

FROM NOW TO NEXT

*Creating an
Innovation Strategy to
Build Your Future Business*

John Stoddard
Mark Smallwood

From Now to Next

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INTRODUCTION

“Innovation is the key to unlocking new growth”

Philip Kotler

Books on Innovation abound. Is there really anything missing that is important and needs to be said on the subject?

Well, yes. We hope this book succeeds in helping you deploy something even bigger than Innovation, and that is Innovation Strategy. We are anxious to explain how an innovation strategy must be a crucial element of your operations if you want your company to survive the next five to ten years.

Why This Book? What Problem Does It Address?

In working with large and small organizations alike, we have been struck by a universal confusion around innovation: what it is, how to do it, how to repeat it. Many books, courses, and consultants do a stellar job of helping you with the basics of Design Thinking, user-centered design, and other practices that claim to lead to innovation.

Organizations are achieving innovation in all areas of their business, such as customer experience, operations, marketing, purchasing, billing, and so on. But there is a notable exception: Innovation Strategy.

Few companies, especially in the SME segment, have implemented innovation as part of a company-wide business strategy. The need right now is for companies to be more ambitious and more strategic in the use of innovation to leverage their brand and create disruptive new business opportunities.

As we've all seen, the future is unpredictable. But it's coming and we all want to prosper when it gets here. We invite

you to imagine the future and then work towards that future. Think innovation first, how to get there second.

Who Should Read This Book?

We believe anyone in any organization can benefit from the Innovation Strategy ideas in this book. However, we aim to particularly help leaders and employees of small and mid-sized organizations.

Although an SME typically has modest resources compared to a corporation working with innovation consultants, it is often better placed to make organizational changes and to experiment with innovation strategies. They possess fewer layers, fewer gatekeepers, and are often run by their founders, who may be open to big ideas.

How Is The Book Organized?

First off, you'll notice that we've included a story about Cariboo Boot Works, a fictional business that faces serious challenges. The story runs throughout the book, with a brief episode at the beginning of each chapter. As with any business book, each chapter introduces a core Innovation Strategy concept, prompted by a question that we feel is important to ask.

Each episode of the story aims to illustrate the question, (we hope), as well as Innovation Strategy concepts and tools you can use to answer the question of the chapter. Throughout, we include stories and quotes about organizations that have tackled the same questions and have found ways to

be innovative repeatedly. Each chapter ends with a summary of key takeaways, as well as warnings about difficulties you can expect to meet.

You can read the entire book straight through or pick and choose among chapters. Read the story episodes first and the non-fiction discussions after, or vice versa. You don't have to read the story at all, though we feel you would miss out on a lot of valuable insights.

Accessing This Book

Copies of the printed edition can be purchased, or a sample chapter downloaded as a free PDF from our website:

gofromnowtonext.com

Who Are We?

John Stoddard is a business innovation consultant and teacher, based in the Bay Area. His experience includes over two decades working with companies like AI startup YouSpace, where he was responsible for consumer experience, and with international innovation consultancy IDEO in the role of Senior Designer. He has led projects in the USA, Asia and Europe for clients such as Cisco, Ford, Google, HP, Medtronic, Procter & Gamble, Samsung and San Francisco University.

John has a Masters in Design from the Royal College of Art in London. He delivers education programs for business schools that include UC Berkeley Extension and USF School of Management, in addition to client innovation workshops.

Mark Smallwood is a writer, marketer, and trainer who spent over 35 years in the software business in a variety of roles: QA engineer, technical writer, MarCom writer, MarCom Director, Training Manager, Vice President of Business Development for a database tools startup, and an independent consultant. He worked for Unisys, Oracle, Tandem, Embarcadero Technologies, Siebel Systems, Borland Software, and Juniper Networks.

As a consultant, Mark worked for many Silicon Valley companies including Intuit, Yahoo!, Embarcadero Technologies, LSI Logic, Aspect Telecommunications, and Cadence Design Systems.

CHAPTER 1

WHICH CHALLENGES REVEAL YOUR FUTURE ?

Unexpected Crosswinds

Joe could see a cloudbank forming along the Eastern horizon, building up along the coastal range. He knew this signaled an Easterly wind, unusual in this location. Fortunately, they were just a few miles out from the private landing strip he'd built in a long valley up against the foothills to the West. He banked the Bonanza as he prepared to make the approach from the South.

From there, he and Matt would load up the Land Cruiser and zigzag through a series of parallel valleys to an abandoned logging road 10 miles up along a ridge. From there, they'd tackle a couple of backcountry hikes they'd discovered over the years. He'd gotten word that the local caretakers had gassed up the truck, checked the spark plugs, and hauled in some provisions.

He hoped to spend the next couple of days hashing out what had happened to kill the Outdoor Ventures deal. Outdoor Ventures was one of the largest national sportswear and adventure gear manufacturers and retailers. Over a year ago, OV had approached them about making an investment in the private boot manufacturer that he and Matt had started 20 years before. After a sizable investment, it looked as though OV was actually interested in acquiring Cariboo.

Around that time, Joe, Matt, and their major investor, Edward Stone, had made a number of positive changes, including bringing in Cheryl Taylor as Chief Marketing Officer. Cheryl had spent years as an executive at several large sportswear companies and had recently revitalized a medium-sized chain, by introducing a number of innovations.

Joe and Matt had also worked hard to build a more traditional company structure. Despite their efforts at streamlining operations and improving margins, OV had suddenly pulled out of a tentative deal without cause. Three months ago, Edward warned them that something was wrong with the deal. He wasn't sure what it was, but OV execs were suddenly very slow returning phone calls and were reluctant to discuss financial details.

And then, just three days ago, OV announced a new boot line that sported features remarkably similar to those they were planning on introducing later in the year. Joe had already contacted Cariboo's lawyers but suing would take years and would tie up a large amount of capital.

Looking back, he and Matt realized that OV had hoodwinked them. They'd invested an amount of money that was piddling for them, though it looked big to Joe and Matt. In so doing, they had managed to get access to Cariboo designs and IP. They also slowed down Cariboo's projected launch of a new line. With their deep pockets, OV had torpedoed the smaller company's important new product line.

For days, Matt, Joe, Edward, Cheryl, and other members of their team had cursed OV as well as their own gullibility. The mood at the company was grim. Joe felt he could hardly show his face after all of the boasting he'd done in front of the entire staff. After 20 years in business, Matt and Joe suddenly felt like amateurs. They'd been making high-quality boots, but OV was building a business empire.

Both Matt and Joe agreed that they needed to get out of

the office for a few days. Without telling anybody, they quickly planned a backpacking trip deep into a remote forest area they visited every year. Joe, who had purchased his own private plane several years back, would fly them to the private landing strip he had built in a remote, but flat location, in a long, narrow valley.

They spoke little on the flight but had discussed the possibility of selling the company. They weren't enthusiastic about the prospects now. They were deep in that hole of disappointment and the only thing that would help would be getting into the wild.

"I'm not liking the sudden change in the weather," Joe said to Matt over the intercom.

"Is that the strip?" Matt asked, as they banked.

On the approach, Joe noticed that the windsock was flapping almost horizontally to the West, the gusts giving it a slapping motion. As they made a pass, vertical wind shear hit the plane and a gut-wrenching drop in altitude. Joe didn't want to be this low yet. He wrestled the plane back to a level position and pulled back to gain altitude.

"I'm going around again," he barked, more to himself than to Matt.

More wind shear and the Bonanza dropped a stomach-churning thousand feet.

"We're going to come in pretty rough," Joe said. "Hard to hold it steady."

Matt didn't respond. He couldn't take his eyes off the altimeter.

The front was moving fast toward them now.

To the West, it was blue and clear but Joe could see the trees below them swaying. The plane groaned and shuddered. Joe pushed the yoke forward steadily. He worked his foot pedals and the yoke, trying to keep the plane at a right-angle to the wind, even if it meant the plane approached the runway at a skewed angle. The lower they got, the harder the crosswind hit them. Joe felt the sweat down his back. Matt gripped the door handle with his right hand, and clawed at the seat with his left. Joe's body tensed with the pressure to hold the plane's nose up.

"We're too high," Matt yelled.

"Crosswind. I'm dropping it to the ground, but it's going to be hard." Joe knew their groundspeed was too high for a landing.

The clouds were almost on top of them now, and a slashing rain pummeled the windshield.

Joe reached out to pull back the throttle but had trouble holding the yoke steady. He saw the shuddering treetops. His left hand slipped and pulled the throttle all the way back, cutting the engine.

Suddenly, the plane shuddered and spun to the left.

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Controlling the Chaos

Despite the light rain, the jet bringing Cheryl Taylor back from Denver landed smoothly. Gathering up her things, she heard the text notification on her phone and saw that Edward was picking her up. Great, she thought. Now I've got to give him even worse news.

Still, she was glad to save herself a cab ride. And talking to Edward always seemed to settle her mind. His years of experience had given him a calm perspective about business and life. With Joe and Matt on their wilderness trek, Edward was the only one around she could talk to about what the recent debacle meant for the company and for her, personally.

She pulled the hood of her coat over her head and struggled to get out of her car in the rain, with her backpack in one hand. As she swung the door shut with one elbow, the backpack knocked her off-balance. She muttered under her breath angrily and secretly wished for a body taller than 5 foot 3 and enough weight to counterbalance a stupid backpack.

Edward's Mercedes pulled up next to her. Edward got out and opened the trunk, lifting her rollie into it. He started to take her small backpack, but she clung to it. They got into the car and Edward wove his way through the airport traffic to the exit.

"How did it go?" he asked, stiffly.

"Not well," she said.

Her visit to the OV headquarters had been uncomfortable, to say the least. First, the OV executives had made Cheryl and the Cariboo lawyer wait for almost an hour past the scheduled

appointment. Then, they were met by a junior executive who wasn't familiar with the situation, or said he wasn't. When they insisted that they be allowed to meet with Cheryl's counterpart, they were taken to another conference room where they faced off against six men and one woman, the marketing director. They refused to acknowledge that they had stolen Cariboo's IP, and that they owed anything to Cariboo for pulling out of the deal.

"At the airport, waiting for our flights after the meeting, the lawyer told me that trying to get them to stop selling their boot line would probably bankrupt us. But he did think that we could reach a sizable settlement. Sizable to us, anyway."

"But not enough to make up for the loss of sales we can expect," Edward said, looking straight out the windshield.

"Of course not," she replied.

Cheryl leaned back against the headrest and sighed.

"I have worse news," Edward said, finally.

"I can't even imagine," she said.

"Joe and Matt were in a plane crash. They're both in critical condition."

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The next morning, Edward appointed Cheryl to be the acting CEO in Joe's absence. The board unanimously approved her appointment.

Cheryl called in the core group of executives, including Sandy Wallace, head of HR, and Frank Ellis, CFO.

“We need to get ahead of this,” she said. “The company is strong, but we all know how these kinds of stories can snowball.”

According to the PR rep, the papers were all over the story of the plane crash. “The president of Outdoor Ventures held a press conference to say that they will be submitting a bid to purchase the company.”

“Makes you wonder if they had this all planned out,”

Cheryl mused.

Edward said, “They’re very opportunistic.”

They agreed that their law firm should do everything possible to pre-empt OV’s takeover, including suing them for breach of contract, intellectual property theft, and anything else they could think of.

“I want to slow this down,” Cheryl said.

Sandy Wallace, head of HR spoke up, “Three employees have already given notice this morning.”

“Key employees?”

“With a company this small, every employee is key,”

Sandy said.

“We need to talk to them, as a team,” Cheryl said. Turning to the PR rep, she said, “Let’s work on the PR plan tomorrow morning. Edward, would it be possible to get some of the board members to push back on OV privately?”

“And the employees?” Sandy persisted.

“Let’s get everybody together ASAP. We need to reassure them.”

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Over the course of the next two weeks, the leadership team was in a frenzy. Cariboo’s law firm managed to build a big enough case, including accusations of fraud, to get OV to back off. Cheryl, Edward, and the rest of the leadership team spent hours every day trying to save the company.

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(To be continued)

Unexpected challenges are rarely as dramatic as those confronting the Cariboo Boot company. Even lesser challenges can expose the strategic weakness in your company. Cheryl Taylor and team have the advantage of being fictional characters who can take all the time they need to save their company.

You probably won’t be so lucky. In the next few chapters, you’ll learn methods for building a more sustainable innovation strategy to help you survive any number of challenges.

Tough Challenges Reveal Your Future

Nobody ever became an innovation leader by solving the easiest problems. The low-hanging fruit doesn't often lead to your future. While it's important to pick that fruit to contribute to your bottom line, powerful success doesn't come that easily, and discovering challenges that lead to the future can be good news.

Put simply, to be dominant in their industry, a company must tackle the hard innovation problems everyone is avoiding. Those seemingly impossible challenges might reveal the highest value differentiations a business could provide through innovation. Embracing these toughest problems can lead to your greatest successes.

Startups know that to succeed they must deliver totally new solutions to real problems. You have the same opportunity as any startup, but to be relevant to their future, your customers want you to address their biggest problems.

If It's Not a Big Challenge, It's Not Innovation

Here's the thing: your company didn't reach its current state by taking the easy path. Startups that deliver solutions to non-existent problems don't survive. That's why you find so many articles in the business press about company pivots. Many successful startups have to pivot to stay in the game. Their first idea, and sometimes the first few ideas, do not find a market.

If you run a company that's already delivering solutions

that drive revenue, then you have time to find your most important challenge. You have some leverage that startups don't usually have. We're not advocating that you shelve a productive business and start over. But we do believe that to succeed in the future, you need to think seriously about where you want your company to be in five years.

Tackle Tough Problems

We can all think of innovative tech companies: Apple, Netflix, Amazon, Google, and Nvidia. But some innovators tackle problems in more traditional industries, generating new solutions to old problems.

We are often so used to doing things the same way that a better way doesn't occur to us. Consider two companies that have tackled problems that seemed definitively solved: SimpliSafe and Ridwell.

SimpliSafe Goes Beyond the Product

SimpliSafe broke into a highly fragmented, stagnant home security market by offering DIY home security systems at a reasonable price. At the beginning of the 21st century, the home security market was dominated by a handful of nationwide players, who controlled product, installation, service, upgrades, and police alerts. Some of these entrenched companies ran as franchises, which sometimes resulted in a lack of geographic coverage and quality issues.

Companies like Ring and Blink began gradually to begin to address small elements of the entire home security solution with doorbell cameras and inexpensive indoor and outdoor security cameras that a customer could configure using her phone.

SimpliSafe ties together the individual components of a home security system with a central device that doesn't need to be mounted to the wall or connected to your home electrical system.

You add, subtract, and move components by yourself, with help from a well-designed online wizard. The first few years, the company struggled to find the right mix of design, usability, and cost. Working with IDEO, they landed on the current design, with mostly white components and comfortable user interface (UI) controls.

The company continues to develop products and, more importantly, services to expand its reach. The outcome of tackling a challenge that others thought too difficult or unnecessary was this: in June 2018, the venture firm Hellman & Friedman bought SimpliSafe in a deal that valued the company at \$1 billion.

The SimpliSafe story is also an example of an opportunity missed by large home security companies. Existing companies with deep pockets could have easily rolled out a DIY security solution to cover renters, small

businesses, and homeowners who prefer more control over their security. But, they didn't.

Ridwell Tackles Recycling

Ryan and his son Owen began to look for ways to recycle items that don't belong in a landfill: batteries, light bulbs, electronics, and more. When they found someone to take a particular type of item, they encouraged their neighbors and friends to join them. Thus, Ridwell was created to solve a problem that seemed insoluble.

Little by little, Ryan and Owen found partners who would recycle items in their hometown of Seattle. Over time, they have evolved their service and expanded to other cities. In the cities where they operate, you will see their ubiquitous white metal containers on porches.

Every other week, Ridwell employees pick up your discards (providing handy cloth sacks to separate items by type) as well as a special type of item (if you pay a little extra for that service). The Ridwell mission is deceptively simple: make it simple to get rid of your stuff responsibly.

We don't yet know if SimpliSafe and Ridwell can develop innovation strategies that will sustain and grow their businesses over the long term. But they're both off to a good start thanks to tackling challenges with lots of future growth potential.

Seek the Right Challenges

Discovering the challenges that will unlock your company's future is a challenge in itself. Solving only internal challenges, while internal solutions can go a long way toward improving a company, probably won't result in a big enough change. Customers provide a number of challenges. New markets provide others. How well your organization, staff, capabilities, and resources match up to any number of challenges determines which challenge you are able to solve.

Not to mention that your company may be able to meet any number of challenges that simply do not lead to your desired future. Therefore, is it worth all of the effort and money you might spend on those challenges?

One big takeaway from this brief discussion is that you can't do it alone. You need a team that can find the right challenge and can guide your company through the many choices for innovation strategy that will appear viable but may not lead to your desired outcome.

Strategy Is a Team Sport

Picking the right innovation strategy team is important and depends on your goals. In this book, an initial, fundamental goal is to get you to think about creating a culture of innovation. That doesn't mean you stop doing. Somebody must keep the business running. But you might consider the way many companies approach such a project: training employees to look for operational innovations within their departments and

empowering them to share those potential innovations.

For the longer-term project of creating a sustainable innovation machine, you'll need a more specialized and experienced team of individuals with a mix of outstanding strengths that include empathy with users, ease of handling business models, and familiarity with a range of technologies. Setting up and orienting this team can be streamlined with the help of outside experts.

If you are the CEO, the decision about what path to pursue is yours, of course. You'll find a number of decision-making examples and tools later in this book.

Customer Interviews Are Key

User input is the most valuable data you can use to chart your path to the future. Creating an innovation strategy doesn't mean that you simply throw your existing customers overboard. You need to find ways to continue to fulfill their needs, as well as new ways to help new types of customers, who may have more expansive challenges.

For the most valuable customer we prefer one-on-one direct customer research to other forms of data gathering. Face-to-face onsite interviews are our preferred method for service and product design but also, importantly, for discovering strategic challenges. The difference between research for operational innovation and strategic innovation lies in the goals and level of insight being gathered, which for our purposes need to be over-arching enough to inspire multiple innovation projects over an extended period of time.

As with all ethnographic research, you can learn a lot from body language and nuance in the way your customer converses with you about your company's services and products. The interview format allows you to go into depth on particular customer needs and experiences. And the expense and time needed to conduct one-on-one meetings are more than offset by the high value of each interview and the small number of research subjects needed.

Throughout this book, you'll read about many examples of data gathering by way of interviews and how that method helped us gain insights we couldn't have easily learned otherwise. Despite the almost universal acclaim for "customer-centered design" and "customer-centric marketing," you'd be surprised how rare it is for employees and leaders to converse with their customers.

Talking to customers can help you figure out the big challenges that will lead to your future. This is especially true when you are a business-to-business (B2B) company. Unless you speak to your customers candidly and consultatively, you may be hard-pressed to find out just how your customers use your products and services.

With B2B companies, possibly like yours, customers are reluctant to discuss their own plans or your company's limitations. Proprietary matters aside, purchasing decisions in B2B tend to be committee-driven and many competing interests can determine a new or renewed contract for products and services totaling tens of thousands or even millions of dollars.

If you can arrange private interviews with the actual users of your products, you can gain insights into how they do so, how they would like your products to help them, and possibly how their future goals might generate problems your products can solve. Information of this sort is invaluable in helping you scope your future goals. .

Without talking to customers, you are relying on customer goodwill, the apparent flow of the market, and the biased ideas of your employees. The future can be scary, and the truth hurts, but you can't dream big unless you understand the challenges faced by your customers.

A College Challenged By Its Students

When digital media students at a Silicon Valley University (USV) expressed disappointment with their learning experience, the college management felt it faced a challenge requiring a fresh approach.

In order to understand the situation and find innovative ways to improve it the university leadership created a project team combining internal teaching and external innovation expertise. After interviewing individual students and staff, the project team concluded there was broad concern among students that the college environment and curriculum felt rather academic and disconnected from the hi tech, creative professions they were aiming to join.

The innovation team's main recommendation to

management was that students should be immersed in a college environment that felt creative, digital, and professional. The college then embarked on a long-term program to change an academic experience into something that feels more like working in a media industry studio. With this strategy it can introduce students to the required professional grounding, technical knowledge, and creative skills, but do so in a more engaging and experiential way.

This experiential learning approach is now promoted on its website, where USV offers potential students the chance to “Get ready to rock the real world before you even graduate!”. It continues... “We’ve got some seriously cool on-campus real world project studios where you’ll dive into real-world experience with industry clients... It’s like being in a real development dream team with artists, animators, game designers, audio specialists, and management whizzes!

Look for Trouble

Gather as many insights into as many customer problems as possible. Keep an open mind and don’t prematurely classify customer problems into real or perceived, low-value or high-value, cost-effective or not. The information gathering process is about the customer not you.

Put great energy into gathering insights about the difficulties your customers are currently facing. Which problems

are at the top of their list, including ones your company might have created? Do not eliminate unsurmountable or crazy challenges. They might be the most valuable to face.

Consider how providing solutions to the greatest challenges could reposition your business or brand with customers. This shift to a higher value level can be the basis for a future-proof innovation strategy with long-term impact.

Imagine the Future

To build your innovation strategy you must project your research findings into the future. How will customers’ current problems change over the next five years? How different might the problems become as technologies, markets, and economic factors change over time? Consider how customers might solve their stated problems without your help.

Scary? You bet, but invaluable.

Reframe Challenges to Stress Benefits

During this process of reimagining the future, you need to forget about the costs of implementing solutions. Instead, reframe the challenges to the customer and to yourself to clarify the benefits that innovative, even radical, solutions might have for your customers.

Reframe hard challenges in a way that clarifies the benefit innovative solutions would have for customers. This reveals how extremely ambitious innovations might yield the greatest return for your business.

Imagine how providing solutions to their greatest challenges might reposition your brand and reputation with customers. By focusing for a short time on becoming a solutions provider for the big problems, you might be able to see how such a strategy could have a beneficial long-term impact on your business.

Trust Your Employees

None of this is meant to take away from the innate creativity and entrepreneurial zeal of your own employees. As Clayton Cristensen said in *The Innovator's Dilemma*, "Blindly following the maxim that good managers should keep close to their customers can sometimes be a fatal mistake." (Cristensen) Customers are focused on their own business operations. Sometimes, it is difficult, at best, for them to know what their business will need in five years. We contend that customer interviews are extremely valuable tools. Your plans cannot ignore the intellectual capital you already have in your company.

Later in the book, you'll read how FujiFilm Corporation cannibalized its own film business to compete in the digital photography market and stay alive as a company. Fuji leadership also counted on its existing talent to help figure out how to use their intellectual property and portfolio of chemical innovations to explore entirely new lines of business.

Know Your Appetite for Risk

You might have years of success ahead of you by making incremental innovations to your product line. There's nothing wrong with that. But at some point, you will undoubtedly find revenue trailing expectations.

So, you might decide to add a suite of services to your product line. Maybe help customers with expansion, configuration, customization, or training. Also, good steps to take. But to venture in new directions such as digital services is riskier. There is value in gauging your risk profile at the early stages of creating an innovation strategy.

As Rosabeth Moss Kanter, Harvard Business School professor, said, "To get more successes, you have to be willing to risk more failures." She continues, "Too often, however, grand declarations about innovation are followed by mediocre execution that produces anemic results, and innovation groups are quietly disbanded in cost-cutting drives." (Kantor)

Her words underscore the need for a strong vision and a strong leadership team that can communicate the vision and transform it into successful execution. While you can start developing your long-term innovation strategy at the leadership level, at some point, you need to evangelize the strategy downward and outward, to employees, partners, suppliers, and customers.

Kanter points out, "Innovators cannot work in isolation if they want their concepts to catch on. They must build

coalitions of supporters who will provide air cover for the project, speak up for them in meetings they don't attend, or sponsor the embryonic innovation as it moves into the next stages of diffusion and use." (Kantor)

Key Takeaways

- Go big but don't ignore the easy opportunities.
- Imagine your customers' futures.
- Become an expert at solving your customers' problems.
- Reframe the costs of challenges to focus on the benefits.
- Interviewing a few customers is more effective than surveying hundreds.
- Trust your employees' creativity and initiative.
- Assess your risk and plan accordingly - but take action.

A Word of Warning

Discovering the tough, high value challenges means deep, direct research with existing customers, and with potential customers you wish to serve in future. This goes much further than conventional market research.

Research surveys, focus groups and sales data are useful but dangerous for strategic innovation as they often give a misleading, rear-view mirror picture of customer needs. If you want to leapfrog over your competitors, you must aim for solutions to challenges everyone thinks are out of reach.

CHAPTER 2

WHAT BUSINESS ARE YOU IN?