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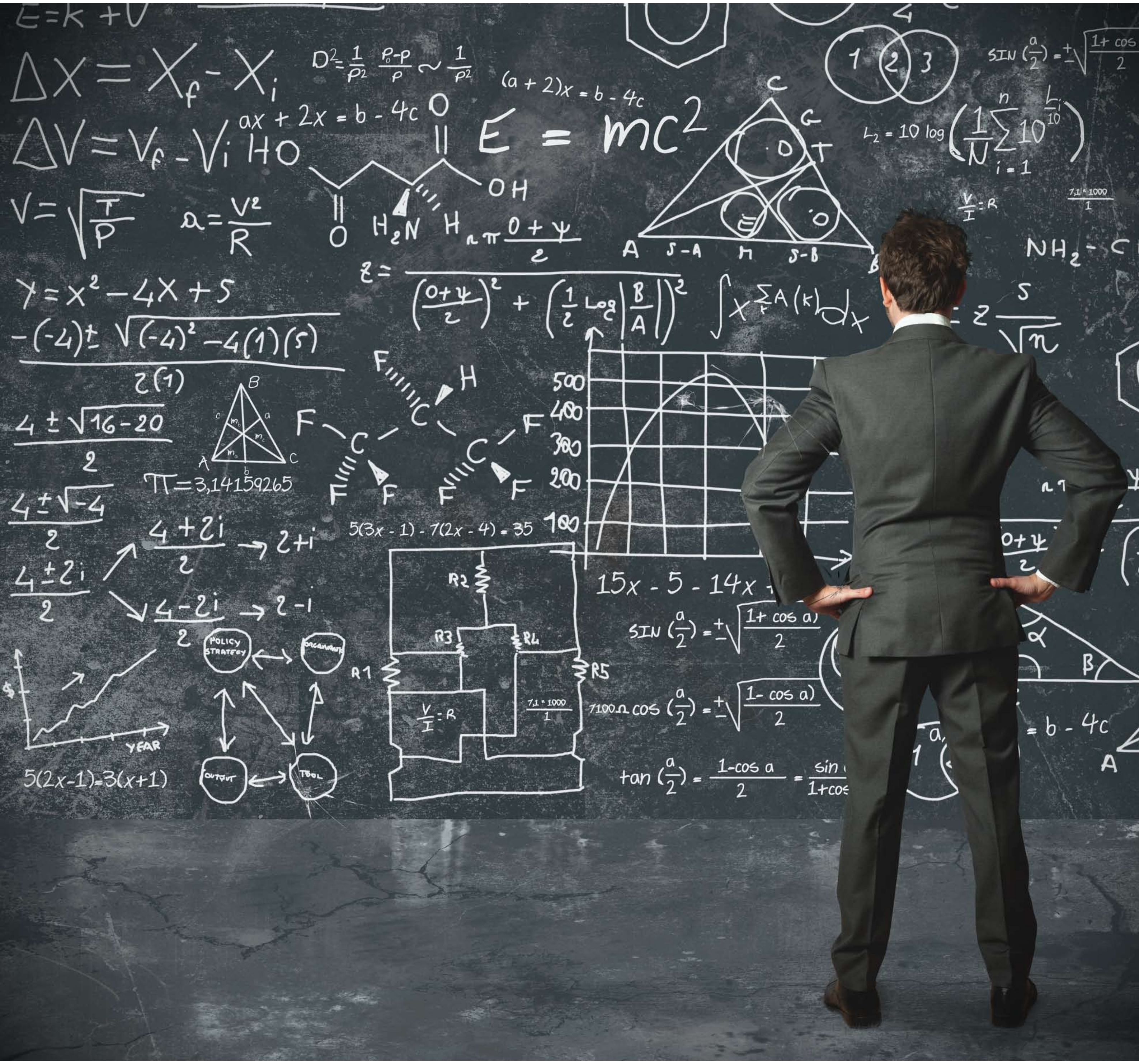


# MANDAT GROWTHLETTER®

## Growth Focus: Innovation

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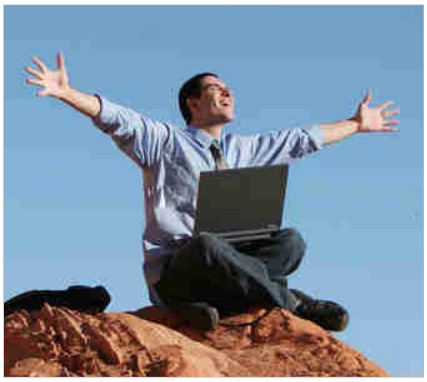
# CEO-Tip
*of the Month*

by Guido Quelle

## Creating a Culture of Innovation – and Keeping it Up



No-one would deny that creating innovations is indispensable to generating profitable growth—and innovations should not be random spurts from time to time, but should instead be planned and intentional, coming on a regular basis. The questions that arise here are first of all, why some companies produce far more innovations than similar competitors, and secondly, why so many innovations clearly haven't been thought through to the end.

On the first point: If you as CEO, Managing Director or entrepreneur get the feeling that your company isn't producing enough innovations, try taking a look at your corporate culture: Does it promote innovation? Does your company actively look for employees who feel free to think outside the box every now and then (or more often than that), and who are in fact expressly encouraged to do so? Are mistakes greeted with punishments or seen as providing guidance for the future? Is your operative business, the actual "money-making," given more priority than research and development?

I certainly don't want to give the impression that operative business is irrelevant, but in many companies, I've seen for myself that more value is placed on squeezing every last drop out of the operative processes and sending sales and distribution into overdrive, and less is placed on creating something new, and at the same time systematically removing the old from the market. Is this risky? Sure it is. But it's still better to do it of your own free will than to be forced to do so, e.g. by your competitors, who were unfortunately once again one step ahead.

If you really want to establish a culture of innovation, you'll need to set aside part of your own time for precisely those innovations you want to create. If you don't lead by example, your staff won't be convinced that innovations are truly important to you. Conversely, actions make an impression: If you succeed in credibly assuring them and in showing them through your own actions on a regular basis that innovations are a priority for you, and that you're convinced that the company's future rests not just on selling its current products and services, but also in marketing new and innovative ones, they'll know you mean it.

Take a look at your rewards systems: Are there rewards for innovation? Are those employees who focus on innovations praised for doing so? Are they respected? What happens when a planned innovation turns out to be a flop? Is there a major uproar, along the lines of "This should never have happened!", or does your company instead look for the underlying causes and potential lessons to be learned? Remember: Employees act in keeping with the criteria they know they're judged by.

But now for the second aspect of the initial question: The differenced in the quality of innovations is above all in connection with one point, namely with listening. To be fair, I also have to mention staying power, because too many innovation projects are abandoned before they have a real chance to succeed, but listening remains the key. When Sales listens to its customers and determines what they really need instead of simply delivering what they currently want; when Sales manages to anticipate what its customers might need, even if the latter can't say what that is themselves; then you've made a major step in the right direction. Any Sales employee who does more than 30 percent of the talking in dialogues with customers is doing a poor job anyway; but that's a subject for another time.

# Strategy & Leadership

by Guido Quelle

## Innovations as the Basis of Growth – How to Expand Your Palette of Innovations

Any decent growth strategy has to include innovations; otherwise it's not worth the paper it's printed on. In this regard, innovations can have two main dimensions: They can be—not surprisingly—innovations with regard to your company's portfolio, i.e., its products and services, but process innovations should also be kept in mind; in our observations, this aspect is still greatly underestimated. Process innovations can be divided into those with a direct effect on customers, and those that concern how services are rendered internally (and as such concern raising productivity). We tend to focus more on those innovations that customers can directly "feel," though constantly working to optimize productivity is of course also relevant.

I've already published a number of works on innovation, and of course I deal with it in-depth in my book "Profitable Growth" (Gabler, Wiesbaden, 2011), because I was and remain convinced that innovations—and here above all process- and service-related innovations—are still neglected at far too many companies. This is understandable, as people often associate the term "innovation" with a complicated process. Further, success is often a brake on innovation, as some assume that past successes are a guarantee for continued success—a fatal error.

No retailer needs the 34th type of shampoo on the shelf; no company needs to put out the 28th variant of the same product just to raise its market share by one or two percent. It's not the low-hanging fruits that produce success; it's the major leaps and strides—they take training, and make investing your time and money, and taking a risk, worthwhile. It's those things that look the hardest that bring the greatest success. And by the way, these tasks that "look the hardest" often aren't so daunting at all if you know your own market and diligently monitor it, and if you keep your focus on your goal. They are only "hard" for those companies who can't or don't bother to do so. Any company that tries to simply buy time with the help of innovations isn't doing enough.

Take a look at Nespresso: Coffee is a commodity—or at least it used to be. Nespresso has seriously shaken up the market, and innovations concerning coffee and its different forms are just one side of the coin; the limited series of certain Nespresso flavors are the other side of the product innovations. But the company also introduced a number of process innovations: Anyone who is a member of the Nespresso Club (process innovation 1) not only receives exclusive offers (process innovation 2), but if their coffee machine breaks down, they can check out a replacement machine free of charge until their own has been repaired (process innovation 3). Brilliant: The customer is satisfied, and so is Nespresso, because the service pipeline keeps flowing uninterrupted.

To stick with the Nespresso example a moment longer: Nespresso intentionally blocks out certain types of customers (process innovation 4). Anyone who is unwilling or unable to make orders over the Internet and doesn't live close to a Nespresso Store (process innovation 5)—which usually means in a major urban center—is "out": They can't buy any Nespresso capsules. Those who buy a coffee machine that wasn't made by Nespresso directly, but was licensed to be compatible (process innovation 6), will only find a few sample capsules in the box, and you can't buy them at appliance shops, either.

If we look elsewhere in the world of coffee, we might also consider Jura: Jura doesn't make coffee, only coffee machines, and it's firmly in the premium league, having enjoyed years of success. Jura machines are veritable technical marvels, but the diva-like devices also require routine inspections and maintenance, alerting users with peeps and whistles from time to time that a seal or filter needs to be replaced.

Jura has not only introduced purely product-related innovations, continually improving its machines; the company has also introduced a brilliant policy to boost the use of customer service, even after the warranty has expired: a flat fee for repairs, with or without replacement parts. Not only does this keep repair costs manageable and make them transparent in advance, it's also extremely convenient: If there's a problem with their machine, customers can contact the (highly competent) Jura Communications Center, where they can tell the operator their model number, describe the problem and request an empty box for transport. The box, which as a rule is tailor-made for the respective model and includes styrofoam padding, arrives within one or two days; the customer then has DHL pick up the machine, which is promptly repaired and sent back to them. With such a convenient option available, who would go to their appliance shop instead? And in the meantime, Jura gains better insights into its customers' preferences and behavior and doesn't have to rely on retailer information alone.

Not too shabby, wouldn't you agree? We see plenty such examples in our client companies, and not just in the world of coffee. In order to deliver effective innovations, and to broaden the palette of innovations you offer, the

answer, as it always is with growth, is not putting out "more of the same," but creating something new, something that either significantly changes your portfolio (just think of Apple's iPod, iPhone and iPad lines) and/or redefines how you interact with your customers, how they consume and receive your products or services.

In this context, process innovations can be far more easily adjusted than can product innovations, and I'm convinced that the former still have their best days ahead of them. So the next time you talk with your team about how to best help your customers (which can readily include your own ambitions to grow), then focus on exactly how you want to interact with them in the future; keep the spotlight on process innovations.



# Profitable Growth—Release Internal Growth Brakes and Bring Your Company to the Next Level

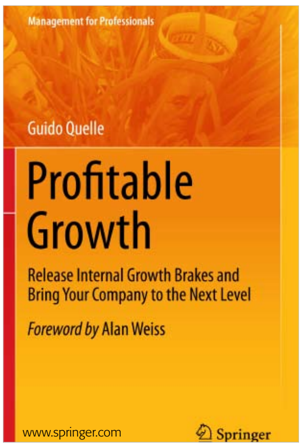
Almost every company wants to grow—at least officially. Shareholders are demanding further growth and no management team would deny that the growth of their company is one of the top issues they are working on every single day. However, there are barriers to growth, and these are not only external barriers. Most often it is not the economy, not the market and not the customer who just "hasn't got it." The main barriers can be discovered inside every company, because growth always comes from within. If the organization is not ready to grow, initiatives to increase market share, to enter new markets, and/or to increase profitability are destined to fail. This book systematically addresses the main internal barriers to growth and provides practical guidance not only for discovering these barriers, but to systematically overcoming them.

**Content**

- Innovations as Motors of Growth
- Is Your Organization Ready for Growth?
- Conceptual Expertise of Marketing
- The Growth-Driving Sales
- R&D as an Innovation Plattform
- How Strategic is Your Purchasing Department?
- The Role of Support Departments in the Growth Process
- Non-Profit Organizations
- The Most Effective Strategies for Blocking Growth
- The Motor of Growth

**Author**

Professor Dr. Guido Quelle, "The Growth Driver," is one of the rare people worldwide who focuses on creating profitable and sustainable growth as an entrepreneur, consultant, author and speaker for more than 20 years. His clients are active CEOs, general managers, senior executives, and entrepreneurs who are committed to consistent growth. With his consulting firm, Mandat GmbH of Dortmund, Germany, he successfully conducted more than 350 projects with 120+ renowned private and listed companies. More than 5,000 people were involved just in those projects that he himself managed. Prof. Quelle is always in demand when companies are seeking the support that will enable them to continue on a course of sustained profitable growth.

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***"The nuance that distinguishes this book is the orientation that growth is measured, planned, and pursued in an orderly fashion, never growth for growth's sake. Guido wisely takes the reader through a strategic approach which leads to intelligent tactics, not a frenzied tactical charge that undermines strategy."***

**Alan Weiss, PhD, President Summit Consulting Group, Inc., Author Million Dollar Consulting and The Consulting Bible**

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