



By Brad Beiermann Ph.D.

Lean Innovation: A Strategic Tool During a Soft Economy

As the budgetary axe falls across corporations in a tight economy, the momentum can slow for funding strategic breakthroughs. Leaders familiar with Lean Innovation can put a foot on the innovation accelerator rather than the budgetary emergency brake.

As the so called U.S. recession thrives in 2008, so does the need for innovation and development on the cheap. Traditionally, during a downturn economy, executive teams are quick to stick their finger into any leaks occurring in the corporate revenue dam. The common mistake is to think of R&D and innovation efforts as cash leaks needing to be cut off. What makes this a mistake? Innovation is (should be) a process within the organization, not a tangible expense. Most organizations do not have the metrics in place to measure innovation. How can the executive team expect to put a dollar amount on it?

The approach used by many executives is a series of questions...and often a guess. The questions might look like this:

1. Does this effort support a profitable revenue stream today?
2. Do we need these efforts to maintain current business?
3. If this effort is reduced, can I free up some more dollars for the quarter?

Often the answer to these questions creates the following executive conclusion: If it has two legs and walks, it's an expense! Then the budgetary axe falls, creating many disruptive changes. Disruptive change is often the genesis of new thinking and the heart of an innovative effort. Unfortunately, the innovation energy often dies during these times of budgetary reductions. Most of this is due to an organization's lack of an efficient innovation process to capture the benefits of the disruptive changes. As a result, any semi-organized efforts towards innovation walk out the door with freshly printed pink slips. The good news? None of this has to happen. If today's leadership wants to retain their organization's innovation momentum, and yet reduce the operational inefficiencies, having the principles of Lean in their innovation process is a starting point. With a Lean Innovation process, executive teams can still capture the benefits of their changes.

Lean Innovation

The principles used in Lean implementations have been very successful in revitalizing many distressed organizations. The origins of Lean come from the Toyota Production System (TPS) which transformed the way manufacturing operated. The overall focus of

Lean is to eliminate waste and inefficiencies. At the very core of Lean is an underpinning mindset of providing value streams to customers. Since the mid-1990's, the Lean mindset has shifted its way from the factory into development. In terms of customer focus, Lean Innovation is about building value into products and services. In the new product development arena, Lean Innovation has been gradually making its way with success stories. On the other side, very little of this mind set has been brought into building service oriented development. This is particularly true for many organizations seeking an enriched interactive online experience for their customers.

Without an understanding of an innovation process, much less a Lean one, the creative efforts can appear to be pure chaos. This mistakenly puts the efforts in the “wasteful” revenue category. Thus, any genesis of new products, improvements and services is at risk of elimination for the organization's future. In the absence of Lean, how can leadership eliminate waste while keeping the innovation momentum moving? The following questions can help managers qualify the key components and resources to safeguard innovation:

Which resources focus on understanding the meaning of *value* for clients and customers?

This question will steer out the non-value thinking and activities. It's simple; money and business come from customers. Preserving the origins of customer centric value will be a solid investment going forward.

Which entities continuously study the needs internally and externally?

Gaining an understanding of the problem is often part of the 80/20 equation, with 80% of the efforts representing the diagnosis. As the old saying goes, “Prescription before diagnosis is malpractice.” Preserving an understanding of the needs is often the bulk of expense in development. Getting your arms around the needs gets your innovation efforts focused and eliminates wasteful steps. Make sure an understanding of the needs does not walk out the door as the newly reduced budget is scripted.

Where is visualization of the possibilities occurring?

Putting a fresh idea into the market or service will involve an ability to envision it. Keeping the vision, and the ability to communicate it will be an intangible asset for the organization's future. Relinquishing this capability would surely limit the possibilities of the future portfolio.

Who is predicting and evaluating a value driven outcome?

A question aimed at making sure your head is on straight. Another way of asking this question would be the following: Does this innovation make sense? Does it create a customer desire? Providing an answer to a question not being asked by the customer is wasteful. The ability to answer, and ask these questions is often overlooked and cut out of the mix. Make sure you do not overlook this one.

Where are continuous refinements occurring?

Lean as a way of thinking that is continuous. Getting continuous innovation in the organization will act as an insurance policy against market stagnation.

What individuals are putting the ideas into being for our markets?

Finally, identify the key individuals making the innovative thoughts a reality. The movers and shakers understand market windows and time-to-market metrics. They are the channel makers that get the product or service into the customer's hands. Make sure you have identified the channel makers.

Getting the most from these questions requires a little timing. Be sure to get in front of the curve and know the answers before you are asked to trim the budget. Trying to find answers at the last minute will do yourself or the organization no justice. Remember, the key is to get an innovation process established. These questions start aligning the thinking towards a value driven innovation process. Long term, it will be the process that continues to deliver the value, regardless of the economic conditions.

Brad Beiermann is the co-founder and president of Cimstrat Inc., a consulting firm focused on innovation management and marketing for S&P 500 firms. He has over eighteen years experience as a business leader, author, speaker and entrepreneur. Beiermann holds a doctorate degree in Management Information Systems along with an emphasis on web based marketing. www.cimstratcorp.com.