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naked**innovation**

*uncovering a shared approach
for creating value*

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FOREWORD

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INTENSIFYING COMPETITION has shortened life cycles and sped commoditization of the products and services companies deliver. As the window of advantage that companies can create to monetize a new product or service shrinks, exploration and innovation are becoming ever more important. If the twentieth century was the century of efficiently producing “stuff,” I see the twenty-first century as that of producing “delight.” To be successful in this brave new world, companies and managers are going to have to think a bit differently.

In fact, I think we’re at the start of a design revolution in which a lot of companies learn to think like designers throughout their organization as they produce complete experiences with products and services for their customers. At Rotman School of Management, where I serve as Dean, we have introduced courses in Business Design to help train the next generation of managers to think and act more like designers—but we are not the only institution thinking in these terms. From the design perspective, the IIT Institute of Design in Chicago trains designers in the social sciences and business management. Although coming from two different perspectives, it is clear our schools think very much alike. We are especially alike in one way—it is very difficult to communicate this new Integrative Thinking approach to a general

audience because it flies in the face of the past century of producing “stuff” dominated by specialization and optimization.

This brings me to the book you are now holding, *Naked Innovation*. Some time ago, a Masters student at the Institute of Design interviewed me in a discussion of many of these same issues. Two years later, he and a colleague from the Institute have produced this work which attempts to tie together new ways to think about and act on an innovation challenge you or your company may be facing. It is a little work with big aspirations—an integration of a seemingly disparate suite of approaches and methods from different disciplines. It is one of the first of what I have hope will be other works on a practice and language of innovation that no one discipline owns but many can share.

A shared practice addresses one of the key issues in business today: a divide in what managers and engineers strive for versus what designers do—reliability versus validity respectively. Difference of perspective is what makes interdisciplinary teams exceptionally powerful, but a lack of common language and purpose can make them equally destructive. *Naked Innovation* provides a common context and language we can use on our teams to make discussions and work on our projects more valuable to our customers and to the organizations for which we work. In due course, this is something that all companies and individuals within them will have to do well to succeed.

I applaud Zachary and David for this terrific contribution to the integration of design and management and am convinced that you will find it an enjoyable and rewarding read.

Introduction

FOR THOUSANDS OF YEARS, life in the ancient world went on the same tedious way day after day: hunt and/or gather; eat; sleep; repeat. Then somebody discovered how to plant and harvest grain, and the first agricultural revolution was born. It led to more reliable food supplies, and all sorts of good things like the formation of villages, the development of social and political structures, and beer. Fast forward a few millennia, and you have iron plows taming the West; another century and you have mechanical tractors, and then chemical fertilizer, scientific farming, hydroponics, genetically altered seed stocks, and the next thing you know, you're nibbling on a gourmet pretzel, made with Roundup-Resistant wheat, walking down the street in the most prosperous and agriculturally rich country the world has ever seen.

It's all thanks to our friend Innovation.

Technological improvement has made life better, no question about it. It's also happening faster and faster—to the point that anybody who *isn't* being innovative quickly feels left out. Sometimes the innovations are new in dramatic ways, and put other people out of business—not a lot of call for blacksmiths these days, since the tractor replaced the horse and ox for pulling a plow. More often, there are

simpler, smaller innovations which add to something that already exists—like the way user reviews on Amazon.com augment objective product information. Or, they can be a new variety of something, like apple-tinis. Even something small can be an innovation if it adds value. Of course, it's questionable whether an apple-tini actually *does* provide additional value—oh, why can't kids today settle for plain-old gin & vermouth like Dean Martin did? But when a brilliant innovation comes along, whether disruptive (brand new technology) or incremental (new feature or variety), we wonder how we ever lived without it.

The accelerated pace of innovation today leads to more choices. Sometimes, too many—have you seen how many apple-tini, choco-tini, margarita-tini variations there are on cocktail menus? The marketplace usually helps decide which innovations are useful, and provide value, and which fade away, lucky to be remembered in pop-culture trivia games. Starbucks launched a new beverage a few years ago: Chantico “drinking chocolate.” It lasted barely a month—just long enough for customers to try and then reject the thick, syrupy concoction. However much money had been spent developing and launching Chantico, it was all written off as the drink vanished from the menu board. Most of us are probably OK with that, and didn't even notice it came and went—others' failed innovation attempts aren't our problem.

But what if you're the person who has to come up with the next new Starbucks beverage? You not only have Starbucks executives and shareholders breathing down your neck, but a nation of easily bored, distractable consumers who might just as easily go to another coffee shop across the street. And it's not merely big companies like Starbucks that have innovation challenges. A 50-person auto parts factory has to find a faster, cheaper way to deliver spark plugs on time, to keep its contract. Teachers are under pressure to create more relevant lessons to help students succeed, and fundraisers for a local charity need new ways to find donors to support their cause. If *you* don't innovate, somebody else will. The problem is, we're all under a similar pressure, as if a giant finger were

pointed at us, exhorting us to *BE MORE INNOVATIVE!* And you can understand why, because today:

There is only one constant: *change.*

As Ferris Bueller said, “Life moves pretty fast—if you blink, you could miss it.” No wonder Innovation is the new black. If you want to compete, you need to innovate, or languish forever in mediocrity—and that’s if you can avoid going out of business entirely. But *how* to innovate is a tougher question.

Innovation methods aren’t yet as widely known or as successfully implemented as a lot of other fundamental business activities. How-to books for innovation are just now beginning to emerge, whereas everybody knows about how assembly lines make production more efficient. As an emerging concept, innovation seems a bit murky—a black art, practiced by hip geniuses that wave their wands and produce, as if by magic, a Tivo! A stuffed-crust pizza! Zipcar hourly car rentals! Ta daa!

Innovations seem magical partly because we only see the final, successful product or service, not that hundreds of discarded initial ideas and interim prototypes. The much messier inside process of innovation is opaque to us, and fosters the growth of myths about innovation:

Innovation Myths

To Be An Innovator...

1. You have to be a genius* (*like Bill Gates*)
2. You have to be a charismatic, inspiring leader (*like Steve Jobs*)
3. You have to have a lot of resources (*like General Electric*)
4. You have to be lucky (*like Post-It™ inventor Ray Fry*)
5. You have to have a special job title (*such as Chief Innovation Officer, or Imagineer*)
6. Your innovation has to be secret and proprietary (*like the Stealth Fighter and its “skunkworks”*)
7. You have to be in a new field to innovate (*like biotech*)

In fact, if you dig deeper, you'll find that the examples we've provided are only partly explained by each Innovation Myth. *OK—we'll admit that while you don't have to be a genius, you do have to be smart. But smart in a way that anyone can be, armed with the right tools.

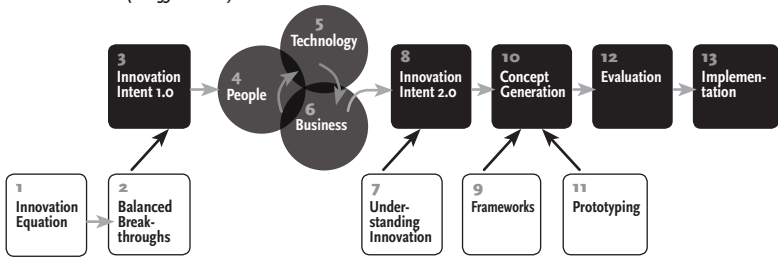
Our book is called *Naked Innovation* partly because we thought it sounded cool, but mostly because we're going to peel back the covers a bit and show you that innovation doesn't have to be mysterious. Don't get us wrong—it's not easy, but at the same time, it doesn't have to be painful, and it's often a lot of fun.

Naked Innovation, as we see it, is neither a complex formula just for engineers in the New Product Development division, nor a buzzword-driven paradigm especially for ponytailed creatives. Rather, it is a flexible structure that can help all kinds of people in an organization come together to create value. This book is for everyone from designers to engineers, and from CEOs to salespeople, in the hope of developing shared vocabulary, mindset, and goals for innovation. You can use our approach by yourself, though it works better with

interdisciplinary teams. You can apply it to a well-funded corporate venture, or a weekend home-improvement project.

Here's how we've organized the book:

PRACTICE (*stuff to do*)



THEORY (*stuff to know*)

Chapters that discuss Big Ideas about innovation lead to more practical applications of those theories through some innovation methods. By knowing the “whys” you’ll be better equipped to customize the “hows” to your own needs. We’ve also marked important concepts in ***bold italics*** so you can spot them more easily.

We want you to create extraordinary value for your customers in whatever way works for you—the perspective we offer isn’t meant as the last word on innovation by any means. Though seen through the lens of our own consulting experience, it is merely our perspective on the innovation models we’ve learned from instructors and colleagues at the IIT Institute of Design. Adapt and improve as necessary. Let us know what you come up with, too, so we can revise the book. We’ve followed our own advice even in writing it: getting user input, prototyping, and revising. What you hold in your hands is merely the latest iteration of an ongoing cycle of innovation.

Whoops—that sound you just heard was another new innovation coming to market. Let’s catch up by looking at the critical elements that come together to form the Innovation Equation.

This book is about innovation—
how to create value for people through
new or improved services and products.
Innovation doesn't require unusual
genius or creativity, but lately all the buzz
surrounding innovation has made it look
awfully complicated. *Naked Innovation*
helps unveil some of the mysteries of
the process—stripping it down to reveal
structures that multidisciplinary teams
can share. Once you see the underlying
theory and the methods which flow from
it, you'll become even more effective at
doing it yourself.

*“A terrific contribution to the integration
of design and management”*

ROGER MARTIN, DEAN, ROTMAN SCHOOL OF MANAGEMENT,
UNIVERSITY OF TORONTO

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