



Our Take:

OG's Point-of-View On Best-Seller Business Books

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In This Edition We Review

Fast Innovation

Michael L. George
McGraw-Hill, 2005

A Little Background

What is *Fast Innovation*?

The process of creating new products, services, processes, business models and markets with sufficient differentiation and speed such that the company maintains above-average shareholder return for decades.

Fast Innovation makes pretty lofty promises on the book jacket...

- Why current approaches to innovation fail
- A new strategic and tactical plan that will help your company dramatically reduce time-to-market by 50 to 80 percent
- The secret for finding out what your customers really want (not just what they say they want)
- Tools and methods for turning customer insights into ideas that will generate significant ROI
- The key levers senior leadership must engage to create innovation capability across the business

Searching the subject "innovation" on Amazon.com reveals nearly 275,000 books...1,444 have been released in the last 90 days. Why so much focus on this topic? Mr. George lays out the following case...

- Currently 90% of companies cannot sustain above-average shareholder returns for more than a decade
- Boston Consulting Group survey showed that 90% of CEOs are counting on organic growth through innovation
- A 2004 survey of CEOs by The Economist revealed that in more than half the companies, at least 25% of their revenue is derived from products and services less than three years old
- In 1998 the average lifetime on the S&P 500 was 10 years, compared to 65+ years in the 1920s and '30s (to the predecessor to the S&P 500)

The Basic Premise

Fast Innovation runs counter to the standard business practices of an organization. For that reason the authors recommend that a role be created within an organization where an individual is charged with the innovation process – a Chief Innovation Officer.

There are three imperatives necessary for *Fast Innovation*:

1. Differentiation: Involve customers early and throughout the development process. This will enable the discovery of unmet needs and also early concept feedback.
2. Fast Time-to-Market: Recognizes the rewards to those first or early to market not only on hard measures such as ROI or share but on soft measures such as market expectations.
3. Disruption: Involves redefining the marketplace in such a way that a new set of factors determine profitability and success. Innovations that help you redefine the marketplace are disruptive innovations.

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Two laws govern lead time of innovation:

1. The Law of Lead Time/Little's Law: There is a simple linear relationship between the number of active projects or tasks in process and lead time. The more active projects you have the longer it will take for all to be completed.
 - 3M and GE each had greater success when they dramatically reduced the number of projects in process...3M from 1,500 to 75 and GE from 1,000 to 20.
2. The Law of Innovation Variation: Innovation differs from almost every other business process in terms of the huge variation in task times. Innovation is an incredibly creative and uncertain process by nature, and as a result, variation is much higher in an innovation process than, for example, in manufacturing or customer service.

Design for Lean Six Sigma is the field of study that enables operations to replicate a design at low cost, high quality and with fast lead time. Design tools to ensure process speed are the "lean" component while high quality/low cost is the Six Sigma component.

Where We Agree

"[Customers] are far better at reacting to prototypes and telling you what they don't like." As Henry Ford said..."If I had asked my customers what they wanted, they'd have asked for a faster horse."

As we often say..."Ask a rational person a rational question, you will get a rational answer." Recognizing the limitation of what consumers and customers can do provides the catalyst to create tools and techniques that invite insight and creativity, but in a very different way.

The authors cite the 64-bit chip and Intel's failure to capture that market..."Pentium customers saw 64-bit as an option for the future. They were willing to spend more to get it now so that if they wanted to run 64-bit software *sometime in the life of that platform* it would be there..."

With our clients we have seen this dynamic and have come to refer to it as *Flexible Technology*...I know my needs will change, I am not sure how or when. If you can reassure me that your products/services will grow with me, I am more interested.

Re-use is cited as the most powerful tool to reduce project lead time and effort and is addressed by asking the following question: "*Do we have an existing business process, material, component, service offering, etc., that would serve for the new product or service?*"

We abide by this principle ourselves, particularly in the programming space with the objective being to create tools and programs where the lines of code can be re-used.

Where We Disagree

Methodologically the authors place a great deal of emphasis on ethnography as the tool for understanding the Heart of the Customer. While ethnography can be very valuable, we believe that there are a variety of other tools that can also provide insights into unmet needs.

Our Top 10 Quotes from *Fast Innovation*

- What's different in companies that have built a reputation for being creatively brilliant is something we've come to label as understanding the Heart of the Customer. These companies go well beyond what customers say (the "Voice of the Customer") to explore customers' experience in their daily lives (personal or professional) or what it takes to make them successful. These companies push deep to uncover customers' wants, needs, hopes, and fears.
- Everybody in the market has access to the same customers as you do. The precondition for getting to the market first with superior differentiated offerings is understanding those customers and their needs better than your competitors do.
- If you try to freeze performance specs before development begins, or very early in a project, you close yourself to learning that occurs *during* the development process, and practically guarantee schedule overrun, me-too offerings and/or rework loops somewhere down the line.
- There are three dimensions of innovation [product/service innovation; market definition innovation; process/business model innovation] and if you are not engaged in innovation along all three dimensions, you are missing significant growth and revenue opportunities.
- If you believe (as we do) that the next big idea is likely to come from the vast world outside your company, they you're better advised to develop the ability to monitor a variety of research sources and to respond quickly to discoveries when and if they arise.
- The fact is that the *Fast Innovation* process will not deliver its potential benefits if implemented in an organization that does not change its strategic direction, structures, practices, or metrics. There are simply too many ways in which the demands of *Fast Innovation* run counter to current "good" practices.
- The absolute heart of innovation is gaining a deep understanding of what the customer wants or may want without yet knowing it.
- It's very difficult to use existing organizations to disrupt their own business. You need a different team, energized with a new mission. It usually takes different types of people with entirely different skills.
- [Divide product] specs into three basic categories: (1) non-negotiable must-haves, (2) minimum performance or feature specs (more is better but must meet the minimum), and (3) desired features and design elements whose requirements could fluctuate depending on the current state of research and testing (with customer feedback).
- At P&G, we think of creativity not as a mysterious gift of the talented few but as the everyday task of making nonobvious connections.

OG's 1-9 Rating

With IdeaMap® research, we ask respondents to rate concepts on a 1 to 9 scale, where 9 is the most positive ranking.

Using this 1 to 9 measurement scale, OG gives *Fast Innovation* an 8.

The authors outline the goals and provide a series of tools to help us achieve them.