

5 BIG QUESTIONS ON INNOVATION

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Andria Long, VP of Innovation

Andria Long - VP of Innovation at Johnsonville Sausage - believes that effective innovation is, most centrally, about delivering on the ideas which actually solve consumer needs in a differentiated way. When it comes to innovation, her first question is: "what differentiators are consumers actually willing to pay for?"

Long's team continuously analyzes data to identify themes that point to key consumer...

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1 How is your team changing the game within your industry sector?

We are a deeply entrepreneurial company, founded by a family of entrepreneurs and we are still family-owned today. It's no accident that we are ranked number one in our category. Ideas are not the hard part; rather, the challenge arises from actually delivering on those ideas.

Everything can be made better, and I do mean everything. Differentiation is critical, but we've found that you can skip some traditional steps in innovation: weeding through ideas and holding ideation sessions, and waiting for "perfect information" can hold up the process needlessly. We are focused on the front end – delivering on real insights of what consumers need.

In the CPG industry, driving competitive advantage from innovation techniques is all about figuring out and meeting a consumer's unmet need in some new or different way. It is learning how to balance the risk and reward of how much you know with the amount and depth of information and research you need in order to make a decision. You're never going to have perfect information. You need to achieve that precarious balance of using good business judgment combined with enough consumer research to confidently approach the market.

The success we've had with the Fully Cooked Breakfast Sausage is a great example of delivering against a trifecta of insights. We found that convenience really is key for time-pressed consumers. We also thought about how consumers actually use products. It turns out that not everyone eats 12 sausages at a time, so we used re-sealable packs. And consumers want to see their foods, so we use clear packs. In essence, we lean in on where and what we need to know versus what is nice to know. Companies that do this well will have competitive advantage over others in their industry and will have greater speed to market.

2 What are some of the biggest impediments to innovation in your organization or industry sector?

The fear of failure impedes innovation because it is always easier on an existing business to know what lever to pull versus leaning in on a completely new initiative. Innovation is fundamentally contrary to human nature in that it requires willingness to change, willingness to fail, and a willingness to accept the unknown. Add to those challenges the natural inclination to form attachments to one's own projects. Innovators have to be able to kill initiatives, be agile, and shift when necessary. Failure is not failure if you learn from it. But if you fail and don't know why, then that is a concern.

Another impediment to innovation is cross-functional collaboration. Innovation needs to be a top priority cross-functionally, but cross-functional teams often have multiple projects and initiatives across different business units, so ensuring that all of the leaders across those business units are working together towards similar goals with similar priorities can be a major challenge.

3 How has innovation become engrained in your organization's culture, and how is it being optimized?

In recent years we have seen a dramatic increase in innovation-centric roles. This is due to the recognition that companies need dedicated resources, both people and financial, and dedicated leadership to accomplish innovation. In the past, innovation was a part of someone's job, and it is really hard to manage a base business with short-term goals and also try to deliver longer-term innovation goals. Also, not every person who manages a base business is also the right person to do innovation. So it wasn't that innovation didn't exist before, but the shift is in the discovery that it is essential to have those dedicated roles for innovation. The growth in the importance of designated roles has also led to higher visibility of those roles and as such we are seeing higher involvement from the C-Suite - which helps innovation to become better integrated in the overall company structure. Now, there are dedicated resources - both people and financial - dedicated roles, dedicated cross-functional teams, and a designated executive leader.

At Johnsonville Sausage, we have found that the fundamental requirement is giving employees the freedom to fail. We've talked about the fact that fear of failure impedes progress. With the plethora of information out there, it is easy to iterate something to death in order to decrease risk, but not only can that iterative process dilute down what was once a great idea, we've also seen that in a rapidly-changing environment, those iterative processes can impede agility and speed to market, thereby contributing to a loss of competitive advantage. We've found that our organization itself and the people within it need to be comfortable with a rapid pace of change, and a lot of change, and as innovation leaders we have to be the champions of that change.

4 What technologies, business models, and trends will drive the biggest changes in your industry over the next two years?

The pace and rate of change in our industry is dramatic. Three of the companies I worked for in the past 10 years no longer exist. The churn rate is phenomenal. The average lifespan of an S&P 500 company used to be 61 years; now it is 16 to 18 years. Fortunately, Johnsonville is already over 70 years old, and more relevant to consumers than ever.

I like the comment by Peter Senge, from “The Fifth Discipline,” which may help account for the success we’ve had: “The ability to learn faster than your competition may be the only sustainable competitive advantage than you can ever achieve.” CPG companies who are able to shift and respond to the rapidly changing environment, use relevant consumer insights without getting bogged down in process, and get to market quickly will succeed. The ones that don't have a very good chance of being replaced by more agile competitors.

5 Can you share a specific innovation strategy you’ve recently encountered which you find compelling?

Well, as a commuter in Chicago, I can tell you that one innovation I particularly like is Passport Mobile Pay. Its revealing for me that, on top of a \$3 parking fee, consumers are also willing to pay at extra 50 cents “convenience fee,” to pay their parking from their device, and not have to bother locating the parking pay station. And as a beer drinker, I like Yeti colster. I’m always on the lookout for something to keep beverages cold, and I bought a Yeti colster, and it is phenomenal. Again, it tells you something that consumers like me are willing to spend \$35 to keep their drink cold – that’s amazing. I’m also a fan of what Hello Products are doing in the oral care space – breaking category molds with design and consumer-centric thinking.



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