

# Getting Innovation Right **the Workbook**

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# Seth Kahan

### Introduction

Leaders have great ideas all the time. They are knowledgeable and regularly have insights into their customers' predicaments. They are great at spotting areas for improvement. But great ideas are not enough to get you through the obstacles new ideas, products, and services inevitably confront on their way to successful delivery.

Here are some of the common ways leaders fall short when it comes to innovation:

- They don't invest in the leadership talent required to successfully develop new products and services.
- They don't do market research to ensure circumstances are conducive to their new offering.
- They don't take advantage of market disruptions.
- They don't think through value from the customers' point of view, taking the time to discover what customers are compelled to buy.
- They don't drive the required uptake to increase and accelerate market acceptance.

These are the tactics and strategies *Getting Innovation Right* addresses. My book provides templates, step-by-step instructions, techniques, tools, and practical guidance on how to do the very things that maximize your innovations chances of success in the market.

Successful innovation creates something people are compelled to acquire, getting it into their hands in a form they can put to use, all the while moving ever more firmly toward profitability while contributing to your organization's growth.

Since 1998 I have worked hand-in-hand with over a hundred leaders and their organizations, large and small. I have been part of innovation initiatives in \$20 billion organizations and \$10 million enterprises. I have worked in the private sector, public sector, and among associations. From that work I have distilled **seven key activities that lead to successful innovation**. Leaders who carry them surge ahead of their peers and the competition. As a result they are able to consistently pursue, create, and leverage inflection points in the market for great impact.

The vast majority of executives do not practice any one of these with discipline or emotional intensity. By simply taking just one and putting it into practice you are putting the odds on your side. When you combine them, bringing them all to bear on your efforts, the result is an advantage that stacks many variables in your favor.

These seven real-world pursuits are what make the difference between those who are haphazardly shooting in the dark with good ideas and those who consistently and systematically uncover potential, capitalize on opportunity, and generate traction that drives success in the marketplace. This sort workbook introduces key activities with exercises designed to help you move toward successful innovation starting **NOW**.

## Chapter 1: Pursue and Leverage Inflection Points

A positive inflection point is a decisive, favorable shift in your relationship to the market. Expert innovators are able to sense the potential of a positive inflection point and drive activity to stimulate or take advantage of these dramatic events. When harnessed they are like waves that propel you forward, growing your base, increasing the offerings your customers buy, generating loyalty, and moving you up-market. Recognizing and leveraging inflection points can make a real contribution to four strategic targets:

- 1. Growing your base
- 2. Getting a bigger buy
- 3. Improving loyalty
- 4. Increasing market prominence

I use the term *inflection point* to highlight an important business dynamic, a game change that shifts the status of your organization with respect to its success in the market. This is not an independent phenomenon, but an event that takes place between you and the market. It can be either negative, indicating a drop, or positive, demonstrating market success.

There are two types of negative inflection points: a *Vertical Drop* and a *Step Down*. The two types of positive inflection points are the *Vertical Climb* and the *Step Up*.

Several basic tactics can be executed independently or combined to create more complex responses to take advantage of changing market conditions. The *Stop the Drop* tactic is one of the most important to learn, as it rescues you from impending disaster. The *Shift to Ascent* yields a gentle upward growth curve, which can be good if infrastructure is an issue or when issues of scale arise. The *Soar* shifts you from steady to dramatic growth—a demanding transition, requiring excellence in execution to sustain. The *Turnaround* combines these three inflection points sequentially to position your organization for innovations that will succeed in the market.

## Exercise: How do you identify inflection points with potential to propel you forward?

Call a meeting of your senior leaders, or a group of important stakeholders, and consider these three questions.

What inflection points have recently taken place in your industry?

What possible inflection points do you see emerging on the horizon?

If you could custom-design an inflection point, what would it be?

- Growing your base depends on five factors, page 8
- Customer spaces in a competitive environment, page 10
- The front line in the battle to win customers, page 12
- Two negative inflection points, page 15
- Two positive inflection points, page 16
- ▶ Inflection point tactic #1: *Stop the Drop*, page 23
- ▶ Inflection point tactic #2: *Shift to Ascent*, page 24
- ▶ Inflection point tactic #3: *Soar*, page 25
- ▶ Inflection point tactic #4: *Turnaround*, page 27

## Chapter 2: Build Innovation Capacity

The systematic development of new products and services generates inherent stress. Strong innovation leaders recognize this and intentionally build the capacity to contain and channel these pressures by building the necessary foundation of internal leadership, talent, and idea management.

Three forces will jeopardize your innovation efforts: The pressures of everyday operations; the movement and stress that comes with new ideas, products, and services; and market forces that are frequently rapid and always unpredictable.

You can put in place the right structure to transfer the stress of these forces to a strong base by building your capacity in leadership, talent, and idea management.

Leadership sets the pace, by talking to the right people, articulating the way forward, and build partnerships.

Talent supports the leaders' goals. The more influence your leaders have, the more important the talent around them is. To scale your ability to acquire and develop talent, you need a Chief Human Resources Officer (CHRO) who understands your goals and has the capacity to proactively recruit candidates who can fulfill your objectives.

Idea management requires: finding and developing the right ideas; responding to challenges with a clear leadership mandate that articulates the innovation priorities of the organization; providing easy access for stakeholders' participation; and robust development processes that allows people to work together to winnow and grow the most valuable ideas.

With this foundation in place, your organization will have the capacity to reliably respond to unanticipated challenges and opportunities.

#### Exercise: Rate Your Innovation Foundation

Do you have the foundation you need to take advantage of inflection points? Assess your organization on the three elements of an innovation foundation by placing an 'X' in the box that best describes your performance.

	Your organization's performance:				
Element	Dismal	Below Average	Average	Above Average	Exceptional
Leadership					
Talent					
Idea Management					
Total					

- Stress as a continuum with a productive zone, page 42
- ▶ The three elements of an innovation foundation, page 47
- Five ways to meet the right people, page 49
- > Three tips to build informal partnerships for better innovation, page 52
- ▶ The specific qualities of innovation-ready talent, page 54
- Challenges that idea management addresses, page 55
- ▶ Three critical tasks of robust idea development, page 57

## Chapter 3: Collect Intelligence

The best innovation rises from a sea of products, services, customers, competitors, market conditions, and internal capabilities. To play to advantage you must consistently collect and apply pertinent information, thus systematically enhancing the quality of your strategic decisions.

Business Intelligence consists of information about products, customers, competitors, the market or internal capabilities that supports your ability to make strategic decisions. Intelligence done right provides valuable, legal data germane to any innovation effort.

Intelligence concerning each of three key three areas—customers, market conditions, and organizational capabilities—will help you define the areas to single out for focus in your innovation efforts.

A robust business intelligence effort requires eight steps in sequence:

- 1. Define scope
- 2. Determine goals
- 3 Consult data sources, news media, and trend experts
- 4. Conduct interviews with key stakeholders
- 5. Secret shopping
- 6. Iteratively share results and receive direction
- 7. Due diligence for controversial, high-value and high-risk issues
- 8. Format and present results for maximum impact

You must contract with an external provider for business intelligence. It is crucial that this person not be a staff member, because the nature of the employer-employee relationship negates neutrality.

Your contract with your intelligence provider should include eight components:

- 1. Situational summary
- 2. Objective
- 3. Measure of success
- 4. Value to the organization
- 5. Methodology and timeline
- 6. Joint accountabilities
- 7. Terms and conditions
- 8. Acceptance

To truly position your innovation efforts for success in the market, intelligence is a must. You cannot hope to provide new products and services that will do well in our complex marketplace without all the information you can get your hands on.

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#### Exercise: Try on the Perspective of the Business Intelligence Agent

Put yourself in the shoes of a business intelligence consultant. How would you assess your organization in the following areas?

Customers: Are your customers happy? Are they regularly pleased with new offerings they did not anticipate? Do they regularly compare you to competitors and if so, how?

Market conditions: Are economic conditions in your trade area favorable or unfavorable? What large trends are taking place? Are there numerous competitors in your industry? Are they stable, or are shifts afoot?

Organizational capabilities: Do you have the leaders you need? Do you have the infrastructure you need to grow? Are your systems responsive? Are you collecting the right information?

- Three areas of focus for intelligence, page 66
- Organizational capacity areas to assess, page 69
- Eight steps of an intelligence effort explained, page 71
- ▶ Fourteen categories of stakeholders to interview (Step 4), page 74
- ▶ Ten stages of the customer journey, page 78
- Four tactics for getting due diligence right, page 81
- Five principles for data presentation, page 84
- Six guidelines for working with an intelligence agent, page 85
- Eight elements of a business intelligence contract, page 89

## Chapter 4: Shift Perspective

In order to see new opportunity, you must be able to get out of your own box. There are proven techniques and tactics capable innovators use to question their own assumptions. This allows them to see the world through alternative and helpful points of view. Learning to apply these techniques and tactics to your business will help you find new areas for innovation.

All beliefs are built upon a set of assumptions. As long as your marketplace behaves consistently, there is no real push to question these basic assumptions. But today's environment is changing rapidly. Questioning basic assumptions is necessary to open new opportunities for innovation.

I have identified four techniques to achieve a change in viewpoint that allows you to spot real options for innovation:

- 1. *Isolate and examine the steps in your value chain.* By breaking down these steps, you can comprehensively review each and every way you add value to your products and services. Identifying the qualities that make them more or less successful can add information that will help you shift your perspective,
- 2. *Become your competition*. Consider how their perspectives might be used to your advantage. If you understand the intentions of those who want to take over your space, what might you do differently?
- 3. *Highlight your weak spots*. Seek out your changing circumstances, educational deficiencies, and superstitions.
- 4. *Look to creative deviants for inspiration*—deviants are those people who come up with inventive ways to circumvent the norm. Who in your operation is succeeding despite the odds? Creative deviants, when their goals are constructive, have beneficial lessons to teach. Through their unconventional outlooks, these people seed innovation wherever they go.

Execute well on these four techniques for shifting perspective and you are sure to identify critical assumptions you can change to pivot toward success.

#### Exercise: Challenge Assumptions to Pivot toward Success

Imagine for a moment that you are a senior leader with one of your bigger competitors.

How would you describe your operation? What are your strengths and weaknesses?

If you were going to wage an attack on your organization, where would you concentrate your efforts?

Who is doing strange things that work, and what are they?

- A case study in pivoting to use present circumstances to advantage, page 95
- Four techniques for shifting perspective, page 98
- Attributes of weak spots, page 101
- A four-step process to assure innovations align with strategy, page 106

## Chapter 5: Exploit Disruption

Disruption is part of business life today. Successful leaders know how to identify the opportunity embedded in adverse conditions and exploit it. They systematically and consistently turn turmoil to their advantage. I've identified four forces of disruption:

- 1. Customers are facing challenges. They may change their buying habits, aggressively shaving expenses, bring in-house function they used to pay for, and demand more from the people who serve them.
- 2. Industries are upending. Technology breakthroughs require organizations to build the infrastructure required to accommodate new technology.
- 3. Competition is fierce. Barriers to entry and movement are eroding. Requiring you to learn and move faster than ever before.
- 4. New business models are proliferating, generating value and leading customers away from those who provide traditional offerings.

Being innovative in this environment means finding ways to use the momentum of adverse conditions to your advantage. If you understand their dynamics, you can actually move into alignment and use them to build more value.

When a disruption first occurs for your customers, there is a short window of opportunity for you to be of service. This window opens every time your customers are dissatisfied. As you identify the causes, the outlines of solutions can appear. When people begin to suffer, the time is ripe to act.

Build your capacity for flexibility and responsiveness into a competitive advantage with five techniques: Build a customer-value mindset; scan for trouble; simulate rapid response scenarios; read and share success stories; and make responsiveness a leadership competency.

Use my four-step Value Assessment Protocol to spy opportunities, bringing the lens of value to bear on new developments, followed by a five-step Stage 2 Value Assessment if the first assessment clearly identifies opportunities worthy of consideration.

These two processes provide a format that can be used when opportunity intrudes but time to react is limited. That is why understanding the four forces of disruption, learning to turn them to your advantage, keeping an eye out for Opportunity Windows, building flexibility and responsiveness, and knowing how to assess potential value on the fly add up to a competitive edge.

#### Exercise: Assess the Impact of the Four Forces of Disruption

Rate the amount of disruption affecting your organization in each of these areas today. Then describe the forces at work.

Rating scale:

- 1: Conditions are stable; no disruption
- 2: Disruption is minimal
- 3. Disruption exists but is manageable within your existing capacity
- 4. Disruption is severe, requiring urgent response.
- 5. Conditions are chaotic; disruption has reached crisis proportions.

Area of focus:	Rating	Description of forces at work
Customers		
Industries		
Competition		
New business models		
Total score:		A score above 12 indicates an organization in distress.

#### **Relevant Resources**

- ▶ Four forces of disruption, expanded, page 114
- Turning your customers' challenges to advantage, page 116
- Turning industry upheaval to advantage, page 118
- Turning competition to advantage, page 120
- Turning the rise of new business models to advantage, page 122
- Opportunity window, page 127
- Five techniques to increase your capacity for fast response, page 130
- ▶ Value assessment protocol, page 141
- Stage 2 value assessment, page 143

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## Chapter 6: Generate Value

Value is what causes people to separate from their hard-earned cash. It is what drives investors to invest, shoppers to shop, and people to fly around the world just to trade with each other. Skillful innovators understand what drives value, what it looks like to customers and all their stakeholders, and how to generate it by delivering something more, better, or new.

Value isn't fixed or tangible—it is subjective. Every business leader is looking for a ValueWell, a plentiful source of perceived benefit that can be drawn upon continuously to generate customer value.

To identify, prepare for, and operate a Value Well follow seven steps: Conduct research, create a business plan; conduct trials; prepare for operations and production; go to market; hone your business, optimizing performance; and finally, when the Value Well is exhausted, wind your activity down. As you consider new opportunities using some of the techniques described in this chapter, come back to these steps.

Innovation requires often costly resources and does not return them until a significant investment has been made, as modeled by the Innovation Profit Cycle.

For value to be valid it must yield benefit for each stakeholder. Value is an *emergent* property of supplier and consumer. Each facet must be accounted for if a successful value transaction is to take place. When we approach a decision about pursuing a particular innovation, whether or not each stakeholder receives a corresponding value will determine whether or not each chooses to go forward. Innovation that doesn't deliver value for all stakeholders is doomed to fail.

I've identified three types of added value: *More* value that increases the worth of current, established value; better value that relies on expanding existing value by increasing its quality, and new value that brings to market a new benefit.

Value drives behavior. *Value Objects* are the tangible goods or services a buyer wants; *Value Drivers* are the underlying emotional motivations that create the desire for a tangible offering. The best way to identify Value Drivers is to become very good at asking questions and listening.

To break down the process of identifying Value Drivers, I developed seven steps that use a visual image I call the ValueGram. This process enables you to craft solutions that appeal to the others while advancing your interests.

I developed the ValueGram tool to make it easier for my clients to generate more and better value.

Much of what I've written has been about building on the foundation of existing value, but there is also the strategy of creating new value. Creating new value is challenging because it requires everyone who touches the customer experience to cultivate a new mindset. Nonetheless, new value is a legitimate and lucrative pursuit.

Tradition may tell you that value represents the worth of goods or services as determined by the market. But remember that this definition does not convey the true power of value. Value changes according to circumstance. It's your job to identify Value Drivers and create offerings around it that shift customer behavior in your favor through delivery of more, better, or new value.

#### Exercise: Create Your Own ValueGram

- 1. Draw a geometric figure with the same number of sides as stakeholders.
- 2. Write the benefits that drive each stakeholder on each side of the figure.
- 3. Circle the Value Drivers.
- 4. For each stakeholder, identify ways to create more value and better value using my More-Better Value Framework.
- 5. Name the inflection point you want to pursue, identifying the game change that will shift circumstances decisively in your favor.
- 6. Review the options you have identified in the fourth step and determine which will satisfy your Value Drivers while giving you the best chance at creating the positive inflection point you want.
- 7. Conduct intelligence to determine viability of your approach before committing your resources to developing these new value offerings.

#### The More-Better Value Framework

- 1. Create More Value
  - A. Decrease the required customer investment and provide the same benefit.
  - B. Keep the customer investment the same and provide a greater Return
  - C. Decrease the required customer investment and provide greater return.
- 2. Create Better Value
  - A. Impact is the consequence, effect or influence of a given benefit.
  - B. Intensity refers to the strength, power, or potency of a benefit.
  - C. Application means that the same benefits can now be transferred to a wider variety of uses.

- Seven steps for identifying, preparing for, and operating a Value Well, page 149
- ▶ Innovation profit cycle, page 152
- ▶ Three types of added value, page 154
- Sources of new value, page 157
- Sources of inspiration for innovation, page 158
- ▶ Value objects and value drivers, page 160
- Seventeen questions to identify value drivers, page 164
- Three guidelines for probing for value drivers, page 165
- Seven sources of new value, page 176

## Chapter 7: Drive Innovation Uptake

Every stage of the innovation process holds opportunity to introduce new ideas into the market and engage the community of people who will be most interested in your offerings. Uptake, or market acceptance, occurs through the well-tended generation of mutual value. Innovation leaders intentionally drive uptake, seeking to control adoption for maximum effect.

No longer is it enough to build a product or service and throw it out into the market without building strong relationships with your customers beforehand. To create the kind of relationships that withstand stress and blossom into both loyalty, you need to understand and successively cross four thresholds of engagement that once crossed, results in a new condition. The four thresholds are:

- 1. *Attention*: Breaking through the daily onslaught of information overload and irrelevant pitches and into your customers' awareness in ways they find welcome.
- 2. *Investigation*: Making your customers want to learn more and check you out by appealing to their goals. The more trust you have with your customers, the quicker you can bring customers across this threshold. If you have done the ValueGram exercise and identified their Value Drivers, you are in good shape.
- 3. *Experimentation*: Helping your customers decide to give you a try. To achieve this, it is helpful to consider both the Diffusion of Innovation and a technique I developed called Priming the Gap.
- 4. *Identification*: Creating people identify with your offering, seeing it as an expression of who they are. Upon crossing this threshold, brand loyalty kicks in with unprecedented force.

To drive uptake, build presence with a Value Pulse, a steady sequence of value delivered to your customers in a rhythm they come to expect and depend upon. Through Value Pulses you become known for what you provide that your customers want or need, increasing the trust and rapport.

Once a Value Pulse is established, the expectation of more value to come is in place. Use a Value Surge to push dramatic acceleration of growth for you. Two ways to create a Value Surge: Conduct a coordinated media blitz, or simultaneously release a group of products and services that reinforce each other. Value Surges are all about speed and impact. When implemented with skill they create a central point of impact and a wave travels outward shifting everything in its path.

Now, you're ready to scale your offerings with Value Webs, connected offerings that form synergies with each other. Every Value Web consists of nodes (discrete, identifiable products) and connections (ways nodes interact with each other).

Value Pulses, Value Surges, and Value Webs are all specialized ways of delivering value to clients that drive uptake. Each positions you as the provider and builds relationships with your customers based on benefits they come to rely on and look forward to. In this way, you become a center of gravity, drawing clients to you.

Powerful innovators are masters at driving uptake

#### Exercise: Build Presence through Value Pulses and Value Surges

*Value Pulses:* A Value Pulse is a steady sequence of value delivered to your customers in a rhythm they come to expect and depend upon. Describe three ways you could create a value Pulse for your offerings.

*Value Surges:* Once a Value Pulse is established, the expectation of more value to come is in place. For each of the three Value Pulses above, give an example of a Value Surge you could create.

- ▶ Four thresholds of engagement: page 185
- Four ways to succeed at being noticed, page 189
- Three techniques for getting customers to check you out, page 191
- ▶ Diffusion of innovation, page 192
- Rogers' diffusion of innovation moving forward in time, page 193
- Priming the gap, page 194
- How to get people to try you out, page 195
- How to create identification, page 196
- Four techniques for creating a shared stake in success, page 200
- ▶ Ten ways to create Value Pulses, page 212
- ▶ Two ways to create Value Surges, page 214
- ▶ Four ways to create Value Webs, page 216

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Seth Kahan is an executive business strategy expert that specializes in change and innovation leadership.

Seth has been designated a Thought-leader and Exemplar in Change Leadership by the Society for Advancement of Consulting<sup>®</sup>. The Center for Association Leadership conferred upon him the title of Visionary.

Seth has worked with over 30 executives including the supervision of large-scale change programs at Royal Dutch Shell, World Bank, and Peace Corps. He specializes in association leadership and includes over 25 association CEOs among his clients.

Seth is recognized as an international authority on innovation and change. He is the author of...

- Getting Innovation Right: How Leaders Leverage Inflection Points to Drive Success
- Getting Change Right: How Leaders Transform Organizations from the Inside Out
- Building Beehives: A Handbook for Creating Communities that Generate Returns.

Seth writes regularly for Fast Company's website (SethFast.com). He has been identified as one of Fast Company's *Top Ten Bloggers* multiple times. His content is often syndicated reaching thousands of readers worldwide.



Seth teaches over 25,000 professionals every year in conferences and professional seminars. His ability to teach techniques that spread change fast has won him high regard. He is the author of numerous articles on collaboration and change leadership, all of which can be downloaded from his website, VisionaryLeadership.com.

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