



CHAPTER 11

Innovation Processes



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11 Innovation Processes

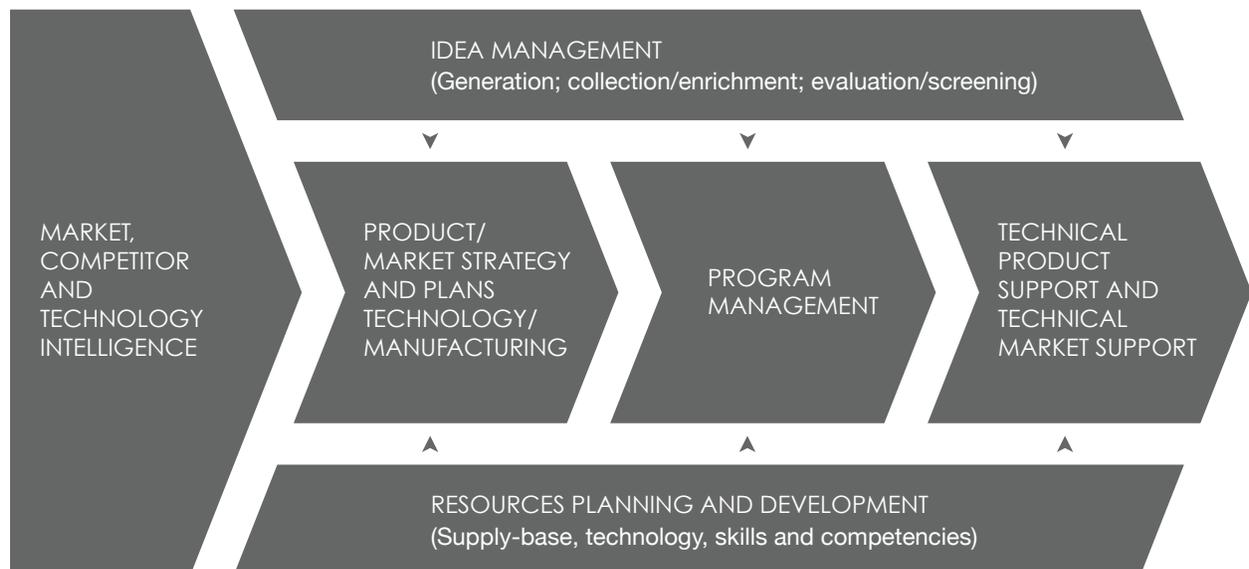
There are two kinds of **innovation processes**.

The first kind is about focusing innovation, making it more **convergent**. The goal is to take the ambiguity out of innovation and standardize it, making the innovation process regular.

The second kind is about expanding innovation, making it more **divergent**. The goal is to widen the scope of innovation and achieve divergence, giving us more options and less alignment.

Convergent Innovation Processes

Program management is the most common form of convergent innovation. At its onset, program management seeks to find the market opportunity—emerging technology, rising customer demands, and the things that your competitors are doing. Then it considers the ideas that your organization has, its technical capabilities to make those ideas a reality, and its marketing prowess to sell those ideas. Program management put all those things together to come up with a program or technology roadmap. The idea is to look at the ability to design and develop an idea and eventually the ability to launch, market, and sell that idea. The object of program management is to sync up all elements an organization requires to get an innovation to scale.



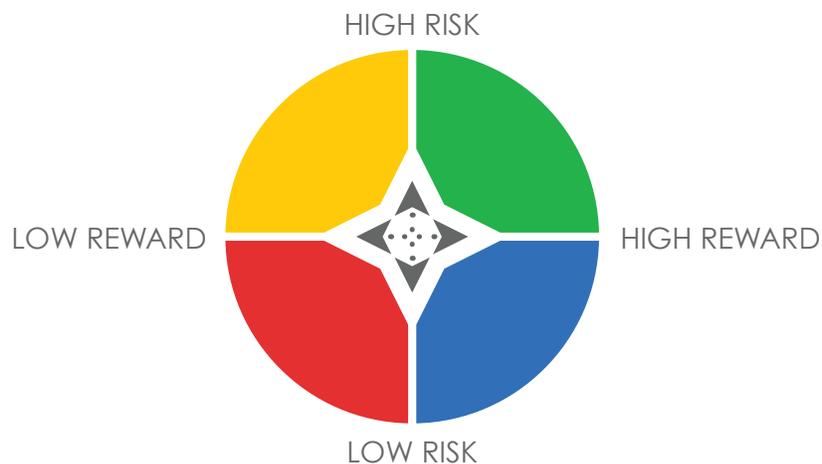
Product Juggernauts. Deschamps and Nayak

Another common form of convergent innovation is **stagegating**, or **phasegating**. The basic idea is to divide the entire innovation process into small segments or phases, investing very little in the beginning and increasing the investment substantially at the end once you've proven that the idea is going to work. In between each phase, you pause to evaluate the status of the idea, considering whether it should be modified, stopped, or continued. The object of stagegating is to synchronize innovation so that it arrives at the market at the proper time and to invest more in the project as it becomes more viable.



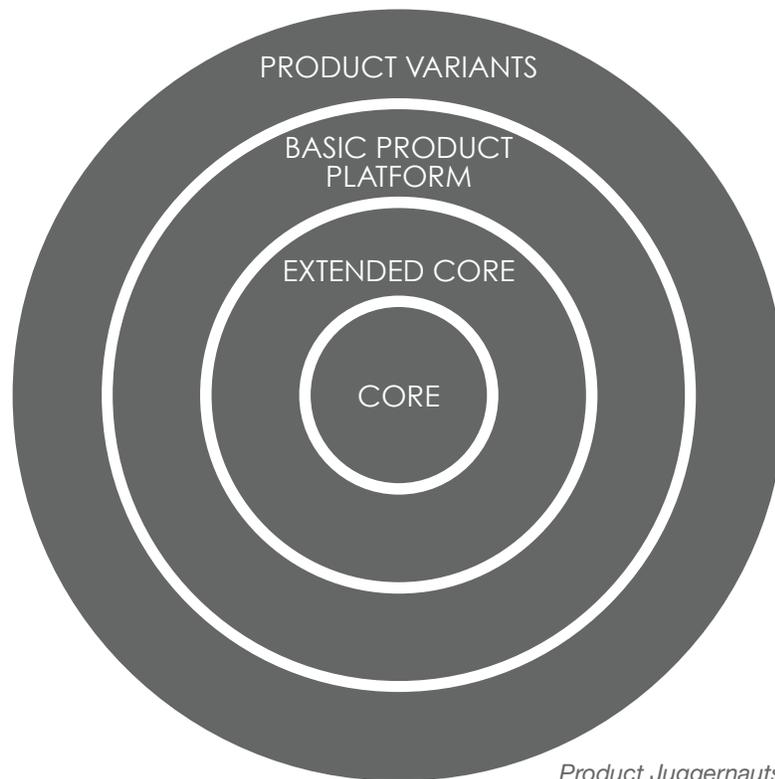
The basic premise of convergent innovation processes is to align each component, from supply chain to product or service. This alignment also serves as a funnel, where a lot of ideas get eliminated in the process and only the promising few get investment at the end.

Another form of convergent innovation is **portfolio management**. First, you consider the relative payout of your idea. Then, you determine the relative risk of the idea—your ability to design, sell, and support the idea. The object is to focus only on the ideas that are the most promising—that have both a high payout and low risk. This is often referred to as the hurdle rate. Only projects that pass the hurdle rate will continue and everything else is eliminated.



Common to many kinds of convergent innovation processes are **innovation architectures**, or **platform innovations**. They work like concentric circles. At the center is the core, or common platform—the basic form of the shared idea. Immediately outside of that is the extended core—slight variations or modifications on the fundamental idea. Around that is the basic product platform—a more specialized version of the idea that you intend to market. Then, finally, comes product variants—the specific tools and alterations you need for particular markets.

For example, let's say that at the very core, an organization produces an engine. The extended core includes small, medium, and large engines. Around that circle is a set of products based on those engines, such as a lawn mower. The last circle contains variations for particular markets, such as different voltages, colors, or sizes.



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The goal is to align all of these elements to maximize the variation you can get from a single idea while minimizing the expense.

Divergent Innovation Processes

Where convergent kinds of innovation processes value reliability and regularity, divergent innovation processes strive for novelty, diversity, and experimentation. These will bring you unprecedented opportunities but also a high degree of risk.

A popular approach to divergent innovation is looking for **uncontested markets**—places where there aren't many competitors, where new ideas will have the chance to grow before anyone else gets into the space. There are two dimensions to find uncontested markets. First, consider the value propositions for customers. This just means thinking about what exactly the customers want: Simplicity? Excitement? Accessibility?

Second, think about all the places where a customer might encounter the product. Obviously they encounter it when they buy it. But think of other encounters such as when they take delivery on the product, use it, buy additional supplements to it, maintain or service it, and even when they dispose of it. Now, look for value propositions and different types of encounters where there currently aren't any innovations, where there is an opportunity for novelty.

Propositions	Purchase	Delivery	Use	Supplements	Maintenance	Disposal
Customer Productivity						
Simplicity						
Novelty						
Convenience						
Risk						
Fun and Image						
Environmental Friendliness						

Knowing a winning business ideas when you see one by Chan Kim and Renee Mauborgne

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PRACTICE

PRISMATIC THINKING

<ul style="list-style-type: none"> • Networking • Team building • Shared best practices • Social media 	<ul style="list-style-type: none"> • Creativity methods • Change management • Futuring • Trend analysis
<ul style="list-style-type: none"> • Standard procedures • Staged processes • Supply chain • Data mining 	<ul style="list-style-type: none"> • Mergers & acquisitions • Branding • Project teams • Portfolio management

1. What type of innovation processes does your organization run? Why?

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2. Where are these innovation processes most effective? Least? Why?

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3. What type of innovation processes should your organization be running? Where? When?

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