Ten Types of Innovation: Multiple Ways to Change the Game and Win

Kirk Froggatt
Sr. Fellow and Gemini Chair in Technology Management
## Today’s Agenda

### Ten Types of Innovation: Multiple Ways to Change the Game and Win

<table>
<thead>
<tr>
<th>Duration</th>
<th>Session Description</th>
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<tbody>
<tr>
<td>5 minutes</td>
<td>Welcome &amp; Intro to TLI</td>
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<tr>
<td>10 minutes</td>
<td>Context: The Ten Types of Innovation</td>
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<td>10 minutes</td>
<td>Small Group Discussions: Insights &amp; Implications</td>
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<tr>
<td>12 minutes</td>
<td>Context: Driving Business Model Innovation</td>
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<tr>
<td>13 minutes</td>
<td>Small Group Discussions: Insights &amp; Implications</td>
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<td>5 minutes</td>
<td>Context: Overcoming the Enemy Within</td>
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<td>5 minutes</td>
<td>Personal Insight-to-Action Huddles</td>
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Developing the Technology Leadership Pipeline

TLI develops business leaders for technology-intensive organizations

CSE develops strong engineers and scientists

MS in Management of Technology
MS in Medical Device Innovation
MS in Security Technologies
Graduate Minor in Management of Technology
MOT 4001 and MIN-Corps

Technical Talent
Operational Leaders
Strategic Leaders
Innovation leaders translate new ideas, or new combinations of ideas, into customer solutions that generate economic value.

- Mindset
- Tool set
- Skill set
- Network

**Technical Expertise and Skills**
*(Absolutely necessary but not sufficient)*

**Leadership & Team Effectiveness Skills**

**Business Acumen**

**Innovation & Technology Management Practices**
True or False?

1. Innovation is the responsibility of R&D.

   ![Thumb Up]

2. Innovation is solely the responsibility of R&D.

   ![Thumb Down]

3. Where else does innovation occur in technology companies?
Innovation Occurs Across the Value Delivery System

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<td>business model</td>
<td>networking</td>
<td>enabling process</td>
<td>product performance</td>
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<td>Value chain and partnering</td>
<td>Routine non-differentiating processes</td>
<td>Differentiating proprietary processes</td>
<td>Basic features and functions</td>
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<td>How an enterprise makes money</td>
<td>Structured offering with an array of tailorable, integrated components</td>
<td>Assistance provided to prospects and customers</td>
<td>Conduits through which offerings reach customers</td>
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<td>All aspects of customer interaction with a company and its brands</td>
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Source: The Ten Types of Innovation: The Discipline of Building Breakthroughs
The Ten Types of Innovation (Doblin Model)

http://www.youtube.com/watch?v=2DMJ8cHwD0I
Key Takeaways?
Case in Point: Apple’s Music Offering

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Which types of innovation did Apple exploit in its music business?
7 Minute Huddle in Small Groups

- Which types of innovation are you best at today? Worst at today?

- Which type(s) of innovation would add the greatest customer and business value for you / your group going forward? Why?
Driving Business Model Innovation: Where to Start?

Let’s start with a definition.

What is a business model?
A business model is the way a company organizes and manages itself to deliver useful products and/or services for customers in exchange for economic value for itself.

In *The Innovator's Solution*, Christensen replaced the term “disruptive technology” with the term “disruptive innovation” because he recognized that few technologies are intrinsically disruptive or sustaining in character.

*It is the strategy or business model that creates the disruptive impact.*
# The Business Model Canvas

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<tr>
<th>Infrastructure:</th>
<th>Offer:</th>
<th>Customers:</th>
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<tbody>
<tr>
<td>What core competencies must you develop yourself to deliver your differentiation?</td>
<td>What differentiated solution will address customer pains and desired gains?</td>
<td>Who are your target customer segments?</td>
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<tr>
<td>What partners will you need to deliver the rest?</td>
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<td>What are pains and desired gains for each segment—functional, social, emotional?</td>
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<td>How will you get, keep and grow customers?</td>
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<td>What revenue model and pricing structure will be attractive to customers?</td>
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<tr>
<td>What cost structure will be competitive and sustainable?</td>
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(Source: Business Model Generation by Osterwalder & Pigneur)
The Business Model Canvas

(Source: Business Model Generation by Osterwalder & Pigneur)
## Business Model Canvas At-A-Glance

### Key Partners
- **Reasons for partnerships:**
  - Cost / flexibility
  - Acquisition of key resources or activities
  - Reduction of risk and uncertainty

- Who are key suppliers?
- Who are key partners?
- Which key resources will we acquire from partners?
- Which key activities will partners perform for us?

### Key Activities
- **What are the most important activities we must do well to deliver our value proposition to our chosen segment(s)?**

### Value Proposition
- **What problem(s) are we helping our target customers solve?**
- **What unique / differentiated value can we deliver relative to others?**
- **What bundle of products and/or services will we need to offer?**
- **Which customer needs are we satisfying?**
- **Performance/newness**
- **Getting the job done**
- **Price/cost reduction**
- **Convenience/accessibility**
- **Design**
- **Customization**
- **Risk reduction**
- **Brand status**
- **Other?**

### Customer Relationships
- **What type of relationship do our customers expect?**
- **What will they not accept?**
- **Which relationships are they comfortable with now?**
- **Which are most cost effective?**

### Key Resources
- **What are the most important resources we must own/manage directly to deliver our value proposition to our chosen segment(s)?**

### Channels
- **How do our customers want to be reached?**
- **Which channels work best?**
- **Which are most cost effective?**
- **How are we integrating our various channels to optimize the customer experience AND cost?**

### Customer Segments
- **Who are our most important customers?**
- **Why?**
- **What are the key characteristics of our target segment(s)?**
- **Which segment(s) will we NOT target initially? Why?**
- **Is this segment(s) viable and attractive for growth?**
- **Are our customers and consumers the same or different?**

### Cost Structure
- **Is our business model more cost or value driven?**
- **What are the important costs that must be incurred to deliver our value proposition well?**
- **How can we maintain a strong variable/fixed cost ratio?**
- **What levers can we pull to keep costs as low as possible?**

### Revenue Streams
- **For what value are our target customers willing to pay?**
- **What do they currently pay?**
- **How do they currently pay? How do they prefer to pay?**
- **How does our pricing compare to alternatives or substitutes?**
- **What is the relative contribution of our various revenue stream options?**
10 Minute Huddle in Small Groups

- What did you find most interesting?
- What could/should you/your group continue / start / stop doing?

Driving Business Model Innovations: Where to cut in

1. Start with a deep understanding of what customers need, want and value
2. Across your organization and industry, challenge and flip orthodoxies about “how we make money”
3. Look for drivers that are unmonetized, undervalued or overpriced to create new economic value
4. Explore how reconfiguring your assets, processes, and networks could change the economic equation—integrate multiple types of innovation
Key Takeaways?
The invisible enemy of innovation is cultural inertia.

Culture eats strategy for breakfast
Cultural inertia begins and ends with(in) ME!

The virtuous cycle of renewal......

Cognitive Challenges
- Denial and status quo traps
- Unconscious incompetence
- Over-reliance on strengths

Ideological Challenges
Embracing new principles

Political Challenge
Realigning talent and capital

Strategic Challenge
Generating new strategic options

......too often becomes the vicious cycle of inertia.

Source:
Gary Hamel, “Leading the Revolution”
Bottom Line: We have to Find the Innovation Sweet Spot

1a. What is the problem that matters? For whom, specifically?

1b. What is our proprietary technology or application?

2. What is our unique differentiation (functional, social, emotional)? Is it sustainable?

3. What macro-trends will support or constrain success?

4a. What business model will enable success (value creation + efficiency)?

4b. Can we sustain profitable growth?

Is it REAL? Can we WIN? Is it WORTH it?
What are 2 insights you will take away from today’s discussion?

What will you do to translate these insights into effective action?

“Don’t let what you cannot do interfere with what you CAN do.”

Former UCLA coach John Wooden
Additional Resources

www.doblin.com/tentypes
www.steveblank.com
Free online course (Udacity.com): How to Build a Startup
Thanks for joining us!

To learn more about TLI, visit tli.umn.edu