

Welcome to the November Innovation Update that looks at the common pitfalls of innovation programs

Innovation Briefing: *Starting with a Blank Sheet of Paper Doesn't Work* *And other reasons why most innovation programs fail*

Are you wondering why you are not getting good results out of your innovation investments? Don't be surprised, you are not alone. BusinessWeek and other business journals recently reported that innovation programs in most companies don't work. BusinessWeek went as far as suggesting innovation shortfalls were a key contributor to today's financial crisis!¹ Given these sobering thoughts, should you stop your investment in innovation? Definitely not! The prize of success and the price of not innovating are simply too high - not investing isn't an option. Instead, you should rethink your approach to innovation and learn from others' mistakes as you adjust your program.

So, where do most organizations go wrong? Here are three 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. Tellingly, BusinessWeek's issue on "The Most Innovative Companies" has a person doodling on a whiteboard as the cover image, with the light bulb as a part of the innovation section's logo. However, starting with the blank whiteboard or paper simply doesn't work consistently because it is difficult to generate truly novel ideas without any stimulus. Most companies that installed elaborate idea collection software ended up with nothing more than a glorified suggestion box filled with employee gripes and only minor process improvement ideas - very few breakthrough business opportunities. To overcome this limitation, 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 traditional buyers of home refrigerators - married women - and realized that husbands have unique needs. They followed men into their dens, garages, and workshops, and saw areas that needed organizing and appliances that broke down in those harsher environments. Whirlpool looked deeply into its unique strengths to determine what it was good at beyond making refrigerators and freezers. The result of these new perspectives was Gladiator GarageWorks, a complete line of appliances, work benches, cabinets, and other garage organization products that target men. Whirlpool's innovation didn't stop with new products; they also focused on non-traditional retail channels such as Lowe's home improvement stores and new advertising channels such as Sports Illustrated. Gladiator GarageWorks has become 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 customers. However, the root of customer problems is not always obvious. Take the observation from the winning team of the inaugural

¹ "The Failed Promise of Innovation in the U.S.," BusinessWeek, June 3, 2009

Innovation Challenge hosted by Strategos and the University of Chicago Booth Innovation Group (CBIG).² The team's research showed that while many electric toothbrushes were delivering ever more impressive cleaning capability, few were actually addressing an unmet and possibly unarticulated customer problem - using the toothbrush correctly. The winning team selected Oral-B Triumph with Smart Guide as the subject for its report because of the wireless display and other features that deliver instant feedback, translating to a more effective use of the toothbrush and ultimately healthier gums and better looking teeth.

Regardless of the industry, established players can get caught up in striving to deliver better technical solutions but risk losing sight of the underlying problem. Case in point, while Sony and Microsoft invested heavily on game console hardware and software to deliver increasingly realistic graphic images, Nintendo Wii stole the market with substantially lower cost hardware and software but with a new and more engaging gaming experience.

Thinking about Products Only

Studies of innovation conducted by the Doblin Group, IBM Consulting, Boston Consulting Group, and BusinessWeek have found that business model innovation nets a disproportionately higher return than product or process innovation.³ Focusing on business model innovation was a key recipe for success for the Strategos-CBIG Innovation Challenge's winning team, as their recommendations for Oral-B went beyond product improvements. Specifically, they envisioned ways to extract value out of the toothbrush's usage data by looking into how improved oral hygiene could reduce costs for employers and insurance companies.

Another example of business model innovation is how CEMEX, the Mexico-based concrete supplier, innovated to deliver its traditional product using different delivery and customer benefit models. At the time, concrete suppliers demanded 24-hour notice to deliver ready-mix cement and they charged a hefty penalty to customers who changed their orders. CEMEX believed there could be real customer value in guaranteeing delivery of cement in a much shorter timeframe. After plant managers and salesmen visited a 911 dispatch center in Houston, they saw how a team of paramedics could be assembled within 10 minutes. They returned to Mexico determined to reduce the 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 while more efficiently routing its trucks. Not only do customers get faster service, but they are willing to pay a premium for that service, CEMEX reduced delivery cost by 35%. More importantly, customers are willing to pay a premium for this service.

Conclusion

Learning from others' mistakes is a great way to improve your 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 that you are exploring innovation across the entire business model. When you have a new idea, 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. To be sure, innovation isn't easy - nothing with such high potential reward is. But, it's not impossible. Many corporations, from Whirlpool to Crayola and others, have successfully developed a new competence for innovation. So can you, if you avoid the common pitfalls.

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

² The Innovation Challenge is a competition jointly sponsored by Strategos and Chicago Booth Innovation Group (CBIG), 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.

³ E.g., 2008 BusinessWeek/BCG Most Innovative Companies Survey

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