



Innovation or Core? Try Both

Q: How do you innovate in new areas while maintaining strong execution on your core business?

A: Three hundred industry leaders recently grappled with this question at the Women's Foodservice Forum Executive Summit. Speakers and attendees shared insights on and challenges with achieving the right balance between innovation and core execution.

While it seems that start-ups tend to do the former well, and larger companies the latter, it is in fact possible to do both. Not only is it possible, it's necessary.

If you're a large company, the pull of ingrained business practices and the pressure to produce short-term results naturally inhibits creativity and new ideas. It's hard to devote your precious resources to risky propositions, but you need to if you want any chance of surviving in the ever-changing marketplace.

One approach is to set up an incubator inside your organization. Give a discrete group of people the mission and resources (time, people, and capital) to explore new ideas and take calculated risks. Coca-Cola's Venture and Emerging Brands unit provides an example. It develops, acquires, and distributes new products outside its core business units.

But don't separate your innovation group completely from the rest of your business. You want to insulate this group from the turf battles and turbulence that arise in the everyday business, but you don't want to make it difficult to transition their new developments into your operating system. Make sure there is ongoing communication and knowledge sharing between groups.

Large companies also need to figure out how to make failure fast and cheap—after all, the primary reason behind most enterprises' risk aversion is the hefty price tag of failed experiments. But if you design research and testing protocols that make it easy to determine the viability of new ideas early in their development, you reduce the cost of failure.

Exposing early prototypes to beta testers is an instructive approach, and one that has become easier thanks to the tribes and targeted communications facilitated by social media. Starbucks has honed this practice in its use of digital platforms like Facebook, Twitter, Instagram, My Starbucks Idea, and the Starbucks Digital Network in its innovation efforts.

Scanning the periphery is also important. If you're only looking at your current competitors and customers, you might miss crucial demographic shifts, new rivals, technological developments, and other macro-environmental changes. Set up the

systems and processes to monitor emerging markets—social networks can help you keep your ear to the ground. For example, Walmart's Twitter handle, @WalmartLabs, is a unit of the venerable retail chain that looks at Twitter posts, public Facebook posts, and search terms to refine its strategies.

If you're a start-up company, you have the opposite challenge. Creativity, agility, and risk-taking are your hallmarks. While your entrepreneurial spirit makes innovating easy, it also may pose challenges to solidly executing on your core business. It's easy to get distracted by new possibilities and it's tempting to constantly tweak things. Your efforts need to be focused on, well, focus.

You should be ruthless about setting and keeping priorities. You, your partners, and your employees should share a common brand vision and use common filters for decision-making on new opportunities. This is only possible when you commit to your core brand identity and business scope.

Five Guys Burgers and Fries has focused on doing a few things well since it was a small business, and look where it's gotten the brand. Founder and CEO Jerry Murrell recently explained that the demise of other franchises has been because "they all started to offer too many items and got away from their core."

Drill down to your absolute aspirations and lock them in. Then be sure to execute on them flawlessly so that customers learn exactly what you stand for and come to trust that you deliver.

Keeping a sustained relevance with consumers requires a much deeper understanding of the relevant cultural and contextual changes and a much more strategic approach to interpreting them. For example, Specialty's Café and Bakery was doing fast casual well before fast casual was cool. It was founded in 1987 with the goal of "providing a healthier and more varied alternative." Later, the chain targeted the professional business crowd and anticipated their demand for technology-enabled ordering and scaled corporate catering.

Finally, smaller chains can apply their creativity in aspects of their core business. Innovation shouldn't be limited to new products and offerings. Supply chain, employee engagement, and capital utilization are just a few areas in which innovation would produce increased operational excellence. For example, by challenging the convention of requiring employee uniforms, Freebirds World Burrito attracts the kind of workers who embody the brand's free spirit—and who are more concerned about serving guests well than on following arbitrary rules.

For companies of all sizes, innovation and core execution aren't an either/or proposition—they're a both/and. 