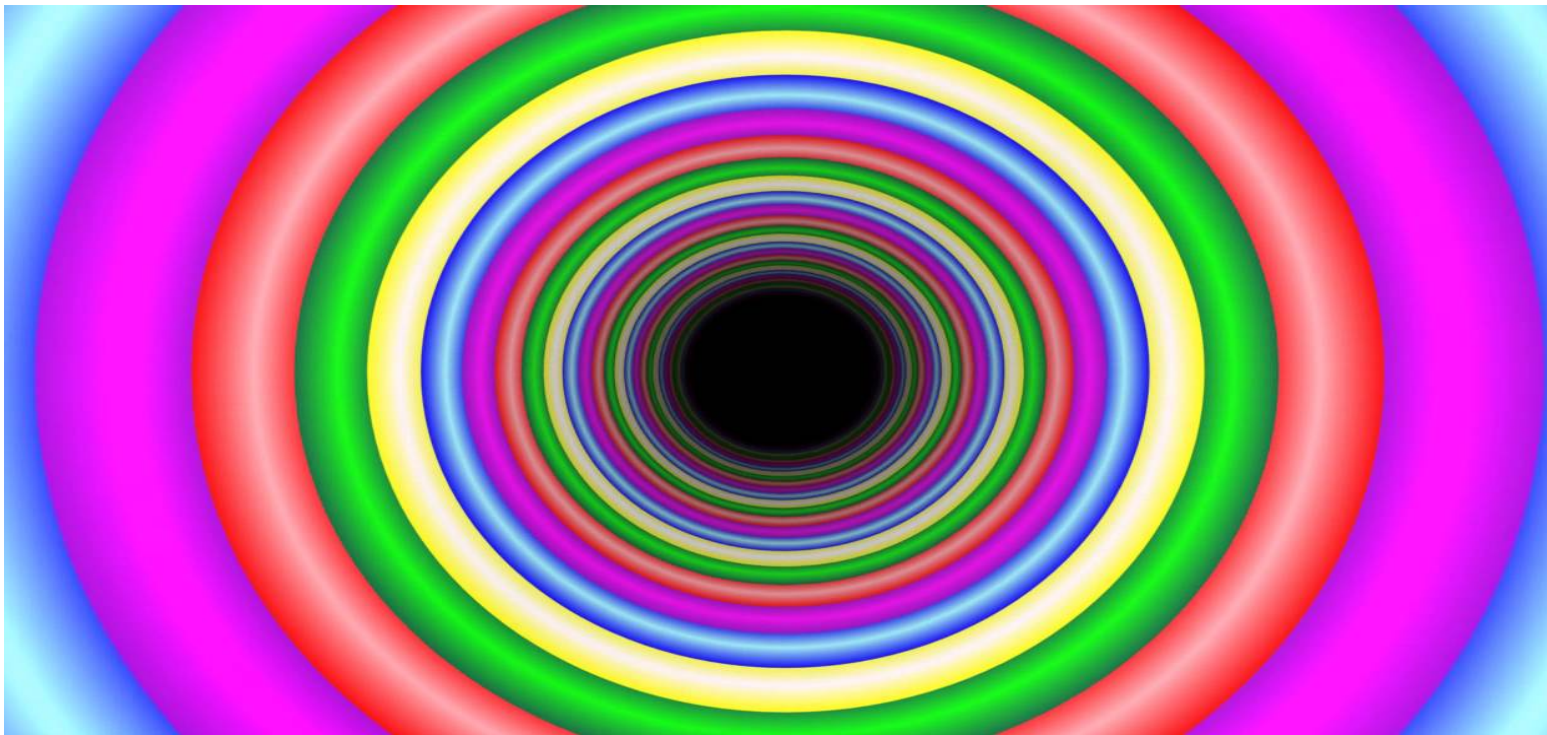


Never stop reinventing

What does it take to win in today's world of relentless change and innovation? How can business sustain a continual flow of innovation to beat competitors, and delight the ever more expectant consumer?



Peter Fisk

Expert advisor, keynote speaker, and bestselling author, GeniusWorks
Professor of strategy, innovation and marketing, IE Business School

theGeniusWorks.com

It is tempting to keep doing what works. It's particularly tempting to hang on to a business model that achieved success, that enabled you to innovate and grow, to become the market leader of today.

But what got you here, is unlikely to get you to the next place.

Your business formula – strategy, business model, capabilities, value propositions, products and services, metrics and more – that delivered success in 2010, is unlikely to ensure success in 2020.

Change is relentless. It's the new normal.

That sounds like a cliché, but in a world where there is no longer a “steady state”, nor a fairly steady state with regular change, business leaders need to adjust to a world of relentless change.

Change is the driving force of opportunity. It comes in 5 dimensions:

- the incredible tsunami of new technologies, intelligent and connected (bio to nanotech, robotics and AI)
- convergence of geographies and sectors (cultural meshing and the fusion of traditional industries)
- new opportunities in emerging and fragmenting markets (Asia, Africa, niches and personalisation)
- challenge of startups and global competitors (irrelevance of size and location), and most significantly,
- the changing expectations and aspirations of customers (I want more/better/faster, and I want it now).

It might sound ridiculous, but we will see more change in the next 5 years than we have in the last 250 years.

Compare Nokia's failure, to Amazon's success

Nokia failed because of a strategic complacency that lost sight of change. It sought to dominate its market (mobile telephony) based on its current success model (for example, a stubborn belief in creating its own operating system) and arrogance over alternatives. It employed a hierarchical model that lost the ability to keep changing, to listen to customer aspirations, and to adapt to new markets. It got used to looking backwards and sideways, celebrating its evolution and watching its peers trying to imitate, rather than looking ahead. It became “out thought” by next generation disruptors from Apple to Samsung, who rethought how markets work (the iPhone isn't even a phone at its core), and the business models to make them profitable, as well as the new technologies that supported this.

Amazon succeeded because it stayed focused on its own vision, informed by an ever changing customer mindset, and acquiring or partnering with others to bring together the best solutions. It's focus was on customer and innovation, rather than

product and competitor (indeed it even created a marketplace to sell competitors too, if that made life better for its customers). It has embraced technology from everywhere, and also been astute enough to know when to drop an idea (e.g. phones, and maybe even tired brands like Zappos). It has constantly redefined what it is (unafraid to sell competitors products, to open physical stores). Bezos as a leader is both head up and down, inspired vision but also practical delivery.

Relentless innovation

Every business talks about innovation. But most try to achieve is from an outdated perspective – from an analogue world. Analogue business was linear, built on a value chain, dominated by a product, focused on a point of sale.

Digital is not just a set of technologies, but a platform for constant reinvention. It has infinite reach, unlimited in size or activity, with any number of formats and interactions, supported by any number of partners. Boundaries are forgotten, frictions are removed, and markets can be redefined any way you want. As Elon Musk likes to say, it is a space limited only by imagination. It is a better starting point for relentless innovation.

So what does it take to transform from analogue to digital?

Companies like GE, Netflix, Lego, FedEx, Inditex, are all examples of fundamental change as the world has changed. Such companies recognise that digital is much more than a technology, or even an adjunct to the mainstream. It is the world in which we now live, a fast and connected environment, enabled by a whole array of networked and intelligent technologies.

Yet many companies struggle to interpret this new world.

Take financial services, as an example. Banks and insurance have one of the biggest challenges, largely because they are obsessed with their product, and arrogance that they know best about their world.

Whilst they are increasingly open to new technologies – mobility, peer to peer, AI, blockchain – they are still incredibly poor at rethinking their worlds (why has the whole “fintech” industry emerged separately – other sectors haven’t felt the need for “retailtech” or “traveltech”, they understand it is the creative application of tech that matters more). They also think in a vacuum – in a context of money - rather than enabling people and business to use it better. They think only of their existing marketplace, rather than thinking how they could add more value in new ways.

Financial services could probably learn a lot more from other industries (how would Spotify or Netflix design a bank?!) than from their own peers.

Of course there are also great inspirations within financial services – both in traditional banks who have evolved digitally and physically, as well as a wide range of other players from payments to insurance and more. The “FutureBank” project, as part of my Gamechangers initiative explores this in more detail.

So what do winners do?

Many business leaders I talk to seem proud to boast that they are growing their business by 5-10% this year. That seems reasonable in comparison to overall markets of 1-3% growth. But the best companies are in a different league (think about Snap's \$20bn in 3 years, Tesla's \$50bn in 5 years, Alibaba's \$130bn in 11 years) of "exponential" growth. Indeed growing at 10% is a bit like standing still in today's world.

We need to think differently:

1. **Future back** (Don't look sideways or backwards)

Winners develop a vision of the future they want to create, to make sense if it better than others, to shape it to their advantage. GE, Tesla, Apple, for example, adopt a "future back" approach to strategy. They use "horizon planning" that is driven by a forwards radar, whilst providing the strategic flexibility to choose different paths as the context keeps changing. They are not worried by competitors, being more concerned with being relevant than different. This contrast with the old incremental approach, that tries to hang on to past success- where companies took a steady state approach to strategy, ideally an extrapolation of the past, satisfied to be slightly better or cheaper than competitors, or even avoid change if things still seem to work.

2. **Outside in** (Think like a customer. Solve real problems)

It sounds obvious, but winners start from the customer perspective – rethinking the problem to solve, the opportunity to seize – rather than just of a product or service – enable them to do what they want to do better. Not just the customers of today, but looking for the outliers who are adopting new behaviours, thinking differently. These might be next generation demographically, or extreme users who need something more advanced than the mainstream. You don't learn about these customers through average quantitative research, but through deep dives to find new insights and emergent behaviour. Amazon, P&G, Nike are all driven by what they enable, not by what they do. They embrace deep insight (design thinking, collaboration etc) to develop solutions that are more human (empathetic design), more relevant (personalised, applied) and more inspiring (clear narrative).

3. **Innovate disruptively** (Change the game. Innovate beyond products)

Winners don't limit themselves to "the game" as it is currently played (market definition, audiences, rules, roles, conventions, behaviours). Instead they rethink markets in their own vision – they focus on "market innovation". Again this is not a one-off shift, but an ongoing task. Markets become morphous, as customer expectations and aspirations grow through peer to peer influence and cross-border experiences. Change the name of your market, fuse the best of different sectors together, and acquire and adapt the best ideas from anywhere. Airbnb and Uber are the obvious examples, although Netflix is better. They combine the vision and

customer thinking (“how can we make life better”) with then commercial and practical implications (“how can we achieve this profitably”) to redefine, reinvent and reengage markets in new ways.

4. Embrace networks (Be digital. Work the multipliers)

Winners harness the power of networks to work in non-linear ways, to embrace the big data and personal insights within them, and to unlock the potential multiplying impact of network-based business models (from peer to peer communities and social networks, to franchised and distributed models, influencer marketing and subscription revenues). Networks more than anything challenge the linear thinking, and transactional mindset of old. Of course short-term revenues are an obsession of most investors and leaders, so it takes the strong leader, or enlightened investor, to see things differently, to rethink the business model, and make the business case for driving more effective success, but in a different way. Alibaba, Spotify, FedEx are all examples, thinking in “multiplier” ways to drive more exponential growth potential.

5. Be relentless (Don’t stop reinventing. Be fast and agile)

Winners build innovation into their business as usual (core skills but also dedicated teams), they build organisations strategically (directional but flexible, with metrics that drive and reward change), structurally (adaptive process, fluid organisation), culturally (in particular through the leadership mindset) that are highly adaptive, with a “growth mindset” and approach to markets (like Red Bull, or Coty Beauty, or Virgin). They combine the “lean” entrepreneurship and speed of a startup, with the discipline and impact of a larger company. Ecosystems of supply and distribution partners enhance this flexibility and credibility. Better still is to create an organisation of start-ups like Haier, the world’s leading white goods maker, who combines 10000 micro businesses all working entrepreneurially under one brand. They become “growth hackers” in the sense of constantly experimenting within the frame of a collective directions (inspired by purpose, but guided strategically). Growth is not a destination, but an enduring discipline.

Never stop reinventing ... never stop thinking, never stop listening, never stop exploring, never stop changing, never stop innovating, and never stop growing.

Be bold, be brave, be brilliant.

© Peter Fisk 2017

Peter Fisk is an expert advisor, keynote speaker, and bestselling author. He has over 25 years of experience working with business leaders in every sector across the world. He is professor of strategy, innovation and marketing at IE Business School. Explore more about his experience, insights and ideas, case studies and workshops at www.theGeniusWorks.com