Wharton
UNIVERSITY of PENNSYLVANIA

Innovation – OIDD 614
Entrepreneurial Innovation, Lean Strategies, Culture of Innovation

Professor Karl T. Ulrich
Vice Dean of Entrepreneurship & Innovation

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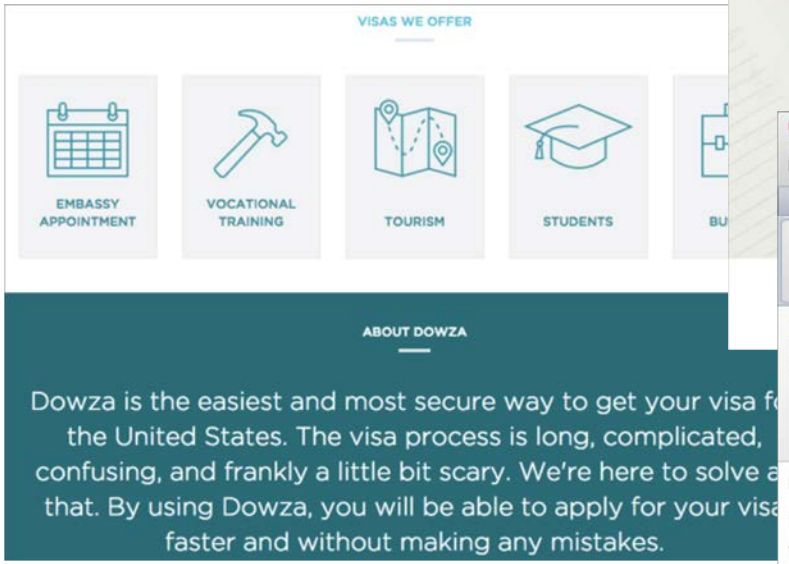
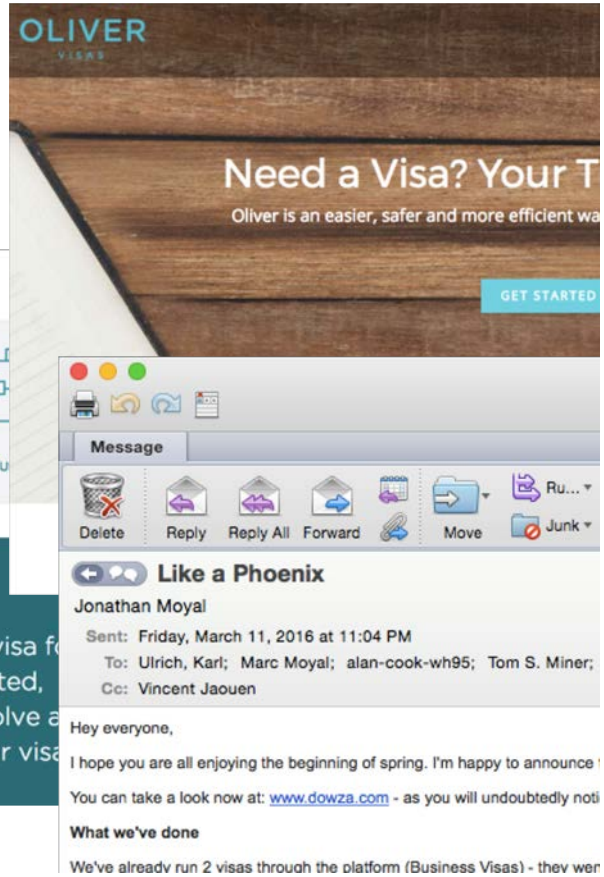
Dowza Update

November 2014	April 2015	Summer 2015	March 2016	April 2016	Fall 2016
$200k Convertible Note Invested (18 months, 8% interest, 1.5mm valuation cap)	Dowza launches beautiful “Shopify” for Dive Shops. Customers love it.	CAC > LTV (Can’t acquire customers efficiently) $100k in the bank. 2 Weeks in the Moroccan Desert PIVOT! Turbotax for US Visa Forms	“Pulling a Dowza” CAC << LTV !!! Tuning conversion funnel and product.	Google shuts down Adwords experiments Schools signing up. $25k in bank.	Rebrand as Oliver. Raise $750k at $3mm cap. Original angels still accruing 8% interest.

Jonathan Moyal, CEO





Improve Innovation, Problem Solving, and Design in Society

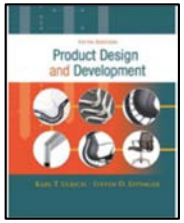
Teaching

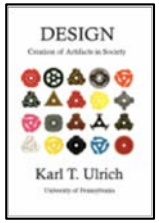
Product Design

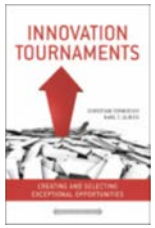
Innovation

Coursera
Design: Creation of Artifacts in Society

Writing







Scholarship

The Importance of the Raw Idea in Innovation: Testing the Sow's Ear Hypothesis

Idea Generation and the Quality of the Best Idea

Opportunity Spaces in Innovation: Empirical Analysis of Large Samples of Ideas

Institution Building

PENN WHARTON ENTREPRENEURSHIP
UNIVERSITY of PENNSYLVANIA

INTEGRATED PRODUCT DESIGN

Business RADIO
POWERED BY THE WHARTON SCHOOL

details:
ktulrich.com

Doing

terrapass

Wins

- Xootr (great product, luck with Razor)
- Terrapass (idea, team, luck with macro factors)
- Scoopfree (idea/pain, team)
- JUMP (idea, team, luck with Mobike)

Bloomberg Businessweek

IDSA

Xootr Scooter
Year: 2000
Silver Award
Client: Nova Cruz Products
Design: Lunar Design, Nova Cruz
From $199

The Xootr scooter folds down in 10 seconds. Its light weight and portability made it a hit in urban areas and helped stoke the scooter fad. In 2003, Nova Cruz was sold and renamed Xootr, which continues to manufacture the product today.

Xootr

Engineering, Industrial Design

PROJECT BY

LUNAR

City, California, United S...

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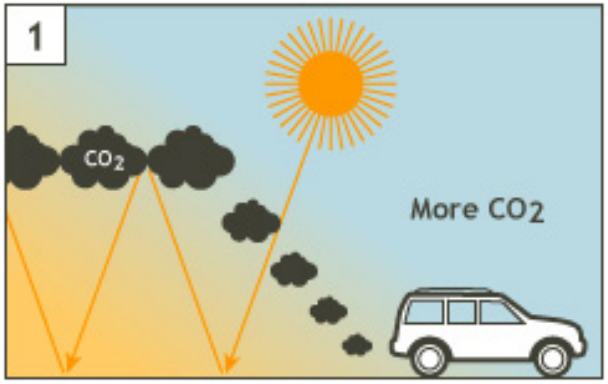
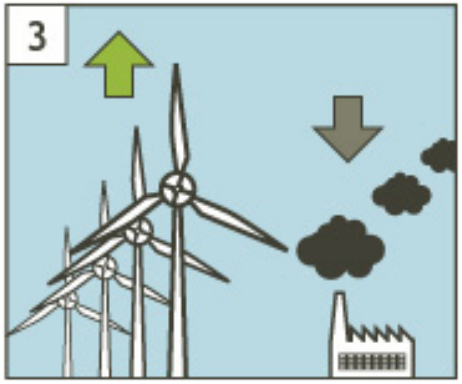
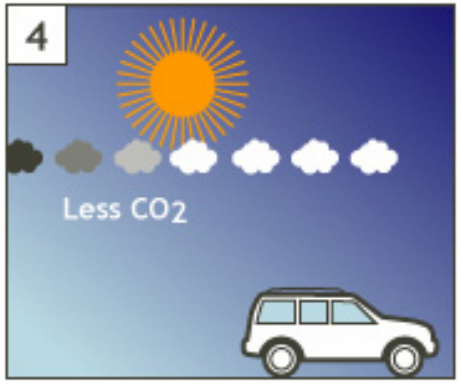
ABOUT PROJECT

LUNAR cofounded the company that brought this contemporary interpretation of the classic kick scooter to market. The product's modular product architecture, a basic aluminum frame that can be augmented with different wheels and deck materials, accommodates a wide range of tastes, budgets and performance needs. It is ideally suited to make public transportation more convenient to use. A commuter can cruise to a bus stop or train station, fold-up the Xootr, store it under a bus or train seat, unfold it, and then ride it to the final destination. The memorable design uses authentic materials and

Innovation Course – Fall 2004







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8,000 LBS
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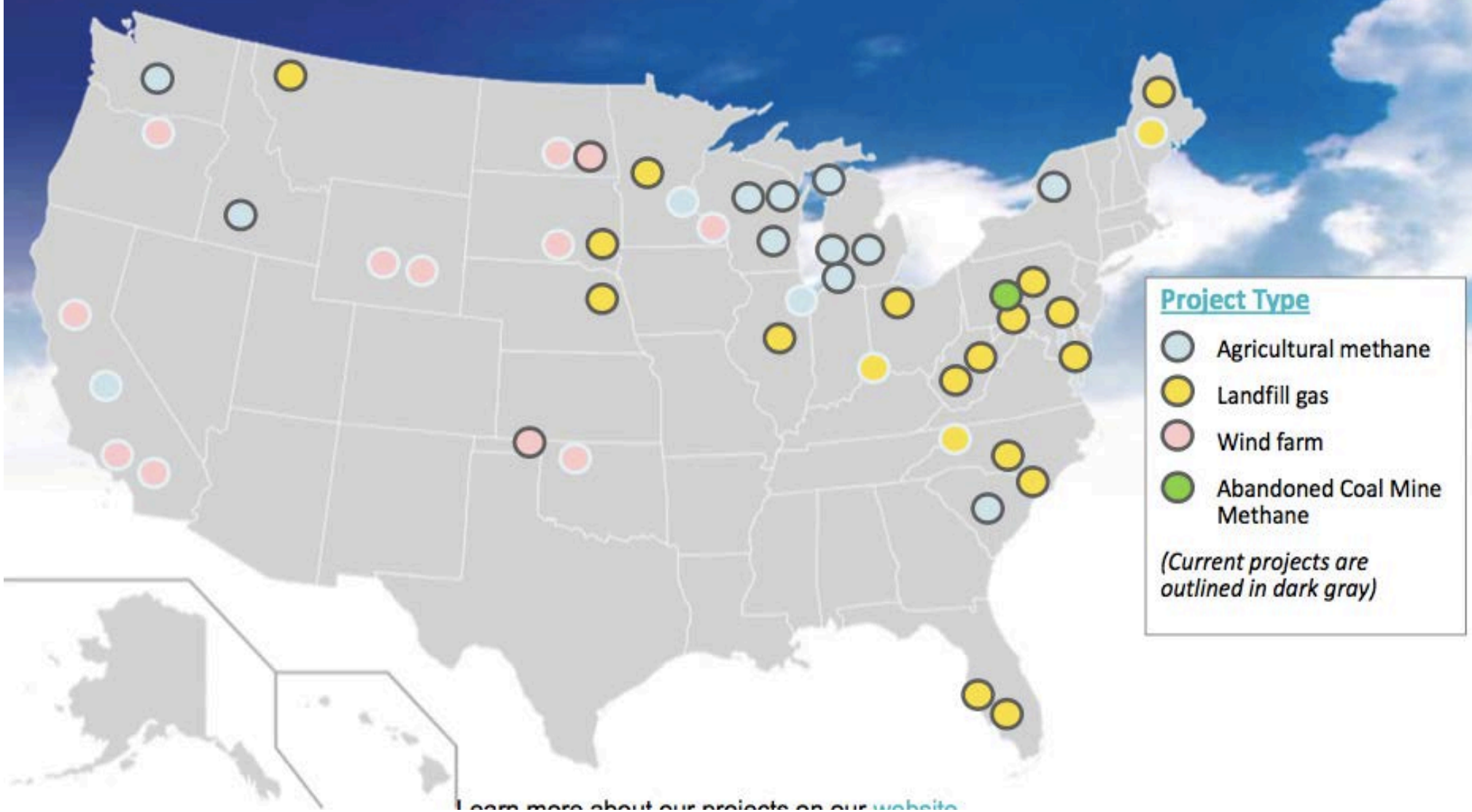
TerraPass in Action

We are fighting climate change by destroying greenhouse gases and putting clean energy on the grid. Our projects are made possible by your offset purchases.



Learn more about our projects on our website

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Corporation™

The Difference You've Made

In the past seven years, our projects have destroyed Greenhouse Gases equal to over **4,400,000,000** pounds of CO2.

That's the equivalent of:

440,000 cars off the road for a year.

57,000,000 tree seedlings grown for 10 years.

5,500,000 laptops turned off for a year.

Note: All TerraPass retail offset sales and retirements are independently reviewed by a leading U.S. accounting firm. See the TerraPass website for more details.

terrapass
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Alan J. Cook
Founder and former CEO
ScoopFree

Photo: Alan J. Cook

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Getting the Band Back Together

Alan's Criteria

- Big market.
- Big gross margins.
- Strong recurring revenue streams.
- Take advantage of our engineering and product development capabilities.
- Utilize our sourcing connections.
- Flow through our supply chain capabilities.
- Leverage direct-to-consumer and subscription sales capabilities and/or can be sold into channels where we already have strong retail connections.
- Will resonate with our friends in the press.
- In markets with large, "obvious" potential acquirers (i.e., good "exit" possibilities)

INDIEGOGO Explore How It Works Equity Offerings START A CAMPAIGN Sign Up

BrilliantPad: Self-Cleaning Indoor Dog Potty

Easy, Clean, Convenient. Automatic, Self-Cleaning Potty System For Puppies and Small Dogs.

Alan Cook
Chicago, United States
About

+

Arrow Electronics
Certification
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$85,556 USD raised by 729 backers

171% of $50,000 flexible goal

11 days left

BACK IT

Failures

- Voloci / Nova Cruz (technology push, technology timing/readiness)
- Blend8 (exogenous factors, kidnapping)
- Epodia (team dysfunction)
- Bruxcare (team not all in)
- Smatchy (intangible need/pain)

Lessons Learned

- Team doubts? Turn and run.
- Be careful about skimping on lawyers.
- You can be the world's expert in an emerging category.
- Solve your own problem, but…not a guarantee of a big market.
- To get started, just make and sell 1000 (hardware) or "wizard of oz" beta (services)

- (Little markets just as hard as big markets.)

Graphic: MIT Martin Trust Center

Fun

- Your creation solving problems for customers.
- Working with highly competent people.
- Positive cash flow.
- Controlling your own destiny.
- Getting things done efficiently.

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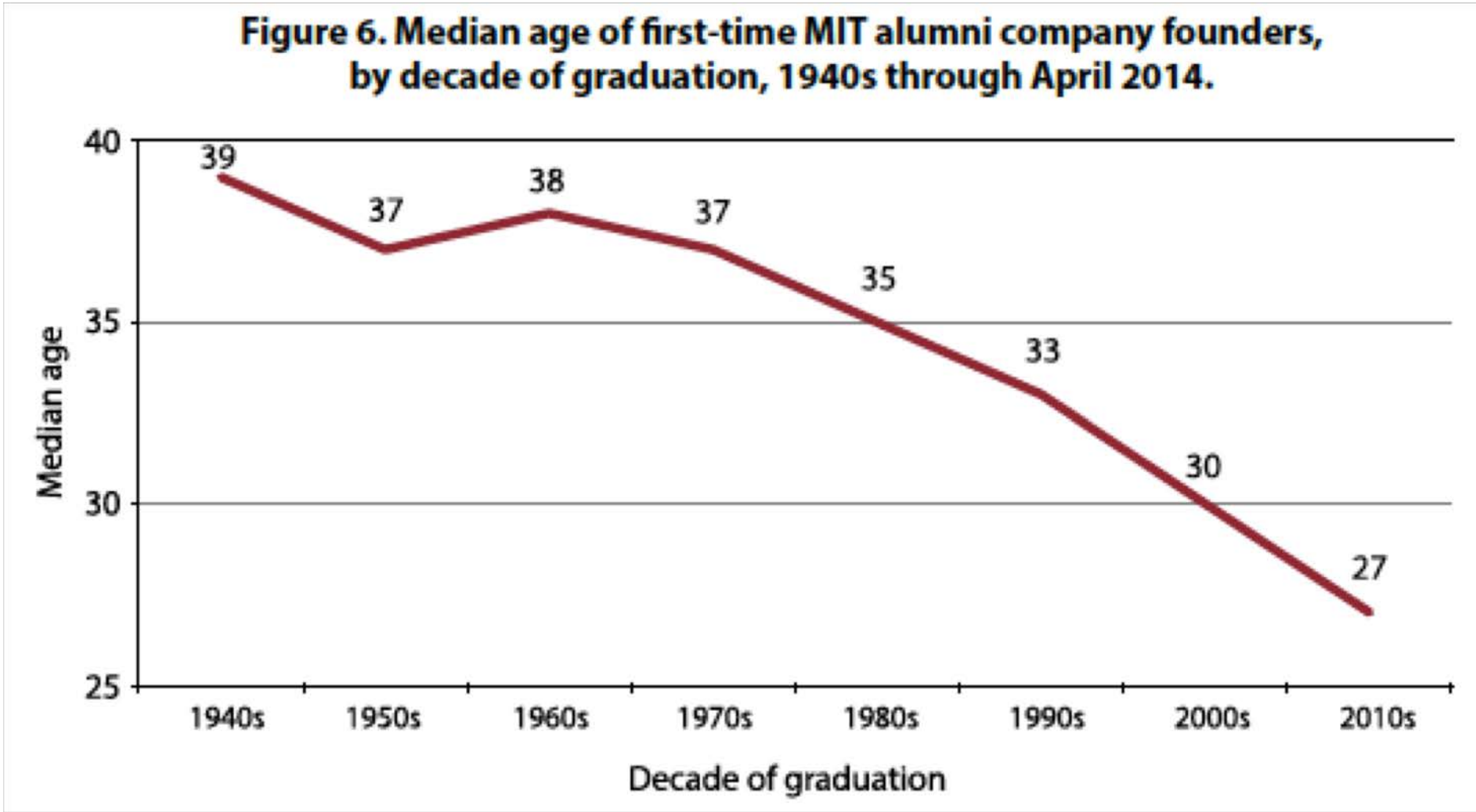
Not Fun

- Product not perfect.
- Loaning the company money and guarantees of third-party loans.
- Laying off a factory workforce.
- Being sued.
- A customer falling and suffering injuries.
- A safety recall.
- Knock offs and trademark violations.
- Cyberfraud.
- Homeless employee living in back of factory.
- Fake reviews.

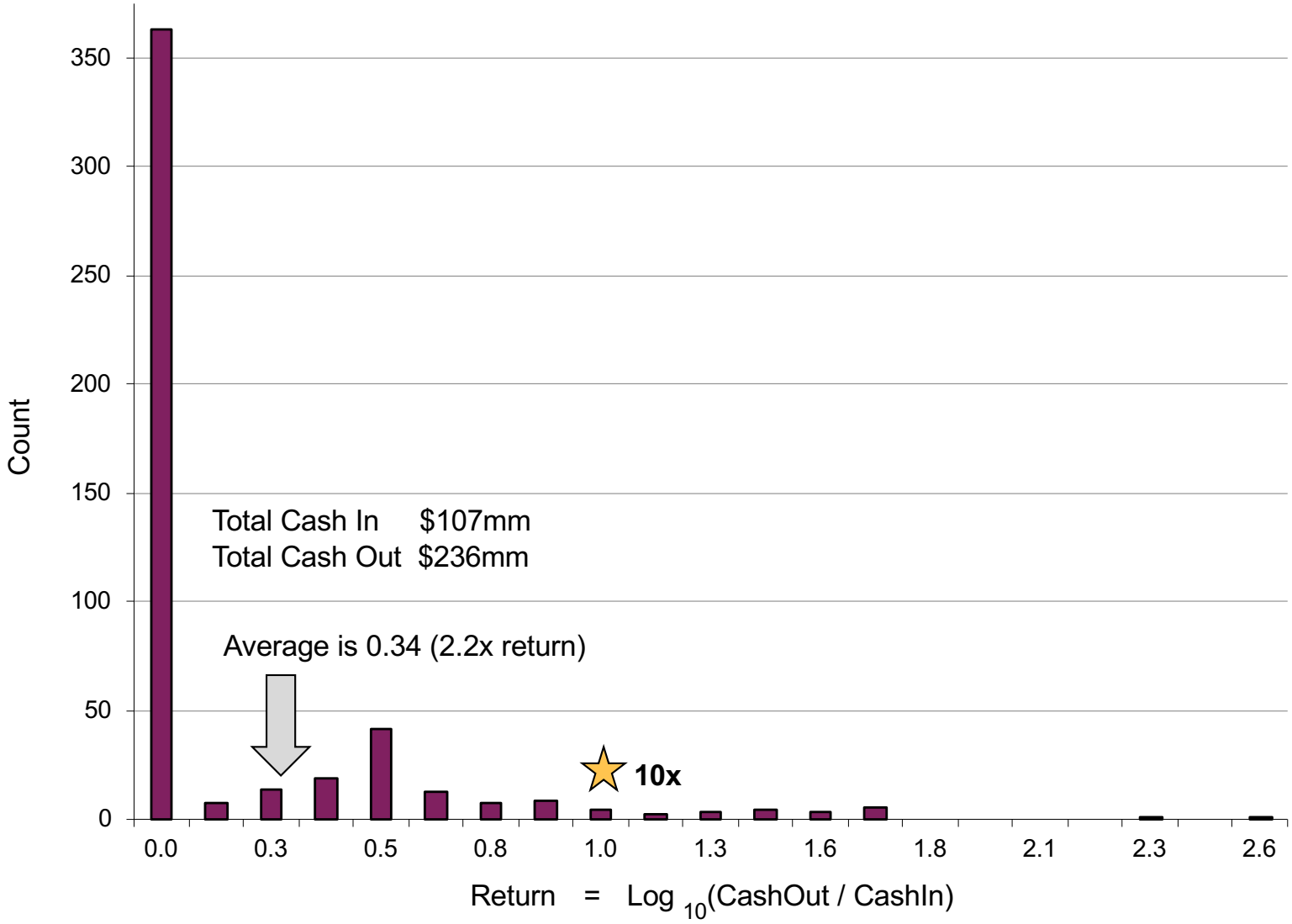
Note for later in your careers:

Participating as an angel and/or advisor gives >50 percent of the excitement for <5 percent of the anxiety. Can even get started now via WeFunder.



Source: Edward B. Roberts, Fiona Murray, and J. Daniel Kim, Entrepreneurship and Innovation at MIT Continuing Global Growth and Impact. MIT Sloan School of Management, 2015.
http://web.mit.edu/innovate/entrepreneurship2015.pdf

Histogram of Returns for 499 Ventures by Angel Investors



e.g. 1,000,000 cash out on 100,000 cash in has Return of 1.0

Note: Negative or undefined returns set to 0.

Source: Kauffman Foundation Angel Investor Performance Project. Sample is 499 ventures for which cash investments were made.

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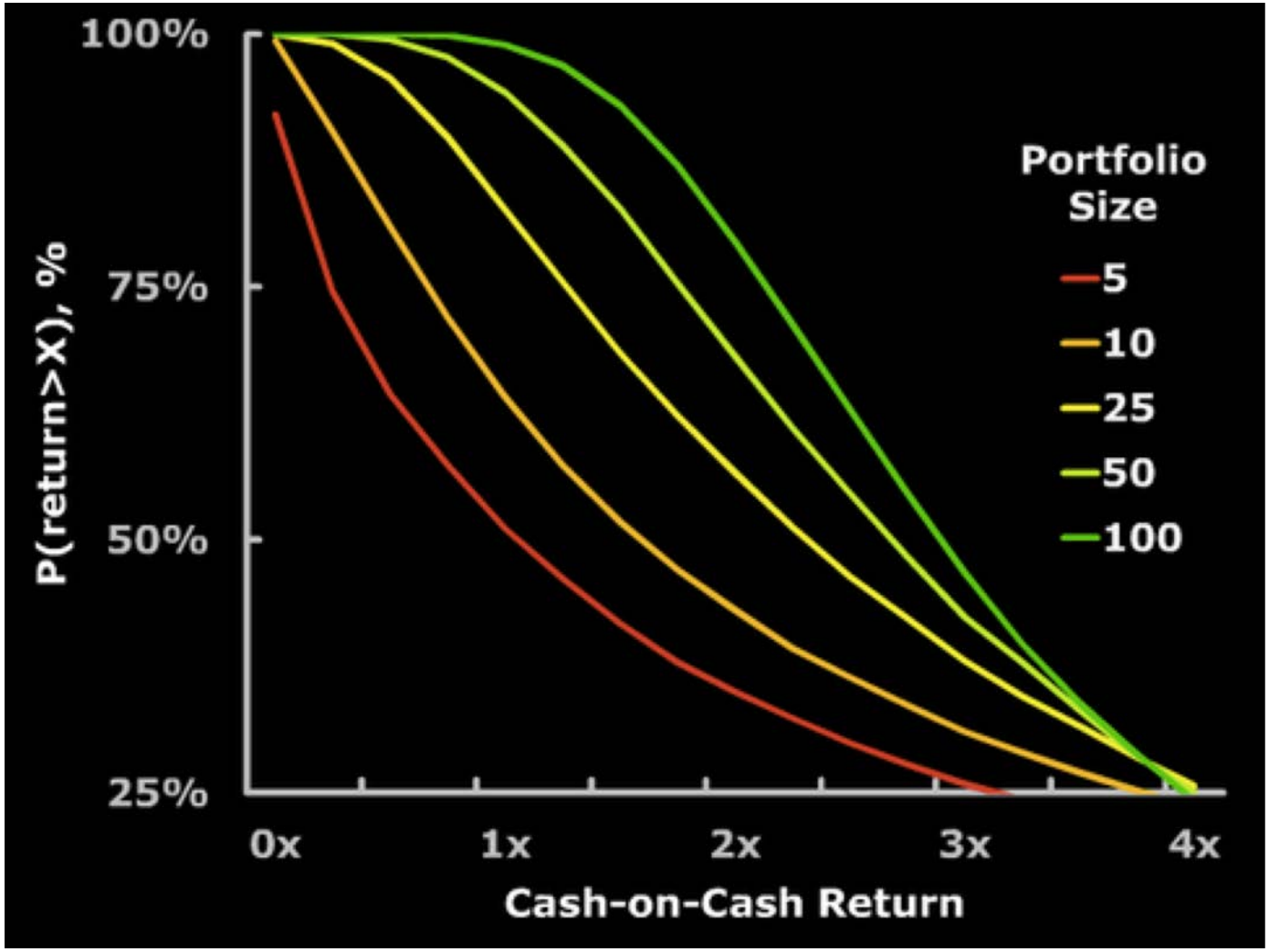
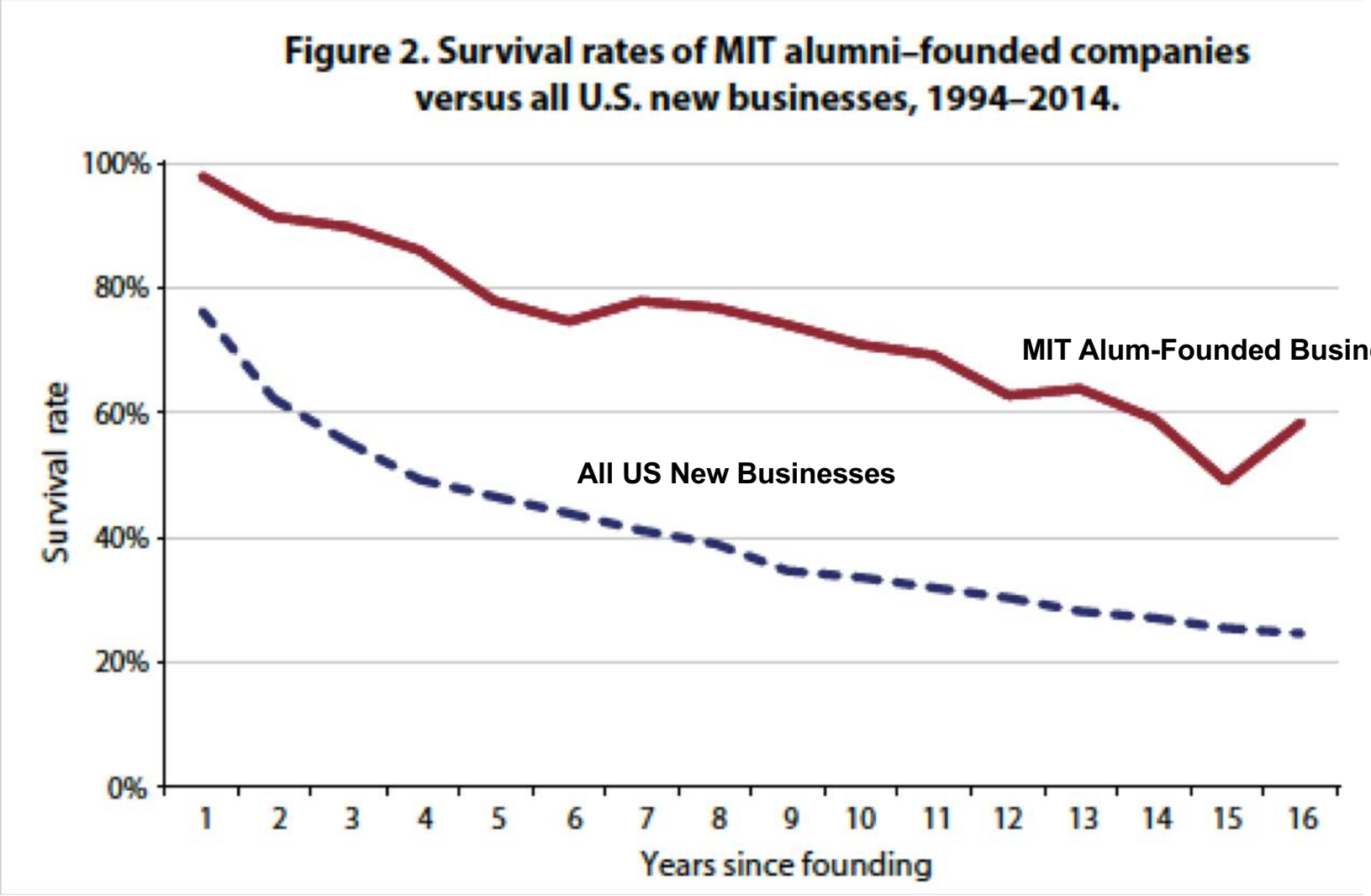
Angel Investing Returns as a Function of Portfolio Size



Source: David Rose, *The Gust Guide to Angel Investing*.



Source: Edward B. Roberts, Fiona Murray, and J. Daniel Kim, Entrepreneurship and Innovation at MIT Continuing Global Growth and Impact. MIT Sloan School of Management, 2015.
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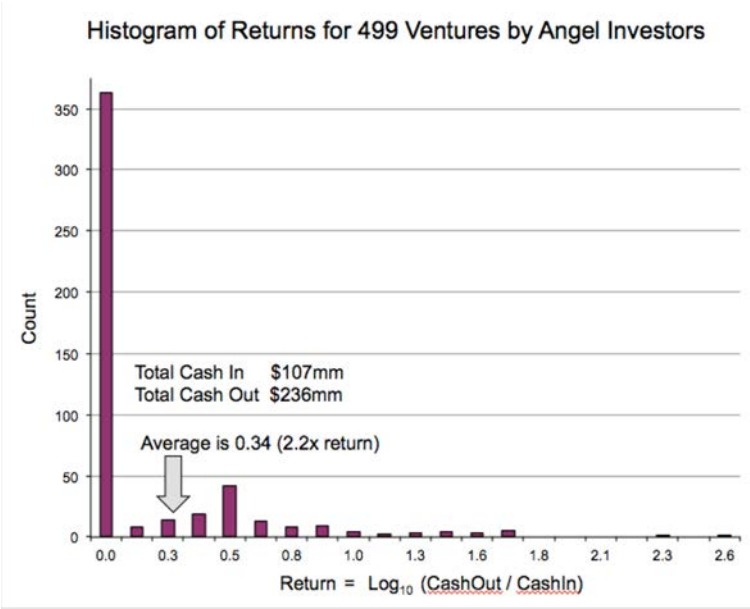
Managing Risk as an Entrepreneur



- You can't really get sufficiently diversified as an entrepreneur. (Need >25 deals.)
- You do it because you feel the calling.
  - *mission* and/or *process.*
- If your primary goal is a 95+% chance of being very comfortable financially, join a large established enterprise and work hard.

- Can get *some* of the adrenaline by being a post-funding "joiner."
- Downside is not that bad.
  - Opportunity cost of 6-12 months of no salary, and 12-24 months of lower salary.
  - Evidence that "failed" entrepreneurs have higher post-failure earnings. (Manso, Gustavo, Experimentation and the Returns to Entrepreneurship, 2015. http://ssrn.com/abstract=2527034
- And of course, it helps a lot to start rich (from birth, marriage, luck, previous work, etc.)

Culture

The set of shared mental assumptions that guide interpretation and action.

Typical Challenges for “Innovation Culture”

1. We are risk averse.
   - We prefer a 90% chance of 10mm RMB to a 25% chance of 40mm RMB.
   - Our managerial systems punish project failure.

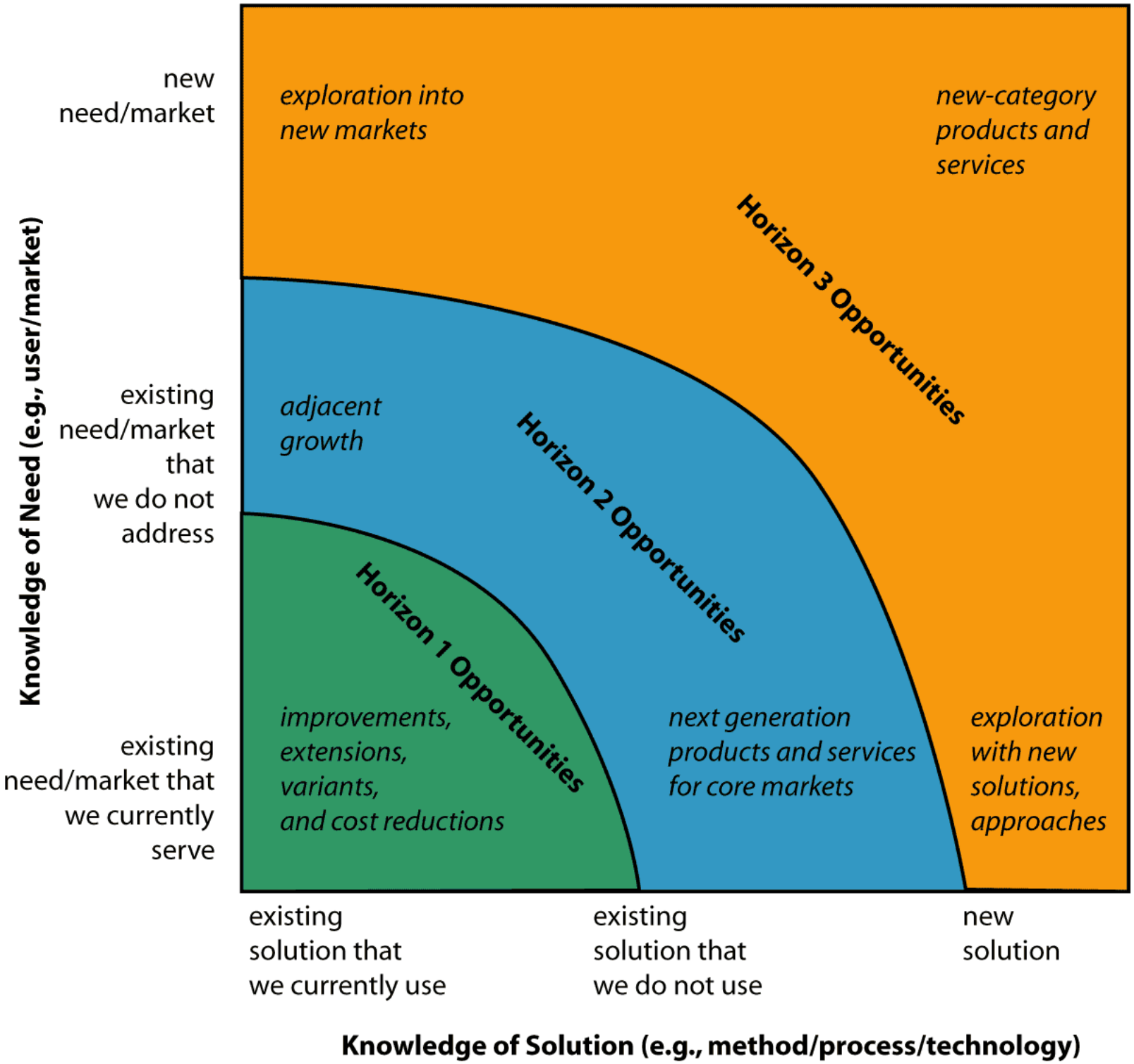
2. If we can’t precisely quantify the pay-off, we treat it as worth zero.

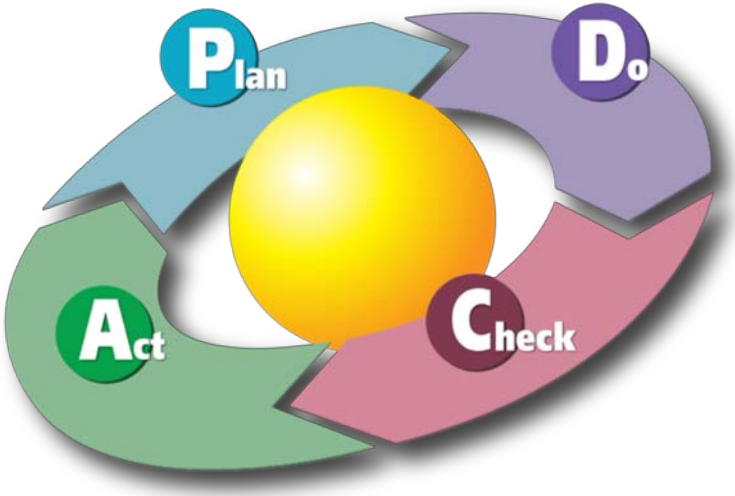
3. We have a short-term perspective.
   - We are not willing to invest today’s resources towards ensuring/growing future resources.

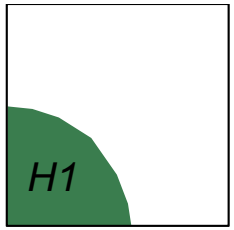
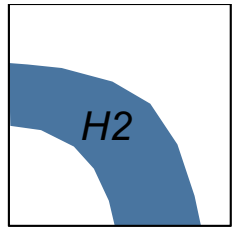
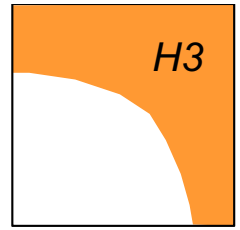
4. We are slow and bureaucratic in responding to opportunity.

Universally Desirable Elements of Culture

- *Respect for the individual*
- *Reliability*
- *Opportunities for personal development*
- *Accountability*
- *Autonomy*
- *Trust*
- *Recognition*
- *Cooperation*

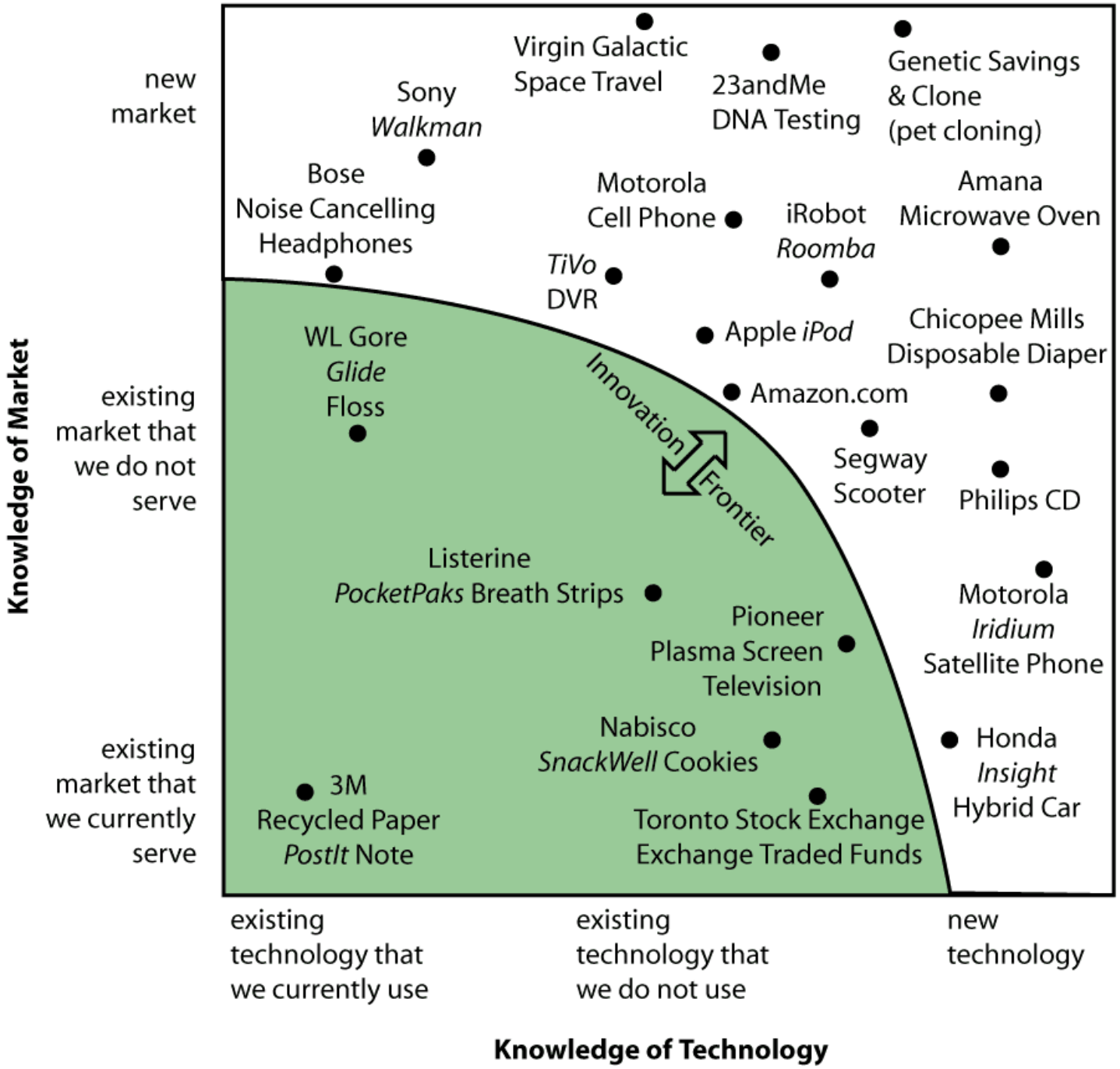

new need/market
existing need/market that we do not address
existing need/market that we currently serve
Knowledge of Need (e.g., user/market)
exploration into new markets
new-category products and services
Horizon 3 Opportunities
adjacent growth
Horizon 2 Opportunities
Horizon 1 Opportunities
improvements, extensions, variants, and cost reductions
next generation products and services for core markets
exploration with new solutions, approaches
existing solution that we currently use
existing solution that we do not use
new solution
Knowledge of Solution (e.g., method/process/technology)


Plan
Do
Check
Act

			
Objective	*Improvement* *75-100% success*	*Adjacent Growth* *25-75% success*	*New Category* *<25% success*
Elements of Culture	• *Customer focus.* • *Continuous improvement.* • *Problem solving.* • *Measurement, analysis.* • *Standardization*		
Elements of Process	• *Six Sigma / TQM.* • *PDCA/problem solving.* • *Phase-gate development process.*		
Metrics	• *Project outcomes.* • *Cost, quality, time.*		

Foundation of universally desirable elements of culture

Organizations Benefit from Defining an Innovation Frontier



Is Apple a pioneer; a first mover?

altavista

overture

Ask
Jeeves

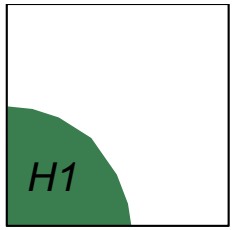
looksmart

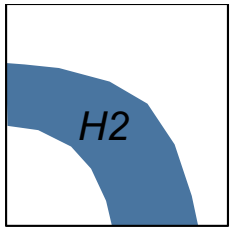
LYCOS
meet you there

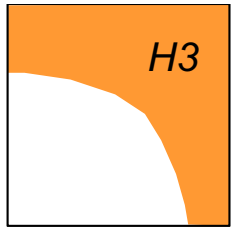
YAHOO!

AOL

RepRap founded c2009 – becomes Makerbot

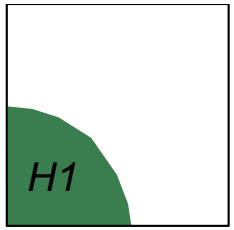


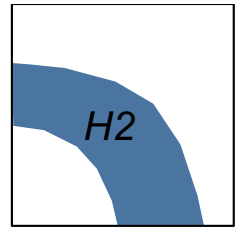


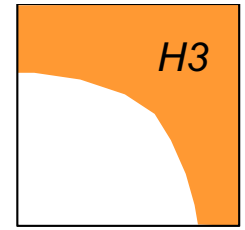


Objective	*Improvement* *75-90% success*	*Adjacent Growth* *25-75% success*	*New Category* *<25% success*
Elements of Culture	• *Customer focus.* • *Continuous improvement.* • *Problem solving.* • *Measurement, analysis.* • *Standardization.*		• *Irrational optimism.* • *Vivid imagination of possibility.* • *Adaptive and dynamic planning.* • *Tenacious commitment.* • *Enthusiastic tech push.*
Elements of Process	• *Six Sigma / TQM.* • *PDCA/problem solving.* • *Phase-gate development process.*		• *Process? What process?*
Metrics	• *Project outcomes.* • *Cost, quality, time.*		

Foundation of universally desirable elements of culture







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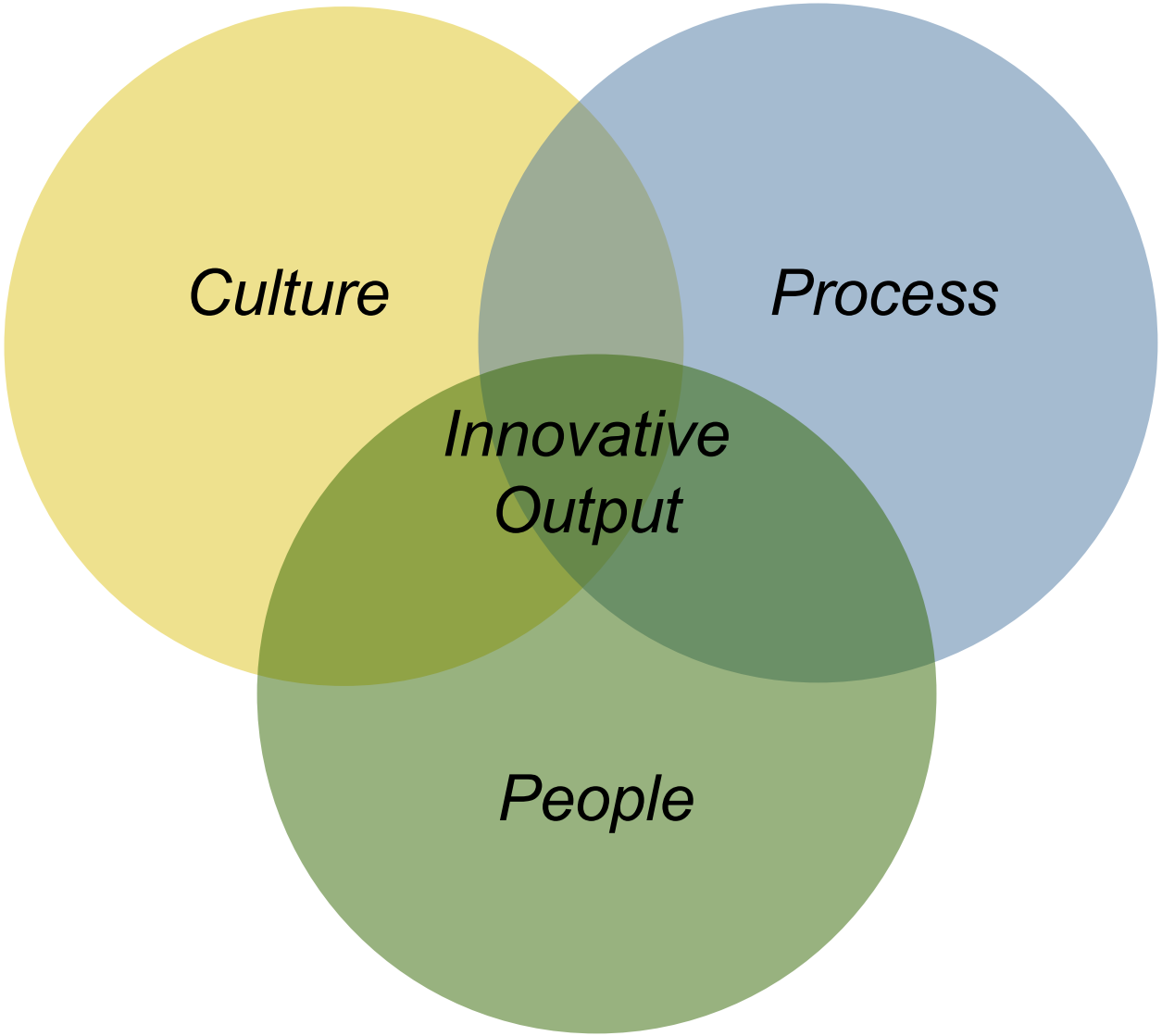
Foundation of universally desirable elements of culture

Factors Driving Innovation Performance in Organizations



Four Mechanisms for Mitigating Barriers to Innovation

1. Commitment of central innovation resource (1/4 – 1% of revenues) without specification of projects.

2. Partnership with operating units.

3. Explicit pipeline of opportunities.

4. Portfolio perspective – aggregation of results across multiple projects.

The most terrifying words in the English language are: I'm from the government and I'm here to help.

Ronald Reagan

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Innovation

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¼ - ½ % of revenues for unspecified exploration

Wharton Innovation Group

Mission

The Wharton School has been a pioneer in business education for more than 125 years. The Wharton Innovation Group was formed in 2010 to take advantage of the wealth of emerging opportunities for innovation in education and scholarship created in part by globalization and technological change.

Our mission is to catalyze innovation related to all of the school's objectives. We solicit, identify, and ate opportunities. We select those that are most promising. We collaborate with the operating units he school to implement the very best opportunities.

Wharton community has always innovated, and will continue to do so. The Innovation Group aims t to accelerate that organic activity. However, we will also take a leadership role in pursuing longer- n opportunities that span organizational boundaries and whose promise is clouded by significant ertainty.

r Approach

actively engage the entire Wharton community, and even the public at large, to identify opportunities for innovation. We make many small investments in exploring opportunities, and encourage members of our community to explore opportunities on their own based on their own passion and enthusiasm. We aim to make major investments in a few exceptionally promising areas each year.

Leadership

The Innovation Group is charged with pursuing medium- and long-term opportunities to improve the performance of the Wharton School with respect to its educational, scholarly, and social objectives. The group is led by Karl Ulrich, Vice Dean on Innovation and CIBC Professor of Entrepreneurship and eCommerce. For more information on Professor Ulrich and the team that makes up the Innovation Group, please see our About Us page.

On Innovation

Thomas S. Robertson
Dean of the Wharton School

"Innovation is central to our culture at Wharton. It is a mentality that must encompass every aspect of the School—whether faculty research, teaching or our alumni outreach."
More »

Karl T. Ulrich
Vice Dean, Innovation

Penn Medicine

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CENTER FOR HEALTH CARE INNOVATION
Accelerating Ideas to Transform Health Care

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Portfolio

The Center for Health Care Innovation is dedicated to reimaging health care delivery for dramatically better value and patient outcomes. In the end, our goal is to make better health more attainable by improving the quality, affordability, and accessibility of care; and by making it easier for people to become healthier in their everyday lives.

Learn more about our approach here. Learn more about our projects and collaborative efforts below.

All Projects | **Patient Outcomes and Experience** | **Connected Health** | **Care Coordination** | **Enabling Innovation**

firstcall

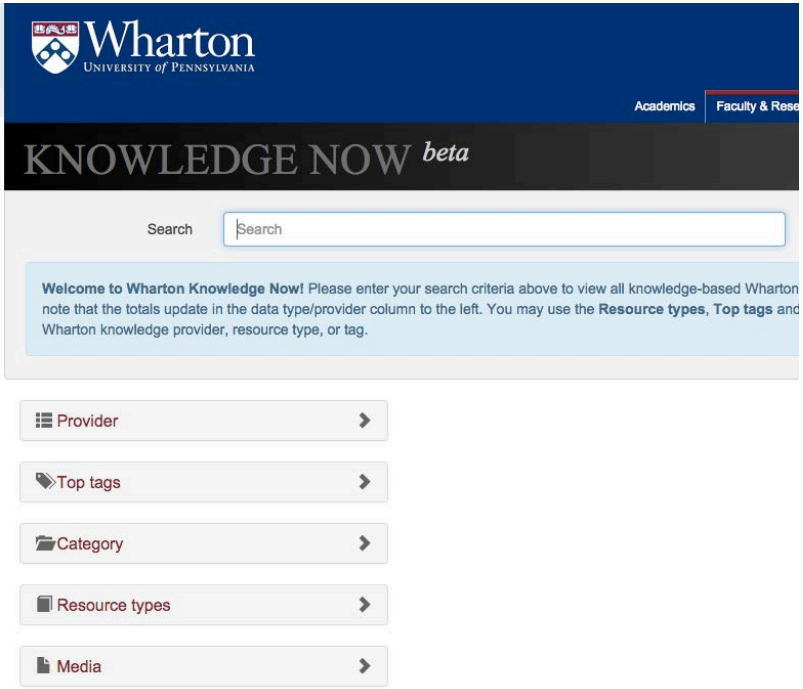
Portfolio Perspective

Hits

- Semester in San Francisco.
- Wharton Business Radio on SiriusXM Ch. 111.
- Lifelong Learning.
- Massively Open On-Line Courses.
- Wharton Innovation Fund.

Modest Successes

- Knollop school-wide knowledge database and search.
- Skypebot.
- Cisco telepresence classroom.



Failures or TBD

- Brainstorm idea management software.
- Admissions process changes.
- Dean's dashboard.
- Wharton venture fund.

Penn Medicine's Innovation Tournament

The UPHS Tournament of Ideas

1739 IDEAS (online submission)

200 IDEAS (idea screening)

1 Up / 2 Down
1 Week Penn Provider Guarantee
24/7 Penn Medicine Clinical Triage Line
Additional Location Signs Within The Hospital And "You Are Here" Signs
Airline Scheduling for Radiology and Beyond
Almost Home Room
Alternative To Received Lab Results
Appointment Reminders By Email And Text Messaging
Artwork For Patients, Families, And Coworkers!
Assisting Patients Setup Their "Mypennmedicine.org" Login Credentials
At Time Of Discharge, When Med Rec Is Printed, An Index-card Sized Copy Of Meds And Doses Should Also Be Printed. This Is Given To Patients/ Family To Carry In Wallet
So That They Can Have This With Them At All Times.
At Time Of Discharge, When Med Rec Is Printed, An Index-card Sized Copy Of Meds And Doses Should Also Be Printed. This Is Given To Patients/ Family To Carry In Wallet
So That They Can Have This With Them At All Times.
Automated Rewarding For Chronic Illness
Barcode Scanner
Bedside Capture
Bereavement Room
Better Food Hours
Care Pathway Apps
Cellphone App For Adherence Monitoring And Intervention
Certificate Of Completion
Clearly Marking The Door On The First Floor That Leads To The Cafeteria
Color Coded Destination
Communicating Patient Wait Times
Communication Of Test Times
Community Health Workers
Computers For Patients
Concierge For Every Floor
Connecting Pops With The Local Community To Improve Patient Care
Consent Application
Coordinated Navigation For Guests
Create A True Inpatient Electronic Medical Record That Is Searchable
Customer-Focused Hospital Food Service
Daily Plan Of Care From Sun
Daily Summary For Patients
Daycare Center For Outpatients
Department Of Patient Experience Design
Digital Signage
Discharge Medication Service
Discharge Prescriptions Concierge Service
Disney "Like" Customer Service Training
Dispense New Meds On Discharge
Dwb For Patients Before A Procedure
Ed Waiting Room Patient Queue Screen
Electronic Sign In
Electronic Surgery Packet
Employees That Have Patient Contact Should Smile More, Make Eye Contact, "Show Loving Kindness And Compassion"
Empowerment Patients With Internet Access To Appointments And Outpatient Practitioners
Enhanced Patient Id Cards With On-line Forms And Records
Epenmedicine: Electronic Patient Information Gathering
Epic Workflow Optimization
ER Communication Board
Everyone's Lcd!
Expediting Internal Referrals Within Cpup
Facility Wayfinding System Using Mobile Device Technology
Family Centered Care Pages
Family Room-progress To Home
Fill Patient Prescriptions Before Discharge To Improve Compliance, Convenience, And Safety
Formal Training For Fresh Desk Staff In Clinical Practices
Good Eating
Google-like Mapping System
Gps For Hup
Health Care Of The Future
Home Reference Guide
Hospital / Uphs Caroline
Hospital Navigation Smart Phone Application (App)
How's the Food?
Hup App
Hup Campus App / Gps
Hup Quest
Hup Total Access
Hup/uph Self-guided Patient Navigator
I Q U - Intelligent Outpatient Updates
Iconography Cards For Non-english Speaking Patients
Improve Patient Access And Ease Of Scheduling
Improving Communication In The Ed
Improving Mypennmedicine's Step Process And Communication
Improving Uphs Telephone Network
In-room Music?
Increased Email Contact Between Patient And Physician's Offices
Informative Patient Videos
Inpatient Pharmacy Concierge Service
Integrated E-prescribing System
Integrating Clinical Research Into Patient Care
Integration Of Patient Education Information
Interactive Map Of The Hospital
Interactive Patient Guide
Interactive Visitor/patient Navigation Kiosks
Intercom System
Ios/android Education Modules
Ipads For Patients
Iphone App To Help Patients And Families Navigate Penn Medicine
IV Team
Kiosks To Speed Up Check In/check Out
Maps/directory
Medication Administration
Medications For Discharge
Meeting Your Prescription Needs Through My Penn Medicine
Mobile Interactive Map For Penn Medicine
Myrn Forms
Myrn Mobile Device Ap
Multi-appt Schedular
My Medication Wallet Card
My Penn Medicine - Registration
Mypennmedicine/ Smartphone App
Navigation Innovation!
Netflix/video On-demand
Noise Cancelling Headphones For Patients
Nursing Swags
Open Access
On Line Scheduling
One Stop Knowledge Repository For Patients And Their Families
Online Dietary Ordering
Online Payment For Patient Bills/pre-payment
Outpatient "Discharge" Card
Outpatient Movement
Pagers For Patients
Parking
Patient Advocate Beyond The Hospital Walls
Patient Centered Videos
Patient Discharge Medications
Patient Education Videos For Elective Surgeries, Any Procedure/radiology/chemotherapy!
Patient Empowerment
Patient Flow
Patient Follow-up
Patient Information Screen And RFID People
Patient Itineraries - Outpatient And Inpatient
Patient Itinerary
Patient Refill Request Of Rx On Line
Patient Self Scheduling For Labs And Radiology
Patient Tracking
Patients First!
Pcam Infusion Walk Times
Penn Medicine Application
Penn Medicine Face Time
Penn Medicine Navigation System (PMNS)
Penn Medicine: Smoke Free Environment
Penn Medicine's Version Of "City Year"
Penn Pals...Letters Of Hope
Penn Patient Escorts
Penn Plus Care
Penn Providers - Right There With You!
Personal Appointment Assistant
Personalized Navigation Kiosk
Pharmacy Orders Filled At Discharge
Pharmacy Scanning
Posting Of Estimate Times For Outpatient Testing To Be Completed
Pre-admission/visit Information Gathering
Pre-op Evaluation Center
Preoxygenation At Discharge
Pt Education/measure Videos On Youtube
QR Code Data
Quick Patient Identification
Reunification Care Management
Room Service
Room Service
Self-scheduling
Senior Citizen Mobile Transport For Appointments
Short-terms Hup To Home Transition Program
Shush! Strategies To Help Reduce Unnecessary Sounds In Our Hospital!
Sign-out Safety
Simple Steps Towards Improving The Customer Experience
Skype
Sleep Is The Best Medicine
Smartphone App For Medicine Reconciliation
Smartphone Fit Reminder App On Hospital Discharge
Speedy Pre Check In Process
Streamline Patient Call In Appointment Scheduling
Streamlined Med Recs, Discharge Medications Provided To Patients At Discharge
Team List Of Doctor's
The Hardest To Reach, Yet Most Important
The Patient-centered Transition (PacT) Project
The Traveling Bookworm
The Voice Of Recollection: Adding A Human Element To Patient Reminders
Their Big Idea
Translator Services For Admissions Personnel
Transport Link
Tvs For Surgery Patients
Uphs App
Using Iced/warmer Based Tablets To Expedite Patient Care
Video Chat
Virtual Visit
Virtual Visiting Hours And Dc Teaching
Voicera Paging Location System
Warm Chemo Patients
Wayfinding For Patients And Families
Web Based Appointment Scheduling
Your UPHS Key
Your Schedule For The Day
Your Time Matters!

40 IDEAS (workshops part 1)

1 Week Penn Provider Guarantee
Airline Scheduling for Radiology and Beyond
Almost Home
Artwork for patient rooms and high stress areas
Bereavement room
Community Health Workers
Customer Service Training
Discharge Prescription Concierge Service
Electronic Check In
ER Communication Board
Family room for progress to home
How's the food?
Interactive Map of Hospital
Interactive Patient Way finding
iPads for Patients
IV Team
Personalized Navigation Kiosks
Managing Patient Expectations (Restaurant Buzzer)
My Penn Radio - music for patients
On line patient registration
Online Bill Pay and Statements
Open Access
PaCt Project
Patient centered family videos posted to You tube
Penn Care Key Medical Card
Penn Medicine Navigation System
Penn Passport - a universal schedule
Penn Transport Link
Penn Virtual Visits
RX at Discharge
Schedule Appointments online (My Penn Scheduler)
Skype
Smart Card
Streamline Medication Reconciliation
Their Big Idea: Patient Innovation Tournament
UPHS Food Service Now
Virtual whiteboard for the patient
Warming blankets
Wayfinding for Patients and Families
Who Are You: Identifying the staff to the patient
Your schedule for the day (what tests are coming up)

10 CONCEPTS (workshops part 2)

1 Week Penn Patient Guarantee
Almost Home
Bereavement Room
Discharge Prescription Concierge Service
My Penn Scheduler
Patient Education Videos
Patient Service Kiosks
Penn View
Their Big Idea
Way Finding

Almost Home

One Week Penn Patient Guarantee

Discharge Prescription Concierge Service

Bereavement Room

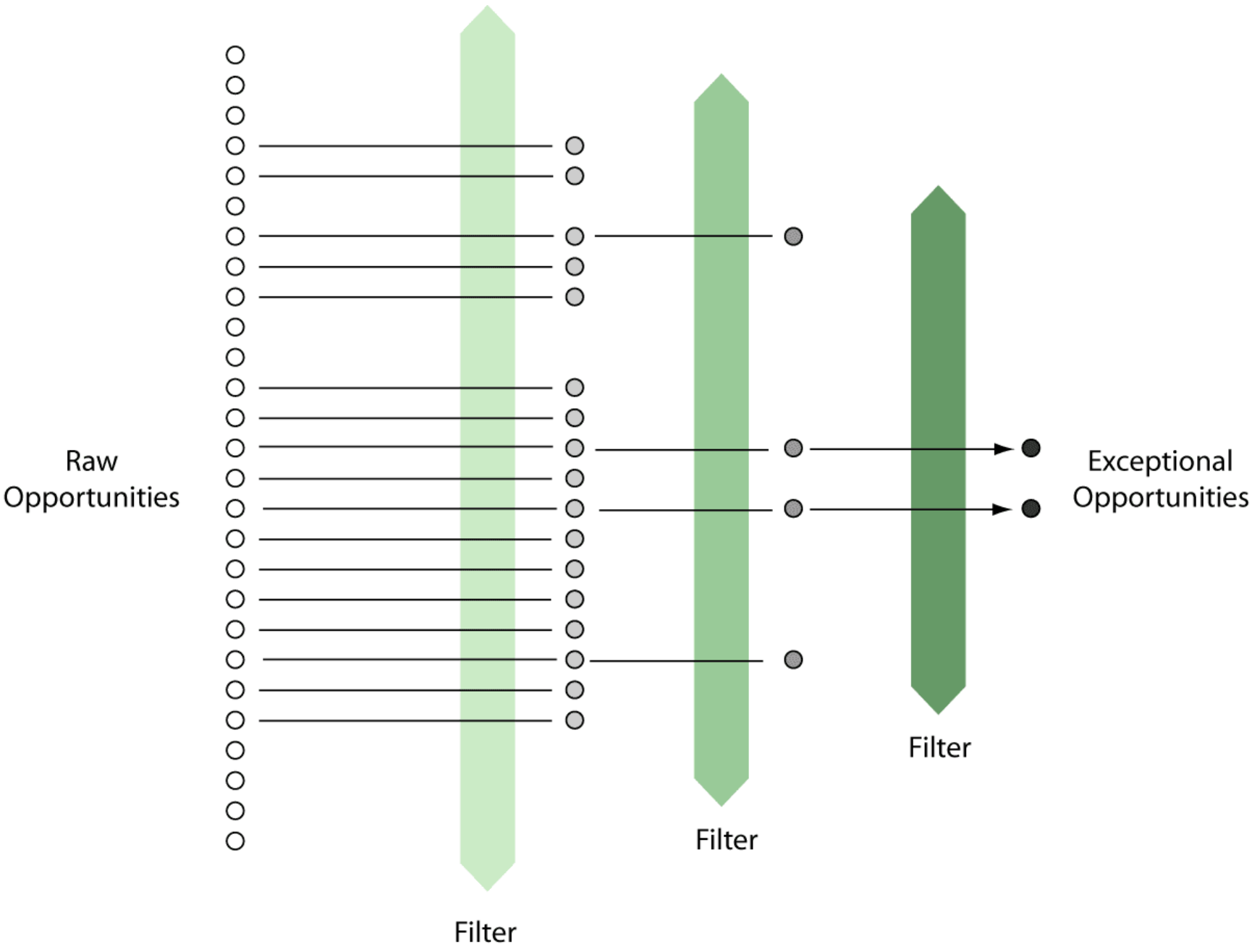
MyPENN Scheduler

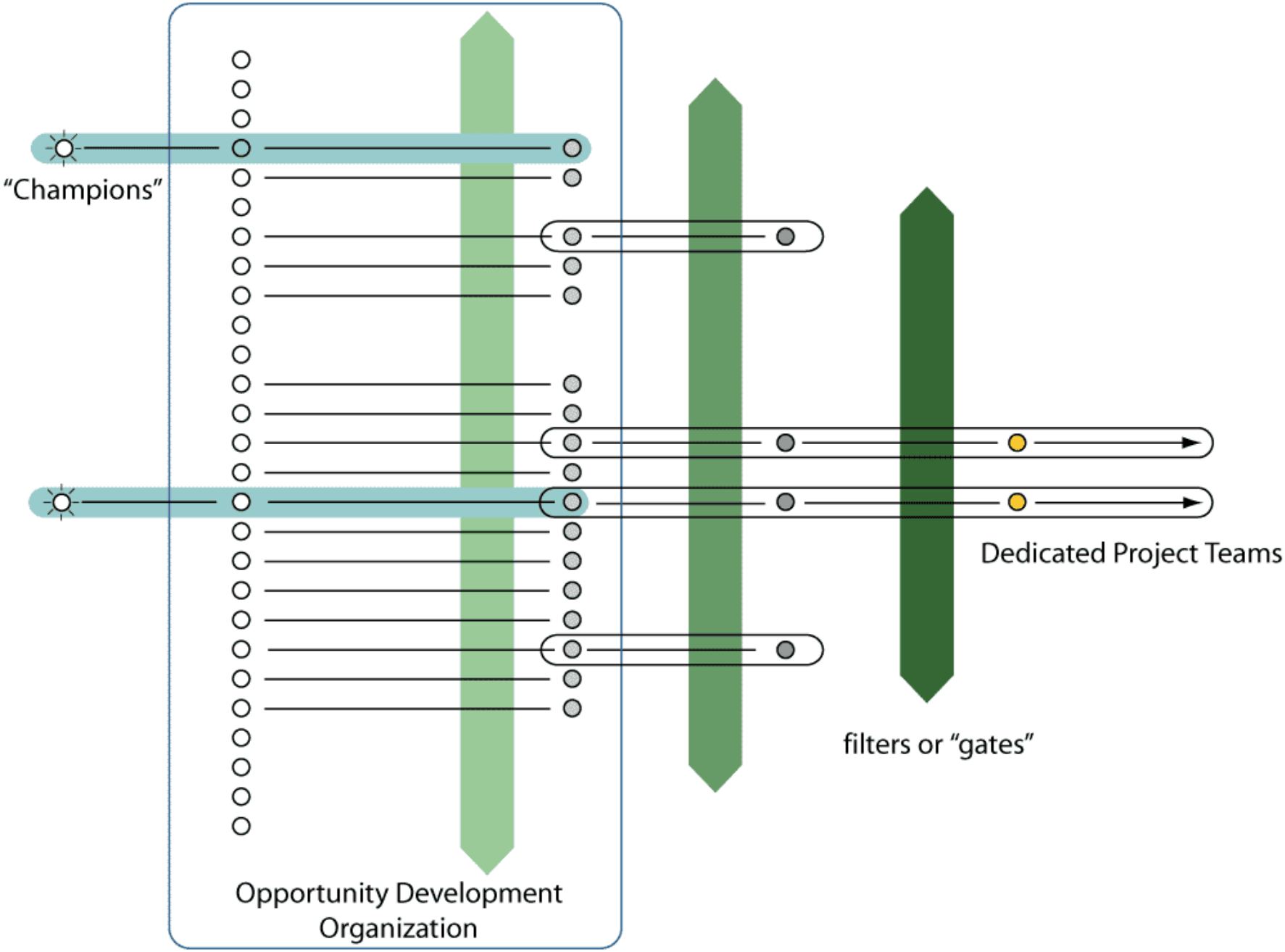
Patient Education Videos

Patient Services Kiosks

Their Big Idea

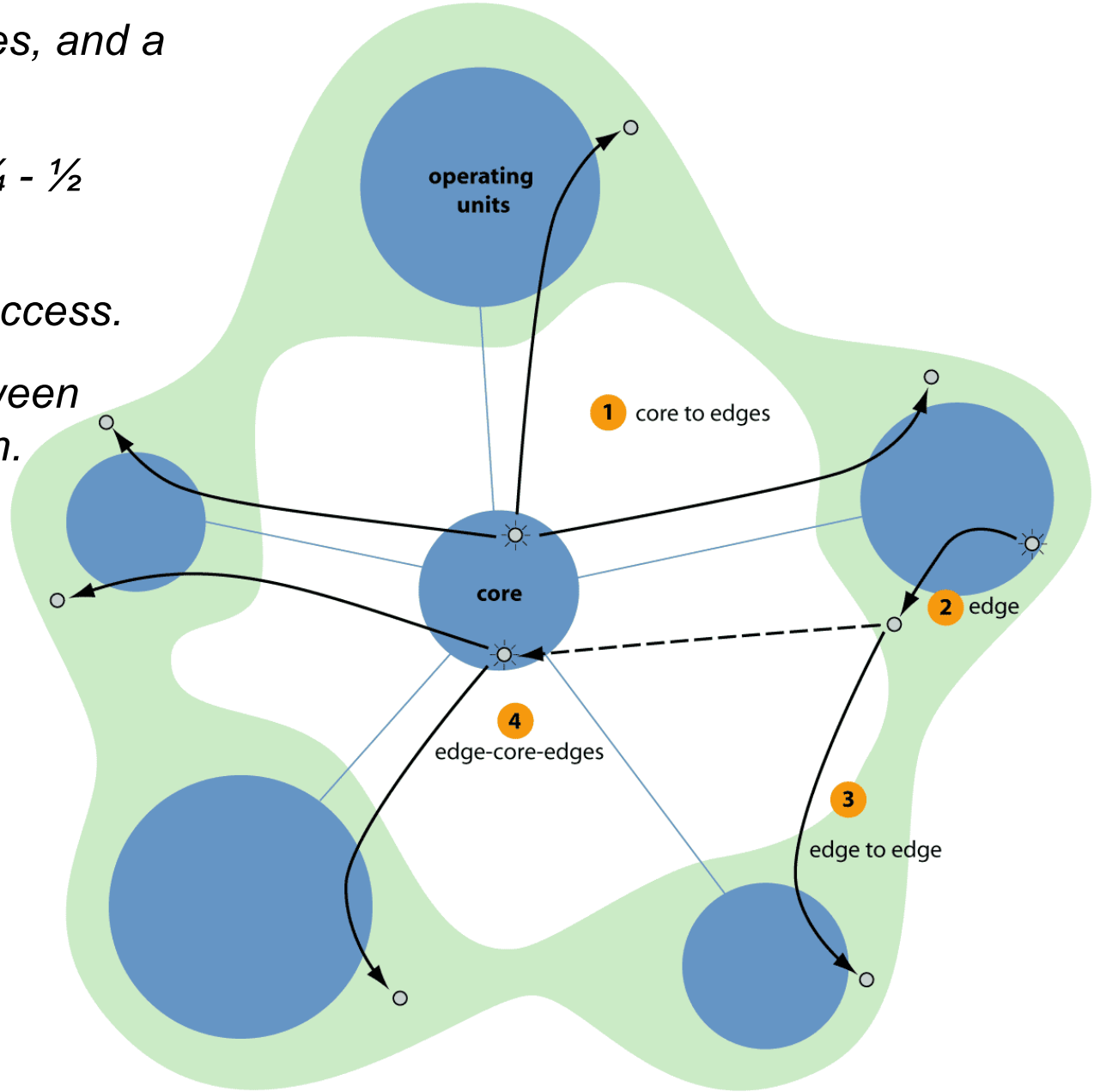
Way Finding

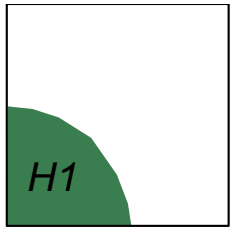

Raw
Opportunities
Filter
Filter
Filter
Exceptional
Opportunities

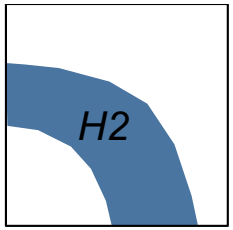

"Champions"
Dedicated Project Teams
filters or "gates"
Opportunity Development
Organization

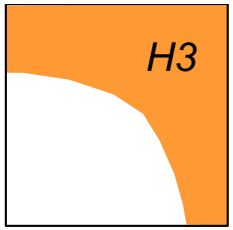
The Importance of the Central Innovation Function

1. *Aggregation of opportunities, and a transparent pipeline.*
2. *Efficient allocation of the ¼ - ½ percent investment.*
3. *Portfolio perspective on success.*
4. *Managing the tension between autonomy and coordination.*



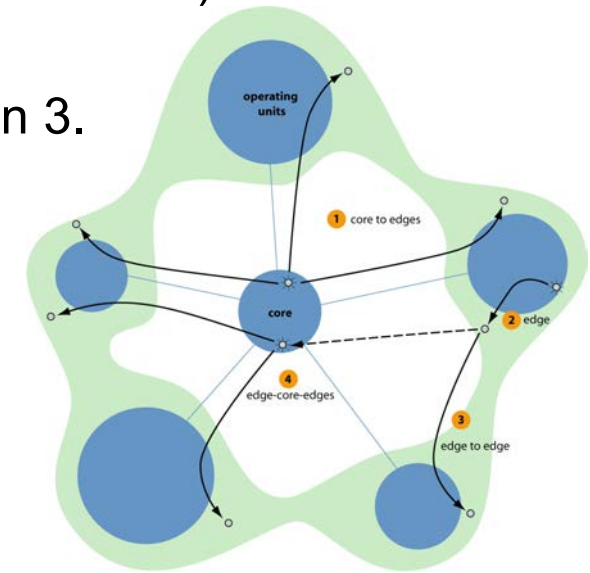






Objective	*Improvement* *75-90% success*	*Adjacent Growth* *25-75% success*	*New Category* *<25% success*
Elements of Culture	• *Customer focus.* • *Continuous improvement.* • *Problem solving.* • *Measurement, analysis.* • *Standardization.*	• *"Yes and…"* • *Inexpensive exploration of feasibility and value.*	
Elements of Process	• *Six Sigma / TQM.* • *PDCA/problem solving.* • *Phase-gate development process.*	• *Resources for unspecified exploration.* • *Centralized innovation function.* • *Portfolio perspective.* • *Tournament/Pipeline approach.*	
Metrics	• *Project outcomes.* • *Cost, quality, time.*	• *Average (portfolio) outcomes.* • *Process inputs (N ideas generated, etc.).*	

Foundation of universally desirable elements of culture

Summary

- Fix *Continuous Improvement Process* first (i.e., Horizon 1 processes).
- Define your innovation frontier, probably letting go of Horizon 3.
- Process is the most direct lever on culture.
- If you will pursue Horizon 2 innovation (Adjacent Growth),
  - Make an aggregate, general investment in exploration (e.g., ¼ – ½ % of revenues/budget).
  - Assign centralized organizational responsibility for H2 innovation (i.e., an innovation group).
  - Explicitly and transparently manage the opportunity portfolio and pipeline.
  - Take a portfolio perspective on success and failure.
  - Work with operating units from the start.