



Art OF THE Possible

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So much has been written and documented about digital transformation, it's shocking that there's anything left that needs to be said. And yet, in the Art of the Possible innovation workshops that I regularly lead around the globe, it is clear that somewhere between the intention of the digital transformation and the implementation of it, the commercial benefits have gotten lost.

It's not for lack of expertise, capability, desire or effort. It's not that the participants in my workshops don't want to transform. But all too often, they're so deep into the process that they cannot see how they could transform. For most all of them, the journey of digital transformation has resulted in a paralysis of choice, with so many options on how best to move forward, that they choose none. In fact, what most teams I see need is an instigator who can help them focus and prioritize to agree upon and meet their innovation objectives.

The word "innovation" is so widely abused at this the point, it's practically an industry cliché. Everyone sells innovative because everyone aspires to be innovative. Nonetheless in the workshops

I conduct, I employ the "I" word (sic, innovation) because it still does have meaning and value. What it has lost is it's grounding and purpose, which I strive to restore. How?

In the context of a simple question — is it new, or is it innovative?

At first glance, of course, many people think these are the same. In fact, when I quiz participants to decide if certain products are new or innovative, most aren't even sure how to judge. It's only as we push deeper and the edges of both become sharper, that it becomes clear that new and innovative represent fundamentally different strategic objectives.



BMW i3
2012



Tesla Model S
2012

Was it new, or was it innovative?

Innovation Is a Fundamental Reimagining of the Established Way of Doing Things

For companies that want to compete on innovation, it's not enough to have something new that looks or performs differently or even better.

Instead, the entirety of the ownership experience must be fundamentally different such that it results in the creation of an entirely new product category. Why is Tesla so innovative? Because, from how you buy their cars to how they continually evolve over time, they have completely reimagined the experience of owning a car.

Ignoring all the obvious reasons why this is so difficult, it is particularly challenging for those participants trying to commercially transform their analog businesses. Why? Because the urgency to create an innovative product is dependent upon a belief that the market is inefficient and/or flawed. Stated differently — for an incumbent that's thrived on market inefficiencies, it can be hard to navigate an outcome that sees the established way of doing things needing to be destroyed. Stated bluntly — Tesla had the advantage of a clean slate. Many companies do not.

Yet many analog companies stick with commercial innovation because it can yield a tremendous benefit for the company. I like to think about it in the context of Sun Tzu's Art of War. In his book, he emphasizes how home field advantage yields a huge upside by forcing your competitors to compete on your ground and on your terms. An innovative product has the equivalent effect.

By destroying the established expectations, it forces all other competitors to compete on the expectations your game-changing product has set.

Not to be confused with mere first-mover advantage, the obvious challenge of disruptive commercial innovation is that established competitors are not fundamentally organized to compete on those new expectations. Which is why Tesla killers, at least so far, most often are not.

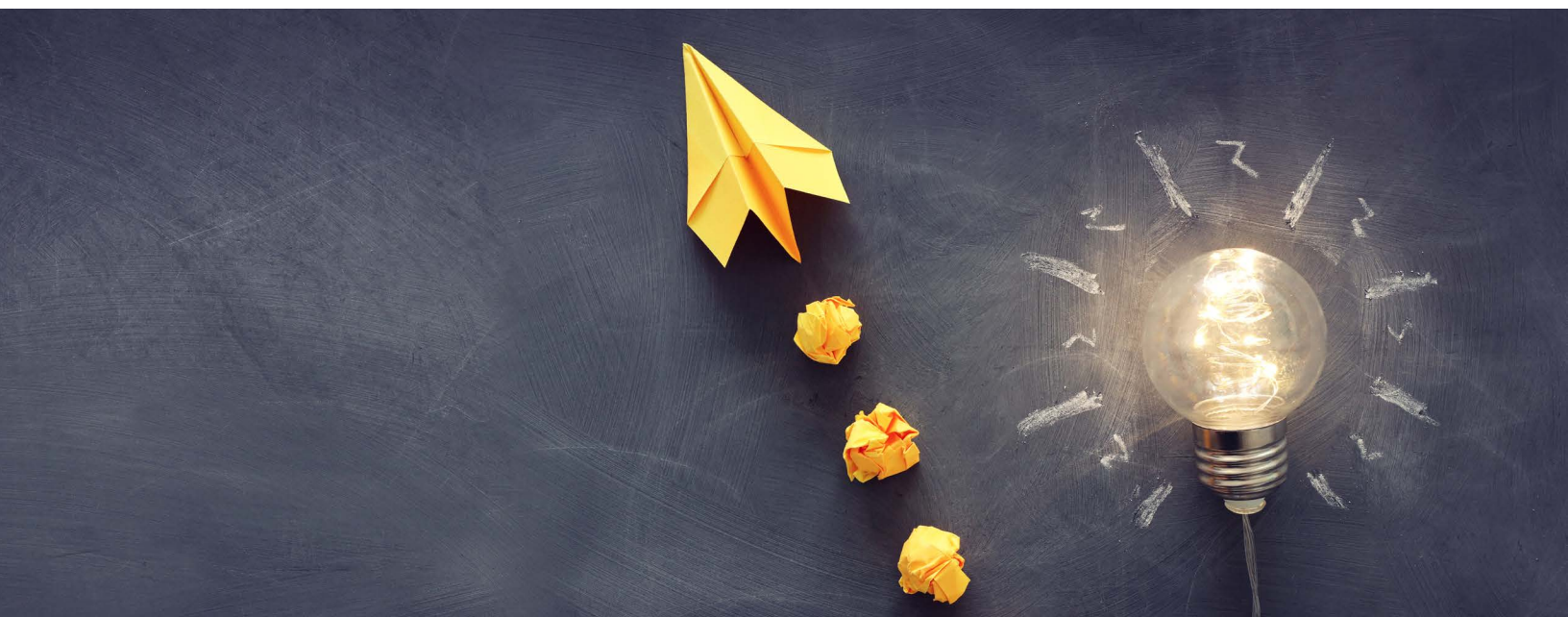
How Does This Translate for Those Suffering Their Own Commercial Innovation Paralysis?


For too many, it can be tempting to be overly-focused on how things are done, looking for ways to apply their newly purchased innovation investments to create market-disrupting innovative outcomes.

Maybe they fixate on the competition, perhaps they fall victim to endlessly shopping for the killer use-case. In truth, the best way to overcome paralysis of choice is not to search for more, but to relentlessly cull and do less.

Only then, by rethinking the implications of innovation, can analog companies use the delivery of greater value for their customers as the necessary northstar that guides their innovation journeys.

But, as we all know, innovation isn't the only way to make money in the marketplace. Starting with the release of the second-generation iPhone, and with every update since, Apple has built a hugely profitable business monetizing new. As a commercial strategy, new is built on a much simpler premise — from the incremental to the radical, the objective is to continually improve upon the product in order to extract greater value from it. As opposed to innovation, which strives to destroy the status quo, the success or failure of the new is based upon the established expectations for the category. For this reason, I like to focus on the pitfalls of conflating new and innovative as a way of focusing on the importance of clarity with strategy.





The BMW i3 was launched in 2012, the same year as the Tesla Model S. However, unlike the Tesla, the i3 you own is the i3 you bought. As I mentioned earlier, whereas Tesla set the terms of engagement for electric cars by fundamentally reimagining the ownership experience, the BMW i3 does not. (disclaimer: I've owned three of them)

What's particularly important here is that the car is loaded with innovative features; however, from a market perspective, all those innovations simply added up to a new car, not a new way of owning a car.

The market was making its judgement, the home field advantage for electric car ownership, had been defined by Tesla and BMW lost those battles. How can I be so certain? Simply because the i3 has been plagued by disappointing sales numbers, including being discontinued in the US, whereas the Model S continues going strong.

In fact, I believe a key component of the paralysis that I see across workshops, as well as in the broader market, is a genuine fear that big bets will come up empty. Which is precisely why it is so critical to separate the innovative and the new. Whereas winning with innovation is first and foremost about culling options and asking what if we could do things entirely differently, winning with new is about embracing small actions and frequent experimentation. There is no one-size-fits all approach. What will be a new that adds value in one market will be meaningless in another.

The key to success lies in guiding key stakeholders to identify where their opportunities for new exist, and then helping guide the implementation of their innovation investments to achieve those results.

For analog companies looking to eliminate paralysis and succeed with transformation, disentangling of these two commercial strategies is imperative. Because, in truth, the analog companies I advise will require both in order to succeed. On the one hand, they will need to leverage their technology investments to make themselves better than the competition. Whether through improvements in user-experience, product mix, speed of experimentation, or all of those things and more combined, they will have to lean-on their digital transformation investments to chart a course built on rapid and continual improvement. On the other, they are going to have to develop a greater tolerance for risk such that they can embrace innovation. They need to accept that they have

benefitted from market inefficiencies that need to be destroyed, and then look for ways to maximize the upside to their business while minimizing the fallout. Perhaps just as difficult, when they do make their pivot, they'll need to remember that their brand is built on the promises they've made and the expectations of their customers that result. Which means, for their transformation to succeed, they can't get too far ahead of their own credibility in the market. None of this will happen overnight.

For brands looking to make the move to digital, distinguishing the new from the innovative can be key to making your digital transformation a win.



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“Kevin’s Art of the Possible session was the highlight of our ELT offsite”

Chief Product Officer, Tier-1 Carrier

Kevin works in partnership with MATRIXX Software customers to educate and inspire leaders so they can maximize the commercial benefits of their digital transformation investments. Prior to MATRIXX, Kevin led Brand & Creative for 30+ companies that include: Microsoft, Hewlett-Packard, Aflac, Sony, Expedia, Ubisoft & Hitachi. He has taught Brand Strategy & Team Visioning at: Nordstrom, Starbucks, Google & Microsoft, among others. Kevin is an Adjunct Professor teaching branding fundamentals to MBA students at University of Washington. He is on the Board of Directors for DIAVOLO | Architecture in Motion and Morale Food Co. His Hollywood film credits include: Hercules, Mulan, Titanic, Stuart Little & Jimmy Neutron’s Nicktoons Blast.

About MATRIXX Software

MATRIXX Software delivers a modern converged charging and digital monetization solution proven at scale. Global operators like Telefónica and Telstra, IoT providers like Tata Communications and network-as-a-service (NaaS) providers like DISH rely on the platform to overcome the limitations of traditional Business Support Systems (BSS). With MATRIXX, service providers can rapidly configure, deploy and monetize personalized, innovative offerings. Its cloud native platform delivers accurate, real-time information that improves customer engagement. MATRIXX enables commercial innovation and real-time customer experiences that drive revenue and growth opportunities across multiple markets.

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