

What are the Four Innovation Drivers?

It must be agreed that few markets are stable and unchanging, resulting in the need for new and revised products, services and processes. So, what creates the need for innovation? This post identifies the four innovation drivers as shown below.



Technological Advances

There are numerous examples of new technologies having a major influence on business (nano-technology – and products, RFID – and logistics). New technologies often create new industries (think of nano-technology, biotechnology and multimedia), all of which have created considerable employment over the past few years. Furthermore, new applications of existing technologies are constantly emerging (electronics in car systems). For the organisation, it is more important than ever for them to continuously monitor the progress of both the technologies they currently use and also that of potential substitutes.



It is equally important for service companies and R&D is increasingly having a major impact on how they do business. Examples of this include banks and parcel delivery companies.

Changing Customers and Needs

The second driver is the changing characteristics and requirements of customers. Demographics show that many markets will evolve – think of the ageing profile in the West, for example. This means that traditional market segments may disappear, or fragment, or the boundaries between them may blur. Of equal importance, there is the pressure for more environmentally acceptable, better value for money products and services. As basic needs are met, there is an additional challenge to innovation – determining customers' hidden needs.

Intensified Competition

Competition has increased greatly over recent years as a result the reduction in logistics costs. What were traditionally seen as same, home markets, are being threatened by foreign competition. Companies may also face competition from sources normally outside their industries.

Changing Business Environment

Markets are constantly changing and evolving. Markets have become more open as the market economy has been embraced by the former command economy countries. Regulations have been relaxed in many jurisdictions (for example, deregulation of post and telecommunications and transport).

As a result of cost-cutting, there has been a gradual reduction in the resources required for key business processes. Further efficiency gains will bring only diminishing returns so there will be a need to focus on increasing revenues and profits through new products and services.

Economic cycles also have an impact on innovation. The financial crisis of 2008 will influence innovation for some time to come. Downturns often drive companies to cut their investments



in innovation but the winners will be those that have continued to invest.

Conclusion

Whilst the above four forces provide the drivers for innovation, how an organisation chooses to respond to them depends on ‘strategic intent’: the aims of key stakeholders, including senior management. What is clear is the need for organisations to continuously monitor, understand and adapt to the different changes arising from the drivers of innovation.