

## Generating high potential new product and service ideas: a practical guide

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In a previous article ([Ideation: your foundation for new product success](#)), we presented an ideation framework that covers the end-to-end process of generating, qualifying, and securing approval for new product and service ideas. In this article, we delve deeper into the front-end of this framework: idea generation. This article presents a practical approach to generating high potential new product and service ideas for companies driven by innovation and new technologies.

Many companies, both new ventures and established corporations, do not place sufficient importance on front-end idea generation. They get caught up in an initial concept, and do not take time to explore the wealth of knowledge, insight, and ideas both inside and outside their organizations. As a result, their thinking is limited, they begin making investments in sub-optimal ideas, and soon they are trapped into trying to make an average idea generate above average returns.

The impact of this is profound – the vast majority of a company’s total lifetime investment in developing, launching and growing a product or service is built on the initial foundation laid in the idea generation phase. If the company moves forward with sub-optimal ideas, it will consume vastly more time, money and other resources, take much longer to secure market traction and have to manage much higher risks than it otherwise would have,

By contrast, successful repeat innovators focus on maximizing the idea pipeline. They work diligently to identify as many new product and service ideas as possible from a full range of internal and external sources. They then manage these ideas like any pipeline, applying quick but effective screening criteria to identify the very best ideas. In this way, these companies are developing a hidden, but very real and powerful, competitive advantage over their less insightful competitors.

As detailed below, a best practice approach to idea generation comprises three elements:

- *Developing an innovation strategy*
- Generating ideas internally
- Generating ideas externally

### *Developing an innovation strategy*

The first element is to define and communicate your innovation strategy for your business. Your innovation strategy sets the direction and parameters to guide your idea generation efforts. These should allow for breakthrough, out-of-the box ideas, yet give sufficient guidance to provide coherence to your idea generation efforts and avoid wasting resources.

*Define innovation objectives* – the first step is to define qualitative and quantitative goals for your innovation efforts. Qualitative goals may include the role you want innovation to play as part of your overall business strategy.

Quantitative goals may include the number of new product and service innovations you want to generate in a specific time period, or the percentage of sales you want to generate from new products. These objectives both give guidance to your innovation efforts, and can contribute to your motivation and reward processes.

*Define market focus* – a second component of your innovation strategy is your broad market focus. Your market focus should be based on your core competences and long term strategy as a company. Are you B2C or B2B? If B2C, which household income and demographic characteristics? If B2B, which industries, size of organization and decision makers are within your scope? What is your geographic focus? New product ideas can quickly be evaluated to ascertain whether they fit your current and future market focus.

*Define technology focus* – a third primary component of your innovation strategy is your current and future technology focus. As with market focus, your technology focus should also be based on your company’s core competences and long term strategy. Which areas of technology fall within your scope currently? How should this change over the next few years? This too provides an important guide to which new product and service ideas are in or out of scope.

*Evaluate your product roadmap* – fourth, consider your current product roadmap, and your current mix of existing offering improvements, new products or services, and new platforms or businesses. In light of your latest market and competitor analysis, does your roadmap need adjusting? Where is innovation most needed to do so? Gaps in your roadmap provide direction for your idea generation efforts.

*Summarize and communicate your innovation strategy* – finally, prepare a summary of your innovation strategy for both internal and external communication. While naturally you should not reveal competitively valuable information to the wrong people, it is important to share these guidelines with the appropriate stakeholders. By focusing your idea generation efforts in this way, you will significantly improve the quantity of useful ideas generated and reduce wasted time and effort.

### **Generating ideas internally**

*With a clear innovation strategy in place to guide your idea generation activities, turn next to generating ideas internally. There are many tactics you can use to do so, we present seven below.*

*Like with most new initiatives, it normally makes sense to build your internal idea generation process in a phased way, starting simply and adding sophistication over time. As an example, table 1 comprises three phases. Phase one encompasses relatively quick, simple and easy activities, phase two adds more complex activities, and phase three represents systematic, deep engagement. Note this table is illustrative, not prescriptive. In practice, you will need to experiment to determine which approaches work best for you organization.*

*Table 1: Internal idea generation options*

Phase one	Phase two	Phase three
<ul style="list-style-type: none"> <li>Brainstorming teams</li> </ul>	<ul style="list-style-type: none"> <li>Market and scenario analysis</li> <li>Solicitation of ideas</li> <li>Peer networks</li> </ul>	<ul style="list-style-type: none"> <li>Corporate events / challenges</li> <li>Internal idea incubator</li> <li>Creative time allocation</li> </ul>

*Brainstorming teams* – the quickest and simplest way to get started is to hold brainstorming sessions with selected employees to examine trends, explore new markets or industries, solve problems, and address specific topics. It is very important that these teams are comprised of diverse people with respect to function, background, seniority level, and demographics. The directive given to these teams should be clear, but should allow for some “blue sky” thinking. The team size should be large so that enough distinct perspectives are brought to the table and so that it can perform the necessary cognitive legwork, but small enough where everyone can participate and the team is not bogged down by its size. We have found the ideal team size to be between five and ten.

*Market and scenario analysis* – assign individuals and / or teams to research and analyze more formally the key customer, competitor and technology trends in your industry. This may include conducting similar analyses in related industries. Based on this analysis, develop a range of internally consistent scenarios on what the future of your industry may look like. What are customers likely to want or need? How are competitors likely to respond? What new competitors will enter? What new technologies will become available? Based on these trends, what new product and service ideas come to mind?

*Solicitation of ideas* – make a formal announcement to employees that you want to actively invite new product and service ideas. Set the ground rules and strategic objectives, and then create a simple web-enabled database tool to enable easy submission, sorting and storing of ideas. In subsequent iterations, the tool could be modified to allow for interaction to further define ideas or perhaps allow employees to provide collaborative feedback. Motivate your people to submit ideas by offering recognition and other rewards for good ideas, and monetary compensation if an employee’s idea is successfully commercialized.

*Peer networks* – allow employees to self-select into groups to address specific market and product areas. Require a coordinator / leader for each peer group, and assign a senior executive to serve as a mentor to each peer group, holding periodic review sessions and providing advice and visibility within the broader organization. Adopt one of the common social media tools to facilitate peer group discussion and collaboration. Although participation is voluntary, provide career and other rewards for peer group participation. Ensure the groups self-regulate and replace uncommitted members.

*Corporate events or challenge* – hold specific innovation challenges that can span several days or weeks. These events can be virtual or live gatherings and involve a clearly defined challenge to creatively generate ideas.

*Internal idea incubator* – set up a dedicated department to coordinate idea generation and other elements of ideation and commercialization. Such an incubator may be part of an R&D department or a corporate venturing group.

*Creative time allocation* – allow your employees to devote a portion (usually between 10 and 20%) of their time to work on generating ideas of their choice. Although this is an expensive option, companies such as Google have seen many products ideas hatched because their employees are more motivated to work on ideas they find interesting and in which they have a sense of ownership.

### ***Generating ideas externally***

In addition to generating ideas internally, it is critical to look externally for new product and service ideas. While this has long been done by successful innovators, it remains relatively rare – the “not invented here” syndrome is seductive and difficult to overcome. However, as popularized by Henry Chesbrough’s seminal work *Open Innovation*, it is vitally important. Companies that source ideas externally as well as internally perform far better on every key innovation metric.

Sourcing ideas externally is much more complex than internally, because there are many external groups of stakeholders who may offer insights of value. As such, as illustrated in table 2, we recommend a two dimensional phased approach. Begin with a first phase that focuses on a limited number of tactics with a few key stakeholder groups. Over time, add more sophisticated tactics, and add additional stakeholder groups. By phase three, you will be sourcing ideas using a wide range of tactics from a full range of external stakeholders.

Table 2: External idea generation options

Stakeholder group	Phase one	Phase two	Phase three
<b>Customers / users</b>	<ul style="list-style-type: none"> <li>• Interviews / individual collaboration</li> <li>• Focus and brainstorming groups</li> <li>• Monitoring blogs</li> </ul>	<ul style="list-style-type: none"> <li>• Advisory board or panel</li> <li>• Customer experience mapping</li> <li>• Non-customer analysis</li> </ul>	<ul style="list-style-type: none"> <li>• Co-creation</li> <li>• Enthusiast community</li> <li>• Extended observation / shadowing</li> </ul>
<b>Channel partners</b>	<ul style="list-style-type: none"> <li>• Interviews / individual collaboration</li> </ul>	<ul style="list-style-type: none"> <li>• Advisory board or panel</li> <li>• Focus and brainstorming groups</li> </ul>	<ul style="list-style-type: none"> <li>• Co-creation</li> </ul>
<b>Competitors</b>	<ul style="list-style-type: none"> <li>• Online research</li> <li>• Monitoring blogs</li> </ul>	<ul style="list-style-type: none"> <li>• Reverse engineering</li> </ul>	<ul style="list-style-type: none"> <li>• Co-creation</li> <li>• Acquisition</li> </ul>
<b>Influencers</b> (analysts, media, industry associations, academia)	<ul style="list-style-type: none"> <li>• Online research</li> <li>• Monitoring blogs</li> </ul>	<ul style="list-style-type: none"> <li>• Interviews / individual collaboration</li> <li>• Intermediaries</li> </ul>	<ul style="list-style-type: none"> <li>• Advisory board or panel</li> <li>• Technology transfer</li> </ul>
<b>Complementors</b> (related start-ups, adjacent industries)	None	<ul style="list-style-type: none"> <li>• Licensing</li> <li>• Strategic investment</li> </ul>	<ul style="list-style-type: none"> <li>• Co-creation</li> <li>• Incubator program</li> <li>• Idea exchange</li> <li>• Acquisition</li> </ul>
<b>General public</b>	None	None	<ul style="list-style-type: none"> <li>• Crowd / open sourcing</li> <li>• Initiative, forum, or promotion</li> <li>• Technical innovation community</li> </ul>

*Interviews / individual collaboration* – you can begin quickly and easily this by reaching out and speaking with people. Many customers, partners and influencers will willingly share their thoughts if you only ask them. While a discussion guide can be helpful, these interviews should be fairly unstructured to allow for rich conversations and idea generation.

*Focus and brainstorming groups* – assembling small focus groups can also be a relatively easy tactic. Usually eight to twelve participants, these sessions need a skilled moderator that leads the discussion and helps participants walk through problems and explore possible solutions.

*Monitoring blogs* – with the emergence of blogs as a mainstream medium, it is wise to keep track of the blogosphere in your space, particularly comments and ideas from customers, competitors and influencers.

*Online research* – with essentially infinite information online about every known subject, a central element of external idea sourcing is of course extensive online research. Key targets will include relevant companies, university research, media, patent applications, and industry association events.

*Advisory board or panel* – create an advisory board or panel of customers, partners or influencers. These groups should be kept small, represent a cross-section of opinion and avoid exposing competitive sensitivities. Advisory boards should meet on a semi-regular basis and be enabled by web-based technologies. To keep the group focused, your organization should supply them with specific issues for discussion, but also allow the group to self-regulate and brainstorm freely.

*Customer experience mapping* – mapping the customer experience is an important tactic. While this methodology can involve varying degrees of sophistication, the essence is to document how your customers perceive your company and its offerings throughout the purchase, use and support cycle.

*Non-customer analysis* – it is important to consider the ideas of non-customers. Their feedback as to why they did not select your product, and their suggested improvements, can be more valuable than your satisfied customers.

*Reverse engineering* – this well known tactic involves buying and analyzing competitive products to understand the thinking and engineering behind them. Based on this analysis, generate new product and service ideas.

*Intermediaries* – these entities include brokers, agents, venture and innovation capitalist and provide a company with raw or market-ready ideas.

*Licensing* – other companies can be a source of ideas, and frequently they are open to licensing them. Large corporations also monetize their patents by allowing companies to locate them online.

*Strategic investment* – this involves identifying and investing in start-ups to secure and build upon their ideas.

*Co-creation* – at the end of the external innovation spectrum is joint development of product ideas. In this methodology, customers, partners, complementors or even competitors share in idea generation and product development.

*Enthusiast community* – setting up an enthusiast community is a large undertaking, but can allow your users to interact naturally and suggest valuable improvements. While it can be difficult for companies to create these communities, they can also leverage third-party sites where users congregate and interact.

*Extended observation / shadowing* – this involves closely observing the user experience – how users go about their lives, the problems they encounter, and how they interact with your product or service. Many needs are unknown to the customer, and can only be discovered through in-depth observation. Because this is usually done in a native environment, your team can identify new areas of opportunities.

*Acquisition* – similar to strategic investment by taken to the next level, this involves identifying and acquiring companies for their ideas and technologies.

*Technology transfer* – universities and research institutes usually have an extensive intellectual property portfolio and are willing to license it. Usually these ideas are more technical in nature, but if your company can create a solid business case or couple them with other ideas, they can be a source of tremendous value.

*Incubator program* – companies such as Salesforce.com have pioneered creative programs to keep the pulse of related start up activity. These programs involve providing companies with resources such as technology platform,

technical advice, or office space. Often this is done in exchange for equity; however, in other instances there is no equity exchanged. In the latter instances, the incubator allows the larger company to gain early insight into innovations that benefit their business or provide an avenue for acquisition.

*Idea exchange* – this is common when a company has generated an interesting idea that falls outside of its core business. In this case, it collaborates with another company and exchanges its idea with one from their portfolio.

*Crowd and open sourcing* – leveraging large, web-based innovation platforms or open-source technology to come up with ideas. Some companies have integrated crowd-sourcing into their business model to tap collective knowledge and creativity.

*Initiative, forum, or promotion* - to tap independent innovators, many companies allow for free-form submittal of ideas. Many of these programs reward selected product ideas by acquiring or licensing the solution.

*Technical innovation community* – several technical exchanges exist where a company can anonymously post their technical problems and the members of the community submit their proposed solutions. The rationale for using such a platform is the appeal of having a significantly larger number of people tackling your problems from potentially diverse angles.

The tactics and methodologies listed above, representing the thinking of innovation thought-leaders, are a menu of choices, not a rigid list. Design and continually refine your external idea generation programs using this framework and these tactics as inputs.

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Generating high potential new product and service ideas is the critical foundation for successful innovation and new product development. In this article, we have presented a practical approach to help you build a best practice idea generation capability within your company.

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### ***Additional reading and resources***

**Chesbrough, Henry.** [Open Innovation: The New Imperative for Creating and Profiting from Technology.](#)

A seminal and visionary work on open innovation. Chesbrough introduces the idea that companies must allow outside ideas to enter its walls. In addition to laying out a new paradigm and providing relevant case studies, the author stresses that companies must connect both internal and external innovation to create and capture value.

**Cooper, Robert G. and Scott J Edgett.** [“Ideation for product innovation”](#) PDMA Visions Magazine, March 2008.

An informative article based on a 2007 study, which had over 160 companies assess the effectiveness and popularity of 18 ideation methods. The resulting analysis presents a useful matrix plotting the effectiveness and popularity of these ideation methods.

**Nambisan, Satish and Mohnabir Sawhney** [“A Buyer’s Guide to the Innovation Bazaar”](#) Harvard Business Review, June 2007. (Subscription required)

Nambisan and Sawhney present an external sourcing continuum illustrating the sourcing processes and tradeoffs between raw ideas and market-ready products. The authors plot two sets of tradeoffs – risk / reach and speed / cost – which run inversely as one traverses the continuum. The midpoint of the continuum represents market-ready ideas. These ideas optimize the two sets of tradeoffs and can be sourced through novel intermediaries.

**Skarzinski, Peter and Rowan Gibson.** [Innovation to the Core: A Blueprint for Transforming the Way Your Company Innovates.](#)

Building on the ideas of strategist Gary Hamel, *Innovation to the Core* presents a holistic guide to instilling innovation into your corporate DNA. Particularly relevant to this month’s Insights, the authors not only advocate widening the innovation pipeline, but also stress the importance of enhancing the quality of ideas through innovative idea generation.

### ***About the authors***

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