

Starting with a Blank Sheet of Paper Doesn't Work...

And other reasons why most innovation programs fail

By Chris Jones

Are you wondering why you are not getting good results out of your innovation investments? Don't be surprised, you are not alone. Business Week, as well as other reliable business journals, recently reported that most company innovation programs just don't work¹. Business Week went as far as suggesting innovation shortfalls were a key contributor to today's financial crisis²! Given these sobering thoughts, should you stop investing in innovation? Definitely not! The prize of success and the price of not innovating are simply too big that not investing isn't an option. Instead, should you review how you are investing in innovation? Absolutely! Learning from others' mistakes is the quickest way to get a high performing program. So, where do most organizations go wrong? Here are their common mistakes:

- Starting with a blank sheet of paper—not building new perspectives about their customers, industries, and themselves
- Working on the wrong problems—not framing their customers' problems in the right context
- Thinking about products only—not addressing the entire business model

Starting with a Blank Sheet of Paper

Ask someone to draw an icon of innovation, and you probably will get a light bulb. Push further and many will come up with a picture of a whiteboard or blank sheet of paper. For instance, the cover image of a top business magazine's issue on "The Most Innovative Companies" has a person doodle on a whiteboard. Starting with a blank white board or paper, however, simply doesn't work very well because it's enormously difficult to generate novel ideas without any stimulus. That's why companies that install elaborate electronic idea collection software often only gather employee gripes and minor process improvement ideas—little breakthroughs. Instead, successful innovators start by developing new perspectives about their industries, their customers, and themselves.

For example, Whirlpool took a fresh look at the industry orthodoxy of focusing on the traditional buyers of home refrigerators—married women—and realized that husbands might have unique needs not served by existing products. It followed men into their dens, garages, and workshops, and saw messes that needed organizing and appliances that broke down in the harsher environments. Whirlpool looked deeply into its



This article was authored by **Chris Jones**, a Principal at Strategos, and the winning team of Strategos-CBIG Innovation Challenge: Archisman Gupta, Diana Pesha, Shaun Twomey, and Preeti Viswanathan, students of the University of Chicago Booth School of Business.

Chris combines a background in science and technology with experience in a wide variety of business and management disciplines to help enterprises develop and implement innovative strategies.

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unique strengths and asked itself what it was good at besides making beyond fridges and freezers. The

¹ Among the various studies cited by Business Week and other journals are one from Doblin Inc, that stated nearly 96% of all innovation attempts fail to beat targets for return on investment and another one from Booz Allen Hamilton that concluded, "there is no relationship between R&D spending and the primary measures of economic or corporate success, such as growth, enterprise profitability, and shareholder return."

² "The Failed Promise of Innovation in the U.S.," Business Week, 6/3/2009

result of this new perspective was Gladiator Garage Works, a complete line of appliances, work benches, cabinets, and other garage equipment serving previously unexpressed consumer needs. Whirlpool's innovation didn't stop with new products, but also focused on non-traditional retail channels (e.g., Lowe's Home Improvement stores) and advertising channels (e.g., Sports Illustrated). Now, Gladiator Garage Works is the fastest growing brand at Whirlpool.

Working on the Wrong Problem

Ultimately, innovation is a means to an end—delivering new benefits to the end-customer. However, the root of customers' problem is not always obvious. Take the observation from the winning team of the inaugural Strategos-University of Chicago Booth Innovation Group Innovation Challenge³. The team's research showed that while many electric toothbrushes were delivering ever more impressive cleaning capabilities, few were actually addressing an unmet and possibly unarticulated customer problem: using the toothbrush correctly. So, the team selected Oral-B Triumph with Smart Guide as the subject for its report because the array of real time feedback features that steered the customers toward more effective use of the toothbrush – and ultimately healthier and better looking teeth.

Sometimes, established players strive to deliver ever better technical

solutions but lose sight of the main problem. Case in point, while Sony and Microsoft invested heavily on game console hardware and software to deliver ever more realistic graphic images, Nintendo Wii stole the market with substantially lower costing hardware/software but new and more engaging gaming experience.

Thinking About Products Only

Studies of innovation conducted by the Doblin Group, IBM Consulting, BCG, and Business Week have found that business model innovation nets a disproportionately higher return⁴, and focusing on business model innovation was a key recipe for success for the Innovation Challenge's winning team. Its recommendations for Oral-B went beyond product improvements—the team identified innovation at the level of the business model. Specifically, the team uncovered ways to extract value out of the toothbrush's usage data by looking into how healthier teeth could reduce cost for employers and insurance companies.

Another example of business model innovation is CEMEX, the Mexico-based ready-mixed concrete supplier. CEMEX innovated to deliver its traditional product, but with different delivery and customer benefit models. At the time, concrete suppliers would demand 24-hours notice to deliver ready-mix cement and charge a hefty penalty to customers who changed their orders. CEMEX believed that there could be real customer value in

guaranteeing cement delivery in a much shorter time window. After plant managers and salesmen visited a 911 dispatch center in Houston and witnessed how a team of paramedics could be assembled within 10 minutes, they returned to Mexico determined to reduce cement delivery time. By using a GPS dispatch system and GPS equipped trucks, CEMEX can now guarantee delivery of cement within a 20 minute window. Not only are customers willing to pay a premium for a substantially more responsive service, but delivery costs have also dropped by 35%.

Conclusion

Learning from others' mistakes is a great way to improve performance. Look at your innovation program and confirm that you are building new perspectives about your customers, industry, and yourself. Then, make sure you are applying these new perspectives as stimulus for generating ideas for properly framed customer problems and exploring innovation across the entire business model. Also, don't assume you got it right the first time: put your idea through an iterative learn/fix/apply experimentation approach to evolve and improve it. For certain innovation isn't easy—nothing with such as high potential reward is. But, it's not impossible. Many, from Whirlpool to Crayola, have successfully developed a new competence for it. So can you, if you avoid the common pitfalls.

³ The Innovation Challenge is a competition jointly sponsored by Strategos and Chicago Booth Innovation Group, a student group of The University of Chicago Booth School of Business. The competition challenges students to identify an everyday product that is innovative, explain the source of the innovation, and develop recommendations on where to take the product/concept next. Members of the winning team of the 2009 competition are the co-authors of this article.

⁴ 2008 Business Week/BCG Most Innovative Companies Survey



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