



## Seven Insights That Can Lead To Successful Innovation

The Product Development Management Association held its annual conference in Boston, MA Jun 22-24, 2006. The conference overflowed with fascinating keynote speakers, talented consultants and corporate innovators with insightful stories.. What follows is our report on the core themes that ran through the conference sessions. We invite you to share these observations with your colleagues who could not attend.

1. **Leadership makes the difference.** It's unlikely innovation efforts will be successful without the right kind of leadership.

The leader's role is to establish strategic goals and parameters, provide appropriate resources and support, and let the project team do its magic. That doesn't mean that they are not involved. Leadership needs to be engaged and involved with the team at key junctures which varies by project. **Procter & Gamble** President, Chairman, CEO & President, Alan Lafley, in fact, knows each key initiative in depth and stays involved because his business imperative is innovation.

Associate Professor Peter Koen's (**Stevens Institute of Technology**) research shows that leadership is the differentiator between successful and unsuccessful innovation. The key elements of leadership that matter--articulating the strategy and providing the resources.

Rodney Brooks, Chief Technology Officer at **irobot** and head of the robotics department at MIT, agrees. He says his job at MIT is to get funding and get out. He tells the story of one graduate student who built a breakthrough project without telling anyone... spending \$250,000 in the process...but it represented one of the most profound breakthroughs the lab had experienced in years.

2. **Creating innovation initiatives is most successful when a base assessment is made.** Carlos Barroso, Senior Vice President R& D of **PepsiCo International** spoke of interviewing 100 top managers around the world to get an understanding of where they were on innovation and to form an agenda for the future; Bonnie Hall, Innovation Process Leader at **Binney & Smith** talked about assessing the organization prior to creating the strategic platforms and the new products that emanated from them.
3. **Innovation is a broad concept requiring different processes for different types of innovation (business model, products and services, technology).** Different thought leaders distinguish the types of innovation with different language. Clay Christiansen, Professor at **Harvard Business School**, talks about disruptive vs. sustaining innovation, Peter Koen talks about Category I and II Innovations. Regardless of the language, the lessons are clear:
  - A. Incremental innovation requires knowledge of the current market, ideation and a strong business case;
  - B. Breakthrough innovation requires an understanding of the white space and a trial and error approach across business systems.

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- C. Portfolio management allows an organization to balance its priorities and understand where resources can be placed for maximum return. Remember that the point of the portfolio is to facilitate a discussion about what's important and relevant to your organization. Breakthrough projects are easier to make happen when there is a portfolio system.
4. Innovative ideas stem from trying to address a challenge or problem – which can be a personal annoyance, a pain point, a national challenge, a corporate failing.

Burt Rutan, the CEO of **SpaceShip One** (originally funded by Microsoft founder, Paul G. Allen and now Richard Branson of Virgin) has a goal to get us all to resorts in space. He said that we innovate – quickly and successfully - when our survival is threatened. He talked about the innovations surrounding the early space program as resulting from a threat to our national prestige and safety.

Not all innovation happens on such a large scale. Scott Williams, Chief Creative Officer and Senior Vice President at **Starwood Hotels**, talks about living like a customer and connecting to the customer pain. He takes video and a digital camera everywhere and records what is an annoyance to his customers. His example was the interplay between today's customer with luggage on wheels and the revolving door that were part of the 50's and 60's grand hotel entrance. Hilarious footage of a person getting stuck in the revolving door and head nodding among the audience illustrated the point. These two design elements no longer work with one another and create an annoyance for customers. Eliminating these annoyances leads to higher customer loyalty, and increased profits.

The other high profile example he used was the mid-90's experience of the typical hotel bed with its dowdy patterned bedding and mediocre mattresses. Starwood focused on that, providing beautiful high thread count sheets, white comforters and the *Heavenly* mattress. This led to a revolution in the industry –a revolution that put Starwood out in front for five years before competitors caught up. This five year margin differential made a huge impact to their bottom-line.

5. Innovation requires seeing what others don't see. Call it finding the unseen opportunity, the white space, the blue ocean.....all speakers suggested that's where the innovation lies. And there are lots of ways to see that which is generally unseen.
- A. Innovate for the fringe consumer→understand – and address – the needs of the people at the fringe and you will greatly expand your target. The **OXO** line of kitchen utensils was originally developed for people with arthritis and then it migrated to the population at large based on its focus on comfort, utility and design.
- B. Innovate by exploring the key alternative for customers. **Yellow Tail**, the wine company, explored a key alternative to wine—beer. They talked to beer drinkers about why they drink beer and not wine. In this case, the team learned to simplify the category (easy drinking, ease of selection, fun & adventure) and communicate via simple and fun graphics on their package. They continued the fun through retail outlets outfitting the store personnel with cool Yellow Tail polos leading to their recommending the wine to customers.
- C. Disrupt the market. Paint a strategic canvas of how the market and competitors compete. This is what Renee Mauborgne, of the book, *Blue Ocean* proposes. She contrasts the red ocean, where all the competitors are bloodying each other by playing variations of the same game, with the blue ocean where brands can swim freely.

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D. Don't be afraid to simplify your offering, or challenge the basic rules that you have about your business and your industry. Crayola's business was defined by their historical focus of the classroom art teacher and they struggled with how to innovate. By identifying what rules they and the industry operated under, and then lifting those constraints, they were able to develop totally new strategic platforms that led to significant growth among current and new consumers.

6. **Approach innovation like a designer instead of a marketer.**

Three speakers provided insight on design; Tom Kelley, Managing Director of **IDEO**, Claudia Kotchka, Vice President Design Innovation and Strategy of **Procter & Gamble** and Jeremy Myerson, Professor of Design Studies and Director of Innovation, **Royal Academy of Art**, London..

Below we illustrate the example Ms. Kotchka used to contrast the traditional innovation process with a designer's approach to innovation process.

	<b>Traditional</b>	<b>Design</b>
<u>Step 1: Define the problem</u>	<i>What dirt shall we clean? Use internal teams</i>	<i>How can we re-invent cleaning In the bathroom? Use multifunctional team of Human Factors, Anthropologists R&amp;D, Marketers, et. al</i>
<u>Step 2: Consumer Insight</u>	<i>Watch consumers clean Ask them what they like/ don't like</i>	<i>Watch extreme consumers clean i.e., four single guys sharing an apt.</i>
<u>Step 3: Ideate</u>	<i>Identify Solutions/Ideate Select for concept screening</i>	<i>Ideate—come up with visual ideas/ Select based on judgment</i>
<u>Step 4:</u>	<i>Pick some based on Consumer results</i>	<i>Pick 50 prototypes (can be Pipe cleaners &amp; duct tape) get prototype out to consumers</i>
<u>Step 5:</u>	<i>Formulate</i>	<i>Iterate and refine</i>
<u>Step 6:</u>	<i>Quantitative testing</i>	<i>Stop when consumers won't give it back</i>
<u>Step 7:</u>	-----Go to Market Planning & Launch -----	

To us, the key differences are three fold:

1. Designers enlarge the scope of what's possible by defining the problem broadly;
2. Designers observe the extremes of usage rather than the "average consumer"
3. Designers develop many prototypes and involve consumer input on an iterative basis until they get it right. Overall, there is a wider exploration of the possibilities and a more certain likelihood of getting a truly different end result.

7. **Be willing to fail quickly**

- A. Get the idea out there fast. If it fails, move on. If it needs further improvement, improve it. Analysis paralysis is the kiss of death.

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- i. IBM has learned that getting technology products out “fast/not perfect” increases margins as a result of two factors: 1) being first to the market and therefore enjoying longer high margin “life” before competitors arise and; 2) being first to hear and understand customers’ reactions so that they continue to stay away of competition. We’ve seen many instances of later entry competitors who are always one step behind the first entry innovator.
  - ii. IBM also recommends that when introduction a product, often doubling your effort to get it out the door in half the time is more cost efficient and, ultimately more profitable than expanding the timetable and getting it perfect.
- B. Open up your mind and your business to the internet community as a source of highly interested users.
- i. Understand that you may be providing a product platform for others to innovate around and therefore move your “Front end of innovation” out to these users which results in two consequences:
  - ii. Your company may move from being an innovator on the front end to a publisher of ideas of this highly skilled user network; an example was the **Lego™ Mind Storms™** that had hackers understanding the code and improving it for Lego shortly after introduction
  - iii. Innovation will be accelerated because the company does not have to have all resources internally.

**Finally, have fun!** Successful innovation requires the openness and inventiveness of the child. It's important to spend time in both the generative/imaginative and analytical mode. Idea generation - or divergent thinking – seeks novel solutions and requires the mind to explore and play in order to identify the best ideas to solve the problem. Convergent, or analytical thinking, is the harder, more deliberate phase where choices are made. Relax, laugh a little, and enjoy the process.

## Biographies

### Carol Franczek

Carol is a **Founder** of **The Innovation Practice**. She is a seasoned executive with over 25 years of experience in marketing, market research and general management in both large corporations and start-up ventures. She has worked in major corporations including Clorox, Kraft and Information Resources in marketing, new product development and client service as well as start-ups including VisiCorp, Lightyear, Paragren Technologies and Comscore Networks.

Her interest has always focused on the area of new products, new businesses models and innovation. Known for her creative and analytical strength, she has a significant track record in building and turning around businesses, developing new products, services and business models and creating and leading strong teams. Her experience spans many industries including food, home and kitchen products, technology, financial and telecommunication services.

Carol received her MBA from Columbia University in New York. She is also a trained facilitator in the Osborn-Parnes Creative Problem Solving methodology. She has been a featured speaker at many industry conferences including New Product Conferences and Frost & Sullivan.

### Anne Manning

Anne is a **Founder** of **The Innovation Practice**. Anne is an experienced marketing executive, having worked as a marketing and market research consultant for the past 15 years. She founded and grew her own qualitative research firm (with revenues in excess of \$2,000,000).

Anne has a passion for working with and facilitating teams who are revitalizing their brands and creating new products and programs. She brings a strong consumer orientation, with a commitment to ensuring the consumer viewpoint is a strong component of marketing strategy development. Her approach integrates an understanding of creative and business processes. Recent engagements have focused on the development of new value propositions, corporate positioning and branding, as well as advertising development.

Anne began her career in advertising, holding account management positions at Young & Rubicam in NYC, as well as Hill Holliday and Arnold in Boston. She is certified in the Osborn Parnes Creativity Problem Solving Methodology, has traveled around the world learning about creativity and innovation. To insure she is on the cutting edge of Creativity and Innovation best practices, she is also graduate student at the International Center for Creative Studies at Buffalo State University.

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