Entrepreneurs Doing Innovation.

Stefan Korn, CEO Creative HQ
Entrepreneurs = innovation / commercialization practitioners

The basics - frameworks

Three horizons of innovation

Horizon 1 (H1) – 65% resource alloc.
Continuous Improvement – short term
Goal: maximise profit (+ sales / -cost)
Same market / products / business model

Extend and defend core business
E.g. Toyota using “Lean Six Sigma”
to improve quality, reduce cost

Horizon 2 (H2) – 25% resource alloc.
Adjacent innovation – short/medium term
Goal: identify new revenue sources
Same market/business model, new product

Build emerging businesses
E.g. Toyota using Lean Startup
Methodology to develop an electric car

Horizon 3 (H3) – 10% resource alloc.
Disruptive innovation – medium/long term
Goal: long term survival of organisation
New market or product, new biz model

Ensure long term survival of business – build viable alternatives
E.g. Toyota using ExO principles to develop
distribution business for supplying energy
to houses through power cells in electric cars

Three horizons of innovation

Traditional methodologies and
development processes don’t work

Source: McKinsey & Company Growth Initiative
Innovation ≠ technology / R &D

The basics - frameworks II

- Framework introduced by Larry Keeley, Ryan Pikkel, Helen Walters, Brian Quinn
- Innovation and disruption does not only come from new technologies – business model innovation, supply chain innovation etc.
- Important for corporate venturing and acceleration
10 Types of Innovation

Business model innovation

“Product as a service”

• Existing products
• Existing technology
• New business model – financing upfront cost for use of excess energy
Channel innovation

“New ways to engage”

• Repeat orders through the “Nespresso Club”
• Recognition at Nespresso Boutiques
• Content through App

Characteristics of effective innovation

- Dealing with uncertainty
- Customer centricity & human centred design
- Problem orientation (not solutionizing)
- Experimentation – loving the problem
- Agility, iteration and pivoting
- Multi-disciplinary, cross-functional teams
- Measured risk taking

... excellent entrepreneurs excel in these
The missing piece - discipline

Innovation
- Doing things better
- Doing new things (differently)
- Doing new things that make the old things obsolete
- Disruption

The science of entrepreneurship - key methodologies

- Design Thinking, Lean Startup Methodology, Agile and Exponential Organisations
- All entrepreneurs and startups use LSM (or key principles of it). Leading Fortune 500 companies are now using LSM (largest company in the world GE is using it)
- Waterfall based development methodologies and governance frameworks (annual budget cycles, Prince II, etc) are inherently unsuitable for enterprise innovation
**Customer Centricity**

**Experimentation / Validation**
- **core process**

**Progress** = validated learning, riskiest assumptions
Lean Model/Business Canvas - tools

<table>
<thead>
<tr>
<th>PROBLEM</th>
<th>SOLUTION</th>
<th>UNIQUE VALUE PROPOSITION</th>
<th>UNFAIR ADVANTAGE</th>
<th>CUSTOMER SEGMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>KEY METRICS</th>
<th>CHANNELS</th>
</tr>
</thead>
<tbody>
<tr>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>COST STRUCTURE</th>
<th>REVENUE STREAMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Integrity of method application

**How to Build a Minimum Viable Product**

**Not Like This**

1. 😞 😞 😞
2. 😞
3. 😞
4. 😊

**Like This**

1. 😞 😞 😞
2. 😞
3. 😊
4. 😊
5. 😊
Sophistication

Minimum Viable Product

- Meaningful
- Pleasurable
- Convenient
- Usable
- Reliable
- Functional

Lots of features done poorly vs. Core features done well

This is MVP

Agile Management

- Business Value
- Visibility
- Risk
- Adaptable
Modern teams

A “two-pizza” team

Innovation end to end
Hackathons
A hackathon (aka hack day, hackfest or codefest) is a time-bound event (often 24-48h over a weekend) where programmers and UI/UX designers create “hacked together” solutions (often involving large amounts of data).

When to use it: Ideation, generating new usage patterns, new applications / presentation of data
Outcome: mock-ups / prototypes of new ideas
Example: EduHack, Power of Plants Hackathon, GovHack

Design Sprints
- Highly structured format for a rapid process to answer critical business questions through design, prototyping, and testing ideas with customers
- Originally developed by Google Ventures
- 5 day “Hothouse” environment with multi-disciplinary subject matter experts
- Includes “crash-course” upskilling and training on the fly on innovation tools & techniques for participants
- Includes customer validation on Day 5 of the sprint

When to use it: Specific business problem – narrowly defined problem
Outcome: Prototype solution with customer validation results
Example: Should we use Robo Advice for customer service?
Common Innovation Formats

**Discovery Labs**
- 4-week format to develop deep understanding of a complex problem from a customer perspective
- Inherently customer-centric and customer validated
- Dedicated team with multi-disciplinary, cross-functional participants
- "Crash-course" upskilling and training on customer interviewing, customer journey mapping and pain point / assumption testing in practice

<table>
<thead>
<tr>
<th>When to use it:</th>
<th>Complex problems – need rapid understanding of problem</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outcome:</td>
<td>Customer segments, customer journey maps, pain point research / assumption maps, hypotheses</td>
</tr>
<tr>
<td>Example:</td>
<td>Reducing child poverty, improving crime reporting</td>
</tr>
</tbody>
</table>

**Accelerators**
- 12-14 week immersive programme, highly structured, lean startup based
- Cohort of (up to 10) selected teams, dedicated co-working location
- Mentor driven, demo day at the end of programme, investment focus
- Fixed start, fixed programme end with showcase event for final presentations
- Used extensively by large organisations all over the world

<table>
<thead>
<tr>
<th>When to use it:</th>
<th>Loosely defined problem / opportunity – rapid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outcome:</td>
<td>Investment pitch with validated concept &amp; traction</td>
</tr>
<tr>
<td>Example/Usage:</td>
<td>Lightning Lab, Fonterra Disrupt, GovTech Accelerator</td>
</tr>
</tbody>
</table>
1. Organic Innovation capability, maturity and discipline in NZ is low (compared to other countries) – entrepreneurship seen as “not a proper job”, “startups not real businesses”

2. Entrepreneurship is innovation in action – theory can be learnt, sophistication comes through practice and experience

3. “Guided mastery” (Bandura) is highly effective – hands on, delivery focussed, bias to action, building creative confidence

4. “Failure is not the opposite of success, it’s part of success” (Huffington) - practicing entrepreneurship and effective innovation takes time

5. Use of coaches and mentors is essential – analogy to sport

6. Get involved – startup weekends, hackathons, crowdsourcing competitions, acceleration programmes

---

**Key take-aways**

- EduHack – 2/3 December
- FoodHack – 2/3 December
- Kiwibank FinTech Accelerator – Feb 2018
- Lightning Lab GovTech Accelerator – May 2018

---
Kittens!
Founded in 2003 as incubator for Wellington, part of local government (WREDA)

To date:
• 211 startups
• $31.7m total investment raised for CHQ portfolio ventures (incl LL)
• $81.8m aggregate valuation of portfolio ventures
• $4.6m innovation services delivered – Fonterra, TradeMe, Airways, Waste Management, Contact Energy, etc.
MBIE, Statistics NZ, IRD, MOJ, MOH, MSD, DIA