INNOVATION: HOW TO

We seek out the top innovation gurus to learn from. Over the past seven years we have won awards for innovation, and have trained with one of the world's best innovation and strategy experts.

We thought we'd share some of the hottest tips and shortcuts that we have picked up around where to focus innovation efforts.

> **"The goal of good innovation is to make bolder ideas easier to implement and harder to copy."**
>
> *~ Larry Keeley, co-founder, Doblin Innovation.*

ABOUT LARRY KEELEY

Larry Keeley is a leading innovation and strategy expert. He is President and co-founder of Doblin Inc., an innovation strategy firm that is known for their comprehensive innovation systems proven to improve innovation success rates.

BusinessWeek selected Larry as one of the 27 most influential designers in the world, and Bloomberg named Larry one of seven Innovation Gurus that are changing the field, specifically citing Doblin Innovation as having many of the most sophisticated tools for delivering innovation effectiveness. His global customers include Apple, Boeing, Coca-Cola, Ford, Gates Foundation, Gillette, GE, McDonald's, Pfizer, Shell and Sony.

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INTRODUCTION

We are living in a period of the most intense transformational change in the history of mankind. Because of the speed at which change is happening, companies have no choice but to continually innovate to stay relevant and one step ahead of their competition. Even big companies are not immune, and are finding that small, nimble competitors play by different rules. In that sense, the thing about innovation is it is never finished.

In fact, if you are not doing at least three types of innovations routinely and really well in your business, you are likely to be disrupted and left behind by those that are innovating at this pace. In some competitive sectors, those businesses that are not innovating enough will have been pushed out of business within 10 years time.

Primary sector and land-based businesses may have a slight edge here as food products will always be needed, but even so, market returns are changing as agricultural production in cheaper countries grows, and as consumer preferences change - both of which could affect economic returns of primary sector businesses.

TEN TYPES OF INNOVATION

Innovation is generally thought of only in relation to developing new products. In fact this is just one of ten ways to innovate. Research shows that on its own, product innovation provides the lowest return on investment and the least competitive advantage. There are actually ten different ways to innovate in your business. These are set out for you in the diagram on the next page.

MYTH BUSTING

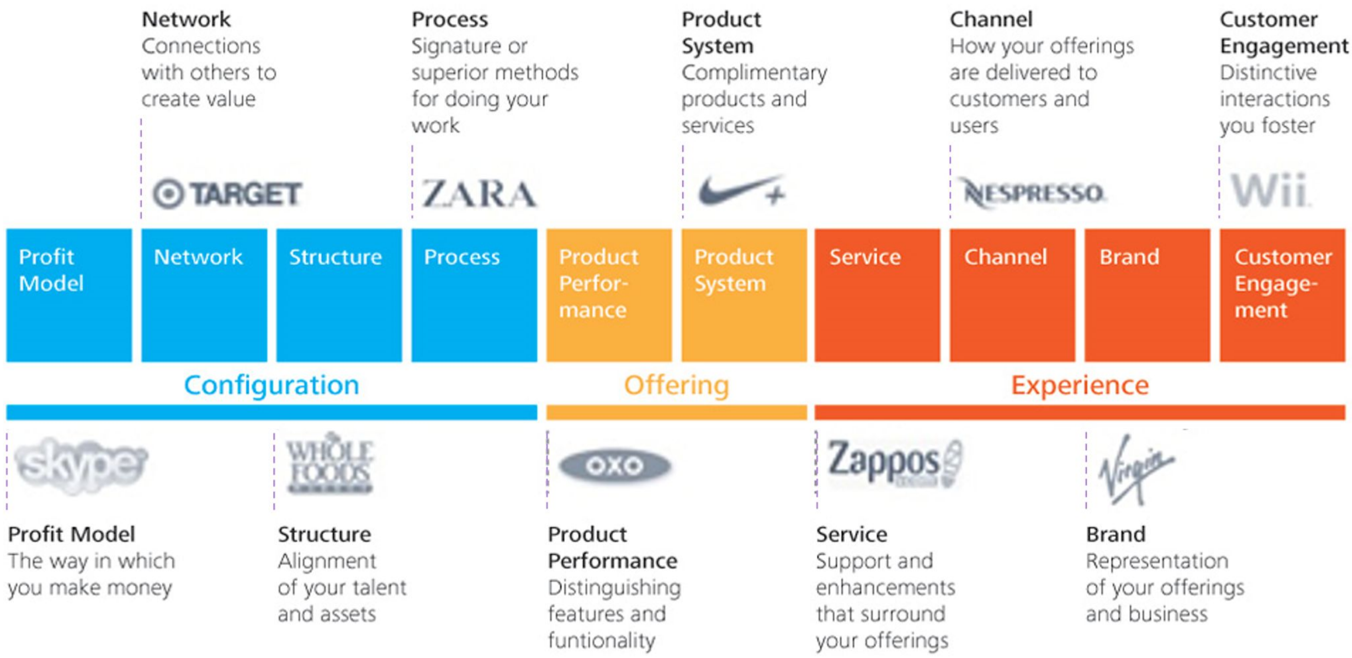
Many people use 'innovation' as a buzzword; few actually know how to do it well. Innovation is not just about inventing another product. It includes a deep understanding of customer needs, how you will work with other partners to deliver the product to customers and how it will pay for itself. It is a common misconception that being more creative will mean you are better at innovation. That is a total myth. Another myth is that brainstorming many ideas is a good way to innovate. It is not. Having many ideas (particularly if they are not great ideas) just creates unnecessary distraction.

Research shows that there is a growing gap between those who guess their way through innovation and those who are disciplined about the way that they innovate, by using sophisticated methods and tools. If we relabelled innovation as a science rather than just a creative process, then we find there are a lot of myths about how to do it.

A common issue is that people don't often view innovation as a science. It is no wonder that innovation mostly fails, almost always due to a lack of discipline. Great innovation uses a disciplined process that requires systems and processes alongside creativity. By thinking about innovation in a more systematic way, and using a disciplined approach, **you are guaranteed to improve your chance of success, on average by seven times!**

The disciplined innovation process can be applied the same by big corporate businesses, by startups, by small family businesses, and by Māori organisations. Scale is not a consideration that should determine how you innovate – the process should always be the same. Below are a few insights into the organised system and underlying structure that explains how to make innovation more easy and effective.

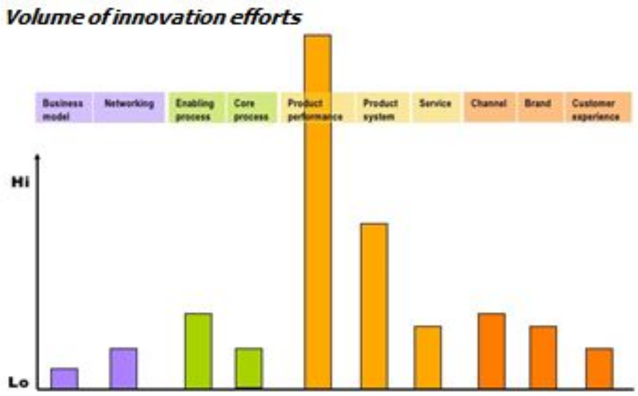
Figure 1: The Ten Types of Innovation

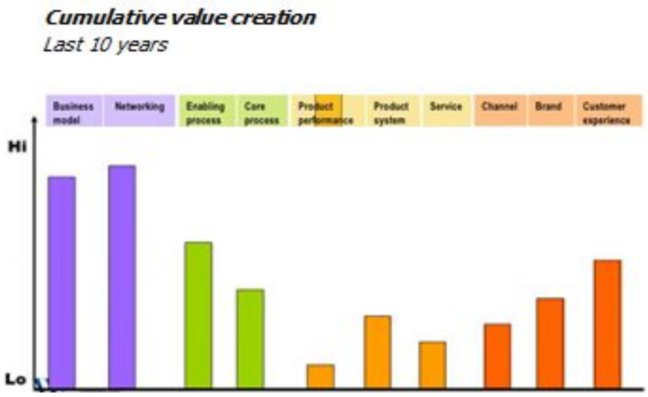


Which types of innovation you choose to focus on is actually hugely important. You want to focus on innovating in the areas that will create the **biggest impact** for your business – the greatest differentiation and competitive advantage. One way to determine where to focus your innovation effort is to map where your competitors and the key players in your industry are focusing their innovation efforts. This will show where they are **not innovating.** These areas that your whole industry is overlooking can be good to innovate in. This will make you distinctive.

Even a small effort in these areas might get a terrific return on investment.

To build lasting success and avoid being easily copied by competitors, it is recommended that you move away from innovating at the centre of the graphs below. The highest returns actually come from innovating in the 'types' on the left and right of the graph (i.e. how your business is configured and experienced by customers). Clustering your innovation efforts towards the centre of the '10 types' framework is bad, and will not lead to a high chance of success.





SIMPLE INNOVATION VS SOPHISTICATED INNOVATION

Many companies only do 'simple innovation' – which is doing one or two types of the ten types of innovation. However we know from looking at the most successful innovation case studies that the **more types** of innovation you incorporate, the **more successful** your return is likely to be. Combining many types of innovation together in an elegant way is called 'sophisticated innovation'. This is proven to drive higher returns, mainly because it will differentiate your business from the hotly contested marketplace and innovating across multiple types of innovation adds up to produce game-changing innovation.

INNOVATION TACTICS

Within the ten types of innovation, there are 114 innovation tactics that can be used together to construct breakthroughs. Since all innovation can be explained in terms of these 114 tactics, it shows innovation is not about inventing new things – it is really about using different combinations of these tactics in a way that is significantly different or superior to those used by others in your industry. In fact if we look at examples of recent innovation success stories, like Uber, Alibaba and Airbnb, we find that they haven't actually done anything radically new. They have essentially found different systems and tactics used in other industries and applied them to their industry.

DATA TO DRIVE INNOVATION

As mentioned on the previous page, we live in a time of exponential change. One thing driving this change is our ability to easily collect, capture, analyse and make decisions from millions of data points.

Two years ago we had just 10% of the data that we have today to describe and determine how the world works, what competitors are doing, how customer preferences are changing and how industries are innovating. Using data is now an extremely important part of the discipline around how to innovate. As an example, the America's Cup has now become nothing more than a competition of information science. The America's Cup yachts use 4,000 data points per second to calculate what to do to win the race. All decisions around performance optimisation are run through their onboard computers. With the data analytics available today, there is no reason not to use data in all your innovation efforts. And one thing is for sure - your competitors will be doing this, and it will be enabling them to do better innovation.

MEASURE YOUR INNOVATION

Many businesses do not have a way to quantify or measure the return on investment they are getting from their innovation efforts. This makes it hard to know next time where best to focus. To do this properly, there are 60 metrics of progress that Doblin have developed that you can use to measure the return on innovation. It is recommended that you choose the four metrics most relevant to your project and business and constantly reflect on whether they are the best.

SUMMARY

The goal of good innovation is to make bolder ideas easier to implement and harder to copy. To enjoy a greater chance of success, think of innovation as a science rather than simply as a creative process, and use sophisticated methods that are heavily driven off data. Innovate often, in a number of different areas, and especially in the areas that relate to how your **business is configured** and in your **engagement with customers**. And don't forget the power of tactics when they are done together.

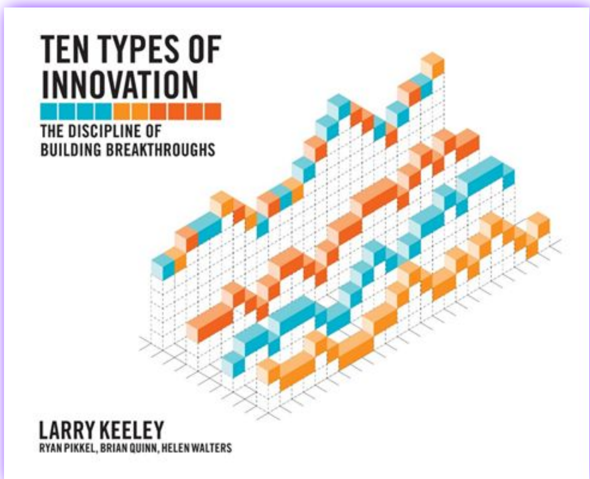
Read more in the book...

"The Ten Types of Innovation: The Discipline of Building Breakthroughs"

This book, by Larry Keeley, outlines both the research and tradecraft that drives effective innovation. The material is thought-provoking and entirely practical.

It explains how the Ten Types of Innovation can be used analytically to help leaders identify new innovation opportunities, reveal blind spots, and most importantly, as a tool that can be used immediately to accelerate and amplify existing ideas.

We recommend it to those embarking on an innovation journey or who are wanting to innovate better and create greater value in their businesses or greater social impact for whānau / shareholders.



Get help with your innovation efforts...

Te Whare Hukahuka are innovation experts. We are registered advisors for MBIE's *He Tupu Ōhanga: Commercial Advisor's Scheme* (Māori Innovation Fund), which can fund up to $60,000 towards your innovation project if it:

- Is focused on developing a sustainable business model
- Seeks to add greater value to existing products
- Uses innovative technology and scalable models to add value
- Demonstrates collaboration with other Māori entities
- Has export potential.

If you would like to learn more about how Te Whare Hukahuka assist with unlocking funding for your innovation and business growth projects, get in contact with us below.

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