Front End Innovation Concepts

University of Washington
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Definition of Innovation for Commerce

• Creation of new sources of value (Drucker)
  – Innovation is a new and useful solution to a need
  – Trend, pattern or invention that leads to products that change the world in unknown ways

• Two types of innovation (some people divide it into 11 different types)
  – Incremental innovation
    • Addresses the ever changing customer needs to keep cash flows healthy
    • Need to support the existing business while radical innovation is occurring
  – Radical innovation
    • Periodic infusion of game changing products that result in long-term growth

• Important to recognize that two types on innovation require two quite different processes
Definition of Innovation

1. **Incremental Innovation**
   - Improvements to existing products or services
   - Exploits existing competencies
     - Expertise exists in-house
   - Lower risk, shorter time to realize profit
   - A lot of facts and data exist
     - Markets, customers, distribution generally known
   - Examples
     - New digital camera features
     - New golf club
     - New cruise ship package
     - New banking service
Definition of Innovation

2. **Radical Innovation**
   - Can change the nature of the company and the market
     - Development of new businesses or product lines – or multiple businesses combined
     - May require the exploration of new competencies
     - Offer significant profit potential appropriate to the current business size
   - Characteristics:
     - Product has an entirely new set of performance features
     - Improvements in performance by 5x or more
     - Significant reduction in cost – 30% or more
     - Transforms market/industry or creates new markets
     - Brings new value to the market
   - Area where there are few facts and data
     - Markets, customers, delivery system may be unknown
     - Decisions made by intuition
   - Examples:
     - CNN
     - Google
     - Container shipping
Innovation Beliefs

- People love to solve problems
  - Think of the millions who like to solve cross-word puzzles
- Problems need to be important/high priority
- To stimulate ideas, feed the brain information
  - Define criteria for success so that good ideas are recognized
- Look at problem from new perspectives; challenge assumptions
- Time to ponder
- Human creativity builds on other’s ideas
  - Team activity with diverse backgrounds and experience
  - “Teams by their very nature are breeding grounds for firecracker brainstorming” - Stanley Gryskiewicz
  - Protective space (insulated temporarily from the macro culture)
Innovation Strategy

• You don’t have to change the whole culture to be more innovative; you can create pockets of innovation on a temporary basis when it is needed, where it is needed in the company.
• Most companies start out being adept at innovation in order to adapt to new market opportunities.
• As companies mature, they move towards stable processes. Companies can retain an innovative culture with the continual application of pressure to be innovative. When it is removed, cultures revert back to the non-innovative state.
• My belief is that it is easier, quicker and effective to create pockets* of innovation on a temporary basis to address a specific need.
  – Experience has shown that this is possible.

*pockets means something different than “skunk works” in this process.
Idea Generation

- **Incremental innovation**
  - Ideas come from everywhere but the best usually come from your customer’s needs
    - Voice of the customer
    - Concept verification

- **Radical Innovation**
  - Look for emerging trends
    - Are new business models emerging
    - Is there growth in fringe markets
    - Look for overshot, undershot or non-consuming customers
    - Can the product move closer to the customer
    - Is the role of government changing (regulation, subsidies)
    - Look for someone trying to capitalize on change
  - Challenge all of your assumptions
    - Einstein never accepted that time was constant

- **Teams**
  - Generally works best with technical specialists working closely with a business innovator (eg. Steve Wozniak & Steve Jobs)
Incubation Team
When you have an idea

• Incubation teams are used to strengthen a new idea
  – Help make a meaningful connection between inventor and potential sponsor

• Problem: most ideas are automatically rejected
  – Odds favor the nay sayer; 9 times out of 10 they’re right
  – Take rejection as a complement; maybe you are on to something
  – New employees have many new good ideas, yet are seldom successful in initiating project activity
    • New employees see the world differently but have no credibility
  – Older employees have experience/credibility but are constrained by old paradigms
    • “Exhilaration is the feeling that you get just after a great idea hits you and just before you realize what’s wrong with it”
Younger employees have many ideas but lack experience and confidence to sell their ideas; Older employees have fewer ideas but have needed experience to make them work.
Incubation Team (continued)

• Crossing the “valley of death”
  – Normally, a champion and sponsor are required to move projects across
Incubation Team

- Initiate meeting – person who came up with the innovative idea
  - Need to build up the idea so that it has enough strength to get past the corporate immune system (cross the Valley of Death)
- Incubation Team (unofficial activity)
  - Form a small team of “friends” that will help to vet your idea
  - Object is to build on the original idea, not brainstorm new ideas
    - Emphasis on trying to come up with something that will work
  - Usually requires 4 or 5 people (select experience and new people) meeting for 1-2 hours or longer
    - Multiple meetings, separated by time to ponder is best
    - An informal atmosphere helps, (during lunch)
  - Present the problem or need and your solution to solve this problem
  - Try to answer the critical questions (following slide)
    - Remember that a good invention does not always make a good new product
Incubation Team for a Product Idea

- Incubation Team Questions
  - What are some pluses of this idea
  - What would make this idea stronger or better?
  - Describe the problem being addressed?
  - What possible alternatives should be considered?
  - What are the competitors likely to do?
  - What might be the response of others we don’t currently consider as competitors?
  - Describe who the potential users are
    - How does the idea have value for the users?
    - What might it do for customers in the supply chain?
    - Does it meet the basic functional needs of the customer?
    - Is it easy to use?
    - Is it the lowest price option?
    - What are the potential show stoppers?
Incubation Team
for a Product Idea (continued)

– What are some possible ways to make this happen?
– Describe the product that would be sold?
  • Estimate what the potential commercial value might be?
– Determine the next steps:
  • Who is a potential candidate sponsor?
  • Paint your vision so sponsor can embrace it; address sponsor’s roadblocks to future vision
    – What specific problem is being addressed?
    – What is the new solution?
    – What is the next step that minimizes risk?
    – What is the recommendation?

• Most important is using the right order or sequence for the questions (highlighted):
  1. What are the pluses of this idea?
  2. How can I make this idea better?
  3. How can I make this idea happen?