Companies must shift quickly in response to change, or they will simply fail, or even fail to be relevant. Innovation puts a premium on adapting; the faster the pace of change, the greater the premium. Take away change and there is no need to adapt. If it worked yesterday, there is every reason to believe it will work today. Unfortunately, change is one of the constants in life. What executives are now facing is change that transforms organizational vision, business models, and solutions. Today’s business conditions give new meaning to the words of the Greek philosopher Heraclitus: “All is flux, nothing stays still—there is nothing permanent except change.” In other words, if a company wants to stay afloat and prosper, it needs to change its approach to innovation.

CHANGING THE WAY INNOVATION IS MANAGED

If embracing innovation is the key to long-term corporate viability, why do so many companies struggle to embrace and harness it as a growth engine?

Frankly, business processes can limit evaluating innovation. For instance, the demand of keeping up with the current business environment simply doesn't allow for the time to focus on innovation. Chasing individual customer needs and wants can often leave organizations confused, frustrated, and burnt out when trying to identify where the market is heading. As a result, it is not surprising that innovation has gotten a bad reputation. But it doesn't have to be this way. When done properly, integrating innovation into a business model can be done with low risk and produce high returns. There is no other option—companies must innovate. When the pace of change outside an organization is faster than the pace inside the organization, it is going to find itself out of business. In fact, more and more businesses are gaining a competitive advantage solely on price and others are using technology to disrupt entrenched and leading market players.

Hitachi Data Systems Corporation (HDS) has developed a simple framework for creating, managing, and unlocking the potential of innovation. Its model leverages the power of markets, the rigorous definition of requirements and an evidence-based approach to determine success, coined by HDS CEO Jack Domme as “Market In” Innovation. HDS's Global Health and Life Sciences team has implemented this “Market In” approach to develop the company's first vertically-focused solution. This paves the way for subsequent vertical business units to innovate, succeed, and expand the volume and market reach of the business in the future.

HERE'S HOW IT WAS DONE

Innovate Where the Company Differentiates

Being different is not the same as being differentiated. Customers must value a company's differentiation and they must acknowledge its core value. In mid-2005, many companies were investing in platform and technology acquisitions to manage the quickly growing segment of unstructured data. While HDS made similar investments to remain on par with the industry, it differentiated itself by heavily investing in managing the content itself. This comprised the very files and pieces of information that HDS customers used to run their businesses on a daily basis. By developing a “One Platform for All Data” approach, the organization differentiated itself from its competition. Its key asset: providing the foundation of an information management infrastructure that

the market valued far more than the next iteration of blazing fast hardware.

Ask Better Questions

In today's economy, most companies are obtaining useless or even damaging answers to their problems because they simply do not ask the right questions or rely on a select handful of customers to provide insight on how a market truly functions. This approach is dangerous because it leaves a huge blind spot as to the actual market. HDS's early efforts at innovating with its healthcare customers involved select or marquee customers clamoring to access and manage data more efficiently. Hence, it developed a number of outside-the-box solutions to solve this problem. It was only when these solutions failed in the context of non-HDS customers that it realized it was asking the wrong questions and needed to see the larger picture. HDS discovered several things. Many potential customers didn't want to better manage data, but actually use their data more effectively. They wanted to interact with it on a piece-by-piece basis, directly integrating it with their electronic medical record applications and mobile devices. Not only did HDS ask the wrong questions, but it compounded the problem by telling folks to think outside-the-box when generating solutions. This confined way of thinking reduced the number of solutions eligible to solve the problem and increased the number of bad ideas.

Why? Well, as it turned out, it wasn't necessary to think outside-the-box, what was actually needed was a new box to engage with real issues and solve problems.

Find Breakthroughs

Success in finding breakthroughs is often predetermined by the groups that are assigned to this critical task. In many cases, expertise is the enemy of innovation. In fact, solutions developed by experts are often incremental and only build on past experiences and versions of a solution. Experts might find themselves incrementally advancing the past and, due to this cognitive investment, become mentally or emotionally blocked from disrupting it. Breakthroughs require a fundamentally different perspective.

At HDS, it was only when it looked at how to enable customers' interaction with their data in a healthcare enterprise that it fully understood the nature of the problem. The challenge was never about aggregation or data storage. Rather it dealt with

ways to efficiently develop new paradigms for data interaction that allowed customers to pick and choose which portions of the data they wanted to use, how they wanted to use it, and where and when they wanted to use it. This customer-centric breakthrough formed the bedrock definitions of what eventually became the Hitachi Clinical Repository (HCR).

HOW TO PLAY THE INNOVATION GAME

The rules of this critical innovation game are simple and straightforward:

- (1) Innovate Where the Company Differentiates
- (2) Ask Better Questions
- (3) Find Breakthroughs

HDS's success in approaching innovation required it to think differently, move quickly, and abandon some of the fundamental business processes that it had learned which had become obsolete. In addition to new fundamental rules, an organization must learn to measure itself differently, especially in embracing failure and redefining its definition of success. Another aspect of this new core innovation process, involves adapting to the current dynamically different business reality. HDS came up with new rules for this innovation game, ventured to play it in a whole new arena, and its success with this approach forced it to adapt to a few new realities:

Measure, Measure, Measure

- (1) Measure the Market

In the past, the company only looked at how big the total market size was. In today's hyper-paced business environments, it analyzes the size of the market segment it is entering and how quickly it can establish revenue, market share, and a sustained presence.

- (2) Measure the Requirements

Not all customers in a particular market segment will have an exact and common set of needs and requirements. That means the company needs to ask: "Does the company understand the differing customer pools in the segment that it is entering?" Also, "Have these requirements been measured against these divergent customer pools?"

- (3) Measure the Company's Success against Both

Correlating the company's exact market segments against its ability to define the exact requirements in each customer pool greatly enhances initial success rates and helps establish an initial "success trajectory" and then gain momentum.

Fail Fast

Companies not only need to embrace failure; they need to embrace it quickly. In the case of HDS, weeks and months spent defining and redefining the perfect set of requirements only slowed the pace of innovation. Objectively identifying a common set of features and requirements the customers DID NOT want allowed it to rapidly narrow its focus and increase its development speed on features it knew would succeed.

Invest in Discrete Steps

By discreetly dissecting the company's progress into smaller steps, it was able to timely act and react to what was unfolding in front of it. For example, rather than understanding the entire market segments, it successfully identified, understood, and validated the first eight to 10 customers in the discrete pool it was targeting. This dissected approach also allowed it to micro focus on all aspects of its new product, from features to pricing, services, support and delivery.

Not How Many, But How Much

This is perhaps the most crucial new metric to embrace when playing the innovation game. In many cases, companies misinterpret the early stages of innovation by asking themselves how many customers have bought a new product. Innovation can fail when impatient management teams quantify success in footprints and not in revenue. In the early out-of-the-gate stages of any innovative product or service, organizations are not fully tuned to sell or deliver at scale. The generation of revenue itself is really the core metric to seriously consider. If a company is generating a revenue stream from this new innovative product or service that has still yet to be integrated into its core business, then it is most likely looking at a success in innovation. Once other portions of the business can be integrated at scale, it will be discovered that revenue delivery scales with it.

CONCLUSIONS

Deep down, companies know innovation is vital to their businesses' continued success. Despite initial reservations, it doesn't have to be expensive, difficult, or stressful. It just takes three simple steps:

- (1) **Differentiation** means not just making a company different for its own sake, but focusing its energies on what makes its business unique.
- (2) **Question Framing** requires that before looking outside-the-box for solutions, a company carefully

considers whether it actually needs a completely different type of box.

(3) **Breakthroughs** arise when an organization gathers people with different points of view and levels of expertise.

These fundamental principles of defining and managing innovation can align to any business in any industry. Change is going to happen whether a company likes it or not. By skillfully playing the innovation game, it can make sure that change proves beneficial.

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