

Innovation, Growth, and Getting to Where You Want to Go

by Ryan Jacoby and Diego Rodriguez

Design thinking is a crucial business asset—one that can, indeed, move a company forward and improve the bottom line. To optimize this impact, Ryan Jacoby and Diego Rodriguez advise thoughtfully structuring the innovation process. They stress working on projects that improve people's lives, and they present a "ways to grow" model that helps managers direct and assess innovation efforts.

"We need to be more innovative." As a reader of this journal, you have probably voiced that sentiment hundreds of times. And no doubt you have heard at least one business leader say, "We want to be our industry's innovation leader," or, "We need a breakthrough innovation." Though lofty and aspirational, these statements belie the complexity and difficulty of innovating in a sustained, effective manner. Indeed, the sheer breadth of the challenge can be paralyzing.

Innovation loves structure. To many new to innovating, this may be surprising. But design thinkers are inspired by constraints,¹ which provide the focus to do generative work in the face of great complexity. At IDEO, we have evolved and refined methods and tools that use



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design thinking to help our clients structure their innovation efforts. These tools are based not only on lessons learned from the thousands of projects IDEO has done with clients, but also on some of the best external thinking in the nascent field of systematic innovation.

We will share with you some of the methods we use at IDEO to uncover "innovation bias," link innovation to growth and outcome goals, match process to desired outcomes, and assess the effectiveness of your efforts. While we recognize these methods are not the ultimate innovation painkiller, we hope you find them useful in increasing the efficiency and effectiveness of your efforts.

1. We believe that anyone pursuing innovation, given the right training and mindset, can think of himself or herself as a designer.

Start by determining your innovation bias. We like to begin an innovation journey by trying to uncover what we call the innovation bias of the individuals and organizations on our team. We see three types of biases in organizations we work with:

1. *Human*: "How might we become more relevant to people outside our existing markets?"
2. *Technology*: "How might we leverage this new technology in the marketplace?"
3. *Business*: "How might innovation allow us to grab share from our competitors in this growing new market?"

Our experience creating successful innovations at IDEO tells us again and again that the best efforts come from organizations that solve for human desirability, point 1 in the above list, early in the process. You must uncover human needs to design compelling user value propositions. Otherwise, why would anyone want to buy what you sell? Technology and business, points 2 and 3 above, are critical elements of any innovation effort, but we view them as lenses with which to enhance and refine the user value proposition as we proceed with an innovation journey. The trick is to lead with human needs and balance all three perspectives.

The following questions can help assess innovation bias:

- *Origin and Outlook*: Where in an organization—functions, roles, people—do growth projects originate? We have worked for clients in technology-driven organizations in which user-driven insights identified by marketing are less valued. Similarly, we have worked for clients in marketing-led organizations that ignore business model or technology opportunities because of the "risk to the brand." Identifying the dominant point of view helps you to determine whether you are missing opportunities.
- *Decisions*: How are decisions made on innovation projects? Sometimes, promising user value propositions are screened early by powerful veto voices. For example, a manufacturing engineer might say, "It takes \$10,000,000 to change our manufacturing

lines, I just don't see that being worth it," and effectively kill a human-centric innovation.

- *Team*: Do the people who address human desirability, technical feasibility, and business viability work together on the same team? Or are handoffs required? Often, an innovation team will pass a concept or prototype to a business team to "size the market," or to a delivery team to "figure out how to get this thing made," without a common vision or shared passion for an idea. Recognizing and managing the handoffs is critical.
- *Iteration*: Do you iterate multiple times through human desirability, technical feasibility, and business viability before making decisions to prototype, proceed, or abandon an innovation project? An organization that identifies a seemingly compelling value proposition often takes a concept directly to validation before prototyping or refining the value proposition. Doing so leads to a less-balanced perspective and lack of market-based evidence to guide decision-making.

You must uncover human needs to design compelling user value propositions.

Your answers will indicate whether a different innovation approach—likely a move to a more human-led process—is warranted. Once an organization or a team realizes that innovation effectiveness requires a balance of human, technical, and business factors, it is more likely to consider and frame innovation opportunities in a way that leads to success in the market.

In the early stages of an innovation project, it is the questions you do not ask that bite you later. Better to surface and address your institutional bias early than to ship things that have untested desirability, or to pass on a concept that could have had a real impact in the market.

Growth and innovation

Once you have assessed your innovation bias, what comes next? First, allow us to ask one of those broad questions we alluded to in the introduction: Why are you trying to innovate? We

hope the answer is: To deliver experiences that make life better for people. Create value and the rewards will follow. However, in a world that focuses more on shareholder value than on the needs of all stakeholders in our society, altruism alone is not sufficient. There must be an economic benefit to justify the expenditure of time, effort, and capital. In the end, the benefit expected from innovating is growth.

Organic growth comes from creating markets that do not yet exist, differentiating within an established market, or by jump-starting a declining industry. As a result, it is a natural focus for design thinkers. The results of organic growth may be concentrated on the top line, the bottom line, or both.

But when faced with all these options, where can you start? This is where the next tool, Ways to Grow, can help. It cuts through the fog of innovation by clearly identifying, describing, and prioritizing opportunities for growth in a way that is simple yet actionable.

First, the origin of the diagram (that is, the lower-left-corner point) is anchored in an organization's existing assets and capabilities. Because each company is different, each company's origin is unique, even within the same industry. For example, we all recognize that Wal-Mart and Target are both discount retailers, but it is easier to imagine Target's brand being able to offer interior decorating services to boomer women than Wal-Mart's brand. What is revolutionary to one company is incremental to another company. It is all relative. Think about your company or your client. Where could it easily go that its competitor could not?

Notice, too, that we have drawn the Ways to Grow diagram using the word *users* instead of *markets*. We have found we reach richer (literally and figuratively) innovation outcomes when we think of markets as the sum of real individuals, rather than as an abstraction of marketing data. It is difficult to design something compelling without picturing a face or feeling empathy for a person's wants, needs, and behaviors.

A wise business thinker once noted that there are no new business ideas under the sun, innovative or not.² You have likely encountered similar frameworks in the course of your educations and careers. But though its provenance may be uncertain, the utility of Ways to Grow is undeniable: It brings outcome-centric structure to the innovation process.

Match growth intent to an innovation outcome
The first way to use Ways to Grow is to articulate how you intend to grow, then to match that intention to an innovation outcome. This type of brief, yet often skipped, discussion yields shared expectations and helps frame the rest of the innovation journey. To make the discussion of intent more concrete, we will often walk our client through the following set of questions:

How new is the user?

Contexts: Will a user experience the offering in a new context? Is the context new for the offering? On a recent project, an IDEO team found that, due to fundamental differences of

2. For a discussion of this topic, see Jeffrey Pfeffer and Robert I. Sutton, *Hard Facts, Dangerous Half-Truths and Total Nonsense: Profiting from Evidence-Based Management* (Boston: Harvard Business School Press, 2006), pp 42-53.



Understand the relationship between your growth intention and the innovation outcome you are seeking. Incremental, evolutionary, and revolutionary outcomes require different approaches and expectations for results.

Ways to Grow

Before we show you how you can use this tool in practice, let us talk about a few of its important features.

culture and infrastructure, the needs of people doing housework in rural Asia were quite different from the needs of people doing housework in rural America.

Occasions: Is your offering helping a user at a new time? Food and beverage companies have a deep understanding of occasions. On a recent project, an IDEO team explored the differences between the needs of someone having a glass of wine with dinner versus having a beer after work.

Jobs: What is the user trying to accomplish with your offering? Clay Christensen and Michael Raynor nicely describe the concept of jobs-as-outcomes in their book *The Innovator's Solution*. Our colleague Jane Fulton Suri's book, *Thoughtless Acts*, empathetically and elegantly illustrates ways in which people accomplish a variety of desired outcomes, ranging from the seemingly mundane to the deeply meaningful.

Mindsets: Are the user's emotions, hopes, and aspirations new to your company or organization? While exploring the future of a popular sport, an IDEO team found people had three basic mindsets, or approaches, to participating in that sport. These mindsets were not determined by a person's age, physical abilities, or athletic experience.

How new should you make the offering?

Value proposition: Are there new visceral (instinctive feeling), reflective (conveying a sense of identity), and behavioral (functional) benefits and attributes that can be offered to the user?¹ Is it just one new element or a combination of two or even all three? Unfortunately, innovation is often focused on the search for functional benefits, which limits the overall potential for market success. Visceral design (making an offering more beautiful) and reflective design (appealing to a user's desire for meaning and identity) are also valuable ways to create real value.

Business model: Are there new demand-side aspects of the business model, such as pricing, frequency of payment, or modes of ownership? When considering your offering, would a person have to shift his or her per-

sonal frame of reference for comparing price or making decisions? A recent success example from the world of financial services is Keep the Change, a service that rounds up purchases made with a Bank of America debit card to the nearest dollar and transfers the difference from individuals' checking accounts into their savings accounts. The convenience and ease helps a member save money over the long run, and represents a radically new way to think about saving.

User (and customer) journey: Where, when, how, and why might a user experience the offering in the world? Which components of messaging, sample, trial, usage, disposal, re-use, and maintenance are critical in shaping that experience? On a recent project, an IDEO team identified opportunities for wall coverings by understanding the entire social cycle. To do so, they spent time with salespeople, in the store, with installers, and in homes.

Technology: In order to deliver on the value proposition, will we—or could we—use technologies that are new to our organization or to the people who will use them? IDEO helped Organ Recovery Systems to design the LifePort Kidney Transporter. The design would not have been possible without radical improvements in sensing and microprocessor technologies.

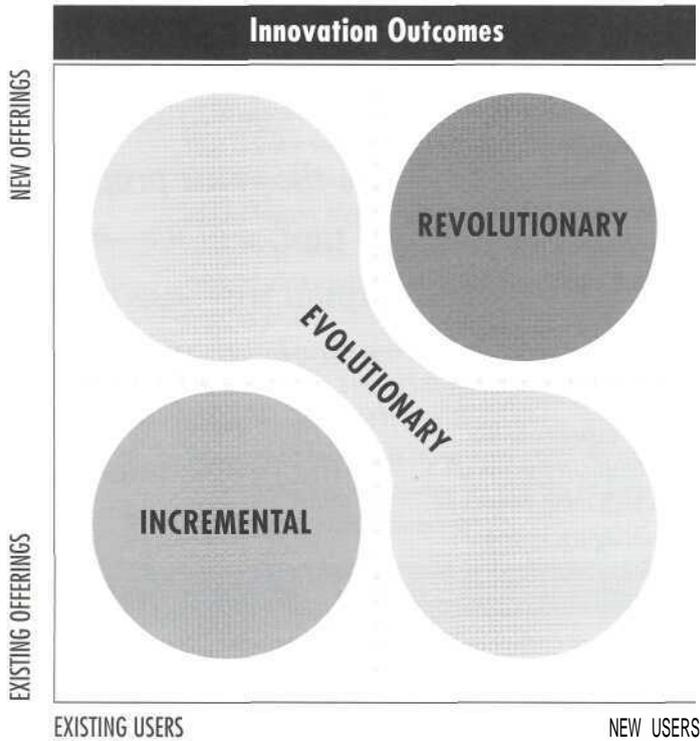
Next, it is important to recognize the outcome associated with your growth intention. Doing so allows you to design the process and assess your efforts with outcomes in mind. Across IDEO's work, we have seen three basic archetypes of innovation outcomes:

1. Incremental innovation: existing users and existing offerings

3. Cf. Donald Norman's *Emotional Design: Why We Love (or Hate) Everyday Things* (New York: Basic Books, 2003).

In order to deliver on the value proposition, will we—or could we—use technologies that are new to our organization or to the people who will use them?

2. Evolutionary innovation: existing users and new offerings, or new users and existing offerings
3. Revolutionary innovation: new users and new offerings



Organic growth can emerge from every quadrant of Ways to Grow. Use this tool to a) identify the type of growth you intend to create, b) to recognize the scope of that challenge and deploy an appropriate innovation process, and c) to assess your portfolio of innovation efforts.

Match resources and process

Once you have used the Ways to Grow tool to identify your growth and innovation goals, your innovation team can discuss how to best match resources and processes. To increase the probability of achieving your desired innovation outcome, you need to make choices about the right type of innovation process to use (whose extremes are execution versus exploration), the right type of people to assign to the team, and the right type of outcome measures to measure success. For example, consider the following two recent innovation projects at IDEO.

Incremental outcome

At IDEO, we were asked to help re-invigorate and generate growth for a venerable beer brand. First, we facilitated a discussion to identify the client's growth intent. There were differing opin-

ions about whether to pursue new consumers or to develop a more premium offering for existing consumers. As the project continued, our clients felt the brand was ready and able to address existing beer drinkers, given its constraints.

An incremental project requires execution-focused process and people. Our team was staffed with designers who had multiple experiences putting together detailed design documents. On the extended team, we worked with resources skilled at navigating the organizational decision points required to proceed through a more linear process to take an innovation to market, such as a classic stage-gate development flow. Our research was focused on understanding, not exploration. We created prototypes that could be used directly in the existing market validation process, which for this incremental project meant focus groups. When considering our opportunity areas, we were acutely aware of the costs associated with changes to bottling lines and packaging. We understood the incremental consumption and contribution margin required to make these investments worth it in the near term. The company is shipping a new offering in early 2007.

Revolutionary outcome

On another recent project, a food manufacturer asked us to imagine the future of cooking and how one of its smaller, but important, brands could play a role in that future as defined by Ways to Grow. Users could be new and so could the offerings. Our client was a person who understood from personal experience what it took to marshal resources and build a new business. He needed help uncovering a revolutionary human-led strategy, and making it tangible to inspire his organization.

A revolutionary project requires exploration-focused processes and people. Our research explored food trends both in places in which the brand was entrenched and in contexts and with mindsets outside the field in which the brand currently played. We assessed the capabilities and assets of the company to identify when new manufacturing, supply chain, or distribution models might be needed. Our output was a qualified set of options, as well as an implementation plan detailing how to further experiment to turn those options

into real value. Because visceral storytelling is a key way to develop and deliver revolutionary strategies, we visualized new opportunities using three-dimensional prototypes and experiential spaces. That revolutionary vision is still being nurtured through the organization.

These two examples—on opposite corners of Ways to Grow—illustrate the differences in resources and processes required to be successful. Intent was different, process was different, and outcomes were different. Mismatching growth intent and capabilities is the breeding ground of failed innovation efforts. To maximize innovation effectiveness, understand your desired outcome and then match people, capabilities, and processes to the task at hand.⁴

Assess outcomes to manage innovation at scale
Finally, leaders within an organization can use Ways to Grow to track, understand, and assess an in-progress portfolio of innovation projects.

Each innovation initiative in which you are engaged can be mapped onto this tool simultaneously. The result is a dashboard mapping out your innovation initiatives, which is a useful way to think about your innovation strategy as the sum of many smaller bets. For example, at IDEO we think it is vital to evaluate the different innovation zones on an organization's Ways to Grow tool in terms of the following measures of innovation effectiveness:

- *Financial*: What is the net present value of initiatives? Are you creating or destroying value?
- *Brand*: Are you creating raving fans in the marketplace? Are you building emotional currency? We like to use the Net Promoter⁵ score to measure our success with brand factors across initiatives.
- *Learning*: What have you learned? What real options for the future exist?

In our experience, looking at your entire innovation portfolio in this way can be a sobering but illuminating experience. Imagine yourself considering the following questions:

- Only half our innovation time and energy is expended outside the incremental zone—do we think that is the right mix, given our growth?

- Our ability to build and test prototypes drops precipitously when we undertake revolutionary innovation projects—what can we do about that?
- We can't seem to "see" insights generated using ethnographic, rather than quantitative, research methods in order to play in the revolutionary quadrant. How can we see more of our users' lives?
- Few of our evolutionary innovation projects are positive from a net present value standpoint—should we put more of an emphasis on profits over growth?

By utilizing Ways to Grow as a true dashboard—updating its content frequently, referencing it regularly—you can make it a generative, strategic engine at the heart of your innovation efforts.

Get started

Innovation is a fiendishly complex and nuanced subject, and the act of innovating can be simultaneously terrifying and exhilarating. It is difficult to bring something new into the world, and as we noted in our introduction, stasis is often the result. It need not be that way.

We will not pretend to have all the answers, but we do know this: Getting started in the right direction is more than half the battle when it comes to innovating effectively. Ways to Grow can help you to get started. It offers a way of evaluating your organization's opportunities for innovation. It is a *simple* tool, offering a way to focus conversation and planning to achieve a shared view of desired outcomes and process within the organization. It is useful for understanding your organization's path forward and for targeting the best projects for your particular culture and capabilities. It is a tool that can be used anywhere, anytime to frame next steps. Ultimately, it is a tool for growth.

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4. Cf. Steven C. Wheelwright and Kim B. Clark, *Revolutionizing Product Development: Quantum Leaps in Speed, Efficiency, and Quality* (New York: Free Press, 1992)

5. Cf. Fred Reichheld, *The Ultimate Question: Driving Good Profits and True Growth* (Boston: Harvard Business School Press, 2006).