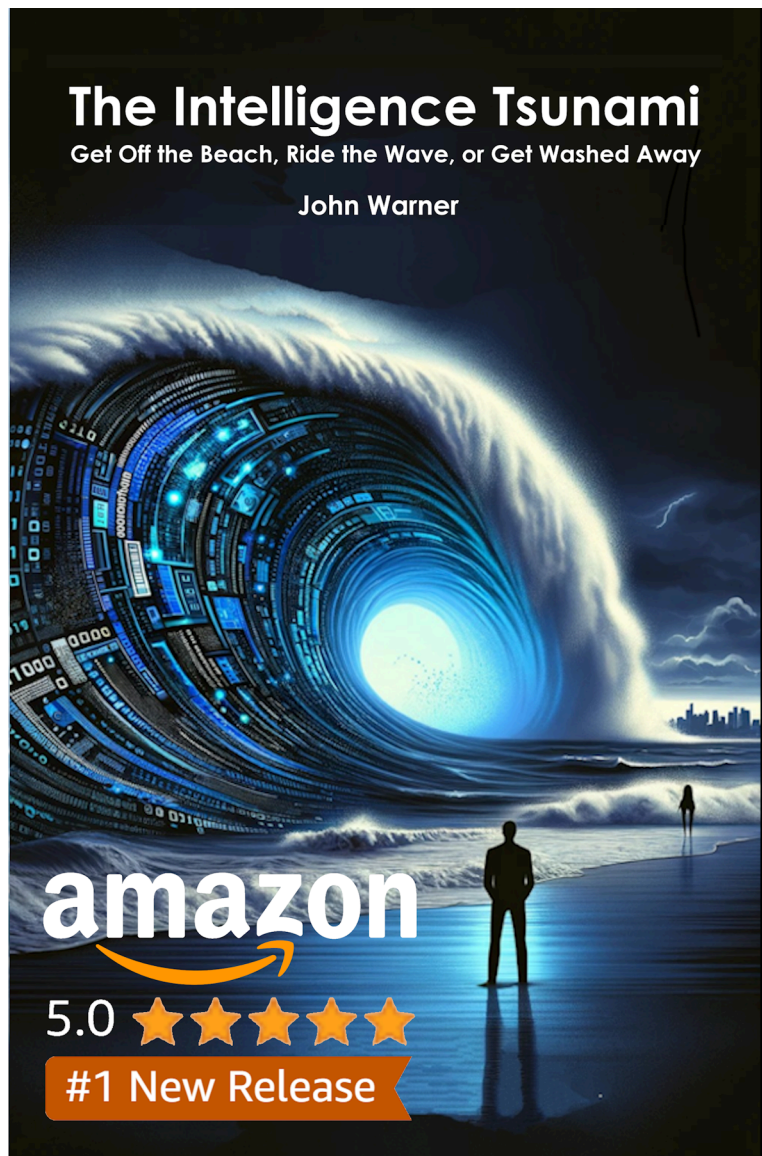




Innovation Commercialization Canvas

Developed by John Warner and Dr. John Blackburn based on their decades of experience and the best practices of innovation thought leaders, including those in the References.

Featured in



The Intelligence Tsunami is one of the greatest wealth-creating and most disruptive transformations in human history. A few innovators will create enormous wealth riding the wave, while many others will crash on the beach. The book shares stories with universal lessons about how people have succeeded and failed when faced with similar transformative change.

Great leaders apply universal principles to help their teams create transformational Innovations that significantly increase their productivity or deliver enormous new value:

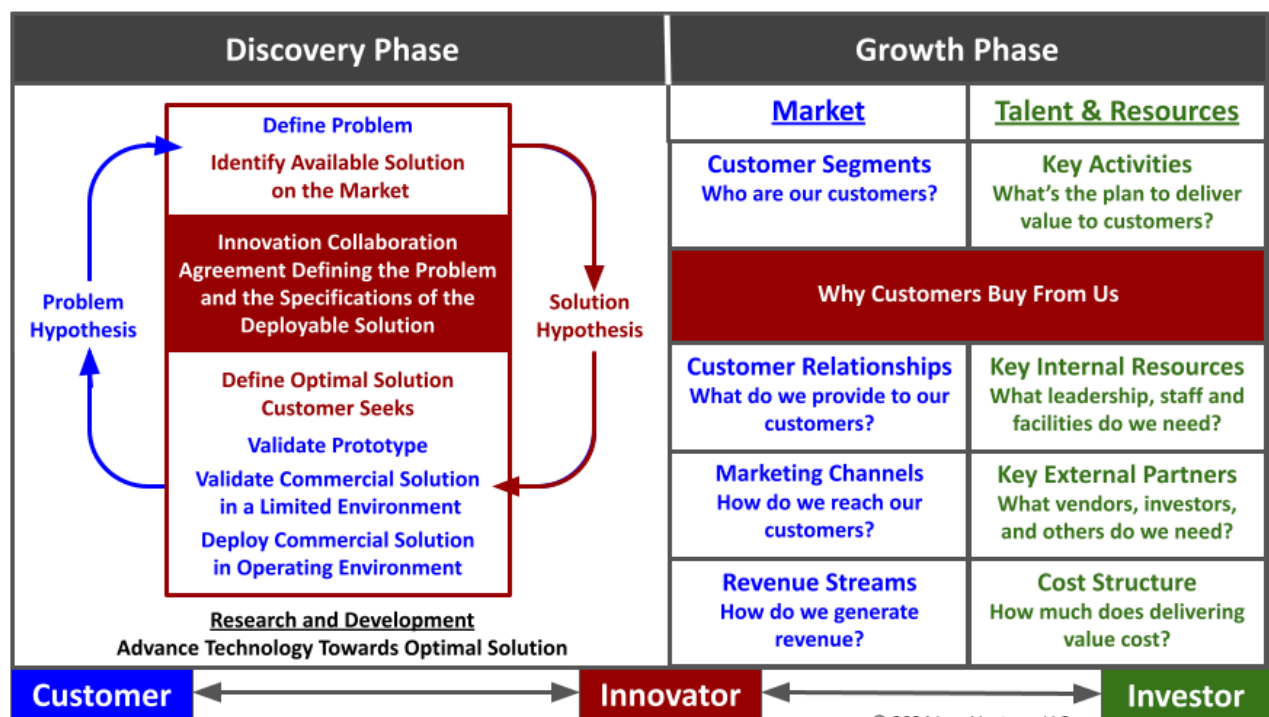
- Identify the essential mission,
- Attract and retain talented, creative individuals committed to the mission,
- Empower their team with the resources needed to succeed,
- Ensure their team is accountable for clear, measurable milestones, and
- Let go so their talented team can excel in ways only they can.

Senior leaders in data-driven, operationally excellent organizations often struggle to understand ambiguous, emerging opportunities that can improve or even transform their operations. Innovation thought leaders Geoffrey Moore and Clayton Christensen both describe senior managers feeling “paralyzed” when making high-risk decisions with incomplete information.

Great innovators are skilled at feeling their way through the ambiguity of initial insights that are personal, informal, and not fully formed. The most successful innovators think big, but recognizing that the first idea likely isn’t right, they start with the hypothesis of an idea, test it, validate it, and increment to what is right.

The Innovation Commercialization Canvas translates innovative ideas into tangible solutions.

Innovation Commercialization Canvas



If the mission is significantly improving the productivity of internal processes, the Canvas' Discovery Phase is enough. With a validated Deployable Solution, the Growth Phase describes how to create and deliver significant value to the market through a new business model.

Definitions. The term “Customer” identifies the individual who commissions the project if the mission is internal productivity improvement or an external customer if the mission is creating new value delivered to the market. The term “Innovator” identifies the team charged with accomplishing the mission.

The Executive Function: Defining the Essential Mission

The leader must clearly identify the problem being solved and a specific metric that guides developing a solution to the problem. Up front, the Customer should agree to the specifications for achieving that metric, and, if the specifications are met, that the Customer will deploy the solution. During development, the question should constantly be asked whether proposed actions contribute to achieving the metric.

These are among the metrics to consider in designing an Innovation Commercialization Canvas:

- **Financial:** Gross profit margin, net income, or return on investment.
- **Operational Efficiency:** Inventory turnover, order fulfillment time, or production yield.
- **Customer Satisfaction:** Customer satisfaction score or customer churn rate.
- **Supply Chain:** Supplier lead time, inventory levels, or logistics costs.
- **Employee Performance:** Employee productivity or absenteeism rate.

In selecting the most impactful metric, consider if it:

- Aligns with the organization's overall objectives and priorities,
- Has sufficient accurate, complete historical data available for training and evaluation,
- Has a significant impact on the system's performance and can be easily measured and tracked
- Does not have interdependencies leading to negative, unintended consequences, and
- Can be optimized in a timely manner and provide actionable insights.

Focusing on a key metric that aligns with business objectives, has sufficient data, and is impactful and actionable can significantly improve the organization's performance.

Convene the Team

After defining the mission, assembling the team is the most crucial element of success. The leader should carefully consider the skills, experience, and relationships necessary to accomplish the mission. The selection of team members should ensure that all of those elements are present,

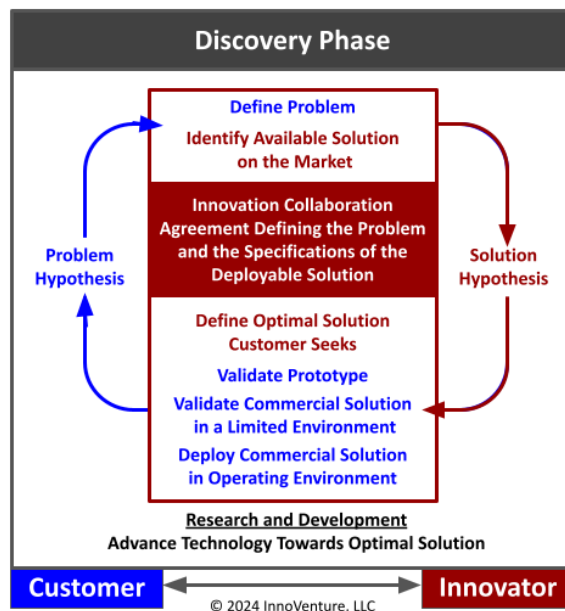
Each team member must buy into accomplishing the mission and commit to delivering what they are accountable for. As soon as a team member believes they may not achieve a milestone, they must speak up. This requires a great deal of trust both of the leader that team members will deliver and of team members that the leader will understand if they need help. It is important for the leader to be comfortable that if they have not heard from a team member that means the project is on track, because if there was a problem the leader would have heard about it. Regardless of an individual's talent, if they don't buy into the mission or accept accountability for the process, they are not right for this team on this project.

The initial meeting of the team is important to launch the project. The leader's role is to communicate the mission. The leader may find it helpful to have a facilitator run the meeting so the leader can listen carefully to the discussion. The action item from the initial meeting is an agreement on a plan to begin the Discovery Phase of the Canvas. Each team member should report regularly to the leader and other team members of progress made toward milestones guided by the mission metrics identified by the leader.

Discovery Phase

The Discovery Phase of the Canvas describes an iterative, collaborative process for defining a Customer's problem (Defined Problem) and the specifications of a solution provided by an Innovator that the Customer is willing to deploy (Deployable Solution).

Innovation Commercialization Canvas



The first step is for the Customer to clearly define for the Innovator the problem the Customer has that is not well served today. The Innovator doesn't find that by buying published research reports or googling it. There is no data about a market that doesn't exist today. It's found by the Innovator asking the Customer to explain the problem in detail.

With a Defined Problem, the next step is understanding the best solution available to the Customer, which is the base case (Base Case) at any given time. The Customer's initial Base Case is how the problem is being addressed today. The Base Case is always the best solution available and is replaced iteratively as better solutions are identified or developed.

It's crucial for the Customer to define the Deployable Solution with clear specifications that the Customer believes solve the problem. This includes the core solution itself, along with all the intangibles required for deployment, such as training and support. The Deployable Solution specifications include metrics by which a new solution is assessed, such as cost, quality, efficiency, or environmental impact. The Innovator uses the Deployable Solution specifications to evaluate potential options.

The Customer identifies the best off-the-shelf solution available in the market today. If this solution is better than the existing solution, it becomes the new Base Case. If this Base Case meets all the required specifications, the process moves to deployment.

If not, the Innovator shares a proposed prototype of a better solution with the Customer. This initial proposal may not be practical in a reasonable time at an acceptable cost. For the project to move forward, the Customer must restate the Defined Problem and the Deployable Solution based on what is practical. Iteratively, the Innovator proposes new prototypes until one acceptable to the Customer is found.

The process then moves to developing, deploying, and testing an acceptable prototype solution to validate that it meets the Deployable Solution specifications. The Innovator works through progressive readiness levels to demonstrate, qualify, and deploy the solution:

- Validate the prototype solution meets the specifications in a limited testing environment,
- Validate the commercial solution meets the specifications in a limited operating environment, and
- Deploy the commercial solution in a full operating environment and monitor it to ensure it remains within specifications.

If this solution is validated to be better than the Base Case, it becomes the new Base Case.

If the solution does not meet specifications at any point, the solution is discarded, and a new prototype is considered. This process continues back and forth until a Deployable Solution acceptable to the Customer is found.

As soon as it's determined that a proposed solution isn't going to work, the goal is to fail as fast and as inexpensively as possible. If done right, most of the resources available are invested in a winning idea without having to be prescient at the beginning about what the winner will be.

The Customer and the Innovator enter into a written Innovation Collaboration Agreement (Agreement) clearly specifying the Defined Problem and the Deployable Solution. This may be called an Engagement Agreement or something else, but the concept is usually similar.

Committing this Agreement to writing is very important to ensure there is a meeting of the minds between the Customer and Innovator. People are usually more thoughtful about committing to a written agreement than a verbal one.

As the Defined Problem or the Deployable Solution specifications are restated, revising the written Agreement ensures the Customer and the Innovator stay aligned. When projects fail, post-mortems often find that the Customer and the Innovator were not on the same page to begin with, or their understandings diverged as the project moved forward.

The Canvas includes the concept of an Optimal Solution. While beyond discussion here, the idea is that during the Discovery Phase, the customer may identify aspects of a solution that, if possible, would be ideal. This Optimal Solution can inform future R&D of the Customer or the Innovator.

Growth Phase

If the mission includes introducing the innovation to the market, the Growth Phase of the Canvas illustrates the development of a high-growth business model to attract the customers, talent, and resources needed to commercialize the innovation once the Deployable Solution is developed and validated.

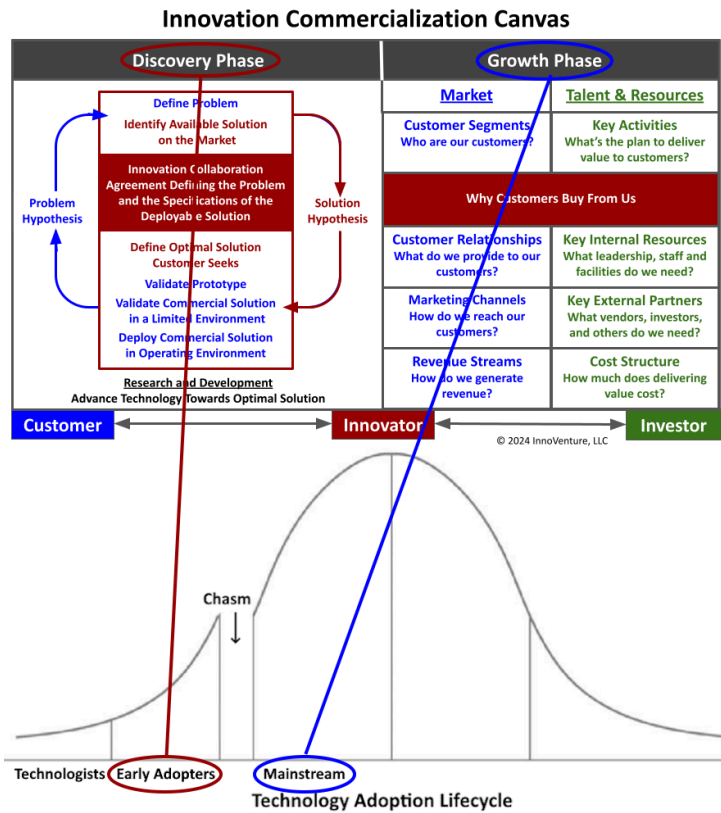
This might be a new business unit of the Customer. If so, this new venture will need a patron high up in the company to protect it from the organizational antibodies that will attack it. It may also be an independent company providing the innovation.

The Market column of the Growth Phase identifies who the Customers are, how they will be reached, and how the company will generate revenue from them. The Talent & Resources column describes the activities, internal resources, and external partners needed to develop, market, and deploy the solution, and what that will cost.

It is important to connect the Innovation Commercialization Canvas with the Technology Adoption Lifecycle described by Geoffrey Moore in *Crossing the Chasm*²³. He illustrates a market as a bell curve, starting slowly, then rapidly growing to high volume, and ultimately declining.

On the left of the curve are Technologists and Early Adopters. Technologists are geeks who seek out and test new technology products for the love of it. Early Adopters are the first significant Customers with meaningful budgets to buy products. They want to be the first Customers of an innovation because it gives them a strategic advantage over competitors.

Because Early Adopters expect a high return on investment, they tolerate starting with early prototypes that are not ready for prime time. They like the ability to customize prototypes to their specific needs. They look to Technologist experts to validate that the technology works. Even though Technologists are not big Customers themselves, gaining their support is key to attracting later Customers.



Mainstream Customers are the first large market segment. A company can grow very rapidly when it can attract these Customers. The challenge is that, unlike Early Adopters, Mainstream Customers are looking for a pragmatic solution. They don't expect a return on investment as large as the Early Adopters.

Mainstream Customers will only buy after seeing that other Mainstream peers have purchased and are satisfied with the product. When you share a novel idea with a colleague who instinctively asks, "Who else has done that before," that is a Mainstream Customer question.

The challenge Moore identifies is how to grow a market of Mainstream

Customers before there are satisfied Mainstream Customers to provide referrals. He calls the gap between Early Adopter and Mainstream personas *The Chasm*.

For an Innovator, the Discovery Phase on the Canvas is about identifying and satisfying an Early Adopter customer by clearly defining their problem and iterating to the first commercial deployment of a solution in an operating environment. An Early Adopter customer will tolerate that amount of iteration because the solution is strategic to them.

The Growth Phase of the Canvas addresses the Mainstream Customer. The product first developed for the Early Adopter needs to be standardized and polished so that it can be sold in volume to Mainstream Customers. Where the Early Adopter Customer is willing to work with an incomplete early prototype, the Mainstream Customer will only accept a whole solution to their problem, that is 100% of what it completely takes to satisfy the Customer. This includes the core product the Customer is receiving along with all the intangibles, such as financing, delivery, installation, and service, necessary for the Customer to be completely satisfied.

Moore's solution to entering the Mainstream market is establishing a focused beachhead of similar Mainstream Customers. This disciplined focus is critical to developing a whole product solution and building a base of referral-based Customers who consider themselves peers.

Many entrepreneurial companies that don't grow rapidly fail to adopt this focused beachhead approach. They struggle with limited resources to deliver a whole product solution to one segment, yet they insist on trying to take on multiple market segments at one time. They underestimate the intangibles required to satisfy any specific segment of Mainstream Customers. Moore says this is an emotional, not an intellectual, problem. There we go again.

One innovator I mentored had a slide in a business plan presentation labeled "Focus" with a dozen different market segments. That clearly illustrated the lack of focus. We discussed the need to truly focus. He agreed on the initial market. The next time we met, like a fractal, one market segment fractured into a dozen more segments. After going through this process numerous times, I finally gave up. This innovator was emotionally incapable of focusing.

This is a high-level summary of Moore's technology adoption strategy outlined in his seminal book, *Crossing the Chasm*²³. My copy of the book is highlighted and dogeared with Post-It Notes throughout. I strongly encourage all innovators I mentor to get a copy of the book with a highlighter and a pad of Post-It Notes to carefully study Moore's advice. It will save them lots of time, money, and agony.

Process

Below are steps to consider when working through the Innovation Commercialization Canvas to develop and deploy highly successful intelligent agents and, if they address new markets, to develop high-growth business models to commercialize them. Customize these steps for your specific situation. There is no one-size-fits-all approach to innovation.

Discovery: Clearly Define the Problem. Nothing is more important than clearly and accurately defining the problem. If you don't know where you are going, it doesn't much matter how you get there. Steps to start may include:

- Conduct a thorough audit to understand and document all processes, from the intake of raw materials to the scheduling of employees, the production of the solution, and the delivery of the final product.
- Identify bottlenecks and inefficiencies where intelligent agents can enhance productivity.

Remember the importance of learning to make decisions in high-risk, low-data decisions, remaining focused on solving the problem, and staying open to unexpected innovations.

Discovery: Identify Potential Solutions. Ideation sessions should include representatives from all groups involved with the problem and the ultimate solution. Steps may include:

- Engage in ideation sessions with diverse staff, from executives to engineers, managers, and line workers. Define what is essential for the team to accomplish. Without a clear objective, brainstorming is often ineffective.
- Ensure that you and the team clearly understand the current process for addressing the problem and the best solution in the marketplace. The best option available to the Customer is the initial Base Case.
- Have the team validate that the problem definition is clear, complete, and accurate.
- Have the team identify ways others have successfully addressed similar problems in similar settings.
- Have the team validate that the Deployable Solution specifications are acceptable to initially deploy the solution in an operating environment.

Remember the importance of selecting the right people who are open-minded and collaborative. Understand that diversity is an asset. People closest to the problem day-to-day often have the best intuition about potential solutions. Often, they are skilled individuals without the status or credentials of others on the team.

Discovery: Feasibility and Impact Analysis. The project must be both technically and economically feasible. A cost-benefit analysis helps estimate the financial implications against expected benefits, such as improved productivity and quality or the ability to generate new revenue from new customers. Steps may include:

- Perform a cost-benefit analysis to weigh the implementation costs against expected productivity gains and quality improvements.
- Assess if the existing technological infrastructure is adequate or if additional tools are needed to deploy the solution.

It's necessary to keep in mind both the tangible and intangible aspects of a complete solution that can be successfully deployed.

Discovery: Pilot Projects: Testing the prototype is essential to proceed to commercialization. Steps may include:

- Choose processes for prototype testing in controlled environments to determine the prototype's effectiveness in meeting the Deployable Solution specifications.
- Test the prototype and monitor outcomes closely to ensure it meets the Deployable Solution specifications, adjusting and retesting the prototype, as necessary.

It's important to select the right initial prototype and to maintain a focus on validating it. Often, creative people are tempted to develop and test multiple prototypes at once, which fragments their attention, hurts their performance, and can even be fatal.

Discovery: Optimization. Once a prototype is validated to meet specifications, the commercial version of the solution can be deployed and validated. Steps may include:

- With a successful prototype, deploy, test, and validate the first commercial version in a limited operating environment to ensure that each aspect of the solution is deployable and sustainable.
- With a successful commercial validation, deploy the solution in a full commercial environment, closely monitoring performance to ensure the Deployable Solution specifications are met. Revise the solution as needed.

Discovery: Training and change management. The solution won't operate itself, so it's crucial that employees using the solution are equipped to work alongside the solution. Steps may include:

- Train employees to work with and manage the new solution, ensuring they understand workflow changes and benefits.
- Foster a culture of innovation and adaptability, encouraging continuous feedback.

Discovery: Operational excellence. The goal is to start with an informed intuition of a possible solution and progress through an iterative process until the solution becomes a data drive, operationally excellent process. Steps may include:

- Continuously improve the solution so it becomes better over time through regular updates and optimizations.
- With experience from the initial commercial deployment of a Deployed Solution, define what the ultimate solution would be if it were possible. This can inspire research to identify ways to achieve this ultimate solution.

Growth: Reassess the customer definition. Step back from the initial early customer who adopted the solution to identify new potential customers.

- Ensure you deeply understand your early adopter customer who validated your solution.
- Identify customers similar to your early adopter customer who can benefit from the solution you developed and validated.
- Define relationships with these customers, including the sales channels and strategies through which you will reach customers.
- Determine how to generate revenue based on the value customers are receiving.

Growth: Expand the Discovery Phase. While considering who your customers are:

- Engage a broader range of customers beyond the early adopter, using their input to understand their specific problems.

- Confirm that the solution addresses the problems of the broader customer base you identified without overcomplicating the product.
- Refine your value proposition to ensure it resonates with a broader market by addressing their core needs.
- With the Deployed Solution successfully deployed, consider additional features or improvements and expand the market further while keeping the solution clear to customers.
- Consider revising the sales channels and strategies to reach the broader customer base.

Growth: Deliver the solution to customers. Talent & Resources on the Canvas identifies the activities, internal resources, and external partners necessary to deliver the solution to customers. Steps might include:

- Identify key activities, such as ramping up production, enhancing your marketing efforts, or scaling your operations.
- Identify key resources, including physical assets, human resources, and intellectual property needed to support growth.
- Identify key partners necessary, including suppliers, distributors, or strategic business allies.

Growth: Determine the cost structure. Cost ultimately must be less than revenue for the company to succeed. Steps to analyze costs might include:

- Determine what all the activities, resources, and partners cost.
- Evaluate economies of scale that may reduce per-unit costs and increase per-unit profitability.
- Continuously analyze the costs versus revenue to maintain profitability as you grow.

Growth: Accelerate. Once an initial market beachhead is established, growth strategies might include expanding market penetration, market development, product development, and diversification. Ensure you have established a strong initial beachhead market before expanding and that new strategies align with your values, mission, market conditions, and the competitive landscape.

Contact John Warner to discuss facilitating your team's execution of the Innovation Commercialization Canvas processes to significantly enhance your productivity or to create enormous new value to deliver to the market. .

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The best way to predict your future is to create it. Carpe diem.

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