

RECESSION-PROOF YOUR BUSINESS WITH INNOVATION

As the economy continues to tumble, it is tempting to cut back on your investments in innovation. But now is the perfect time to increase your innovation efforts. Here are seven creative ways that innovation can help you recession-proof your business.

1. Use Open Innovation to Reduce R&D Costs

Sometimes it can be less expensive to have others do your innovating for you. This moves innovation from an unpredictable cost (infrastructure, the cost of researchers, and other hidden costs) to a predictable cost (the posting fee and reward). This is a perfect way to reduce costs while growing the business.

2. Use Process Innovation to Reduce Operating Costs

Innovation is not just about new products or new business models. It can also be focused on ways of reducing operating costs. A process innovation is the implementation of a new or significantly improved production or delivery method. This includes significant changes in techniques, equipment and/or software. If you can increase service while increasing margins, you are sure to recession-proof your business.

3. Use Innovation to Match Supply and Demand

Sometimes you only want temporary measures to help you ride out tough times. There are patterns to recessions. Each time the pattern is the same: the economy tanks, customers reduce spending on consulting, companies lay off employees, the economy picks up, companies scramble to hire talent. During the 2001 dot-com bubble burst, some companies used a different approach. Instead of handing out pink slips, they offered a leave of absence for a period of time. The employee on sabbatical would get around 20% of their salary (plus benefits) and would be assured a job upon their return. This helped match supply with demand, while keeping morale relatively high. Sometimes a creative solution can help you smooth the ups and downs of the economy.

4. Solve Your Customers Pain

During a recession, your customers will probably reduce spending, especially on discretionary items. But they may be willing to invest in products or services that eliminate their pains. Problem solvers are in big demand always. If their pain is the need for cost containment, how can you do it for them - and take a slice of the action? What pain do you solve? Or how can you make your customer aware of a pain that they may not have noticed? Learn more about why

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solving a pain is more powerful during any economic condition. You may also be interested to learn why the ATM machine was headed for failure until it was seen as solving a specific pain.

5. Fail Cheaply

If you are truly innovative, you will fail. If you don't fail, you are playing it safe. Therefore, if you are going to fail, *fail cheaply*—this is not the same as failing fast. To fail cheaply, you must embrace the build it, try it, and fix it mentality. Build out your idea as a small experiment. Implement it. Learn from the experience. Learn more about the build it, try it, and fix it approach.

6. Before You Can Multiply, You Must First Learn to Divide

In Asia, they use a great expression, *Before You Can Multiply, You Must First Learn to Divide*. The idea is that if you want to grow your business, you must learn to partner with others - and give them a slice (and a vested interest in YOUR success). This means you take a smaller slice of a bigger pie. With the economic downturn, this philosophy is even more appropriate. People are now hungry for new money making opportunities. When you help others make money, you make money. Read more about this powerful, yet simple concept.

7. Use Innovation to Improve Your Suppliers Business

We often underestimate the value of our various business partners, and in particular the value of our suppliers. When the market gets tight, your suppliers may struggle more than you. But if you help them be successful, you might find you are more successful.

The Bottom Line: Use Innovation to Leapfrog the Competition

While others are tightening their belts, truly successful companies use the recession as a chance to leapfrog their competition. For instance, the company, Koch Industries, increases their investments during difficult times. They know that if they focus on innovation while others are cutting costs, they will quickly catapult past everyone else. They must be doing something right. They have grown seven times faster than the S&P 500 for the past 40 years. This is a company that has proven it is recession-proof. Innovation is a powerful tool that can help you ride out the tough times and position you for future growth. With the recession looming, you need innovation now more than ever. ■