



Seizing opportunity for

# competitive advantage:

Why some companies [and leaders] are better at it than others

In today's global economy, cost-cutting, line extensions and acquisition are old recipes that no longer ensure business growth or success. Among those companies seeking competitive advantage by other means, those considered the most innovative, often appear to spot opportunities others miss. **Why?**

Sometimes it is the result of a deliberate combination of dynamics – much like a special recipe – that allows and facilitates creative innovation. And some companies intentionally set themselves up for unprecedented success by re-evaluating existing resources: people, corporate culture and a willingness to take risks. For many organizations seeking success, however, it is much more difficult to have the necessary ingredients. But difficult does not mean impossible.

### INSPIRING THE INDIVIDUAL

Brilliant and creative people are the stereotypical corporate whizzes typically postulated to be those best able to see opportunity others miss. This is a misleading stereotype, however, says Peter Boatwright, Tepper School associate professor of marketing and co-author of “The Design of Things to Come: How ordinary people create extraordinary products” (with Craig Vogel, University of Cincinnati, and Jonathan Cagan, Carnegie Mellon professor of mechanical engineering). “Hiring good people is necessary, but not sufficient. They need something else, too – motivation.”

Jason Rushin (MBA '01), director of product marketing for Nextance, agrees. “Smart and creative people need the freedom to be both.” And this attitude needs to run throughout an organization, he says. “You don’t know when or where or from whom the good ideas will come. You need to embrace the creativity of all your employees; encouraging input from all areas.”

The old adage, “If you want to be successful, surround yourself with people who are smarter than you,” certainly applies, says Rushin, especially for managers. “Managers benefit by constantly learning from staff and employees.”

Some companies assign workers to projects based on interests that will drive innovation. Boatwright points to New Balance as one company that sets up teams based on personal interest. And toy companies, like Fisher Price, have a similar practice of matching employee affinity with projects, he adds.

Jose Li (MBA '00), principal, retail & eCommerce for FedEx Services, admires Google’s formula for driving innovation. Google’s CEO Eric Schmidt has staff and managers allocate their time in a 70/20/10 ratio: 70 percent working on the core business, 20 percent spent on related projects or businesses, and 10 percent pursuing new business ideas. Li says other companies can benefit from a similar

focus on developing new business ideas, and through collaboration of different groups, departments and divisions within a company. “There are a lot of inspired and smart people within any company. Exposing them to innovation as an essential element of their job provides additional perspectives.”

### CULTIVATING A CULTURE FOR INNOVATION

Inspiration for innovation is also driven by company culture.

Certain company cultures inspire excitement through success, Boatwright explains. For example, Motorola’s RAZR cell phone had a significant impact internally. “The excitement of the product itself motivated Motorola’s employees to seek more opportunities to create other exciting products.”

Often this focus on creativity lessens as companies grow large, observes Li. “It has to do more with scale and creation silos than losing the entrepreneurial spirit. As a result, innovation gets reduced.” Perhaps as companies become larger they become more entrenched in processes and procedures.

But it doesn’t have to be that way, says Li. “Avoiding the one-perspective mentality and adopting a broad experience and expertise perspective is one solution. People who have this kind of perspective can sell their vision, lead by example, and they have an awareness of what benefits and impacts an opportunity may have on all the stakeholders.”

Arshad Chowdhury (MBA '03), entrepreneur and founder of MetroNaps, a company that specializing in mid-day rest facilities for professionals, says, “Some of the best ideas come from experience and frustration. Epiphanies can strike at any time, particularly while you are in the thick of a job.”

That’s how the seed of MetroNaps sprouted. “Before I attended Carnegie Mellon I worked in investment banking. I saw people falling asleep at their desks and many would sneak off to the bathroom to nap. I knew there was a better way to for people to stay awake and alert at work. I saw a need that was ready for a solution – one I tested while pursuing my MBA.” Since MetroNaps opened its first location in New York City’s Empire State Building in 2004, another has opened near Wall Street and distribution of nap pods is also occurring.

Obviously, innovative vision can produce new industries, market segments, products and services. Search engines, running shoes, nap

stations, and the minivan are only a few examples. Some companies effectively use the team approach to spot opportunities and scan the environment for creative solutions. In these situations, a team's mix can significantly affect the range, depth and integration of information captured and considered. So reports Laurie Weingart, Tepper School professor of organizational behavior and theory, and director of the Center for Interdisciplinary Research on Teams.

Putting together a diverse group, rather than one with all the same type of individuals, is an advantageous requirement, according to team research she is working on. For example, educational diversity is important for task relevance, and different functional backgrounds bring different "thought worlds" to a group. "It's the differences that breed the creativity," Weingart says. But, she cautions, you can also have too much diversity, which can limit understanding and the ability to interact. "Different thought worlds must be bridged, allowing for effective communication and collaboration across boundaries," she adds.

### ENCOURAGING EXPERIMENTATION

In today's market place, companies must distinguish themselves through product development or innovative services, and there is no better way to test the water than through experiments, observes Jeff Williams, Tepper School professor of business strategy, who focuses on business models in the new economy.

"If a company has the right kind of culture, they run experiments. And with the right kinds of experiments they have a better chance of hitting a home run," Williams says.

Chowdhury agrees. "Experimentation is vital in the formulation of an idea," he says. And once you have hit upon a good idea, it allows you to hone your innovation to meet the needs and preferences of the customer.

Even after product launch, ongoing research is useful. Chowdhury points out that you may find that what the customer actually wants doesn't always match your vision. "In my case, I wanted to just open more stores (nap centers). What we didn't expect was such a strong demand for the purchase of the MetroNaps Pods we developed," which are in great demand in Australia, the United Kingdom and Germany.

With experimentation, "the goal is not necessarily to be successful," Williams says. "Though that seems odd on the surface, the goal is to learn – to see if something works or not." When success is based on

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*Arshad Chowdhury's innovative business concept for MetroNap centers and nap pods was tested and refined while he was a student at Tepper.*

"Before I attended Carnegie Mellon, I was working in banking. I saw people falling asleep at their desks, and I thought there must be a better way than drinking coffee for people to stay awake and alert at work. I saw a need that was ready for a solution – one I tested while pursuing my MBA."

– Arshad Chowdhury  
MBA '03  
Founder, MetroNaps

what is learned through experimentation, there is less aversion to risk. This, in turn, frees up energy to explore. “Explorers are the pathfinders, the pioneers,” reports Williams. “This is a good strategy in searching out new opportunities. You have to be willing to take journeys without guarantees.”

Rushin says Apple is an excellent example of the “don’t give up attitude” needed for success. “The company’s Newton PDA wasn’t successful, but the company became very successful in other areas, such as with its iPod and iTunes. What makes companies successful is a willingness to take risks and accept failure without penalty. Penalties for failure stifle creativity.”

Williams emphasizes, “It’s a matter of having the willingness to treat the question of knowledge as the most important fundamental source of new competitive advantage.”

### THE TEPPER FACTOR

With regard to innovation by individuals, one must be equipped to recognize those “ah-ha” moments, or the opportunity passes unobserved.

14 While the time, place and circumstances for innovation are presented to different people in different ways, an important attribute among innovative individuals is having the broad base of knowledge and multi-functional insight with which to scan the opportunity horizon. Tepper graduates frequently point to this aspect of their education – the emphasis upon decision making driven by *multiple* strategic perspectives – as uniquely relevant and reliable as part of innovation process, whether they work as part of a corporate team or as entrepreneurs.

While at Tepper, Chowdhury not only tested his new business concept, but he refined and developed it. He points to the extraordinary support shown by professors, the opportunity to create a business plan in entrepreneur classes, and the opportunity he had to enter the plan in a national venture capital case competition, where it passed muster with the investors and won the competition.

Li believes the Tepper experience is special because students are perpetually exposed to a wide variety of different functions. “It gives you perspective – awareness of diverse aspects of the business world without having to be an expert.” It makes one open to possibilities because you can communicate, relate and understand across various disciplines, he adds.

Contrary to the conventional wisdom held by authors, management experts and even many corporate leaders, identifying the opportunities for innovation is not about being in the right place at the right time. It’s unrelated to luck, or serendipity, or the proverbial light bulb above one’s head.

Innovation is certainly elusive, but it’s also attainable. A person does, indeed, have control: control over the horizon that is scanned, control over the information that is assessed and acted upon, and control over how to seize the opportunity recognized. Inspiration, culture and experimentation are all contributing factors. But, having the knowledge on how to proceed toward the opportunity is what makes it happen. ▶