

naked**innovation**



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*uncovering a shared approach  
for creating value*

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*Written in partial fulfillment of the requirements  
for the Master of Design degree, IIT Institute of Design, Chicago.  
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*Edition 0.9.1 | July 2010 (third reprinting)*

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# CONTENTS

**Foreword** *vii*

**Preface** *ix*

**Introduction** *1*

- 1 The Innovation Equation** What Organizations Do *9*
  - 2 Balanced Breakthroughs** What the Market Rewards *19*
  - 3 Innovation Intent 1.0** Getting Started *27*
  - 4 People** People-Focused Design *37*
  - 5 Technology** Platform & System Design *53*
  - 6 Business** Strategic Design *65*
  - 7 Understanding Innovation** The Ten Types *81*
  - 8 Innovation Intent 2.0** Reframing the Challenge *95*
  - 9 Conceptual Frameworks** Points of View *111*
  - 10 Concept Generation** Shaping Great Ideas *129*
  - 11 Prototyping** A Working Style *143*
  - 12 Evaluation** Decision Making *153*
  - 13 Implementation** Making Innovation Real *165*
- What's Next?** *179*
- About the Authors** *183*
- IIT Institute of Design** *184*



# FOREWORD

Roger Martin  
Dean, Rotman School of Management  
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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.

# Preface

THIS BOOK IS ABOUT INNOVATION—how to create value for people through new or improved services and products. Innovation not only results in happier customers, but more profitable businesses as well. And since it can be a lot of fun to create something new and distinctive, the people doing the innovating (that’s you) can benefit as well.

Innovation is not a zero-sum game—the more people creating new value, the better all of our lives will be. The surprising truth is that it doesn’t take someone of unusual genius or creativity to develop innovations. Everybody innovates in small ways all the time, and teams of perfectly ordinary people often come up with astounding new concepts. Yet Innovation as a business strategy (the capital “I” version) is getting a lot of press lately, and sometimes it looks awfully complicated. We wrote this book to help unveil some of the mysteries of the innovation process—stripping it down until it’s *Naked Innovation*. We believe a more structured practice of innovation can be shared by many disciplines without necessarily being owned by one in particular. Thus, our subtitle: a shared approach for creating value. Once you see the underlying theory and how it ties

together to specific methods to create innovation, you'll become even more effective at doing it yourself.

As much as we, your authors, like to think of ourselves as innovators, we are also the products of innovation processes going on all around us. We are products of the United States; products of the University of Chicago and Yale, respectively; products of early careers at the emerging crossroads of business, technology, and culture. Recently, we are both products of the IIT Institute of Design, which has focused on developing repeatable innovation methods.

Because we are products ourselves, few of the ideas in this book are entirely our own. Most of them were created by individuals smarter and more experienced than are we, including Doblin's Larry Keeley, Gravity Tank's Chris Conley, and the IIT Institute of Design's Patrick Whitney, Vijay Kumar, and Jeremy Alexis, among others. If you are lucky, you may have had the pleasure of knowing these brilliant minds, and their fresh views on the emerging practice of innovation, design, and the creation of distinctive value.

That is not to say this work simply copies others' thoughts, or formally represents the approach of the IIT Institute of Design. Nor does it present the One True Way to do innovation successfully. *Naked Innovation* is our take on thought about creating new offerings, tempered by three decades of experience we've had actually doing it. We offer a high level structure for both *thinking about* and *doing* innovation, presenting some new (or at least, newly brought-together) theory and practice we think many disciplines can benefit from knowing. *Naked Innovation* can be a guidebook to a journey in creating distinct value for your customers and organizations. It is meant to be an easy read and relevant to a broad range of business, technology, and design professionals. We'll do our best to not waste your time.

We will move quickly over many topics and provide references for you to explore your particular interests at your own pace.

We would both like to thank our parents Jean & Connie, Laurie & Marian. Special thanks goes to our many colleagues at the Institute of Design who helped us refine our own point of view. We salute you! Waewwan Sittisathainchai executed a fine series of illustrations far better than our original whiteboard scribbles, and Jordan Fischer's deft photos made us look good. In addition, our early readers gave exceptional feedback that definitely shaped our work. Specifically, thank you David Dunne, Jens Jorgensen, Wyatt Mitchell, Paul Alexander, Lucas Daniel, Jason Ring, and Greg Kriefall. Finally, we could not have completed this work if not for the support and consultation of our professor Jeremy Alexis, a great innovator, and a better friend.

*Zachary Jean Paradis*

*David McGaw*

*Chicago, Illinois | May 2007*

### ***A Note on the Third Reprinting***

We are happy to learn that *Naked Innovation* has been a useful part of the innovation discussion in places like DesignWorks at the Rotman School of Business, the Minnesota School for Public Health, the government of New Zealand, and in a number of *Fortune* 1000 companies. And while the book hasn't yet been "officially" published, due to a variety of professional constraints and the press of current innovation projects, we're taking advantage of new online print-on-demand services (a great innovation itself) to increase access. For this version, we've done a quick editorial pass to the most egregious errors. We know there's still some issues (and a few dated sections in the text), but we are planning a complete rewrite—and eventually, hope to see it in bookstores everywhere. Thanks for your support!



# 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 bioengineered 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.

Innovation 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—plain-old gin & vermouth was good enough for Dean Martin. But when a brilliant innovation comes along, whether disruptive (brand new technology or business model) 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 the 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.

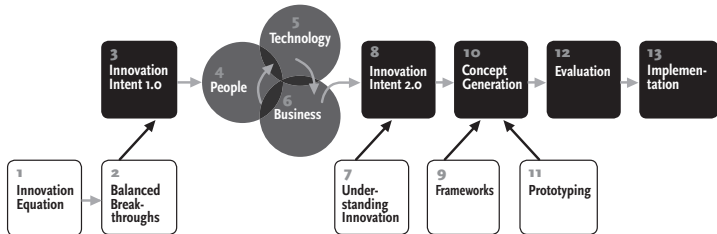
Our book is called *Naked Innovation* partly because we thought it sounded cool, but mostly because we're going to peel back the covers a bit and show you that innovation doesn't have to be mysterious. Don't get us wrong—it's not easy, but at the same time, it doesn't have to be painful, and it's often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