

A Holistic Success

ACO Industries grows through breakthrough innovation

ACO is one of the world's market leaders in drainage technology. The company tackles two of the food industry's biggest concerns: reducing the risk of food contamination and optimizing cleaning costs by focusing on hygienic performance of the products. ICG created an innovation methodology that helped ACO develop a highly successful breakthrough innovation.

by Jan Chal

ICG was a consulting partner of ACO in the Czech Republic for three years and provided them with a design of an innovation project that included a transfer of innovation methodology to cross-functional teams and support in project execution and management within a stage-gate approach. They, like many companies, ran a development process which produces incremental but constantly reliable results. ACO's established development process was linked to the »business development« as well as »technology development.« However, new requirements, like increasing pressure from customers and a new international standard for hygienic design, demanded radical improvements in the innovation performance of the company with a direct impact on sales growth as well as an increase in productivity of the production system. Consequently, ACO needed and asked for a new way of looking at the development of innovative new products that emphasizes fast interaction, customer insight, a huge vision, great sales ambitions and a quantum leap in the number of new clients – all at the same time.

A holistic way

We developed an innovation methodology for breakthrough innovations starting with an observation of the market opportunities and their successful commercialization (adoption in production, launch and scale-up in the market). We adopted a holistic approach to business innovations: How constant innovation creates ►

radically successful businesses and increases innovation capability in the long run. In a nutshell: Doing the right innovations right.

Doing right innovations

Leaders already know that innovation calls for a different set of activities, skills, methods, metrics, mindsets and leadership approaches. And it is well understood that creating a new business and optimizing an already existing one are two fundamentally different management challenges. The real problem for leaders is doing both simultaneously; how do they keep up with the growth of the existing business while reinventing or creating a new one?

The shareholders of ACO basically requested an upgrade of its core portfolio but not innovations that would mean entirely new products and portfolio diversification for the company. The risk of innovation failure needed to be minimal. The strategic objective of the shareholders was, and is, to become the market leader in drainage systems.

The importance of innovation analysis

To understand what is important to customers and competitors and the dynamics that rule the business, we developed a set of tools for structural and behavioral analysis, diagnosis, and decision-making when faced with big challenges. An analysis shows the size and location of innovation potential and consequently, priorities for the observation of innovations can be formulated.

Market innovations

1. Industry innovation analysis

ACO's analysis showed that competitors' customers are not satisfied with the existing products and therefore revealed space for stronger penetration of the industry. Furthermore, promising room for growth was identified in the pharmaceutical industry.

2. Business model innovation analysis

ACO found out that among their customers, satisfaction with the existing offering process is low.

3. Products and services innovation analysis

ACO identified that customers demand improvement in the quality of the hygienic design and at the same time, to be offered more possibilities to customize solutions without an increase in price on the product level.

Value innovations

Based on many years of innovation consulting services and our own research, we observed that instead of dramatically increasing the output of short-term and commercial innovations, it is better to focus on fewer but more radical innovations.

1. The disruptive value innovation: create something new

Disruptive innovations create a completely new market value proposition. ACO's new disruptive value is a unique integration of fully hygienic design plus easy customization at a competitive price. This value proposition is a novelty in the industry.

2. The adjacent value innovation: cross the boundaries

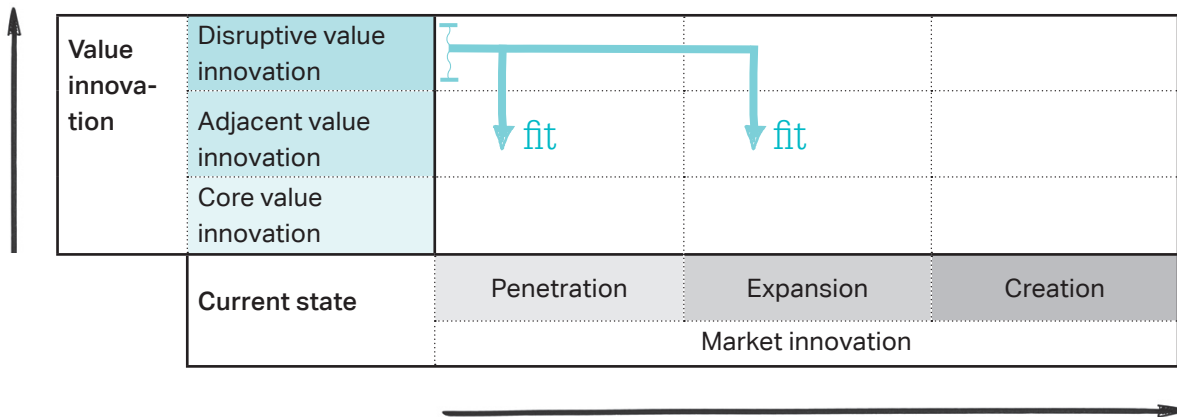
If changes in several values are offered at the same time in the existing value proposition, it results in larger values that cross boundaries by adding new wanted values from other industries, for example. ACO developed a new offering system for customers: an online configurator for solutions that is connected to the sales and production system of the company. Moreover, a fully robotic assembly line has rapidly increased productivity and flexibility.

3. The core value innovation: change the known

A value proposition is like a »vector« composed of several partial values. Inside any known value proposition there are always ways to deliver larger, better and different ones. The focus here lies on a quantitative improvement of one or a few partial values from the core value proposition.

Fully hygienic design, a configurator that allows a high degree of customization and a new robotized process created a disruptive value proposition in the industry that is very difficult to replicate.

The innovation matrix



Value proposition and market

The fit between a value proposition and the market determines if the value proposition is ready for commercialization on completely new or already existing markets. ACO applied a new disruptive value proposition for the penetration of the existing food industry. The company wants to use the same disruptive value proposition for an expansion into the pharmaceutical industry. The fit between market and value innovations must also be adjusted to an existing or new business model of a company to generate revenue, optimal costs and acceptable ROI. ACO decided to keep the existing business model but improve in the areas of customer engagement, relations (online configurator), a new product (fully hygienic design) and higher process performance (see illustration).

Fast evaluation, experimentation, launch

Innovations also carry risks. Fast evaluation and experimentation is for de-risking a development. First, we reduce uncertainty of value innovations by deciding »what to test« and evaluate them by choosing »who to test.« The practice of building quick and inexpensive models to learn about the desirability and viability of alternative value propositions and business models determines »how to test.« At ACO, several validations of a new value proposition with customers were conducted by using simulations and 3D printing models.

Benefits

ACO's proposed innovation was introduced to the market two years after the initial idea, and within two years – according to the results achieved in sales of units, revenues and year-over-year growth compared to the industry leaders – it became a breakthrough innovation. ACO in the Czech Republic has become a competency center for the range of products across the whole group with responsibility for developing this commodity on the global market through independent marketing, development and production.

Moreover, they utilize their positive experiences with breakthrough innovations to amplify the company's ability to create new solutions. ●

»Creativity is
thinking up new things.
Innovation is
doing new things.«

Theodore Levitt