

INSPIRED INNOVATIONS, L.L.C.

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Innovation in Small Companies

The majority of small companies fail in their first few years. There are two major reasons that this occurs:

1. Insufficient capitalization
2. Lack of follow-through innovations.

Most people that start a company greatly underestimate the time and money necessary to get the company to a position of sustainable, positive cash flow.

In their minds, their business idea is a clear winner. As soon as they can get the product into the hands of customers, it will sell itself. This is rarely true.

It takes time and money for each of the following critical steps:

- Securing intellectual property via patents, trademarks or copyrights.
- Legally organizing the company.
- Obtaining office space, with utilities, equipment and appropriate business licenses.
- Hiring initial staff and issues such as salaries, insurance, other benefits and payroll accounting.
- Preparing logos, stationary, business cards and sales literature.
- Organizing manufacture of first products (contract manufacturers are typically required until sufficient sales are generated to justify establishment of internal facilities).
- Market development activities.

The old adage, “it takes money to make money”, is true and most people underestimate just how much will flow out **before** enough flows in.

This problem is well documented and there are all kinds of resources to help with the mechanics of organizing and financing small businesses. State and federal small business administrations can be a good starting point for literature and advice.

However, even if you have sufficient capitalization, **no company can survive and grow with just the initial product offering.** The lack of continuing innovation will eventually kill any company. This is particularly true for small companies.

Small companies of a few to a few hundred employees have limited internal technical resources. Some of the techniques which I discuss in my recent book, *"Inspired Innovations – A Guide to Highly Efficient New Product Development"*, can make the difference between prosperity and extinction for small companies.

The technical resources of a small company may only be a few people including the person that developed the first product. These few people may be highly competent and should know everything there is to know about the current product.

While this can be critical to making the small improvements and minor variations that are inevitably necessary to optimize this first product, it can in fact be a major hindrance to further innovation. These few people are so focused on the current product that it is hard for them to see alternatives. Because they are also few in number, they may not have a sufficient variety of technical backgrounds and experiences to enable them to find innovative solutions. Small companies need to leverage every resource that they can.

This is similar to a situation I describe in my book. In the section, "When all else fails", I discuss a method I use to solve entrenched problems with long histories.

I assemble a team that has very limited information, but the proper variety of technical training. I want people that do not know what is impossible and that have no idea of past failed attempts to solve the problem or to develop alternative products.

I recruit seniors and graduate students from a local university. I conduct phone interviews and choose 2-3 each from 4-5 different disciplines that are appropriate to the topic under study. I plan a weekend innovation session, pay them with a crisp \$100 bill, and feed them well.

I follow the regular two-day innovation session format described in my book. For entrenched problems, they will likely propose in the first two hours every approach that has been tried. They will not be looking at the problem with the blinders that come from familiarity, and may indeed come up with a unique

solution. They may see something new that leads to a totally different approach or that makes feasible an earlier attempt that failed. Their questions could lead you to consider the problem from a perspective that lets you immediately see the solution.

These sessions are very useful and quite inexpensive to run. You may not get a new solution, but they do not cost very much or take a lot of effort, and the results can be impressive. It is also fun and can be very invigorating for all of your employees that are involved. This student team approach is very useful for generating ideas for totally new product concepts.

These weekend sessions are also a wonderful, real-world interview process. Can students apply the principles they have learned? Can they communicate and defend their ideas? Are they willing to accept suggestions or to build upon the ideas of others? You will know at the end of the session which students could become good employees. I don't care about grade point averages; I want bright people that can effectively work in teams.

As I have described, this is an excellent way for small companies to leverage their limited resources and to get the fresh perspective that is often needed to develop a continuing stream of innovations.

When you are small, you have to think big. Good luck and happy hunting!

Dr. Phillip S. Wilson