

Introduction

The Innovation Journey:

Mastering the mental mysteries of the human mind

“This ‘telephone’ has too many shortcomings to be seriously considered as a means of communication. The device is inherently of no value to us.”

~Western Union memo response regarding the telephone in 1876.

“The horse is here to stay, the automobile is only a fad.”

*~president of Michigan Savings Bank to Horace Rackham,
lawyer for Henry Ford in 1903.*

Winning and losing in today’s marketplace happens at break-neck speed. Companies have to continually innovate to serve customers and stay ahead of the competition. Companies that do not keep pace risk becoming extinct. “Innovative firms--those which are able to use innovation to differentiate their products and services from competition--are on average twice as profitable as other firms.”¹

When you think of innovative companies, which ones come to mind? Apple? Google? 3M? Toyota? Microsoft? GE? These are the ones most often mentioned in the business press, but there are plenty of others. What are these companies doing that others aren’t? Is it their monetary investment? Apple CEO Steve Jobs doesn’t think so. “Innovation has nothing to do with how many R&D dollars you have. When Apple came up with the Mac, IBM was spending at least one hundred times more on R&D. It’s not about money. It’s about the people you have, how you’re led, and how much you get it.”² Jobs’ observation is confirmed by research. There is no correlation between R&D spending and corporate success as measured in growth and

profitability. The only exception is that too little spending definitely has a negative effect.³ Despite whatever money and time is invested, customers end up rejecting 80-90 percent of new products and services.^{4,5,6}

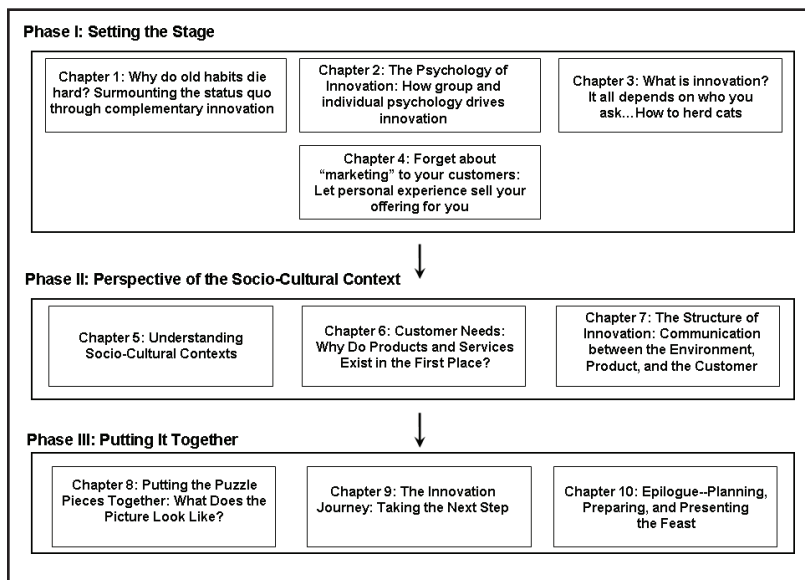
This profoundly high failure rate for innovation begs at least two questions:

1. Why do consumers reject so many new products and services?
2. Why, despite all of the R&D money invested in the latest technology, market research, and business acumen available, can't companies improve their success rate for new products?

What does it take to survive and thrive in today's marketplace? What secret sauce or magic do some companies have that other companies don't? The answer lies in an understanding of human psychology, and the ability to leverage this knowledge within your company and with customers. Innovation is a product of the human imagination and creativity. Leaders need to deliberately act with the knowledge of the underlying psychological mechanisms of WHY people behave the way they do, which helps them determine HOW to proceed and WHAT to do to fix the issues.

Successful innovators are able to manage innovation from the people side. By understanding the forces that shape thinking and influence behavior, they are able to truly identify customer needs, even when customers don't know or can't articulate what those needs really are. At the same time, these innovators are able to deal with the organizational issues that hinder innovation.⁷ They are able to create a safe and nurturing environment that encourages taking intelligent risks, collaboration across organizational boundaries, and to truly seek deep customer insights. Just as importantly, these leaders of innovation recognize that it takes time and investment to rewire their organizational DNA to one that fully embraces innovation.

The book is organized as follows:

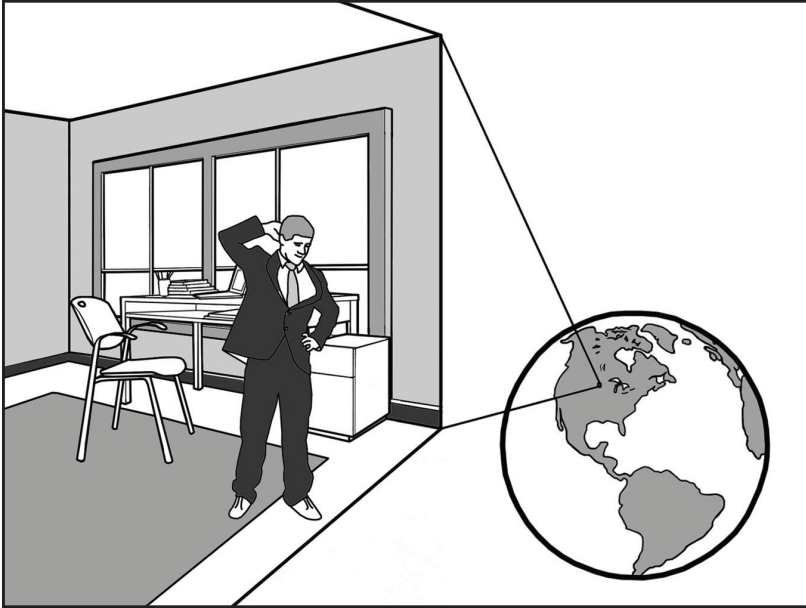


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Figure I.1

Those who understand and effectively manage the psychological dynamics occurring in the midst of innovation activities have significant competitive advantage. Leaders need to understand how psychological factors affect how people respond to new ideas and solutions and how they deal with uncertainty. This book will equip you to develop an innovation mindset that can be applied in a variety of situations.

Drawing on the fields of cognitive psychology, business strategy, human factors/user-centered design/usability, marketing, and innovation research, a map is drawn that serves as a guidance system that can be used to prevent travel down many dead-end paths. Each chapter provides theoretical background, illustrative examples, and specific tips and questions to encourage you to explicitly think about how personal biases, experiences, and knowledge gaps either support or discourage innovation. Armed with these valuable insights, leaders will be

prepared to address the ever-increasing expectations for more and faster innovations in the marketplace. Let's spark innovation as we begin our innovation journey together.



“We treat innovation as if it were magical, not subject to guidance or nurturing, much less planning. If we study history, however, we know that’s simply not true.”

~S.J. Palmisano (2003)⁸