



Innovation

Irlogi Conference 2016

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Innovation



“It is awfully hard work doing nothing. However, I don’t mind hard work where there is no definite object of any kind.”

Oscar Wilde

IT & Innovation

Information
Technology

Innovation



What is Innovation?

“Innovation is the specific instrument of entrepreneurship. The act that endows resources with a new capacity to create wealth.”

Peter Drucker

Narrow

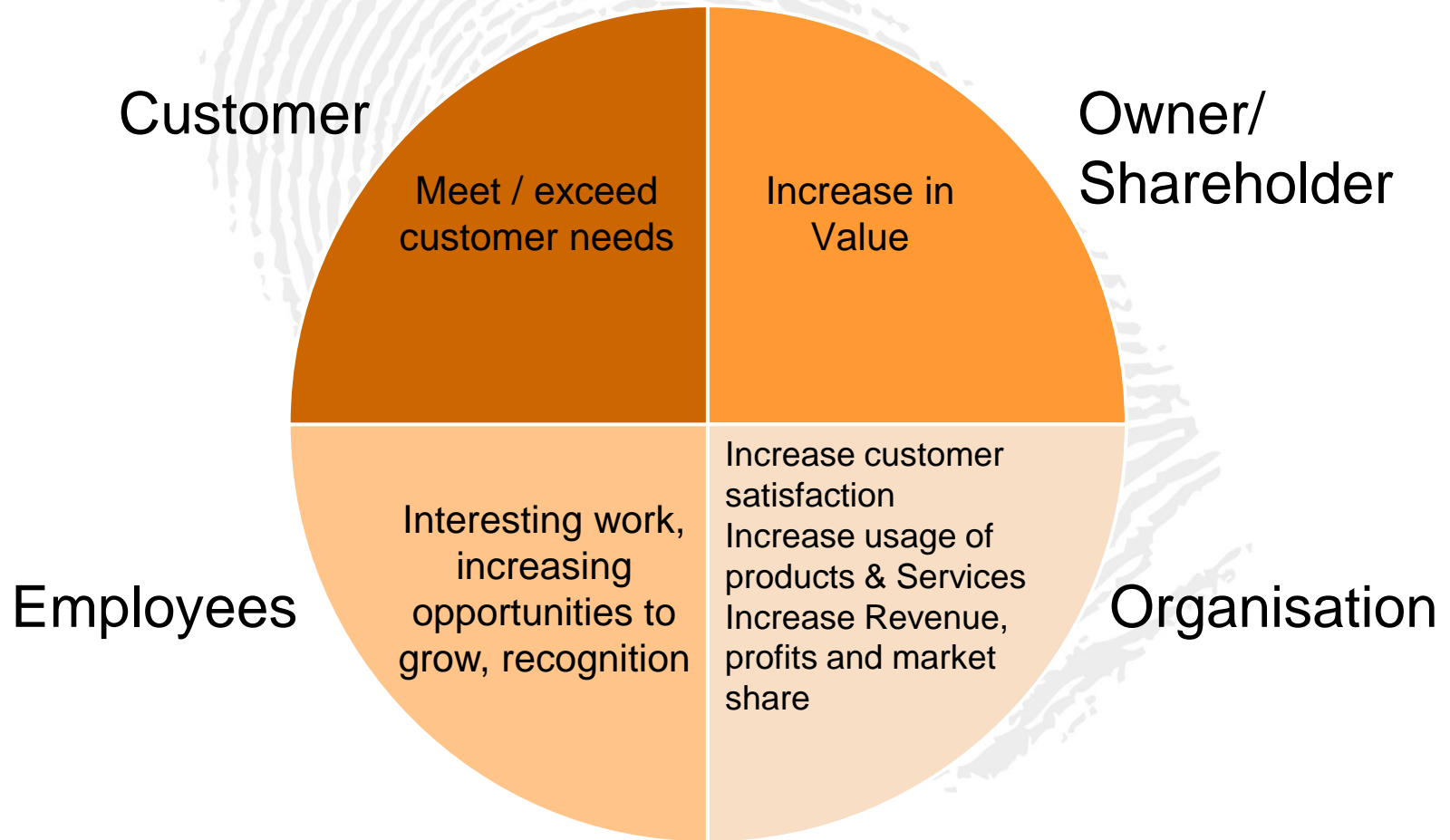
Broad

Product
Development



Create business
value throughout the
organisation

Who Benefits from Innovation?



Types of Innovation

Radical

Paper to Digital Mapping

Incremental

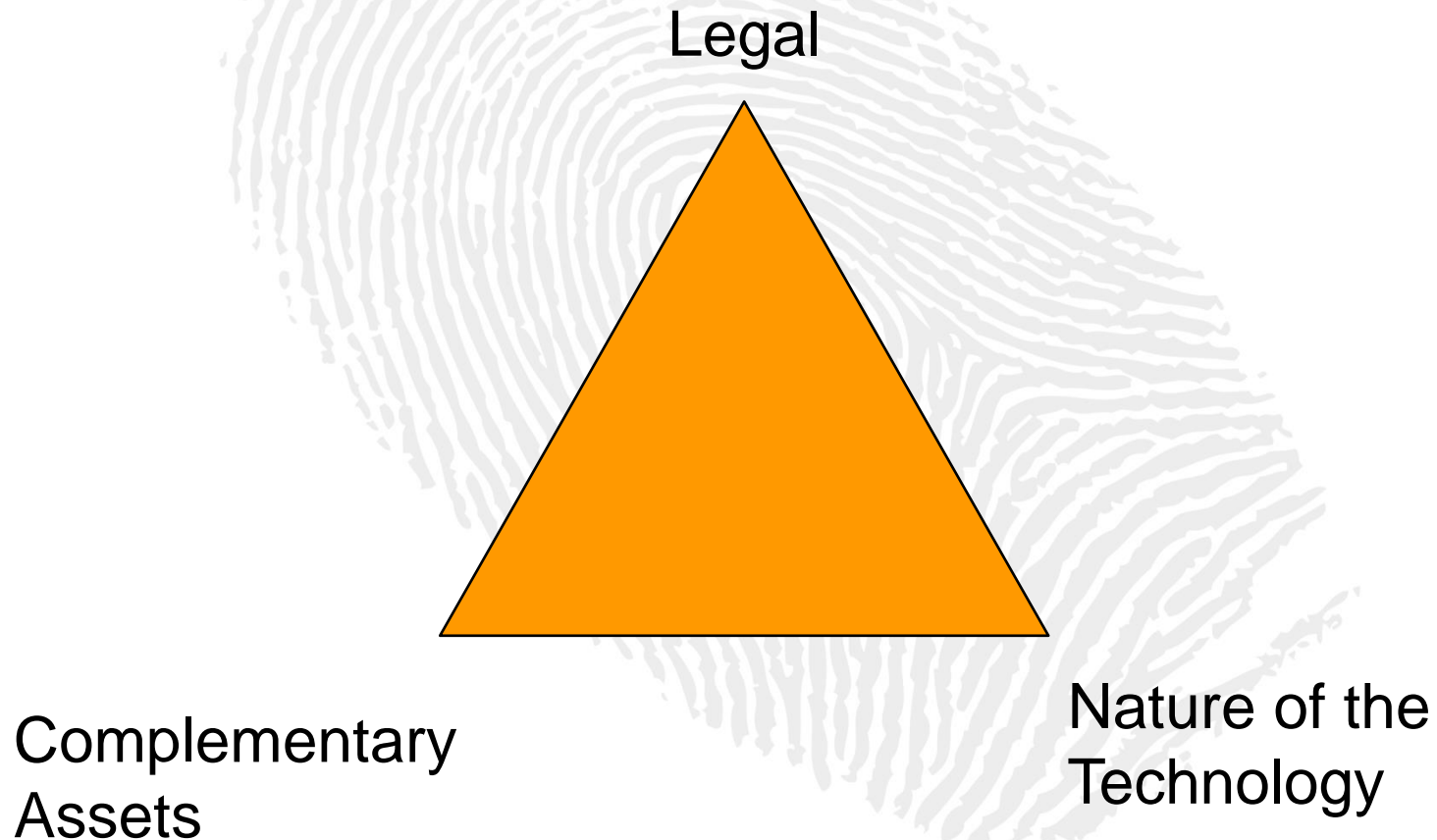
Improve on radical innovation

Re-application

*Taken from one industry and applied to another
e.g. 3D Architectural Design – 3D Modelling*



Innovation - Protection

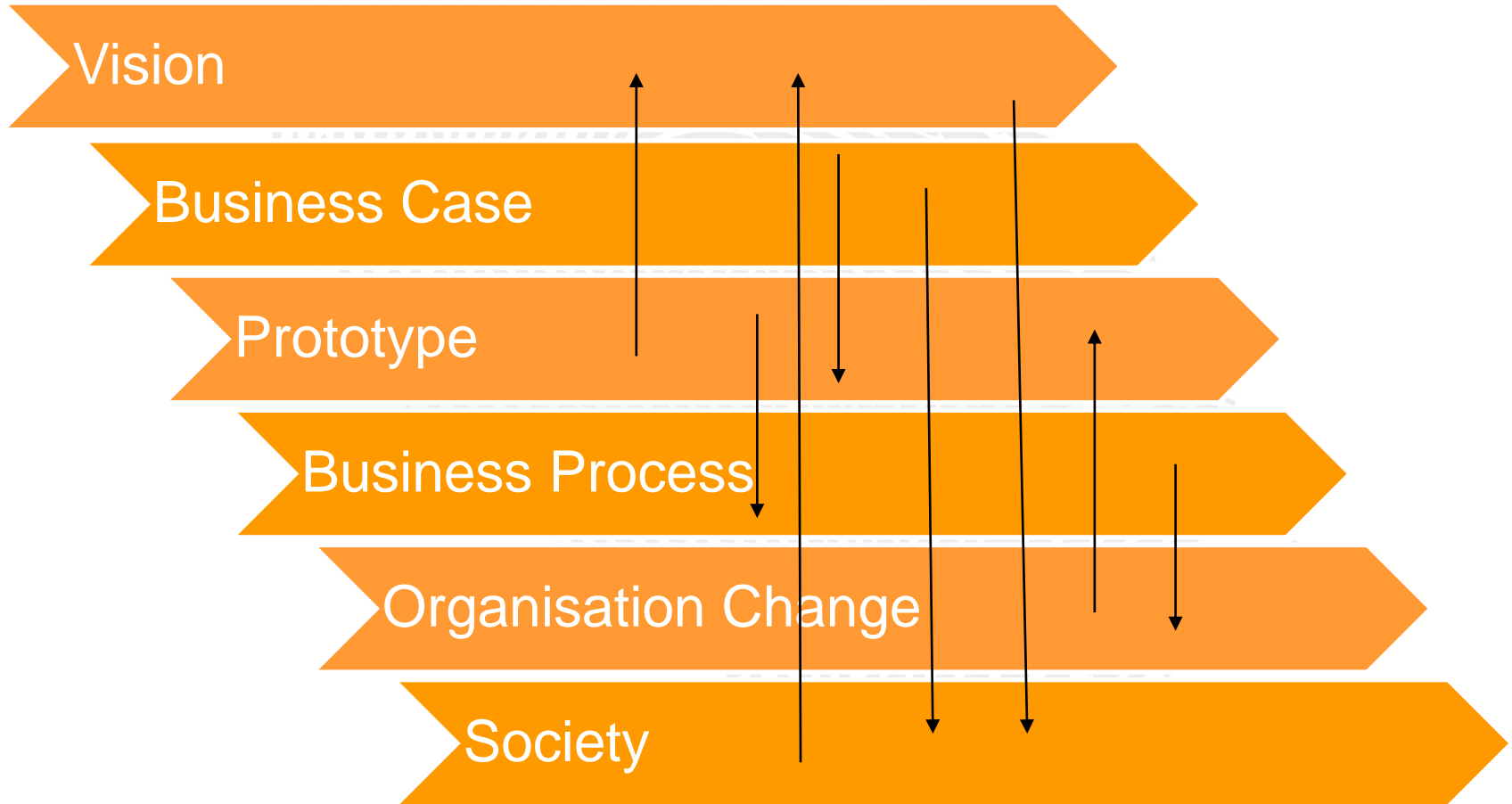


Innovation Phases



1. Initial Design
2. Dominant Design
3. Process – Scaling and learning

Path for Innovation - Diffusion



Areas of Innovation

Finance

Business Model How money is made / Pricing Model

Networks & Alliance How you work with other companies – you can't be an expert in everything

Process

Existing Process How processes support core function

Core Process How to create and add value to your processes

Offering

Product Design of your core offering

Performance How product links to customer process

Product Systems Provide value through services beyond current offering

Services

Delivery

Channel How do you get your product/service to market

Brand How that offer is communicated

Customer How does all this make you customer feel

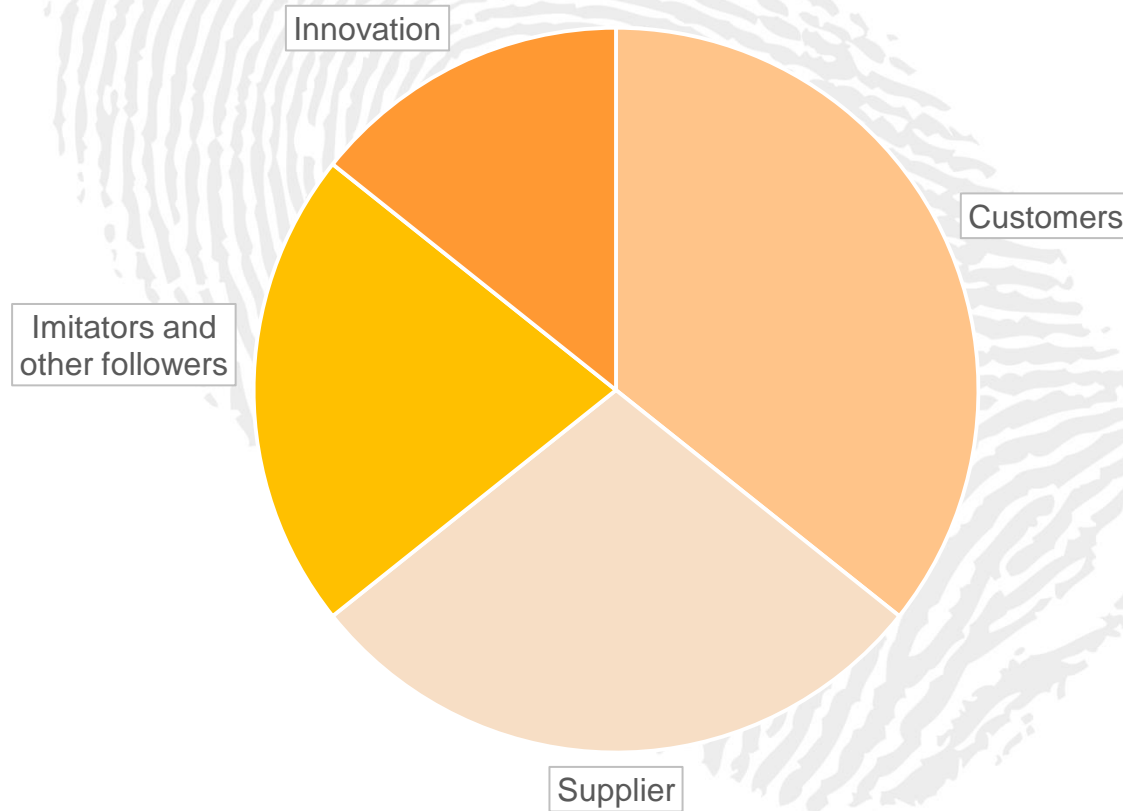
Experience

Key Areas for Innovation

1	Finance	Network
2	Finance	Business
3	Process	Process
4	Delivery	Experience
5	Process	Core Process
6	Delivery	Brand
7		Product systems
	Offering	Channel
	Offering	Services
	Offering	Product Performance

Economic Value of technology remains latent until it is commercialised

Distribution of Profit from Innovation



Innovation

Company	Innovation	Result
EMI	Cat Scan	Pushed out of market within 8 years
RC Cola	Cola in a can & Diet Cola	Imitated by Pepsi & Coke almost immediately
Bowmar	Pocket Calculator	Went out of business
Xerox	Mouse & icons	Xerox failed in PC market surpassed by Apple who used Xerox technology

Power of the Business Model



- The illusion that developing new products which meet customer needs will ensure success. – It maybe for the product but not for the innovator.
- A mediocre technology pursued within a great business model may be more valuable that a great technology exploited via a mediocre business model

Building a Business Model

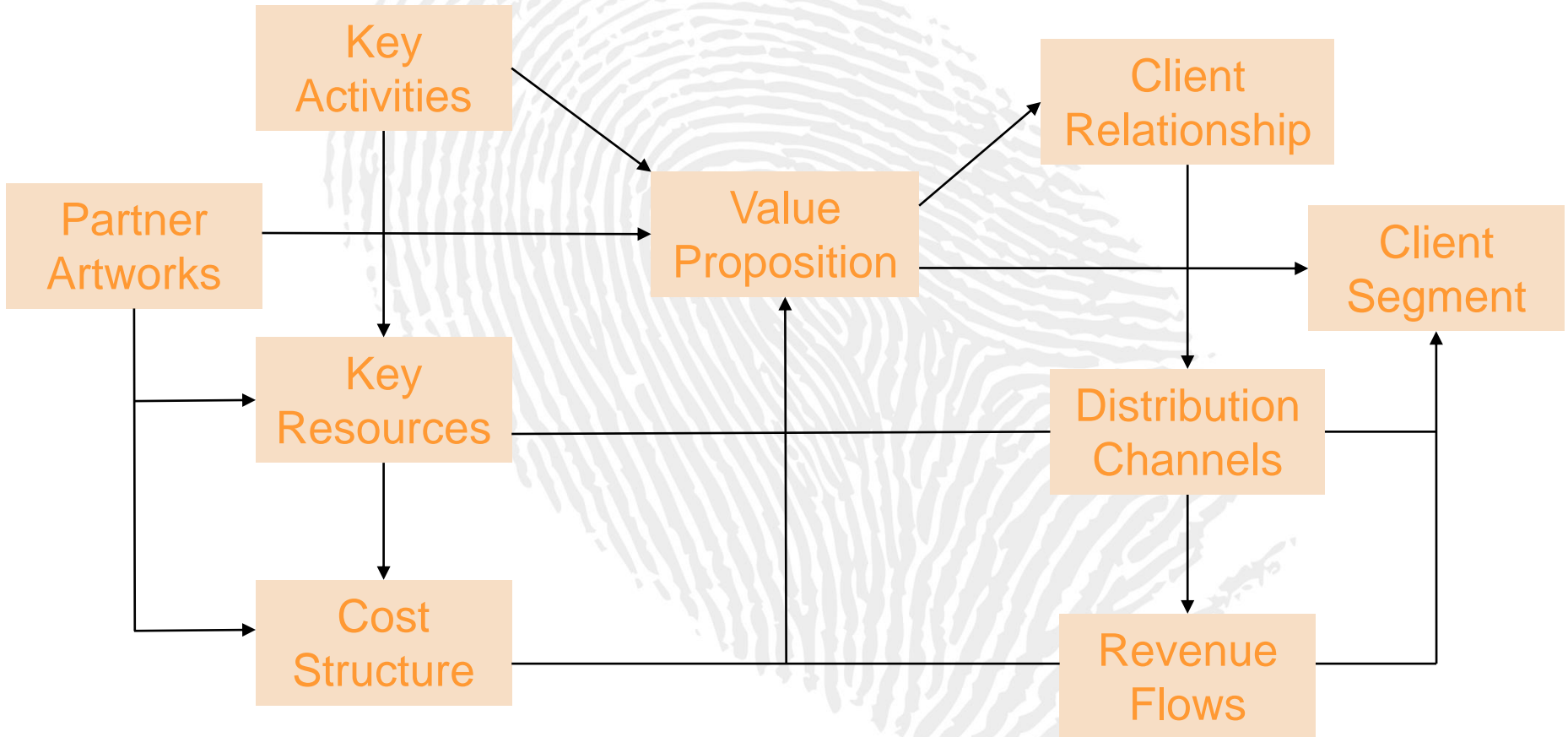
1. Mapping
2. Effectuation
3. Leadership



Key Elements of a Business Model

- The value created for users by an offering (based on technology);
 - Users to whom technology is useful and for what purpose;
 - Defines the structure of the value chain required to create and distribute the offering and complementary assets needed to support position in the chain;
 - Details the revenue mechanism(s) by which the firm will be paid for the offering;
 - Estimates the cost structure and profit (identifying potential complementors and competitors); and
 - Formulates the competitive strategy by which the innovating firm will gain and hold advantage over rivals.
-
- Richard Rosenbloom

1. Mapping



2. Effectuation

“Suck and See”

- How do you analyse a market for a new business and/or model?
- Not enough information available
- Need an action to generate information and then act on this information
- Combats dominant logic

3. Leadership

Organisational Ambidexterity



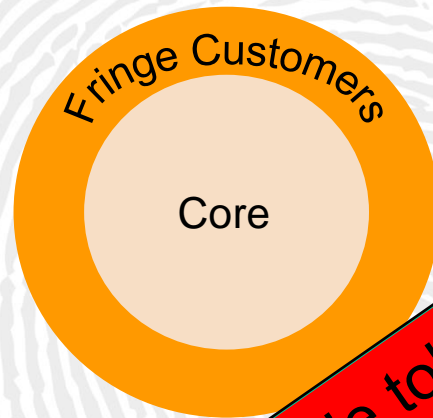
Market Disruption

Anna Karenina Principle

“All happy families are alike while all unhappy families are unhappy in their own way”

- Competitive advantage fades sometime and it fades differently by industry and customer grouping and at different paces.

Market Disruption



Fringe Customers
grow up in
the Core

Core Main Market

- Key Customers
- Key Revenue
- Key Profit

Fringe Customers:

- Low focus
- Lower level of service
- Lower Quality of product
- Lower margins
- Where change happens

Blackberry CEO Jim Balsillie told a reporter that the launch of Apple's iPhone wasn't a major threat

Market Disruption

Core needs to be replaced

Stability not change is the enemy

Move from producing a better mousetrap to creating an
irreplaceable experience

Example:

Netflix – DVD's – Streaming – Content Creation

Market Disruption



Signs of the Ending of the Core Market

- 1) Smaller and smaller improvement in user experience
- 2) Diminishing return on capital employed – increasing commodisation
- 3) Continue small changes

Market Disruption

Assume **temporary not sustainable advantage:**

- Wave of transient advantage leads to disengagement by company from markets and products

Key Success factors for an Organisation:

- Long term view on where they want to go (assume what they are doing today won't drive their future)
- Constant re-training – emphasis on values, culture and alignment
- Focus on subjective early warnings
- Exit markets and products – move people to new markets
- Key revenue centrally controlled – leverage external resources
- Innovation is systematic
- Rapid execution – predicting and being right is less important than reacting quickly and taking corrective action

What is Innovation?

Innovation as part of organisation process:

- Create and manage innovation budget
- Manage each innovation like a business
- Assess and then realise value of innovation
- Manage/improve innovation capability
- Be prepared to fail **BUT** learn



Market Disruption

Arenas

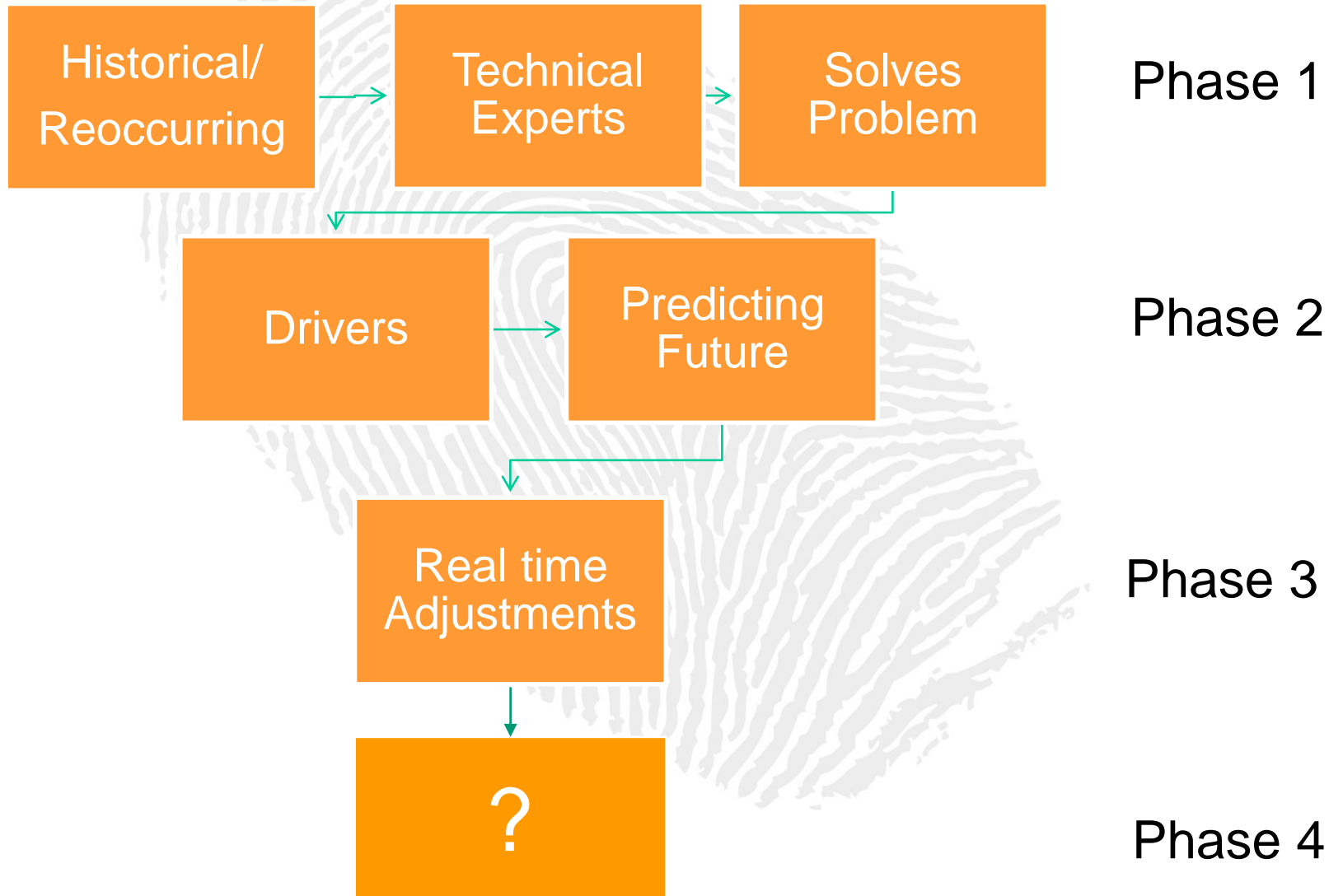
Battles are fought in particular geographic locations with particular equipment to beat particular rivals

Connection between market segment, offer and geographic location

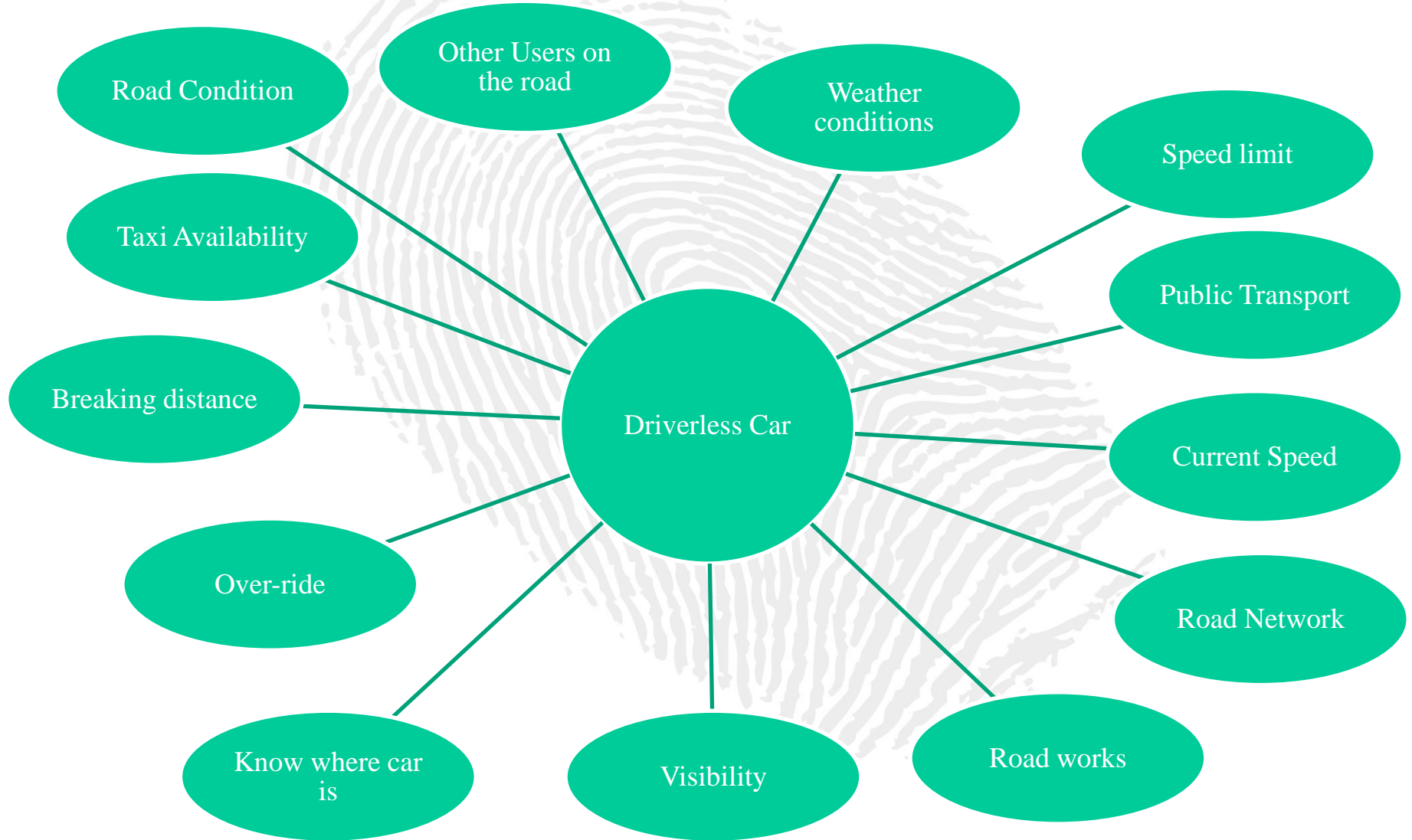
Characterise by connections between customer and solution not description offering

“In God we trust, everybody else brings data”

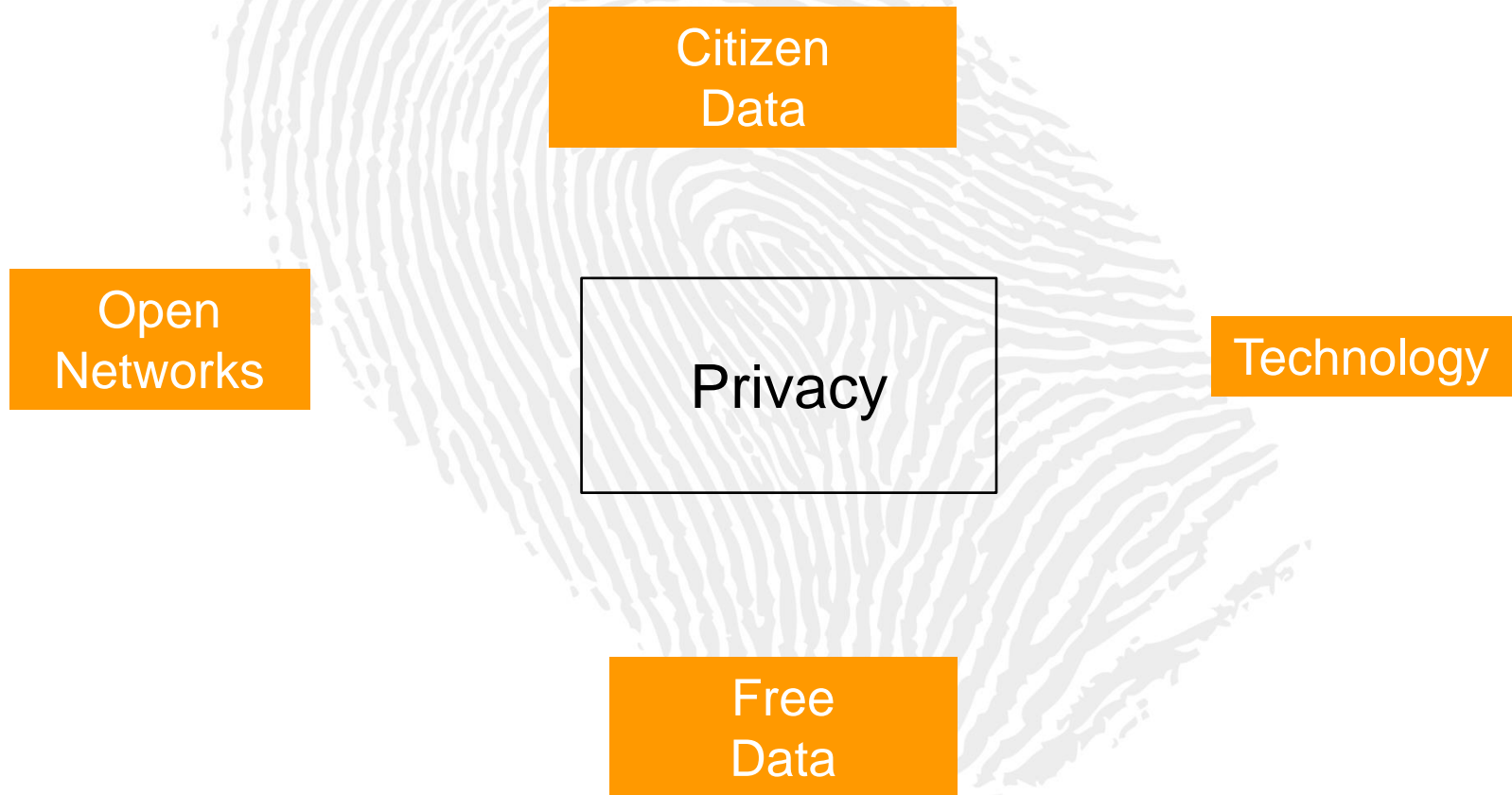
Innovation



Innovation – Driverless Car



Innovation - GIS Space





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