

Innovation – “Fast Second” is where to be

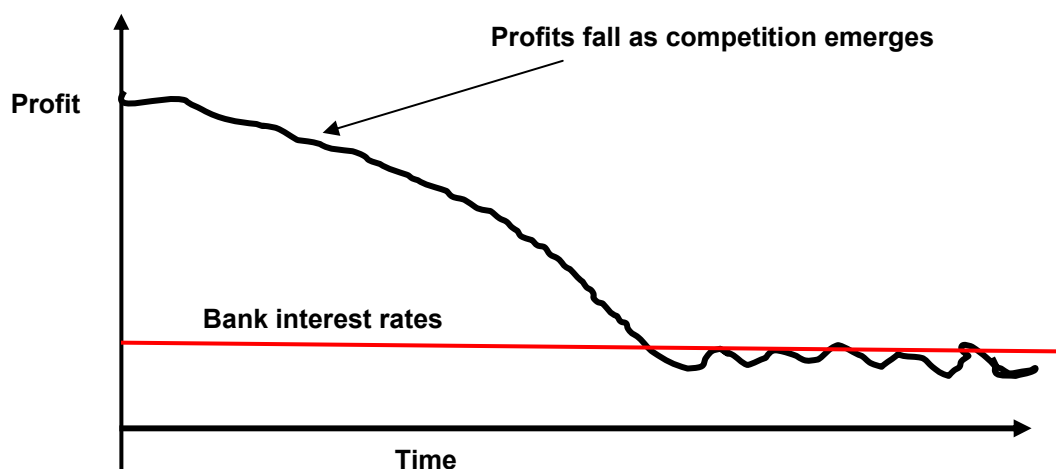
By Roger La Salle © 2007
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Starting a new business or venture or launching a new products or service is a risky business. In fact the statistics on new inventions would indicate a failure rate far in excess of 90%, and of those that do actually succeed in some way, rewards are often small. Occasionally there are some fabulous success stories, and we hear of these over and over again as wealthy and successful entrepreneurs are invited to the lectern to tell us their stories.

It is a pity that we do not get to hear from many of those who led failed ventures. These people are seldom asked to speak of their failure, indeed we seldom if ever hear of them. Yet, if you examine the credentials of those who succeed and those who do not, not surprisingly the differences in intelligence, capability or mindset may be insignificant. It's just that those with the success stories had a little bit of luck; were in the right place at the right time or found the right person to assist and mentor them as their businesses developed. Of course there are notable exceptions, what may be termed business world champions. These are people with truly exceptional talents, just like exceptional sportspeople or scientists, but by and large, the vast majority of successful people are just ordinary people who took advantage of an opportunity that worked.

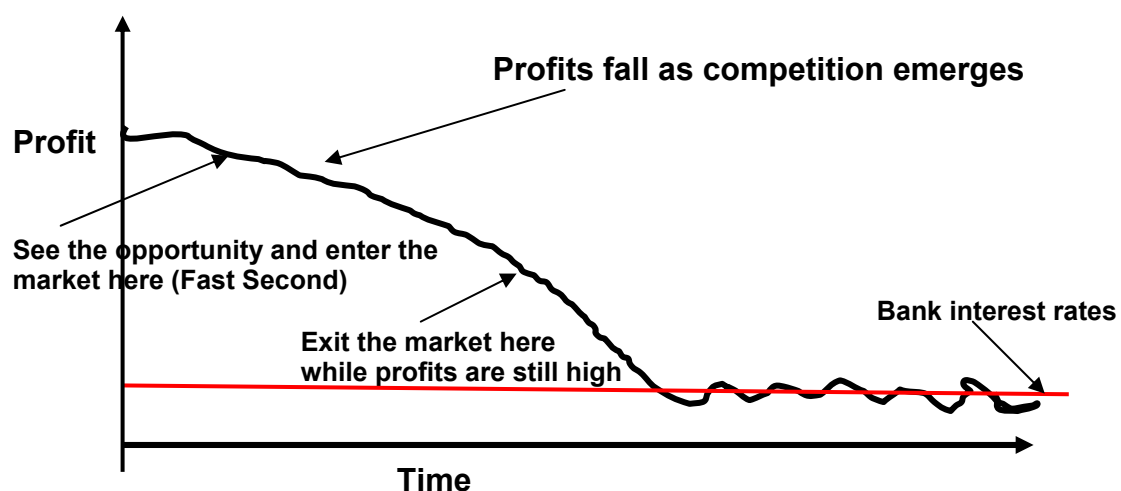
Given that one may argue that starting a new venture carries a lot of risk, consider the following graph.

This represents the typical profit profile over time of a successful new venture that is not in some way protected by legislation, like gambling Casinos, or patents, like the Polaroid instant develop camera, or by the extraordinary high market entry cost, like becoming the next NOKIA or TOYOTA.



Most new ventures that succeed that are not in some way protected by patents or regulations or the very high market entry price find that competitors, seeing the profits of these success stories, enter the market with the result that profitability falls over time to ultimately be little more than bank interest rates.

If we accept that pioneering may be a risky place to be and that perhaps being a follower may be a better place. Perhaps the best way either to enter a business or to improve your business is to remain vigilant and be early to spot the emerging successes and then “innovate” the successes and go back to the market with a better offering at perhaps a better price. This is called “**fast second**” and is a model that carries much less risk than being first, and is founded on the to certain knowledge that one can innovate the offering of the successful pioneer.



Henry Ford did not invent the motor car, but when he saw the market opportunity afforded by the first clumsily built and expensive cars, he “innovated” the process for making them and thus brought cars to the masses.

IBM is another example of a company that was not first into the personal computer market, but when it realised the market potential of the first personal computers that were being sold it quickly moved into the market, as fast second. In doing so IBM virtually stole the business, making IBM and the IBM compatibly the industry standard.

Note that as computer technology became commonplace and PC’s became a commodity that could be built by almost any technology company, including the low labour cost third world manufacturers, IBM exited the market for desktop PC’s.

However, IBM, did for a time remain in the laptop market, as the market entry price for this business is far more expensive than for the larger tower and desktop models.

Ultimately and quite recently, as laptop technology became commonplace and the laptop moved to become a commodity product, IBM also exited that business.

In the case of IBM, their “play” in the personal computer market was a classic “fast second” strategy. Get into the business early, and exit before the business is commoditised.

Clearly, one can see the advantage of a fast second strategy, and the benefit of seeing what is starting to work and innovating the offering and moving in to the market to take advantage of what is clearly going to be the “next big thing”.

Finally, if one wishes to challenge the proposition that an existing product or business cannot be innovated to provide a better market offering, or that basically nothing cannot be innovated, modified or improved in some way then consider the alternative argument. This view would hold that whatever you are considering, product, process or service will remain the same, indefinitely, unchanged, for the rest of eternity – this is a highly unlikely proposition.

Thus I believe there is a strong message for coming second in the race, in fact “Fast Second”.

Remain vigilant, observe what is working and develop innovated models of that very offering and enter the market with a look a like model, but with some innovated features that brings more value than the initial offering. In doing so the risk is little and the rewards almost assured.

Roger La Salle, often referred to as Australia “*innovation guru*” is the creator of the “Matrix Thinking”™ technique and is a widely sought after international speaker on, Innovation, Opportunity, and business development. He is the author of three books, Director of a number of companies both in Australian and overseas and has been responsible for a number of successful technology start-ups. In 2005 Roger was appointed to the “Chair of Innovation” at the Queens University in Belfast.
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