Four Ways to Innovate Your Innovation

Use these strategies to drive greater value from innovation

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Most innovations fail.

That’s true across industries and product categories. What’s more, despite advances in behavioral science, technology, research methods, and accumulated experience, there’s no indication innovation success rates have improved.

To understand and address this reality, we conducted in-depth discussions with executives tasked with solving the problem, including Chief Marketing Officers and heads of innovation with airlines, professional services, restaurants, packaged goods, and non-profits.

We asked each for case examples of when their innovations succeeded or failed, what they learned, and what they’d recommend.

Surprisingly, many of the executives suggested that failure was often a self-inflicted wound, but that innovation strategies beyond conventional ones could improve success significantly.

What’s needed, they said, is an innovative approach to innovation. The sections below detail four central themes from these discussions, with case studies illustrating each.

Start a Fire

In creating successful innovation, many of the executives explained that selling new products or services to your customers isn’t enough. You must also sell such offerings to your organization.

United Airlines discovered this the hard way. In the post-9/11 era, when all legacy airlines collapsed into bankruptcy, United understood well the need to retain premium-paying travelers. Through a joint marketing-employee team, they developed the idea for a premier customer boarding experience: the Red Carpet Lane, now a standard feature industry-wide.

After a successful test of the Red Carpet Lane at a key California hub, United rolled out the concept to Chicago O’Hare. Two days later, the marketing team left an early-morning meeting only to find rolls of new red carpet dumped unceremoniously into an oversized trash bin.

“The employees didn’t realize or weren’t aligned to what we were doing,” said Tim Simonds, United’s former managing director of marketing and merchandising. He explained how the employees didn’t understand “why are we treating that guy in a business suit better than we're treating Grandma.”
Simonds noted how United explained the change, after the fact, in terms that resonated with on-the-ground employees: “We had to go back and do employee meetings to say, ‘Listen there's 10% of customers that are driving 40% of the industry revenue. If we don't get our fair share of those customers, we don't have anything to argue about come negotiations for labor contracts.’”

The communication illuminated the raging fire of United’s financial position, and sold the ground crew on supporting fully the Red Carpet priority boarding lane.

In another example, the recently-hired VP of consumer insights at a large packaged goods company came to realize the firm’s legacy innovation approach, forged in the 1990s, was ineffective. As with many companies in the industry, their system had been so deeply ingrained into the firm’s culture that it was accepted as gospel.

Not surprisingly, others disagreed when he shared his assessment, and driving change was nearly impossible without a compelling rationale. So the VP created one: He began with a comprehensive review of the recent innovation success rate, projected this forward, and compared the results to the company’s financial plan, concluding they would fall well short of revenue and profit goals.

While his subsequent presentation to the board of directors focused on hard facts, he noted that their reaction to the financial news was visceral. As was the case with many of the executives we spoke to, facts were the kindling, story was the spark, but emotion was the fire. And it was this fire that cleared the way for the reinvention of the entire CPG company’s innovation process.

Having the right solution doesn’t matter when the organization refuses to act. Lighting a fire provides much-needed motivation.

**Structure for Success**

Even if you start a fire around innovation, there may be no real movement forward if your structure penalizes risk-taking.

“The old adage, ‘fail fast, but it’s okay to fail,’ doesn’t align with reality,” says Michael Frankel, Managing Director of Deloitte’s New Venture Accelerator. This aligns with the idea of **loss aversion**, or that losses loom larger in our psyches than gains. When combined with the high mortality rate of new products, that yields a predictable outcome: too many low-risk, low-reward innovations, and too few or zero company-redefining moonshots. Yet it’s precisely these moonshots that organizations depend on for long-term survival.

To remove these disincentives, leaders must consciously design the organization’s **structure**, which our interviewees suggest too often represents an invisible barrier to innovation, regardless of the strength of the people, processes, and ideas involved.

How to structure for success? At the heart of this approach is the need to separate teams focused on short-term results from those aiming for longer-term innovation. As a marketing executive at an iconic North American packaging company told us, it needs to be clear “who [within the organization] should be thinking three to five years out and
who should be thinking about three to five hours out.” And these shouldn’t be the same person.

Beverage giant AB InBev makes this distinction clear through its Disruptive Growth group. The team is tasked with taking the long view, with the charter of creating large-scale disruption that could change how people consume their products. “Their primary mission is to break the rules in the industry and stretch even beyond the products that we offer today,” said Jodi Harris, the firm’s Head of Consumer Insights.

To support that mission, the company houses Disruptive Growth outside of global headquarters, with separate lines of reporting from the Global Innovation and Local Innovation groups, to distinguish it from teams focused on traditional innovation (incremental flavor and line extensions). We think of this group as working within a protected “walled garden” as Frankel at Deloitte called it; that includes visible senior-level support for risk-taking and decouples performance measures from near-term gains, shifting the focus from immediate P&L to long-term innovation.

As Frankel suggested, “Evolution is a hobby . . . disruption is a full-time job.” The right organizational structure recognizes that truth and creates a safe haven where innovation can flourish.

**Fish in the Right Pond**

Creating the right structure eliminates barriers to innovation. “Fishing in the right pond” improves your hit rate.

The executives we spoke to suggest they’ve found the right pond in past efforts when they’ve pushed beyond accepted category boundaries to solve larger customer problems, often unmasking dormant customer needs. Per many of the interviews we conducted, this is a quiet revolution that’s changing the way leading companies innovate.

United Airlines searched for the right pond when they undertook a project to redesign their international business-class offering. What began as an initiative to reconfigure plane interiors morphed into a fundamental rethinking of the customer experience.

“We didn’t want to just put in new seats and leave everything else the same,” said Tom O’Toole, United’s former CMO. “Why not use this as the catalyst to rethink the whole business class product?”

That’s exactly what the business did, conducting research with large numbers of customers and employees that yielded a simple, critical insight that fundamentally reframed the business. It became clear that what mattered to that segment of customers was not only the time spent on the plane, but the entire period from arrival at the airport to final destination; within that experience, sleep was critical for globetrotting business professionals. The section below relates how United utilized this research to bring the new concept to life through a comprehensive process.

The head of insights at the consumer products company mentioned earlier took the idea of fishing in the right pond a step further. His company – like many in the CPG space – had viewed innovation through the lens of product
categories, as defined by sales data from Nielsen or IRI, with clear, black-and-white boundaries.

After earning the board’s permission to enact fundamental change, he took the company through an exercise to redefine their approach toward five key product categories. Rather than creating a new pond by fishing for increasingly scarce unmet category needs, they set out to identify the set of consumer behaviors around their existing products and related needs – met and unmet. This was analogous to United’s reconsideration of the entire arrival-to-departure terminal experience: defining the right pond to fish in, as opposed to creating a new pond. Defining a pond is actually an easier task than creating a new one. Through this approach the CPG player realigned their innovation efforts around a handful of discrete, need-based territories, and from these broader ponds derived ideas with more incremental volume and higher margins.

In both examples, fishing in the right pond helped executives see beyond the conventional view of their products and reframe offerings to solve broader customer problems.

**Process Makes Perfect**

Once you’ve found the right pond, you need to determine which ideas are “keepers” that will drive greater, longer-term value.

Over the last 10 years, the field of consumer research has exploded, with continuously evolving techniques based on neurological, physiological, behavioral, and analytical tools. Which should you leverage?

The surprising answer from our interviewees is that “old school” research is still effective in many cases. That means following established research-funnel protocols to sort and refine innovation concepts, assess product prototypes, and run test market may serve you well.

Two caveats apply, though. First, regardless of which research approach you follow, it’s critical to validate its efficacy. As Winston Churchill said, “However beautiful the strategy, you should occasionally look at the results.” Second, the approach should be followed consistently. The ever-present temptation to rely exclusively on “gut” may not end well.

To continue the example of United’s new international business-class offering mentioned earlier, the company followed a highly disciplined process to identify and test the potential service offerings, and had to decide whether to invest in the expensive step of creating cabin mock-ups. According to Tom O’Toole, “If those of us who were involved had been asked to predict which [service option] was going to win at the end, I could tell you flat-out I would have been wrong.”

The company tested the finalists by outfitting a plane on the ground with all features of each, and selected the top two to test head-to-head “live” on an 11-hour flight. By having the discipline to follow a process, in spite of contrary “gut” opinions, they avoided what may have been a costly mistake.

As another example of the importance of process, a leading quick-serve restaurant chain attempted to assess the effectiveness of their innovation system. They had a typical funnel-based approach to vet ideas, first assessing
conceptual appeal, then creating and evaluating new items in a test kitchen, and finally, test marketing these in a limited geography.

After comparing market research results to actual in-market sales, the senior insights executive noticed that none of the consumers had been exposed to the actual price in their test kitchen. Predictably, when price was not presented, consumers preferred the more filling, more expensive entrees over snacks. As a result, the company had systematically biased their innovation pipeline against a counter-daypart snacking trend in the industry. By not validating the process, they had unintentionally ignored a critical component of their menu: price.

In summary, industry studies show that that most innovations fail, but our interviewees suggest this is often a self-inflicted wound that can be avoided in many cases with the right innovation approach.

Figure 1, on the next page, shows how the four strategies we’ve outlined relate to the traditional funnel approach to idea-generation: to improve your success rates, fish in the right pond to spot true breakthroughs, follow and validate a disciplined process, and start a fire to mobilize your organization. Structuring the organization to encourage rather than discourage innovation is crucial across all stages of the innovation process.
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