

Innovating Amid External Complexity

Kenneth Sawka

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For many companies, two critical factors drive innovation: the availability of new ideas and/or technologies that form the basis of new or improved products or services, and the perceived needs and wants of customers. Much has been written about how to acquire the former and understand the latter, so I won't delve into that here. However, I believe that many organizations give short shrift to the extreme complexity of the external market environment into which they want to innovate. When this happens, great ideas and technologies that are developed into products customers seemingly want are stifled by a myriad of external forces and conditions that the organization failed to recognize or anticipate.

The external market environment adds a third factor that organizations must take into consideration as part of their innovation strategy beyond good ideas and willing customers. The number and type of external complexities differs for every company and every type of innovation. However, a few categories are consistent across industries and organizations, including:

- The regulatory environment
- Intellectual property barriers
- Environmental and sustainability concerns
- The availability of capital
- Potential partners, collaborators, and "ecosystems"
- Competitors and competitive forces

The research and analysis that accompanies innovation in most companies tends to be inwardly focused. Organizations will typically assess how innovation will support the broader strategic vision for the organization, whether it has the capabilities to successfully bring innovation to market and manage it, and how they will pay for it. Few items on the above list figure prominently in the evaluative work that companies do around their innovation process.

This situation creates an opportunity for competitive intelligence to be a prominent factor in an organization's innovation process. What better function is there that can help an organization understand the impact of a wide variety of external variables on its innovation

strategy? The problem is that competitive intelligence functions, or outsourced competitive intelligence research and analysis, typically have not played a significant role in advising organizations on how to prioritize innovation "streams," craft product and marketing strategies, and ensure that new or improved products and services align with the unique market circumstances into which they will be released.

Why? First, common intelligence tools and methods may be insufficient. Popular analytic methodologies, such as Porter's Five Forces or SWOT analysis, may not have the sophistication to adequately address the wide range of external circumstances that can determine whether innovation succeeds or fails. More advanced structured analytic techniques, such as analysis of competing hypotheses or opportunity analysis may be more well suited for the challenge but are not widely used by most competitive intelligence functions.

Second, competitive intelligence teams are often precluded from knowing the strategic underpinnings of innovation. Is a company, for example, pursuing incremental innovation or disruptive innovation? Is a change to the core business model necessary to bring innovative ideas to fruition? How is innovation being funded and sustained? Until competitive intelligence is a party at the table where such issues are discussed, it will have a limited ability to contribute in a meaningful way to help companies understand the implications of external variables on their innovation approaches.

To be sure, there appears to be a significant role for competitive intelligence in the innovation process. However, intelligence functions will have to adopt a more sophisticated set of tools, and management will have to be more accommodating to the role of competitive intelligence, for that to happen.

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