

## **Everyday Innovation** : Tools you can use to create new value and make a difference today.

Innovation is an essential business process. If you can't innovate and improve your business won't be around in 3 years. Our world has never been changing so fast, so it's essential to master some everyday innovation skills so you can keep ahead of the game.

### About Inside**Out**

InsideOut is a Growth Consultancy focused on developing businesses through the application of specialist strategy, marketing, sales, online business and finance expertise

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### **Introduction.**

If you keep doing what you've always done, your business won't exist in 3 years. Now you might debate the timeframe but it's harder to debate the sentiment. All businesses need to focus on improving, the Australian, the Chinese, and the American businesses are. If you don't, it's going to get harder and harder to maintain your sales, your margins and keep your staff engaged and loyal to your business.

There are two ways you can innovate, firstly you can build on an existing product or service to make it better or you create something entirely new, that fulfils an existing need in a new and novel way. Obviously the time and the risking involved are greater with the second option, however the rewards are great as there is the opportunity to dramatically change the market in your favour.

Innovation isn't just limited to improving your products or services, innovation can happen anywhere in your business by anyone. Some of the great leaps in innovation happen from people not directly involved in traditional product development – for example the Gillette Mach 3 razor was a result of an overhead conversation between warehouse workers questioning why the company didn't make a razor with 3 blades instead of 2. At the time the industry was stuck in an innovation rut where nothing had happened for years. Their biggest competitors were the electric razors. Now Gillette has grown hugely, growing both their market share in blades and the whole category. The point here is that you need to listen to ideas from everywhere and everyone.

Innovation is an essential business process. If you can't innovate and improve your business, it won't be around in 5, 10 or 50 years. There are obviously some exceptions to this rule such as monopolies but over time these too must yield to market pressures.

### **Why Innovate.**

We live in a changing world. Arguably things have never been changing so fast. The world is certainly more connected and the ability to communicate and harness new ideas is as easy as surfing the internet. In addition video conferencing and online collaboration tools make it much easier to work with remote teams to harness a global community of experts.

The fact is if you don't keep up with what's happening in your industry, in your sector then you'll eventually be replaced by a more efficient, more complete offering. In addition you need to understand you're not only competing with your local competitors, now more

than ever you have to be world class. The fact is your competitors will have their eye on what is happening around the world and be looking to be up-to-date and improving their offering. So you need to be up with the play.

### **Different Approaches to Innovation.**

There are two different approaches to innovation; incremental and breakthrough. An incremental approach is where the innovation is focused on adding improvements to an existing product or service. Here you are looking for a percentage improvement over the current model. That is you would be looking to make your product 10% faster, 20% cheaper, with 3 new features etc. An incremental approach can be either internally focused or have a broad focus on the external environment.

An internally focused incremental approach would be the least favourable approach to innovation but better than nothing. Here you could be spending a great deal of effort improving your offering without any knowledge of what your local or international competitors are already offering in the marketplace.

Your everyday innovative approach should be for externally focused **incremental** improvement. That is you need to be scouring the world for the best of what's happening in your industry and other relevant industries and then looking to add the pick of these solutions into your product. This approach draws on the concept of benchmarking. That is, you research the marketplace and decide which of your competitors' products sets the benchmark in terms of different aspects of your product's performance.

A **breakthrough** innovation approach starts with an external focus, you need to know what the best in the industry offers today in order to have a breakthrough innovation. This external benchmark sets the standard, the challenge is to develop a product or service that substantially exceeds the current offering, delivering a new level of performance. Here an incremental improvement is not enough, a breakthrough improvement typically would be a completely new product that redefines the current market.

### **Everyday Innovation – Incremental External Approach.**

A successful innovative business is built on a incremental external approach. You can't afford to try to make breakthrough innovations everyday. They take time and involve a lot more risk. The best approach is to develop skills that allow you to make many small incremental improvements. Over time the accumulation of 2% improvement here, 4% there, 1% here will result in a large improvement in your products and subsequently your businesses performance. In Profitable Growth, Ram Charan<sup>1</sup> argues that it is much better to look for lots of small improvements than to continually look to hit the ball out of the park.

To make a cricketing analogy, a big innings is made by working the ball around the field for lots of ones and twos. You don't have the chance to hit a boundary or a six off every ball or even in every over, you have to wait until the opportunity arises. However if you just sit back and wait for the bad ball and don't get on with accumulating runs, then the pressure to perform might make you take a risk and you may find yourself back in the pavilion. The same goes in business. If you get in the habit of looking for innovations everywhere from everyone, no matter what the size, then when the right opportunity arises for a breakthrough innovation you will be much better placed to recognise it and implement the change successfully. If you don't and you're forced to play catch up then the risks are much greater.

So don't obsess about needing to have a big idea. You can be far more successful having a run of little ideas. There are many other benefits as well,

- If a small idea doesn't work – so what, the cost and the pain wasn't too high.
- Having lots of small ideas gets you in a positive zone where it's normal to innovate and be successful.
- Little ideas means everyone can contribute from the cleaners and the tea makers to the top exec team – everyone can make a difference.

Remember Kaizen, the term and the practice that revolutionised Japanese manufacturing, this was built around achieving continuous incremental improvements in all aspects of your work. What's important is to develop the skills so that you can innovate often. The next section covers a series of tools that you use to develop your innovation skills.

## **Everyday Innovation Tools.**

### 1. Define your objectives.

A key point with innovation is to define the objectives for the project you're setting out on. Define it in terms of the outputs you're expecting, the product area you're looking at, the type of customers that you're looking at and the problems that need to be solved for them. The more defined you can make your objectives, the better chance you will have of innovating successfully. However don't define things too literally or too tightly as this may become restrictive. Allow for some looseness at the start of the process and then tighten things up once you've identified a wide range of solutions.

### 2. Understand the Innovation area.

Thomas Edison was one of the world's greatest innovators with over 1097 individual patents. One of his philosophies was "Study and read everything you can on the subject". Understand the current products and immerse yourself in the area where you are looking to innovate. Talk to your key users (see **Your Users** page 11) and learn from them too.

3. Generate lots of potential solutions.

Try to develop as many different solutions as you can. The more options you generate the better chance of developing something truly great and unique. Don't stop at the first option you think would satisfy your objectives, look to build on that and find something better.

4. Think Easy.

Remember that most innovative ideas don't happen on command and most ideas don't happen at work. To maximise your idea's potential make sure you prepare well, set your objectives and immerse yourself in you problem, however don't expect that you can just turn on the ideas, some will come easy – the obvious ones, but the good ones will arrive when you least expect it. So allow some time for the information to incubate and the good ideas will come to the surface.

5. Make sure you Innovate in a team.

Don't limit yourself to having to come up with the innovation on your own. Get a group together, make sure they are well briefed and have sometime to think about the problem, and then get them together for a brainstorming session. This could be a structured team that is going to work on the project over a period of time or just a group to brainstorm over lunch or with a glass of wine at the end of the day. Make sure your team is a mixed up with people of different ages, sexes, backgrounds etc. The mix of people will bring lots of different perspectives to the table.

6. Use some Innovation Ideas.

- Brainstorming is the most common tool to generate a number of ideas (see sidebar 1 for more info<sup>ii</sup>).
- Capture your ideas – use a notepad.
- Change the scenery, seek out new experiences – These may prompt different associations/triggers.
- Continually challenge conventional wisdom – but why?

### 1. Brainstorming - Why and When Is It Used?

Brainstorming was originally developed by Alex Osborn working in the advertising industry in the 1950s. It is the rapid pooling of all and any ideas that a group of people can come up with before any discussion or judgement takes place.<sup>ii</sup>

#### How Does It Work?

- Keep a relaxed atmosphere. Meetings should be disciplined but informal. If possible, choose an informal venue.
- Get the right size of team. The technique seems to work best with groups of five to seven people.
- Choose a leader. The leader checks that everyone understands what is going on and why.
- Define the problem clearly.
- Generate as many ideas as possible.
- Do not allow any evaluation and discussion.
- Give everyone equal opportunity to contribute.
- Write down every idea — clearly and where everyone can see them.
- When all the ideas are listed, review them for clarification, making sure everyone understands each item. At this point you can eliminate duplications and remove ideas the group feels are no longer appropriate.
- Allow ideas to incubate. Brainstorm in sessions with perhaps a few days in between. This gives time for the team to let the ideas turn over in their mind, which often results in new ideas at a later session.

- Listen to other peoples points of view
- Work with a Buddy
- Network aggressively
- Be prepared to fail – it took Edison – 10,000 attempts to perfect the light bulb
- Understand accidents – sometimes getting the wrong answer can lead to a breakthrough – many of the greatest inventions were accidental – Post-it notes, penicillin
- Be Positive
- Use Humour
- Wait until the last minute – good ideas take time.
- Keep all channels open – listen to you intuition.
- Be willing to change your mind.

#### 7. Be Positive.

It's a fact that optimists enjoy themselves more, tend to be more successful in their careers and are better at coming up with creative solutions to problems, they also live longer and healthier lives on average. Therefore you need optimists on your project team!! Innovation processes are filled with frustration and littered with failures – to successfully innovate you need to have a team that believes in success and believes they will be successful, but is realistic about the challenges involved. In his book John Middleton<sup>iii</sup> says there are three things to learn that lead to a more optimistic outlook these are;

- Every failure is an opportunity to learn
- We can change
- Success depends on effort and determination.

#### 8. De-Junk your life

Overcrowding your work-space and home life can leave you mentally drained. Without knowing it both clutter and the need to complete many minor tasks will leave you unable to focus on innovating or operating at your full capacity. So take some time and clear out your work spaces, make sure you have a clear out at home as well (back to point 4 – innovation can happen anywhere), home needs to be a haven where you can relax, unwind, recharge and provide the opportunity for creative thoughts.

## 9. Persuasion

When you're trying to make your point use all the means possible to convince others of your point of view. Going right back to Greek Philosophy there are three main ways to persuade people; logos or logic, ethos or credibility, and pathos or emotion.

So when you are presenting your case make sure you; outline your credentials and ensure you have character (ethos), ensure your argument is logical and easily understood (logos) and finally appeal to the emotions of your audience as well (pathos).

## 10. Healthy Innovation

By improving your physical well being you can boost your ability to innovate. These are 4 things you can do;

**Exercise** no surprises here, exercising 3 times a week can increase your concentration and abstract reasoning by 15%. Two reasons for this is the increased oxygen flow and the growth of new brain cells.

**Music** listening to music or learning music can both relax and stimulate us. Those taking music lessons have been shown to have a 2-3% increase in IQ relative to their peer group.

**Sleep** helps the brain to consolidate memories and hone skills.

**Food** eating right is important, having a good breakfast and having a balanced diet will do wonders for your overall health and ability to concentrate.

## 11. Encourage Conflict

Differences are good. When people disagree on an outcome they can look to develop a better quality solution. Many people don't want or can't handle conflict so it's often avoided and the result is a sub-optimised solution. To work past this you need to encourage constructive conflict. There are four key elements involved in handling conflict well;

1. Agree a common goal
2. Depersonalise the conversation – try not to have it as Bob's way or my way!
3. Develop lots of different alternatives – the more choices you have, the more constructive your conflict will be.
4. Keep your sense of humour

In order to encourage conflict in a positive way here are five suggestions;

1. Build a diverse team.
2. Meet frequently to encourage familiarity and mutual confidence.
3. Encourage teams to assume roles outside of their normal functional responsibilities

4. Think using multiple perspectives; customers, suppliers, competitors etc.
5. Manage the conflict – both unconstructive conflict and agreement just to appease is undesirable.

## 12. Good Decision Making

When you are going to make a decision there are some key traps that can lead you down the garden path. So make sure you're aware of these before you're lead astray;

**Anchoring Trap:** This leads us to listen more to the last information we receive.

**Status-quo Trap:** Temptation to stick with what we're doing in the face of more attractive alternatives.

**Sunk-cost Trap:** We have to finish what we've started.

**Confirming evidence Trap:** We have a tendency to seek out evidence that supports our preferred solution.

**Framing Trap:** We set out to solve the wrong problem. Therefore the solution that we find won't solve the real problem at hand  
(Point 1 – Define your objectives).

**Overconfidence Trap:** Very easy to expect things to happen faster, easier than reality.

**Prudence Trap:** Leads us to be overcautious because we don't understand the true probability of a negative outcome.

## The road to Breakthrough Innovation.

The road to breakthrough innovation starts by focusing on the smaller incremental opportunities that are uncovered using an everyday innovation approach and the tools detailed in the previous section. However once you're innovation program is going and you're scoring lots of ones and twos then it's time to think about breakthrough innovation.

To create a breakthrough innovation you often need an inspiration. Whilst you can create lost of smaller incremental improvements by harvesting the ideas from your team, a true breakthrough often has its genesis outside the business. Here are two places you can look;

Your competition.

Obviously you need to understand what your competition is doing and keep up-to-date with innovations in your industry. However where you can really innovate is by looking at the whole market and the different forms of competition that aren't so obvious.

In “Creating New Market Space” Kim and Mauborgne<sup>iv</sup> propose a framework for looking at your industry differently by looking across the conventionally defined boundaries within which you traditionally operate. By doing this you can find inspiration and innovation outside of your normal day to day operational horizon.

Creating new products relies on finding new space to compete. Not just improvements to existing products but whole new products with completely new approaches to existing needs. If you can find a new space and create a breakthrough product, you have a chance to redefine the market.

To find a new space to play in, look at your market in a different way, consider;

- *Strategic Groups within your industry* – don’t just consider your normal competition. Look at the groups at the top and bottom of the market. Look at how they compete and what you could be doing to change your product to offer more value at the same price or the same value at a significantly lower price.
- *Substitute Industries* – consider substitutes that are a good step removed. By this I mean they fill the same need but a completely different form of product satisfies that need. For example perhaps the real alternative to a flying is a car trip or even a phone call rather than another airline. By considering substitutes you open up a whole new set of options on how to compete. To do this first you need to understand what need your product is filling, which often isn’t obvious.
- *Look at the needs of the whole chain of buyers* – consider purchasers, users and influencers – Look at where your industry has traditionally competed. If it’s been on the purchasers, then shift the focus and look at the users or influencers. The key is to shift the competition, find some space for you to differentiate in a meaningful way. See Sidebar 2 – Mapping Buyer Utility.
- *Look at complementary product and service offerings* – what other things are consumed when people purchase your product? Can you add value by offering it or integrating it into your product. Think about Apple’s iPod and iTunes.
- *Consider functional and emotional needs* - again over time industries can gravitate to compete on the same dimension. If your industry focuses on functional needs, change your focus to emotional needs or vice versa.
- *Look across time* – think disruptively. Look at the changes that are occurring in your industry and look to act in sync and get ahead of the curve. Consider changes that are going on in society, technology and environment areas. Then consider how you can better meet these changing needs.

**SideBar 2**

**Buyer Utility Map**

The buyer utility map (Kim and Mauborgne<sup>v</sup>) outlines the different levers companies can use to deliver utility across the different buying stages. Buy mapping your competition you can see the alternatives you can use to compete.

This will give you a good indication of how likely it is that new customers will be attracted to a new idea.

	Purchase	Delivery	Use	Supplements	Maintenance	Disposal
Customer Productivity						
Simplicity						
Convenience						
Risk						
Fun & Image						
Environmental friendliness						
Questions	How long does it take to find the product you need?  Is the POS attractive and accessible?  How secure is the transaction environment  How rapidly can you make a purchase?	How long does it take to get the product delivered?  How difficult is it to unpack and install the product?	Does the product require training or expert assistance?  Is the product easy to store when not in use?  How effective are the products features and functions?	Do you need other products and services to make this product work? If so how costly are they?	Is external maintenance required?  Is it easy to maintain and upgrade the product	Does the use of the product create waste items?  How easy is it to dispose of the product?

## Your Users.

Of the three sources of innovation, 1. Your Team, 2. Your Competition, & 3. Your Customers, we have covered the first two in our quest for innovation. This last section covers innovation from your customers or more specifically the users of your product or service. von Hippel, Thom, and Sonnack<sup>vi</sup> discovered that a significant percentage of innovations are developed by users of products rather than the companies that manufacture or design them. In some industries this was greater than 50%.

All business, marketing and innovation processes require an input from customers about their impressions, issues and ideas about the company in order to improve. Traditionally companies collect information from typical users that are part of their target market. To really innovate von Hippel, Thom, and Sonnack proposed a different approach; the lead user process.

The lead user process takes a very different approach, instead of researching typical users you look to users from the leading edge of your target market. True lead users are rare, they're not just good, or very good users of your products but the ones that have already modified your products, taken them apart and adapted them to work better, they've already generated innovations.

To find lead users you need to track them down using phone interviews and network your way into contacting people that are more and more expert. This is effective because people with a serious interest, typically know others who know more about the topic than they do.

Once you have tracked down these users, then you need to go through a process of interviewing them or even bringing them into your business to share their ideas with you. Usually lead users are happy to do this for little more than an acknowledgement. It's the passion and interest in their field that drives them and if they find a company that's interested in perfecting their product or service then this will excite them and drive loyalty and commitment.

Once you have your breakthrough innovation clearly documented and ready to develop, the Buyer Utility Map in Sidebar 2 provides a way to double check whether you really have a winning business idea.

## Moving Forward.

Innovation is a key organisational capability. Any successful organisation today has to be able to innovate and change. To do this requires an organisational commitment, it also requires an acceptance of risk. You need to be comfortable to try new things and fail. In fact if you're serious, then failure should be embraced and celebrated almost as much as success. Remember, start small, look for ones and twos and develop the skills and approach to innovate and try things differently. Over time your everyday innovation skills will reap a rich return.

This paper has focused primarily on the process for generating new innovations and ideas for more information on how to turn those ideas into reality see the discussion on Design Management and Design Process in the Inside**Out** Design & Branding whitepaper.

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