Portfolio of actions

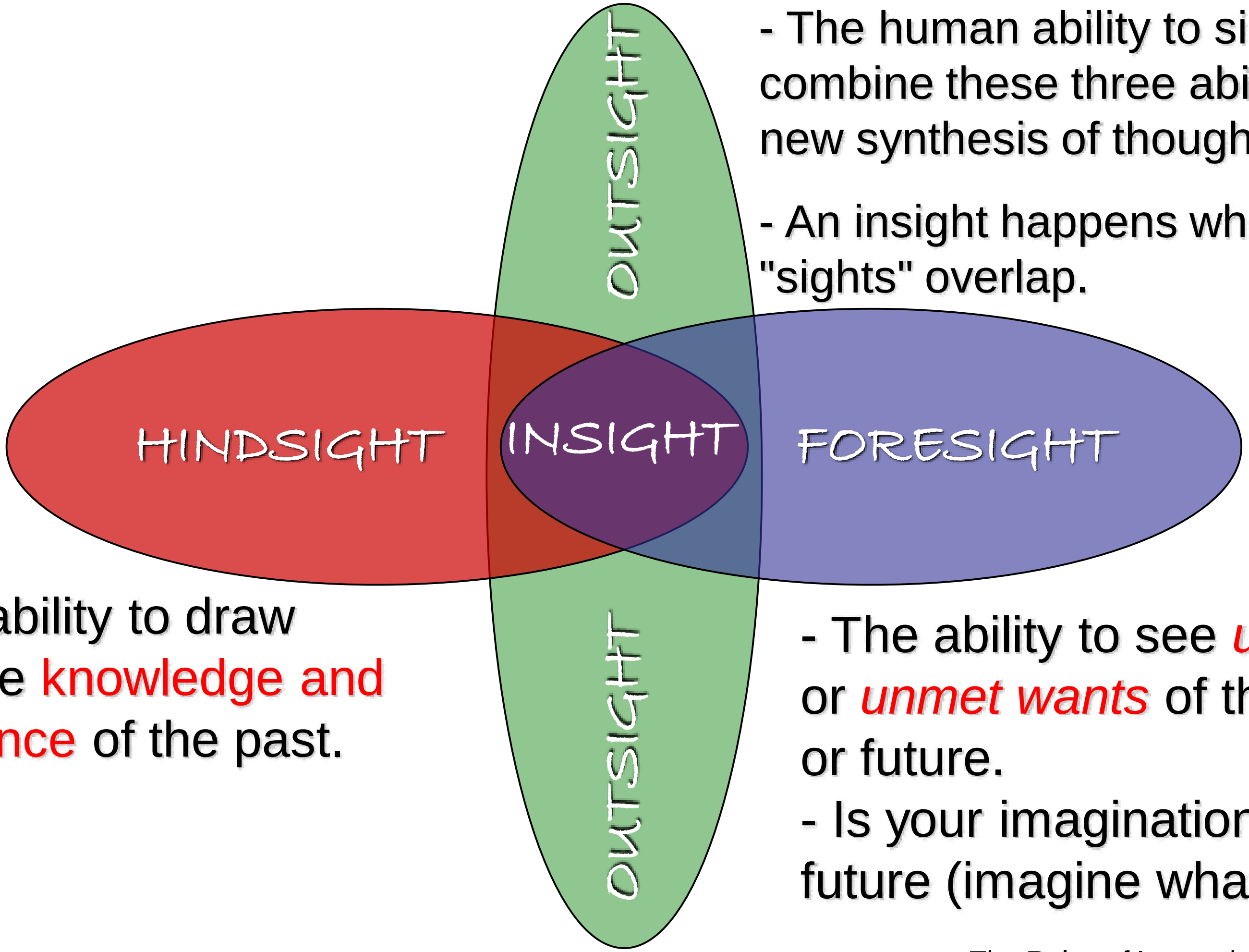
Three paths of knowledge

- Insight.
  - A unique human characteristic of seeing:
    - an untapped want or
    - an under or over developed product/service

    an connecting them to creates something new.
  - The human ability to simultaneously combine:
    - Hindsight (experience)
    - Foresight (imagination) with
    - Outsight (new experiences)
- A successful innovation comes when you use your skill of insight to find and connect a real need/want (That is ripe) with a real product/service

How insight occur

- The ability to tap into different disciplines outside the scope of one's normal experience (peripheral vision).
- Your ability to stretch your mind beyond the bounds of your present experience, to "borrow" new ideas from different places.
- Is your ability to extract new ideas from different fields of knowledge.
- Is by far the most difficult of the three skills.



- The human ability to simultaneously combine these three abilitys to create new synthesis of though

- An insight happens when three other "sights" overlap.

-Is the ability to draw upon the knowledge and experience of the past.

- The ability to see *unsatisfied* or *unmet wants* of the present or future.
- Is your imagination of the future (imagine what might be).

The Rules of Innovation; Bart Huthwaite

How insight occurs

- An insight happens when three other "sights" overlap.
- **Hindsights.-**
  - Is the ability to draw upon the knowledge and experience of the past.
- **Foresight.-**
  - The ability to see *unsatisfied* or *unmet wants* of the present or future.
  - Is your imagination of the future (imagine what might be).
- **Outsight.-**
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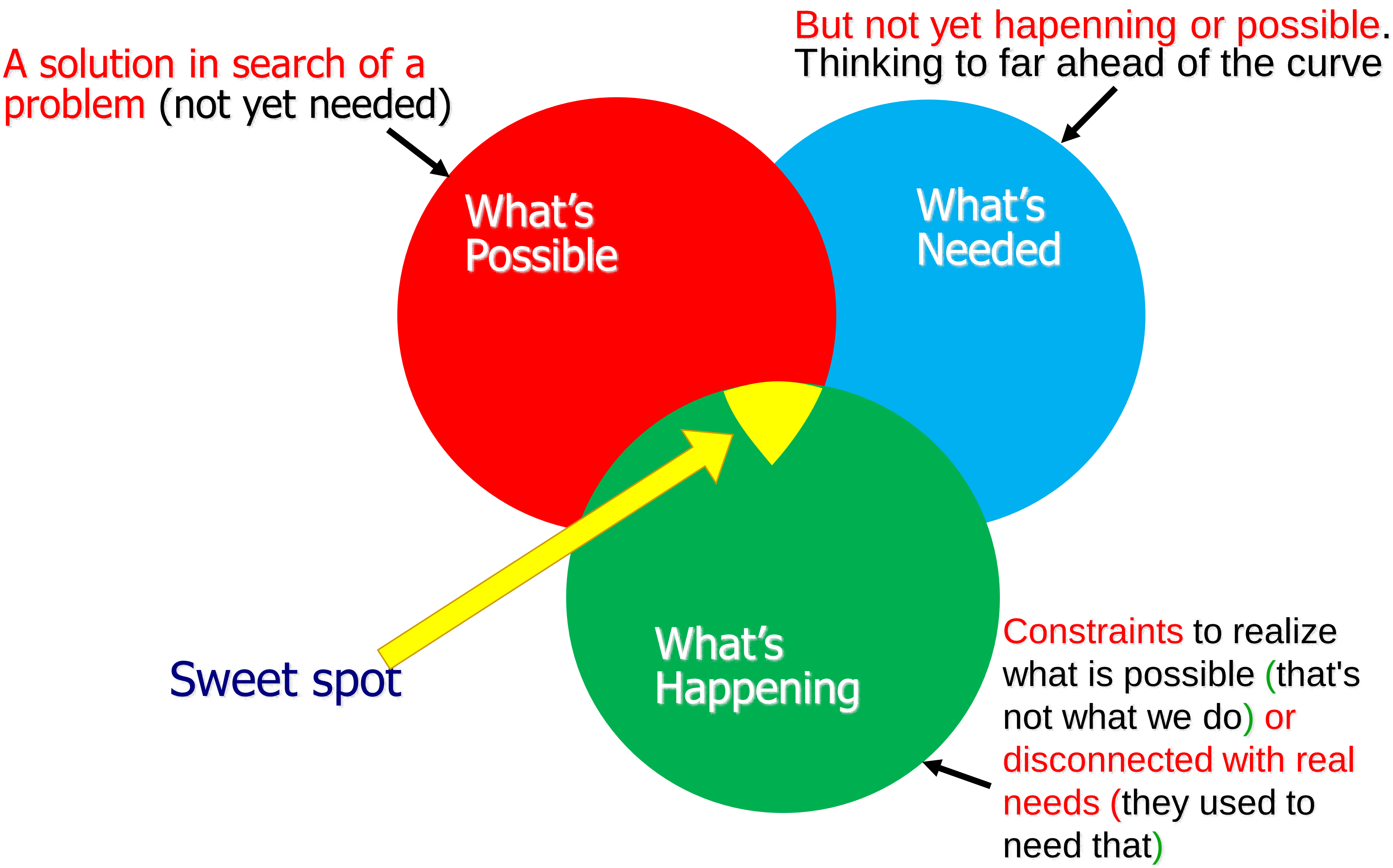
The Rules of Innovation; Bart Huthwaite

Great ideas, and real change, almost always occur at the sweet spot,



What's possible

- *What's possible* but not needed, or not yet needed (a solution in search of a problem).
- You discover by using your imagination,
- By bringing together the right people in your cross-disciplinary innovation team
- Including customers and potential customers, and
- Creative and Knowledgeable people from other disciplines, and
- Using techniques to enable them to think creatively

What's needed

- If you've got the three ingredients right,
- you should start to sense an inevitable, and healthy, creative tension in the group that results from a growing awareness of:
  - *What's needed* but not yet happening or possible (thinking too far ahead of the curve)
  - Staying in close contact with customers and potential customers and
  - Investing time understanding their business and their situation, and 'thinking them ahead'.

What´s happening

- *What's happening* now that is a barrier (constraints) to realizing what is possible ("that's not what we do") or
- Is disconnected from real needs ("they *used* to need that")

Discovery of what is and what is not

- It is in the *discovery of what is, and what is not*, at the intersection of
  - *What's needed*,
  - *What's happening*, and
  - *What's possible*

  that true innovation occurs.
- If you look at the great innovations,
- you'll find they hit this sweet spot --
- often by luck,
- sometimes with brilliant foresight,
- always with great knowledge and greater imagination.

Portfolio of actions

- Looking for new growth opportunities you are likely to find a wide range of actions with very different time frames and risk profiles.
- We need to distinguish different kinds of opportunities in terms of:
  - Time frame.
  - Risk profile.
- We need to observe some practical guide lines for:
  - Pacing and derisking your commitments.
  - Capturing the value of each individual innovation opportunity.

Innovation to the core; Peter Skarsynsky, Rowan Gibson

Know the race you run

- C.K. Prahalad and Gary Hamel characterize opportunities with different time frames as:
  - "Sprints" and
  - "Marathons"
- "Sprints" are oportunities that seem to take off overnight:
  - The customer benefit is obvious,
  - The technology is already available,
  - The potential market is waiting for the idea to happen.
  - Ex: Hotmail, PayPal, Facebook, YouTube, Netflix, etc.
- "Marathons" opportunities that have a much slower buildup, taking some years (very often decades) to:
  - Get the right technology,
  - or the right business model,
  - or to penetrate the public conciousness,
  - Before and idea takes off in a significant way.
  - Ex: Whole foods Market, Nespresso, high definition television, hybrid automoviles, speech recognition software.

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Sprints or Marathons

- In Hindsight It is not hard to see which opportunities were sprints and which ones were marathons.
- But at their nascent stage it is difficult to distinguish if the idea is going to take off very fast or will take more time to get traction in the market.
- Racing to the market with an idea that is extremely premature which can find themselves investing "too much too soon".
- Chasing an opportunity when it has already preempted by a competitor and there is little chance of catching up.
- Investing "too little too late"

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What is the optimun pace and scale?

- Paying great attention to the external factors that can either accelerate the time frame for commercializing a new idea or dramatically slow it down.
- For a new opportunity you need to ask yourself the following questions:
  - Are there substantial technical hurdles that need to be overcome?
  - Does market takeoff depends on complementary products or services?
  - Will a new infraestructure be required for this market to develop?
  - Will customers need to learn new skills or adopt new behaviors?
  - Are there going to be high switching costs for customers?
  - Will competing standards confuse customers and delay adoption?
  - Does success depend on aligning the interest of diverse constituents?
  - Are there powerful competitors that will seek to delay or derail us?
- If the answer to one or more questions is “yes” it’s very likely that this opportunity is going to be a Marathon

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Understanding marathons

- Move the ideas outside the core organization structure.
- Initially the business seems to go nowhere.
- The concept have tipically the potential for mass-market or niche market appeal.
- The vision – about the size of the opportunity- is what fuel the commitments for long time.
- This commitment is not measured by the size of the budget and head count that the company invest in the project.
- Instead we need to measure in terms of:
  - How persistently a company pursues success,
  - The dept of belief and
  - The level of perseverance it brings to the project.
- Innovation is often a successive approximation over an extended period of time.
- Gradually trying to find the right combinations of the elements of the business model.
- Some ideas need a considerable time to reach the profit potential.
- No company should run a marathon unless it believes there is an enormous prize at the end of the race.

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Pacing your commitments

- Clarity vs Proximity.
- Your company may have a crystal clear vision about a potential new opportunity.
- But it may still take several years to make that opportunity happen.
- Like driving toward the mountains: you can see them long before you can touch them and start to climb them.
- “Never mistake a clear view for a short distance”
- Some opportunities simply have a long lead time.
- What you need is an immense patience about the time to:
  - get it right, and
  - Get it to market.
- We need to give the people the time they need to nurture this slow burn opportunities to their proper fruition.
- While simultaneously making sure that they are not overresourcing them.

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Understanding sprints

- Some opportunities you need to move faster to avoid the risk of preemption.
- Some questions serve as guidelines to know what opportunities you need to ramp up its investment:
  - Are the value for the customer clear and attractive?
  - Are there potential network effects that will accelerate takeoff?
  - Are the competitors aiming at the same target?
  - Are there other companies with similar business models that sugest the potential success.
- If the answer is yes to some of these questions avoid to undercommit resources by investing “too little, too late”.

“Different times frames vs different risk profiles”

- It is important to distinguish between betting the farm vs betting a pig.
- Innovation can be a risk endeavor.
- An idea can be new without being inherently risky.
- Risk is a function of uncertainty - or the probability of failure- multiplied by the size of ones financial exposure.
- Newness is a function of the extent to wich an idea defies precedent and convention.
- The companies tend to overinvest in the past mainly due to the failure to distinguish between new ideas and risky ideas.

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“Actual risk vs perceived risk”

- Actual risk is determined by four factors:
  - The size of the nonrecoverable financial commitment that must be made to get the project off the ground.
  - The degree to wich the new opportunity departs from the existing competences.
  - Size of the irreducible uncertainty surrounding critical project assumptions (technical feasibility & customer demand).
  - Ramp up time (The longer the higher the risk).
- Perceived (Ignorance) risk is a function of the lack of:
  - Information.
  - Evidence or
  - Experience.
- It is determined by a company thinks it is the risk, not what the actual risk is.
- He gap between both is call the *ignorance gap.*

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"The ignorance gap"

- *This gap can breed two dangerous pitfalls:*
  - *Overstimate the total risk of doing something new (uninformed pessimism)*

    The problem is that managers are not in a position to make an informed assesment.

    The farther you are from a first person understanding of a new opportunity, the greater the perceived risk.
  - *Understimate specific risk* that happen tipically in the project management level when we find a high level of uninformed optimism about a new opportunity.

- To close the gap The company needs to reduce uncertainty.
- It is critical to test the validity of the critical assumptions for a success.
- Some assumtions are:
  - Who are the customers?
  - What is the architecture supply chain?
  - What is the value for them of the new offer?
  - Whether customers would actually wants or needs it?
  - What is the willingness to pay?
  - What are the revenue streams?
  - What is the right bundle or configuration of attributes that would work best?
  - What is going to be the cost?
  - What level of customer relationship is adecuate?
  - Which could be the right channels?

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“Assumptions to knowledge ”

- Sometimes opportunity arena itself is relatively uncharted territory.
- There is very little information to go on.
- To close the gap The company needs to reduce uncertainty.
- Too often they establish a very faulty set of assumptions about what it will take to be succesful in a market.
- It is critical to test the validity of the critical assumptions for a success.
- Sometimes they bring alone a lot of unstated assumptions from its existing business.
- Which may no longer remain true in the new opportunity arena.
- The greater the uncertainty surrounding critical projects assumptions, the greater the number of experiments that should be launched.
- This experimentation and the learning associated therewith, is very important to create an informed understanding about any given project.

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“Earning power vs learning”

- Return over investment vs learning over investment.
- Companies invariably make great mistakes when their spending on a new opportunity gets too far ahead of their knowledge base.
- The prescription is to accelerate the pace of learning (increasing the level of knowledge while making experimentation cheaper (decreasing the level of investment).
- The more efficient a company is at exploring new opportunities, learning more while risking little,
- The more efficient its overall inovation efforts will be.
- Learn faster, learn cheaper, learn better.
- Experiment, asses, adapt.
- The faster the company can go through this recursive cycle, the faster it can resolve the uncertainty.

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