

The Time To Innovate Is Now

Raincoats and galoshes are not the way to weather this downturn. By Mike Rainone

By now, we all know we are in a recession, a recession which may well be the worst downturn in the past half century. We could debate for hours about how we got here, but the more important questions are: Who will still be here when we emerge? And what are industry leaders doing right this very minute to ensure their success? Despite the economy, or perhaps because of it, we must anticipate that our competition is working right now on ways to take away our share of the market and put us out of business.

What is the proper response to this downturn? Is it time to lay everyone off, shepherd the cash until the worst is over, and then cautiously start again? Or is this the perfect time to prepare to crush the competition?

Unfortunately for most of us, management will choose the conservative (and riskiest) approach, which likely means trimming the fat, and bean counters usually see the fat as that which does not produce immediate profit. Unpredictable, “fatty” New Product Development (NPD) is always an easy target, so for the NPD engineer I suspect our misery is going to get worse, before it gets better.

We must anticipate the possibility that our competition is working on ways to put us out of business, to take our share of the market away from us. The only way to survive is to counter the competitive threat by creating the best new products, right now. In doing so, you not only take market share from the competition today, but you’re also in the best position to roll out the most innovative, next generation products tomorrow.

Peter Drucker, author and “father of modern management,” once said there are only two functions of business: Marketing and New Product Development, but in these times it is easier to say the words than to do the deed. Over the last month, the number of employed NPD engineers in this country has shrunk. In fact, I suspect that among the half-million or so weekly jobless claims, there is a long line of engineers of every category.

I am troubled by that, but I am especially troubled by the notion that many of those that have been or will be laid off are new product engineers, the unsung heroes of many corporations, and the very key to survival in this economy. They are the ones who carry the archival knowledge of the company and cannot be easily replaced. Instead of disposing of these valuable resources, Corporate America should be investing in these heroes now if it really is interested in ensuring its own survival.

I know this much is true, a recession does not mean the end of all production. People and companies still buy things, they buy value, but they also buy innovation. They buy the best, most innovative products within their tightened budgets, which means a company that brings value and innovation wins in tough times. When the economic tides turn, as history tells us it will later, if not sooner, it is the innovative companies, those that have been preparing new and better offerings that

will nail the coffins shut on their conservative competition.

As a small NPD development company we depend on big companies to come to us to help with innovation, to take concepts through proof of concept engineering and then to create proof of concept prototypes. We chose this niche because we understand that while most companies are really good at getting products into manufacturing, the fuzzy stuff up front is more problematic. It’s messy, unpredictable and an area that most companies see as a black hole — down which they pour resources and sometimes get something back. That’s why we exist, to make that black hole somewhat predictable.

Take, for example, Company X, a client we have been working with. The economy has turned down for them, but their response has been completely opposite of what you would expect. In the past year, the CEO has almost doubled the number of in-house NPD engineers, and further demonstrated his commitment by leveraging open innovation and using third-party resources to multiply the success of internal efforts. He is committed to grow the IP train, and turn this once stodgy dinosaur of a company into a NPD powerhouse. I believe that he is succeeding.

To be fair, Company X’s board of directors certainly knew what they were doing when they hired this new CEO three years ago. The company wanted to create a viable NPD function in one division; but for the first two years there was no money to back that up. Sound familiar? When the new CEO entered the picture, the tap cracked open. Is it any coincidence that three years later, the flood gates are opened on new product development? Currently, Company X is hiring as fast as it can; materials scientists, physicists, more engineers. Yes, I said hiring, despite this economy, or perhaps because of the opportunities that now exist to carve out a competitive edge.

Where does this come from, this incredible vision? I can only guess that came from the board of directors, and I don’t know any of their names, let alone know any of them personally. They looked to their biggest competitor, a company known for world class R&D, and they snatched one of its rising stars to lead them into the 21st century.

Maybe this is a lesson you need to take to your boss, his boss and all the way to the top. While things are tough, the company that invests in its primary strategic resource, its human capital, equipping them with resources and the opportunity to create innovative solutions, this company will win what business there is to be had. And when the world turns back up, they’ll kick the competition squarely in the backside.

Mike Rainone is the co-founder of PCDworks, a technology development firm specializing in breakthrough product innovation. You can contact him via mrain1@pcdworks.com or by visiting www.pcdworks.com. PDD



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