

*The way we work is our most important innovation* ©

# Creating a Value-Creation Enterprise

*From the “what” to the “how”*

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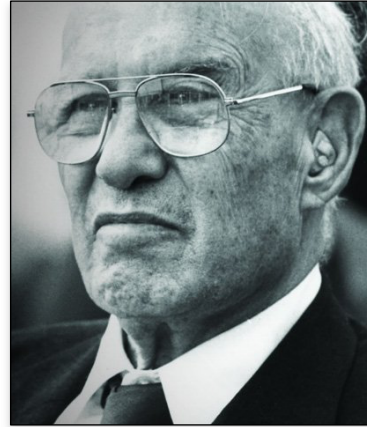
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# Role of Innovation



Peter Drucker

“Because the purpose of business is to create a customer, the business enterprise has two—and only two—basic functions: *marketing and innovation.*”

# Perspective



# SRI in 1998

- Famous R&D laboratory in Silicon Valley
- In serious trouble
  - Steady decline for ~20 years
  - Deeply in debt, selling land
- Causes
  - Obsolete business model
  - No value-creation playbook
  - No trust in senior management
  - Little staff collaboration; many grudges



Overall: a scarcity mindset

# Vision, Strategy, and Plan

- Vision: “The leading independent source of high-value innovations”
- Strategy
  - Focus on important customer and market needs
  - World-changing R&D and commercialization
- Plan
  - Use of a *value-creation playbook*
  - Everyone a champion for their position
  - Envable human values
  - Continuous improvement

# Major Turnaround

- Tripled revenue to \$550M and 2,300 staff
- New innovations worth \$10s of billions
- David Ladd, Mayfield Ventures, “SRI has become the best organization in the world in taking its technology and creating businesses ”
- Our value-creation process is used worldwide: US, Japan, Chile, Taiwan, Singapore, Finland, ...

Overall: an abundance mindset

# Innovation's 5 Disciplines

1. Important customer and market needs

X

2. Value creation process

X

3. Innovation champions

X

4. Innovation teams

X

5. Organizational alignment

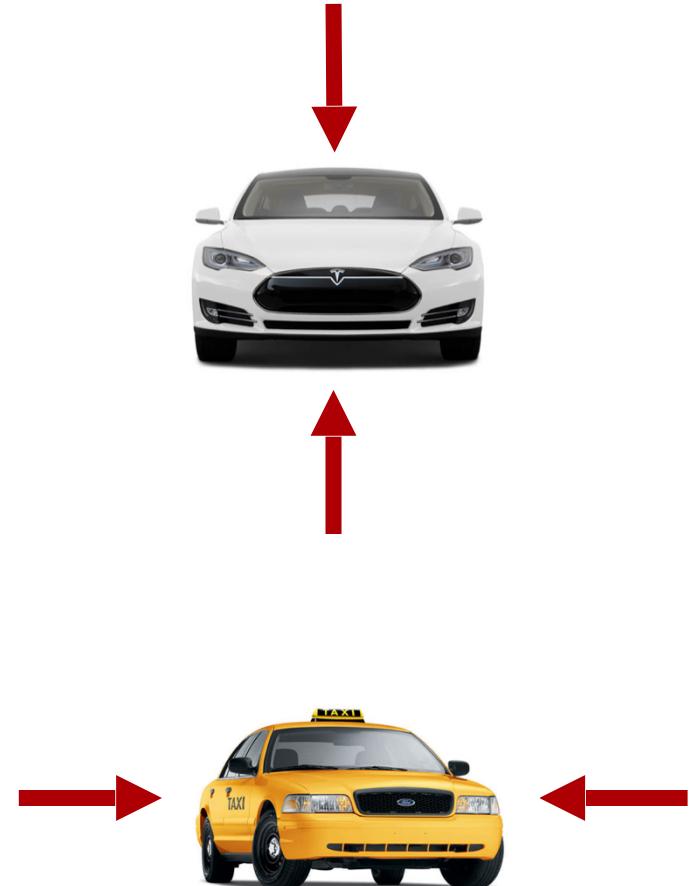
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**Market success**

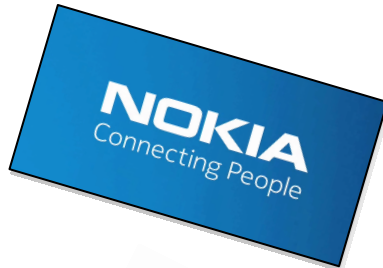


# Global Innovation Economy

- Exponential progress
- Intense competition
- New business models
- Abundant opportunities



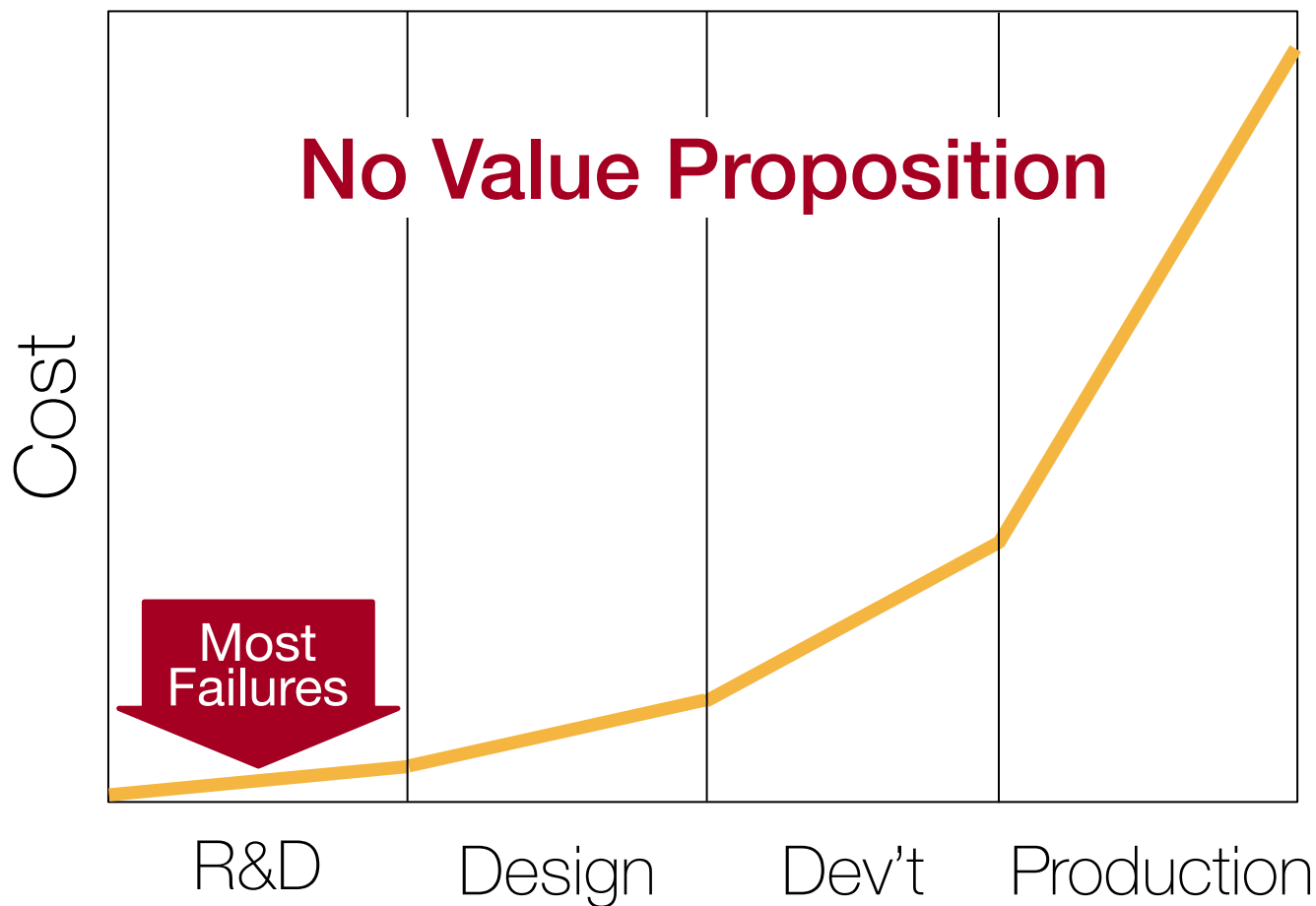
# Satisfied with Our Performance?



- Companies: 10 years
- Universities
- Gov't RD&I agencies
- DoD
- National labs
- Venture capitalists

# Most Failures Start at the Start

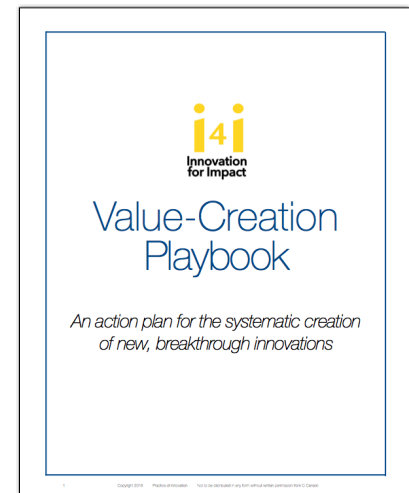
< 20% of R&D has any value for stakeholders





# Critical Role of the Playbook

- Best practices – a “playbook” for staff
  - Focus on customers, both internal and external
  - Common language and tools for value creation
  - Processes to rapidly learn and create
- Major competitive advantage
- Important to staff
- Concepts seem easy — they are not!



# 3 Key Value-Creation Best Practices

Important customer & market opportunities

- 3-Cs
- Key insights

● Impact

● Lean

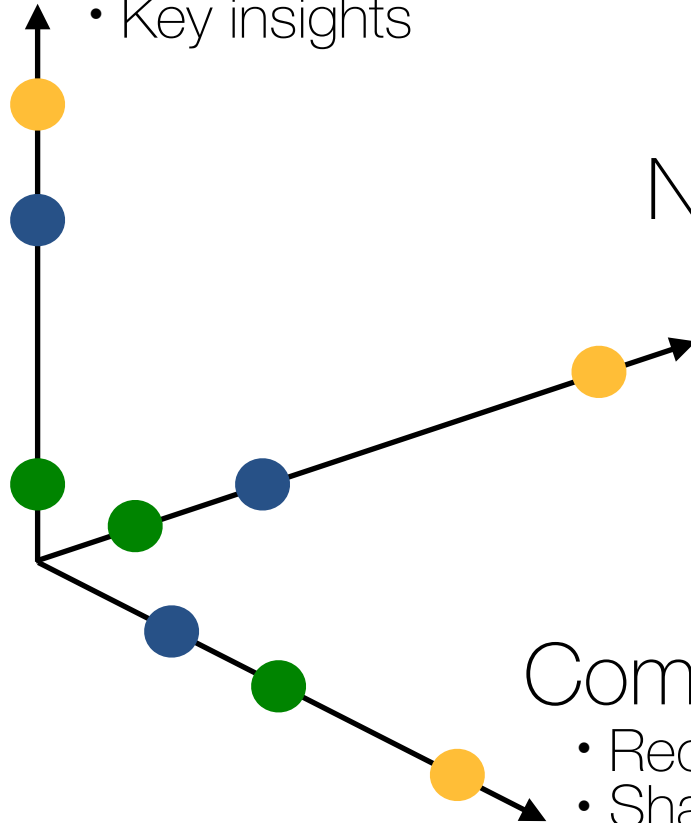
● Scrum

NABC value propositions

- Essential first questions
- Basis for working hypothesis

Comparative learning

- Recurring team Value-Creation Forums
- Shared value creation frameworks



# Definition of Customer Value

$$\text{Value} = \frac{\text{Customer benefits}}{\text{Customer costs}}$$

Benefits & costs perceived by the customer: not us

# Core Framework: Value Proposition

Need

Approach: offering & business model

Benefits /costs

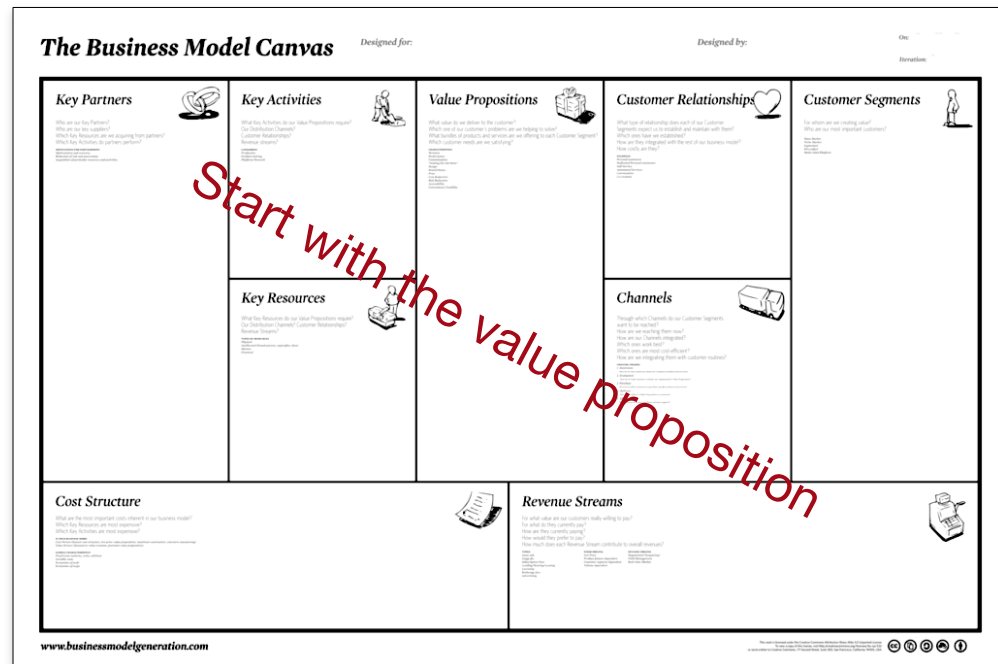
Competition & alternatives

Complicated systems *don't* work: start with the basics to simplify learning, search, and creativity

# Critical Importance of NABC

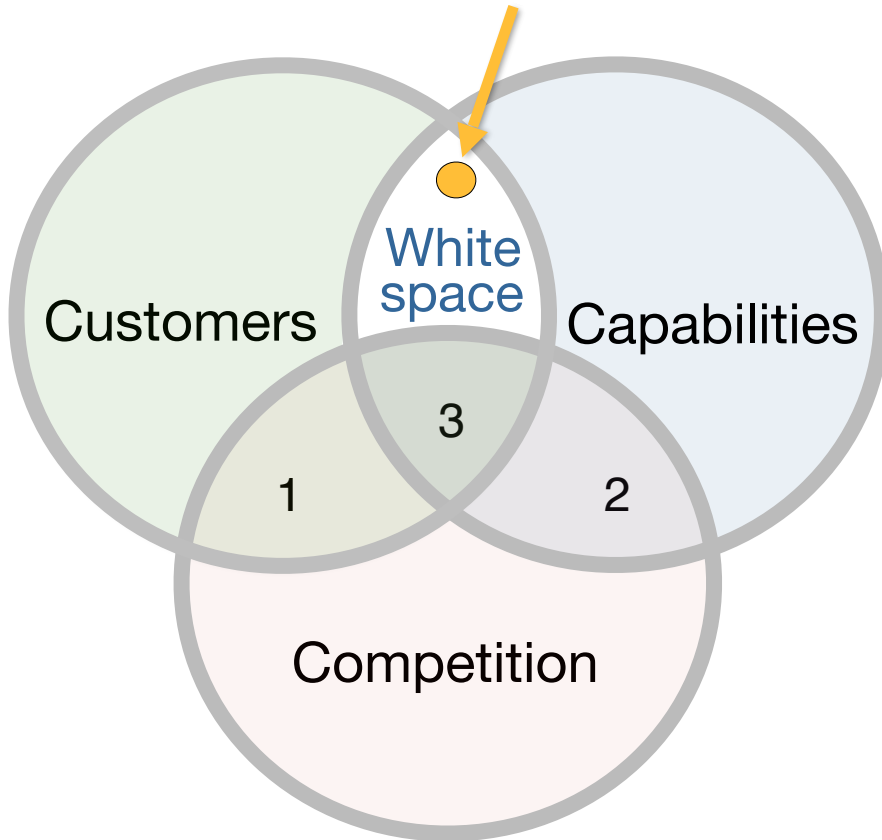
- Focuses everyone on the customer
- Applies to every position in the company
- Simple but fundamental
- Effective and efficient

Need  
Approach  
Benefits/costs  
Competition



# 3-C Market Positioning

Beach-head customers



Key insights

- #1 Why not solved before
- #2 Solution & business model

# Example: Augmented Mobility

1. Important need: millions of people with limited mobility

2. Key insight — how to attach to the body?

3. Key insight — flexible coupling

4. Approach: wearable augmentation



# Value-Creation Forums

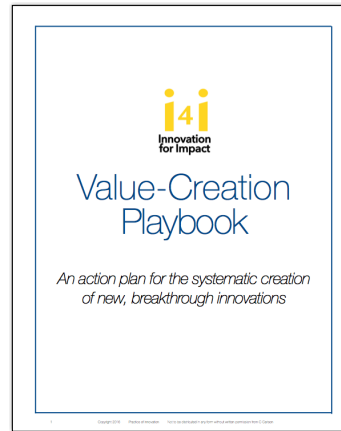
*Comparative learning for “exponential” improvement*



“Which is better, A or B?”

- Recurring, multidisciplinary, and facilitated meetings
- 4-6 teams, 2-10 minute NABCs with feedback
- Presenters listen: no arguing
- Learn risk-reduction, IP, “bring-it-to-life”

# Implementation: Value-Creation Stages



Staff training



W/S: team alignment



Value Creation Forums



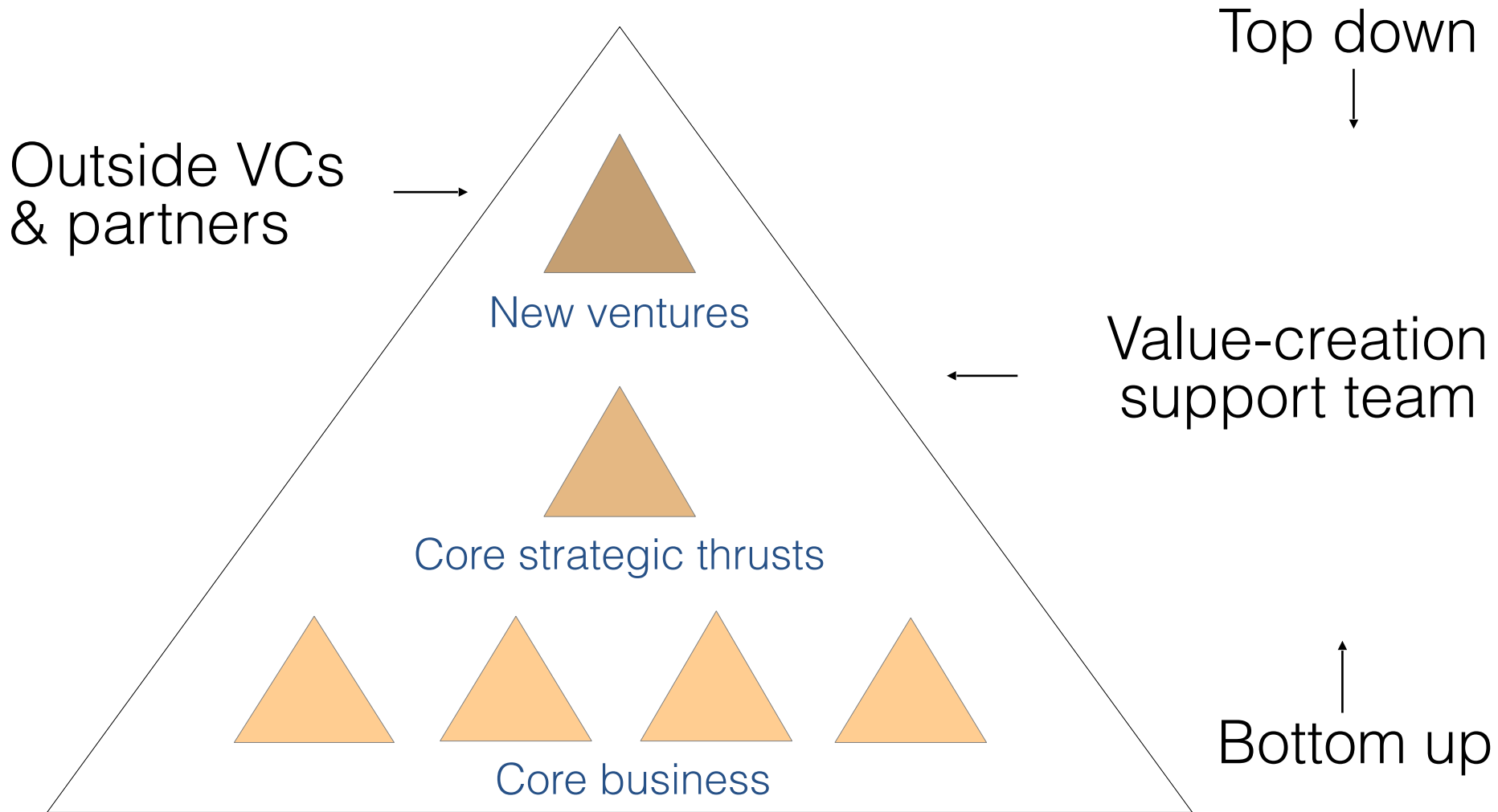
# Development of Siri



NABC Value Propositions



# Organizational Architecture



# Management's Role

- Champions for the process and their initiatives
  - Active participation — model practices and behaviors
  - MBWA — lunch with staff, “tell me your value proposition”
  - Hire, identify, and develop champions for projects
  - Allocate resources
- Remove barriers and waste (MUDA)
- Promote staff development
  - Staff value-creation training
  - Incentives — celebrate success

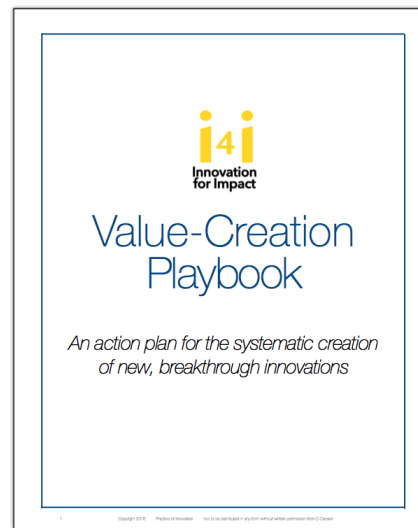


# Lessons Learned

- Build through early adopters
  - “Lead with the best to pull the rest”
  - Leverage and publicize their success
  - Involve all strategically
  - Go from strength to strength
  - Make funding contingent on using best practices
- Step by step
  - Even modest success creates great returns
  - Progress builds: you won’t go back

# Three Keys to Success

- Important customer and market needs
- Value-creation playbook, including NABC Value Propositions
- Ongoing Value-Creation Forums to rapidly get the answers needed



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# Discussion

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