

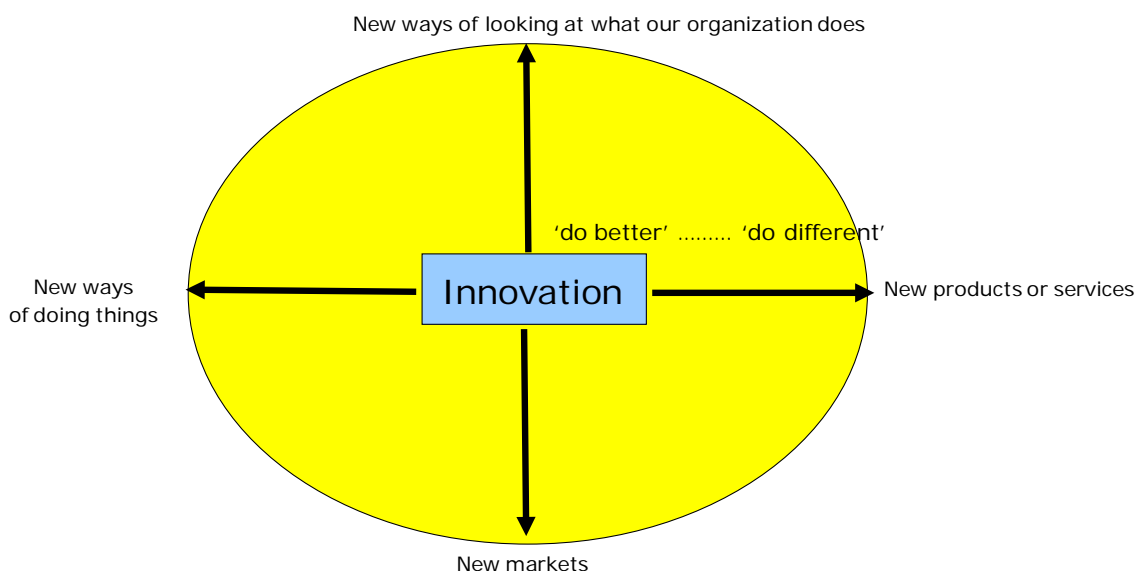
Exploring innovation space – the 4Ps framework tool

Navigators and map-makers use an essential tool (even in these days of GPS devices) – the compass. It gives them an idea of where they are and which direction to go in – and it's the same with innovation. We need some way of mapping the possible directions and to help us put the resources and energy behind getting us there.

To begin with we can think about different directions in which innovation can happen. We can change:

- The product or service – what we offer the world
- The process – the way we create and deliver that offering
- The position – who we offer it to and the story we tell about it
- The 'business model' – the way we think about what our organization does and who we do it for

Putting these together with our ideas about incremental and radical innovation gives us an idea of the 'innovation space' we have for our organization. This '4P's framework' helps us answer the question 'where could we innovate?'



The innovation space

	<i>'Do better' innovation</i>	<i>'Do different' innovation</i>
<i>Product / service innovation - change in what is offered</i>	Improved versions of existing products and services – e.g. latest variant on personal computers, TV sets, mobile phones	New to the world products and services – for example, the first mobile phone, mp3 player
<i>Process innovation - change in the ways in which it is created and delivered</i>	Improving the process – taking out the waste through total quality management, business process improvement, 'lean production'	Changing the way we do something – for example internet shopping, banking, bookselling
<i>Position innovation - change in the context in which it is applied</i>	Mobile phones, repositioned from the early days where they were business tools to products for a mass market, and especially schoolchildren	Low cost airlines – offering flying to people who didn't fly because they couldn't afford it. Microfinance – making banking available to those on very low incomes
<i>Change in our business models</i>	Rethinking the Rolls-Royce motor car business as that of supplying luxury experience, competing with expensive watches, holidays, clothes, etc. – rather than as something competing with other cars as a means of transport	The music business – from CDs with tracks chosen by the music company to downloads and customized playlists on mp3 players

Our compass defines the 'innovation space' which our organization needs to explore to help move it forward – and there is plenty of it! We can think of a number of journeys, not just along the four main directions but in combinations. For example, we could do what Nintendo did with the Wii and the DS – introduce a new product which also allowed them to open up a new market – people who had never played computer games before. Or we could do what MacDonald's did, opening up the market for fast food by learning lessons from Henry Ford's mass production process innovation in car making.

Making an innovation roadmap

Here are some examples of innovation of different kinds mapped on to the compass. Try and do the same thing for your own organization – build up a map of where you are planning to make innovation happen.

<i>Innovation</i>	<i>(Where it fits on the model)</i>	<i>Explanation</i>
<i>1. Haagen Dazs ice cream</i>	Incremental market innovation	Opened up new market space by redefining ice cream as something which adults could enjoy
<i>2. 'Power by the hour' business model for Rolls Royce and General Electric aero engine business</i>	Incremental business model innovation	Essentially redefined the business as being about service and support rather than products
<i>3. i-Pod player</i>	Incremental product innovation	The player itself is simply a well-designed hard disk storage drive with playback features. Apple didn't invent the concept but did produce a very popular improvement on the original
<i>4. i-Tunes</i>	Radical business model innovation	Fundamentally changes the way an increasingly large number of people buy and use music – allowed customization, cost reduction, increased access to a wider range of artists, etc. Apple had to work hard to put all the pieces of the puzzle in place – managing copyright, distribution, etc.
<i>5. Toyota production system</i>	Radical process innovation	Fundamentally changed the approach which car makers (and later many other industries) used to build cars. Placed much greater emphasis on team working, on reduced waste and on 'just-in-time' 'pull systems rather than trying to forecast demand and holding large inventories 'just-in-case'
<i>6. Outsourcing IT services</i>	Incremental process innovation	Essentially the shift here is to move the delivery of services to a different firm – but the same operations are

		carried out. The analogy with a laundry service is relevant here – it is easier for some people to have this done for them by an outside agency
7. Airbus A319	Incremental product innovation	Although containing some interesting technical enhancements and targeted at a particular need in the aviation market this is basically a variation on an established wide bodied, 2 engine jet theme
8. Bausch and Lomb's 'eye wear' to 'eye care' business model shift (getting out of selling glasses, contact lenses, etc. and into high tech. fields like laser surgery equipment).	Incremental business model innovation	Although there is a redefining of the business away from low value commodity items like disposable contact lenses the underlying business still is about eyes and uses the deep understanding of this business which the company has built up over nearly a century
9. Supermarket shopping	Radical process innovation	When the supermarket concept was first developed in the USA and later imported into Europe in the 1950s it fundamentally changed the way we think about the retail process – away from service by shop assistants and towards self-service
10. Low cost airlines	Radical market innovation	Essentially took the concept of flying and made it available to a new set of users who previously couldn't participate because the costs were too high. This lowering of the price meant that a whole new market was created rather than simply segmenting an existing one
11. Voice over Internet Protocol (VOIP) telephony	Radical process innovation	Fundamental change in the way telephone calls are made, from using fixed lines or mobile (cellular) to running it via the Internet. In changing the model there have been radical drops in the costs and many

		providers like Skype are offering an element of completely free calling
12. 'Capsule' hotels – very small rooms (originally developed in Japan) with basic facilities for city centre overnight stays	Incremental product innovation	Essentially an interesting variant on the basic theme of a hotel room – in this case addressing a particular need for low cost city centre accommodation
13. Low cost 'single serving' shampoo sachets for the Indian market targeted at low income (<\$2/day) households	Incremental market innovation	Essentially opens up a new market segment amongst the very poor in countries like India – this group would like quality shampoo but cannot afford the 'normal' 250ml-size bottle
14. Henry Ford's mass production factory	Radical business model innovation	Although the elements were developed in many earlier industries Ford's engineers brought together technologies and working practices to standardize both product and process and massively reduce the costs of making a product – in this case the 'car for Everyman' at a price Everyman could afford. The mass production model spread to most manufacturing and many service sectors from the 1920s onwards
15. Screw-top wine closures	Incremental product innovation	Although this substitution of screw caps for corks has had an impact on the cork industry it has been a relatively minor improvement in the wider wine business
16. On-line banking and insurance	Radical process innovation	Fundamentally changed the way in which financial and other services were delivered, moving from face to face delivery which was labor intensive to a much more automated and lower cost process
17. Penicillin and other antibiotics	Radical product innovation	Opened up a completely new field in pharmaceutical industry
18. Flat beds on transatlantic business class airline routes	Incremental product innovation	Improvement in service as a result of relatively minor

19. *White LED lighting*

Radical product innovation

changes to the physical seating and cabin arrangements

Fundamental shift in the price and performance with high levels of energy efficiency (85% better) and longer life (x20)

20. On-line health advice – e.g. NHS Direct in the UK

Incremental process innovation

Offering health advice service via online or telephone as opposed to face to face with a doctor or nurse

Checklist

- Do you have an innovation strategy – a roadmap for change?
- Can you answer these ‘where?’, ‘how?’, ‘what?’ questions – or is your ‘strategy’ just a slogan?

Where we plan to innovate	How will this take us forward in our organization?	What do we expect the impact to be?
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- What does yours look like? (try mapping it on to the innovation compass)
- Are there gaps and unexplored spaces?
- Could these be opportunities for change that you haven’t explored?
- Where could someone else move into your space?

