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One doesn't need to be especially creative or innovative to come up with great new ideas, just smart enough to listen to creative people and collect ideas from experts.

In this spirit, the OWIC Executive Innovation Brief summarizes thinking from global innovation experts that we feel have application for forest industry companies.

In addition, each Brief includes insights from a group of advisors, listed below.

Executive Brief Advisors

Lyndall Bull, URS Corporation, Australia

Pablo Crespell, FP Innovations, Canada

Tony Flagor, Roseburg Forest Products, USA

Andreja Kutnar, IWST, Slovenia

Ernesto Wagner, Tromen, Inc., Chile

OWIC EXECUTIVE INNOVATION BRIEF

Innovating on the Cheap

Insights based on the article: **Innovating on the Cheap** by LA Bettencourt and SL Bettencourt. *Harvard Business Review*. June 2011.

Summary by: Eric Hansen, Eric.Hansen2@oregonstate.edu

The basic point of *Innovating on the Cheap* is, as stated by the authors, "An innovation in hand is worth two in the lab." While we know that lab-based research and development is not exactly the norm in most of the forestry industry, there is continuous innovation taking place. Our experience with industry managers is a tendency to see innovation as something that is a bit "out there", difficult to attain for a forest industry company, and often seen as a new product that has never before seen the light of day.

It is important to have a global view of innovation and recognize that it is much more than just new products. Our research shows that innovation in the forest sector comes in three forms: products/services, production processes, business systems (the way the company and its processes are managed). The authors focus on product/service innovation and consumer products, but there are take home lessons for forest industry managers. Please note that most of the ideas here depend on a deep and ongoing understanding of customer needs.

According to the authors companies can potentially capitalize on six types of "innovation in hand", or knowledge/concepts already existing in the company. **These may be especially relevant and important in the context of the current industry downturn – cashing in on low-cost paths to innovations.** The six types are the following: 1) Failure to launch, 2) Ahead of their time, 3) Limited vision, 4) All bundled up, 5) Unrelated family, 6) Overdesigned for the masses.

Failure to launch – when you have an idea for a new product or a new process in the operation and you choose not to adopt it, what happens to that idea? Without a system to inventory ideas, these may be lost. When markets, technology, or customers change, those ideas may become feasible. What did you learn from the development of an idea that wasn't implemented? Could one part of the concept be implemented? The authors suggest creating a storehouse of rejected concepts and revisiting that storehouse on a regular basis. Some larger companies maintain idea management systems that also help assure that different sites in the organization can learn from the successes and failures at other sites.

Ahead of their time – specific to products, the idea here is that a successful product may have features that weren't fully recognized or appreciated. Some

attributes of the product might never get mentioned in promotions, yet when customer needs evolve these yet-to-be mentioned attributes may be just the right match for customer needs. You should continuously update a prioritized list of customer needs and periodically reassess the capabilities of existing products.

Limited vision – when a product or service reaches the marketplace it sometimes happens that customers utilize it much differently than anticipated. The authors suggest that you ask yourself: "Have we made the connection clear between the products we offer and the jobs they help customers do?" It is not so uncommon for wood products to be used improperly or installed improperly. How might you change your product to mitigate against unskilled installers?

All bundled up – bundling of consumer products isn't easily translated to bundling of most wood products, but the basic principle is the same. If you offer products that are bundled that you don't offer separately, you may be missing an opportunity.

Unrelated family – this is just the opposite of the previous type. There may be opportunities in creating new bundles of products/services. The authors recommend that you step back and assess what job your products help a customer complete. By breaking that job down into its component parts, you may be able to identify bundling opportunities.

Overdesigned for the masses – if your innovation efforts are focused on the most demanding customers, your products may be over-designed for many other customers. Proprietary grading presents a significant opportunity to provide a product that is best suited for the individual customer.

For many forest industry companies, "failure to launch" may present the biggest opportunity. For example, purchase of a new machine may mean a once infeasible product becomes feasible. Similarly, if a new product concept does not work because there is no market for the falldown, new demand for the falldown could make the original concept feasible. Either scenario requires institutional memory of failed concepts.

Contrary to what you might think, this downturn may be your best opportunity for innovation. Staying in business is clearly a significant motivator and innovation may be the only real option. We have seen considerable innovation, including new products, from Oregon companies since the recession. Beyond this, times of lower demand may mean that you have more personnel time to dedicate to improvements in products, processes and business systems. In addition, as a venture capitalist told us not too long ago, the building sector is much more receptive to new ideas during the downturn than they were during the go-go years of bubble building.