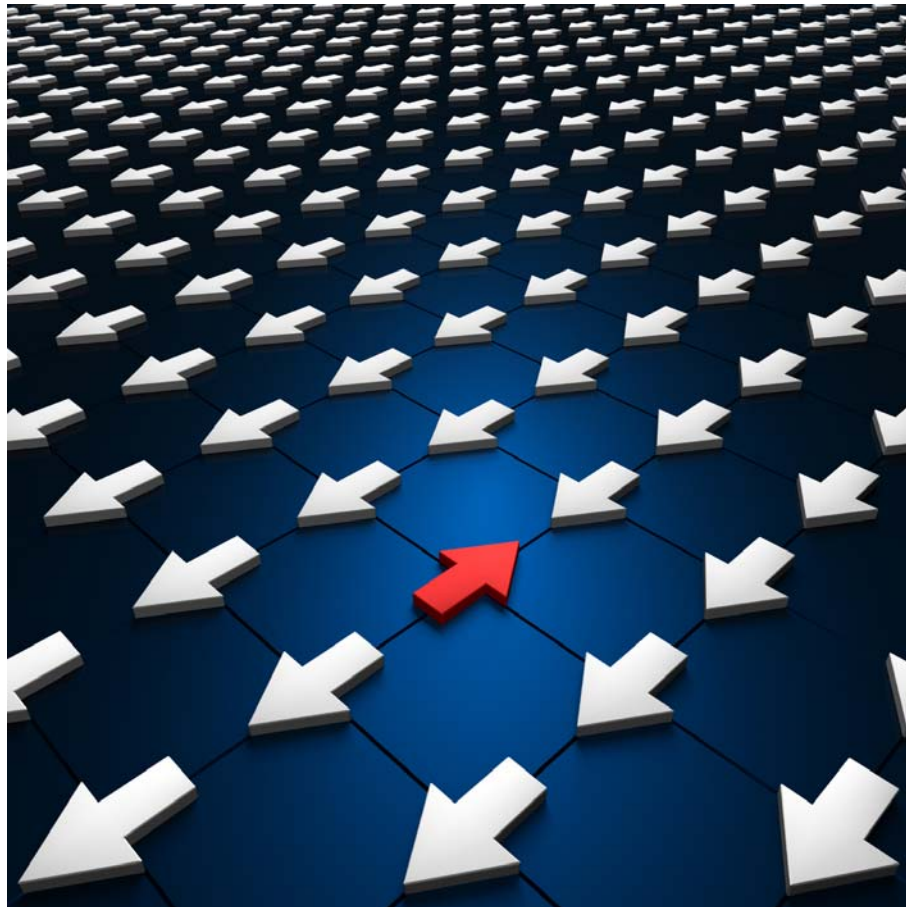


# Innovation Strategies for the Global Recession



A Special Report from Chuck Frey of InnovationTools.com  
and Renee Hopkins Callahan of Innosight

*December 8, 2008*



## *Executive Summary*

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As the global economy slowly slides into recession, organizations face new challenges and opportunities. In today's interconnected world, it's impractical for companies to suspend their innovation initiatives until the worst of the storm blows over. To do so is to risk being well behind the curve when the economy does recover, and losing precious ground to competitors who found creative ways to keep their innovation initiatives moving during the darkest days of the downturn.

As part of this study, Chuck Frey of InnovationTools and Renee Hopkins Callahan of Innosight recently contacted a diverse collection of innovation experts and practitioners to learn more about the strategies they recommend for maintaining innovation during these challenging times. Respondents include some of the best and brightest innovation authors, bloggers, consultants, and practitioners. In addition, this report includes links to more than 60 examples of recent coverage of this topic in online media and the blogosphere.

This collection of resources represents a practical roadmap that your firm can use to help identify opportunities for adapting your innovation initiatives to the current economic downturn. Use this roadmap to help to position your firm to take full advantage of the upturn when it inevitably comes.

### **Overall Themes**

An analysis of the responses reveals several powerful themes:

**Start scenario planning now.** Forecast two to three years out and evaluate the likely changes and outcomes from the financial crisis. This will help you to identify new ideas and opportunities.

**Redouble your focus on customer needs.** Customers always have problems to solve, even in a downturn. The recession itself is eliminating some jobs customers previously needed to get done, while at the same time creating new ones. At the very least, the current economic conditions are wreaking havoc on the trade-offs people make when they consider "hiring" a product or service to get a job done, with convenience now factoring lower than cost for many customers. Invest time learning how your key customers' priorities have changed, and quickly realign your business models to meet their needs. Rethink your business starting with the customer, and work backward from there. How can you eliminate their pain? How can you help them to contain their costs?

**Strengthen the positioning of your products and services using marketing innovation.** Customers need the assurance that you are the best possible supplier to meet their needs. Are your products and services differentiated enough so that customers can see the advantages you offer? Make sure you clearly understand how your key customers determine value, and align your products, services and marketing with that value. Focus on your key customers and

how their needs have evolved, but don't neglect markets complementary to the ones you serve. As competitors pull out, you may find new opportunities there, too.

**Prune your innovation portfolio.** Get rid of some of the riskier, longer-term, or overly broad programs, and redeploy the funds to support more promising initiatives with shorter time horizons. Shut down the least promising ideas now, and focus on those with the greatest potential. Many companies that claim to have no resources actually have plenty of resources, but they are tied up in the wrong activities and projects.

**Look for opportunities to inexpensively test new ideas.** Fail fast and cheaply. "Build, test, and learn – cheaply" is the mantra that our experts suggest that you follow. The full report contains a number of suggestions on how to do this.

**Embrace open-source innovation.** Look for opportunities beyond your firm's walls to continue R&D, but at a lower cost and lower risk. You can do this by sourcing R&D talent from low-cost countries such as China, India, and Eastern Europe, or using services like InnoCentive that enable you to submit your idea challenge to a large community of expert problem solvers. Partnering with other firms who provide complementary products and services is another way to share costs and risks, and maintain your R&D momentum through the downturn.

**Look for creative ways to extend your current products.** Consider adding value-added services to your products, and brainstorm ways to provide new customer experiences. Think in terms of other uses for your existing products. If your customers know that your products provide greater utility than those of your competitors, you'll be more likely to win their business. Also, look for incremental improvements to your products that can significantly increase their value, at a minimal additional cost. Finally, take a fresh look at some of the incremental improvements or R&D projects you may have shelved before the downturn because the timing wasn't right; some of them may do a great job of meeting customers' current needs.

**Take a fresh look at your supplier relationships.** Many companies habitually undervalue their suppliers. Chances are, you can improve the efficiency of collaboration, logistics, and other elements of your supply chain. Strengthening these relationships may help you to recover faster when the market upturn comes. Brainstorm other potential partnerships that could increase your value to your key customers.

**Conduct a disruptive threat assessment.** You need to identify any emerging competitors who may see your firm's current weakness as an opportunity to advance. Remember Clayton Christensen's advice in *The Innovator's Solution*: Incumbents tend to ignore new entrants because their products and business models are too basic to be taken seriously. But many incumbents are already providing products and services that have already "overshot" the needs of their core customers, who may be looking for more basic, inexpensive options during the recession.

**Don't just think about innovation in terms of products, services, and business models.**

Why not spend some time brainstorming with a cross-functional team on how to identify and reduce areas of waste, which can uncover huge opportunities for cost savings?

We hope you found this report to be valuable. We wish you much success during the weeks and months ahead. The good news is that by reading this report, you've already got a significant head start compared to most of your competitors!

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## ***Expert Interviews***

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### **Jeffrey Phillips, VP of Sales and Marketing, OVO Innovation and author of *Make Us More Innovative: Critical Factors for Innovation Success***

Now is exactly the time to think about innovation. The market turmoil and political transition will create opportunities for new products and services and will create shifts in markets and consumer demand. We are advising our clients to start scenario planning now, forecasting two to three years out and evaluating the likely changes and outcomes from the financial crisis, the political transition in the U.S. and the impending recession and aftermath. All of these changes - financial, political and economic - will consolidate and create new opportunities and change existing markets. Firms that "stick to their knitting" risk being left behind.

### **David Silverstein, President, Breakthrough Management Group Inc., co-author of *The Innovator's Toolkit: 50+ Techniques for Predictable and Sustainable Organic Growth***

The answer depends on the company. The strongest of companies – those with strong balance sheets and/or that are in somewhat recession-proof industries – need to really try very hard to stay the course. These companies don't typically have to back off or change their focus, but they should realize that new opportunities do present themselves during recessions. For example, if you're in the banking sector, there are new opportunities emerging to become a lender that can fill some of the voids being created by ultraconservatism. All you need is an innovative new model to safely and profitably meet the unmet needs of certain customers. Easy, right?

For those companies that do find themselves financially pinched, there is an opportunity to refocus some of their innovation efforts. Innovation is most often associated with growth, but that's just marketing buzz. Innovation can be just as easily applied to cost cutting efforts. In fact, "reductive innovation," is an emerging term that refers to using innovation tools to come up with ways to get more out of less without compromise. Very often cost-cutting is seen as a matter of making choices: A or B. But very often there's an option C out there that's not even being considered. The tools of innovation can help us to find it.

### **Paul Hobcraft, Innovation Practioner, HOCA International Consultants**

Specifically each company has to consider:

1. The revisions in the strategy and ensure innovation realigns to it.
2. Adapt to the new realities by subjecting your innovation portfolio to a different set of rigorous tests that can bundle, re-combine, re-prioritize the concepts in the works

3. Look for new ways to extract more horsepower from your intelligence, people, knowledge, clients, etc. and put that to new innovative use.
4. Look harder at innovation outside your core, but more importantly know what your core is that gives you your sustainability in these times.
5. Focus on execution even more; this is the weak area of innovation irrespective of the times we are in. Make this not just a time to reduce but a time to reconstruct in new ways. I'm not talking here about cost-cutting, although that clearly does often happen, but figuring out different combinations that can be made to "fine-tune" your organization for innovation.
6. Pilot and prototyping can be more effective in these times to tune, calibrate, learn and advance innovation ideas in the works. This minimizes the cost, helps to manage risks likely on larger initiatives, and positions you for the upturn.
7. The need to balance the natural tendency to increase "operational excellence" and turn the efficiency guys loose driving out variance, one of the aspects valued for innovation, as well as create reductions on areas that might be more strategic than you realized.

There is a need to "dig in" when recession is hitting us so hard, but I would argue much of the digging in should be in thinking and reflecting deeply before you wield that cost-cutting knife on the one aspect that gives growth, innovation.

**Scott Anthony, President, Innosight LLC, co-author of *The Innovator's Guide to Growth* and author of the forthcoming book *The Silver Lining: An Innovation Playbook for Uncertain Times* (to be published in May 2009 by Harvard Business Press)**

Innovation is tough in the best of times. What do you do when times are tough and your industry's very survival is in question? Here are some strategies to think about:

- Lower the cost of testing. Companies should "invest a little to learn a lot" about key assumptions. When resources get scarce, you have to be even more creative about how to test critical assumptions. Fortunately, it has never been easier to develop and test an idea quickly and cheaply, using tools such as employee focus groups, low-resolution mock-ups, simulations, and "good enough" beta tests.
- Creatively tap into outside resources. A lack of financial resources makes innovation difficult, but a lack of human resources to work on ideas makes innovation impossible. Resource-constrained companies need to develop creative ways to find bodies to work on innovation efforts.
- Ruthlessly prune the portfolio. Most companies that claim to have no resources actually have plenty of resources –those resources are just tied up in the wrong activities. When times are tough, companies have to be ruthless about weeding the innovation portfolio. They have to shut down the least promising ideas early so they can really focus on the ideas with the most potential. Even though there's a risk that

you might prematurely kill a great idea, better to kill one great idea early than to lose an entire innovation program because of lack of progress.

- It is vital to keep innovating no matter how tough it gets, because companies that don't innovate are setting themselves up for long-term trouble given the disruptive forces that continue to swirl around the market.
- The good news is that done properly these efforts actually expedite innovation. In other words, tough times force good behavior that helps companies get to effective endpoints in a quicker, cheaper manner.
- Real customers continue to face real problems. And as always, innovators who figure out different ways to solve those problems – and make money doing so – will have opportunities to create new growth businesses. In fact, the creative destruction unleashed by a crisis always opens up opportunities for innovation.

The other thought is that companies really need to think, more than ever, about how the customer determines value. As you know, a core disruptive concept is that many companies unintentionally “overshoot” swaths of the market by improving features and functions beyond what matters to many customers. Looking at what the customers use to determine value can help companies do smart cost-cutting and think about low-cost plays that are particularly in tune with the market's needs.

**Paul Sloane, President, Destination Innovation and author of *The Innovative Leader***

In a downturn the temptation is to focus on efficiency, cost-cutting, sales and customer service and to chop all “peripheral” expenditures. It is important to keep costs down and cash flow is essential. However, just focusing on these issues is not enough. Recessions mean opportunities as well as threats. The organizations that will really succeed are those that are agile enough to find new and better ways to delight customers. Cost control is necessary but so is innovation. Working harder is not enough; we need to work smarter in tough times. Focus on the real added-value that we supply and ask these kinds of questions:

- In what other ways could we provide this value to our clients?
- In what new ways can we help customers with the problems that they are having?
- What major element of cost can we completely eliminate?
- How can we use the internet in a new and better way to reach and help clients?
- How can we gain competitive advantage by trying something radically different?

Plan a budget for innovative initiatives and keep a close check on your portfolio of prototypes. Be prepared for some pain and failures along the way. Fail often and fail cheap! Keep looking for new and better ways to do things. Once you see a real winner move quickly to roll it out.

**Rob Shelton, Director and Owner, PRTM Management Consultants and co-author of *Making Innovation Work***

The thing that survivalist training taught me is that severe conditions require refocusing: Some things that made sense before do not necessarily make sense now. I've noticed some interesting parallels among the keys to survival and innovating in this tough economy including:

Throw out what you don't need. Roald Amundsen survived his numerous explorations because he learned an important lesson on his first nearly disastrous winter expedition to Antarctica: Much of what you carry in normal situations is worthless once conditions become severe. He dumped traditional equipment that was standard issue in Europe and North America and focused on what would work. Similarly, don't weigh down your innovation portfolio. Instead:

**Clean the pipeline:** Get rid of the projects in the R&D pipeline that are not essential. Unless you have just completed a rigorous housecleaning, your pipeline contains projects that are not that important; get rid of them. Under the current conditions you can't afford to waste the resources on good, but not great, projects.

**Reduce complexity:** Dump the products and broad portfolios that weigh you down and do not provide value. In the past, many of those products seemed worth supporting and broad portfolios may have seemed attractive. Now they just suck up R&D resources and time - both of which are precious. It is time to let some go.

**Next, move faster:** Severe conditions punish those that are slow. Drive a few critical projects faster and reap the benefits sooner. Allocate additional resources to selected high priority innovation projects that can deliver near-term benefits. You can find the additional resources from the projects you dumped from the pipeline and the reduced complexity. Also remove any barriers that would delay decision making and action.

**Now, manage capacity:** Take a hard look at what you have at hand and what you will need to survive for the next 12 months"

- Find new sources: Make sure you have sufficient quantities of the best available resources because this storm is not going to blow over any time soon. Take advantage of R&D talent in low cost countries such as China, India, Vietnam, and Eastern Europe. Properly done, sourcing not only lowers cost but also improves innovativeness.
- Identify constraints: Find out where you have constrained resources and make sure you don't make matters worse by cutting those.

**Convert what you have into something more valuable:** Be imaginative and bold. Those tent poles you brought may be important for spear fishing and the tarp may be

important for gathering water. My point is don't get stuck in a rut and use innovation resources solely to create new products. You need to look for value in new places.

- Create business model innovations for current products. That includes looking for new services to complement existing products. Cisco recently launched the sale of hourly blocks of time on its new Telepresence video conferencing product. Cisco knows that under current conditions, large capital expenditures for things like video conferencing equipment will decrease significantly. Rather than try to change the Telepresence product, Cisco modified the business model to match the new conditions.
- Innovate on cost reductions for existing products and services. Re-evaluate projects that you may have shelved before the storm that provide incremental and breakthrough cost reductions to processing or manufacturing, assembly and the supply chain.
- Leverage strong customer loyalty to provide new customer experiences. Your customers are an immensely valuable resource; identify major gaps in the customer experience and focus innovation resources on creating improved experiences. That creates stronger loyalty and grows revenues.

The final bit of advice is keep your head. Don't let the situation affect your basic good judgment. There is no need to become overly risk averse – making good decisions is still the best path forward. Survival in extreme conditions takes a cool head, keen judgment, and the guts to do things differently than you did before.

**Rowan Gibson is a global business strategist and is author of *Innovation to the Core* and *Rethinking Your Future***

In a world where the pace of change has gone hypercritical, today's most important race is the race for strategic renewal. It is the race to change as fast as the environment is changing around you; the race to invent new sources of profit before the old ones disappear; and the race to reinvent your strategy and your business model before they become obsolete. When the economy is on the up, most companies tend to postpone this work of strategic renewal based on the old notion that "If it ain't broke, don't fix it." Yet, as the current crisis proves once again, a successful business model can get broken almost overnight when the economy takes a downturn.

So what exactly is strategic renewal? It's the act of dynamically adjusting business models and strategies to the deep changes at work in the external environment. Above all else, this requires innovation. In a 2003 article in *Harvard Business Review* entitled "The Quest for Resilience," Gary Hamel wrote, "Strategic renewal is creative reconstruction." It's about taking your traditional business model apart and looking for imaginative ways to reconstruct it to create significant new value for your customers and your company. This becomes all the more urgent in recessionary times, when customer needs and market conditions swiftly and dramatically change.

But how can you actually go about the task of strategic renewal? My answer is this: set up an “Innovation War Room.” This may well be a physical space, as in the case of Emerson Electric, the global technology and engineering leader, where former CEO Chuck Knight set aside a specific room, right next to his own office, for directing the company’s strategic renewal efforts. It was reminiscent of the cabinet war room in London, used by Winston Churchill to direct military strategy during World War II. Chuck Knight’s Innovation War Room was a simple but highly effective device that forced all of Emerson’s people to focus on reinventing the business model and finding bold, new growth opportunities. And its impact on the company’s strategies – and, ultimately, its performance – is still being felt today. Earlier this month, even in the face of formidable pressures, Emerson announced record financial results for 2008, and it continues to be one of the most reliable earnings machines in the American economy.

Very few companies could claim to have a specific innovation war room somewhere at headquarters. But what every company can and should do – right now! – is organize a serious, high-level strategy forum (at least call it the “Innovation War Room”) to start rethinking their business from the customer backward. One of the fundamental questions they need to ask at that meeting is: “How do we get the sales curve moving upward in a market where customers are no longer buying?” And, in a nutshell, my own response to that question would be identical to a slogan IBM is now using: “Stop selling what you have. Start selling what they need!”

The absolute worst thing your company can do in a stalled economy is to assume you can just continue to sell the same old product or service to the same old customers in the same old way – and at the same old price. Instead, you need to get busy working out how your customers’ priorities may have changed, and quickly realign your business model to address their new needs.

I teach companies to unpack their business model into five components: who they serve, what they provide, how they provide it, how they make money, and how they differentiate and sustain an advantage. Then I show them how to radically rethink each component using the “Four Lenses of Innovation” – the cutting-edge ideation methodology outlined in my latest book “Innovation to the Core”.

So I get the strategy teams to:

1. Challenge deeply-held orthodoxies about who their customers are, how they interact with them, how they define their products or services, how they configure the value chain, and so on;
2. Harness emergent trends and discontinuities to substantially change the way things are done in their industry,
3. Leverage core competencies and strategic assets in novel ways to generate new growth; and
4. Understand and address deep customer needs that are currently going unmet.

Isn't it time you subjected your own business model to some "creative reconstruction", aimed at making it better suited to today's shifting customer needs and new economic realities?

**Ronald Jonash serves on the faculty at the Hult International Business School and is a senior partner at Arthur D. Little**

Innovating through a downturn (not just in a downturn) means thinking and acting differently to make innovation real and sustainable in troubled times.

1. Cash is king AND real assets matter – (Innovating to drive current income while also building and investing in assets that will make you stronger tomorrow.) During downturns, many companies are so focused on generating or conserving cash that they abandon all longer-term investments. While leading innovators focus on accelerating cash generating initiatives (e.g., through accelerated rollout of both process and low-cost product/service innovations and through a significantly increased focus on business model innovations), they also capture this value from today's innovations in a way that helps protect and strengthen assets which will help drive bigger, bolder innovations and new growth platforms for tomorrow
2. Batten down the hatches AND plan for new escapes – (Innovating to connect today's survival with preparing for what's next and what if.) During downturns, many companies batten down the hatches so tightly that they are ill prepared to take advantage of new opportunities as market conditions improve or as distressed assets become available. Leading innovators instead focus on keeping options open and investing or bootstrapping at least enough so that they are prepared to move when the time is right.
3. Save yourself AND protect your friends – (Innovating to win your own battles while also helping current and future allies win theirs.) During downturns, many companies abandon or turn on their partners as they hunker down in a survival mode. Leading innovators instead focus on driving win-win innovations across the value chain that help their best customers and channels during the downturn and thereby grease the skids for rapid recovery on the other side. They stay closer to their key constituencies and focus on ways to prevent churn and switching in their biggest customers and sources of revenues. They also continue to nurture their key innovation sources and suppliers looking for ways to leverage more limited internal resources. During downturns, leading innovators reduce the risk of their overall portfolio while pursuing higher risk initiatives through partnerships and alliances
4. Clean house AND build foundations for new adjacent rooms – (Innovating to simplify while also creating room to grow.) During downturns, many companies severely cut back on activities that are not income-generating and focus entirely

on lean operations. Leading innovators know how to slim down and rationalize their innovation portfolios and pipelines, but they do this while also looking into attractive adjacent markets or parts of the supply chain where you can turn the weakness of others to your advantage. In driving lean innovation, leaders are able to accomplish more with less and faster. They conduct the last experiment first and have a bias for action. Streamlining their innovation operations and value chain enables accelerated innovation and time to cash.

5. Divide and conquer AND connect the dots - innovating with a focus on lead segments (be they lead manufacturing plants for process innovation or lead customers for product or service innovations and high performance innovation teams). During downturns, many companies devolve into internal infighting and balkanization, which creates major barriers to rapid innovation. Leading innovators focus on specific application targets that represent the fastest and biggest successes and redouble their focus with countermeasures increased cross team training and stretch targets and rewards for innovating through the downturn and coming out number one on the other side. They are actually able to use the downturn to increase customer loyalty and partnership preferences while creating increased earnings per share growth estimates that increase investor confidence and company value.

Survival is essential and there is clearly no future without a present BUT/AND growth is also essential and there is no present without a future! Lead innovators recognize this and their leadership teams are adept at managing both agendas simultaneously.

### **Steven Shapiro, author of *24/7 Innovation***

As the economy continues to tumble, it is tempting to cut back on your investments in innovation. But now is the perfect time to increase your innovation efforts. Here are seven creative ways that innovation can help you recession-proof your business.

1. **Use open innovation to reduce R&D costs:** Sometimes it can be less expensive to have others do your innovating for you. Organizations like InnoCentive enable you to define the “value” of a new idea and then post your request to a large community of expert solvers. This moves innovation from an unpredictable cost (infrastructure, the cost of researchers, and other hidden costs) to a predictable cost (the posting fee and reward). This is a perfect way to reduce costs while growing the business.
2. **Use process innovation to reduce operating costs:** Innovation is not just about new products or new business models. It can also be focused on ways of reducing operating costs. Use my 7Rs of process innovation to help make your processes more efficient and more effective. I have seen companies reduce costs by 60% while improving responsiveness to customers by as much as 90%. If you can increase service while increasing margins, you are sure to recession-proof your business.

3. **Use innovation to match supply and demand:** Sometimes you only want temporary measures to help you ride out tough times. I worked at Accenture, the large international management consulting firm, for 15 years. During my time there we went through three recessions. Each time the pattern was the same: the economy tanks, customers reduce spending on consulting, Accenture lays off employees, the economy picks up, Accenture scrambles to hire talent. During the 2001 dot-com bubble burst, they used a different approach: Instead of handing out pink slips, they offered a leave of absence for a period of time. The employee on sabbatical would get 20% of their salary (plus benefits) and would be assured a job upon their return. This helped match supply with demand, while keeping morale relatively high. Sometimes a creative solution can help you smooth the ups and downs of the economy.
4. **Solve your customers' pain:** During a recession, your customers will probably reduce spending, especially on discretionary items. But they may be willing to invest in products or services that eliminate their pains. Problem solvers are in big demand...always. If their pain is the need for cost containment, how can you do it for them – and take a slice of the action? In my business, I get more requests for speeches on “recession proofing” than I do for those on general innovation. What pain do you solve? Or how can you make your customer aware of a pain that they may not have noticed? Learn more about why solving a pain is more powerful...during any economic condition.
5. **Fail cheaply:** If you are truly innovative, you will fail. If you don't fail, you are playing it safe. Therefore, if you are going to fail, FAIL CHEAPLY. And no, this is not the same as failing fast. I am not talking about speed, I am addressing the cost to implement. To fail cheaply, you must embrace the “build it, try it, fix it” mentality. Build out your idea as a small experiment. Implement it. Learn from the experience. My Innovation Personality Poker was developed using this approach. I first created a simple spreadsheet to test for personalities. Then I created homemade cards printed at FedEx Kinkos on card stock. Finally, when we knew it was perfect, we invested in designers and 500 decks of casino-quality poker cards.
6. **Before you can multiply, you must first learn to divide:** While in Asia, I heard a great expression, “Before you can multiply, you must first learn to divide.” I now find myself using this saying nearly every day. The idea is that if you want to grow your business, you must learn to partner with others – and give them a slice (and a vested interest in your success). This means you take a smaller slice of a bigger pie. With the economic downturn, this philosophy is even more appropriate. People are now hungry for new money-making opportunities. When you help others make money, you make money.
7. **Use innovation to improve your suppliers' business:** We often underestimate the value of our various business partners, and in particular the value of our suppliers. I once worked with a potato chip manufacturer. They were dependent on the quality of the potatoes grown by small, financial unstable growers. Instead of squeezing their suppliers, they helped the suppliers grow their business. They

helped the growers buy equipment and fertilizer at reduced costs by leveraging the buying power of the large chip manufacturer. They gave them business loans at reduced rates. When the market gets tight, your suppliers may struggle more than you. But if you help them be successful, you might find you are more successful.

8. **The bottom line: use innovation to leapfrog the competition:** While others are tightening their belts, truly successful companies use the recession as a chance to leapfrog their competition. My favorite company, Koch Industries, increases their investments during difficult times. They know that if they focus on innovation while others are cutting costs, they will quickly catapult past everyone else. They must be doing something right. They have grown seven times faster than the S&P 500 for the past 40 years. This is a company that has proven it is recession-proof. Innovation is a powerful tool that can help you ride out the tough times and position you for future growth. With the recession looming, you need innovation now more than ever.

**Robert B. Tucker, President of The Innovation Resource Consulting Group and author of five books on innovation, including *Driving Growth Through Innovation***

First, let's acknowledge that the distressed global economy has disrupted more business models more quickly than ever in history. Customers are redefining what "value" means to them by the day. 2009 will present us with the most challenging business environment we've ever faced, regardless of what industry you are in. Companies are less interested in "systematic innovation processes" right now; short-term survival is at stake. But ironically, they're more open to innovative thinking than ever, as long as you don't call it that. Management's needs have changed: they want more fish, skip the fishing theory. They want solutions and they want hope. They want to hear about what other firms are doing to alter business models and offerings to remain relevant. They want "take charge" individuals who see opportunities when others are paralyzed by panic and old paradigm thinking.

McKinsey's oft cited study of the 2000-01 recession is instructive: almost 40 percent of leading industrial companies toppled from the first quartile of their sectors, while 15 percent of companies that were not industry leaders prior to the recession vaulted into that position during it. Where do you see your company headed and what can you do about it?

If you can create an environment for novel solutions, you will be listened to. And if you can execute fast, you will be rewarded. Ask yourself this: What are ways to cut costs, win customers, enter new markets, create value for customers whose suppliers have gone bankrupt? What assumptions can you assault? How can you inspire your firm, your team or department to feel the fear and act boldly?

To paraphrase Kipling, "If you can keep your head when all about you are losing theirs," then this is your moment.

**Chris Meyer, Chief Executive, Monitor Networks**

Adapting to rapid structural change requires exploration, not contraction. Lessons can be learned by looking at large, complex systems in nature, which tend to adapt to change very well. As the economy becomes more interconnected, it is characterized more by rapid structural change and less by cyclical change. In this increasingly boundary-less world, where companies, industries and the larger economy constitute one seamless system, continual exploration and adaptation is becoming the preferred strategy on all levels. Companies that choose to contract in a downturn may be benefiting economic evolution but at the expense of their own survival.

**Mark Turrell, Cofounder and President, Imaginatik**

When economies hit recession, what do firms do? They cut back. They cut back on advertising, training, marketing, IT and, of course, innovation. Who cares about a brand new product line that can only get into market in two years time when the firm's very survival is at stake?

In my view innovation will be decimated. People working in innovation areas of companies will be redeployed, or let go. Innovation consulting shops will first explode in number, as recently departed corporate innovators hit the streets looking for consulting work. That will reduce fee levels, have more people competing for fewer jobs, and that will implode. The top innovation consulting firms will get hammered. Even if things are not grim to the extent of losing 50% of your revenue, what happens in recessions is almost worse. The top 20% of a company's revenue will vanish as other firms change their spending patterns. This amount often equates to the profit margin of the firm itself, so they slip into loss-making territory.

Now, all the research shows that companies who do best from a recession maintain their commitment levels to innovation. Unfortunately this describes the top 5% of companies. The other 95% of firms tend to cut back.

My personal belief, and this is somewhat more aggressive in terms of prediction than most, is that we are looking at sustained levels of global depression. As a student of history, one can easily view the last few decades as an aberration of mankind's existence. The world has always gone through low points, and many of these low points have been sustained over several years. Given the systematic nature of deleveraging within the current world economy (every one real dollar supported twenty fake borrowed dollars), and the way that the world is now dramatically more interconnected than before, we are into a systemwide contagion event, a potential meltdown in activity.

So, in this world scenario, what happens to the innovators?

Now, I would be positively delighted to be proved wrong in the next 12 to 18 months. I really, really would. The problem, as I see it, is that our world has been driven by rosy-

eyed predictions, and no one can face a system-wide meltdown event. It is a scenario that does not even come onto the radar. And yet, such denial of negative outcomes has hastened us to this position. Just yesterday I was reading a one-year old *Wall Street Journal* article on financial risk. Even the gloomiest of predictions did not come close to hitting today's reality - in any area.

Therefore, I stand by my view, in spite of being an innovator and running the top company selling innovation software, Imaginatik. It will be brutal.

The world may prove to be a tough place, but the best innovators will simply refocus their efforts on doing what is important for the business. Innovation, after all, is the process of doing new things that deliver value (Imaginatik's definition). Cost reduction is just another new thing we have to do.

### **Jeneanne Rae, Co-founder and President, Peer Insight LLC**

When trying to innovate in a downturn, prioritization is really important. Companies can't do all the stuff they want to do, so they have to pare their lists and work on the things that will bring them the most impact and are the most relevant to their strategic priorities. Reshuffling talent can also be helpful in that good people that could be destined for layoffs because their division may not be doing so well can be redeployed into innovation execution roles.

### **Jeffrey Baumgartner, Founder of JPB Creative and Bwiti bvba, and author of the Report103 innovation newsletter**

As the world dips into what is now being described as the worst recession since the 1930s, many businesses are revisiting their innovation strategies. Some, sadly, have decided to drop innovation activities all together. This strategy will only work – and to a limited extent at that – if their competitors adopt the same strategy. On the other hand, if a company stops innovating while one or more of their competitors continue to do so, it's clear who will come out of this recession more successful.

The most obvious innovation strategy for hard times is a classic one: cutting costs. Indeed, we (as an idea management service provider) have seen a growth in business this year from companies investing in cost-cutting innovation. After all, innovation is not exclusively about sexy new products and services. It's also about operational and logistical efficiency. But there are other approaches that should be included in your recessionary innovation strategy. Let's look at some of them.

#### **1. Promoting your product and/or service's value in a recession**

The very first thing you need to do is to communicate to your clients how important your product or service is and how buying from you will help your customers survive the economic slowdown better than not buying from you. If

your customers are slashing their budgets, that means less money to spend on your products as well as other products. As a result, not only are your competitors trying to get a piece of that dwindling budget, but so too are many companies you would not consider competitors. You need to ensure that your customers know your products and services are more important than other products and services.

For instance, the advertising industry always takes a hit in times of economic slowdown. As a result, whenever times are tough, the ad industry reminds their clients that it is critical to continue to advertise and ensure their advertisements are widely seen by the buying public. The ad agencies can also point to research demonstrating that firms that keep up their advertising spend during a recession can expect to come out of the recession in better shape than their competitors who slash advertising budgets.

How about your business? Are orders down? Are clients harder to find? If so, the very first thing you need to be innovative about is a marketing argument for why your products and services are essential during this recession. You know your clients need to buy from you. But do your clients? Making this clear requires marketing communication innovation.

## 2. **Better utilize your resources**

I am always amazed at the amount of wastage I find in the average office. Lights are kept on all night, people print out e-mails in order to read them once – and then throw them away. Large company cars are used to make trips that could be done just as well by public transportation (allowing the employee to be more productive as well) and little effort seems to go into separating rubbish for recycling.

Look deeper and you find that employees are cc'd into emails that they never read, but are not informed of critical issues. Meetings take up the time of your most expensive employees, but most of those meetings are unnecessary.

The list goes on. Many of these problems have easy and not particularly innovative solutions. Other problems are more industry specific and require innovation. One of the most profitable sequence of ideas campaigns (or other idea generating events such as brainstorming) you can run is one designed to identify areas of wastage and then generate ideas to reduce that wastage – or possibly even profit from exploiting the wastage.

In doing so, it is important to remember that people in your firm are highly valuable assets. If their time is being wasted, that is costing you money. But the issue of time efficiency needs to be balanced against employee satisfaction. If you become overly strict about how employees use their time, there is a danger

of igniting employee dissatisfaction, which will lead to a hard-working, yet unproductive and less than happy workforce. And that will do your innovation activities no good at all.

### 3. Deliver more value to customers

If there is one thing your customers desperately want today, it is more value for their money. Ideally, they would like to derive that value without investing more in your products. Fortunately, it is likely that there are many ways your products can be used – ways that are not described in your instruction manuals. As a result, your products can often deliver additional value without any modification. You just need to communicate these new uses to your customers. But before you do that, you need to identify new uses for your products.

There are several ways to generate innovative ideas about deriving additional value from your products. Consider the screwdriver. Its main purpose is to insert and remove screws. Yet a screwdriver can be used as an ice pick, a nail removal device, a small crow bar, a weapon, a drink stirring stick, and much more. Indeed, if you were to spend 30 minutes brainstorming ideas on creative uses for a screwdriver, a creative thinker like you could almost certainly come up with 50 or 100. You can also do the same for your products – and indeed you should on a regular basis. If you can demonstrate to your prospective customers that your product can do much more than the competitors', you will soon be selling much more than your competitors too.

In other cases, modest changes to your products enable them to deliver significant additional value at a minimal additional cost. A screwdriver with interchangeable heads only costs a little more than a fixed head screwdriver, yet enables people to use it on a wider variety of screws.

Running ideas campaigns or brainstorming events to generate ideas on new product features can generate lots of ideas. But a better approach might be to run an ideas campaign on what wild and crazy things you could do with your products. Ensure that participants understand that ideas may incorporate any product changes they wish (you can worry about practicalities of implementing those changes later).

Even if you are selling a service, the chances are that you can find ways that enable your service to generate more value to your clients. For instance, a training business might provide additional course material at a discount, so that the client can distribute this material more widely. A trainer might also widen her repertoire of training packages, allowing the client to derive more value with minimal increase in investment.

Nevertheless, since services are priced on time rather than item, the degree to

which you can offer additional value with minimal additional cost is limited. However, if you can deliver your services in different ways, for instance a long term contract that generates cash flow or online delivery of your service, you can give your customers additional value at comparatively low cost.

#### 4. **Creative partnerships with other struggling companies**

With many companies struggling to stay afloat and buyers looking to reduce cost or get additional value at the same price, this is a great time to build partnerships with firms offering complementary products and services to yours. This is particularly true in the B2B environment. If you can offer a package of useful services this provides benefits to your customers who do not need to source all of the varied services from different suppliers. Moreover, you can exploit each others' sales teams and marketing communications to build business faster.

But don't just look for obvious partnerships. Your less innovative competitors are doing that already. Instead look for unusual partnerships that will provide unusual value. For example, if you run a coffee shop, don't just look at the obvious partnerships to serve food or additional drinks in your shop. Think about partnering with private language schools (that could offer lessons in your shop and in whose school you could serve coffee), secretarial services (that could provide telephone answering, faxing, and photocopying services to all the independent professionals who work out of laptops in your coffee shop) and so on.

#### 5. **Establish better ways to collaborate**

In large service industries, collaboration is important. But it can also be expensive. Flying highly paid professionals from one office to another isn't cheap. Maintaining video conferencing facilities is a substantial investment. Sharing MS Word and Excel documents with a dozen people via email, asking each person to give feedback is a horrendously inefficient means of collaborating on a document.

There are better ways of collaborating and many great tools that facilitate collaboration (I like to think we make one of those tools! - see advert below). But tools don't solve the problem unless you have a methodology and structure to govern their use. In the early 2000s, I saw a number of companies invest in collaborative knowledge management tools without giving a thought to how the tools would be used. Not surprisingly, they simply weren't used!

So, the first step is not to buy the tools. Rather it is to do some creative thinking and generate innovative new ways that you and your colleagues can collaborate effectively within the confines of your needs, limitations and culture. Once you've

established the method and define the structure. Then you can look into developing or buying tools.

## 6. **Keep It Simple Sweetheart (KISS)**

Simplification almost always reduces costs. Simpler to make products are also less costly to make. Moreover, they are typically more reliable as there are fewer bits to break down. Simple operational structures are less costly to run. Simple-to-use products keep your customers happy. For more on this topic, read *Keep Innovation Simple, Sweetheart* in the Tuesday, 22 November 2005 issue of Report 103 ([http://www.jpbc.com/report103/archive.php?issue\\_no=20051122](http://www.jpbc.com/report103/archive.php?issue_no=20051122))

## 7. **Putting It All Together**

A comprehensive approach to innovation is the best way to innovate – always. But in times like these, when the economy is slowing down and the future is uncertain, a comprehensive approach to innovation is critical to your survival. Remember: your cleverest competitors will certainly be trying to innovate their way through the recession. If you don't do the same – but better than them – you could be in trouble!

### **Catherine Peyralbe , Managing Partner, Gartner (Paris, France, and Geneva, Switzerland)**

I am working on innovation initiatives and on innovation process improvement for boards of leading European companies, but please note that these inputs are sent as an individual and not on behalf of my company.

Stopping innovation (which they consider as a competitive imperative) is not on their agenda, quite the opposite: The question is more on how to innovate more efficiently and in cases where a key additional innovation driver is the downturn... faster.

What becomes interesting is that solutions such as shared solutions that were not easily considered previously are coming back as acceptable strategies (shared costs, shared risks, shared skills and competencies, share production capabilities – shared benefits but faster). The increase in maturity of innovation process management and co-management processes also "adds" to the decision mix.

It also pushes clients to (at least) improve their demand analysis, what are the frustration points and key issues of their customers and members of their "ecosystem," in order to focus faster and more accurately.

At the same time, the improvement of methods to leverage for instance open innovation "tools" (asking the right questions, focusing the exchange, analyzing the flow as well as the outputs, etc.) provides a perception that the cost of this demand analysis phase could be optimized for a better return (not enough evidence on my side but I am facing the perception).

**Linda Naiman, Corporate Alchemist, Coaching, Consulting, & Training for Creativity, Innovation and Leadership Development**

Do some excavation work and mine those veins of gold.

- Take time for thinking and reflection, alone and as a group.
- In chaos there is opportunity. Look for clues.
- Start in your own back yard. What reports have you paid for and put on the shelf to collect dust? Go through notes from conferences, courses, client meetings, etc and mine those veins of gold.

**Dave Pollard, author of How to Save the World blog and the book *Finding the Sweet Spot: The Natural Entrepreneur's Guide to Responsible, Sustainable, Joyful Work***

My book has an entire chapter on continuous innovation and another on organizational resilience. I stress the point that the two are connected, and that both are essential in a fast-changing economy.

In addition, I would argue that we are looking at more than a recession, but rather a permanent shift to a steady-state economy. Innovation will be essential to that transition. I write more about that [in my blog](#). The concept of what I call 'Natural Economy' is further explained in [this article](#).

**Jeff De Cagna, Chief Strategist and Founder, Principled Innovation LLC**

In a time of economic uncertainty, there is at least one strategic certainty: companies can innovate by making the lives of their customers simpler. While the buyers of your products and services are worrying about their jobs, their house values and their 401(k)s, suppliers should be taking steps to eliminate unnecessary complexity in their offers, as well as inventing simple new solutions to nagging problems.

A renewed focus on simplicity is also a winning internal innovation strategy during austere times because it drives meaningful cost reduction, and improves the morale and outlook of your employees, who are equally concerned about the future. Fundamentally, companies should use the current economic downturn as an opportunity to jettison as much unsustainable complexity as possible. Be simple. Be lightweight. Be an innovator.

***Selected Article and Blog Excerpts***

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**The Innovator's Survival Guide: It's Possible to Adapt and Even Thrive in Tough Economic Times – Here's How**

By Kevin Bolen, *Strategy & Innovation*, Oct. 29, 2008

[http://www.innosight.com/innovation\\_resources/article.html?id=671](http://www.innosight.com/innovation_resources/article.html?id=671)

Innovators should accept the realities of the marketplace and lend their help to the cause. Innosight's research has shown that innovation can only succeed when the core business is stable. Without this foundation, management's time and attention will be overwhelmed by the need to appease stakeholders such as clients and partners. Their ability to think constructively about any concept more than three months out will be impaired. Our advice: don't fight this. Instead, innovators should look for ways their teams can help right the ship:

- Offer to temporarily suspend your market trials and reallocate those resources to research efforts within the core client base
- Develop a jobs-to-be-done analysis for current consumers that highlights changes in their evaluation criteria and consideration of competitive offers in light of the economy
- Conduct a disruptive threat assessment to analyze and counteract the actions of emerging competitors who may see your current weakness as an opportunity to advance
- Provide input on marketing and messaging tactics to better align your value proposition to consumers' changing needs and circumstances
- Outline ways to de-feature the existing offerings to better meet the basic needs of consumers at a lower price point

### **Financial Pressure and Disruption**

**By Rebecca Waber, InnoBlog, Oct. 17, 2008**

<http://www.innosight.com/blog/251-financial-pressure-and-disruption.html>

Financial pressure translates into lower tolerance for being overshot on the part of consumers. If a consumer didn't really need a certain product feature before, they certainly are not willing to pay for it now. At first blush this might seem grim for retail, but in the light of a disruptive lens, it actually highlights new opportunity. People still need jobs done in their lives, and the company that provides them with a product to hire for that job, in the context of the current financial reality, will benefit. In this sense, this new environment could potentially be a nurturing foothold for the birth of new disruptive technologies, or for potentially disruptive existing innovations that have been waiting in the wings for their chance to thrive (think scooters, or consumer technologies for corporate IT).

What does this mean for firms today? It suggests that it may be fruitful to re-think portfolios of offerings and to consider old products that may be lying in an R&D warehouse, or that are on the market but have been de-emphasized. Formally stalled innovations could thrive in the new environment where the definition of "good enough" has changed, and would be low-hanging fruit for success

**Innovate Out of the Economic Downturn****By Sami Mahroum, *BusinessWeek*, Oct. 27, 2008**[http://www.businessweek.com/innovate/content/oct2008/id20081027\\_851140.htm?link\\_position=link5](http://www.businessweek.com/innovate/content/oct2008/id20081027_851140.htm?link_position=link5)

During economic downturns, innovation is the single most important condition for transforming the crisis into an opportunity. And while many businesses simply won't be able to afford further investment in innovation, governments should recognize that innovation systems, with all their academic, industrial, and public components, are strategic national assets that need to be protected, just like the financial and housing sectors. Times such as these call for government intervention to prevent the contraction of the knowledge bases upon which economies are now more than ever dependent.

**The Innovator's Dilemma and the U.S. Economy****By Steve Shapiro, *24/7 Innovation blog*, Nov 20, 2008**<http://www.steveshapiro.com/blog/2008/11/20/the-innovators-dilemma-and-the-us-economy/>

I fear that the same [innovator's dilemma from Christensen's book of the same name] exists for the U.S. economy. Instead of disruptive technologies, we are talking about disruptive economies and countries. The U.S. economy – and most of the “Western world” – is based on constantly improving everything: becoming bigger and better. But what if affordability and accessibility are the names of the game? How will we compete with China or India? This poses a serious dilemma. In these situations, the incumbent often loses. The Western world is the current incumbent.

**The Innovator's Guide to a Galaxy in Recession****By Boris Pluskowski, *The Complete Innovator blog*, Nov. 20, 2008**<http://completeinnovator.com/2008/11/20/the-innovator%e2%80%99s-guide-to-a-galaxy-in-recession/>

Recessions result in one certainty – big change – and the longer and deeper the recession, the more change there is – in your consumer/client, in your market, in your industry, in global business as a whole. Big change is scary – but big change is good. Big change means big opportunities: Opportunities to change the game, to take advantage of weaker competitors, to find new and novel ways in which to not only survive, but to thrive. Innovation is all about realizing and capitalizing on the opportunities available to your company, and it's the way out of vicious cycles like the one described in my blog post.

The great news is that companies intent on winning the game are now forced to look at innovation with a sense of urgency previously unseen. They will look towards innovation to revisit past assumptions, norms, and directions in a bid to become different from the competition in the eyes of the consumer/client. To no longer be able to be compared on a like for like basis, and to compete in a market of one instead of many. Winners

emerging from this downturn in the economy will develop an innovation strategy that looks at innovation in a very unique way from most companies.

### **Layoffs and Creativity: Are You Expelling the Innovators?**

**By Bob Sutton, Work Matters blog, Oct. 16, 2008**

[http://bobsutton.typepad.com/my\\_weblog/2008/10/layoffs-and-creativity.html](http://bobsutton.typepad.com/my_weblog/2008/10/layoffs-and-creativity.html)

Take a close look at the people you are keeping versus those you are cutting. Are you unwittingly protecting the clones, those people just like your favorite person – yourself? And are you consistently expelling able people who make you squirm, who give you the creeps, but who will assure that your organization won't be condemned to be stuck in the past?

### **Diversification (def'n): Where Innovation and Survival Meet Infinite**

**By Jim Belfiore, Thirty Minutes From Andromeda blog, Nov. 4, 2008**

<http://andromeda-30.blogspot.com/2008/11/diversification-defn-where-innovation.html>

If you wait until a crisis to innovate, I don't give you very good survival odds. Effective innovators practice their skills frequently, and on the simplest and smallest of challenges. They don't limit themselves to problems they know, but stretch themselves into areas of limited or no previous experience. I can't tell you how often I work with customers who are confounded by competitors who seem to come out of nowhere. After a review of "threats" to patent or innovation portfolios, I usually discover that the competitor had been busy developing assets and technologies that not only competed with my client, but also had nothing to do with their core competencies. It wasn't the extra technology that made them more competitive, it was the ability to use innovation to repeatedly create value.

Creative problem solving, everyday, no matter how far removed it may seem from your day to day work, will help you adapt to the most difficult of circumstances. Learning one new thing every day as a matter of practice, will help build research skills that will be essential if you suddenly have to change jobs, venues, or major project and life goals.

Innovation skills can be practiced and applied to any situation. When the need arises to be a quick thinker and effective problem solver, the well-practiced innovator will be able to create diversified value that will help him/her meet the tactical needs of an immediate crisis, and clarify the strategic vision needed to achieve changing long-term goals.

### **Innovation in Times of Recession**

**By Yoni Stern, Innovation by SIT blog, Nov. 3, 2008**

<http://www.sitsite.com/blog/2008/11/innovation-in-times-of-recession/>

Innovation should be applied to tough projects and processes that are already occurring in the organization. It should be used to improve them – to make them more efficient, more effective, or to leverage them for growth. Innovation should not be invasive, it

should be a tool for getting the most out of what is already happening or what you already have. I doubt that this becomes irrelevant in times of a recession. And, when done right, innovation changes the way people think (one of the reasons that brainstorming doesn't really work, since it works on creating an "innovation environment" rather than changing how people think and approach the topic). And changing the way people think, changes how they act. Since recession is a time when things absolutely need to be approached differently and done differently, I cannot imagine a better time to make sure that your employees are doing this. Counter-intuitively, this makes times like now the best time to invest in training your people, and particularly in innovation skills.

### **Economics and Innovation – What You Said**

**By James Todhunter, Innovating to Win blog, Nov. 10, 2008**

[http://www.innovatingtowin.com/innovating\\_to\\_win/2008/11/economics-and-innovation-what-you-said.html](http://www.innovatingtowin.com/innovating_to_win/2008/11/economics-and-innovation-what-you-said.html)

Some companies are pulling back on innovation investing, while others are not sure what course of action to take. Certainly, it is not surprising. Whenever times are dominated by uncertainty, it is natural to feel the urge to retreat and wait for things to sort themselves out. But following that instinct may be a very bad move.

"The only way you emerge stronger from a recessionary period is by having new products, new technologies, and new capabilities. It's an absolute must to continue to invest in good times and in bad." – Craig Barrett, Chairman of the Board, Intel.

This statement by Mr. Barrett, is echoed by the responses seen our survey. Almost half (47.4%) of you indicate that your companies are increasing investment in innovation. This is good news for those companies, and for innovation. Add to this figure the 21.1% who state their companies are maintaining their current levels of innovation investment, and we can see strong indications that innovation is alive and well in this difficult climate.

### **Start a Company in a Recession? Absolutely!**

**By Don Dodge, Don Dodge on The Next Big Thing blog, Oct. 17, 2008**

[http://dondodge.typepad.com/the\\_next\\_big\\_thing/2008/10/start-a-company-in-a-recession-absolutely.html](http://dondodge.typepad.com/the_next_big_thing/2008/10/start-a-company-in-a-recession-absolutely.html)

Now is a great time to start a company. Why? In good times all the really great people are busy doing fun projects...and not available to join you in a startup. In bad times projects are cut, people are laid off, and big companies retrench to improving the existing stuff. New projects don't get any budget. So, great people get bored and start looking for the Next Big Thing... a cool startup. Raising money is a little harder, but not much. Good teams with good ideas can always get VC/Angel funding. In fact, VCs are sitting on tons of cash right now... and they want to invest it in hot new startups. Many VCs are reluctant to dump more money into an existing startup that is struggling, but will invest in a new startup idea. The promise is always more appealing than the reality. Everything else is cheap and readily available too. Office space is always cheaper and

more available in a recession. Computers, software, networks, desks, equipment... everything is cheaper. Expectations are lower during bad times so it is a good time to be in development mode, building a product, getting an audience, and starting a tiny revenue stream. Customers are willing to try new things to save money in bad times. When things are going great they don't want to take risks on a tiny startup. If you can save them money in bad times...they are happy to deal with a startup. Go for it! Now is a great time to build your great idea into a company.

### **When Times Get Tough, the Tough Invent**

**By Kurt Cagle, O'Reilly blog, Nov. 20, 2008**

<http://broadcast.oreilly.com/2008/11/when-times-get-tough-the-tough.html>

When times are bad and money becomes scarce, the problems typically become much more intractable, and throwing money at the problem becomes both much less attractive. Ironically enough, this is probably a good thing - the money serves only to get in the way. This is a time for inventors.

### **10 Worst Innovation Mistakes in a Recession**

**By Bruce Nussbaum, Nussbaum on Design blog, Jan. 10, 2008**

[http://www.businessweek.com/innovate/NussbaumOnDesign/archives/2008/01/10\\_worst\\_innovation.html](http://www.businessweek.com/innovate/NussbaumOnDesign/archives/2008/01/10_worst_innovation.html)

Unless you really want to compete on price (remember, last week India launched its \$2,500 Nano car), the ability to do sustained innovation is the one competitive edge left. Innovation is the driver of performance, growth and stock market valuation. Here are the 10 worst mistakes you can make in a recession that will hurt innovation:

1. Fire talent.
2. Cut back on technology.
3. Reduce risk.
4. Stop new product development.
5. Boards replace growth-oriented CEOs with cost-cutting CEOs.
6. Companies retreat from globalization.
7. CEOs replace innovation as key strategy.
8. Performance metrics are changed.
9. Hierarchy is reinforced over collaboration.
10. Retreat into walled castles

### **Collaboration - Key to Innovating in Tough Times**

**By Mike Docherty, innovation.net blog, May 3, 2008,**

<http://venture2.typepad.com/innovationnet/2008/05/collaboration-.html>

I've long felt that 'open innovation' is a recession-resistant trend, largely because it really does allow companies to 'do more with less'. While it's not the same as outsourcing, there's definitely a benefit in leveraging external resources in being able to improve your company's R&D efficiency (more innovation at the same expense level, or equal innovation for less investment). Collaboration has always been important. It's going to become even more important in the challenging period of global competitiveness and change in front of us all.

### **Finally - It's Go-Time for Relentless Innovators**

**By John Wolpert, The Three Percent blog, Jan. 23, 2008,**

<http://thethreepercent.com/blog/?p=38>

The pain and suffering that true innovation wreaks on the innovator can be so intense that we only attempt the real thing when we have no other choice. In my experience, a company is innovative at only three times in its life cycle:

1. When it is begun (if it is carving out new territory instead of simply following a crowd of previous entrants)
2. When it is so large that it can no longer grow organically or by same-line acquisition
3. When it is in danger of going out of business

With yesterday's market downturn and the prospect of a real recession on the doorstep, innovation source #3 is back in play, and that means the pain and suffering of not innovating and being crushed by bad times is going to exceed the pain of embracing new directions and committing everything to them.

It is true that in times of mild economic restriction a smart play is to go conservative for a while, pull in the horns and weather it. And, of course, that is what most leaders will do this time around. But when the pain doesn't go away soon, and the walls start coming down, then watch them start to re-think everything. The advantage to the relentless innovator in times like these is lower inertia. The relentless innovator is in shape, well-practiced in dancing through the minefield of change, and less prone to the stages of denial and disbelief that are already paralyzing the guardians of the status quo (who talk about innovation, because the market likes the word, but who are really focused on conservative improvement and stable, in-line growth). Relentless innovators are already used to being one misstep from unemployment - the terror of failure has become the almost pleasurable burn of a good workout. So! Relentless Innovators, you Three Percenters! It's go-time. You have a head-start while the other 97% stare blankly into space wondering if that chasm that has opened up in front of their feet is just a trick of the light.

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