



# MITCHELL PHOENIX

## **From a summary of *Innovation and Entrepreneurship* by Peter Drucker**

### **The Unexpected Success**

Drucker writes that this is the most fertile area for successful innovation, and yet managements often miss or actively reject the opportunity an unexpected success presents.

Example:

A major clinical instrument producer developed a new line of machines for performing biological and clinical tests in hospitals. The line sold steadily. Then, unexpectedly, the company received a number of orders from industrial and university laboratories. The company did not seize upon this unexpected success. This new market – separate from the hospital market for which the products had been developed – was not exploited. Salesmen did not target the new opportunity, and relationships were not forged with the new customers. A few years later a competitor took over the university and industry markets, and because they proved to be very lucrative, it then invaded the hospital market - in which the original company had previously had the largest share.

Reasons why unexpected successes are often missed:

- Existing reporting systems often do not report them – especially if the success is qualitative rather than quantitative (eg a new kind of customer for a product, as in the example above)
- Anything which we have become used to in the business world is taken to be a constant – an immutable law – and therefore anything which contradicts this immutable law is deemed to be unsound, abnormal or simply wrong
- Top management may have spent their careers managing specific products or services in a specific way, and are sometimes unwilling to change what has always worked in the past
- An unexpected success places a question mark next to the management's judgement, and they may answer with a question of their own: "if this really does present an opportunity, surely we would have thought of it before?"

An unexpected success is often an indication that our Vision is not equal to Reality. There is something about Reality – market conditions, consumer decision making – of which we are not fully aware.

The hospital equipment manufacturer mentioned in the example had not realised that users of scientific equipment no longer existed in distinct, discrete groups: hospital, university and industrial. Now they were all part of a single market – users of scientific instruments. The change produced two outcomes. First, a line of equipment designed for use in hospitals could now be sold to other customers. Second, the market niche the company had previously occupied had been swept away: they were now in competition with a number of other manufacturers of scientific instruments. By the time the company had realised this, Drucker informs us, it had lost a large part of its market share.

Conclusion 1: the unexpected success is not simply a pleasant opportunity to generate further revenue. If we are determined to retain and grow our market share, we must innovate in response to unexpected success, otherwise we will be left behind. It is not enough simply to react to change when it knocks down our front door – that will be too late. We must Govern Change if we are to survive.

This does not mean responding to unexpected success half-heartedly.

Example: In the 1950s there was a demand for university degrees which could be undertaken in the evenings after the students had been to work. One university designed a programme to cater for this demand, received a very high number of applications and found that the evening undergraduates performed better than their counterparts who attended normal daytime courses.

Now the university had a choice to make. It could meet the considerable demand for evening programmes, which would entail a substantial outlay at the expense of their traditional, daytime undergraduate facility. Or it could terminate the new initiative. Rather than deciding boldly, the university compromised and staffed the evening programme with cheap, second rate tutors. This ruined the evening programme, which subsequently closed, and also significantly damaged the university's reputation.

Conclusion 2: The unexpected success must be taken seriously and the appropriate resources must be allocated. Drucker reminds us that it is not enough to pay lip-service to opportunity, it must be pursued vigorously.

Questions:

1. What is an example of an unexpected success in my business?
2. In what areas are unexpected successes occurring? What structures are in place to identify and research them?
3. How can an unexpected success be converted into an opportunity?

4. What would it mean to exploit this opportunity, and where would it lead us?