

A MODEL FOR

DAILY INNOVATION

Rumman Ahmad, facilitator, trainer, speaker • An Exago partner

# By



## RUMMAN AHMAD

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**Rumman** is an MSc in Creativity and Change Leadership from Buffalo State University. He trains, teaches and facilitates groups of people to learn and apply the creative process to solve problems, energizing and motivating them to do their best. He is also the organizer of an annual conference on innovation in Pakistan. An Exago partner since 2016 in this key geography, Rumman has developed a Model for Daily Innovation which can be complemented by Exago's innovation management software.

## ABOUT EXAGO

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**Exago** is a pioneer in idea management software and expert services (US patented model) that successfully activate your organisation's collective intelligence to solve pressing business challenges: from operational efficiency to new sources of revenue.

With a decade of experience, Exago has grown with our clients and partners worldwide. Together, we have reached four continents (Europe, Asia and North and South America), spanning ten sectors - from major retailers and telecom operators to health organisations and energy suppliers. Exago has three office locations: Lisbon, Portugal; London, the UK; and São Paulo, Brazil.



## “Innovation is not for us”...

If I had a dollar for every time that someone said that to me, I wouldn't need to work another day in my life. As someone who is trying to get corporations in Pakistan to understand the value of innovation, this declaration is extremely frustrating. The commonly stated reasons for shunning change and innovation I hear are:

1. Our product/service is standardized and does not require innovation.
2. Our industry (generally financial markets) is heavily regulated and does not allow innovation.
3. We are in a sellers' market and can sell all our production without fuss. Why bother changing anything?

There are partial truths in these statements that lull the protagonists into a false sense of security, and hence portend a dark future for their business. Take the famous case of Blockbuster. At the top of its game it had 9,000 stores, renting out physical DVD's, videos and games in the US and overseas. In one particular year, it made \$800 million in late fees alone. Along came Netflix and first started up a “DVD by mail” business, then morphed into streaming, has close to 100 million subscribers and is now producing its own shows, such as House of Cards. It spends over \$5 billion a year on production costs alone.

Blockbuster, meanwhile, declared bankruptcy and recently closed its last store. Interestingly, Blockbuster had an option to buy Netflix for \$50 million in 2000, but showed it the door. Meanwhile, Netflix was valued at \$55 billion in Dec 2015<sup>1</sup>! If you had asked Blockbuster in 2000 whether they needed to innovate and in what direction, they would probably have kicked you out.

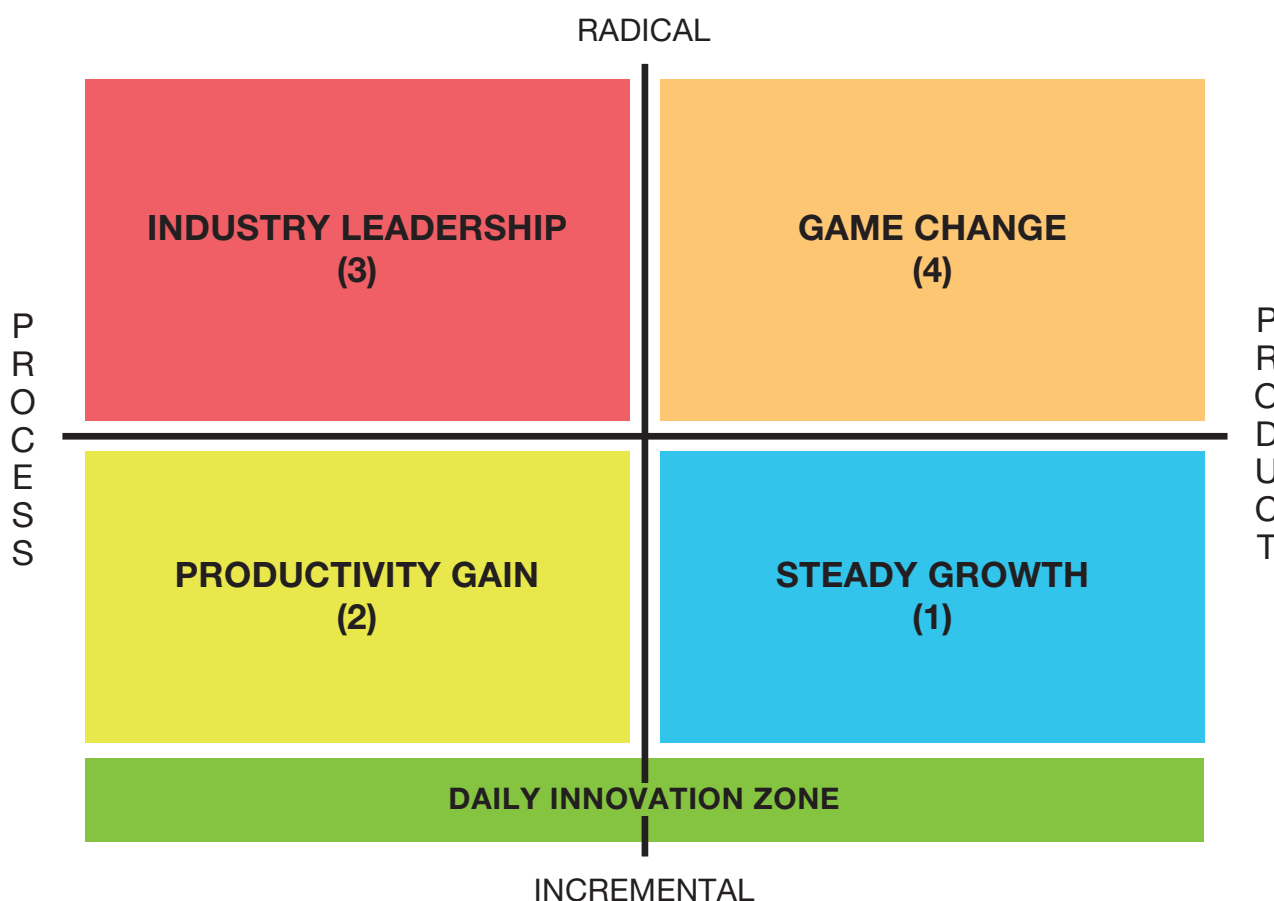
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<sup>1</sup> <http://www.fool.com/investing/general/2015/12/07/netflix-inc-hits-a-new-all-time-high-is-it-worth-5.aspx>

There are quite a few other examples of companies being blindsided by new products, new technologies and apps. The problem is that it is not a stealth attack that sends them under, but rather, an inability to accept and foresee change and the need to constantly innovate. Like a frog that is put into a cauldron of cold water and then unsuspectingly boiled over a slow flame, by the time these companies realize that the water is too hot, it is too late.

This got me thinking about how to present innovation to companies, to help them see it as a daily function of their job rather than the workings of a mad scientist locked up in a high tower, dreaming of, and delivering, the next life altering gizmo. That thinking resulted in the birth of my Daily Innovation Model, as follows:

### A MODEL FOR CORPORATE INNOVATION



Curious? Let's see it in closer detail.



## First, understand where you are

### **Incremental to Radical innovation**

The first continuum, going vertically from bottom to top is concerned with the type of innovation.

**Incremental** -----|----- **Radical**

Practically everything in the world builds upon something else and hence, is incremental. But relative to each other some are less so, i.e they are more radical.

For example, the iPod as a whole was more incremental than radical. But iTunes was more radical than incremental. The original Wright brothers' airplane was more radical. Subsequent aircraft were, to an extent, incremental.

Having said that, the iPod, the Boeing 747 and other products were also radical in the way that they contained cutting edge technologies. And hence, each of our perspectives might vary, resulting in the same product being placed at different points on the continuum. There is nothing wrong with that since there are no absolutes in this game.

### **Product and Process innovation**

The second continuum, going horizontally from left to right, is concerned with the focus of the innovation.

**Process** -----|----- **Product**

When you try to answer the question, "Are Uber and Airbnb products or processes?", you cannot be faulted for getting tied up in knots. You might say, they are both services. For our definition, the term Product implies services as well – anything that is delivered to the end user.

A pure process on the other hand is “a way of doing things,” i.e. how we create the actual product or service. So manufacturing is a process that creates, say, a car. Or analysis of financial transactions is the process that delivers the service of a company audit. In the app world, the code and technology behind the scenes is the process that creates the interface and delivers the service.

Context, however, is important. Manufacturing is a process for an auto maker. It consists of machines that combine together to produce a car. But the machine is a product for another manufacturer, whose end user is the auto maker. See, it can get complicated! Hence, the continuum.



## Put it all together

When we place the continua on two axes, things get interesting and we end up with four quadrants:

### Quadrant 1 - Steady growth

At the bottom right lies incremental-product innovation or change. I've labelled it “steady growth.” A company that is constantly looking to improve its offering to the market will enjoy the fruits of its labour in small, steady doses. An example is a box of cereal “now fortified with iron,” that gives a boost to flagging sales of “regular” cereal. Or a management consulting business that adds tax advice into its offering. Through steady growth you milk existing clients for more or add smaller niche segments to already served markets.

### Quadrant 2 - Productivity gain

To the left of steady growth lies Productivity Gain, where incremental-process innovations happen. These can be classified as small changes in the way we produce and deliver our goods and services. Streamlining paperwork, reducing steps, tweaks to the shop floor, technology improvements, material substitution and others classify as process improvements. The big benefit to the company comes through cost reduction or improved efficiency. Like “Steady Growth” these gains will also impact the bottom line in a gradual incremental manner.

### Quadrant 3 - Industry Leadership

The third quadrant appears at the intersection of radical and process innovation and results in Industry Leadership. A great example would be the assembly line. The original static assembly line that R.E. Olds invented in 1902 resulted in an increase in production from 425 to 2,500 cars. Henry Ford then incrementally innovated this into the moving assembly line.

The problem with industry leadership of this nature is that it suffers from the Red Queen effect. While the company may reap big dividends in the short run, the position of leadership will remain short-lived - until competitors start adopting the same methods. In the words of a U2 song, they are all “running to stand still.”

### Quadrant 4 - Game Change

Here is where things really get interesting. Radical-product innovation is the holy grail. Most of the stories we hear are from this domain. Uber, self driving cars, robotics, microprocessors et al, changed the game for their founding companies, their customers and also for a lot more upstream and downstream providers. While they hog all the limelight, the truth behind the scenes is not unlike the cinema or sports industries.

All we see are the stars, and none of the failures by the wayside. And neither do we see the effort and resources that went into the success. It is easy to talk after the fact about the young kid who dropped out of college because he believed in his invention, and became a billionaire by age 30. But how many of us would actually take that risk? Because along with a lot of reward at the game changing end of the spectrum, there also lies a lot of risk, hard work and an exponential potential to fail.



## How to conquer your Daily Innovation Zone

Which brings us smoothly back to daily innovation. How can we create game changing innovation with minimum cost and risk? The answer lies in the green zone at the bottom of the model.

This is the daily innovation zone and spreads across from process to product innovation but in a narrow band on the boundary of incremental change. The theory is that a company that trains itself to constantly innovate in this zone – small changes and improvements on a daily basis – will most certainly position itself to deliver that big radical, game changing product or industry leading process in the long run. These baby steps would help the company start small, take lower risks, and make innovation a part of its DNA.

Daily innovation is more about building a culture of innovation. It is not about creating an “innovation committee” or “working group.” It is about motivating everyone in the organization to think like an innovator, celebrating daily improvements in the life of the organization. A zone where saving a sheet of paper is treated on par with reducing the cost of production, or adding a new feature to a product.

From janitor to CEO, everyone is involved in the process. Self-driven, motivated and eager to make a change – with a sense of pride at the changes they bring and a reward that may be as little as a pat on the back.





## Creativity, Creative Leadership and the value of Innovation Management

The tool to deliver this change is creative thinking, in the hands of a leadership that believes in and embodies its principles. Creative leadership is based on principles of openness, a positive outlook towards new ideas and knowledge of a set of tools to help employees discover problems, generate ideas, create robust solutions and implement the plans. Post it notes, markers and flipcharts are the media of choice for a lot of innovation activity conducted in groups.

One big drawback of this method is that groups of people need to be physically present in a room at a common time in order to achieve optimum results. While this is great for big strategic problems, it may not be the best for problems that fall in the domain of daily innovation.

This issue has been addressed with the advent of robust cloud based software technologies. It is now possible to use online software services to involve the whole organization in a distributed, time independent environment. Bringing employees' expertise together, idea management software has proven to help organizations deliver results in a sustainable manner.

For sure employees and management need to be trained in the skills of phrasing challenges, evaluating ideas and non-judgmental thinking. But once this is done, companies can throw out challenges into the corporate domain and employees can submit ideas, comments, improvements and then vote and select the best ones for management to implement.

Technology can really support the concept of Daily Innovation. Challenges don't have to be very complex. It might be hard to justify pulling eight people off their jobs and paying a facilitator to solve the problem of littering on the shop floor. However, putting out this challenge on a corporate ideation platform would allow everyone to pitch in at their leisure, deliver varying perspectives and even a ground-breaking solution. It also helps to increase employee engagement, which is essential to the implementation of the model.

The Daily Innovation Model is not about solving the littering problem per se. It is about getting employees used to the idea of generating ideas and solutions in small, incremental ways. They learn to look at problems through the lens of a collaborative platform, where ideas are nurtured and built upon.

The next step is to get them used to applying these principles in their day to day interactions as well. The hope is that this attitude will gradually help build a corporate culture where ideas are contributed and problems solved in non-siloed, open, collaborative – and may I add – fun ways. That can only lead to more incremental product and process innovations and, gives a company the best shot at discovering a game changing product or service. And even if that does not happen, daily innovation ensures that the company keeps improving products and processes in small, incremental ways and moves forward with the changing times. And as we all are aware, change is the name of the game.



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