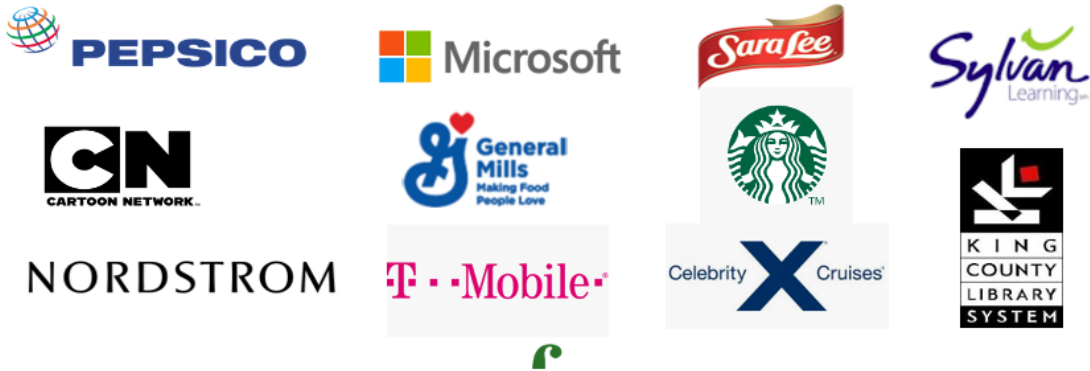# Five Pitfalls Successful Companies Face When Innovating, and Strategies to Avoid Them

First, a little bit about me and what I do.

Lisa Fernow

Global marketer, strategist, consumer insights
President, Fernow Consulting

I started out in consumer products, working with PepsiCo and Cartoon Network. Also worked in consumer insights at Nordstrom.

In my practice at Fernow Consulting I focus on helping organizations of all sizes innovate more successfully. Larger organizations I have worked with include Microsoft, T-Mobile, Nordstrom, and King County Library System, but I also work with a lot of startups – SaaS, ecommerce, health and wellness, and travel - to name a few.

Innovation Questions I Help With

- What is the ideal customer experience and how do we get there?

- Where do trends come from and how can we use this knowledge to get out ahead of product development?

- How should we respond to this important new technology?

- How can we best enter this new category?

- What is the future of (X)?

These are the sort of innovation related questions I help enterprises address (list)

Today

- Five common innovation pitfalls
- Practical strategies for avoiding them
- One tool to help you make a better impact personally

Will be talking about the pitfalls that can trip up even the best organizations, and some thoughts on how to avoid them. Examples are from companies who struggled but got it right. I'll be drawing a lot from consumer products, as I think most people can relate to these, but these lessons apply across the board.

What is innovation, in this context?

Innovation is:

"Turning an idea into a solution
that adds value
from a customer's perspective"

Nick Skillicorn
@improvides

idea to value.com

For purposes of today's discussion I chose "Nick Skillicorn's definition: "Turning an idea into a solution that adds value from the consumer's perspective." Not necessarily new to the world, in this case, but at least new to the company in question. So let's talk about 5 ways companies can sabotage their innovations, starting with one of my first new product launches at Frito-Lay, where we were trying to compete against a disruptive technology that had recently entered the market.

https://www.ideatovalue.com/inno/nickskillicorn/2016/03/innovation-15-experts-share-innovation-definition/

Disruptive Technology

Yes … a potato chip. This is a "hard bite" potato chip. It's cooked in a kettle, batch by batch. It's nothing like a regular chip, which is thin, evenly fried, and has a lovely "saddle" shape. Hardbite potato chips are none of this. They are thicker. They have fold-overs. They have bubbles. But they are also a huge crunch and flavor bomb. Frito-Lay is one of the most successful snack food companies in the world. In the mid 80's we were getting our lunch eaten by a local New Orleans "hardbite" potato chip called Zapps.

Zapps had taken double digit share in that market. I wanted to launch a new product to take it back. First senior management denied the problem. Hardbite potato chips were nothing like the gold standard. Too much crunch. Too much flavor. Plus It didn't look like the "hardbite" category was that big, nor could they see it growing. So we manually added up all the volume from A.C. Neilson - turned out the category was growing rapidly and we were losing a LOT of share.

First Response

So then senior management said, okay, we'll make a potato chip but we'll use our existing continuous process method. Because if we use kettles that will be a batch process and it will cut into our margins.

People hated it. I wrote a scathing memo to my boss complaining that we had hid our heads in the sand and lost a year in market because we screwed up the product.

Finally, they agreed to dedicate a small test plant to produce kettle cooked potato chips.   We entered the market with Crunch Tators, and did so well the owner of Zapps called and offered to sell the company.

I couldn't understand what had taken us so long.   Which leads us to our first two pitfalls.

Pitfalls

#1: Wanting to compete on your terms

#2: Fear of cannibalization

Pitfall #!: Wanting to compete on your terms. Pitfall #2: Fear of cannibalization. What was going on?

Clay Christensen articulated a dynamic of the Innovator's Dilemma which can be briefly summarized as …

Doing the Right Thing Will Kill You

"Doing the right thing will kill you."   Companies that focus on their core offerings can be usurped by products that initially don't seem to be a threat, or even to be that good. But these products create new markets, larger markets and more interesting markets and that combination leads to the demise of incumbents.   Companies who are making high margins/profits – when they are challenged by a company willing to settle for less - will just rationally conclude they should not enter that market.

To see how Christensen addresses this How to Escape the Innovators Dilemma.

With few exceptions, the only instances in which mainstream firms have successfully established a timely position in a disruptive technology were those in which the firms managers set up a autonomous organization charged with building a new independent business around the disruptive technology. . Such organizations, free of the power of the mainstream company, ensconce themselves among a different set of customers – those who want the products of the disruptive technology. In other words, companies can succeed in disruptive technologies when their managers align their organizations with the forces of resource dependence, rather than ignoring or fighting them.

https://www.youtube.com/watch?v=gfr3uLbC22Y

Best Practices

#1: Focus on customers' wants

#2: Be willing to cannibalize yourself and change your business model

What lessons can we take from this? Best practices: Stay focused on what customers want, and if you think your core business is at risk, be willing to cannibalize yourself and change your business model.

> Christensen says you have to change the business unit itself but in my experience you can get around this by putting different KPIs around different brands. Because if you don't satisfy your customers, someone else will.

PepsiCo – Bottled Water

US   International

Medical News Today   *Pakistan Press Foundation*

In the mid-90's PepsiCo Roger Enrico charged Pepsi Cola International to make the transition from being a soft drink company to a full refreshment beverage company. One of the categories we wanted to enter was bottled water.

In the US bottled water was a luxury. In the rest of the world it was often a necessity, as tap water in many countries can kill you.

Photo credits:
https://www.medicalnewstoday.com/articles/290814.php
https://www.pakistanpressfoundation.org/lack-of-drinking-water/

So we developed our brand, Atlantis. (This is the logo from one of the t-shirts – it looked a lot better on the bottle!)

Meanwhile the two Division heads were competing to see who would be crowned the next CEO after Enrico, who was planning to step down. Pepsi North America was developing their own bottled water brand, Aqua Fina, Needless to say, the divisions were not that cooperative.

One day I learned the US had "stolen" our label design (Aqua Fina). I stormed into the office of my Exec VP to complain. His answer: "Don't be parochial."

https://logos.fandom.com/wiki/Aquafina

Finally ...

In the end, Aqua Fina launched with our logo in the US and Pepsi Cola International launched with their brand name.

One global brand, at last.

What took so long? Part of it was that we saw ourselves going after totally different markets. But a large part of it was the politics.

Pitfall

#3: Not invented here

Not invented here: in my department, by me, you get it Had we been able to bridge the politics and shared our work we might have saved the company a lot of money.

On the other hand, the competition turned out to be useful, since at the end of the day we ended up with elements of both brands.

Best Practice

#3: Compete, but share

Best practice: Compete, but share learnings and figure out when it's time to partner up.

King County Library System (photo) KCLS is one of the top libraries in the US, highly admired as thought leaders, and the Library Director, Bill Ptacek, was determined to continue to improve. KCLS hired me and an organizational development expert to help them research how to do this.

"Delivering the industry's best customer experience and building customer loyalty is our key focus, along with the ability to create strategies and deliver services in a way that provides a clear line of sight to the value to customers.

KCLS is interested in gaining a deeper understanding of who its customers are (and aren't); and how to best meet the needs of key customer segments through excellent customer service."

Their question started out as this:

The Director was convinced their librarians weren't providing consistently excellent service despite their surveys showing the contrary. But the staff were doing everything they humanly could, and it didn't seem like they could improve. It seemed like we'd hit the wall.

Reframing the question

"What will library heaven look like in 20 years and how do we get there?"

So, together, we reframed the question: That opened up the inquiry to consider all aspects of the patron experience, and we conducted a survey that addressed everything: the collection, services, staff interactions, physical spaces, open hours, and even what other patrons were doing.

> We learned that librarians were actually providing extraordinary service but other aspects of the library experience could be improved.

One major problem we uncovered was that, while KCLS has one of the biggest collections in the US, people were having trouble finding materials. So they laid out library interiors to make them easier to browse – to supplement asking a librarian or searching the card catalog for themselves – this example is from Covington Library

KCLS was named Library of the year in 2010 and they continue to be one of the best libraries in the country.

Pitfall

#4: Asking too narrow a question

Pitfall #4. Asking too narrow a question.

Best Practice

#4: Reframe the question

Best practice: make sure you have framed the question correctly! Framing the question more broadly, and more aspirationally, set us free to consider better options.

Another example of how framing the question differently can help: I worked with a division of T-Mobile whose leader wanted to get her team thinking in more strategic and longitudinal ways. To prepare for a strategic planning session, we asked team members to gather and synthesize facts that would be important for the discussion. Then we started the session with this question:

T··Mobile·

"It's 20 years from now. You're about to give a talk and your company is being recognized for a major achievement.

Where are you – being interviewed by Fortune? On stage at TED? Accepting a Nobel Prize?

What did your company do and why was it so special?"

At the meeting, we talked about their various visions of success. That exercise opened up a more robust discussion about what goals would make sense for the division longer term, and what strategies would be required to achieve them. They weren't constrained by what they thought they could or couldn't do. Their leader was able to use this discussion to set the division's future direction with the team engaged and fully prepared to act.

For my last pitfall I want to return to the PepsiCo examples.

You might have gotten the impression that I was a big pain. You'd be right.

And the only reason we got funding for the kettle was that this man, my boss, Brock Leach, who later became a priest, was the calm guy in the room quietly selling the plan to senior management.

Pitfall

#5: Failure to accommodate peoples different innovation styles and roles

Pitfall #5: Failure to accommodate peoples different innovation styles and roles

The pitfall I fell into was not being sensitive to the needs of my senior management. Had I understood what they needed to say "yes" I might have gotten that new product sold sooner.

# Best Practice

#5: Know yourself, know your teammates

Best practice: know yourself, know your teammates

You hear a lot about the value of using diverse teams – based on backgrounds or job descriptions, and that's a great best practice. I want to share one tool that speaks directly to innovation

Trend Hunter is the world's largest, most popular trend community, with a global network of 200,000 contributors and 3,000,000 fans. Behind the scenes, they leverage big data, human researchers and AI to identify consumer insights and deep dive opportunities for the world's most innovative companies.

Trend Hunter developed a test you can take with your team, to help you understand your different innovation styles – strengths and weaknesses, and how to engage with people whose style is different from yours.
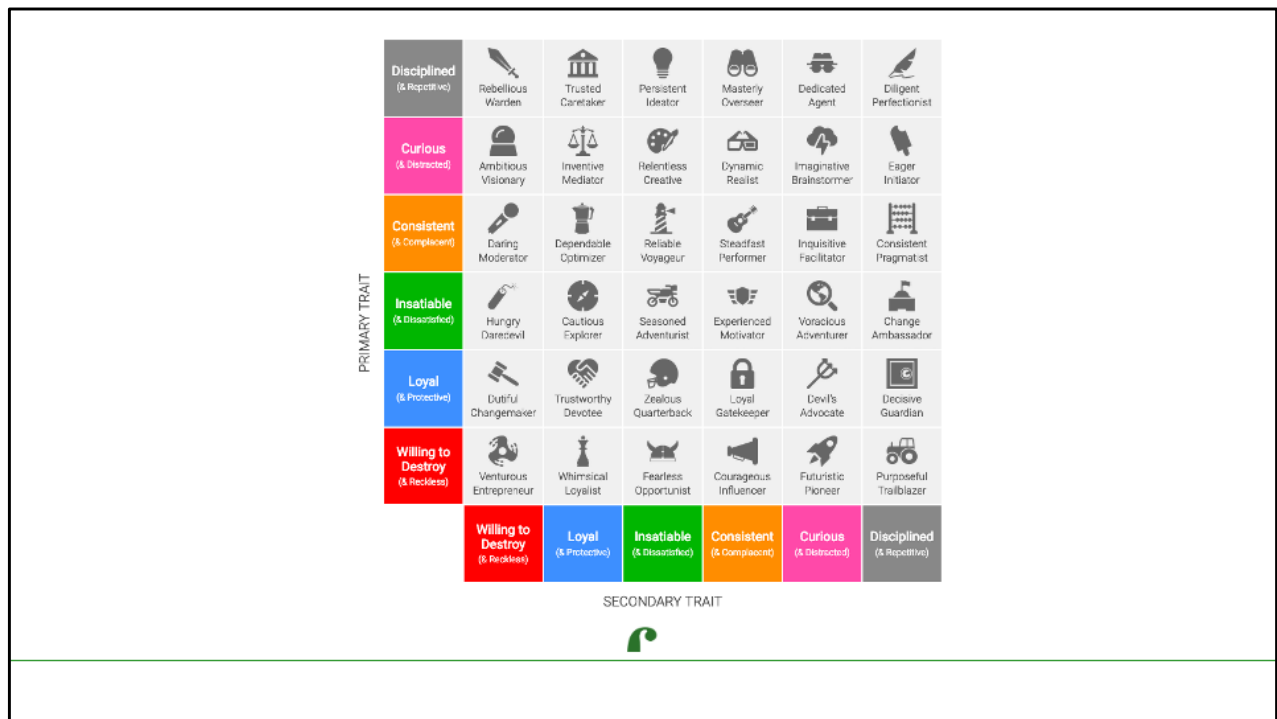
Using the test, they categorize each respondent based on their primary and secondary traits. Each trait represents a tradeoff between a hunter and a farmer tendency. 36 innovation archetypes. They provide you with a report that helps you understand your strengths and traps when it comes to problem solving, skills / dev / growth, and working with others / org behavior.

Apparently I am curious and willing to destroy. So I am deeply thankful that I had a boss who ran the gauntlet for me.

In conclusion:

Summary

	Pitfall		Best Practice
#1	Competing on your terms	➡	Focus on the customer
#2	Fear of cannibalization	➡	Be willing to compete v yourself and change your business model
#3	Not invented here	➡	Compete but share learnings
#4	Asking too narrow a question	➡	Reframe the question
#5	Failure to accommodate different innovation styles and roles	➡	Know yourself, know your teammates

So to sum up, here is a list of common pitfalls and best practices to consider as you work with your companies to innovate. These have proved pretty universal, regardless of industry. I hope you can take one or more of these lessons and apply them to your situation. If you want a copy of this presentation just let me know and I will be happy to share it.

Thank you!

Questions?