



**INNOVATION & SUSTAINABILITY
THROUGH EFFECTIVE LIFE-CYCLE MANAGEMENT**

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A powerful set of inter-related global forces is acting together to heighten the urgency of ongoing innovation for most organisations. This is particularly true for those competing for customers. It is also relevant for most organisations, regardless of whether they are in the public or private sector.

These global forces, namely, technological advancement, globalisation, deregulation, market evolution and reinvention, and a combination of consumerism and growing customer expectations, fuelled by easy access to information via the Internet, have irrevocably redefined business and management priorities.

While management activities have traditionally been prioritised around the key elements of efficiency and control, organisations wishing to be sustainable and effective need to prioritise their activities around a new set of key elements associated with innovation and change.

The traditional organisational life-cycle, or S-curve, which plots the typical stages of life for any system, product, service, organisation or even industry, has become radically truncated by the forces of innovation. The life-cycle curve, as depicted in Figure 1 below, plots the potential of a system over time. It typically addresses four phases, namely, development, growth, maturity and decline. Each of these phases needs to be managed differently. A key management skill is to be able to anticipate when the next phase is mostly likely to emerge and adjust focus accordingly.

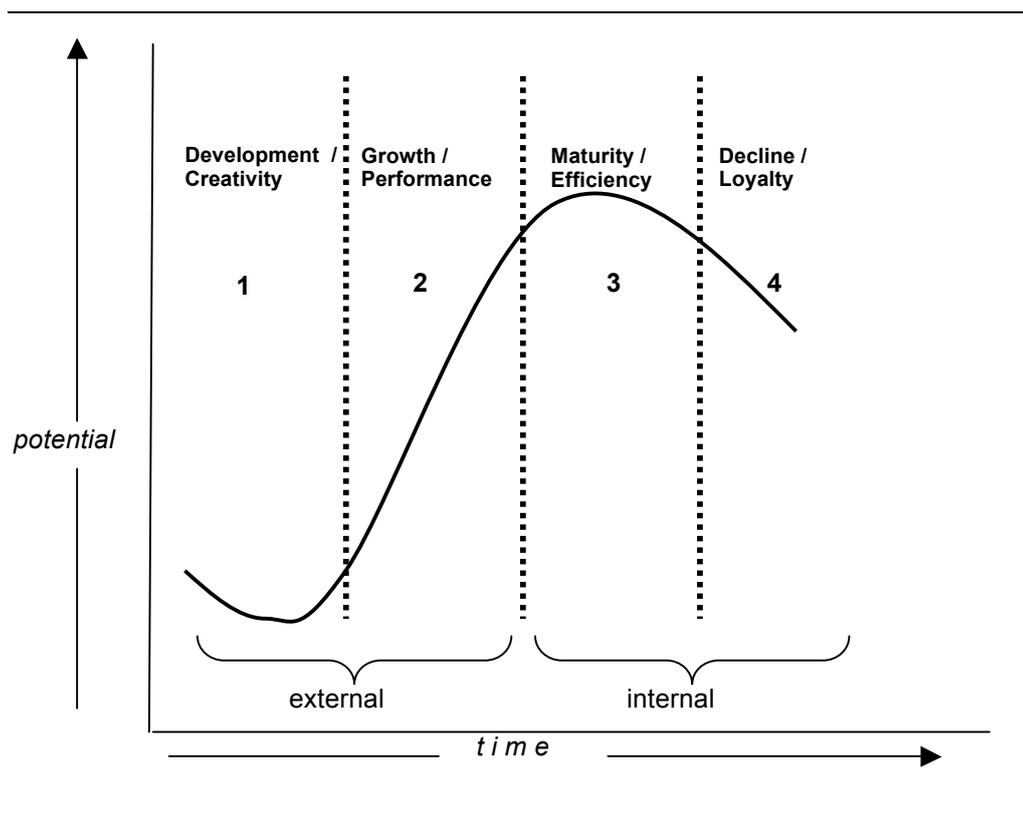


Figure 1: Life-cycle curve

In a world of ongoing and, in some instances, rapid change, life-cycles are becoming shorter, and the task of management is to be ready to initiate new products or services to customers defecting from current offerings. The timely switch from one S-curve to the next requires management competence in innovation, and the essential elements therein, namely change and invention.

In life-cycle terms, there is another phenomenon of innovation relevant to the sustainability of organisations, which is associated with the need to particularly develop skills and abilities associated with the first two phases of the life-cycle. It is these first two phases, typically associated with an external orientation towards capturing new markets with new offerings, which have become accentuated in a world of rapid change and innovation. Customers are more inclined to pay a premium for something new, and less inclined to stay loyal to traditional offerings than ever before.

Organisations that are particularly adept at introducing new concepts to the market-place, and that establish a brand or reputation for being innovative, are able to exploit the first two externally focused phases of the life-cycle most effectively, because customers are drawn to new offerings from these organisations on the basis of their brand positioning. Examples of such organisations that have developed reputations for innovation, and for using their brand for initiating new products and services, include the Virgin Group and Apple. Both have the advantage of visible and charismatic leadership in Richard Branson and Steve Jobs respectively. Each leader demonstrates an adventurous propensity for things new and challenging.

Organisations with brands that stand for innovation tend to demonstrate more competitive advantage and competence in the first two phases of the life-cycle, and may grow more effectively by initiating new offerings than by managing mature products and services. The growth focus for such organisations is illustrated in life-cycle terms in Figure 2.

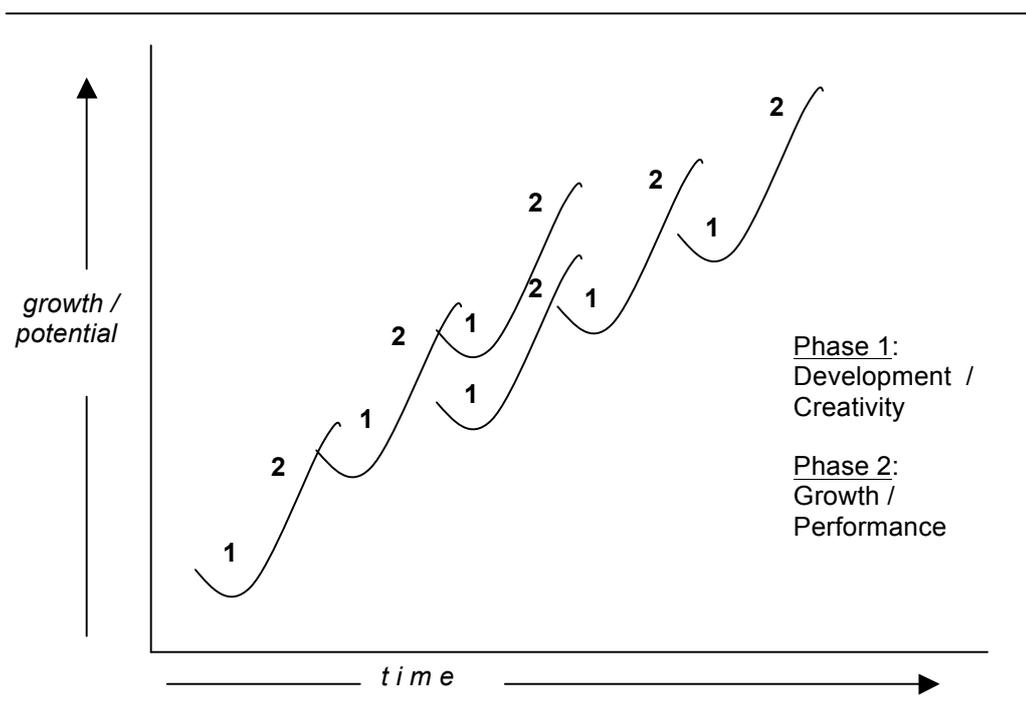


Figure 2: External life-cycle focus of innovative organisations

Prioritising a management focus on the first two phases of the life-cycle for the sake of innovation and sustainability should not imply that managers can afford to neglect the last two life-cycle phases, maturity and decline.

The maturity phase of the life-cycle, to the extent that forces can be brought to bear to increase stability, and introduce minor innovations to established products and services to satisfy customer expectations, can be extremely profitable. In this phase, the organisation has established customers for existing products. With a focus on process efficiency and cost management, traditional management skills can serve the organisation well. Product level, incremental innovation within the mature phase of the life-cycle can also serve to strengthen the business model, locking competitors out for longer, and delaying for a period the inevitable phenomenon of life-cycle change.

In the decline phase of the life-cycle, there are also important opportunities for harvesting customer loyalty, and introducing a more personalised traditional offering for customers more attracted to long-term relationships and traditional products and services. Also, a focus on relationships with existing customers in this phase can buy valuable time for transitioning other customers to new offerings at the development stage of the next life-cycle.

A life-cycle orientation to business management in an age of innovation and ongoing change must of necessity give priority to thinking ahead and leading the organisation in developing competencies for a state of permanent readiness to switch to new life-cycle offerings of products and services. This new management capability, a generic readiness to switch and adapt, may take a number of forms.

While in all cases, it does require an external orientation focused on the trends, potential shocks and ongoing uncertainties that may exist in the operating environment, and on what competitors are doing in response to these factors, it does not necessarily require the organisation to invent new

offerings. Inventing a new product or service can position the organisation at the forefront of change, and ahead of competitors on a new life-cycle. There are also inherent risks in this approach. It can be an expensive investment in innovation that is rejected by customers.

A less risky but equally externally focused approach to change is to develop the capability for adapting quickly, to be able to be second to market with something new that has been proven to work by others. Here innovations are brought to the market by organisations that are particularly adept at executing quickly and efficiently, and distributing their offerings most effectively. The competencies associated with speedy adaptability and execution, relevant to the second phase of a new life-cycle, are clearly different from those associated with creativity and invention needed in the starting phase. Both skill-sets are necessary for organisations concerned about innovation for ongoing sustainability.

To appreciate how organisations may embrace the challenge of innovation differently, consider Apple and Microsoft. Apple has been first to market with many new product concepts, leading in initiating new product life-cycles. Over time, it has introduced Windows, Mac and Ipod, as well as many other design firsts. It clearly has a distinctive competence in the first phase of a new life-cycle, with an ongoing ability to create and invent.

Microsoft, in contrast, is a global technology leader, possibly the most effectively networked organisation worldwide. Many of its notable achievements in innovation have been associated with being second to market with new products and services, and distributing their offerings with speed and efficiency. Consider MS DOS (which followed PC DOS, from IBM), or Internet Explorer (which followed the Internet browser, Netscape).

The relentless focus on innovation and change can also undermine organisational effectiveness if applied in the wrong circumstances. For

example, consider an organisation in the second phase of an existing product or service life-cycle, where the focus needs to be on growth and speedy distribution of the current offering to the market. A leadership focus on new ideas and opportunities to take the organisation on to the next life-cycle curve may distract the organisation from operating effectively to realise the full potential of the existing offering if not carefully managed. If the leadership orientation is misaligned from the current need of the organisation, it may result in diminished organisation effectiveness and focus.

In a world of constant change, there is always a need for focus on the next opportunity, but this forward thinking orientation needs to be managed consciously, so that appropriate priority is given to operating effectively with the existing business offerings through the current life-cycle.

The management and leadership challenge in today's world of innovation is to find the optimal balance of focus between addressing the traditional challenges of control and efficiency in delivering existing products and services to customers, and identifying and realising new opportunities. Within this balancing act is a place for 'constructive misalignment', where the leader consciously directs some of the operational focus of the organisation away from the current life-cycle(s) of the existing products and services towards the opportunities of innovation, through consideration of future possibilities, that may be realised in new life-cycles. This forward thinking approach to organisation leadership is illustrated in life-cycle terms in Figure 3.

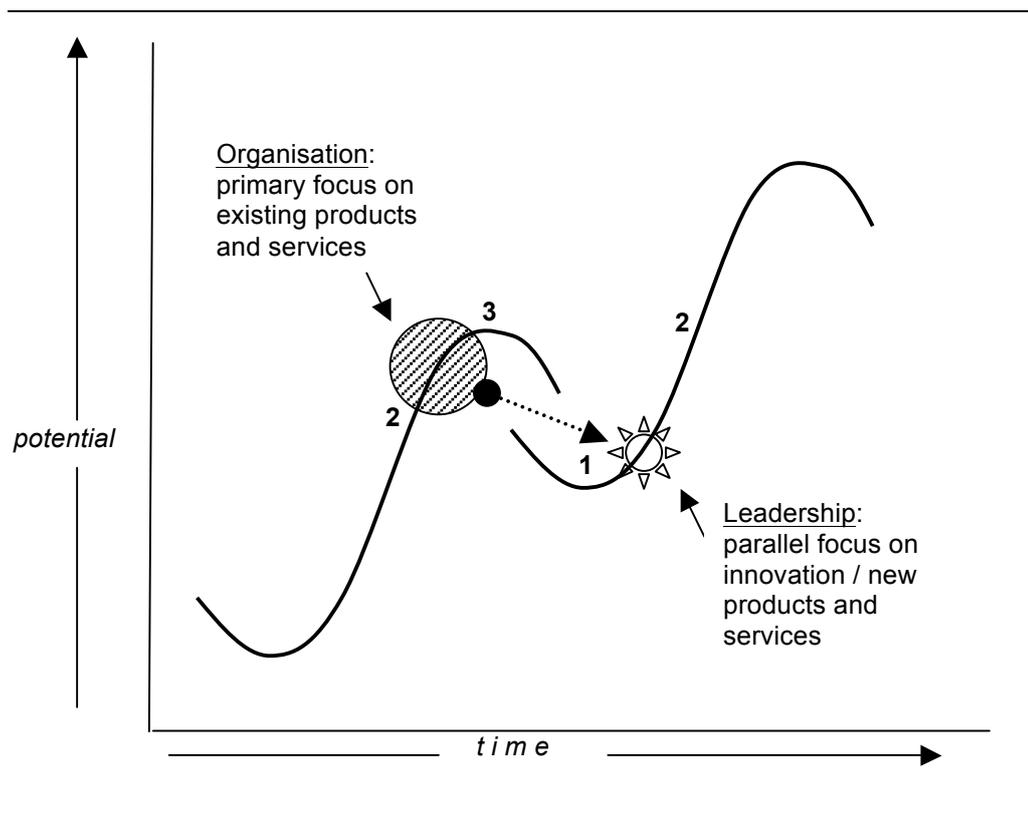


Figure 3: Constructive misalignment

In the new millennium, an inescapable management challenge for leaders of most organisations as they strive for sustainability is to harness opportunities for ongoing innovation through effective life-cycle management.

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