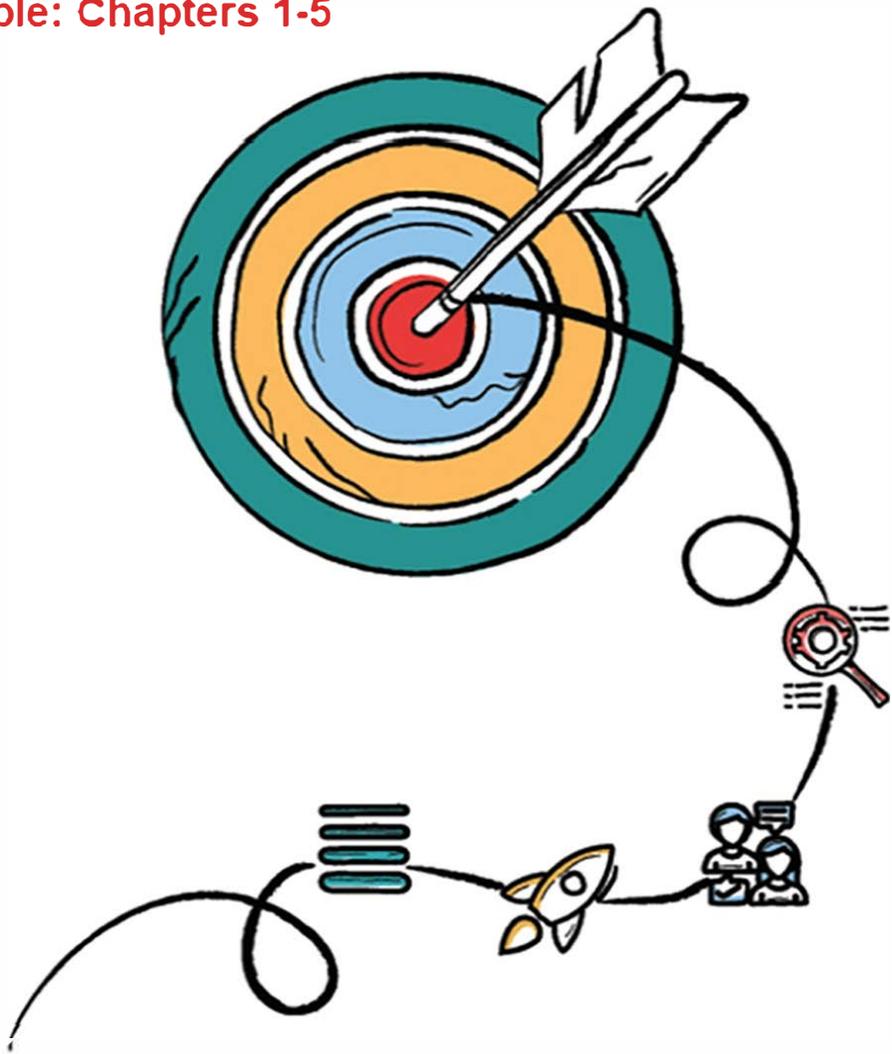


Sample: Chapters 1-5



CYCLES

The simplest, proven method to
innovate faster while reducing risks

Included: 29 canvases

Bryan Cassady

With the collaboration of 22 co-authors

PART

1

INTRODUCTION

CHAPTER 1: AN HONEST INTRODUCTION

This chapter was co-written with Lana Kristine Jelenjev.



Psst! Do you want to know the secret of guaranteed, instant, overnight innovation success? Of course, you do! Don't we all? Well, the good news is you'll find it in this book. It's on page 319 in the last paragraph, to be precise. (Here's the link for those of you on Kindle: "[Final Thoughts](#)") A quick disclaimer, though, only if you read the entire book will it really make sense. I understand you're impatient and probably want to check that out first, and that's fine; I'll be waiting for you here. OK, now that you've been there, you know the secret, which is kind of important. It's actually the key to this book.

If you're ready to learn and work hard, this book will help you learn how to grow little ideas into big ideas at work, at home, and any other place you think is important.

Now would be a good time to clarify an important point. This book will not provide instant success. It will offer a proven innovation method that helps build ideas up to six times faster while reducing failure risks by at least 50%.

Why You Should Read This Book.

There are more than 200,000 books on innovation and startups, more than 25,000 books on how to scale up your company, and nearly 70,000 books about building your own business. What on earth could make it worth my while writing another book – or worth your time to read it?

The answer is simple – there are ways to innovate better, and you have a right to know.

Personally, I have built eight successful businesses in six countries, and my co-authors have built dozens more. My success rate is eight hits from eleven tries (if you're interested in the three losers, one was a big failure, and two just never took off).

A little over ten years ago, I started teaching Innovation and Entrepreneurship. I have taught at leading business schools (KU Leuven, Solvay, EDHEC), led some of the world's largest and most successful accelerator programs (The Founder Institute and the European Innovation Academy), and coached around 200 companies.

In my work, I have seen two types of innovators.

1. The big idea hunters.
2. The idea builders.

It is easy to understand why the idea builders are better at reducing risk. What is perhaps more exciting and surprising is understanding that idea builders also move faster and usually build more significant ideas than the "*big idea hunters*". My book explains how to become a successful idea builder. It is a book I wish I'd had when I wanted to start my first business as it would have helped me understand how careful, disciplined, and consistent efforts beat big bangs almost every time.

There Are No Quick Fixes.

In today's world, we want quick fixes to big issues, and too many books are fast food for the business mind. Something that you can digest quickly but is not healthy for your business.

Most of these books contain a kernel of truth, but it is not presented in sufficient detail, so anyone who tries to put the theories into effect will not get the expected results. In this book, I take the existing theories and add to them. The additions are practical and explain all of the "*how-to's*".

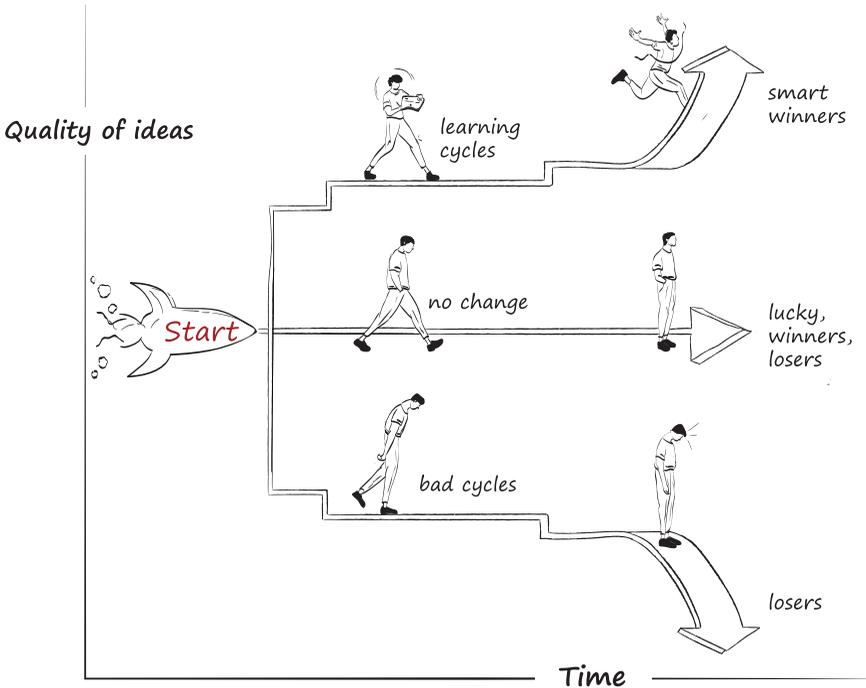
This book ties the theories and research from hundreds of books into something easy to understand and something you can do right now. You don't need to read all the books that I have read, as this one will make innovation holistic and step-by-step.

What Will You Find in This Book?

For years, I have talked with innovators about the importance of grinding out ideas, and still, many remain skeptical. A lot of my students and many people I meet in the business world believe that successful innovation is all about '*Eureka moments*' and that game-changing ideas appear out of a clear blue sky.

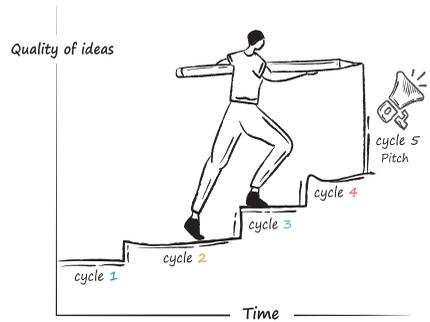
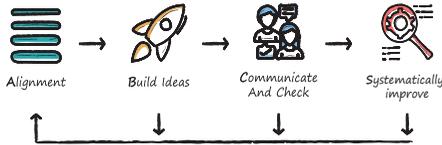
I knew this was not true, but I needed facts. It inspired me to run a four-year research program to identify the drivers of innovation success. This research was a team effort. In interviews with more than 400 companies, we saw many that succeeded and more that failed. The most significant difference between winners and losers is that **smart winners make good or even mediocre ideas great over time.**

As in life, some companies will succeed by luck. Unfortunately, luck is something hard to plan.



How do you increase your odds of being a smart winner? The best way is to think about growth as an ongoing process of cycles. Some cycles are short, and some are long. Whatever the length, they need to be about learning and improving. The best cycles include the ABCS of innovation.

- A = Align
- B = Build ideas
- C = Communicate and Check
- S = Systematically Improve



Thinking like a Great Artist.

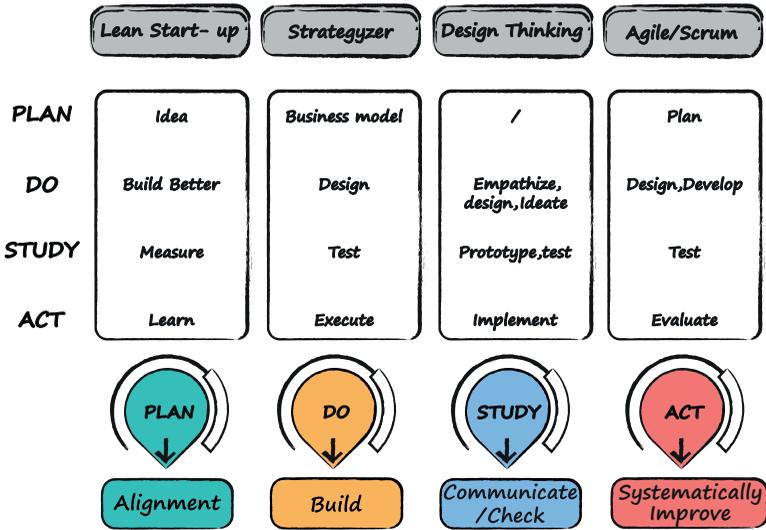
There is an old saying: “*Bad artists do it on their own, good artists copy, great artists steal.*” In the innovation space, there is a lot of ‘stealing’ going on. The reason is simple; there is a core logic to successful innovation. The logic is quite simple: create a bias for action, do the right things, learn, improve, and repeat.

This is not the first book or even the thousandth book about innovation. It does not replace all the work done by pioneers in this field, but instead uses facts derived from research to build on those ideas to provide a step-by-step guide to innovation success.

If you talk to innovation experts, many will refer to ideas developed by Edward Deming almost 40 years ago. Deming introduced the concept of *PDSA* (Plan, Do, Study, Act). His work is profoundly insightful, but a hard read.

Eric Ries (*The Lean Startup*), Alex Osterwalder (*The Business Model Canvas*), and several others wrote bestselling books, “repackaging” *PDSA*. They simplified Deming’s ideas and made them more accessible to a broader audience. Agile, Scrum, and Design thinking can all trace their intellectual heritage back to *PDSA*.

All the leading methods are Plan, Do, Study, Act and Cycles brings it all together



Many of these methods do a great job explaining *what* you should be doing and *why* you should be doing it and provide powerful thinking frameworks. But, when it comes to the practicality of how to do it, they seem to come up short. For example, Eric Ries introduced a powerful concept called *validated learning* that uses *build, measure, learn* cycles. I loved his work but felt I was left stranded with questions about how to actually do it. What should you build? How do you build? How should you measure it? How do you effectively capture learning?

The new and arguably, most popular method to promote innovation fast is design sprints. They cover the ‘how’ of PDSA but miss a bit of the ‘why.’

This book covers not just *why* and *what* but also *how*. It does this by providing:

- The ‘ABCS’: a framework to help you decide what to do next.
- Clear guidance on how to run the cycles of learning.
- A systems approach to applying learnings more effectively.

How to Use This Book.

At the heart of this book lies the difference between working *in* your business and working *on* your business.

The secret is to move away from the standard model in which 80% of a new or expanding company's effort goes into Big Idea hunts. Using the guidance in this book will reduce that 80% to 20%. Where do the surplus resources go? A great deal will transfer into active learning designed to build your ideas faster while reducing your failure risks.

This book is not just theory; it is facts derived from my research about building a basis for action. Each chapter will take you through the CYCLES process, providing exercises to apply these ideas to your business.

You can read this book as a stand-alone to learn more about systems of effective innovation. But if you can, I'd encourage you to **apply** what you learn as you go. A powerful and very successful method is to use this book to support a design sprint. Before each section of the sprint, read the relevant section and apply what you have learned. It may look like this:

Sections of this book	Introduction	Build	Communicate/Check	Systems
	Alignment			

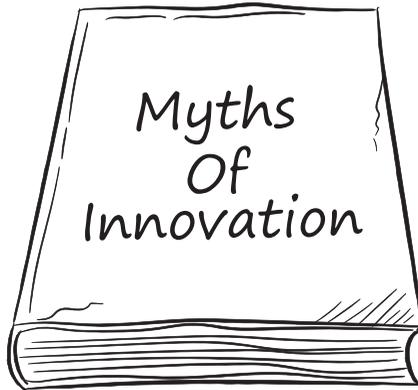
	Monday	Tuesday	Wednesday	Thursday	Later
Key parts of a Design Sprint	Map	Decide	Prototype	Test	Debrief
	Sketch	Storyboard		Gather feedback	

You Have a Choice: Stop or Continue.

According to a McKinsey study, seven out of ten companies rank innovation as one of their top five priorities. The same study shows that 94% are unhappy with their ability to innovate, indicating that something is clearly very wrong with how organizations are currently approaching innovation.

If you are happy being unhappy, feel free to stop here. If you want to join the ranks of innovation winners, read on.

CHAPTER 2: KNOWING WHAT AIN'T SO: THE THREE BIG MYTHS OF INNOVATION



**"It ain't what you don't know
that gets you into trouble. It's
what you know for sure that just
ain't so..."**

ATTRIBUTED TO MARK TWAIN

Three Myths of Innovation.

Innovate or die! That is not a myth. In a world of high consumer expectations, unrelenting change, and intense competition, it is a fact backed up by the numbers and my own experience. But less well-known is that if you innovate the wrong way, you may die even faster!

I have spent a great deal of time researching what does and what does not work and have identified the three most common mistakes business people make when thinking about innovation:

- Innovation is just about big ideas.
- There are recipes for successful innovation.
- Innovation is about creativity, not systems.

By dispelling these myths, innovation will work harder for you, yielding better results.

Myth 1: Innovation Is Just About Big Ideas.

Today, everyone is looking for a short-cut to the next big idea. We are enamored with the belief that big ideas are the secret to fame, success, and happiness.

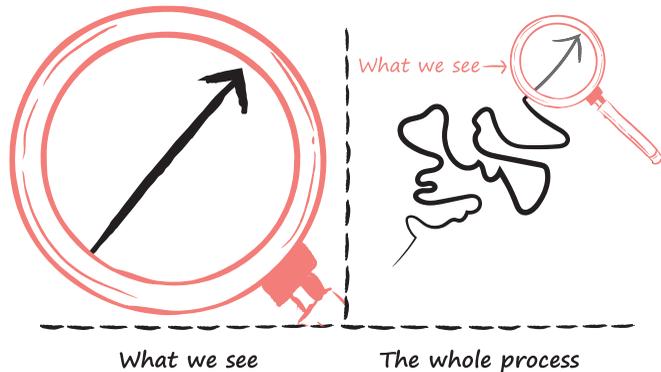
We have all seen the stories in the news, in books, and on television. The story is simple: *“Start with a big idea, work hard, and success will follow.”*

In my opinion, the biggest and most harmful myth a company can believe in is the notion that big ideas will save the day. When companies focus on big ideas, they over-think, over-invest, and over-commit to the wrong ideas. Too often, they waste time doing nothing while waiting for a big idea to arrive.

As they wait, they tend to ignore the process needed to build ideas and make these ideas happen. Worse yet, they create systems that block people who want to innovate, ignoring potentially useful small ideas because they are too focused on waiting for those big ideas! (For a great short video on the craft of building ideas, watch Steve Jobs in this two-minute video: <http://tiny.cc/cyclesjobs>).

Instead of adopting grand strategies, innovation leaders pick a strategic direction, start getting things done, learn along the way, and keep pushing until small ideas become big ideas. Most importantly, they start with what they already have, looking at ways to develop existing products and ideas to make them better and more commercially successful. As long as companies wait for the muse to tap them on the shoulder with a big idea, they will continue waiting.

The reality is that almost anything you see as a big idea today started as a small idea that was nurtured, developed, and changed over time. We believe in big ideas because we tend to see only the result of the innovation process, so it is easy to believe in overnight successes. We do not see the whole process with the changes of direction and back-tracking, which led there.



The misconception about big ideas is the notion of overnight successes. With startups, the logic of big, overnight success seems to make

the most sense. Success may come after three months, or it may take 15 years – but 6 years is probably the average. Microsoft went public in 1986 – after a 1975 startup. For Google, those milestones were 2004 and 1996.

Moviemaker Sam Goldwyn famously said, “Give me a couple of years, and I’ll make that actress an overnight success.” It is the same with building ideas.

Myth 2: There Are Recipes for Successful Innovation.

Imagine that Steve Jobs could somehow return, as your guardian angel, advising you on what to do. Would that mean that your organization would suddenly develop huge innovations and become a market leader?

Not necessarily.

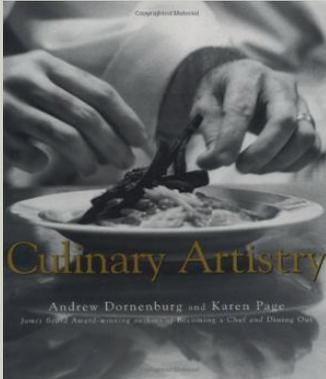
Of course, his advice could be helpful, but his recipe for success may not be *your* recipe for success.

The reasons are simple to understand. The industries Steve Jobs worked in are different from yours. His personality is different from yours. And the ingredients he had to cook with are different from yours.

The challenge is: we all like simple solutions, and we want to believe that there are recipes for success. In the world of innovation, there are thousands of “Gurus” and hundreds of thousands of “cookbooks” which claim to provide those recipes.

In this book, you will not find step-by-step recipes for successful innovation because, in my experience, they do not work. Instead, we will give you methods to combine ingredients in different ways to create something new. What you will learn are techniques that you can apply to your organization to encourage and foster innovation.

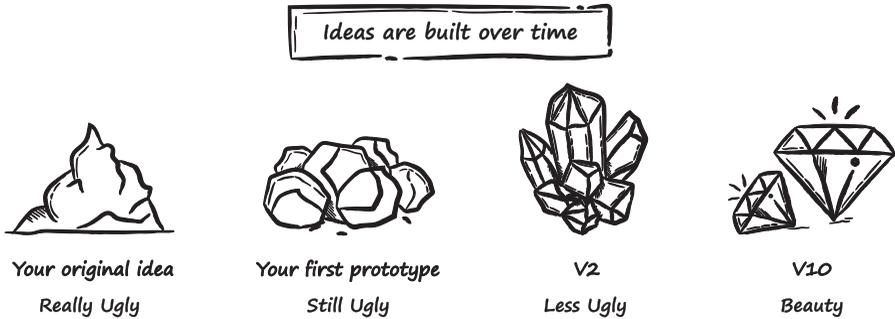
A few years ago, I received what I think is the most ingenious cookbook of all time; *Culinary Artistry*. There are a few recipes, but most of the book is built around ingredients. In the visual below you will see a sample of what can be done if you just have beets in your refrigerator. With this cookbook, you can cook with almost anything...



BEETS		
allspice	fennel	smoked fish, especially
anchovies	ginger	trout or whitefish
apples	horseradish	sour cream
bacon	lemon	tarragon
bechamel sauce	mache	vinaigrette
brown sugar	mustard	vinegar, specially balsamic,
butter	nutmeg	sherry and white wine
cheese	onions	walnuts
chives	oranges	walnut oil
cloves	paprika	watercress
cream	parsley	
crème fraiche	potatoes	
cucumber	prosciutto	bake
curry	salt	boil
dill	salt pork	steam
eggs, hard-cooked	shallots	

Myth 3: Innovation Is About Creativity, Not Systems.

Another deep-seated myth about innovation is that it is about creativity, and processes do not matter. It is a fundamental error; the companies that succeed at innovation invest in systems and processes that encourage, recognize, and implement innovation at every level. It is with systems and processes that we can turn a lump of coal into a diamond.



In J. D. Salinger's book, *The Catcher in the Rye*, the character Holden Caulfield says, "It's not too bad when the sun is out, but the sun only comes out when it feels like coming out." No successful organization can afford to wait for the sun to come out; they must ensure that it is shining all the time. They do that by putting in place processes that make innovation part of business-as-usual, not something that must await a singular burst of inspiration.

Larry Keeley of Doblin, an innovation consultancy, has followed the creativity versus systems debate closely for decades and insists that the answer is clear: "Creativity is maybe 2% of the innovation process. It's a vanishingly small component, and it's the part you can acquire from outside the firm."

Harold Sirkin, a consultant for the Boston Consulting Group, is even more emphatic, saying, "...firms have too many ideas and too much emphasis on creativity – more ideas merely choke the funnel even more." The more ideas a firm comes up with, the more critical it is to decide very early which of them to kill to avoid heading down countless and costly dead ends.

Of course, creativity is an innovation element, but you must be systematic about how and where you look for this and what you do with it when you find it. In the pages that follow, you will learn how to create systems that will unleash the potential for innovation within your organization, not just occasionally when inspiration strikes but continuously.

The Ingredients of Innovation.

A colleague's wife is among the best cooks I have ever met – possibly the best, and I include professionals in that statement. She loves to cook, and when a dinner invitation comes, it's accepted without question. Recently at dinner, her main course was stunning, and I asked her what she called it. She then explained that when at dinner recently in a restaurant she had never tried before, she had a delicious chicken and chickpeas casserole.

The chef had not been forthcoming when asked what was in the sauce, but the taste had given her some ideas, and she was trying out variations on that sauce. *"I didn't have any chicken, so I tried this monkfish. And John really doesn't care for chickpeas, so I'm trying this mix of three different kinds of beans."*

"But what did the recipe say?"

"I don't often look at recipes. Methods are more important. If you know how monkfish responds to heat, and how different that response is from when you're using chicken – and if you know how the proportion of herbs and spices you would use for chicken will change if it's monkfish in the pot – that's all you really need to know."

That was an eye-opener. One of the best cooks I have ever met doesn't follow recipes. But I believe that is probably true of most successful cooks. Instead, they use their knowledge of ingredients and preparation methods, cooking, and presentation to produce novel and appetizing dishes.

There is a lesson here for innovation. Recipes are prescriptive; they tell you in detail how to choose, prepare, combine, cook, and present ingredients to produce an acceptable meal. That can be helpful, but what you produce will be the same meal as everyone else who follows that recipe. Innovation is not prescriptive. It is about preparing, combining, and presenting ingredients in different ways to produce entirely new dishes. There cannot be a recipe for innovation because you are doing what no-one else has done before; otherwise, you are not innovating.

So, forget about recipes for successful innovation, as they probably won't translate directly to the needs of your industry, you may not have all the ingredients the recipe calls for, and they will simply lead you down the same path as the other companies following the same recipe. Instead, this book is about understanding the theories and processes underpinning innovation and creating systems to make these work for you. Therefore, I will not give you a recipe; I will teach you to cook.

Start with the Ingredients You Already Have.

Even with limited ingredients available, you can still innovate. Pet Rocks was a product developed by Gary Dahl, a freelance advertising copywriter from Northern California. One evening in 1975, he was chatting with friends when the conversation turned to pets and how

expensive they were to look after. “*Not a problem for me,*” said Dahl as a joke, “*I have a pet rock...*”

Everyone laughed, but later that evening, Dahl started thinking about it. With his background in advertising, he understood that marketing is the key to selling almost any product. Perhaps there was an opportunity to sell the ultimate, low-maintenance pet.

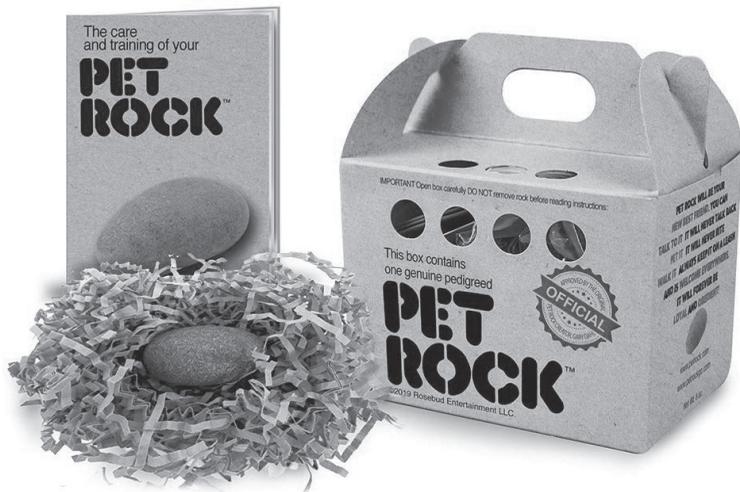
Over the next two weeks, Dahl wrote a thirty-two-page booklet, *The Care and Training of Your Pet*, which he filled with jokes, puns, and clever wording. He then bought a pile of rocks taken from Rosarito Beach in Mexico and packaged each rock in a cardboard box, which could also be used as a pet carrier (it even included breathing holes for the rock!).

By Christmas 1975, Dahl was selling more than 10,000 Pet Rocks each day. The Pet Rock craze did not last long – within six months, it was over, but Gary Dahl was then a multimillionaire.

Many people might think that Pet Rock was a big idea, but it was not. When asked about the unexpected success of Pet Rocks, he said: “*I think the country was feeling sorry for itself. What I mean is that there was Vietnam and Watergate and the recession, and the country needed a laugh. So I packaged a four-dollar giggle in a box.*”

Using his skills and experience in marketing and advertising, Dahl understood that he was not selling rocks at all; he was selling fun. The witty and irreverent manual was actually the core element of his product.

When he came up with the original notion for the Pet Rock, Dahl was creative. When he collected the rocks, designed the boxes, painted the rocks to suggest different rock characters, wrote the manual, and launched the product at the San Francisco Gift Show, he was innovating.



It is great to have a big idea, and sometimes that will work. But most successes are new ideas linked to things that have come before. They are in the area of what Steve Johnson called the “*Adjacent Possible*.”

Even when it appears to be exclusively the product of creativity, the most consistently successful innovation actually comes from recognizing small ideas and using available ingredients to grow them.

How Small Ideas Can Change an Organization.

While the story of Pet Rocks is interesting, most businesses are not based on a single big idea. Even in more complex organizations, new products almost always start with a small idea. Over time these simple ideas can grow to the point that they actually change the nature of the organization. Here are three examples:

Starbucks: Starbucks began as a small company selling high-quality coffee beans and equipment through a Seattle store. Only later did it start opening cafes and brewing coffee.

Amazon: Amazon began when Jeff Bezos started selling books by mail order from his two-bedroom house in Seattle in 1995. He intended to sell only books, but it rapidly became clear that he could use his new platform to sell just about anything.

Netflix: Netflix was launched in 1998 as an online DVD rental service. When DVD rental declined in the mid-2000s, the company switched to providing video on demand via the Internet.

All three of these companies have become internationally successful by adopting fundamental changes to their core business. In each case, it was the change that led directly to their success. Harnessing innovation allows organizations to identify such potential changes and to use them to grow and develop.

Successful organizations use innovation to identify potential changes in direction. A study of Inc. 500 companies shows that only around 15% are still in the business line in which they started.

Is there a change of direction that could turn your organization into the next Amazon, Netflix, or Starbucks? Only by building systems that allow you to identify, assess, and adopt innovation effectively will you ever be able to find out. Without systems, you may achieve random innovation success. With systems, you will be better positioned to grow small ideas into big ideas reliably, consistently, and repeatedly.

What Is Innovation?

There are hundreds if not thousands of definitions of innovation. Before we talk about succeeding at innovation, it is vital to have a clear definition. My favorite comes from another author, Doug Hall. He defines innovation as something *meaningfully unique*. He argues that innovation needs to provide value (something meaningful) and do it in a new way (uniqueness).

When something is meaningfully unique, customers notice the difference and are willing to pay more. As much as I like this definition, I believe the second, and often forgotten, part is the ability to capture this value created. Simply put, innovation is the ability to create value and capture value for you/your organization.

INNOVATION DEFINED

Meaningful Unique Value Creation

*If consumers are
not willing to pay
more, you are not
meaningfully
unique*

Value Capture

*If you are not
earning more you
are not innovating*

Innovation= Value Creation Value Capture*

How to Succeed at Innovation.

Successful innovation comes not from focusing on creativity or big ideas but by making a system – a process – from innovation. The birth of good ideas is not random. That does not mean they never happen by accident because serendipity is a wonderful thing and something most of us would hate to lose in this world. But serendipity is not something any company can afford to wait for or count on to just appear at the right times.

A systemic approach has been proven to reduce risks and increase the speed of innovation. When you put your faith in systems, over time, you will find ways to build ideas. The biggest and perhaps most crucial reality is that successful, one-off big ideas are very rare. The most reliable way to generate successful innovation is to take small ideas and grow them over time.

I want to mention the common wisdom that accepting failure is an implicit part of the innovation process. Failures can undoubtedly be an important part of the learning process, and failures are often the only way to make clear decisions. However, at the risk of going against hundreds of articles, speeches, and studies, I would like to suggest that a focus on success is at least as important as a willingness to accept failure. Why? In our lives and business, what we focus on, we get. Here are five rules for success:

1. Accept that recipes are not enough.

You need to know how important ingredients are, but you also need to know what combinations of ingredients will produce your best results. How do you do that? Trial and error would be one description, though more sensitive managers might prefer to talk about iterative processes and A/B testing.

Whatever you call this process, it amounts to the same thing: work out a combination of ingredients you think would work for you and test them. Analyze the results. Are they positive? Can you do better? How? Now try that new combination and test it again.

2. Take the time to understand the basics of innovation.

Be prepared to discard or modify an idea if it does not give you the level of success you were hoping for, as your first idea may not be your best. Keep innovating. Communicate with your colleagues and employees, asking them what you are doing well, what you are doing badly, and how you could do better.

Forgo the concept (that so many seem to have) that innovation is a desperate race against time. Yes, a degree of urgency is essential – but the most important thing is to keep going, keep testing and refining until you get what you need.

When you arrive at the right result, go with it.

3. Use the ingredients you already have.

Ready – Set – Cook was the American version of a Television show that ran in many countries (and is still running in Italy). Members of the public would turn up with a bag of ingredients expecting a celebrity chef to turn them into a meal. There has probably never been a better example of what we mean when we talk about using the ingredients you have available and not relying on a recipe.

British celebrity chef Anthony Worrall-Thomson was presented with a bag containing, among other things, a coconut. We can only assume that the person who brought that bag along intended to present a challenge that Worrall-Thompson could not meet. The chef, known to be a little testy on occasion, looked more than a little disconcerted as he tapped the coconut on the counter.

It was reasonably clear that he would rather have been tapping it on the head of the individual who brought it. But he used it! He used the milk inside the coconut, and the white coconut flesh, mixing these with other ingredients to produce a meal that may not have been *cordon bleu* but was certainly edible. He then served the meal in the coconut shell.

The same principle applies to your organization. You already have ingredients available, including talent, product, and service. However, yours will be a very unusual company if any of these resources are being fully utilized.

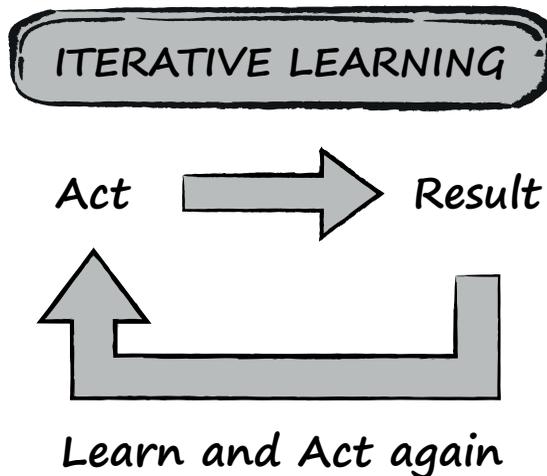
Before you start looking for additional ingredients, consider what else you can do with what you already have available.

4. Not enough ingredients? Buy or build some more.

You may discover that your list of ingredients is missing some essential elements. In that case, it may be a good idea to get some more. Unfortunately, there is no online or walk-in store where you can use your credit card to restock with innovation ingredients. Training and education are good ways to add to your existing ingredients and build what you already have into a successful innovatory business.

5. Build a learning focus.

Learning is intrinsic to successful innovation, and that means learning from failures as well as successes. Transformational products are a result of the systematic development of ideas. But this process is not just about creating new products, as one of the most important and valuable outcomes is learning. Every time you act, you gain information, you can then use it to inform your next action. This process of acting, learning, and using that learning to plan your next action forms an iterative learning cycle:



If you do not learn, you risk making the same mistakes, time, and time again. Innovation is about exploring the unknown, so there will be mistakes.

Creating a learning focus, where the importance of learning is recognized, and systems are put in place to capture that learning means that each step you take is informed by what you learned from the last step.

If you try to innovate without a learning focus, you are relying on luck. To

approach innovation systematically, you must understand the importance of learning and use that to inform the development process.

Key Take-Aways



- Think in terms of systematically building up ideas and not searching for big ideas.
 - There are no recipes for innovation success, but there are practices that will lead to success. The core of these practices is a commitment to building ideas over time.
 - Creativity is great when it comes, but systems are the answer if you want to increase your odds of success.
-



Next Up: Understanding the three myths of innovation is important because it helps you avoid the most common mistakes. Now you know what not to do, it is time to start talking about what to do and why theory is vital to successful innovation.

CHAPTER 3: THE POWER OF THEORY: IF YOU WANT YOUR INNOVATION TO FLY, THEORY IS THE WIND BENEATH YOUR WINGS



Don't just do it.

Flying into the Future.

Orville adjusted his goggles and settled himself more securely on the lower wing of the fragile biplane. The small engine popped and banged next to him, there was a strong smell of hot oil, and the twin propellers churned the air behind. He had done this more than a thousand times, yet each time there was a renewed flutter of nervous excitement. Perhaps, finally, this time, it would be different. Perhaps this time he really would fly over the low, sandy hills of North Carolina!

The theory of flight already had a long history, but no-one had been able to create a heavier-than-air craft capable of powered flight until that moment. The theory said that it should be possible, but most people assumed they would need a large and powerful engine. Instead, the airplane designers on the launch ramp in North Carolina had calculated that a lightweight engine producing only modest power coupled to efficient wings was the most likely solution to the problem of flight.

Orville Wright nodded to his brother Wilbur who released the weight which propelled the aircraft down the short launching ramp. It took off but began

to settle towards the ground, just as it had done so many times before. Then, incredibly, the propellers bit into the chilly air, and the airplane lifted above the sandy earth and briefly pointed its nose upward. This time, it was different. This time the *Wright Flyer* really did fly. On a December morning in 1903, innovation changed the world when the Wright brothers became the first humans to achieve sustained, powered flight.

What is especially notable about one of the most significant innovations in human history is that the Wright Brothers' work involved no leaps of intuition or sudden inspiration. Starting with an existing theory, the brothers systematically tested every aspect of it with their flying machine and then methodically refined and improved it.

The story of the *Wright Flyer* neatly encapsulates the power of theory. Theory can lead us in entirely new directions. Still, to become a practical reality, it must be harnessed to a process designed to test and improve to deliver tangible results.

Theory Is the Foundation for Active Learning.

The previous chapter explained how to avoid the three main innovation myths. This chapter sets out how you can begin the process of making innovation work for you. Like the last chapter, this is not just an idea; it is practical advice based on my experience and the outcome of a great deal of research. Avoiding the wrong route is important but identifying the right route for you is critical. For this reason, the theory is important in successful innovation.

When you are beginning something new, one of the problems is identifying where to start. I strongly believe, and the evidence of successful entrepreneurs agree that the right place to start is with a hunch. A hunch comes from your knowledge and experience, and hunches are essentially mini-theories.

However, theory alone will not build a new product. To do that, you need to test, develop, and refine your theory through action. A theory that is never tested through action is just a daydream. Action is what makes things happen and what helps us learn, but at the same time, action without the guidance of theory will most likely produce little more than wasted effort. Theory applied in business is not abstract and academic; theory is the essential starting point for productive action.

Successful innovation begins with a theory and then implements and tests this practically. It leads to active learning, where knowledge gained is used to move the process to the next stage.

There may be several available theories, and testing will establish which is most appropriate. In the Wright Brothers case, their work rejected the theory that a successful flying machine would require flapping wings. The brothers focused on one theory of flight and used experimentation and testing to refine their machine based on this theory. The *Wright Flyer* is the embodiment of active learning – at each stage of testing, they learned a little more about flight, the control of an airplane, and each new prototype featured improvements produced by this active learning.

It translates directly to business innovation. Use theory to predict what may happen if you follow a particular course of action, and this is how you test theories over time. Some may be rejected as a result of this testing. Others will be proven to be viable, and through prototyping, you develop a practical application of the theory. This process can be described in the following way:

When I do X, Y will happen.

Result of testing:

- **Confirmation** - theory strengthened.
- **Partially true** - look for revisions.
- **Not true** - look for new theories.

A good theory provides direction and opportunities to learn. Learning is the foundation of almost all innovation.

Don't Just Do It!

Many businesses, keen to ship a new product, do not want to spend time thinking about and developing theories first. Instead, they want to move straight to offering something novel as quickly as possible. I call this the “*Just Do It!*” school of entrepreneurship after Nike’s famous slogan.

Any organization that says, “*let’s just ship a product and see what happens,*” will quickly discover that this approach has some inherent flaws. Most notably, if the project’s objective is only to see what happens, something will always happen! However, because the project will lack the underpinning foundation of theory, it will not deliver what Eric Ries, author of *The Lean Startup*, calls *validated learning*. Following the *Just Do It!* approach might deliver sales success, but you will not learn why this happened or how you can improve or refine for future success.

Speed is certainly an essential element of successful innovation but adopting the *Just Do It!* approach turns innovation into a lottery – you may be lucky or may not, but what you will not do is learn why you failed or succeeded.

Learning is the true measure of progress in any organization interested in innovation. Learning means that you understand what happens and why it happens, which is a key element in successful innovation.

What Is a Theory?

Before we go too much further, it is probably a good idea to pause for a moment to describe precisely what we mean by theory.

In simple terms, a theory says, *If I do “X,” I believe that “Y” will happen.* It is a way of predicting the outcome of planned actions even when these are new and untried. All theories can be proved (or disproved) by testing and experimentation.

The primary characteristics of a theory are:

- Theories are conceptual, based on prediction using mental concepts.
- Theories are based on models, using available data to support predictions.
- Theories provide a robust way to understand planned changes' effect and impact, even where actual data is limited.
- Theories are as simple as possible.

Theory is essential in business, as all management and innovation practices are based on predicting the future. Managers must develop and test theories in the same way that scientists do. By building on historical theories, we can create new, improved theories for the future.

Let us now discuss a few main characteristics of theory.

Theory provides a structure on which to build. Imagine an empty plot. Imagine that you must build a house on that plot, but you do not have a detailed plan.

In these circumstances, the completed house is unlikely to be satisfactory. Building the basement without understanding what the ground floor should look like is sure to present a whole set of unforeseen problems that will result in extra work.

Trying to implement innovation without an underpinning theory is like trying to build that house without a plan. Theory provides the unifying foundation, which ensures that you do not waste effort on research, that is not directly related to your intended end-result. Theory helps to direct your efforts and resources to ensure that you deliver the innovation you need as effectively as possible.

A good theory is the “first-principles” truth you can build on.

Theory helps us to predict what may happen in the future. Reliable prediction is an essential element of effective management. Theories help to accurately predict what may happen if we implement changes to business processes, products, or systems. Theories help us evaluate potential innovation. In the words of my favorite author on innovation:

“The best way to make accurate sense of the present, and the best way to look into the future, is through the lens of theory.”

CLAYTON CHRISTENSEN, *SEEING WHAT'S NEXT*

Theory allows us to move beyond current data and observations and to explore the potential consequences of innovation.

However, a theory must not be treated as dogma, fixed, and unchanging. The ability of a theory to provide reliable prediction must be subject to ongoing, systematic empirical testing. If the theory provides accurate prediction, it may be refined and improved. If it does not, the theory must be revised or even discarded entirely.

Knowledge and understanding come from the learning involved in the development and testing of theories. It may involve an appreciation of what will work or perhaps a recognition of what will not. Both are equally valuable, and successful innovation comes directly from the learning which emerges from the practical application of tested and refined theories.

The Power of Theory Lets You Invent Like Edison.

Many people associate innovation with genius and leaps of intuitive reasoning made by people of extraordinary natural ability. Albert Einstein and Leonardo Da Vinci are often cited as examples of individuals who appear capable of making such great leaps of knowledge; however, true genius is extremely rare. Most innovation comes not from a single major paradigm shift but as the culmination of several smaller, iterative improvements.

Neither Orville nor Wilbur Wright woke up one morning and suddenly said, *“Hey, I think I know how to build an airplane!”* Instead, they methodically refined and improved a basic design based on an existing theory over several years. That is how most successful innovation works.

Fortunately, an effective innovator does not have to be a genius. One of the most consistently successful innovators was an American inventor named Thomas Alva Edison. Edison submitted more than one thousand original patents in the United States and more than five hundred worldwide. How did he do that?

The answer is that he created the world’s first industrial research laboratory where a team of researchers relentlessly investigated theories by testing and experimentation. The establishment of what became known as the *“invention factory”* in Menlo Park, New Jersey, led to Edison’s name becoming popularly known as *“The Wizard of Menlo Park”*.

However, the truth is that there wasn’t any magic involved in the facility, which generated a new patent, on average, every twenty days. Edison employed top scientists at Menlo Park continually developing new theories and testing existing ones that were either refined or discarded. Prototypes were created, tested, and improved. Innovation emerged from this process not by happenstance but as a planned output from this unique and first of its kind facility.

Many modern research and development facilities follow the lead established by Edison at Menlo Park. However, even if your organization does not have dedicated R&D facilities, by effectively using the facilities and resources available, you, too, can harness the power of theory to turn your business into an innovation factory.

Understanding Theory Is About Learning How To Think, Not Being Told What To Think.

Theories tend to be unique to organizations and the circumstances of the period in which they operate. For this reason, you cannot take a theory that works for one company at a particular time and expect it to work in another company at a different time.

Instead, theories provide a way of understanding problems and framing possible solutions by predicting what may happen in the future. No theory is right or wrong; it either provides an accurate prediction, or it does not. No theory lasts forever; customer expectations, competition, and available technology all change over time; therefore, theories must change too or become obsolete and ineffective.

In terms of innovation, there are no one-size-fits-all theories that work for every organization. However, some general approaches consistently produce good results, and we will talk about these later in this chapter. Instead, successful innovators must understand how to develop and test theories that are specific and unique to their organization and circumstances.

How To Build a Theory.

There are three steps to building a theory:

1. Make a hypothesis.
2. Test it.
3. Check if it produces the expected results.

Every theory begins with a hypothesis, a supposition made based on available evidence as a starting point for further testing. It will take the form of *“If we do X, then Y will happen.”*

Next, the theory is tested. When *X* is done, is the result *Y* as expected? Testing is essential in confirming that the original theory was correct and checking whether the underlying assumptions are also correct.

Any theory is based not just upon what happens but also on why it happens. You cannot reliably make your predictions if you do not understand why things happen. When testing a theory, sometimes the outcome is not entirely as predicted. These must be investigated to determine whether the original theory or the assumptions on which it was based, are incorrect or incomplete.

In this way, organizations use theories to learn about what may happen in the future and their existing systems and processes. Learning organizations can adapt to changing circumstances that are profoundly beneficial in today’s rapidly changing business environment.

Theories for Innovation.

How can you create theories that will facilitate innovation in your organization? You will find no shortage of experts to tell you what to do, but the sheer number of different approaches is bewildering. At the last count, there were more than seventy thousand books on innovation on Amazon alone. On LinkedIn, there are over one million “*innovation consultants*”.

Of course, you could read all the available literature and scholarly articles to decide what works for you, but there is another way. I have tested different theories with over four hundred organizations over a period of several years. I reviewed hundreds of academic articles (you will find a list in this book’s Further Reading section). I also conducted person-to-person interviews to validate questions and to test our hypotheses.

That work provides the foundation for this book. Nothing here is presented without backed-up evidence supported by years of experience. One of the most important things we have discovered is that four theories are consistently providing the best innovation results within a wide range of companies. These are:

What you need to know	The theory
Big ideas are grown.	If you want to end up with big ideas, you must begin by growing small ideas.
Winning companies have improvement habits.	If you can embed improvement habits in your organization, you will be able to grow bigger and better ideas.
Effective speed and effect make a world of difference.	If you cultivate a sense of urgency and a culture of speed, you will grow ideas faster and more effectively.
The ABCS are the fundamentals of innovation.	If you want to succeed at innovation, you need a proven method to follow. The ABCS provide a powerful, proven, step-by-step method to ensure successful innovation.

Let’s look at these in order and see why these theories consistently deliver positive results.

Big ideas are grown. As discussed in the last chapter, one of the three most believed myths about innovation is that it is about big ideas that emerge overnight. The reality is that the most successful innovations are grown over time by developing theories and their methodical testing and ongoing learning.

For example, America’s most beloved chocolate, Hershey’s, resulted from a collaboration between three companies and the outcome of years of experimentation and learning about market needs. Until 1903, chocolate was a luxury only the rich could afford. However, all changed when Milton Hershey set up his Experimental Plant in the town of Hershey, PA. After years of experimenting with milk, sugar, and the cacao bean, Milton Hershey finally succeeded in making chocolate affordable for all.

Before establishing Hershey's, Milton Hershey had already failed at a candy shop in Philadelphia and a caramel business in New York. His success came after thirteen consistent years of failure. However, along the way, Hershey learned about what did and did not work in the field of chocolates and used this learning to finally produce a hugely popular product.

It is just one example that shows how the notion of overnight success held by so many people is entirely wrong. Big ideas are rarely born in an instant; they are almost always grown over time. Theory is an essential part of growing ideas and learning from that process.

Winning companies have improvement habits. Dr. Edward Deming created a famous list of the fourteen points every management system should strive for, and the first point, and perhaps the most crucial, was the constancy of purpose.

As Deming put it, "*Create constancy of purpose toward improvement of product and service, with the aim to become competitive and to stay in business, and to provide jobs.*" It is a prerequisite to building and maintaining an innovation system.

The constancy of purpose refers to looking towards the future with the full expectation of and preparation for success. Management looks after its employees, while it is the employees' responsibility to improve the products being offered to consumers. Everyone in the company has the same purpose; make a profit and maintain an advantage in the market through improvement.

James Dyson built exactly 5,127 prototypes before building an effective vacuum cleaner that did not clog and did not need a bag. Each prototype was incrementally better than the last. It takes long-term improvement habits and mindset to create a revolutionary product. Dyson used this approach to innovate a new product and successfully compete with the market leaders at that time; Hoover and Electrolux.

Successful companies make improvement and innovation part of the everyday ethos of their business.

Effective speed and effort make a world of difference. Theory provides the essential underpinning to innovation, but that does not mean that you should spend unlimited time developing theories. Speed and agility are also crucial aspects of any successful innovation system. There is no point in spending months developing and testing theories only to discover that your competitor got there first. Likewise, if something entirely new becomes apparent during testing a theory, you must be ready and able to change direction quickly.

Research done by Siegfried Streufert and others proves that a sense of urgency is linked to better managerial performance in companies. Our own experience backs this as our research classified companies by their level of innovation success ranking by percentiles. On average, large companies (>1,000 employees) focused on speed scored in the 72nd percentile while companies with speed issues scored in the 24th percentile.

Zara is one of the most well-known retail clothing stores in the world. It provides affordable clothing that looks as though it is straight off the runway at a fashion show. The reason for this is that it usually *is* straight off the runway.

Zara employs a business model that prioritizes speed, which is why their time from runway to store is very short. They also use a “*Just in time production*” strategy to avoid overproduction and a tight synergy between business strategy and operational processes.

For Zara, part of the secret to their success is the speed at which they bring new and innovative products to the market. For most organizations, speed is an essential element of successful innovation.

The ABCS are the fundamentals of innovation and this book is based around the ABCS of innovation. It is an approach that will help you build ideas into theories and theories into real-life products. We will cover the ABCS in more detail later, but for the moment, I want to introduce the overall approach:

- **A** is for **Alignment**. If innovation is to succeed, everyone in the company must be thinking and working together towards a common goal.
- **B** is for **Build**. Ideas are built, and these can be ideas for new products, processes, or systems.
- **C** is for **Communicate** and **Check**. If you are going to grow your ideas successfully, you must communicate what you are trying to do and why. When you are testing theories, you will constantly check that you are achieving what you have set out to do.
- **S** is for **Systematically Improve**. Successful innovation is not random or subject to chance. It is the result of a methodical process of identifying, evaluating, implementing, and testing. This process of systematic improvement must become embedded in every level of the company’s ethos and operations.

Innovation Is the Product of the Parts $1*1*1*0 = 0$.

In the systems chapter of this book, we’ll explain that a system is the product of its parts. If a systems’ results were the sum of its parts, getting three out of four things right would be fine. But, the reality in most systems (including innovation systems), the success of a system is driven by its weakest link, meaning if you get one thing wrong, the whole system can fail.

Align	Build	Check	System	Results
✓	✓	✓	✓	Bigger ideas, faster at lower risk
X	✓	✓	✓	Chaos, wasted energy
✓	X	✓	✓	Weak ideas, small improvement
✓	✓	X	✓	Resources wasted on bad ideas
✓	✓	✓	X	Small wins, no big improvement

The ABCS is the logical, sequential parts of a process. An innovation leader's job is to identify which stage the organization has reached and either improve the work done or move to the next stage quickly and efficiently.

By systematically and methodically following the process defined by the ABCS, you optimize your chances of innovation success.

Developing Innovation Theories that Work for You.

You should now understand why theory is an essential element in any successful innovation system. You should also understand the four general approaches that will enable you to make innovation work within your organization.

You may feel that it is now time to turn to a consultant to find your organization's perfect theory. However, please be aware that there is a significant difference between general approaches and specific theories for your company. As covered in the last chapter, innovation is a lot like cooking. The same ingredients can create a good or bad dish, and the same recipe will never turn out exactly the same for everyone.

Innovation success comes not from slavishly following someone else's recipe but from understanding what ingredients are available to you (and which may be missing) and how each reacts within your organization. Successful innovation is about using an innovation culture to generate good ideas and then learn from this to translate these into theories and practical solutions in *your* organization. In this book, we will show you how.

Now let's get started...

Key Take-Aways

- **Theory provides a direction and focus for action** – the only way to move forward is to take action, but action needs to be informed by theory to avoid wasted effort.
- **Theory without action leads nowhere** – you can't sell a theory. You need to take action and test your ideas to find out whether you can turn them into a product.

Next Up: In the next section, we will look at one of the fundamental parts of the ABCS of innovation; Alignment. For innovation to succeed consistently, everyone must understand not just what to do but why they are doing it.

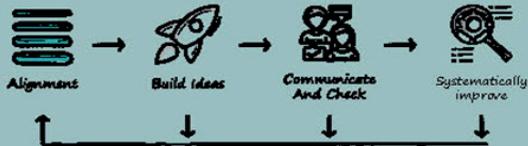
PART

2

ALIGNMENT



Alignment



CHAPTER 4: ALIGNMENT INTRODUCTION



Innovation is a journey. To be sure that an organization is moving in the right direction, everybody must know not just where you are going and how you're going to get there but also why it is important.

That is what alignment is. It means ensuring that everyone in your organization, from top to bottom and horizontally across divisions and departments, understands the destination and how they can contribute to getting there. That begins with the development of a clear statement (**Mission**) that:

1. Everyone is aware of and understands.
2. Is simple and easy to remember.
3. Inspires action.
4. Provides clear and measurable goals.

It also means identifying market requirements (**Needs**) and having a plan to deliver and extract maximum benefit (**Value**) from your operations. Finally, it is about clearly and honestly understanding who you are (**Culture**) and how that contributes to moving the organization forward.

Alignment is fundamental to successful innovation. Without alignment, you will waste resources and may inadvertently introduce unhelpful competition between different parts of the organization. Alignment is the foundation upon which you will build the systems and processes that facilitate innovation. Without alignment, this will be extremely difficult. With alignment in place as the first step, your journey to innovation success will be shorter, easier, and deliver what you need.

In this section, your challenge will be to answer some fundamental questions about your business. Each chapter should add a bit more clarity about how to

do that effectively. By the end of this section, you will understand what alignment is, how to measure where your company is now, and how to clarify the way forward using our TRUE NORTH tool.

Deliverables.

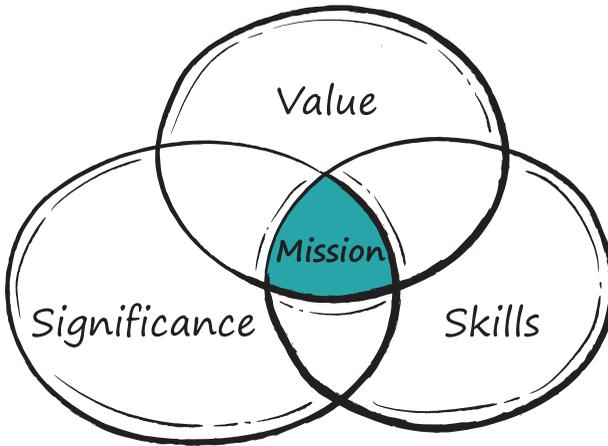
After working through this section, you will identify three or four TRUE NORTH priorities for your organization. These might be the following types of challenges:

1. Changing what you do and why.
2. Changing how you work to create and extract more value.
3. Changing your culture to allow you to work smarter and support your innovation objectives.

Let's get started.

CHAPTER 5: FINDING YOUR MISSION: INNOVATION MAGIC HAPPENS AT THE INTERSECTION OF SIGNIFICANCE, SKILLS AND VALUE

This chapter was co-written with Charles Umeh and Yuri Kruman.



**From jump shots to Toy Story,
a mission helps you follow the road
to success even when that looks like a
looping, twisting roller coaster.**

Don't Follow Your Dream.

Phff.. strike one! Phff.. strike two! Phff.. you're out. When you are six foot six, your strike zone is large, and when you have not played in years, it is hard to compete.

Michael Jordan followed his dream to go from being one of the most highly-regarded, best-paid basketball players in the world to becoming one of the worst professional baseball players on a minor league team.

Jordan had led his basketball team, the Chicago Bulls, to their third consecutive NBA championship and was at the height of his career. But, Jordan dreamed of playing Major League Baseball. He left basketball and joined a minor league baseball team, the Birmingham Barons. Jordan certainly believed that being an exceptional athlete, he could succeed. He was passionate about baseball and trained for the new sport just as intensely as he had for basketball.

Despite this, he struggled with a low batting average and too many fielding errors. Near the end of this attempt at his second sports career, Jordan called himself “*the worst player*” on the team, with few fans or commentators disagreeing.

What went wrong? For one thing, Jordan lacked years of playing experience compared with his teammates. It had been over a decade since he played baseball, and it quickly became apparent that his innate talent was not directly transferrable from basketball to baseball.

Why is this relevant to innovation? A dream alone is never going to be a reliable route to successful innovation. Instead, an organization needs a mission, an agreed goal to work towards achieving. Effective missions are not mere aspirations; they describe goals that exist at the confluence of three things; significance (why you do what you do), skills (the attributes and abilities needed to do it), and value (the ability to generate revenue from what you do). Achievable missions must include all three elements.

Michael Jordan’s clear mission to become a successful baseball player was not achievable. While he had the *significance*, evidenced by his passion for the game, he simply did not have the *skills* needed and could not deliver the *value* he and his team wanted. A dream and passion are not a viable alternative to having a balanced mission.

A Mission Is Where the Magic Happens.

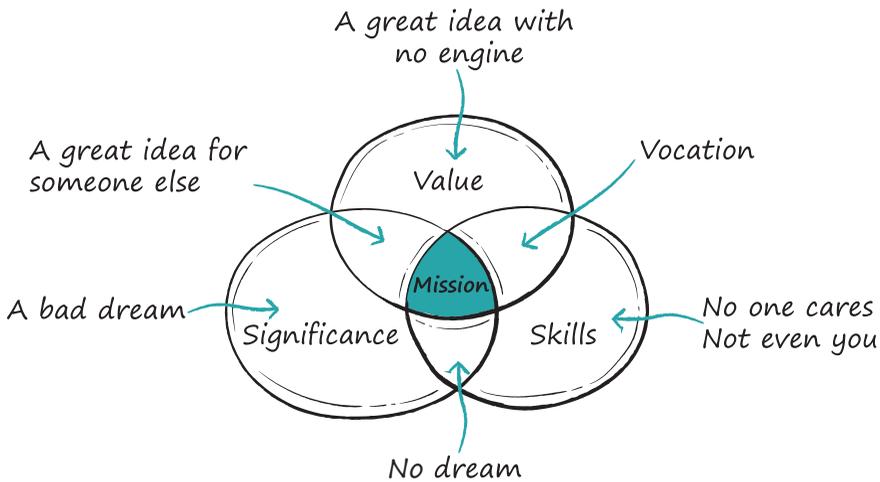
A mission that everyone understands is a vital part of alignment. If everyone is clear about the goal and why, they will also know what needs to be done to get there. However, if it is to be achievable, a mission must lie at the intersection of significance, skills, and value. If the mission lacks any of these three elements, it is likely to fall short. Think of your mission as the answer to the big “why” question, the core reason, and justification for your organization’s existence.

As the author and speaker Simon Sinek said in his massively viewed TED Talks and his book *Start With Why* – the most successful leaders and companies establish a deep understanding of and ability to communicate the why for their businesses. Why does your business exist? It is not just about making a profit; it is about the fundamental purpose behind what you do.

Getting your why right is not just about passion and commitment. It is also about what you have the skills to do well and derive value from, as without any one of these elements, your mission will be like a three-legged stool with one leg missing.

For example, you develop a product that you think offers value. However, if no-one wants that product or it does not provide enough value for the market to pay for it, it is a wasted effort. An idea that offers value might be compelling, but without the right skills and significance, that value alone will not have the power to drive it to success. When you pursue something that you are good at, but no one cares about, that is even worse.

The Intersection = A sustainable mission



The most important message to remember is that you must establish a viable mission built on significance, skills, and value to answer the big *why* question.

Dreams Are Not Enough.

Ask a successful person what you should do to be successful, and often their answer may include the advice; *"follow your dreams"*. On the surface, that seems to make sense, and it feels emotionally right. Some people *do* follow their dreams and turn a passion into a successful career. But, what about the far greater number who follow their dreams and fail?

In part, we are misled by what is called survivor bias. Survivors, the ones who succeed, are generally the only people who want to tell their stories, so we believe what they say and use them to inspire us. They tell us how they followed a dream and succeeded, but we never hear about the far larger numbers of those who followed a dream only to end up broke and unhappy.

Dreams can be valuable in providing passion, energy, and commitment, but dreams alone are not enough. You may not have the right skills or value to back-up your dream, and there is also a good chance that the market is not ready for your dream.

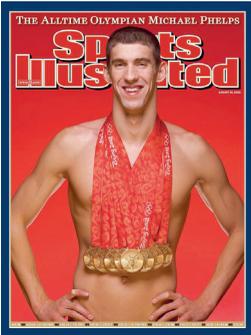
Another piece of advice often dispensed by successful people is *"never give up"*. If you follow a dream, that makes sense; after all, what is left if you give up on your dream? If you have a mission instead, sometimes giving up on one thing to focus on another is precisely the right thing to do. In his book, *The Dip*, entrepreneur and author Seth Godin says, *"Winners quit all the time. They just quit the right stuff at the right time"*. In other words, they realize that time, energy, and resources are limited and choose to focus on the challenges they can win.

Betting it all on dreams is not basing your venture on the “*three legs*” of a sustainable mission. The reality is that dreams alone will not always pay the bills. Just ask Michael Jordan.

Skill Is Not Enough.

Success can be deceiving. There always is more to the story than just a big payoff of awards, celebrity, money, and fame.

Take the case of 23-time Olympic gold medalist Michael Phelps. We look at Phelps’ photo on the cover of *Sports Illustrated* magazine wearing all of his medals.

 <p>The ALL-TIME OLYMPIAN MICHAEL PHELPS Sports Illustrated</p> <p>Source: <i>Sports Illustrated</i> August 25, 2008</p>	<p>We might think the following:</p> <ul style="list-style-type: none">• Big feet• Sleek, fish-like physique• Intense competitor• Amazing talent• Natural born swimmer
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Those things are all true, but natural abilities and innate skills alone did not make Phelps a multiple Olympic champion. We tend to forget that he has been practicing and training, often beginning at 4:00 a.m., for over ten years. Phelps worked extraordinarily hard to develop his natural abilities into the skills needed to achieve his mission of becoming an Olympic Gold medal winner.

Phelps is an excellent example of what is called “*naturalness bias*”. We tend to favor “*naturals*” over “*strivers*” even when their achievements are equal.

Naturals are those we believe have extraordinary innate skills or talents we perceive as the reason for their success. *Strivers* are those who put in the extra, sustained work to build on their talents and develop their skills to achieve success. The truth is that Phelps is a great example of a striver, as are most people who succeed in any field.

Chia Jung Tsay and Mahzarin R. Banaji researched this type of bias. They published a report titled, *Naturals and Strivers: Preferences and beliefs about sources of achievement*. They summarize their findings as follows:

“Both talent and effort seem to be relevant to skill development and eventual levels of performance, and we should not assume that talent is necessarily less malleable than effort, or vice versa.”

In other words, natural talent can and must be nurtured through effort to create skills that deliver on their potential for performance.

Your skills can be improved and must be aligned with significance and value to achieve success.

The Fact that People Are Willing to Pay Is Not Enough.

In 1899, 30 American automobile manufacturers were each producing 2,500 cars a year. Ambitious entrepreneurs recognized a vast potential market, and during the next decade, another 485 auto manufacturers entered the market. But by 1929, the number of active manufacturers had dropped to only 44. The simple truth was that many early cars were unreliable, inefficient, and expensive, forcing many manufacturers out of business in a very short time. Today, there are only four major car producers in the US.

The lesson is that just because there is a big market for a product that people are willing to pay for does not mean everyone has the skills to produce that product at a price that will make it commercially successful. Many early car-makers had significance; some offered value, but they could not create sustainable businesses without the skills to turn these into viable products.

The Power of Alignment.

You can see how the magic happens when the three necessary elements – significance, skills, and value – align with a mission, and not when you follow a dream.

Jim Collins, the author of *Good to Great* and *Built to Last*, describes the idea of proper alignment as the “*Hedgehog Concept*”. It comes from a comparison of foxes and hedgehogs. Foxes are quite good at lots of things, while hedgehogs are very good at just one thing. They roll up in a ball so they can’t be eaten. You might think that would give foxes a better chance to do well, but by exploiting the one thing that they excel at, hedgehogs have successfully survived as a species. Collins notes that the equivalent in the business world is “*a simple, crystalline concept...*” that springs from the intersection of the following:

1. What you are deeply passionate about (**significance**).
2. Recognizing what you can be the best in the world at and, equally important, what you cannot be best in the world at (**skill**), and
3. What drives your economic engine? (**value**).

In a study of over 1,100 companies, Collins showed that companies committed to a Hedgehog Concept were the ones that had the best chance to be great. These companies grew four times more and generated 20 times more stock value than similar companies that did not adopt the Hedgehog Concept.

Alignment Can Take Time to Fall into Place.

Sometimes it can take time for all three elements of a mission to fall into place. For example, in 1979, Ed Catmull was hired by Lucasfilm to investigate the development of digital image effects for movies. Catmull and his team were successful and created the Pixar Image Computer (PIC), capable of, amongst other things, digitally editing film.

It represented a huge technical step forward, but the editors at Lucasfilm were simply not interested. They were knowledgeable and experienced in the old method of physically cutting and gluing together movie film lengths and did not want to learn an entirely new technique. There was no doubt that the PIC offered value, but in 1979 the movie industry was not ready to adopt the new technology it offered.

In 1986 Lucasfilm sold the rights to the PIC and the team that had developed it to Steve Jobs. His intention was quite different; to market the PIC as a high-end workstation, and Catmull became President of Pixar Inc. However, it quickly became clear that the market for a graphics workstation that cost in excess of \$100,000 was very, very limited. The PIC still offered value, but turning it into a commercially viable product proved beyond even Steve Jobs.

The breakthrough finally came in 1991 when Pixar made a deal with The Walt Disney Company to create three movies. Instead of selling the hardware and software they had developed, Pixar would use it themselves to create something entirely new; digitally animated movies. In 1993, Disney gave the green light to production of the first full-length, entirely computer-animated feature film, *Toy Story*.

Before the film's release in 1995, Steve Jobs (who was also the film's Executive Producer) told reporters that if it made \$75 million, Disney and Pixar would break even. If it reached \$100 million, both companies would make money. *Toy Story* went on to make more than \$350 million worldwide, and it became the highest-grossing US movie of 1995.

The skills and passion of the Pixar team remained constant, but it took fifteen years until these things aligned in a new deal that finally delivered value, and it was possible to turn them into a commercial success.

Align Your Mission with Your Business.

The right way to move forward with a properly aligned business is to find a mission at that magical intersection of significance, skills, and value.

It means you must be flexible in balancing your passion with the realities of finding an aligned mission. With flexibility comes the development of the necessary skills and experience to enable you to reach success faster. Flexibility also allows you to be open to related or unexpected opportunities along the way, especially if you reach a point where you feel stuck. A mission is not static, just as significance, skills, and value evolve.

A mission requires flexibility, as well as consistency of purpose. That does not mean that you should never give up, but it may mean keeping on going until significance, skills, and value are aligned. The Pixar team could have given up on the PIC, but instead, they persevered until they found a deal that allowed their skills to coincide with significance and value in creating a mission to create animated movies.

Key Steps To Drive Your Mission Forward.

To clarify your significance, skills, and value, use the following exercise. It is your preparation process, a time to give your ideas deep thought and test them. Strive to be a champion of your ideas but also a tough critic.

Step 1: Agree on what is important

Ask yourself a fundamental question; why does my organization exist? Purpose is the pivotal point of a successful organization, according to *Forbes* magazine contributor William Vanderbloemen, citing a study by the Korn Ferry Institute. The study found that companies with teams focused on their organization's purpose had annual growth rates nearly three times that of their industry's average. Your purpose is at the core of your passion, which results in significance and leads to mission.

Something to believe in motivates people. In our TRUE NORTH tools (that you will see later) the core is the story. You can also define a Massive Transformational Purpose (MTP) to motivate people. Citing research done at the Singularity Institute, author Salim Ismail argues that a bigger goal – an MTP – can drive people to change the world.

There is also good evidence that meaningful significance also improves customer engagement. In other words, a purpose-driven company is trusted, respected, and held in high esteem by customers. In the book *Corporate Culture and Performance*, Harvard Business School professors John Kotter and James Heskett say that over a decade-long period, purposeful, value-driven companies outperform their counterparts in stock price by a factor of 12.

So, answering the *why* question is at the heart of a true mission – what is important – rather than just a slogan or abstract vision. Your mission should capture the human level of motivation behind the passion for your enterprise. It means you must figure out the important things you are going to do for the world; your significance.

Step 2: Use and develop the right skills

How many startups have founders who already possess all of the talents and key skills necessary for success? It is very rare. There usually is no shortage of passion (significance) and at least some potential for value in planned products and services. But many startups fall short of the right skills to create those products. Turning ideas into a viable commercial operation cannot be done without the right skills.

When assessing your skills, watch out for two common mistakes:

1. Overestimation of current skills – A psychological condition called illusionary superiority refers to a vast population who think they are better and more skilled than they really are. Many university investigations and psychological studies have shown that overconfidence leads to inadequate adaptation to task demands, thereby increasing failure. The same can be true in business by startup founders who overestimate the number of responsibilities they can manage effectively and the level of skills needed for the efficient development of their products.

2. Underestimation of work – When I work with startups and innovation teams, I know from direct experience that everyone over-estimates the impact and underestimates the time required. My rule of thumb is to multiply time estimates by three. (Note: Even being aware of this bias, I have made the same mistake. I guessed that this book would take six months to write. It actually took over 30 months.)

I am sorry to say this, but chances are you are not as good at what you do as you think you are. Even if you are successful, your views about how good you are at what you do may still be skewed. Research has shown that the best performers are also the most likely to have an accurate and realistic view of their capabilities. It is good to be confident, but you still need to be realistic about your skills and identify where you and the organization need to improve.

Step 3: Determine the real value

The final step is to assess the value your product or service provides to customers. Value includes the benefits you provide and the customer experience. Again, this relates to accurately addressing the real job your customers want to get done (and we'll be talking more about that in the next chapter).

According to a Temkin Group study, 73% of companies with “*above average*” customer experience maturity perform better financially than their competitors. Customer experience equals value. If you want to be paid for the value your products or services offer customers, then you must give them the experience they desire or expect.

When prospective customers are not willing to pay what you want for your products or services, then re-develop them to offer better value and more accurately match those customers' (the market's) needs.

Companies too often fall into the trap of illusionary superiority, thinking that their products or services are better than they are or offer more value than they actually do. It can result from inadequate market testing or research, as well as ineffective product development processes. Again, customers must see the value you provide to accomplish the job they want to get done.

Illusionary superiority could have prevented many famous companies from re-developing their original product concepts into ones that offered the right value for customers. Good companies are rigidly focused on value. Great companies keep pivoting until they find where they deliver the most value. For example, consider these companies:

- Flickr, the photo management and sharing platform, started as a game.

- Facebook, the social network platform, started as a “hot or not” type student website called FaceMash at Harvard University.
- Twitter, the messaging platform, started as a personal podcasting and audio content sharing service.
- PayPal could have died as a service to send money between Palm-pilots. Instead, it grew into a billion-dollar company that revolutionized online payments.

The Mission for Missions.

A clear definition of your mission should be as simple as this: Identify the important thing you want to do (significance), can do (skills), and what people want and are willing to pay for (value). Another way to summarize this is that you should strive to transform the ideas you are passionate about and can deliver the ideas the world wants (and will pay for).

If you were to pitch an investor about your enterprise, would he/she be sold on your mission? Could you “sell” your mission in terms of passion, execution, and profitability?

Having an achievable mission is essential, but do not think that this will lead to overnight success. A meaningful mission does not magically map out a straight line to success. That path will have far more twists and turns than you ever expected. After all, 81% of the Inc. 500 companies are different from the businesses they launched.

However, a business creation process founded on the right mission certainly can have a shorter and less challenging journey to success. Using the Hedgehog Concept leads to focusing on what you do best. Learning and product development cycles lead due to improvement, making fewer costly mistakes over time and the right people handling jobs that suit their skills. Plus, the customer’s needs or jobs always rule every step of the company’s growth.

Missions keep you focused on your goals. Zig Ziglar, the legendary motivational speaker, and author, has told a story about this point. He cites the famous archer, Howard Hill, who won all of the 267 archery contests he entered. He could hit a bullseye at 50 feet, then split the first arrow with the second shot. Would it be possible for you to shoot better than he? Yes, if he were blindfolded!

You cannot hit a target; you cannot see. Even worse, how can you hit a target you do not even have! You need to have clear GOALS! Your goals are your target, and a clear mission identifies how you will reach those goals. That is your key aim for your business.

A common fallacy with innovators is summarized in the old saying, “*If you build a better mousetrap, the world will beat a path to your door*”. The reality is that the world is filled with mousetraps, and most of them are pretty good. In today’s world of hyper-competition, your product cannot just be a little better than others to accomplish your mission. As entrepreneur Peter Thiel says, you must be ten times better.

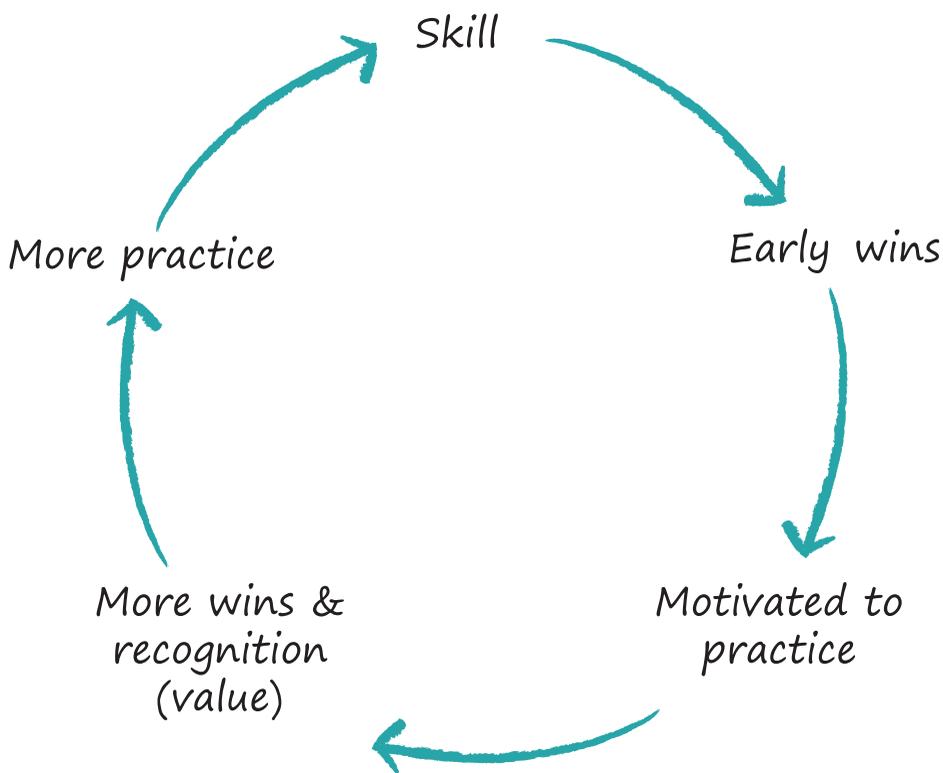
If your product is not ten times better, it will be difficult to sell it in a crowded

market. You will not be able to differentiate your product from existing solutions. Plus, customers will not be willing to pay switching costs – the cost of changing from the solution they currently use to your solution – unless they are gaining a huge benefit.

He says there is an exception- sometimes cheaper can be better. He offers the target half as good and 1/10th of the price.

Whatever your strategy, the key to success is much more than a marginal improvement? How do you get there? Through hard work. Hard work results from a mix of the right project, the right skills, and ongoing dedication. Getting your mission right is the most crucial first step on this path.

Our research clearly shows the power of constancy of purpose and building on successes step-by-step. Looking back at the Michael Phelps story, you can see how skills, passion, and feedback can make a powerful recipe for success, as illustrated below. And remember that the value lies in Phelps', his sponsors, the US Olympic Team's and others' return on investment, and benefits from his swimming success.

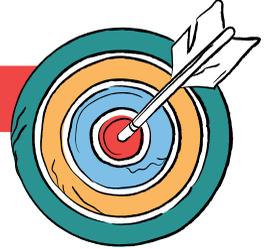


Michael Phelps' hard work cycle

How Does Your Mission Rate?

Here is a quick exercise to grade your mission.

1. Identify something important you are working on.
2. Rate the significance, your skills, and the value each on a scale of 1 to 10. (1 = missing and 10 = perfect)
3. **Multiply** the scores to create an overall score for your mission.
4. If this is higher than 343 ($7*7*7$), your mission, – and career or business – you're on the right track. If the score is lower than 343, put in the necessary work to improve the significance, skills, and value rated below seven.



Key Take-Aways

- **Dreams** are hopeful aspirations. **Missions** are achievable goals.
- An **achievable mission** exists at the intersection of three things; significance, skill, and value.
- A mission that lacks any of these is not likely to lead to long-term success.



Next Steps: Take a few minutes to complete this canvas to work on the mission for your career or business. Look for how well the significance, your skills, and value align. A good mission is built on these three pillars.

Alignment:

This canvas can be downloaded in Mural format at this link:

<http://www.tiny.cc/M-align-template>

or in PPT format at this link:

<http://tiny.cc/cyclestoolkit-ppt>.

Chapter 5

Finding Your Mission: Innovation Magic happens at the intersection of significance, skills, and value



30
Minutes

Objectives

To more clearly define your mission by looking at the intersection of what you want to do (significance), can do (skills), and what people want and are willing to pay for (value).

Deliverables

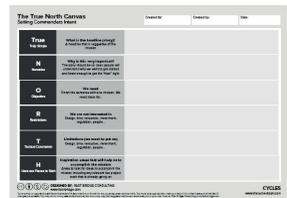
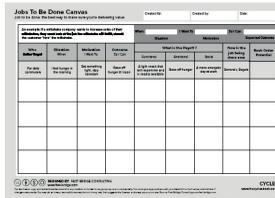
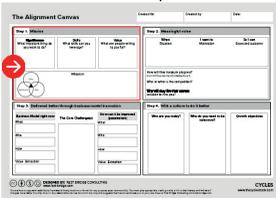
A more clear view of your mission.

How to

Go step by step 1. Significance, 2. Skills, 3. Value: When you have something strong in all areas, write your mission.

The Full Alignment Canvas

This Chapter

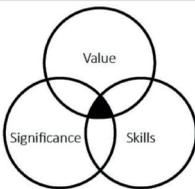


Step 1. Mission

Significance
What important thing do you want to do?

Skills
What skills can you leverage?

Value
What are people willing to pay for?



Mission

How do you know if you have done this canvas right ?



CHECK LIST

- Your mission is clear and aspirational
- You have identified the value you are offering to others
- You are leveraging current skills or have skills you can build



tiny.cc/M-align-template



Next Up: Companies routinely overestimate their capabilities and choose the wrong strategic focus. But where it goes wrong most often is the value they are delivering. The next chapter will help you understand how to look at value from your customer's perspective.

End of Sample ...

THANK YOU !

We hope you enjoyed this sample

You can use these links to buy a copy of CYCLES

<http://tiny.cc/buycycles> (In English)

And after March 15, 2020

<http://tiny.cc/Comprar-Ciclos-pt> (In Portuguese)

In the book, you will find 21 more chapters and a complete collection of easy-to-use tools and templates to help you innovate faster while reducing risk

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TOOLS

*. Tell me and I forget. Teach me and I remember. Involve me, and I learn
Benjamin Franklin*

In the coming pages, you're going to get a lot of new information. To help you make these ideas something you can use, there are practical tools and canvases at the end of each chapter.

You can download the full cycles toolkit in PowerPoint format:

http://tiny.cc/cyclestoolkit-ppt	
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You can download canvases for each of the book sections at these links:

Alignment www.tiny.cc/M-align-template	
Build www.tiny.cc/M-build-template	
Communicate/check www.tiny.cc/M-cc-template	
Systematically improve www.tiny.cc/M-systems-template	
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