

» Innovation models in the new economy

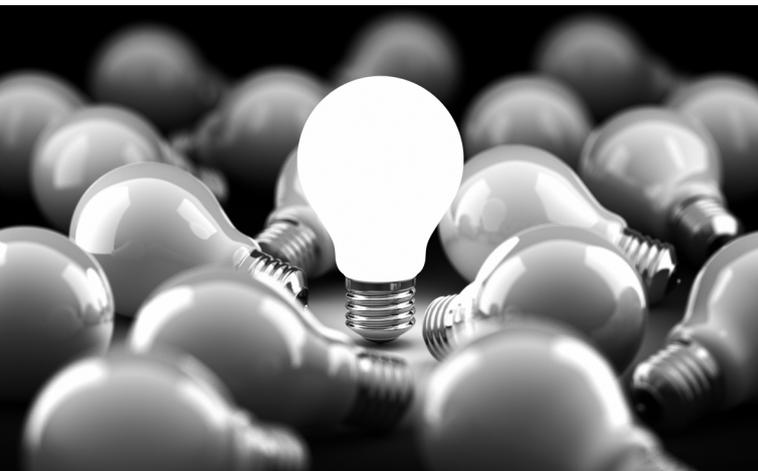
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INVOLVED IN THE NEW ECONOMY

The reality shows that the imminent Internet wave and new technologies creation have eliminated traditional economic system outlines. This has led to the creation of **new business models** in recent years. Tourism, communication, transportation, and commerce—are just a few—have been transversally affected by the arrival of the emerging **digital economy**.

These ways of doing business have led to innovative concepts of supply and demand, milestones in conquering markets, and **different ways of reaching clients**. This phenomenon has had a disruptive effect on traditional economic systems and caused major challenges for the economic agents of the past.

We are talking about a corporate reality that includes the intensive use of the Internet applied to business and the creation of a market whose actions are evaluated according to intangible parameters such as **knowledge and innovation**. In this economy, talent is applied to creating products through the use of technologies in a context of **Digital Transformation**.



FROM “OPEN INNOVATION” TOWARDS THE “STARTUP TEAM”

Innovation is a lever for evolving and transforming organizations. It is a process of creative teamwork that must form part of a company’s DNA in order to be fully implemented.

This paradigm is built around user experiences. **The focus is not on the product, but rather on clients**. The objects that people use, what they do, their behavior, activities, needs, and motivations are analyzed.

In this day and age, we are able to witness and confirm how information, which is systematically transformed into knowledge, generates wealth for people, businesses and society as a whole. In this new process, **new technologies** have joined knowledge creation and become **accelerators for the innovation process**, thereby making it possible for companies to implement work models that include knowledge creation as a fundamental element of their production.

The year 2000 marked the arrival of the **Open Innovation** concept penned by Henry Chesbrough (Executive Director of the Haas School of Business at Berkeley), who described a model in which the walls of a company were permeable to the outside world, adopting and supporting technologies developed by third parties while allowing certain proprietary technologies or discoveries to be used by other businesses. Companies are able to create more value and optimize their processes of innovation if they integrate the knowledge that is created externally into these processes. The idea is to **take advantage of the talent of smaller partners and collaborators** in order to streamline a company’s own R&D processes. Collaborations give large corporations the flexibility and minimized risk that they would otherwise be unable to attain, so it’s a win-win relationship.

The push for Open Innovation has created new work environments and profiles known as Startup Teams. **Startup Teams** are innovation cells within large corporations. They are work groups that adopt the models of the most successful startups in the market, taking on and internally developing values and methods for the management and development of products. The model is based on **rapid prototyping, measurement,**

iteration, validation, and pivoting. Anything that does not work is quickly discarded and different concepts are attempted.

The arrival of this entrepreneurial and startup ecosystem has changed the economic situation and is altering the culture of large corporations. This concept is known as **Intra-Entrepreneurship or Corporate Entrepreneurship.**

WHAT IS THE HORIZON OF COMPANIES?

Upon analyzing the scenario of the economy and the evolution that the innovation process has experienced in the current business and technological ecosystem, we have identified the **types of innovation** that companies participate in. There are three horizons:

- **Horizon 1. Incremental innovation.** Evolving the existing business.
- **Horizon 2. Emerging innovation.** Adapting the business to emerging trends.
- **Horizon 3. Disruptive innovation.** Searching for alternative lines of business.

Incremental innovation is when value is created from an existing product by adding improvements. This model is based on an existing conceptual foundation and introduces certain changes. These primarily consist of small modifications that improve the product in certain aspects, such as its image, features, performance, etc.

The opposite of incremental innovation is **disruptive innovation.** This occurs when a product or service enters the market and it is able to create a new category, resulting in revolutionary changes to the technology and “destroying” the existing paradigm. This is a turning point since it is based on a completely new concept.

An extremely visual example of disruptive innovation is when Apple launched its first iPhone in 2007; this was the first smartphone to compete with the cell phone models that were available on the market at the time.

On the other hand, an example of incremental innovation is the evolution of the various iPhone versions that incorporate innovative features and improvements in terms of image, video, capacity, usability, etc.

This is where the second innovation horizon—positioned between the two described earlier—comes into play. The **emerging innovation** model is an intermediate focus that allows organizations to adapt to emerging trends around their existing operations. In other words, it consists of searching for differentiating elements based on technological advances that make it possible to create a niche and establish a position in the market, as in the case of Nintendo with the launch of the Wii. Nintendo created a niche that forced competitors (Sony and Microsoft) to build their own solutions.

“ Innovation models allow us to apply a methodology to the development of an idea that in turn leads to a business opportunity”

Consolidated companies are often more conservative and instead focus on implementing new features or continuous improvements to their products in order to please or even surprise their customers. However, they assume little risk since this type of innovation does not entail a radical product transformation. **Entrepreneurs** are usually behind the launch of disruptive products or services.

This is the area where a company must consider in which **horizon to establish itself** since large corporations face the risk of focusing only on incremental innovations.

It is advisable to focus on exponential innovation and user experience beyond a company's day-to-day evolution (product, channel, price, etc.). Organizations should center their efforts on the 2 and 3 innovation horizons in order to adapt to emerging trends around their existing operations along with new lines of business that promote disruptive change within the organization.

NEW MODELS

Innovation models allow us to apply a methodology to the development of an idea that in turn leads to a business opportunity. This is why these models are classified as providing instruments and stages aimed at advancing this process, while defining the relationships between the agents involved in innovation. As a result, we must take into consideration that since innovation is a creative process, it suggests an uncertain approach with questions as to the issue to be resolved, thereby making it possible to evaluate all the components of the process until the final solution is reached.

The model created by Tom Kelley, CEO of IDEO, focuses on innovation that begins by thoroughly observing the market segment and its motivations. His goal is to identify new ways of serving and supporting people in the discovery of latent needs, behaviors, and desires. In his book titled *The Ten Faces of Innovation*, he identifies ten roles that are classified into three groups: learning roles, organizing roles, and building roles. They all work together throughout the innovation process and can be implemented by any company interested in innovating in a variety of situations.

His model is based on the following principles:

- Don't try to hold more than one conversation at a time. Pay attention to the person that's working with you.
- Stay focused on your goal; don't veer from the area in which you want to innovate.
- Create an environment for innovation and collaboration that stimulates crazy ideas.
- Don't be too quick to rule out new ideas.

- Work in a collaborative manner; every opinion is good. Share and build on the ideas of others.
- Be visual; use pencil and paper; create diagrams, sketches or drawings to help develop your creativity.
- Ideas are a means to an end. By considering more ideas, we will have more options to find our way.

Vijay Kumar, a professor at the Institute of Design in Chicago, suggests a “toolbox for planning innovation” and he clarifies that although the steps are proposed in a certain order, the sequence is not always linear.

In his model, Kumar arranges the process into seven steps:

- Thoroughly define the goal of the innovation project so it can be understood.
- Study the context. Many surrounding elements can be a source of inspiration, so don't focus only on the end users and clients of the new solution.
- Learn about and research users to identify their needs.
- Gather and structure information on the surroundings, users, and needs. Find the most relevant topics that can be transformed into insights.
- Use creativity sessions to explore new concepts based on prior research.
- Use new concepts to build prototypes. Evaluate and test them in environments that are similar to reality.
- Work on the implementation model of the prototypes that have been designed.

Elaine Dundon, founder of The Innovation Group Consulting Inc. and author of the bestseller *The Seeds of Innovation*, believes that innovation goes far beyond simply waiting for ideas to “appear”. It's fundamental to transform innovation into an essential activity of an organization that must in turn be ready to coexist with change. This requires sowing the seeds of innovation in the fertile ground of an organization that is committed and ready to change.

Elaine Dundon recommends to:

- Try new things.
- Find alternatives to the “correct answer”.
- Respect and don't try to control the points of view and opinions of others.

- Forget certain old rules and ways of doing things.
- Accept that failure is always possible.

Summary table of the concepts of the innovation models that have been analyzed:

TOM KELLEY:	VIJAY KUMAR	ELAINE DUNDON
1. Understand	1. Detect opportunities and observe trends	1. Understand
2. Observe	2. Observe the market segment	2. Create
3. Create and visualize	3. Observe the context	3. Act
4. Evaluate and refine	4. Create	
5. Implement		

These models share the need to define a progressive and networked model in which an idea can escalate from one stage to another as it evolves through each one. However, going from one stage to the next does not necessarily have to entail risk since depending on the result of each phase, through market and user testing, the process can be halted, pivoted or improved.

In conclusion, innovation affects every aspect of today's companies and serves as a fundamental pillar for the adaptation and transformation processes that make it possible to face the challenges of all productive industries in light of the opportunities presented by the new economy.

An innovation model must be consolidated that organizes the creative process associated with identifying ideas and new products, while managing all the resources involved in an efficient and methodological manner.

The latest management trends are providing new visions of these models that address a changing and dynamic scenario. The key to selecting and implementing the best model at our company lies in identifying the various alternatives, designs, and personalizations based on our own identify and corporate culture as well as the model's execution and management.



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