

BBVA

Innovation: Behind the Buzzword

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IDEO

What is the difference between two world-class cities like Sydney and New Orleans? The former has an impressive concert hall that hosts memorable performances, while the latter is virtually synonymous with great music. In other words, Sydney *hosts* wonderful “cultural experiences,” whereas New Orleans *cultivates* them. Because New Orleans maintains an artistic mind-set—and so many of its residents and visitors identify with its creative purpose—musicians from far-flung places flock there, eager to play, experiment, and challenge the status quo.

When it comes to innovation, similar parallels can be drawn in the business world. Some companies routinely hire qualified R&D staff who produce worthwhile products or services—and help the organization stay competitive in doing so. But other firms let creativity permeate their corporate culture, encouraging all employees, across silos and hierarchies to take creative approaches to planning and problem-solving. In other words, some companies rely on the ‘creative’ experts hired into their innovation departments to drive their innovation attempts, while others have made innovation a corporate priority across all departments.

So what? Isn’t being “innovative” just one of many goals a company pursues? And doesn’t it go without saying that some are better at it than others? And yet, while many business leaders claim that they want to be more innovative in order to stay competitive—and increasingly believe that innovation is essential to an organization’s survival—they rarely pause to consider to which level this actually needs to shape their organization as a whole.

In order to truly make innovation a competitive advantage that a business can bank on, innovation needs to evolve beyond being an activity a few are engaged in and become a state of mind across the entire organization. Let us take this opportunity to examine why an organizational culture of innovation is so critical today, and how you as a business leader can foster one.

WHY BE INNOVATIVE?

Every other year, IBM asks several thousand CEOs worldwide to comment on the state of the economy and to identify their greatest business challenges going forward. Organizational “complexity” currently tops the list. The latest study (May 2010) also

shows a remarkable shift in how executives think they should address this complexity. For the first time ever, CEOs said that the most important leadership quality to possess today is “creativity.”

Reading the details of the study, one realizes that these CEOs do not just mean creativity in the sense of good ideas for new products and offerings. It goes far deeper. These executives refer to a clear demand to creatively approach every aspect of their organizations so they can adapt to rapid and sustained market change. They want to experiment constantly with new business models and technologies, as well as to shape and continuously reshape their relationships with customers. These CEOs need system-level creative thinking to come up with innovative means to address system-level complexity.

Based on its interviews, the study’s authors singled out three ways to achieve this: embody creative leadership, reinvent customer relationships, and build operating dexterity.

In other words, even business leaders who previously relied on the “Sydney” approach to innovation now see the value of bringing a “New Orleans” mind-set to their organizations.

A decade ago, it was sufficient to rethink a company’s offerings at regular intervals. Today it is critical to evaluate the whole organization—including its products and services, its structure, and its relationships with customers and employees—on a continuous basis.

SHIFT HAPPENS

Many cutting-edge businesses are already putting these three ideas into action. Creative leadership at Zappos, for example, involves offering a considerable sum of money to any new employee who decides to actually *leave* the company, to ensure that staffers who stay *really* want to be there. Meanwhile, Nike is proving that reshaping customer relationships can be a serious business opportunity—its “Nike ID” co-creation platform, which allows users to design their own sneakers within predefined limits broke the \$100 million turnover barrier earlier this year. And Apple has been teaching the world about operating dexterity for years: it repeatedly demonstrates an uncanny ability to branch out into new markets by rethinking them on a systemic level and developing highly desirable offers that disrupt incumbent offerings.

Embody creative leadership. “Creative leaders invite disruptive innovation, encourage others to drop outdated approaches and take balanced risks”, the authors noted. “They are open-minded and inventive in expanding their management and communication styles, particularly to engage with a new generation of employees, partners and customers.”

Reinvent customer relationships. “In a massively interconnected world, CEOs prioritize customer intimacy as never before. Globalization, combined with dramatic increases in the availability of information, has exponentially expanded customers’ options”, the authors wrote. “CEOs said that ongoing engagement and co-creation with customers produce differentiation. They consider the information explosion to be their greatest opportunity in developing deep customer insights.”

Build operating dexterity. “CEOs are revamping their operations to stay ready to act when opportunities or challenges arise”, the researchers observed. “They simplify and sometimes mask complexity that is within their control and help customers do the same. Flexible cost structures and partnering capabilities allow them to rapidly scale up or down.”

[IBM CEO study, p.10, May 2010]

The motivations for business leaders to creatively innovate is not only to have competitive offerings out in the market, but to make sure the organization as a whole remains able to quickly respond to a business environment, which is changing ever more rapidly on every level.

HOW TO MAKE AN ORGANIZATION MORE INNOVATIVE?

It might not be obvious how business leaders can go about bringing out system-level creativity within their organizations in order to address the system-level complexity they have been observing. There is however, a breed of companies who have experienced the marriage of creative approach and strategic consultancy for years, our company being one of them. So some of the answers are already out there. Let's have a closer look at a few of them.

What the CEOs in the IBM study are essentially describing is the need for a more design-driven approach to organizing and running their companies, one that is insight-led and richer in experimentation.

Designers are adept at reinventing the way they work along with whatever they are creating. Strategic innovation firms like IDEO are taking on a broader array of challenges for clients in increasingly diverse industries, from developing a customer experience at government service centers to designing an early seed investment firm from scratch. Our approach, now known as "design thinking", evolved over the past decade by applying a human-centered design process to myriad projects. Once valued exclusively within the "creative profession", design thinking is now taught by major business schools to answer complex strategic challenges in nearly every industry.

CHANGE BY DESIGN

Design thinking, inspired by real-world observations, is rooted in human behavior and needs. As such, applying design thinking allows business leaders to base their decisions on reality rather than on theory or assumptions. It also enables CEOs to make strategic output tangible much earlier in the process than traditional management approaches. As design is at the core of this approach, strategies tend to be expressed as brand prototypes, hypothetical advertising and use scenarios instead of pie charts and bar graphs. This makes the outcome of a strategy project much more communicable and easier to grasp within the organization.

With the IBM study rating creativity as the top leadership quality, it is clearly the right time to look at how design thinking can be applied to make whole organizations more innovative. So, taking our cue from the world's CEOs let's look a little deeper into each of the high level opportunity areas that they have outlined. Based on the study's structure, we can highlight a number of recurring themes that we at IDEO have observed in our daily conversations about making organizations more innovative.

1. EMBODY CREATIVE LEADERSHIP:

Purpose, Not Vision

In order to harness innovative forces within the company, it is easy to assume that senior management's primary responsibility is to project a strong vision of where the company is going. After all, the classical business paradigm positions the CEO as a "visionary". Unfortunately, the idea that the boss always knows best doesn't ring so true anymore. In times of extreme complexity, it is unrealistic to expect C-level management to have command of all of the answers, despite

how thoroughly they may be briefed by team members.

Yet in most organizations today ideas are still more or less expected to come from the top. The CEOs in the IBM study, however, seem to throw their hands up and say, “Listen guys, that’s just not how it works anymore. With everything else we are responsible for, we can’t be the ones monitoring every technology trend, every social phenomenon and every business play that is relevant to our company.”

This admission that leaders do not have all the answers is a sign of strength rather than weakness: it invites all employees into the dialogue about where the company is and should be going.

The most progressive companies are more sharply defined by a unifying purpose than a leader’s vision. A “vision” implies top-down culture and suggests that management sets the course while the rest of the organization merely executes that vision. However, innovative organizations are increasingly aware that there is no one “right” way to do things and that no single person knows enough to have a perfect master plan.

Leaders as Curators

Instead, innovative leaders see themselves much more in the role of someone curating an exhibition. They allow for—and demand—experimentation from their employees within the boundaries of an overall framework that they as curators provide. In turn, they make sure that everyone internally and externally is aware of the organization’s purpose—i.e., what it stands for over all, in order to make sure that experimentation is compatible with company values.

IKEA, for instance, has been carefully built around the purpose that its founder Kamprad set out thirty years ago: “We have decided,

once and for all, to side with the many. What is good for our customers is also, in the long run, good for us”, he said. He wanted to “create a better everyday life for the majority of people”. Note that this is not a vision about the future of flat-pack furniture or where the brand can go. This is a mission statement of almost political dimensions. Every business decision can be measured by it, yet it leaves plenty of space for the organization to develop into areas that Kamprad was unable to foresee at the time.

Top-Down and Bottom-Up

In order for innovation to enter everyone’s consciousness throughout an organization, innovative thinking needs to be encouraged and rewarded from the top down. At the same time, leadership needs to provide the space for good ideas to grow and blossom from the bottom up. This may sound simple, but it is contrary to how most organizations operate today. The predominant corporate mind-set is one of hierarchy and of avoiding risks *at all costs*.

Employees of most organizations tend to believe that if something is “not their job”, they don’t need to take any responsibility for it. Yet innovation is too important to be left solely to designated Innovation Units. Although specialized personnel can prove useful, no one group will ever be able to live up to the creative potential of everyone’s brains combined. The specialist’s job is not necessarily to have the answer, but rather to locate and assemble the people who know most about the task at hand and to give them permission and the necessary space to be creative in a focused way.

Innovation is Everyone’s Job

When a chain of private hospitals in the US asked IDEO to help it improve its patient

Finding real-world inspiration
by going through a patient
experience



experience, our team stepped in to manage a co-creation process. All the ideas that we generated and prototyped came from doctors, nurses, patients, and families. When we invited and expected everyone to contribute their best thinking to the project and gave them credit for its outcome, the ideas came pouring out of them, which meant we could concentrate on “curating” the process, or setting up some general guidelines and making sure that everyone was aligned on the purpose of the project. In doing so, our team managed to make innovation a mind-set among all hospital staff.

IDEO isn't alone in its design-thinking approach. Procter and Gamble's former CEO A.G. Lafley recognized the need for spreading innovative thinking throughout the firm much earlier than many of his competitors. In his book *The Game Changer*, he concluded, “Innovation is everyone's job.” When Lafley revamped P&G's innovation infrastructure in the early 2000s, he underscored his expectation that everyone on staff was an innovator by creating the P&G Gym. “The Gym” is a laboratory environment designed to rapidly develop ideas and initiatives so that they either excel or fail quickly. Any internal team can check in to the Gym for innovation guidance and support to take projects to the

next level. This enables P&G to support the best ideas, no matter where they originate inside the company.

Look Beyond What is Measurable

Most organizations try to eliminate ambiguity anywhere in the development process. In order to avoid ambiguity, they designate quantitative data as the main information currency. This is a good thing when pursuing goals like quality control or regulation compliance. The problem is that to develop truly groundbreaking ideas, innovators have to look beyond what is measurable. By the time a need can be quantified in surveys, it has passed from the latent to the explicit stage and chances are that it has been addressed by some competitor. In other words, once people can clearly articulate what it is that they need, the solution is just around the corner. Insights that are critical in creating breakthrough innovation cannot be expressed primarily in numbers. As innovators, we need to trade in a different currency and leadership needs to be able to accept that currency.

In order to enable innovation teams to arrive at game-changing solutions, leaders must alleviate employees' fears that they will be shot down in boardrooms if they lack sufficient quantitative data to make their cases. Instead, leaders should encourage teams to work more like detectives than statisticians and proceed without the perceived safety nets of pie charts and percentages. Sometimes all it takes is one seemingly small insight to lead to a breakthrough idea.

Just like detectives discovering clues they can't necessarily explain right away, innovators find insights which are hard to evaluate at first. But processed correctly, the value will be relatively quick to determine

in what is ideally an ongoing dialogue with potential customers. The quality of these insights serves as the currency in highly innovative organizations.

Embrace Ambiguity

A few years ago, on a project for Bank of America, an IDEO team was developing innovative offers for mothers. The market had been flat, and customer turnover significant (the base was expensive to maintain). When the team met with a few dozen moms, two insights emerged: First, the act of saving was emotionally pleasing, even if the saved amount was very small. Second, some women in the target group had the curious habit of rounding up their utility bills paid by check. Nobody knew what these observations would lead to, and we initially presented them as just that: observations. Over the course of the project, however, it turned out that these insights established fertile ground for cultivating ideas.

One idea was to combine a checking and savings account in order to make the act of saving unconscious and game-like: Every transaction on the checking account gets rounded up, and the difference is deposited into the savings account. This evolved into Bank of America's "Keep the Change" program, which has turned out to be an attractive and easily understandable proposition for many customers. The program allowed the bank to divert part of the marketing dollars spent on regaining customers to a matching scheme aimed at retaining them. Since "Keep the Change" was introduced, more than 12 million customers have signed up and collectively saved more than \$3 billion.

The "Keep the Change" program was based entirely on the careful observation of a few individuals. If the IDEO team had worked



under the pressure of having to quantify the value of the insights at every turn, the idea would never have left the boardroom.

Analyzing and interpreting insights to make them strategically valuable

2. REINVENT CUSTOMER RELATIONSHIPS

Procter & Gamble's Lafley not only fostered a culture of innovation within his company, but also placed considerable emphasis on customer relationships. He demanded that everyone in his organization get in touch with the end consumer. Lafley was known to show up for home visits in order to set an example and stay informed. He realized that, in order to make good decisions, his teams needed to have their intuition grounded in the real world. He understood the importance of customer relationships not only for marketing purposes, but also for developing relevant offers.

A decade later, many business leaders recognize that the consumer needs to play a central role in the innovation process. However, opinions seem to increasingly differ about how to best achieve this user involvement, especially when it comes to

input early in the process. Some companies still rely on surveys and quantitative studies. Others have branched out and started collaborating with consumers via online tools, which now provide a plethora of communication channels that companies can use to get the consumer's point of view represented early on in the process.

From “What can we do?” to “What should we do?”

It seems all too obvious to state that innovation should be driven through the benefits delivered (to consumers?), not through the tools that allow us to deliver them. Yet in many of today's organizations, innovation is still anchored solely within R&D departments. Traditionally, most research and development teams have a technology-centric worldview. While looking to technology for innovation is a valid way to generate ideas, it is an inherently limited one. When holding a particular piece of new technology in hand and looking for suitable applications, it is hard to avoid the syndrome of “if I am a hammer, the world looks full of nails”.

The most radical examples of innovation may feature new technology, but they were designed from deep consumer insights. Take the poster child of innovation, the Apple iPod. The iPod did not pioneer any particular technology; it reinvented an experience.



Generating a breadth of ideas quickly through a series of brainstorm sessions

The device was based on the insight that consumers craved a sleek system that let them easily discover, purchase, store, and enjoy music on the go. Various technologies were then combined to create the system. Yet it is unlikely that Apple would have arrived at the same solution by looking at a cutting-edge hard drive at the time and wondering “So, what could we do with this?”

Today, engineers, coders and scientists are capable of creating just about anything. The question has shifted from the R&D-oriented “What *can* we do?” to the customer-focused “What *should* we do?” The latter is, of course, a question that organizations must answer as a whole.

Companies should be wary of the so-called “technology push trap.” It is always seductive to use new technologies as a starting place when looking for innovative offers. But the danger lies in losing sight of human need by narrowly focusing on technology. We have found that successful innovation most often occurs when engineers, user specialists, and business experts jointly shape an initiative from the start. As an interdisciplinary team, together they can ensure that any solution proposed will be desirable, technically feasible, and financially viable.

Find Real-World Inspiration

There is a common dilemma for companies who are leading in the innovation game: For them, it is not as obvious where to look for new ideas as it is for followers. The competition cannot provide much guidance, as that would essentially mean looking backward. Many innovation pioneers in diverse fields have figured out that the key is to be inspired by real-world behaviors and attitudes. This allows them to find and act on opportunities for a step change in their

markets before anybody else can disrupt them. How they detect these opportunities is a crucial part of their continuing success.

Every large organization has a market research department and is capable of conducting surveys and evaluating concepts with end consumers. The reality we see, however, is that while many organizations consider themselves knowledgeable about their consumers, they are all too often drowning in a sea of data, without gaining any insight.

Planning real-world inspiration gathering as a series of open-ended, inspiring exercises with tools like ethnography and analogous experience audits is usually the best way to approach an innovation challenge.

Inspire first, quantify later—much later

In our experience research tools are often used in a misguided fashion. It has become customary to apply quantitative methods early on in the process, when what is needed is in fact not numbers but inspiration. The sense of security that quantitative methods provide is clear: in order to convince anyone internally, employees feel they need to deliver statistically relevant numbers backed up by representative samples of their target audience. The need to verify through numbers is understandable, but it stifles inspiration and should be suppressed until much later in the process. Quantitative methods are great for evaluating sufficiently developed concepts, but they don't inspire new thinking early on. On the contrary, applied at the beginning of the process they tend to make the search for innovation slow, expensive and ineffective. Quantitative studies are not designed to allow for unexpected results, because the realm from which interviewees choose their answers has been pre-determined when designing the study.

Individuals Inspire Big Changes

Inspiration can usually be gained much more efficiently through an ethnographic approach, in which very few individuals are observed, but are interviewed in great depth. This approach is much less expensive and time-consuming and much more likely to point innovators in interesting directions.

One particular IDEO project provides an illustrative example. While working for a credit-card provider, our design team interviewed a woman who considered herself to be an impulsive shopper and had racked up considerable credit-card debt. When our research team asked her whether she was happy with the credit card services her bank offered her, she replied, "Sure". A quantitative survey would have stopped there and noted that the user was satisfied with the offer. But when we asked her to take us through her online purchasing routine, we learned that she kept her credit card



Interviewing ATM users about their financial perceptions and observing their behaviors



in a block of ice in her freezer, instead of her wallet, to help her resist using it. When quizzed about her behavior, she proceeded to tell our team at length how she did not trust herself with making quick purchasing decisions, so she forced herself to wait until the block of ice had thawed to free the card until making the purchase. This gave her added time to consider and reconsider her decision.

This example illustrates how a design-thinking approach can unearth a deeper truth than traditional methods: The “quantifiable” survey would have showed a customer who was satisfied with her credit card. The human-centered observations delved more deeply into how the customer actually used the card. The fact that she was trying to modify her self-perceived negative behavior patterns provided design insight and inspiration. She is unlikely to be unique in this need, which begs the question as to what kind of products banks may want to offer that help credit-card users overcome their own shopaholic behavior. Whether the need actually does exist widely can be tested within weeks of generating new ideas and shaping them into concepts.

Target Beyond the Target Group

Our designers start every project by spending considerable time with a few end customers to understand not only what they

say and do, but also what they think and feel. When we set out to “unlock the commercial possibilities of the self-service channel” for BBVA, for example, we observed and interviewed people who use automated teller machines on a regular basis. We did the same research with people who did not use ATMs. Uncovering the limitations of a current offering requires understanding not just the target group, but also the “extreme” users, or people whose behaviors are *in some relevant way extreme*.

For instance when searching for inspiration while engaged in a project with the flip-flop brand Havaianas, our teams spoke not only to Brazilian beach goers and urban European fashionistas. In addition, they chose to have in-depth conversations with a self-confessed shoe fetishist and a Buddhist monk who hadn’t worn shoes in years. People who exhibit extreme behaviors usually do so because of an extreme need, belief or attitude. These factors also tend to exist in a given target group, albeit in much less pronounced ways that are much harder to detect. Thus talking to extreme users is another way to reveal latent needs within a target audience.

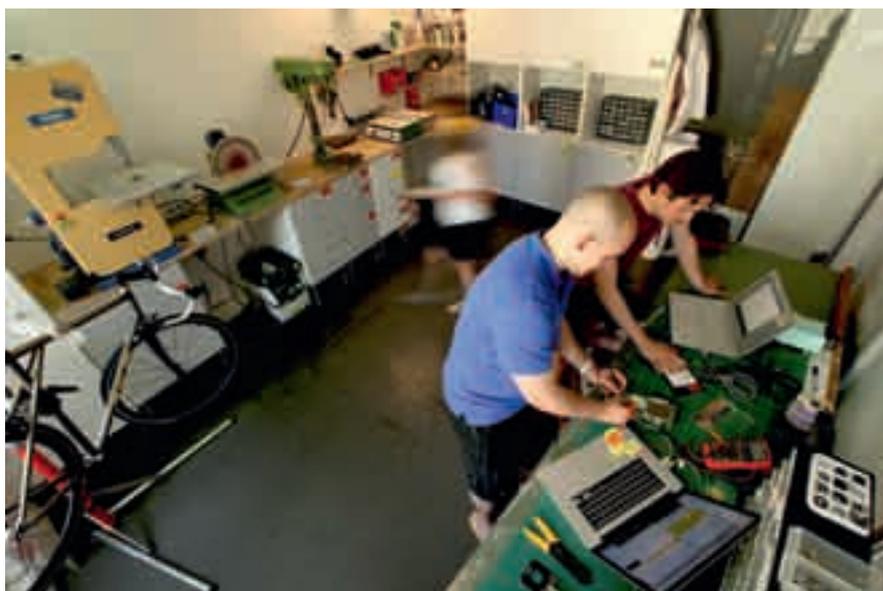
In the case of BBVA, the main limitation of customer interaction with ATMs wasn’t the information, services, or benefits provided, but the way in which they were being delivered. Many customers felt the machines were insufficiently intuitive, transparent, or trustworthy. The design project, which set out to consider expanding the ATMs’ feature set, quickly became about making the existing functions more accessible, more human and more intuitive. With BBVA, the design team developed a new machine with a much more human interaction. On this platform the bank can expand the benefits it delivers in the future.

See Beyond Face Value

As described, qualitative research can bring back fascinating insights from the field, yet they are not in a form that a typical organization can easily digest and act on. They usually take the form of anecdotes, photographs or individual quotes—not exactly data on which an enterprise is traditionally prepared to build a business strategy. What is crucial about inspirational research is how to interpret and use the results. In fact, translating user insights into business opportunities is the single most important—and at the same time underrated—capability in any innovation program.

After all, as a business looking for future solutions, we can ask the consumer a lot of questions, but we cannot expect them to serve up “The Answer” on the level that we need to base business decisions. The consumers in question are usually not experts in technology trends, nor are they up to speed on new ways to do business. Their horizon is naturally limited to their experience of the status quo and of having unconsciously adapted to it for better or for worse. Henry Ford’s century old quote still rings true: “Had I asked people what they wanted, they would have said faster horses.”

Instead of taking a consumer’s input at face value, an innovation team must search out patterns, commonalities and differences among the usually hundreds of quotes and observations. This information is then aggregated to a point where it opens up interesting directions. None of these directions are guaranteed to lead to success, but as long as teams stay in short feedback loops with consumers, they will find out soon enough which direction resonates the strongest in a market.



Look Beyond the Industry

Often, inspiration can be found in altogether different industries. This enables innovators to think outside of the proverbial box. In particular, looking outside of an industry helps if the best practices within a given industry have led to stagnation on the innovation front.

When some surgeons redesigned their emergency room operating procedures with IDEO’s help, they found inspiration in how a Stock Car racing pit crew organizes its work at the racetrack. Among other things, the team learned that the pit crew actually works with redundant sets of tools that are sorted by likely usage scenarios (say, set one for a flat tire, set two for replacing parts of the car body, set three for suspension failure—all of them ostensibly containing an identical wrench among other tools). This saves critical time in gathering the right equipment when needed. Interestingly enough, the surgeons tested this same principle and found that it saved vital seconds in their operations as well. They implemented their own version of it.

Building prototypes enables teams to test and evaluate ideas early in the process

Rapid and rough prototyping –
sometimes it does not take much
to bring a point across



3. BUILD OPERATING DEXTERITY

The authors of the IBM study essentially describe “operating dexterity” as the ability of an organization to adapt to change and its readiness to experiment with offer, structure, or business models. The CEOs responding to the study see this as a necessary organizational skill. “Operating dexterity” is thus shorthand for a whole range of organizational skills and mind-sets, some of which are crucial to bringing disruptive innovation to fruition.

Find Question Zero

An innovation initiative will only ever be as good as the question that it sets out to answer, or its brief. That is why it is crucial that a brief is shaped on the right level, meaning focused enough to yield the right outcomes, yet open enough to leave room for unexpected, disruptive results.

When shaping briefs, we often find that clients tend to roll part of an expected solution into the brief, which unnecessarily constrains it and leaves a team working on answering it with only one direction in which to move. In our experience, the best way to create a rich brief is to jointly determine what “Question Zero” is in the context of the challenge. By this we mean the underlying human question, the one that asks for

the need in the market on the level of an individual within the target audience.

For instance, when working for a publishing house specializing in textbooks for university students, the IDEO project team discussed many possible starting points. Briefs such as “How do we sell more textbooks?” miss the point, because it would assume that both the media (books) and the business model (selling) would remain untouched, a seriously limiting assumption in times of fluid media and drastically evolving business models.

The brief we eventually agreed upon was “How do we better support students in their learning?” It enabled the team to safely move within the boundaries of the purpose of our client’s organization, yet left room to explore new media, new ways to communicate with students and to facilitate communication among them as well.

Having established how students learn and what their explicit and latent needs were around this—often social—activity, the team was then able to delve into how to best support students, building on not one technology, but a number of media channels in which the students were already engaged. This meant a new way of doing business for our client, but little or no learning curve for users and thus the assurance of speedy adoption.

Failure is Essential For Iteration

After bringing back interesting insights from the field, with qualitative data to back them up, companies can establish their value by prototyping and testing ideas quickly. Early prototyping—albeit with crude tools—that allows for refining potential solutions step by step, is essential to evaluating how technically feasible, financially viable, and ultimately desirable an offering might be.

Prototyping as an innovation tool is not limited to products, but can include spaces, services and processes as well. It is important that prototyping should take place early and that innovators should only invest as much time as needed to answer the most important question at that moment, but no more.

The surgeons mentioned above learned from unlikely sources in their quest for innovation opportunities. What they did next was to prototype and iterate their way to an innovative solution. They built and tested numerous ideas that failed, as was expected, before finding the ideal solution.

Often seen as negative, failure wasn't a problem in this case. This is because they prototyped many ideas, so they had a number from which to choose and secondly, because failure occurred early on in the process. They immediately started prototyping potential solutions and testing them out in a simulated operating room. If an idea didn't work, they found out within days or weeks, rather than months or years. This meant little time was lost in testing, little money spent to that point and little opportunity to fall in love with an unrealistic idea.

Demystify Failure

Of course, no one wants to fail spectacularly after having spent millions in development costs. But when failure happens early, before major capital has been invested, and leads to more insights, a company has a far greater chance of success in the next iteration in the marketplace.

Too many traditional organizations still consider failure to be taboo—and thus avoid failing at all costs, including innovation. The primary problem seems to be that initiatives that fail today tend to fail too late, which makes their failure expensive. Because of that, all failure is perceived as bad and

damaging to images and careers. Yet the right kind of failure should be a requirement. As Seth Godin wrote in *The Purple Cow*, “Most learning, especially most organizational learning, occurs through trial and error. Error occurs whether you want it to or not. Error is difficult to avoid. It’s not clear that research or preparation have an enormous impact on error, especially marketing error. Error is clearly not in short supply. Trial, on the other hand, is quite scarce, especially in some organizations. People mistakenly believe that one way to successfully avoid error is to avoid trial. We need more trial.”

Start Small and Scale Up

Having developed an innovative concept deemed good enough to bring to market, there usually is a lot of learning still left to do on the path to perfecting it. In order to learn in the real world while mitigating the risk of failure, many companies have perfected the art of starting on a small scale and then scaling up as they go along.

3M decided to launch the Post-It note as a new product in 1977, but it failed because consumers had not tried the product. Convinced that the overall concept was sound, a year later 3M distributed free samples to residents of Boise, Idaho in the United States. Nine out of ten people who tried the notes said that they would buy the product. By 1980, Post-Its were being sold nationwide in the US. The rest is history.

3M managed to learn in a controlled setting about multiple dimensions of their new offering: They tested how to best advertise it, who to speak to and where to place their products. They learned about how the product is actually used and how it is being received and how they could improve it—all of this by focusing on one small town in Idaho. The “Boise Blitz”, as

it became reputedly known within 3M, was a very intelligent step taken to bridge the gap between the R&D lab and a nationwide rollout, and a great example of starting small and scaling up.

Making an organization as innovative as 3M manages to be might seem a long way out for most business leaders. To make innovation a mindset for all staff is not an easy task by any stretch of the imagination. On the positive side though, usually no major structural changes are required: no re-org, no large-scale hiring efforts or changed management processes necessarily stand in the way of a company realizing its innovation potential. All that is needed is for an inspired business leader to put

innovation on everyone's agenda, to lead by example and to give their employees the space and permission to be creative in a safe environment. That is a hard enough job as it is.

The journey is indeed rather easy to start for any leader. True to the spirit of design thinking, any company's approach to innovation should be imagined, prototyped, iterated and evaluated on a small scale first in order to evolve into a bespoke, appropriately adapted organizational skill before being scaled up. In fact, a few easy experiments outlined in the side box can serve as first steps. See them as suggestions on how to get the first few miles on the way to New Orleans.

Starting the Innovation Journey

Many organizations wonder where or how to start becoming more innovative, user-centered, and adaptable.

Here are five experiments to try:

1. Tap the everyday experts within your organization.

You already know more than you think you do. Every organization has employees who are in daily contact with customers, clients and partners. They may be sales staff, maintenance technicians, or call center employees. These are the people to whom the rest of the organization should listen closely and gather insights from.

2. Get to know a few customers yourself, one by one.

Join your market research teams on home visits to your customers. Get to know a few of them and start seeing patterns emerge that point to new business opportunities. It's rewarding, revealing, and sets an example within your organization.

3. Try out a 'no numbers' rule. Run an innovation initiative based purely on *qualitative* metrics. Learn to appreciate user anecdotes, to trust expert intuition, and to channel your staff's passion. Think people instead of pie charts. Chances are the initiative will move faster, cover more ground, and unearth opportunities earlier than initiatives burdened with the need to justify their efforts quantitatively every step along the way.

4. Ask innovation teams to question everything. Within the purpose of the brand, your teams should be free to question every aspect of the status quo. Acknowledge that your company is not defined through the current product or service, nor through a business model. They are both just tools that help you achieve your purpose. Don't let them study the competition, but instead let them figure out what it would take to disrupt your market. Results might be far out, but they will serve well to set a direction for you to head in.

5. Let your teams experiment early and safely. Request that any innovation initiative include some sort of prototype or experiment that shows its progress at every check-in meeting. Make it clear that you would like to see all results, including those that failed during testing, in order to talk about what the team learned. Challenge employees to discuss unfinished work with customers as soon as possible and to make potential results tangible, even if they feel half-baked. Allow for "safe" failures and celebrate eventual successes.