Creativity And Innovation Best Practices

To make exponential business growth a reality, accept following hypothesis

1) Innovation and growth is not (just) a fuzzy process of screwing around vigorously (SAV) but can be a systematic process,
2) Innovation and growth is not (just) something that happens in a department like R & D or product development,
3) Innovation and growth is not just about products or solutions - it is about creating a transformational change in the way people live, work and play." Said Erich Joachimsthaler, Renowned Author of Hidden in Plain Sight

Creativity And Innovation In Business

Are you interested to have knowledge on following?

? ***Ten Principles for creating highest performing teams that produce continuous Team Innovation***

1. Establish *the reasons and objectives of forming a team. Create a concise team vision and mission statement that is crisp and well understood.*

2. Recruit *the best team players* who will be the most adept at achieving the said team objectives, vision and mission. Find employees both from within the organization through your own network of friends, peers and managers, and externally through the best recruiters available.

3. Establish *clear, participatory, effective and elevating team goals and plans,* preferably using SMART system. Ensure that the team's plans and future direction are clear and supported, the team is kept informed of the ongoing progress, quality standards and effectiveness set, and there is complete commitment from team members towards achieving these objectives.

4. Articulate *and communicate team task functions and relationship functions,* and help the team understand the differences through examples. Organize and lead the team so that the team coordinates the efforts and cooperates well. Create a high degree of trust and confidence among the team members, ensure that the team members participate fully and communicate openly making sure that everyone is always included, encourage different viewpoints and foster diversity in thought and members, and build camaraderie, closeness and friendship within the team.

5. Develop *healthy and productive group and meeting norms*, grow team cohesiveness by building collaboration, and manage social loafing consequences. Make *decisions by consensus* after seeking opinions from each team member, help the team towards making its own good decisions, resolve problems and find solutions through mutual effort and open communications, and evaluate team behaviors and perceptions openly.

6. Proactively manage *team behaviors and conflicts* that could either encourage or harm member relations, and regulate situations where individual needs are not satisfied. The emphasis is on "proactively" managing conflicts. A high performing team will have conflicts, openly and often. Conflicts are a healthy sign of a team cooperating and communicating ideas frequently. The manager should create sound conflict resolutions techniques wherein the conflicts are addressed in a timely manner, and conflicts remain rooted in problems and issues, and not about members.

7. Cultivate *and unleash Group Creativity and Innovation*. A leader becomes indispensable and important to the organization when they can develop creativity throughout the organization--in their team, and in the processes the leader uses to tap and leverage that widespread creativity. What processes drive Group Creativity and Innovation? The team leader leverages Group

Creativity techniques including Basic Brainstorming, Nominal Group Technique (NGT), and NGT-Storming. A creative team leader will always ask a lot of questions, never judges, encourages free-wheeling, goes for quantity (of ideas), and promotes piggybacking during the group creativity meetings. Finally, a witty quote about change, and stepping into the team member's offices and asking a simple question: "any creative ideas today?" will always encourage creativity and innovation among the team.

8. Analyze, *update and maneuver team communication* according to the twelve categories comprising Bales' Interaction Analysis. Bales' Interaction Analysis allows the manager to review the team's member communications in four categories: Positive reactions, Attempted answers, Questions and Negative reactions. By analyzing this once every few months, the leader can not only get insight on how the team communicates, but also provide individual members feedback. If the overall communications are moving towards increasing Questions and Negative reactions, the leader can take appropriate steps to enhance the communication flow.

9. Create *a Team Assessment Inventory* on the team's general productivity and climate, team goals, processes and procedures, and member relationships every three months to analyze and calibrate the team performance. This is very important if the team is going to be working together on projects for the long term. Also, this would provide the manager a self-assessment on how well the term is performing.

10. Have fun!! Create an environment wherein the team members enjoy their work, and the team morale remains high. The leader needs to exude excitement, and inject that passion so that the team members also work with high degree of energy and excitement. Every month or once every few months, the leader should take time to enjoy the achievements, and plan fun activities with the team.

? *Seven Characteristics of a high performance team that lead to steady and substantial Team Innovation*

Top Seven Charactertistics of a *high performance team* that leads to steady and substantial Team Innovation:

1. The atmosphere is relaxed and informal, and work is fun
2. The task and goals are clearly understood by all group members
3. Ideas and feelings are expressed freely and openly, and with creativity
4. Conflict is productive and often, centered on issues as opposed to on people
5. The group is aware of its own functioning and dynamics, including inefficiences
6. In almost all cases, decisions are made by consensus, and consensus is not forced
7. When individual tasks are assigned, they are accepted and carried out in a timely manner by group members

? ***Examples of effective teams in an organization, what made them effective, what could have been done better***

Lessons learned:

What are the incentives for a new manager to re-invent existing processes? Cost saving, the recognition from upper management, the recognition from clients, make an impact on existing processes by making them more efficient, cheaper or faster, to show that the experience they bring can take the company to the next level, better align processes to the company goals & objectives.

? ***Five Principles for creating successful business innovations that drive growth***

Successful business innovations that drive growth are guided by the following five principles:

1. Vision to create new products, business models or processes that make a difference and create new markets
2. Systematic processes and rigor that stimulate creativity and learning to execute on the vision
3. Reward and recognition system for teams to take measured risks and experiment
4. Focus on clear and present customer needs, the market facts, and the intangible
5. Growth-oriented leadership that is decisive, inclusive, focused, takes risks, and has market expertise

How do you find innovation? Can you find innovation blind-folded or using the same lens? Six Ways to find innovation

Stand in different places

Switch roles. This is the only way to learn and understand what is out there or in there. If you are the manager, become an employee. If you are in Sales, become a customer. If you are the product manager, become the product or the user. Try to adapt the mindset of who you want to do business with. Change your perspective. This bit of role playing will allow you to find new innovative ways to look at the same problem, and find a solution that you never thought existed before.

Use the lenses of other domains

Are you selling high tech gear? Well what if your buyer was shopping for groceries? How would you sell to that buyer? Are you looking to create that next big innovation in chemistry? What if you were to use this innovation in sports? Learn about something other than your domain knowledge. Try to apply this knowledge to your problem. Say you are trying to market an application to the CEO of a company, and are not able to determine the appropriate message, the punch line. What if a Kid were to buy your product? How would you explain to the Kid? The key is to use a different lens outside your domain and arrive at a solution. If you don't know how to use a different lens, find someone in the company who can. Or create a group to do this.

Ask powerful questions

Questions are not just for the devil's advocate and to create doubts. There is no such thing as a silly question. Question everything about what you are trying to accomplish. Start with why, what, how, when, what if, so what, where and so on. Ask broader or narrower Questions. Ask the question of a metaphor. Ask opposite questions and inside-out Questions. Ask precedence and consequence Questions. Ask ridiculous questions, and don't forget to ask the "Real" question. Ask about object rules and action rules (Shank). Question the merits and even ask how you can make the innovation worse or fail. The more questions you ask and the more answers you try to find, the more innovative ways you would come across in trying to find a way to create a new product or solve a problem.

Foster new knowledge

New knowledge not only comes from your own domain, but when you are out there doing something else. Go attend a trade show of an unrelated business. This will open up your mind to how businesses are creating products for other markets. You may find an application of this in your market. Spend a week with your customer. Understand the problems your customer faces on a day to day basis; not just for your product, but everywhere else. Gain new insights on how your customer does their business with their customers. Check out what your key competitor is doing outside their place of business, what they are doing to promote and market their products. Do Offsites with your creative teams, and focus on learning something totally unrelated to what you are doing. Use the Offsites to create some group thought. The creative team should spend time in new places to gain new viewpoints, and which in turn will generate new ideas.

Create a visual verbal journal

A picture says a thousand words. A journal to put down your thoughts visually will allow you to think about your ideas from various angles, and create clarity of thought. Wherever possible, doodle. Do drawings of processes, tasks, relationships. Connect the dots or let them flow from one to another. Create a habit to write down key ideas, however unrelated, and try to associate these with real world scenarios. Create more pictures (don't worry about whether they are pieces of art). Imagine the customer you are trying to sell visually. What would be they thinking out loud or saying out loud? Write short catchy phrases describing their actions and thoughts. At times you may be going on different tangents from your visual thoughts, but it is possible that one of the new tangents holds that all important idea to generate new innovation. And at times, the visuals may create even further complexity. Perhaps it is best to let go of that visual, and start a new one. Wherever possible, try to associate visuals with concise thoughts or ideas.

Change the pace of attention

How do you lead groups to find and create innovation? The key is to slow them down and try to get the group to focus on a few key ideas initially. Try to brainstorm on these ideas using creativity techniques such as free association, locksmiths, SCAMPER, or Question Breakdown. Ask the group to bring their own ideas, however silly they may appear on the surface, and evaluate each idea and brainstorm. Give rankings to each idea by having everyone vote. If the group is pressed for time, and is moving fast through the thought process, make it a practice of slowing them down. Ask more questions. Try to change the topic to have the group momentarily think of something else. Bring them back. Try to rephrase what you are trying to do. What you are trying is create is that moment of intuition or magic moment wherein group members can come up with an idea that everyone says "wow, let us explore that." Use group forums or N-Gates to channel the group creativity into a new idea or innovation.

- ***Nine Processes to create at your organization to unblock creativity and drive innovation***

  Is your organization Blocking or Stifling Creativity? How do you harness Creativity and produce new Innovation in your organization?

  As organizations grow, they setup structures that inherently block creativity.

  Systems and Processes

  Have your heard of organizational efficiency? Bottom-line? Operational excellence? Larger organizations setup systems and processes to become leaner and more efficient, and become focused internally. However, when the systems and processes become an end goal, creativity that drives new innovations and competitive spirit becomes non-existent over a period of time. Hence, organizations must build new processes such as identifying and isolating key creative teams from the rest of the organizations, and stimulating them towards driving innovation.

  Reward and Recognition Systems

  Who do you reward and recognize at your organization? The operational excellence team, the sales team or the innovation team? Do you even have rewards and recognition systems in place? If you are frequently associated with rewarding behaviors like "going with the flow" and where behaviors like "questioning status quo" are ignored or even reprimanded, creativity will suffer. In order to create the best creative output from employees and teams, organizations must put formal rewards and recognition systems for the innovators and creativity contributors. Recognition and rewards could be in the form of a company-wide announcement of the contributions of your most innovative employees, press releases recognizing and introducing their innovations, providing the innovators paid vacations and combining them with trade shows where they can meet customers, salary bonuses, and more.

Organizational Culture

What stories do you hear in the cafeteria? Are the stories about the next big innovation that someone is working on, a new marketing campaign that is creating great returns or a product that was launched last year and became hugely successful? Or are the stories (or lack thereof) about improving profit margins, increasing productivity and becoming an efficient organization? An organization's culture is built on stories and legends. How many of these stories are known and recognized by the external world? An organization where creativity was not celebrated historically rarely has a vibrant creative environment. However, organizations where most talked about stories revolve around creativity, inspire others to follow suit, building a culture of creativity.

Creative ideas must make business sense. For instance, asking questions on whether you have the means to convert an idea into innovation, the associated costs of doing this, how many customers will use this new innovation, and the revenue potential. Most successful organizations achieve a balance between creativity and operational excellence.

Here are nine processes that you can create at your organization to unblock Creativity and drive Innovation:

- Open communication within and between departments, and across all management layers.
- Hiring of people with diverse backgrounds and experience, and avoiding "cloning."
- Encouraging employees to find new ways to do their daily work, and empowering them to make decisions.
- Creating an organization that extends out to customers, suppliers, partners, and environment.
- Stimulating research activities and providing employees some free time to experiment.
- Allowing employees to take measured risks (with small costs), and seizing opportunities.
- Creating processes to evaluate any idea on merit, regardless of where it is coming from.
- Identifying and separating the creative from operational functions in the organization.
- Using group creativity techniques frequently to promote team building and generate new ideas

- ***Top Ten characteristics and traits of Creative Leaders. Are you a creative leader?***

Creative leaders continually meet new challenges, and recognize and pursue new opportunities through bold innovations.

What are the top ten characteristics and traits of Creative Leaders?

1. Great at generating many ideas – innovative, game changing and even commonplace.
2. Always looking to experiment with good ideas. Sometimes, trying out a few times.
3. Unwavering belief in their creativity and innovation, coupled with originality in thinking.
4. Smart and bright with a positive self-image. More often, they are not born geniuses.
5. Passionate, expressive and sensitive to their teams, colleagues and surroundings.
6. Demonstrate superior judgment, and do not make quick decisions (although have a gut feel).
7. Non-conformists and independent, requiring less social approval than most people.
8. Innate ability to understand and solve the problem, and manage the consequences.
9. Born dreamers with strong imagination; however, manage to keep things in perspective.
10. Create and launch game changing products meeting a high level of quality and design.

- ***How much creativity is enough? Is there an optimal level of creativity for a person to have?***

How much creativity is enough? Is there an optimal level of creativity for a person to have? Is it possible to be "too creative?" Is it true, or a myth, that creative people can be difficult to manage?

Creativity generates Ideas. Ideas generate Innovations. Innovations generate New Products. New Products make company successful in the long term. A company can never have too much creativity. Creativity can give rise to new products that may fail. However, without creativity, there are no new products. Creativity and Innovation define the future of any business. The day creativity is thought to be enough, the company stops innovating, stops creating great new products, becomes complacent and eventually ceases to exist.

Too much creativity or optimal level of creativity depends on the company, its culture and its individuals. ***Creativity in a corporate environment needs to be channelled to produce great products***. Employing creative individuals in specific business units such as marketing, desktop publishing, web business, advertising or new product development makes business sense. An optimal level of creativity can be achieved within the organization as a whole, where the appropriate guidelines and frameworks are in place for creative individuals and their ideas, and to convert such creativity into viable business solutions. If the individual is employed in a role that requires creativity, there cannot be too much of it – however *a defined structure that sets boundaries, such as market needs, financial constraints, resource availability, project checklist and milestones, etc. can drive measurable, sustainable and innovative results*. When the business risks grow, a methodical framework or business process needs to be implemented to translate creative ideas into viable business enterprises.

An experienced manager knows how to manage creativity and creative individuals without coming in the way of generating new ideas. Creative individuals have the innate ability to visualize the end product; however, at times this is also coupled with the complexity to execute on a plan to get there. The key is to provide the creative individuals a platform to be creative, and lead their ideas into markets. Surrounding creative individuals with the appropriate infrastructure and resources to convert their ideas into workable solutions can be very rewarding and profitable. On the contrary, leaving them to their own devices can potentially result in chaos, delayed delivery, under delivery on commitments, overspending and incomplete end results.

Creative individuals can tend to be independent, expressive and passionate. Their mindset stems from the cultural differences between highly creative and operational organizational norms. For example, creative individuals thrive on generating ideas, and asking the "what if" questions. Some managers may prefer efficiency to unproven ideas and rhetorical questions. A manager can nurture their entrepreneurial spirit, and yet manage them well in group settings and staff meetings. There is also the possibility of expansive dialogs and debates, especially when a manager rejects an idea or two from a creative individual. This is perhaps the most challenging aspect of managing a creative individual: how to say "No" to certain ideas that may make compelling sense to the individual?

Creativity is paramount to the success of any business. Creativity drives Ideas. Ideas drive Innovations. Innovations drive New Products and Markets. Creativity And Innovation drive business.

? ***How are innovation and leadership linked? How do leaders lead in a way that generate Innovation? Top Ten leadership ideas to drive innovation***

In a story on "Connecting the Dots between Innovation and Leadership" published by Knowledge@Wharton, Wharton management professor Michael Useem asked an important question at the roundtable: "How are Innovation and Leadership linked?", "How do we lead in a way that generates Innovation?" The panelists were asked to describe a single factor that is critical to innovation.

Here were the ten answers by the panelists on what drives Innovation at their companies:

1. Marketing

According to C. Robert Henrikson, chairman and CEO of global insurer MetLife, the focus is on marketing. According to Henrikson, Innovation happens because of true marketing, not merely sales support; for example, executives beyond the sales team, such as lawyers and financial officers, need to meet with customers regularly. "All parts of the organization must have a sense of the customers' business to anticipate their needs and reach out with innovative ideas," he said. Henrikson observed that most insurance companies have no marketing and are simply followers of innovation established by competitors. He further emphasized that: "I can't wake up and say, 'It's good to be a fast follower.' You have to get out in front of consumer behavior. That is what will be the differentiator in our industry."

2. Size

Alex Gorsky, head of Pharma North America and CEO of Novartis North America, indicated that "It's really important not to confuse size with true innovation. Research shows big is not necessarily better." Gorsky noted that all the mergers have made drug companies big in size, but not big on innovation. Rather, the smaller biotech companies or divisions are causing real innovations according to Gorsky.

3. Culture

According to Seth Waugh, CEO of Deutsche Bank Americas, culture is a critical factor in promoting innovation. Business leaders stimulate innovation by offering incentives to workers, creating an environment, and setting expectations. Waugh noted: "You must have people with that hunger to always learn, who are always open and who think about things in a different way. You always have to reinvent yourself tomorrow."

4. Technology

Retired partner and managing director at Goldman Sachs, Connie K. Duckworth talked about the important role of technology driving innovation. "The advent of desktop information technology transformed the financial services industry on Wall Street in the 1980s and 1990s," she noted. Duckworth observed that "new computer technology allowed companies to analyze the role of risk and to track risk in financial services, which changed the dynamics of the business."

5. Passion
Patricia Danzon, Wharton professor of health care systems and a consummate researcher on pharmaceutical industry mergers, identified passion as critical to innovation. Although passion is difficult to quantify, Danzon elaborated that passion may be linked to workers who have a stake in the business, either financially or in small firms where there is clear authority and little bureaucracy. Danzon stated, "So much innovation in the pharmaceutical industry is coming from the small firms ... and it seems to come from the passion and the involvement of being master of your own destiny."

6. Active Participation

Jeffrey Katz, CEO of Sherwood Equities, a New York City developer, and a major investor in Times Square, said business leaders must remain open and receptive to what comes their way in the form of new deals in order to capitalize on opportunities, and then seize these opportunities. He observed that "the marketplace, at least in New York, is extremely [fast-changing]. Unless you are sensitized and able to react right away, you will be reading about a deal next week rather than doing it."

7. Hard Work

Peter Linneman, Wharton finance professor and founding chairman of Wharton's real estate department, had a more real world perspective. He said there is no magic "Aha!" moment in most innovation. According to Lineman, "It's just all hard work -- showing up everyday in the morning, studying plans, walking around seeing what other people are doing. If you wait for 'eureka,' you are never going to have innovation."

8. Internal Development

Seth Waugh observed that it is preferable to create new businesses within the company first, because a homegrown enterprise is likely to fit better in the existing corporate culture. And he noted that this has the advantage of keeping the organization flat. Henrikson also believes in internal development as the passport to innovation. Henrickson emphasized, it's talented managers -- not necessarily acquisitions -- that drive innovation. Katz is in the build-from-within camp. In order to grow, he encourages contrarian thinking. He noted that "if a developer waits to see what the crowd is doing, it's too late."

9. Targeted Acquisitions

Waugh believes that highly targeted "rifle-shot" acquisition, when an opportunity integrates well with the parent company's overall portfolio, is a strategic approach to stay ahead of the competition. Henrikson believes otherwise. Gorsky observes, "The area where it (acquisition) does make sense is in complementary technology with new technology partners." For example, Novartis' acquisition of Chiron Corp., a biotech firm with a specialty in vaccine development and production, as an example of an acquisition that fits well with Novartis' broader strengths.

10. Agility

Katz emphasizes the importance of agility to reshape development plans. He believes agility can create new ways of efficient and effective development that can span over months and years for completion.

Some of the panelists observed that leaders remain intently fixed on customers to uncover clues to innovation, realize and achieve the need for balance in quantitative skills and people skills, possess emotional intelligence and sensitivity to multi-cultural and multi-generational issues, demonstrate persistence in sticking with a goal although with flexibility, and execute on great ideas.

? ***Avoiding the innovation cycle, and Four Common innovation blunders***

Thomas A. Stewart, editor of Harvard Business Review, and Rosabeth Moss Kanter, professor of Harvard Business School, declare that innovation is cyclical at most companies in "*The Great Wheel of Innovation*" and "*Innovation: The Classic Traps*." As a matter of fact Kanter asserts that "*innovation gets rediscovered as a growth enabler every half dozen years*." Can companies afford an innovation cycle that repeats every six years?

Cause And Effect

What causes the cycle of innovation? Stewart talks about the erosion of "*institutional memory*" as one of the primary drivers of the innovation cycle. Erosion happens due to change in labor markets, 20% voluntary turnovers and intra-company movement of individuals and associated memories. The key challenge companies have is creating processes in place to preserve the memories, the knowledge acquired, the insights gained on not only what worked well in the past, but also what did not work well, so that mistakes are not repeated on planned innovations. When companies push to find new ways, old mistakes repeat, thereby creating the long cycle of innovation. Stewart refers this as the great *paradox of innovation* - it's not about creating new innovations, rather repeatable processes that define how to create innovations.

Avoiding The Innovation Cycle

Kanter stresses that grand declarations of innovation are often followed by mediocre execution that produces anemic results. Kanter echoes on “four major waves of innovation enthusiasm” she's observed, and describes the four “classic mistakes companies make in innovation strategy, process, structure, and skills assessment.” These four mistakes need to be overcome if companies want to maintain their innovative output and become lasting companies. We had earlier talked about six ways to find innovation, and processes to unblock creativity and innovation. Some of Kanter’s proposed views draw similar insights.

Common Innovation Blunders

Kanter gives many real world examples of common blunders that companies make as they try to build new innovations:

1. “A typical strategic blunder is when managers set their hurdles too high or limit the scope of their innovation efforts.” Case in point: Quaker Oats was making minor tweaks to its product formulas in the 1990s that it missed larger opportunities in distribution.
2. “When managers strangle innovation efforts with the same rigid planning, budgeting, and reviewing approaches they use in their existing businesses--thereby discouraging people from adapting as circumstances warrant.” When a company builds too many systems and processes to create efficiencies, innovation suffers.
3. “Companies must be careful how they structure fledgling entities alongside existing ones to avoid a clash of cultures and agendas.” Another example Kanter provides is when Arrow Electronics tried to create an online venture.
4. “Companies commonly undervalue and underinvest in the human side of innovation--for instance, promoting individuals out of innovation teams long before their efforts can pay off.” Again, we had discussed a lack of reward and recognition system for innovators in particular.

Innovation At Your Business

What are your views on creativity and innovation at your business? Do you have defined processes in place to create sustainable innovations? For instance, top innovators such as Google who “allow their brightest minds time to experiment” while keeping a tremendous focus on “simplicity and the customer,” and Proctor and Gamble, whose “connect and develop model calls for 50% of products to come from outside” and where “design and innovation execs are part of the org chart.” Share your insights on whether innovation is cyclical at your business.

? ***How can failure drive innovation? Five Takeaways stimulation innovation***

"Failure is our most important product." R W Johnson, Jr., Former CEO, Johnson & Johnson, 1954

"Our company has, indeed, stumbled onto some of its new products. But never forget that you can only stumble if you're moving." Richard P. Carlton, Former CEO, 3M Corporation, 1950

Great wisdom shared by two great business leaders.

"**Purposeful Accidents**"

Jim Collins and Jerry I. Porras, authors of the bestseller "Built to Last", discuss the role of Creativity and Innovation that drives some of the successful habits of Visionary companies. They observe that "some of their (visionary companies) best moves were not by detailed strategic planning, but rather by experimentation, trial and error, opportunism, and--quite literally--accident." But they were no ordinary accidents. Rather "purposeful accidents" according to the authors.

? **Opportunistic or Planned Innovations**

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The authors give several examples of visionary companies including Johnson & Johnson's accidental move into Consumer Products with discovery of "Johnson's Toilet and Baby Powder" and "Band-Aid", Marriot's opportunistic step into Airport Services from providing meals in the airports to inside the airplanes, American Express's unintended evolution into Financial and Travel Services with the introduction of "American Express Travelers Cheque" and then Tourism and

Travel, HP's unplanned move into computer business (when it designed its first small computer simply to add power to its line of instruments products) and more. These innovations were neither aberrations, nor they represented random luck--the authors discovered there was more to these innovations than what appeared on the surface--something bigger at work.

Darwin and the Evolutionary Progress

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The authors label this type of progress by visionary companies as "evolutionary progress". Because evolutionary progress is unplanned progress, beginning with "small incremental steps or mutations, often in the form of quickly seizing unexpected opportunities that eventually grow into major--and often unanticipated--strategic shifts." Authors believe this is comparable to Darwin's theory of Evolution--species evolving by a process of undirected variation and natural selection--the survival of the fittest. Of course the difference with visionary companies being that there is a plan in place that stimulates these experiments and variations, and ultimately creates the meaningful inventions.

Johnson and Johnson - Failures to Innovations

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Johnson & Johnson, one of the visionary companies in the book, has never in its 107-year history, posted a loss. It has had many failed ventures such as a foray into Kola stimulants, colored casts for children, heart valves, kidney dialysis, and ibuprofen pain relievers - the list is quite big. The failures result at J & J from the fact that the company emphasizes placing bets on many potential opportunities--most opportunities possibly fail, but the ones that do succeed, they succeed big. The bets, or the experimentation, are an essential price to pay for successful Innovation and Long-term growth. At General Electric, Jack Welch the then CEO, called this "planful opportunism"--directing a business by setting only a few clear, overarching goals and letting the people seize any opportunities they saw to further these goals.

3M - Accidents to Innovation Machine

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What about 3M, quite possibly the most innovative company of our times that even CEOs of other visionary companies admire? 3M is best known for its household brands such as Post-It note, Masking tape, Scotch tape, and many more. 3M initially failed in its mining business, and eventually stumbled onto most of the successful innovations that we know 3M for, including Post-It, Masking and Scotch tape. According to the authors, "Although the invention of the Post-it note might have been somewhat accidental, the creation of the 3M environment that allowed it was anything but an accident." 3M institutionalized such mechanisms to drive Innovation as the "15 percent rule" - technical people spend up to 15 percent of their time on projects of their own choosing or initiative, "25 percent rule" - each division should produce 25 percent of annual sales from new products and services introduced in the previous five years, "Golden Step" award - given to those creating successful new business ventures originated within 3M. More mechanisms were created to stimulate internal entrepreneurship, test new ideas, create unplanned experimentation, share new ideas, develop new innovation, cross-fertilize technology, ideas and innovation, stimulate innovation via customer problems, speed product development and market introduction cycles, provide profit sharing, and promote "a small company within a big company feel" by creating small autonomous business units and product divisions - in early 1990 3M had over sixty thousand products and over forty separate product divisions.

Norton - Lessons Learned

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The authors argue that whereas 3M created the mechanisms and management practices to encourage individual initiatives and experimentation, Norton was the exact opposite. 3M took the approach of "try a lot of stuff and keep what works", whereas Norton was centralized, bureaucratic and stagnant. Not only that, the authors discovered that Norton had explicit policies discouraging entrepreneurship; there were no incentives for creativity and towards looking outside for new opportunities beyond the traditional products and businesses. Norton emphasized too much planning from the top down, and made it a way of life. Norton eventually tried to innovate and expand with acquisitions, but it was too little, too late. Norton, a company that at one time was ten times the size of 3M, ceased to exist (was acquired on its way down in the nineties).

Five takeaways stimulating Innovation

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The authors summarize their findings from 3M and provide five takeaways to drive Innovation at any business:

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1. "Give it a try--and quick!" - Essentially echoing on having a process to try out a lot of stuff, and keeping what really works. The key here is to do something. Keep on trying something new.

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2. "Accept that mistakes will be made." - Learn from the mistakes quickly, and move on. Failures are part and parcel of what creates new innovation. Don't repeat the same mistakes.

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3. "Take small steps." - Experiment, but on a small scale. When something looks promising, go all out and seize the opportunity. This way one can do plenty of inexpensive experiments that create a funnel of would-be innovations.

4. "Give people the room they need." - Without entrepreneurship, there is no experiment. Without experiment there is no success or failure. People need some time and room to experiment.

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5. "Mechanisms - build that ticking clock!" - How do you harness creativity and build innovation? It cannot happen simply by chance. Companies need to create practices and tangible mechanisms to experiment, try out new ideas and innovate.

? ***Online engagement with customers creating new innovative solutions***

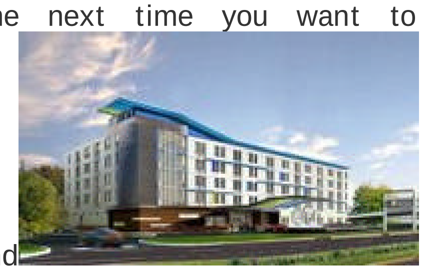
Gschwandtner summarizes: "Information (online) technology has empowered consumers to share ideas, documents, images, and movies across the forever- expanding digital world. The Internet allows businesses to engage customers in a creative workshop experience." This online engagement with the customers that creates new innovative solutions is Co-Creation.

Doritos and The Super Bowl

What is Doritos doing to co-create with the customers? How about a "story about eating your first Doritos chips or what life is like for the spices on the surface of the chip"? Consumers are invited to submit their 30-second homemade videos on stories about Doritos. Talk about whetting consumers' appetite for Doritos with the growing appetite of homemade videos - it appears that Doritos has created the perfect match. And the best part is the grand prize: the top video will be aired as a commercial during next year's Super Bowl (2007). Five finalists will also be awarded $10,000 each. Doritos wins by rallying hundreds of thousands of consumers to create playful videos about its chips, creating the consumer buzz around Doritos at time of the Super Bowl, and finally showcasing the advertisement in front of about a hundred million people watching the Super Bowl. Co-Creation in motion.

Aloft at Starwood

The next time you want to go to a great hotel, how about just logging online and



typing in: www.virtualaloft.com. No need to leave home.

Welcome to Aloft Hotel, the new futuristic hotel from Starwood. The virtual hotel invites guests to tour the hotel and get a 360 degree view, walk around the lobby, check into a room, swim in the pool, and even watch a sunset on the rooftop terrace. Starwood has taken the concept of co-creation to the next level (literally) by creating the first virtual hotel online, and simultaneously encouraging the customers to provide feedback and engage with the designers and architects who are building the real hotel.

The real hotel will not open until 2008 - plenty of time for Starwood to gather all the customer inputs and creating something that customers really crave for. What a great concept? For instance, at their website, the designers heard one question a few times on "why there wasn't a door in the bathroom." They immediately responded that "there will be a sliding door in the real hotel" and explained why it was missing in the first place. Co-Creation at work.

Timex and The Future of Time

Timex, as part of its 150th Anniversary celebration, and to demonstrate an ongoing commitment to design and innovation, conducted a global design competition: Timex2154: The Future of Time (2004+150 years=2154). Designers from more than 72 countries explored and visualized personal and portable timekeeping 150 years into the future and submitted 640 entries. An assembled world-class design team evaluated the entries in three categories: wrist-based, wearable, and conceptual, and chose the winners. Timex could not have done this alone (if they would have tried to design a futuristic watch). Instead, they were able to obtain 640 creative ideas from some of the world's best designers in a timely manner. Further, Timex created a leadership position as a Watch company by creating such a campaign and getting the inputs from some of the best designers. Co-Creation driving innovation.

Diversity drives Innovation

Gschwandtner compares the past and the present of customer innovations: "In the past, customers have been limited to communicating their wants and needs in surveys and focus groups; today, brands deploy existing technologies to map their customer's imagination. Brands no longer view consumers as targets with a wallet, but as co-creators of exciting and profitable solutions." This is a tremendous shift. Rather than simply aiming customers for profits with obsolete products, now you are learning from them in real-time and creating better products that will in turn create profitable customers. And today's customer who is digitally engaged and enjoys personal service would not have it any other way. Gschwandtner aptly quotes the term "Diversity drives Innovation" from the book *The Medici Effect* by *Frans Johansson* to demonstrate the effect of Co-Creation.

Bottomline

As Co-Creation demonstrates tangible results, more mainstream businesses will experiment and adopt it - not just technology companies. The best side effect of Co-Creation is it brings you that much closer to your customers and creates a positive business environment. The business should not become overzealous about deploying Co-Creation. It has to make observations and decisions based on sampling size and customer type on whether to go all out with customer inputs or experiment.

? ***Marketing Innovation in Growth market, Emerging market, Existing market, Replacement market and Untapped market***

Marketing executives have limited dollars and resources to invest on marketing programs and create market share growth. How do they pick the optimal go-to-market strategy to achieve market leadership? What markets do they invest into and how much? How do they create Marketing Innovation so that they are maximizing the marketing investments and generating higher revenue today and in the future?

The markets can be divided into five broad categories including Growth market, Emerging market, Existing market, Replacement market and Untapped market to create the appropriate context.

1. **Growth market:**
2.

a. Growth market is the market where the organization is seeing the most business traction today. The marketing executive needs to first answer the following questions to establish the baseline: What is our current market share in the Growth market? Who are our prime customers? Why are the customers using our products? For how long? Do we provide an effective solution? Are we winning? Why are we winning? Who are we winning against?
b. The marketing executive also needs to determine the Growth market trends. Whether the Growth market is going to grow further. And determine whether the organization is growing at the pace of the Growth market or faster than the pace of the Growth market.
c. At this point an internal analysis of marketing programs that have worked well to get us to this position in the Growth market is needed. The marketing executive needs to determine what has worked and what has not. And why?
d. Now, the key question needs to be addressed on how marketing department can accelerate the business in this Growth market? Whether the department can create an assembly line of marketing programs to accelerate the growth in this market, and rapidly scale. What does the department need to create the assembly line?
e. Finally the department needs to determine the marketing tools, sales collateral and techniques needed to create the demand in the Growth market.
f. Knowing that Growth markets provide maximum revenue dollars today, minimum of 50% to 60% of the marketing investment should be focused on the Growth market. The marketing game is all about execution in the Growth markets.

2. Emerging market:

3.

a. Any market where the organization is seeing an early traction is an Emerging market. The questions that the marketing deparment need to address are: Why are we seeing the early traction? For how long? Do we have an effective solution? Are we winning? Are there competitors prevalent in this market?
b. Now, the marketing department needs to determine whether the Emerging market is a new industry, a new geography, a new vertical, a new user, or a new application of our product.
c. At this point, market sizing and trending is needed. Is there a larger market here beyond the Emerging market? How big is the size of the potential Emerging market? What is the potential growth of this Emerging market? How can we win in this Emerging market? Again, marketing needs to have answers to these questions.
d. The marketing department should invest into one or two emerging markets. Marketing programs for an emerging market will be more creative, innovative and ad-hoc.
e. In an Emerging Market, it is always best to create a Hypothesis. Experiment. Test the

hypothesis. Change as often as needed.
f. Knowing that there is a huge upside from investing in an emerging market, minimum of 10% to 20% of marketing investment should be focused here. There is mid-term to long-term revenue potential in the Emerging markets.

3. Existing market:

4.

a. Existing market is the market consisting of the existing, long-standing customers. First, the marketing department needs to know who the existing customers are, why they purchased company's product, how long they have been using company's product, whether they are happy customers and loyal customers, and the company's current relationship with these customers. Another key question to address is how many customers the company loses every quarter and why.
b. It is very important to understand how the existing customers are using company's products. Whether the customers are using the products to the fullest potential. This would lead to key question: Can we market more of the same products to the existing customers? This is tied to extracting the maximum life-time value from the existing customers. Marketing needs to know the maximum life-time value of the existing customers.
c. Another key question that needs to be answered is: Can the company market different products to our existing customers? How do we do this?
d. Ultimately, the marketing department needs to determine the total revenue potential from existing customers. And assess on where the business is today, and the growth potential.
e. When it comes to execution, marketing department should analyze the marketing programs for the existing customers, on what has worked well in the past, and what has not worked well.
f. Another program to consider is whether the existing customers can refer the company to more customers. And what processes need to be in place to achieve this. An estimate of the total potential market of referral customers from the existing customers is essential. Again, establishing the baseline on where the company is with referral business, and analyzing the growth potential is needed.
g. Existing customers not only bring the company maintenance and ongoing service revenue, but provide a tangible upside at a lowered investment.
h. Minimum of 15% to 20% of marketing investment should be focused here. There is short-term revenue potential in the Existing markets (unless it is completely tapped).

4. Replacement market:

There are two replacement markets. Markets that the company takes away from Competitors and Adjacent markets.

a. Competitors:

1. Marketing department needs to have a deep understanding of the direct and indirect competitors and their business. Market share analysis needs to be conducted on Competitors' current market share, and importantly whether their market share is growing, shrinking or remaining flat.
2. Competitive marketing strategy needs to be established.
3. Simply put, competitors' customers need to be identified. A key question to ask is: Are the competitors' customers satisfied? How is our own customer satisfaction?
4. Analysis needs to be conducted on why the organization loses against the competitors, why it wins against them in new business. A list of the competitors' weaknesses needs to be surfaced as part of the SWOT analysis.
5. Further research on how many customers the company has won over from the competition needs to be undertaken (takeaways) and by the same token, existing customers lost to competition (giveaways).
6. Finally, marketing department needs to creatively finds ways to access the competitor's customer base (names, titles, industries, etc.).
7. At this point, marketing department is ready to create marketing programs to win away competitor's customers. At a minimum, the program includes campaign, offer, marketing and sales tools, fulfillment, product and data conversion and integration.

8. Minimum 10% to 20% marketing investment should be aimed at competition. There is mid-term revenue potential in Competitors' markets (programs take time to execute; customers take time to convert).

b. Adjacent market:

1. Adjacent markets are markets that are either sub-sets or super-sets of the solution that the company provides. The company must know on whether it provides a complete solution to the customer's problems or only a subset. For instance, the solution could be deeply embedded within a business process wherein the customer uses other technologies and products. If the company provides a complete solution, what is the strategy against those who provide only a subset? If the company provides a subset, what is the strategy to provide a complete solution? These questions need to be addressed.
2. The marketing department needs to determine the players in the Adjacent market that provide a complete solution or a subset, and whether they are potential competitors or partners.
3. Further, the marketing department needs to answer the following questions: Who are the customers? Are their needs maturing? Are they looking to upgrade and replace the other players? What is the market growth potential?
4. Finally the all-important analysis on resources, costs, profits and risks associated with entering an Adjacent market needs to be conducted. Questions such as entering the Adjacent market head-on, complementing existing players, or focus on a specific niche need to be addressed.
5. The key to execution in Adjacent Market is Experiment. Test a hypothesis. Change the strategy as often as needed.
6. Minimum 5% to 10% marketing investment should be aimed at Adjacent markets. There is mid-term to long-term revenue potential in the Adjacent markets (creating a strategy, executing and attracting customers will take time).
9. Executing marketing programs for adjacent markets require opportunistic measures and entrepreneurship.

5. Untapped market:

a. Untapped market is where the company has zero business and no traction. Marketing department needs to determine the Untapped markets, and reasons on why the company has not created any business in these markets.
b. Marketing has to answer the following questions: Can we tap into this market? What is the investment required? What is the available market?
c. Competitive analysis needs to be conducted on whether the competitors have already tapped into this market, and why.
d. As part of execution, marketing needs to think about creating beachheads, and whether the company can leverage their mindshare to build and create this market.
e. Since Untapped market is brand new, a key question on market entry needs to be analyzed: entering with partners or going direct.
f. Marketing department needs to think about creating opportunistic mechanisms to explore the untapped market, and should be willing to change them often.
g. Minimum 1% to 5% marketing investment should be aimed at untapped markets. There is long-term revenue potential in this market.
h. Untapped market is where companies evolve, become great companies and bring in new revenue and market share. Investing into untapped markets is high risk, high reward strategy.

Marketing Innovation requires strategy, disciplined execution, and entrepreneurship (especially outside Growth markets). Marketing Innovation can create significant market leadership for organizations that put all the marketing wheels in motion.

? ***Innovation driven by creativity and excellence in products, operations, and distribution***

When does a Business become a dominant business in its market, achieve outright market leadership, and continue the market growth onwards and upwards.

Answer: Innovation.

Innovation driven by creativity and excellence in products, operations, and distribution.

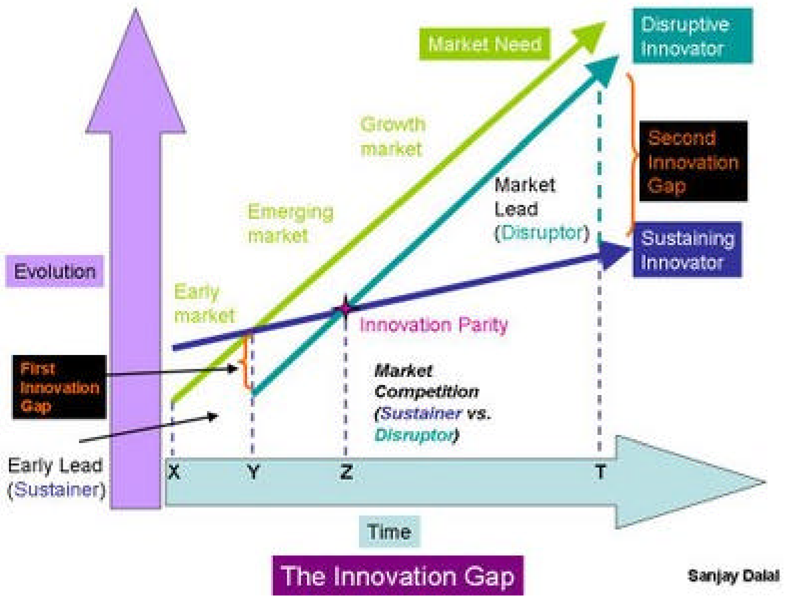
Christensen's Hypothesis

According to Clayton Christensen, author of "Innovator's Dilemma: When New Technologies Cause Great Firms to Fall", companies that become attached to "**Sustaining Innovation**" eventually disappear or lose their market leadership position. "Sustaining Innovation" is innovation derived from evolving the current product, serving profitable customers' needs, and focusing on investments driven by profit margins. On the other hand, companies that drive "**Disruptive Innovation**" create new markets with opportunistic and creative Innovation, take away market shares from existing players of "Sustaining Innovation", and eventually become market share leaders. "Disruptive Innovation" is derived from creating simple, easy to use products that appeal to the low-end of the market, or a new, untapped market. Frequently "Sustaining Innovation" companies are driven up-market in a response to the low-end "Disrupting Innovation" players thus relegating them to a smaller segment of the market.
What happens to the "Disruptive Innovator" as we travel in time and as the markets evolve?

When and how does the "Disruptive Innovator" overtake the "Sustaining Innovator" ?

How does the market share for the "Disruptive Innovator" grow beyond the market share of the "Sustaining Innovator"?

To understand this further, let us look at the chart below titled "The Innovation Gap". (This is a variation from the model discussed by Christensen; I have tried to piece together the underlying concept)



The X axis is the "Time" axis, the Y axis is the "Evolution" axis. The chart showcases **Market Need**, Sustaining Innovator, and Disruptive Innovator. For chart simplicity, the Market Need and associated Market Growth is demonstrated on a straight line (a bell curve, or variable curve could be used instead).

Early Lead

The "Sustaining Innovator" or the Sustainer has the Early Lead in the Early Market. It has launched its product at point in time "X" as shown in the chart, a product that not only meets the current need of the customers in the Early Market, but also exceeds it. As a matter of fact, the Sustainer continues meeting this need of the Early Market customers, and some of the need of the Emerging Market customers as the market evolves.

The Disruptive Innovator or the Disruptor is not even present when the Sustainer began marketing its product to the Early Market customers at a point in time "X" on the chart. The Sustainer has this Early Lead on the Disruptor, both in terms of Market and Innovation, until the Disruptor launches its own product at point in time "Y" as shown in the chart.

First Innovation Gap

The Gap exists wherein the Sustainer has simply better Innovation than the Disruptor at the "Y" point of time in the Market evolution, has better understanding of the customer and has greater market shar.We call this Gap, the "First Innovation Gap". The Sustainer has the lead on the Disruptor. It is precisely this Gap that drives the Disruptor to create new Innovation that is simple, easy to use and at relatively better price points. The Disruptor targets the low-end of the market or an untapped market. The Disruptor remains "under the radar" for some time as it starts building up this market that the Sustainer largely ignores (for the Sustainer is focused elsewhere, on the larger profitable customers, and meeting their needs).

Of course, this type of "First Innovation Gap" is not simply associated in the Early Market. It could happen at any stage of the Market. The Sustainer will have this Early Lead on the Disruptor always at some point in time.

While the Sustainer is Innovating at a different pace and trajectory serving the needs of its profitable and larger customers, and focused on profitable investments, the Disrupter is Innovating at a faster pace and trajectory serving the needs of the broader market, and creating new market share. The Disruptor has created Innovation that has a broader market appeal, owing to the simplicity and ease of use, and relatively better price points.

Innovation Parity

At point in time "Z" of the market evolution, the Disruptor has caught up with the Sustainer in Innovation, albeit on separate trajectories. We call this intersection as the "Innovation Parity". As is evident, it took the Disruptor less time to get to "Innovation Parity". The "Innovation Parity" is a significant milestone for both the Disruptor and the Sustainer - for the Sustainer has larger market share and profits at this point in time of the market evolution. The Disruptor has a growing share of the market and is also seeing some profits. And both the Disruptor and Sustainer are now matched up in terms of Innovation. The Sustainer's Innovation and market growth is tapered as it crosses the "Innovation Parity". The Sustainer has lost its market pulse and eye on the market, and is now losing head to head versus the Disruptor in its current market and customer base. The Sustainer has seen the growth of the Disruptor and growth of the broader market. However, the Sustainer has not changed with the changing environment and changing customer need. On the other hand, the Disruptor's Innovation and market growth is aligned and even faster than the pace of the market as it crosses the "Innovation Parity". The Disruptor is gaining significant market share, competing and winning head-on versus the Sustainer, and is beginning to create a Market Lead over the Sustainer.

Second Innovation Gap

What begins to emerge after the "Innovation Parity" is the "Second Innovation Gap". The Disruptor continues its Innovation momentum, is in tune with the market need, is winning consistently against the Sustainer, and has increased the market share. The Disruptor becomes the new market share leader at point in time "T" as shown in the chart. The Sustainer has fallen behind in

Innovation, lost the momentum, is losing consistently against the Disruptor and lost the market leadership. The "Second Innovation Gap" is much wider than the "First Innovation Gap". For most Sustainers, the "Second Innovation Gap" is Game, Set, Match for the Disruptor that caused the Second Gap in the first place. The Disruptor is the newly crowned market leader and will remain the market leader for the longest time. This is not to say that the Sustainer cannot turn its Innovation and Growth trajectory and has the potential to itself become the Disruptor. However, as with the laws of probability, the probability for the same Sustainer to turn around and become a Disruptor again is minimal at best. Rather it is likely that the newly crowned Disruptor and market leader will at some point in time become complacent, become a Sustainer and leave the door open for a new Disruptor to come from behind. This could happen with a shift in the market, shift in customer need, significant market events, and significant new Innovation. And the Innovation Cycle continues.

How easy is it to cause Disruptive Innovation?

According to Christensen, Disruptive Innovation necessitates a disparate strategy process - not on what is already known to work, and incremental improvements. The process is driven by Creativity, unconventional and out-of-the-box thought, and without any anticipation. Further, the process design does not begin with addressing the needs of current customers (this is what the Sustainer does); rather the process design targets what's underneath the need. What drives customers to do what they do. Where is the unanticipated need? And finally, Disruptive Innovators are not profit driven - at least not initially. Their focus is on creating something of intrinsic value that will appeal to a much larger market, yet is intuitive, easy to use and simple.

? ***Upend established business models and deliver new products and services***
? "**We're now living in a world where it's innovation that creates wealth**," says Gary Hamel, founder of the consultancy Strategos and a visiting professor at the London Business School.
? Hamel suggests revamping every management concept -- from how employees use their time to how funding is allocated to projects so that managers may inspire workers, identify the most promising business ideas and marshal the resources to execute them in his new book: **The Future of Management**

IT organizations will play a **critical role in two ways**:

? ***first, by building systems that companies will use internally to facilitate innovation*** and
? **second, by identifying how companies can use new technologies to upend established business models and deliver new products and services**.
? "The Internet is doing exactly what management is supposed to do. It's amplifying and aggregating human capabilities. It's **democratizing the tools of creativity**, from digital cameras to blogs to the ability to do mash-ups. The Net is also surprisingly good at aggregating human capability. Linux is the fastest evolving piece of software that human beings have ever created.
? The three big challenges for companies over the next generation are going to be: Adaptability -- how you build things that can transform themselves. **Innovation -- how you mobilize the imagination of every single person in your organization**. Engagement -- how you create organizations that are so engaging emotionally and intellectually that people want to bring their capabilities to work. What's the most adaptable innovative and engaging thing on the planet? The Internet.
? Think about the insights that people need to be innovative, the insights they need into customers, into technology, into competitors."
? Hamel talks about the "**Hierarchy of innovation**".
? At the bottom is **operational innovation**, the kinds of things that companies do to run leaner or be quicker or deliver 24/7 customer service.
? A step up from that is **product innovation** that delivers the next wonderful flat-screen television.
? A level up from that you have **business model innovation**. Dell, at one time, was a business model innovator.

- And a level up from that you have what I'd call **architectural innovation**. This is when you get a whole industry thinking differently -- what Apple did with iTunes to get all these music companies to agree to a new digital rights management system.
- At the top you have **management innovation**. All of my research suggests that it's management innovation that has created the most enduring source of competitive advantage.
- "*If I were a CEO, the first question I'd ask in every budget meeting and in every review meeting with my CIO would be what percentage of our total budget and time is going into projects that will allow us to do something unique in our industry*"

  Where does Innovation come from?

  Number one, innovation comes from challenging industry dogma.

  Number two is understanding the early warning signs of big shifts in demographics, technology, regulation or whatever it may be that most of the industry simply isn't paying attention to.

  The third kind of personal competence you need to innovate is a deep empathy with the hidden or unarticulated needs of your customers.

  I think the last competence as an innovator you need today is you can't think about your company in terms of what it makes and what it does. You have to think of it in terms of what it owns and what it knows -- its strategic assets.

  Bottomline:

  Hamel is on the money when it comes to driving creativity and innovation at today's business. The key insight is management driving innovation or at most times coming in the way.

- ***Bring to market winning innovations consistently, achieve profitable new growth, and reinvent your business for the future***

What do Allianz Group, Apple Inc. (NASDAQ: AAPL), Axe, GE Healthcare (NYSE: GE), BMW, Proctor & Gamble (NYSE: PG), Starbucks (NASDAQ: SBUX), and Netflix have in common? These innovators consistently and successfully bring to market winning innovations, achieve profitable new growth, and reinvent their business for the future.

Erich Joachimsthaler, founder and CEO of Vivaldi Partners, a strategy, innovation and marketing consulting company, in his newly published book - ***Hidden In Plain Sight : How to find and execute your company's next big growth strategy*** - provides us insightful answers to real questions facing businesses today: on creating successful innovations and driving profitable growth - by introducing a new methodology “demand-first innovation and growth” (DIG). Joachimsthaler purports a poignant view of the misplaced state of innovation in the broader market.
Top Ten Questions and Answers on Hidden In Plain Sight with Erich Joachimsthaler:

Question #1: *Why are key opportunities for innovation and growth hidden in plain sight? Do companies even know about this?*

Erich Joachimsthaler: In the book, I discuss ***four reasons*** why opportunities are hidden in plain sight. **First**, is the fact that growing a company requires establishing processes, systems, and procedures. Growth requires that work is divided into divisions or business units which fragments a company’s view of the customer. **Second**, are strategic considerations. Company often follow mantra’s like: stick to the knitting and therefore continue to invest into a direction that has proven to be right in the past. **Third**, and this is the most important reason is that American companies today live comfortably in the world of either the product perspective or the customer perspective. That is, there is either a mentality of looking at the world from the product perspective or the customer perspective. Both of the perspectives have one central tenet that underlies them. It is the need-fulfillment paradigm. Find a need and fill it. The problem is that this model is not only obsolete, it is generic and geriatric – time to retire it and send it to Florida. We are facing a dilemma in mammoth proportion in America. Companies need to learn and accept that we are in a world of product proliferation where we already have served nearly every need several times over, where there are over 50 varieties of bottled water, over 78 different Lay's chip varieties, over 29 varieties of Pop Tarts and over 20 different milk types – no longer the company is in charge, but the customer. **Fourth**, success begets success. Success also infuses a company with an inside-out perspective. Often times, companies not only don't see the opportunities, they often don't know about them in the first place.

Question #2: *"We are differentiating our products from competitors' offerings, segmenting the marketplace to identify new customers or consumers, growing through mergers and acquisitions, developing brand new products and extending brands, and actively listening to customers or consumers. We have everything in place to be successful."* ***Is this a fallacy****?*

Erich Joachimsthaler: Yes, this is exactly and precisely the problem. These practices are the practices that have worked in the past – they have worked during the years where consumers were in search of products and services, where consumers found the station breaks on TV a form of entertainment. Companies are wrong in thinking that listening to consumers is equal to understanding. The problem of huge proportions that American businesses are facing is the fact that our fundamental paradigm of business, the very essence and foundation of what creates the success for business until today is now in question. You have to abandon the simplistic notion of the need-fulfillment paradigm. The complexities of today's consumers can no longer be measured in terms of a set of attributes, product or brand attributes, that need to be fulfilled or exceeded and that ensures commercial success. You follow this paradigm and you are more likely competing based on features in commodity hell than building a profitable growth business. We have got to retire the outdated notions that the need-fulfillment paradigm serves any useful purpose today in the day and age where over 95 percent of all new products fail within the first year. You have also got to retire the basic notion that consumers can tell you what they want. *I am of the opinion that consumers can not know what they have not experienced.* It is important that we are not consumer-led, not marketing-led and not product or technology led – we have got to find a new approach to growth which is described in my book.

Question #3: *Why is it important for a company to look from the outside in and let go of existing processes and models?*

Erich Joachimsthaler: It is a natural human tendency to pursue patterns that have worked and that have made us successful. It is only natural, therefore, that Sony looks at the world in terms of finding more customers for the Walkman. After all, the Walkman has been a huge success and why would hundreds of millions of Walkmans sold be wrong. But this very success can blind executives in not seeing the biggest opportunities in plain sight.

And outside-in perspective, and be mindful, I do not mean a customer perspective, can provide an unbiased and untainted view of the opportunities that a company has. It is a hard thing to do, though.

Question #4: *What is Customer Advantage? Is it the same as profitably serving the needs and want of my customers - aka maximizing gains from customers?*

Erich Joachimsthaler: Precisely not! Profitably serving the needs and wants of customers is a notion that is reminiscent of the need-fulfillment paradigm. The corollary is that one can profitably serve consumers needs and wants if one has something that is different from competitors and competitors can not right away copy it. Today, the notions of competitive advantage, of differentiation for the sake of differentiation and of serving customers to delight them need to be questioned. Remember the highly differentiated Iridium phone service, a brick-size phone that had an antenna the size of a base ball bat. It came with a 3,000 dollars basic plan plus 7 dollars per minute of calling. Calling of course required that one needed to step outside a building as it would not work inside, and one needed to be clear of buildings after all. Motorola spent billions of dollars in it and there was an enormous conviction that there will be a big market. And it was extremely differentiated. Or do you remember and equally highly touted and buzzed up, hyped up new product, the Segway Personal Transporter, it was highly differentiated and was to change the way we walk and stroll or transport ourselves from point A to point B. There was also a conviction from study after study with consumers that there was a big market. Right?

Now, we live in an age where the iPod has become the big success. Now, if differentiation is so important? Can you tell me what the No. 2 MP3 player is? Or No. 3? Then, iPod is differentiated from what? How about the so important iTunes downloadable service? If iTunes is the No. 1 downloading service for music? What is the No. 2 or 3? Have you ever bothered comparing any of the services? That's my point. I bet you can't give the answers, because when you achieve customer advantage, the comparison is irrelevant. People have absorbed and assimilated the iPod into their lives. We live many more minutes of our 1,440 minutes we all live from midnight to midnight with our iPods – ***and that is customer advantage – it is how your product fits into the everyday life of consumers***. It is not the simplistic notion of how much my product or brand is different from competitors.

Question #5: *What is the changing ecosystem of demand? How do Procter & Gamble and GE address this?*

Erich Joachimsthaler: The ecosystem of demand paradigm changes the simplistic need-fulfillment paradigm. It maps the complexities of the everyday lives. Importantly, is the mapping process itself. It does not start with identifying needs and wants using some sort of ganglion marketing research procedure. Instead, *it begins with mapping the everyday life of consumers in the case of P&G or customers for GE*. The starting point is the GAP or Goals, Activities and Priorities of people. This is the gap that the current product perspectives and the current dominant consumer perspectives totally miss. The GAP is what really matters, here and now, today in the everyday life of consumers. The GAP is however only the starting point. It is only useful if one sees the GAP in the context, the social-cultural context in which one lives. Context is everything! The GAP then focuses on behaviors and we study the behaviors in the context in which they occur. This is a crucial aspect of our model. We believe that the best predictor of behavior is behavior, not attitudes and not opinions or brand reputations. It is as simple as this and it is as complex as this. Starting with this behavioral perspective – what really matters to consumers in their everyday life, we explore unarticulated needs and wants, but also urges, passions, fantasies and desires. As you progress with putting layer and layer of complexity on understanding the demand landscape from this perspective, the contours of the ecosystem of demand emerge. It is powerful rendition of where the opportunities for the business lie. So, you think this is a bit too complex, everything has to be simple. Frankly speaking, I disagree. Remember, we are talking about your wife or your husband or your next door neighbor, would you agree with me that we do not live around simple people? We have got to abandon the simplistic notions of consumer demand that exists today.

How did GE or P&G do it? To begin with, both companies began observing their consumers without the biases of their own products and brands. This has been a near revolution at these companies. Both stories are well described in the book. GE Healthcare for example studied anesthesiologists and their behaviors during key surgical procedures in the operating room. P&G studied people around their everyday lives around their home, not simply when they were scrubbing the bathroom floors. These companies also learned that they needed to reframe their existing businesses and categories and pursue entire new thinking routines in order to really understand their businesses better. An important aspect of their success has been that the new insights from the research led to an entire new search of helping consumers or anesthesiologists that involved multiple businesses inside the company and even communities from outside the company. And even more importantly the entire strategic blueprint for action – in the case of P&G, its marketing model has changed. Today, P&G seeks one to one relationships with over 60 million households in America (more than every second household), it has established their own presence on Second Life, it has established their own social networking sites, it is revamping the entire marketing success model that it itself developed and perfected over the last fifty years.

Question #6: *What is DIG, and how is it different from my company's innovation model?*

Erich Joachimsthaler: *The DIG model is a systematic, systemic and repeatable process to identify and executive innovation and growth strategies*. It replaces the existing model of SAV or screwing around vigorously, sometimes also called the fuzzy front end of existing innovation models. In the fuzzy front end, one searches wildly for ideas that then can be put through the classic stage-gate process of new product development. In the DIG model, the focus is not on the product, it is on finding ways of creating a transformational change in consumers' everyday life. Therefore, the innovation can be a product, a solution, a new technology, a business model, or no product at all. And because it is a process, there is a chance of winning again and again, of repeating the success. It does not rely on the occasional brilliance of one particular executive.

Question #7: *Can a company still succeed if it cannot create a complete demand landscape? How did Frito-Lay stay on top of high-profile customer trends by creating a complete demand landscape?*

Erich Joachimsthaler: Yes, in reality, we cannot completely map the entire ecosystem of consumer demand – it is an evolving process. We prefer to get a very good rendition of the contours of the demand landscape, then dig deep – hence the acronym DIG. We do always focus on a specific component of it first – what we call the demand landscape. At Frito-Lay we identified the moments around which Lays is currently consumed during the 1,440 minutes we all live. We then identified other moments in everyday life that are relevant. We then analyzed the trends in each of the moments. For example, a moment in the office is impacted by different trends than a moment at home or on the go. And mind you, we did not begin with deep dive of people's psychology around snacking and studying product attribute configuration or emotional drivers of the Lays' consumption experience.

Question #8: *How and why did Allianz reframe the opportunity space? Was this needed? Was Allianz successful?*

Erich Joachimsthaler: In the case of Allianz, the emphasis was on reframing the opportunity space. This was so because in the insurance business, particularly the personal liability insurance business, there was the feeling that there were no innovations possible. It is an old and very traditional business. It is a business that matured and consumers simply buy based on the lowest price or annual fee.

At Allianz, the personal liability business was important to the company. Allianz was by far the leader in the market with a significant price premium. Where do you go from here? The feeling was that new competitors only force the market into the wrong direction - lower prices and cheapened services through telephone trees and outsourcing arrangements in low-cost countries.

Allianz was able to rethink the entire personal liability business and it was done not simply based on largely visionary ideas but forty concrete innovations that the executives in part themselves came up with, by looking at the demand landscape in totally new ways – using the **12 BIG (breakthrough innovation and growth) lenses** that are described in the book.

Question #9: *How does BMW create sustainable Customer Advantage? What could BMW do differently?*

Erich Joachimsthaler: The BMW story in the book describes how this company has understood their demand landscape and how it has developed a portfolio of cars ranging from the BMW brand, the MINI brand to the Rolls Royce brand – a premium car manufacturer that sells over a million automobiles! The chapter in the book describes how the company has developed a ***strategic blueprint for action*** (the third component of the DIG model), that captures a relevant part of the ecosystem of demand. In this example, the component of the blueprint described is the company's world-class brand management system. You will learn how the company adopted an entire new model of branding for the MINI than the success model it used for the BMW brand. And hence, they have drawn in different consumers for the MINI brand than for the BMW brands. The chapter illustrates how the DIG model opens up strategic options for building profitable growth that one would not otherwise see from a traditional business as usual perspective. At BMW, the innovation, the breakthrough was not another technology, but the innovation was about the *brand management approach* and how it created a deeper affiliation and hence customer advantage.

BMW has done a lot of things right and what they can do differently now is never ever forget and be mindful that innovation – even at BMW where innovation has such a strong technology core – goes far beyond its habitual technology domain and into brand management, design, and new business models. I think the story in the chapter vividly describes this BMW difference.

Question #10: *What drives Apple's innovation and growth? Is Apple better at connecting with and engaging consumers?*

Erich Joachimsthaler: *Apple's innovation and growth is first and foremost driven by inner conviction about the outer world* – a conviction that is manifested by Steve Jobs and largely led by him and people around him.

This conviction is about changing how consumers live around music or entertainment. It is not merely a product focus, although it might appear this way. Apple has created the transformational change that I talk about in the book, it has created the customer advantage as I define it. It has changed the way we find out about music, the way we select music, buy music, listen to music, store music and discard music – in short, it has changed how we manage music in our lives (something that is fairly important to all of us), it also has changed how we manage video, etc.

It is not merely a better experience from competitor X, but it is a transformation of our lives, a part of our lives and Apple moves on doing the same with our entire digital lives, watch the launches of iTV and iPhone.

If Apple merely would define a set of needs and wants and then seek to fulfill it, they would ask consumers what they like or dislike about the Walkman and then create a better Walkman. I think that model of need-fulfillment paradigm is NOT at the core of the Apple process. Instead, Apple develops a notion of the changing consumer landscape. Think about around 2000 or 2001, there were already some consumers who downloaded songs from Napster and Kazaa. They see how the demand landscape is changing and they develop their own thinking, what I call structured thinking, around how to create a transformative experience for consumers. They don't rely solely on consumer input and focus groups. In the process, Steve Jobs reframes the entire opportunity space for Apple – from a computer company, to a music company (Apple happens to be now one of the largest music retailers), to be an entertainment company. You ask about connecting with consumers? What would Madison Avenue recommend you? They would say: you need to find an emotional message that creates a connection with the consumers – touting functional and emotional benefits and achieve a clear positioning relative to competitors. How would that look like? Most likely a message, communicated over TV that clearly explains the principal benefits and the reasons to believe this benefits to targeted consumers. What would a marketer recommend? He or she would recommend that Apple segments the market into those who like more noisy music versus the sophisticated music lover who perhaps listen to classic music. And if you look at what Apple did, it seems they have followed little of the standard advice from marketers or advertising professionals. Connection and engagement does not happen on the small screen, the TV set or the large screen, but it happens in the 1,440 minutes where consumers live and work and play. Engagement and connection for Apple has nothing to do with emotionalizing the difference of iPod over the Walkman or touting superior product attributes. Look at their advertisements. Their marketing program or advertising program cannot be printed on paper or shown in little films called TV or cinema spots. Their program of connecting with consumers is about the 2,000 accessories that they have licensed to Bose and other companies so that we can absorb and assimilate the iPod into our 1,400 minutes we all live every day.

All Important Question: *What are the top three takeaways from Hidden in Plain Sight that help companies internalize the DIG agenda?*

Erich Joachimsthaler: The important takeaways are:
1) Innovation and growth is not a fuzzy process of screwing around vigorously (SAV) but can be a systematic process,
2) Innovation and growth is not something that happens in a department like R&D or product development – innovation and growth is a company-wide activity and only if you have a process can you also engage the entire organization,
3) Innovation and growth is not about products or solutions – it is about creating a transformational change in the way people live, work and play – and in order to achieve that, the innovation can be a product, a solution, a technology and new business model like at Netflix or no product at all. It could even just be a management innovation like brand management at BMW or a better supply chain management process.

If you follow these three takeaways, there is a chance to win again and again and to achieve a larger transformation of your company, and reinvention of the business for the future.

- ***Detailed process for continuous consumer-driven innovation and Six steps to lead, innovate and grow***

  Michael J. Silverstein in "Trading Up" conceptualized the "new luxury" paradigm shift driving today's consumer shopping habits - paying high prices for goods and services that are appealing, cool and emotionally satisfying including shoes, golf clubs, music, home, food at fancy restaurants, beauty products and more. Silverstein provides a detailed process for continued consumer-driven innovation. The process requires a detailed prework that includes mapping the competitive landscape, determining the consumer dreams, dissatisfactions and anomalies, global patterning, cost structure breakdown, and moment of truth diagnostic. If this sounds too complex, Silverstein provides a simple yet ingenuous checklist of five questions whenever he is out shopping and looking for new products:

  1. Does the product clearly have technical, functional and emotional benefits?
  2. Is there a clear consumer target?
  3. Is the product displayed in a store in such a way that consumer would describe it as "stunning"?
  4. Is there a pattern of continuous innovation?
  5. Is the consumer fundamentally engaged in such a way that she wants to say "Yes"?

  Silverstein observes several changes contributing to the growth in bifurcation of consumer market – high-end and low-end – over the next decade. Finally, the author provides a six-step call to action for the innovators to lead, innovate and grow:

  1. Don't wait for the market to move. Be ahead of the curve.
  2. Engineer out dissatisfactions in your product.
  3. Hunt for value in the trade-up and trade-down segments of your market.
  4. Inspire a continuous search for cheaper, better, more value...and better, better, better.
  5. Attack the category like an outsider who is looking at a blank sheet.
  6. Pursue the market with energy and relentlessness.

- ***Timeless wisdom and insights from top innovators in the world. What do you see?***

  "My greatest challenge has been to change the mindset of people. Mindsets play strange tricks on us. We see things the way our minds have instructed our eyes to see." - **Muhammad Yunus, Nobel Peace Prize winner**, Bangladeshi banker, economist, and innovator of microcredit loans. These microcredit loans are given to entrepreneurs too poor to qualify for traditional bank loans. (It's

about time U.S. banks begin to microfinance loans to entrepreneurs who can help turn the economy around.)
In 1976, during visits to the poorest households in the village of Jobra near Chittagong University, Yunus discovered that very small loans could make a disproportionate difference to a poor person. Jobra women who made bamboo furniture had to take out usurious loans for buying bamboo, to pay their profits to the moneylenders. His first loan, consisting of USD 27.00 from his own pocket, was made to 42 women in the village, who made a net profit of BDT 0.50 (USD 0.02) each on the loan. Thus, vastly improving Bangladesh's ability to export and import as it did in the past, resulting in a greater form of globalization and economic status. (Imagine if the Jobra women in Bangladesh can create real product such as bamboo furniture with small loans, what can entrepreneurs do with small loans given out to create new products in energy, environment and education.)

? Muhammad Yunus was awarded the 2006 Nobel Peace Prize, along with Grameen Bank (who he founded), for their efforts to create economic and social development. In the prize announcement The Norwegian Nobel Committee mentioned:[1]

? "Muhammad Yunus has shown himself to be a leader who has managed to translate visions into practical action for the benefit of millions of people, not only in Bangladesh, but also in many other countries. **Loans to poor people without any financial security had appeared to be an impossible idea**. From modest beginnings three decades ago, Yunus has, first and foremost through Grameen Bank, developed micro-credit into an ever more important instrument in the struggle against poverty."

? Muhammad Yunus is a modern day innovator, who had the foresight and insight to provide opportunities in the form of microcredits to the poor women in Bangladesh, who were anything but poor in their entrepreneurship drive, and aptly turned these microloans into innovations.

? An age old innovator, **Leonardo Da Vinci**, shared his wisdom by telling us: "There are three classes of people: Those who see. Those who see when they are shown. Those who do not see." Innovators foresee. Innovators see beyond the ordinary, and yet have uncanny common sense. Leonardo has often been described as the archetype of the renaissance man, a man whose unquenchable curiosity was equaled only by his powers of invention (1.). Leonardo's approach to science was an observational one: he tried to understand a phenomenon by describing and depicting it in utmost detail, and did not emphasize experiments or theoretical explanation.

? **Thomas Alva Edison**, inventor of the light bulb and phonograph, an innovator unlike any other, and founder of GE, shared this insight: "I never perfected an invention that I did not think about in terms of the service it might give to others." He goes on to say, "The three things that most essential to achievement are common sense, hard work and stick-to-it-iv-ness". And of course, his most famous quote used by magazines and leaders all over the world is: "Genius is one percent inspiration, and ninety-nine percent perspiration." He was one of the first inventors to apply the principles of mass production and large teamwork to the process of invention, and therefore is often credited with the creation of the first industrial research laboratory.

? "Think big, think fast, think ahead. Ideas are no one's monopoly," is a famous quote by an entrepreneur from India, credited with the modernisation of Indian textile and petrochemical industry, and whose rags to riches story has made him a cult figure in the minds of Indian people. **Dhirubhai Ambani**, founder of Vimal, Reliance Textiles and Reliance Commercial Corporation, is an innovator behind the multi-billion dollar Reliance Industries in India. Mr. Ambani, who began his occupation with a salary of Rs. 300 (about $7), grew his business by taking risks, building inventories, anticipating price rise, and reaping profits. In the year 1975, a Technical team from the World Bank visited the Reliance Textiles' Manufacturing unit, certified as "excellent even by developed country standards" during that period. "Pursue your goals even in the face of difficulties, and convert adversities into opportunities." - Ambani never gave in or gave up during his storied entrepreneurship career and always thought BIG, and forever inspired Indians to become modern day innovators.

- Innovations necessitate lots of failed experiments and hard work to uncover the latent customer need. Innovations require processes to think creatively, ideate and experiment. Build an Innovation Factory, Learn to be an Innovator, Launch new Innovations by signing up for the Innovation Bootcamp.

- ***How do you benchmark your new innovation, and call it a success? Explore this white paper.***

: **What is the universal yardstick, the measurement for the success of a Business Innovation that companies and Innovation Gurus alike can possibly agree with?** I have read books and magazines by leading authors and CEOs on innovation, have been fascinated by the innovations that innovative companies have created, have observed some of the successes these innovations have produced for their founders and shareholders, have witnessed a few of the customer "WOW" moments as they have used some of these innovations, and have measured the impact of these innovations on the company's stock performance.

So **how does one measure business innovation success**? Can it be measured by a qualitative measure that can somehow guage the emotional and psychological impact the innovation produces on the users (the "AaHa" moments), or a quantitative measure corresponding to the total population of end users using the new innovation (and even helping co-create it), or a financial measure in terms of net new revenue generated for the company that can be attributed to the new innovation? An innovation is only successful if the product or service is able to find and attract new customers who adopt and adapt to it, live by it, talk about it, and refer others to it; ultimately, the innovation must result in substantial new business for the company.

What are some examples of successful innovations? iMac, iPod/iTunes by Apple, Music by Amazon.com, PayPal by eBay, All-in-One Printers by HP, Business laptops by Dell, Penryn microprocessors by Intel, Medical Imaging and Jet Engines by GE, Mr. Clean by P&G, Starbucks Coffee Card by Starbucks, High definition television business at Costco and Best Buy, Coffee and Iced Coffee by McDonald's, Apparel business by Nike, Xbox and Xbox 360 by Microsoft, Blackberry Curve by Research In Motion, AdWords by Google, TelePresence by Cisco, Microprocessors powering Nintendo Wii and other game consoles by IBM, Hybrid cars by Toyota, Mini car by BMW, Saturn by GM, and many more.

We have many examples of hyped-up innovations that have failed after launch - Motorola's satellite phone foray aka Project Iridium (although Motorola came back with a bang with Moto Razr cell phone), General Motors' Electric concept car (which is being reborn for a new launch), and Microsoft's MSN Search (which has been reborn into Live Search). One thing is certain: Top Innovators do not stop innovating on account of failed innovations. Rather, failure is part and parcel of their creativity and innovation initiatives, and many a times, failure is a good thing. True Innovators find a way to learn from their failed experiments, and come out stronger. GE CEO Jeff Immelt agrees with P&G CEO A.G. Lafley on the core principles that drive growth and innovation. He states: "It's important to make growth a process...Just like A.G (Lafley), I want a pipeline of innovation. Some projects will fail. But the goal for a company like ours or P&G is using size as an advantage. Most people just assume that big companies are slow and lethargic, and only a small company can grow. But if you get good processes, you can make size an advantage."

Before I present my yardstick for measuring innovation success, I would like to **establish a baseline**. For instance, I am going to assume that an Innovator must have revenue of at least $500 million. The Innovator must be in existence for at least five years, and the $500 million revenue it generates must be based on products or services that the innovator has created itself. In addition, the Innovator should be showing consistent annual growth in total revenue and net earnings for the previous three years, and deliver at least 15% of total revenue from products introduced within the past five years.

Business Innovation Success Measurement

An Innovation that produces at least 5% of company's total revenue (up to equal margins) within three years after commercial launch, and grows to at least 15% of company's total revenue (with equal or better margins) within eight years of commercial launch is 100% successful. If an Innovation achieves the target revenues within a shorter time, or over-achieves the target revenues within the given time, Innovation success rate is considered greater than 100%. On the other hand, if an Innovation misses the targets of either time or revenue, it would be considered less than 100% successful.

Some Questions and Answers:

Question 1: Why I chose 5% of company's total revenue as the initial threshold for innovation success?

Most CEOs and CFOs of large innovative companies use 5% of total revenue as a benchmark to test the success of new products or services. Check Figure 1. and Figure 2. under references. In a particular industry, the initial milestone can be less than 5%. The key is to remain consistent.

Question 2: Why I chose three years from commercial launch as the initial milestone/threshold for innovation success?

Most marketing plans for new products or services involve a three-year lifecycle for measuring the initial success, with various milestones along the way. A particular industry may measure this milestone within two years or even four years.

Question 3: Why I chose 15% of company's total revenue as the final threshold for innovation success?

Average percent of revenue from new products or services across all industries in one year is 15.72%. Check Figure 1. and 2. below. Average of Median percent of revenue from new products or services across all industries in one year is 11.3%. Thus, for companies to be reasonably successful, they need to deliver 15% of total revenue from new products or services. In a particular industry, the final milestone can be higher – for example, in Computers industry, 34.5% of total revenue is derived from new products.

Question 4: Why I chose eight years from commercial launch as the final threshold for innovation success?

Most new companies, products or services that make it beyond the first year, and are successful beyond the third year typically reach their highest market penetration in years six through ten. Eight years is mid-point. Many companies may achieve this success within eight years.

Question 5: Why I measure the new revenue from innovation success as a percentage of company's compounded annual revenue?

This provides a more realistic measure. Innovative companies are always growing, and hence it makes sense to equate an Innovation's new revenue to the current revenue of the company.

Question 6: Why should an Innovation have equal or better margins?

Sometimes an innovation can produce high revenue, but can end up costing the company more money to produce. In this scenario, company ends up losing money, or does not show a growth in net earnings owing to the high costs of producing the innovation. While the Innovation is growing to the initial 5% of company's total revenue, the company can fine-tune the margins. However, as the contribution of the Innovation increases beyond 5%, it is imperative that the margins are equal or better than company's current operating margins. An Innovation needs to be both profit and revenue producing to be truly successful.

Question 7: We do not measure our innovation success by net revenue contribution, rather by customer adoption and loyalty, or another quality measure.

A similar metric may be established to gauge the initial milestone of success – say 5% increase in customer loyalty, or 5% increase in product quality within three years from launch of the new initiative, and 15% increase within eight years. The objective is to stay consistent.

- ***What is your organization's capacity for creating new innovations, and how do you expand this?***

In "Made to Stick", authors Chip Heath and Dan Heath provide us six key qualities of an idea that is made to stick:

1. Simplicity: "How do you strip an idea to its core without turning it into a silly sound bite?" Authors give examples of army commanders when they choose simple battle plans at war, Southwest Airlines focus on being "THE low fare airline", or then presidential candidate Bill Clinton's simple campaign strategy on "It's the economy, stupid." Keep it simple! Simplicity sticks if it is done right and communicated effectively. Frequently, CEOs and leaders alike fall in the trap of creating complexities, and even creating processes to block creativity and innovation.

2. Unexpectedness

"How do you capture people's attention and hold it?" When you are taking some one's photo, how long is their attention span? A few seconds (unless you are an actor or a politician). Do you remember yesterday's news? Do you even remember what you did last weekend or the weekend before? Here's a question: Who is the second largest maker of MP3 players after the Apple iPod? Chances are you don't even know this. Authors give example of Nordstorm on how they "shock new employees into embracing high customer service standards."

3. Concreteness

"How do you help people understand your idea and remember it much later?" The best innovators are our school teachers - the good ones. They help us understand new concepts, languages, mathematics, sciences, and more, and through the rigorous process of teaching (and learning), help us remember this throughout the school year. Except when summer vacation comes, and we begin to forget what we learnt except for concrete things such as subtraction, addition, some science principles. Authors provide example of an elementary school teacher who helped students overcome racial barriers by creating a "brown eye, blue eye" experiment in her classroom. A simple exercise such as writing down all the white things you know, and then all the white things in your refrigerator shows how you remember concrete things.

4. Credibility

"How do you get people to believe in your idea?" Easier said than done. Make ideas credible and trustworthy. Credibility comes from success stories. From your customers who are trying out your ideas, and providing you valuable feedback. From your sharing this feedback with new customers, and improving your products. Credibility takes time to build. It is sort of a reference check when you meet someone new. You have no clue as to that person's credibility. So you ask around, and do some background check. But what if someone else is trying hard to make you less credible. Well, your work even becomes harder. Whenever you are competing against an established brand or market share leader, how do you get your customers to believe in you? By offering a better product, a differentiated product, a lower cost product perhaps.

5. Emotional

"How do you get people to care about your idea?" This one is tricky. You are trying to appeal to the human side of the brain, the one that is more tuned to emotions and mood. Authors give an example of a donation survey and how most people have something in common to Mother Teresa: When it comes to our hearts, one individual trumps the masses. Authors show that products or services must appeal to people's emotions, and should create an effect that is memorable. Make your ideas memorable. What drives you to work every morning? What drives you to go play golf on weekends? What drives you to buy the car of your dreams? In as much as you can separate the analytical mind from the emotional, and capture the imagination, your ideas will be successful. Authors examine psychologist Abraham Maslow's research on what motivates people, and share with us the needs and desires that people try to fulfill:

- Transcendence: help others realize their potential
- Self-actualization: realize our own potential, self-fulfillment, peak experiences
- Aesthetic: symmetry, order, beauty, balance
- Learning: know, understand, mentally connect
- Esteem: achieve, be competent, gain approval, independence, status
- Belonging: love, family, friends, affection
- Security: protection, safety, stability
- Physical: hunger, thirst, bodily comfort

6. Stories

"How do you get people to act on your idea?" Definitely not by dictating. However, by influencing, by friendly cajoling, by reminding, and by showing examples of successes. What stories do you hear around your workplace? Are your customers happy? Do they call you and thank you for the products and services? Would they refer you new business? Are your employees inspired to come to work each day? Are your customers inspired to do business with you? Are their stories about transformation in the way your customers work and act that are profound, memorable and worth sharing? The more stories about the positive effects of your products on your customers' needs and wants, the better your ideas become. Authors give example of Jared, the now Subway spokes person, who actually lost weight by eating healthy sandwiches at Subway, and how Subway signed him up to talk about his story. How inspiring was his story to the rest of us? Did you go to Subway to eat a healthy sandwich and remember Jared?

Mark Twain once observed: "A lie can get halfway around the world before the truth can even get its boots on." This is true of the world we live in. A bad experience, a half-lie, a real lie, a rumor travels fast and furious especially in the connected world we live in. And as a business, you have to be on top of this so that real stories are being shared about your ideas and successes, and not the perceived ones.

- ***What are your biggest complaints? Are your employees happy? How do you create an innovative culture?***

  "The sudden awareness of the urgent need for change and looking into the future in a more structured way, *made this little sexy word (innovation) very popular, trendsetting and chic. However, how would you define innovation? What makes a company innovative?"*

- According to Mariana Ferrari Quijano, it is better not to define it (the word innovation), but to accept all it's synonyms: change, alteration, revolution, upheaval, transformation, metamorphosis, breakthrough; new measures, new methods, modernization, novelty, newness; creativity, originality, ingenuity, inspiration, inventiveness, shake up.

Mariana has authored a significant article on innovation, titled Innovation: what's in that little, trendy, sexy word, wherein she examines an innovator's determinant factors to survive and grow in downturns.

She believes cash flow and balanced (or lean) costs are the two significant factors that can either make or break a company. Further, she alludes that during such periods, a company's capacity to innovate takes its maximum weight, as it supports and increase in productivity based in the human capital.

Which brings us back to the image that I have shared at the beginning from her article wherein she defines a company's Innovation Capacity.

Innovation Capacity = Employees' Brain Preferences + Innovative Work Behaviors + Innovation Practices

Mariana has conducted extensive research on each element that will induce large Innovation Capacity - by encouraging employees to be more creative and providing them opportunities to experiment, rewarding innovative work behaviors that result in successes, and implementing real innovation practices that allows you to build an innovation factory.

Mariana postulates that innovation is about looking ahead, projecting the future, identifying future needs and creating solutions for those needs. By doing so, a company leads the future in its sector, leaving competitors behind. In other words, ***innovation is about creating the future.***

Innovation is a three-phase process:

Phase 1: Spark: innovation surges due to an interest, inquisitiveness or concern about the present situation.

Phase 2: Creation: unrest or problems can lead to brainstorming, and the unleashing of imagination to reach a solution or identify an opportunity that had not previously been apparent.

Phase 3: **Implementation:** when the solution or opportunity is identified, an investment is made to make it happen with the aim of generating new income."

So you want to complain today about your work, your boss, the economy, the weather, your spouse, your children, the presidency, the country, and on and on. Just ask yourself: What good does the complaint do? Does it actually solve the underlying issue you are grappling with? Or is it helping you vent out at something or somebody? Remember the golden rule: Stop Complaining, Start Living. Or was it: Stop Worrying, Start Living. You get the point.

Jon Gordon has written this amazing little book titled: "The No Complaining Rule" that tells us how to turn every complaint into an opportunity and converting negativity into positive actions. Easier said than done, you may say. However, Jon gives us a plan to make this happen, and leads us into this plan by telling us a real story about Hope, the VP of Human Resources at EZ Tech, who is facing a personal health crisis, is suffering from a separation from her husband, is raising two children who have begun distancing themselves from their "ever complaining" mom, and to top all these, is charged to put together a plan at her workplace to turnaround the company from a product and underlying confidence crisis. When it rains it pours. But Hope not only manages to find the way using the "No Complaining Rule", but also leverages innovative ideas and practical strategies to put her life and work on track.

How does Hope make this happen? You have to read the book to find out.

However, I am able to share with you the following story that Jon shared with us, and the key points of the personal action plan that Jon has provided in the last chapter of the book.

First the story:

Positive Ways to Deal with Negativity

With the mortgage meltdown, floods in the Midwest, $4 a gallon for gas, food prices, the economy, famine, war in Iraq, etc., many would agree that there is a lot of negativity in the world and certainly a lot to complain about. And yet, while traveling the country this past month, ironically for the No

Complaining Rule Tour, I met a number of people who inspired me with the positive ways they were dealing with the negativity in their life. In spite of their circumstances they chose to view their situation with a positive perspective… which so often makes all the difference. Since we all could benefit from their example, here are 5 positive ways to deal with negativity.

1. Find the Gift - Richard Bach said every problem has a gift for you in its hands. One woman came up to me and said that because of the cost of gas her family is driving less and as a result they are spending more time at home and having dinner together more often. She said this “negative” situation has been very “positive” for her family. Another person said he is taking the bus to work instead of driving and as a result he has met a lot of interesting people.

2. Look at the Bright Side - One gentlemen joked that because of the cost of gas he now has a great excuse to not drive and see his negative relatives.

3. Zoom Focus - It doesn’t matter what the pundits say on television. It doesn’t matter what Joe and Sally in your office are doing. It doesn’t matter who is playing office politics. All that matters is what you do every day to grow yourself and your business. Focus on being positive and taking positive action every day. Be like the real estate agent who told me that he doesn’t focus on what the news and newspapers say. He focuses on what he can do every day to be successful. He focuses on marketing his business, taking care of his clients, and building loyal relationships. What things do you need to Zoom Focus on?

4. Focus on the Opportunity Not the Challenge <!--[if !vml]--> - Behind every innovation and solution is a story about someone who said there has to be a better way. I bet Henry Ford was walking behind a horse when he had the idea for his automobile. History shows us that a lot of people and a lot of companies make a lot of money during recessions. The key is to find the opportunity. Where is the market heading? What do people want and need? What will they want in the future? Now is a great time to build a positive team with great talent. Now is the time to gain market share while so many give up. Now is a great time to determine who is on *your bus* and who is off *your bus*. Now is the time to be indispensable to your company and demonstrate how valuable you are.

5. Be a Positive Influence on Others - I received an email from Ruthanne in Cedar Rapids, Iowa. She wrote:

“As you are probably aware, we were recently hit with a 500 year flood. My neighborhood was impacted the worst and most of our homes, mine included, are a total loss. People tell me I have been the most positive person they know who was directly impacted by the flood. I don’t have a lot of time today (first day back at work in 2 wks) to tell you all the positive things that have been going on in our city and in my life, but I will be writing an article when this is all over with. I did want to say though that I have not complained throughout all the devastating catastrophe because of the knowledge I learned both from your seminar, books and newsletters.”

Ruthanne could have chosen to wallow in self pity and negativity but instead she chose to deal with her negative situation by being a positive influence on others. Think about how many people she is positively impacting in her community. Now think about the positive influence you can have on people at work, in your community and at home.

Every day simply ask yourself “How can I be a positive influence where I am, right now?”

Stay Positive!

-Jon

Now, the 7-day personal action plan from the book:

Day 1: **Monitor your thoughts and words**
Day 2: **Make a Gratitude List**
Day 3: **Take a Thank-You Walk**

Day 4: **Focus on the Good Stuff**
Day 5: **Start a Success Journal**
Day 6: **Let Go**
Day 7: **Breathe (and pray and meditate)**

Bottomline:

If every employee at your workplace comes to work energized, positive and relaxed, and does not complain, and always tries to find a solution to a problem - imagine the creativity and innovation that you will be able to unleash through this employee's effort, and the whole team, the department and the entire company. It is that simple, and yet the employee morale, spirit and confidence become huge issues for many companies. Jon shows us the path to success in his latest book "The No Complaining Rule" by turning those complaints into innovative solutions.

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