



BY
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Don't Be a Wuss

In tough times, it's the boldly innovative companies that are most likely to thrive

NOW'S THE TIME TO BE bold. And by that, I mean that it's time to be a radical innovator of products, services, and business models.

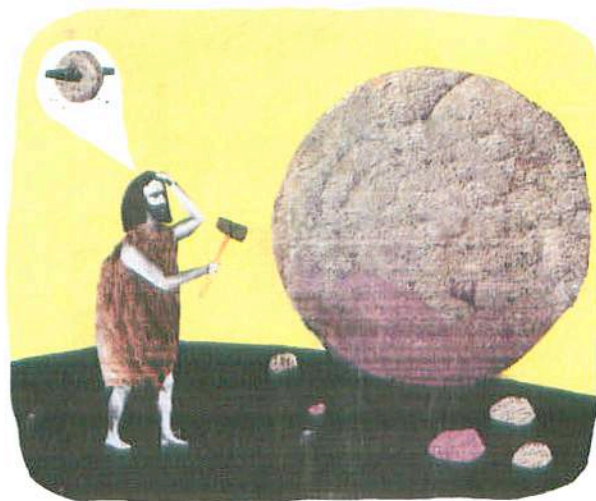
I'm seeing it across the globe. Small, incremental changes are considered a waste of time. Clients are shutting down projects that don't have major impact. A few weeks ago one of our corporate clients rejected a product concept because testing showed it was "only" a \$72 million idea. With limited resources, the business leader wanted to focus instead on ideas with a sales forecast of at least \$100 million.

Pioneering innovations produce seven times the impact on stock market valuation than more modest innovations do. And companies that pursue blockbuster ideas get a return on their advertising nine times that of more timid companies. (Both findings come from Boston University associate professor of marketing Shuba Srinivasan, who published them in the January issue of the *Journal of Marketing*.)

For privately held businesses, fair market selling price is analogous to stock market valuation. Over the years, a number of companies have offered

to purchase my business. In each case, they valued its innovations—patents, trademarks, and trade secrets—more than its sales.

Gerald Tellis, a professor of marketing at the University of Southern California, researched 779 business in 17 countries. He identified these three factors that predict radical innovation success:



1. WILLINGNESS TO CANNIBALIZE Companies that are willing to introduce a product that could supplant sales of an existing one are the most likely to succeed. They understand that it's better to undercut their own sales with a new product than have someone else steal those same sales.

2. FUTURE MARKET FOCUS Companies that win with radical innovations focus on where customers and markets are

going, not where they are today. The hockey player Wayne Gretzky brought this concept to life with his famous quote: "I skate to where the puck is going to be, not where it has been."

3. RISK TOLERANCE Enterprises that pursue radical innovations are more likely to take calculated risks, invest in new business ventures, and invest in higher-risk, higher-return opportunities.

For some companies, challenging economic times spur bold action. Take Uncover of Cheyenne, Wyo., which sold commemorative stamps and coins but saw revenue slump in 2005 as the market for collectibles declined. When its bank demanded repayment of loans, Uncover faced imminent bankruptcy. Moving quickly, it sold off its collectibles business and focused all its energy instead on what seemed like a minor asset—a patented package for displaying coins. Uncover began selling it and other packaging inventions to national mints and private companies. It worked. Uncover has grown to 140 employees from 20, and in 2008 it posted its largest aftertax profits ever.

It takes courage to innovate. That boldness doesn't come from employees or customers, but from company leadership. What are you waiting for? **SB**

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