

Lambda International Consultants

presents

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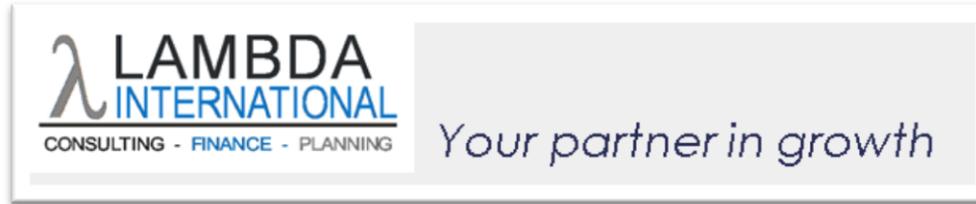
Perspiration+Inspiration=Innovation?

Houston, TX
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Presentation is property of Lambda International Consultants LLC

Intro:



- Founded in 1997, Lambda has partners in Houston, in South America and Europe
- We specialize in breaking down barriers to growth
- In the last sixteen years, Lambda has been able to undertake successfully more than one hundred fifty projects in a broad range of industries including:
 - Transportation and automobile
 - Energy/basic industry
 - Telecommunications and internet
 - Restaurant, travel and tourism
 - Real estate and construction supplies
 - Retailing and consumer products
 - Healthcare, medical and pharmaceutical
- We want to be ***“Your partner in growth”***



Overview of where we are going...

- Today's talk is about **Innovation**
 - How important it is today
 - The impact it has
 - How top companies do it
 - How YOUR company can do it
- We are going to focus on **Product Innovation**
 - **Business Model Innovation – while touched upon** - will be the topic of our *next* talk
- We hope it is interactive and fun





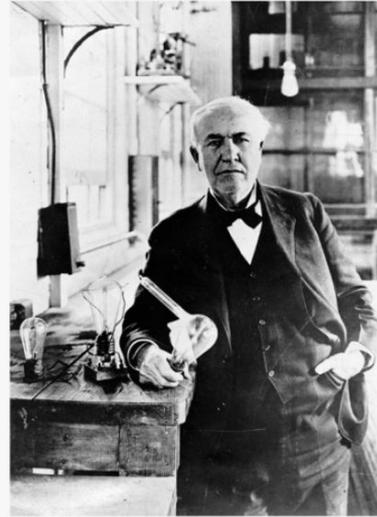
... and how we got here, via a Textile producer

- Son had just inherited the reins from his father (and grandfather and great-grandfather) of a USD 15MM textile company...time was ripe for change and innovation
- Had a few ‘brainstorming’ exercises:
 - Reviewed product lines and came up with a different consumer segmentation which spawned 4 new lines
 - Reviewed sales processes and came up with new processes and eventually a new IT platform
 - Reviewed manufacturing with staff and came up with Kanban idea to greatly reduce inventory
- Eventually, the client got so good, he did not need us anymore...

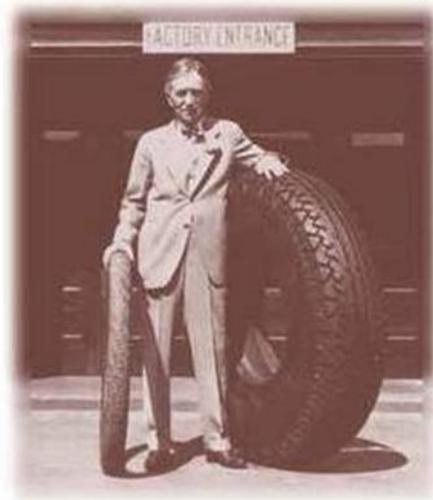
Innovation has long been an important element in Corporate Leadership



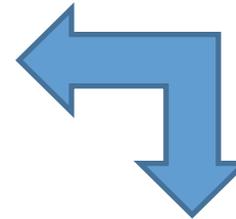
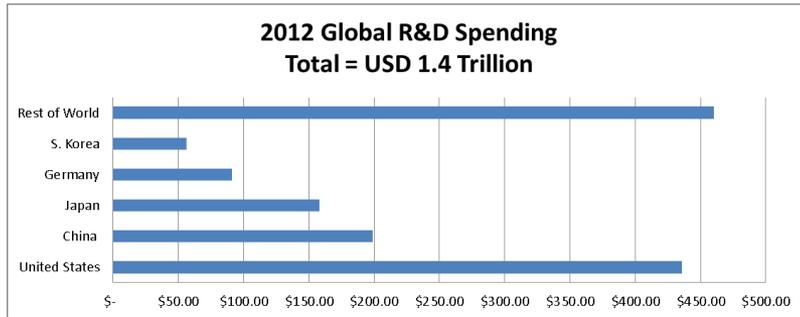
- Edison said, "I never quit until I get what I'm after. Negative results are just what I'm after. They are just as valuable to me as positive results."
- "Genius is 99% perspiration and 1% inspiration"



- Harvey Firestone said " Capital isn't so important in business. Experience isn't so important. What is important is ideas. If you have ideas, you have the main asset you need, and there isn't any limit to what you can do with your business and your life

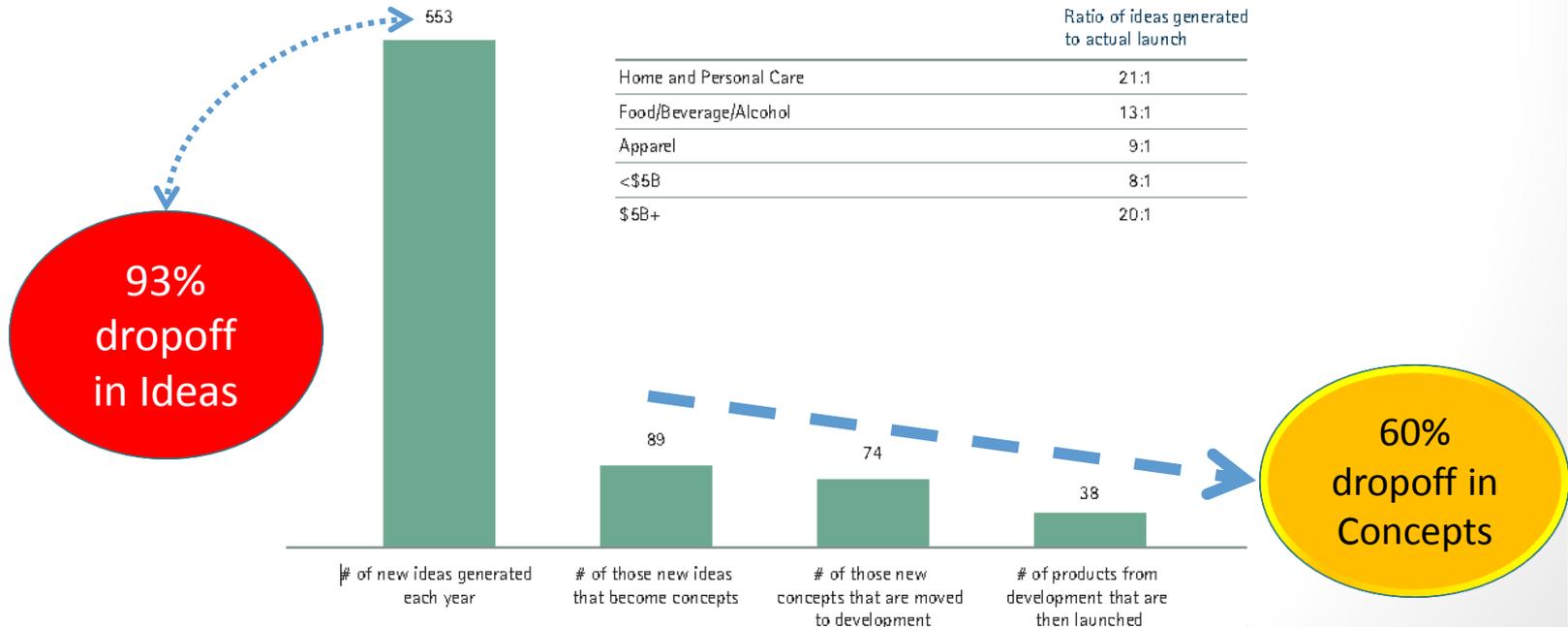


Only 7% of \$ 1.4 Trillion annual R&D investment makes it through the pipeline



A lot of perspiration

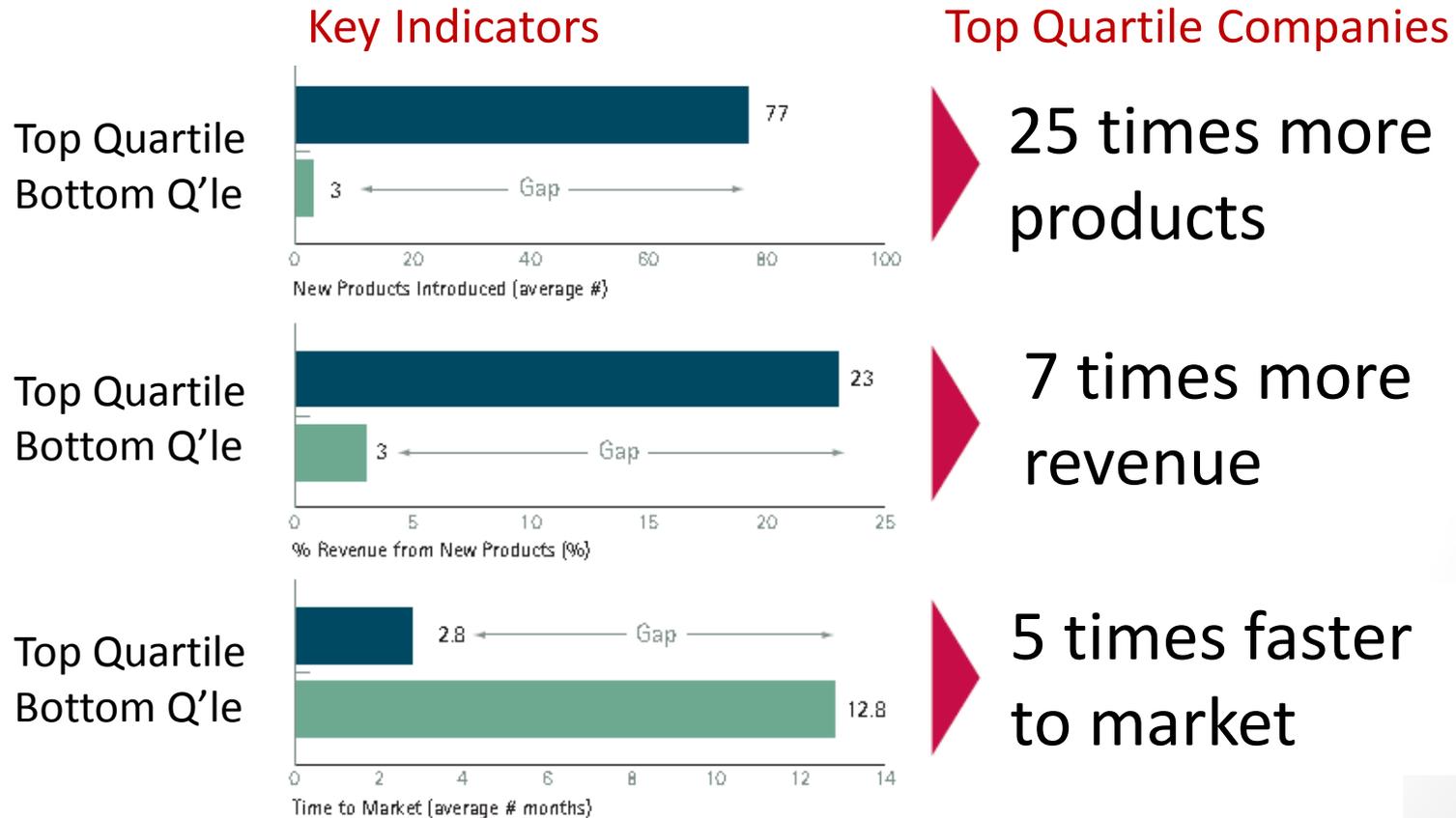
Figure 1. AMR Research 2008 Study—Innovation in Consumer Products: New products from concept to launch



The best companies show there seems to be a RIGHT way to Innovate



Figure 2. AMR Research 2008 Study—Innovation in Consumer Products: Performance distinctions of innovative companies





Truly Innovative companies are more valuable than Less Innovative ones

Rank	Name	EPS	P/E ratio	P/ Book	P/Sales	Mkt Cap \$
5	Apple Inc.	42.54	15.51	8.04	5.74	618.48
N/A	Hewlett-Packard	-2.84	N/A	0.9	0.27	35.21
N/A	Dell Inc.	1.69	6.3	2.1	0.3	18.46
86	Microsoft	2	15.41	3.88	3.49	258.54
7	Google Inc	33.73	20.57	3.92	6.05	226.92

TECHNOLOGY COMPANIES



- Colgate
- Henkel
- Reckitt
- P&G
- S&P

CONSUMER PRODUCT COMPANIES

Sources: HOLT, a division of Credit Suisse, in collaboration with Innovator's DNA LLC; Bloomberg; Thomson Reuters Fundamentals and Worldscope via FactSet Research Systems. Cited in Forbes Magazine

Of multiple approaches, two stand out: Google and P&G – a tech and a consumer products company



- “The anti-suit”
- One day a week devoted to “individual ideas”
- Work in teams of three engineers, self selected
- Use of state of the art communications software to create a peer to peer network
- Peer to peer network and top staff evaluate progress of product development



- “Suits personified”
- Structured pipeline for proposal generation and follow up management
- Sets up multidisciplinary units to manage and direct emerging ideas
- Set up *Connect + Develop* program to manage external ideas



Google's culture can be seen in their offices



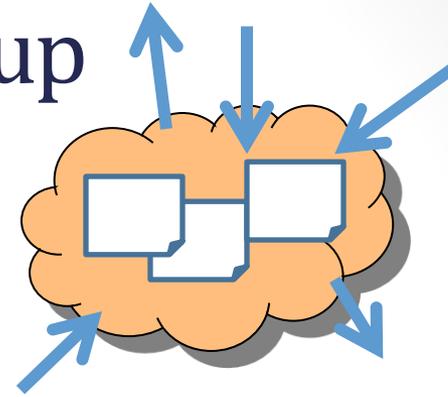
Google's process is bottom-up



“Organizational slack”
– one day a week for personal projects;
forming teams



Team's ideas were critiqued by peers not just managers



“Message Oriented Middleware Application.” a Web page and threaded conversation to guide internal projects



A monthly formal revenue and staff review reordering product investment.



Strong incentives and work ambiance enhancements; large, even multimillion dollar, bonuses



Attract top, self driven creative and innovative people





Being open to everyone's ideas, *but using data*, seems to be key

How Google solves problems

“On a Friday night, an engineer went to the board and wrote down the **details of a convoluted problem** we had with (the) ads system. A group of Googlers lacking exciting plans for the evening began **re-writing the algorithm within hours** and had solved the problem by Tuesday.”

Why Google pages have 10 search results on them

- “**Users unanimously said they wanted 30** (results per page). But 10 results did far better in actual user tests, because the page loaded faster. It turns out that providing 30 results was 20 percent slower than providing 10, and **what users really wanted was speed**. *That's the beautiful thing about data – it can either back up your instincts or prove them totally wrong.*”

Google's employee #16, Susan Wojcicki

<http://www.thinkwithgoogle.com/quarterly/innovation/8-pillars-of-innovation.html>



... and build on the “8 pillars of Innovation”



- 1. Have a mission that matters**
- 2. Think big but start small**
- 3. Strive for continual innovation, not instant perfection**
- 4. Look for ideas everywhere**
- 5. Share everything**
- 6. Spark with imagination, fuel with data**
- 7. Be a platform – use Open Technology**
- 8. Never fear to fail**

Google's employee #16, Susan Wojcicki

<http://www.thinkwithgoogle.com/quarterly/innovation/8-pillars-of-innovation.html>

P&G is modern, but more conventional



P&G recognizes four types of innovation



SPOTLIGHT ON PRODUCT INNOVATION

P&G's Four Types of Innovation

Sustaining

Sustaining innovations bring incremental improvements to existing

INCREMENTAL IMPROVEMENT

easier, cheaper—that are important to sustaining share among current customers and getting them to try a product.

Fresher breath

Commercial

Commercial innovations use creative marketing

MARKETING PACKAGING PROMOTION

repeatedly by hundreds of millions of consumers, and drove \$100 million in revenues.

Shampoo sachets

Transformational-Sustaining

Transformational-sustaining innovations reframe existing categories. They typically bring order-of-magnitude

PRODUCT PERFORMANCE INNOVATION

to breakthroughs in market share, profit levels, and consumer acceptance. In 2009 P&G introduced the wrinkle-reducing cream Olay Pro-X. Launching a \$40-a-bottle product in the depths of a recession might seem a questionable strategy. But P&G

went ahead because it considered the product a transformational-sustaining innovation—clinically proven to be as effective as other wrinkle-reducing offerings. The cream and related products generated first-year sales of \$50 million in U.S. food retailers and drugstores alone.

Tide Pods

Disruptive

Disruptive innovations represent new-to-the-world products. A common business strategy is to focus on products as P&G did with Swiffer and Febreze.

INNOVATIVE PRODUCTS

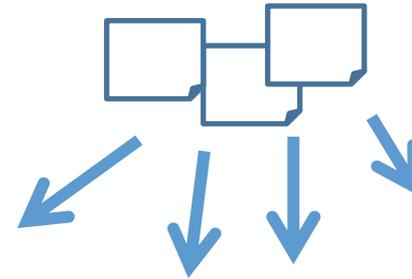
Swiffer

Harvard Business Review, June 2011

P&G's approach is more institutionalized and top down



A



Massive Internal Market Research
PLUS
 External ideas incorporated through
Connect & Develop
 Unit

Focused Project Teams within SBU; innovation groups ensure coordination

Detailed Business Development Manuals to guide projects top down



Tradeoff: Centralize R&D or Decentralize it with potential loss of scale and funds

Integrated Strategy and Operational Assessments by top executives

Attract top, self driven creative and innovative people for management and implementation

Google and P&G respond to different drivers



- Vertical communications/ technological market
- Innovation = technological invention = create something new
- Consumer need not previously identified
- Less short term profit focused

'Create as you go'



- Broad, horizontal consumer goods markets
- Innovation = technological invention + leverage across categories = satisfy a consumer need
- Consumer need probably previously identified
- More short term profit focused

'Create to fill needs'



Alongside their differences, Google and P&G have similarities

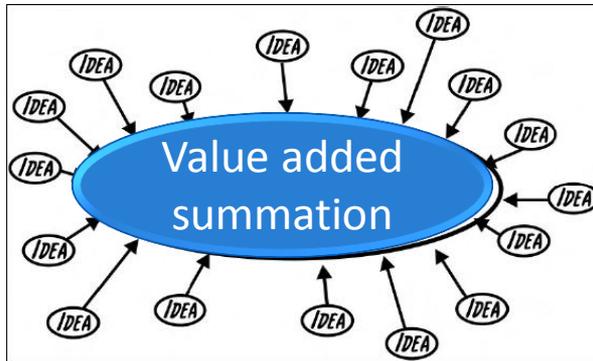
- **Keep teams or groups small until idea gains ‘traction’**
 - **Team members start out part time, but migrate to full time**
- **Give full Business Unit authority/budget to these teams**
- **Integrate Innovation with Corporate Strategy**
- **Prioritize efforts to create a product portfolio strategy**
- **Leverage core business capabilities**



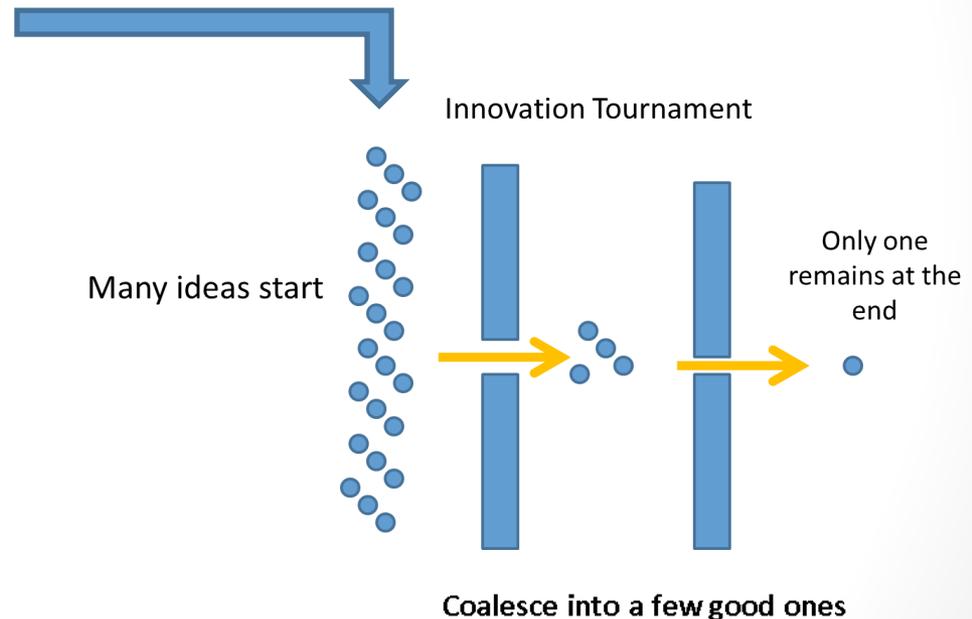
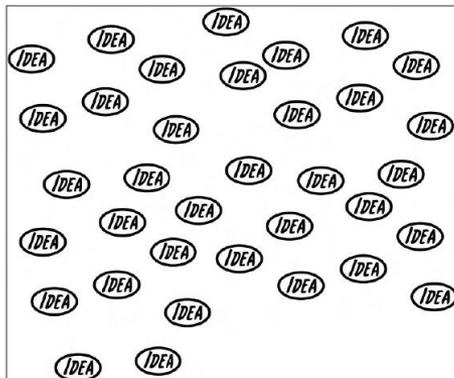
Both seem to use *Focused Brainstorming* and *Innovation Tournaments* to generate high value ideas



Focused Brainstorming



Open Brainstorming



Where are they going now?

Crowdsourcing! A \$ 1Trillion business

- Crowdsourcing is the ultimate Brainstorming tool
- Open up innovation or design challenges to everyone in the world...well, just about



<http://econsultancy.com/us/blog/4355-10-kickass-crowdsourcing-sites-for-your-business>

Logo design = [99designs](#)
Brand names = [namethis](#)
Business innovation = [Chaordix](#)
Brainstorming / feedback = [kluster](#)
Advertising = [Poptent](#)
Product redesign – [redesignme](#)
Product design and manufacturing = [Ponoko](#)
Software & usability testing – [uTest](#)
Data cleansing & entry / content creation = [Amazon's Mechanical Turk](#)
Images = [Flickr Creative Commons](#)

The McKinsey Global Institute in its report “The Social Economy: Unlocking Value and Productivity Through Social Technologies” estimates that leveraging social technologies ... could improve productivity of high-skilled knowledge workers by 25% and contribute between \$900 billion to \$1.3 trillion per annum “.

Lessons for SME's

- **One great idea is worth a million average ones..**
- **Principles of innovation can be applied to any**
- **Multidisciplinary team based efforts**
 - Single Proprietors have only a limited ability to innovate.
- **Creating a culture open to innovation**
- **“You are only as good as your last innovation.”**
- **“If you don't do it and your competitor does, you are in trouble.”**



- **Small firms may not have enough resources internally**
 - The creation of “Connect and Develop” structures to access outside resources may be critical.



Exercises for SME's

- Try to obtain **benchmarks of competitor's performance**... any area or product/service you where you are not within 5% of the best in class should be evaluated for improvements
- Participate in **Peer to Peer groups** and learn from best practices in other industries
- Do a **vertical time-line analysis** of your own business and products:
 - Where have costs gone down? Profitability up?
 - What about the other areas?
- Hold **“Innovation Tournaments”** and investigate **“Crowdsourcing”**
 - *No one will be sent to the dungeon... or thrown to the dragons.*

Does anyone have any Stories to share?

Conclusion:

One of the key roles of a Leader in Business – or any other enterprise that wishes to be successful - is to recognize and marshal ideas from within and outside the organization.

Those who can convert Creativity into Innovation and drive improved Competitiveness are the true Leaders of our Businesses and our Society.





PS. Some resources you may find useful

- Ted.com an innovation and change based website
 - <http://www.ted.com/>
- Maria Bartiromo has an innovation show on CNBC
 - http://www.cnbc.com/id/17169877?_source=vty%7Cinnovation%7C&par=vty
- A US Government site on innovation and small business
 - <http://www.sbir.gov/>
- European Business and Innovation Network
 - <http://www.ebn.be/>
- Innovation tournaments
 - www.innovationtournaments.com
- Crowdsourcing
 - <http://www.cambrianhouse.com/>
 - <http://weblogbetter.com/2012/06/20/awesome-crowdsourcing-websites-around-the-web/>

Thanks,

Questions?

Comments...

We are at your service....



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