

# SMARTORG<sup>®</sup>

## Innovation Navigator

A mashup of real option analysis  
and lean startup methods



# Enterprise Companies Struggle with Innovation

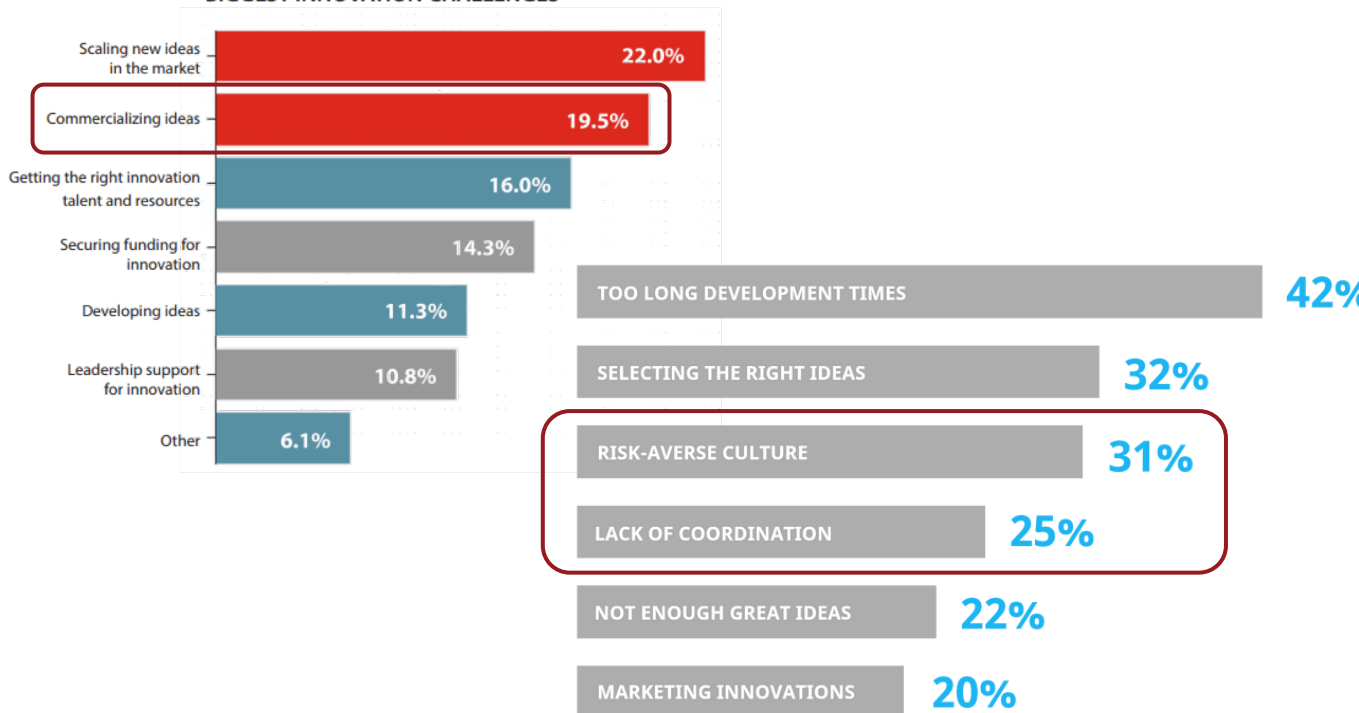
## The Biggest Strategic Challenges Companies Face

Innovation and technology fall in the middle of the pack.

% of board members who rated each challenge among the top 3

Attracting and retaining top talent	41%
Regulatory environment	38
Competitive threats: global	32
Competitive threats: domestic	30
<b>Innovation</b>	<b>30</b>
Low or changing consumer demand	21
<b>Technology trends</b>	<b>21</b>
Risk management	14
Levels of debt	12
Cybersecurity	8
Compensation	7
Supply chain risk	7
Rising cost of materials/commodities	6
Activist shareholders	5
Other	10

### BIGGEST INNOVATION CHALLENGES



Sources: HBS Survey of BoD (n= 5,000), BCG Client Survey (n=176), Innovation leader Survey (N=567)



# Ralph Morales III



Chapter 1 | Corporate Finance  
“manage uncertain investments to deliver value”



Chapter 2 | Innovation Scout  
“Is there a ‘there there’”



Chapter 3 | Innovation Director  
“Build-out billion \$ businesses”



# Successful Return on Innovation



**Evidence  
Of  
Value**



**Value  
Of  
Evidence**



**Match  
Innovator Dialect  
to  
Investor Language**

# Chapter 1

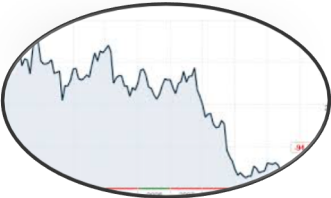


Evidence  
Of  
Value

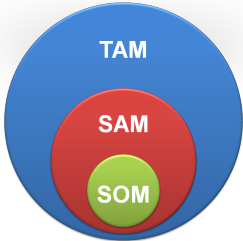
# 2003 - 2012 Retail Publishing Solutions



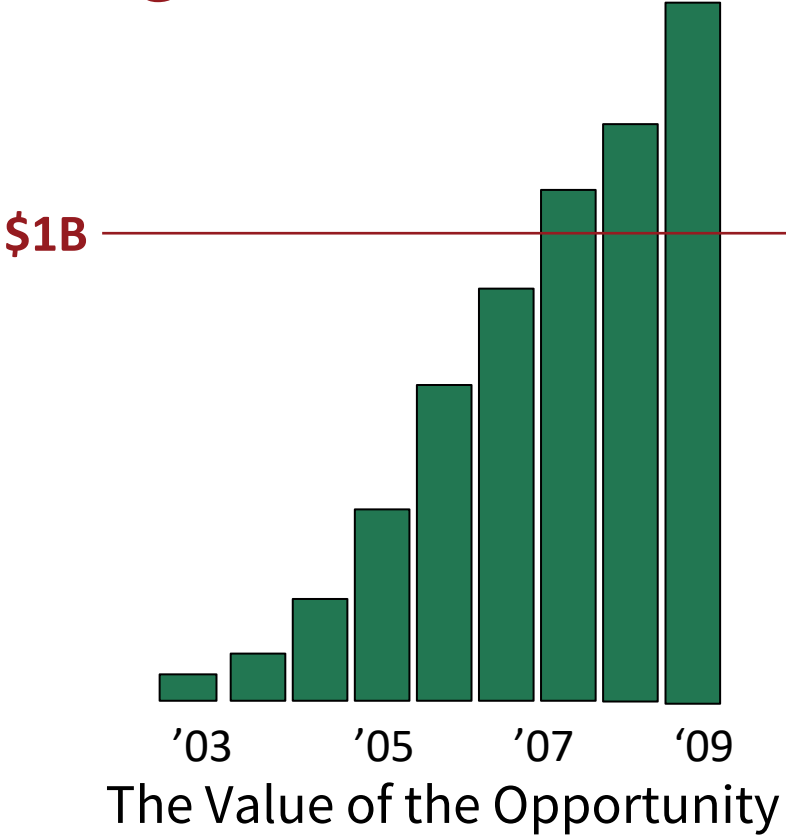
Novel Technologies



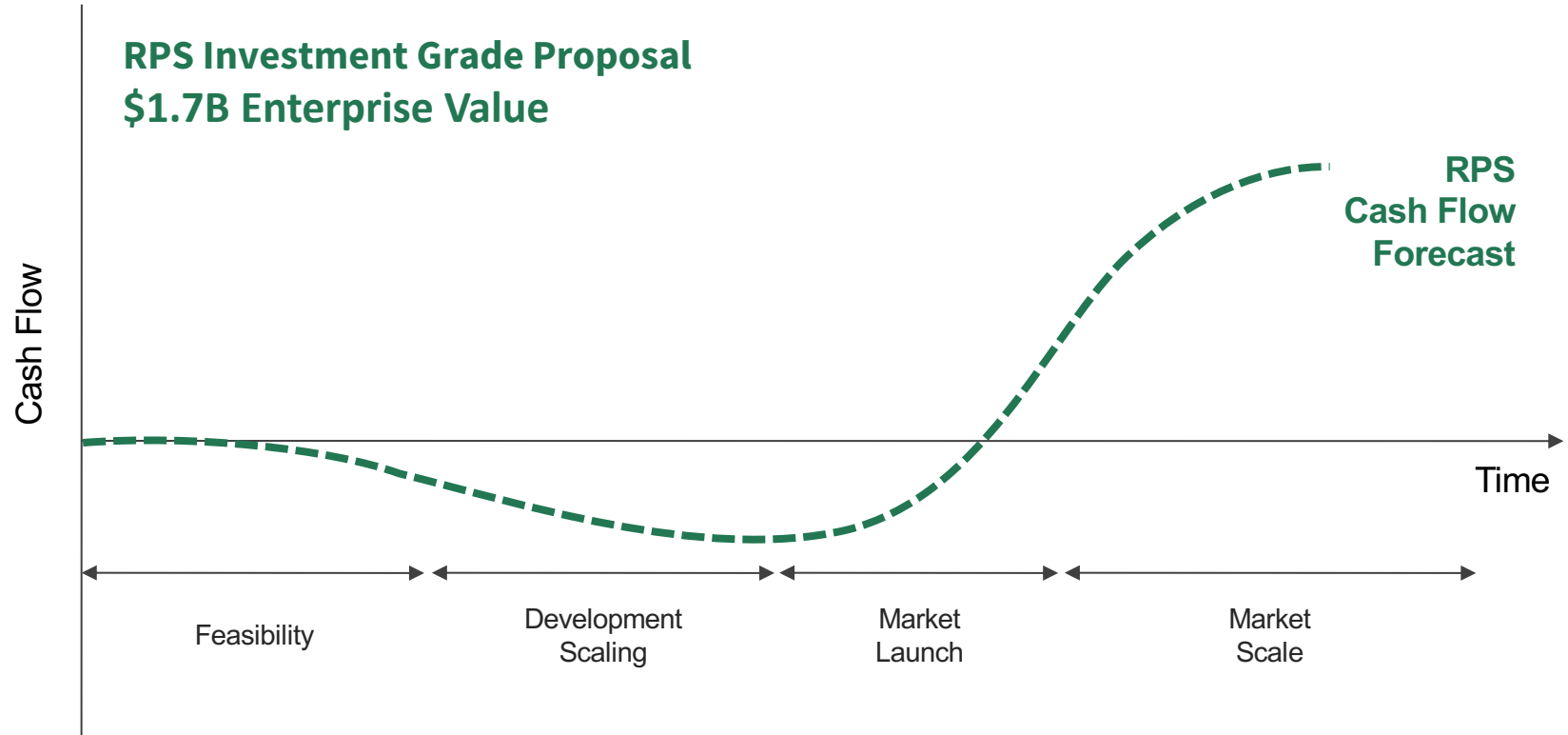
Struggling Incumbents



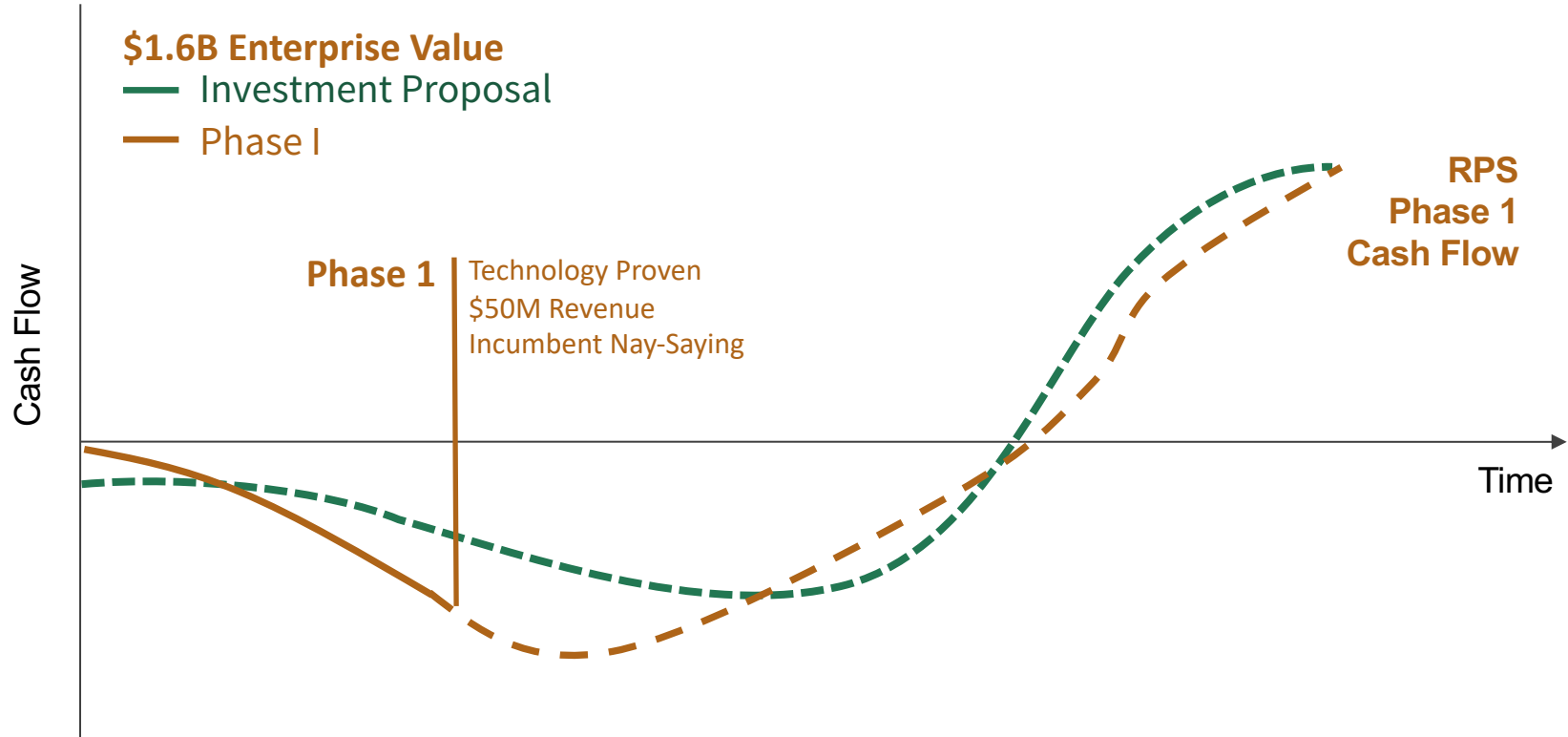
Adjacent Market



# How many of have seen this graph?

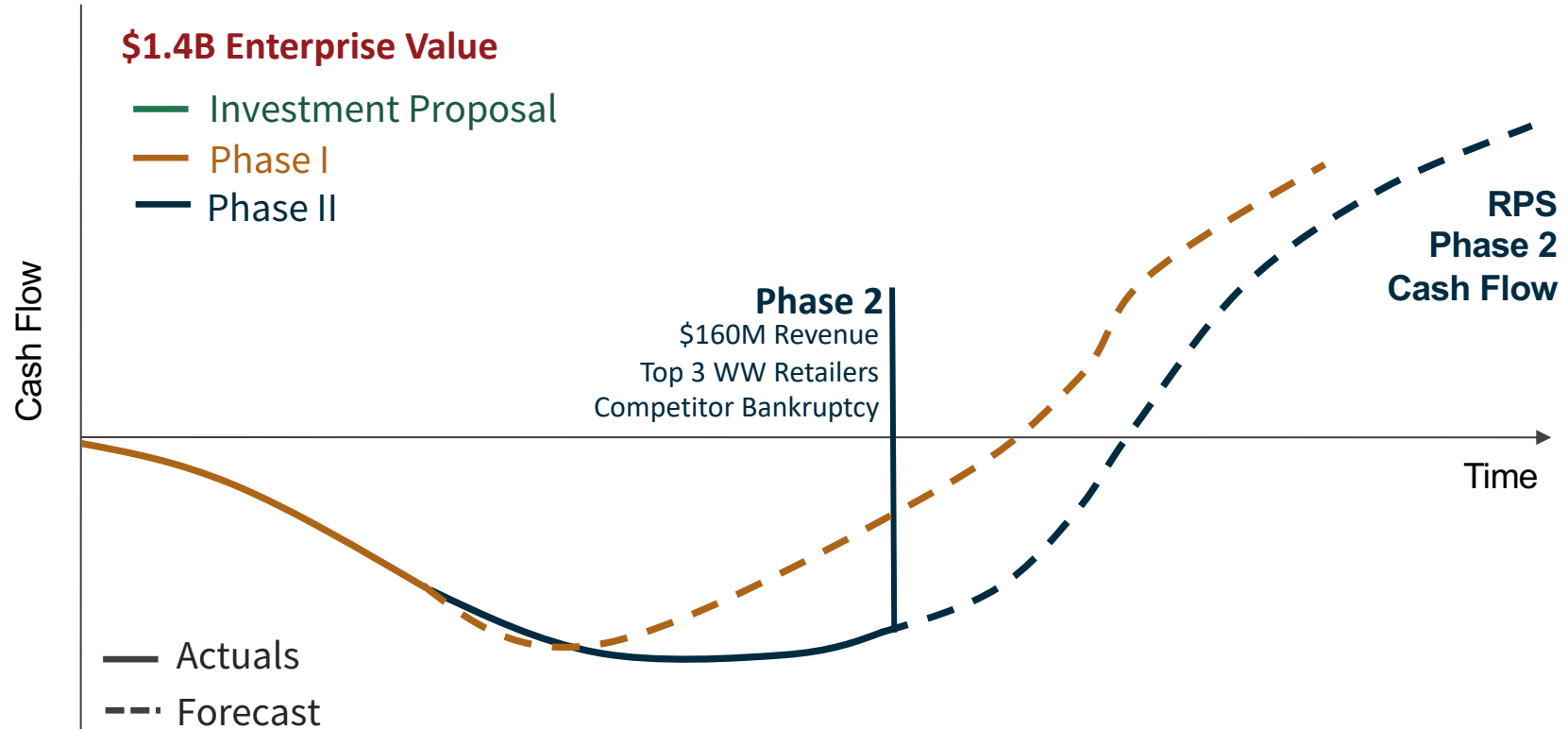


# RPS Phase 1 - Deep & Steep

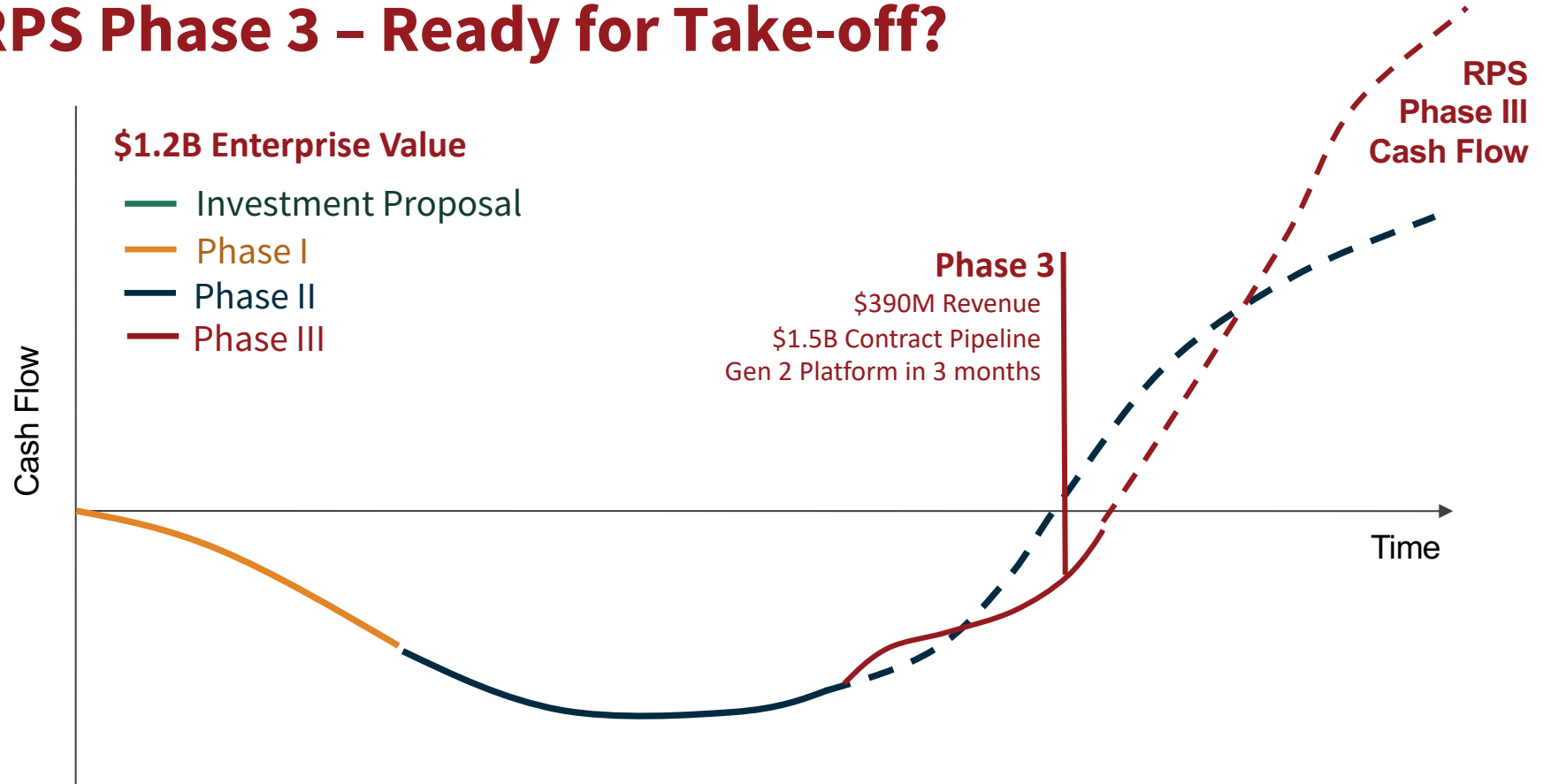




# RPS Phase 2 - Slide to the Right



# RPS Phase 3 – Ready for Take-off?

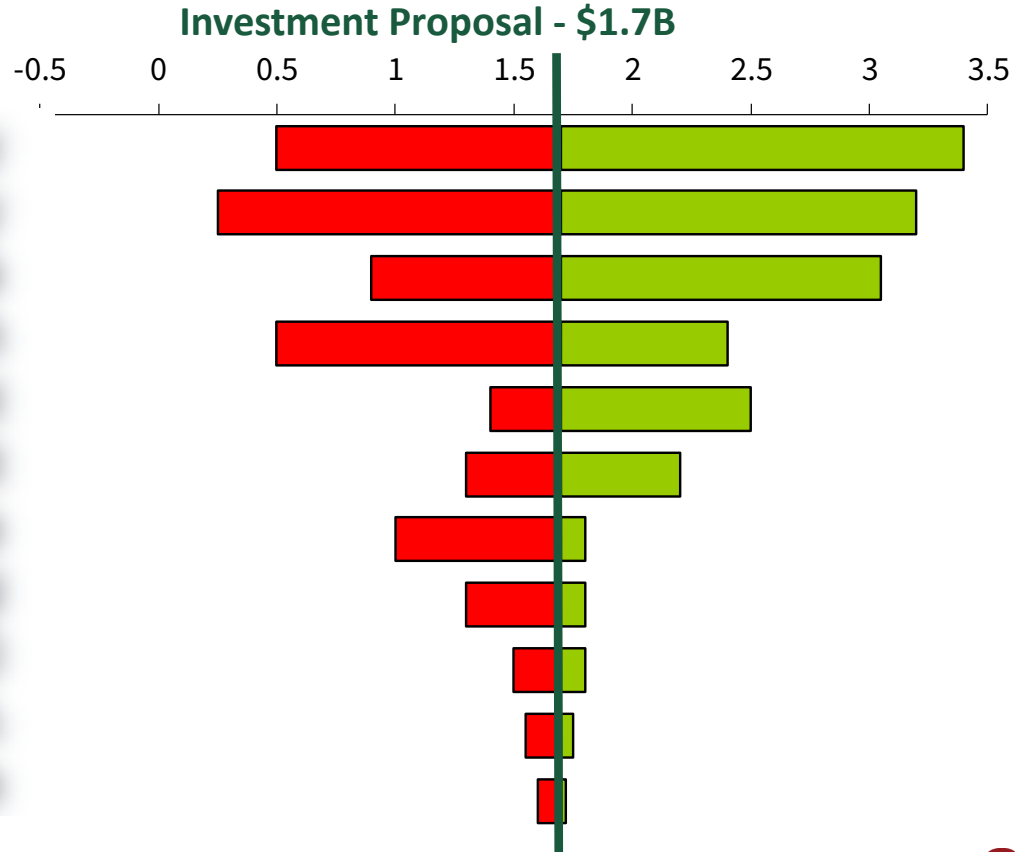




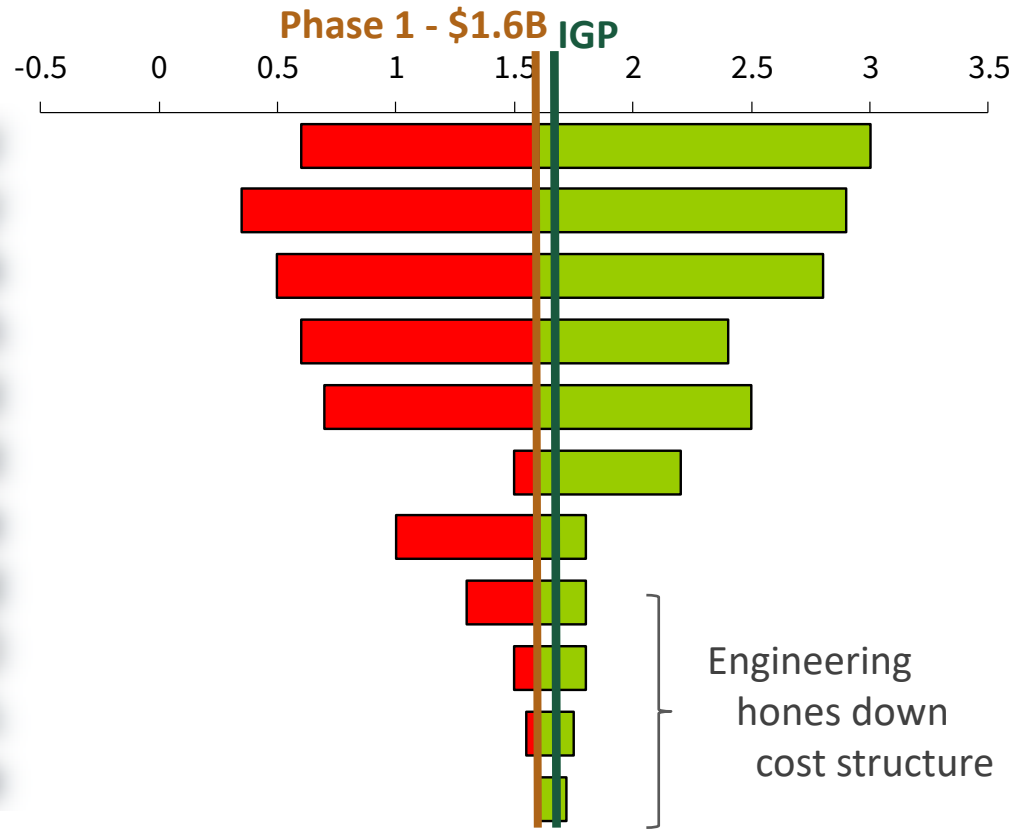
**Print Mission is Billion \$ Market Exploration...**

**...What did we miss?**

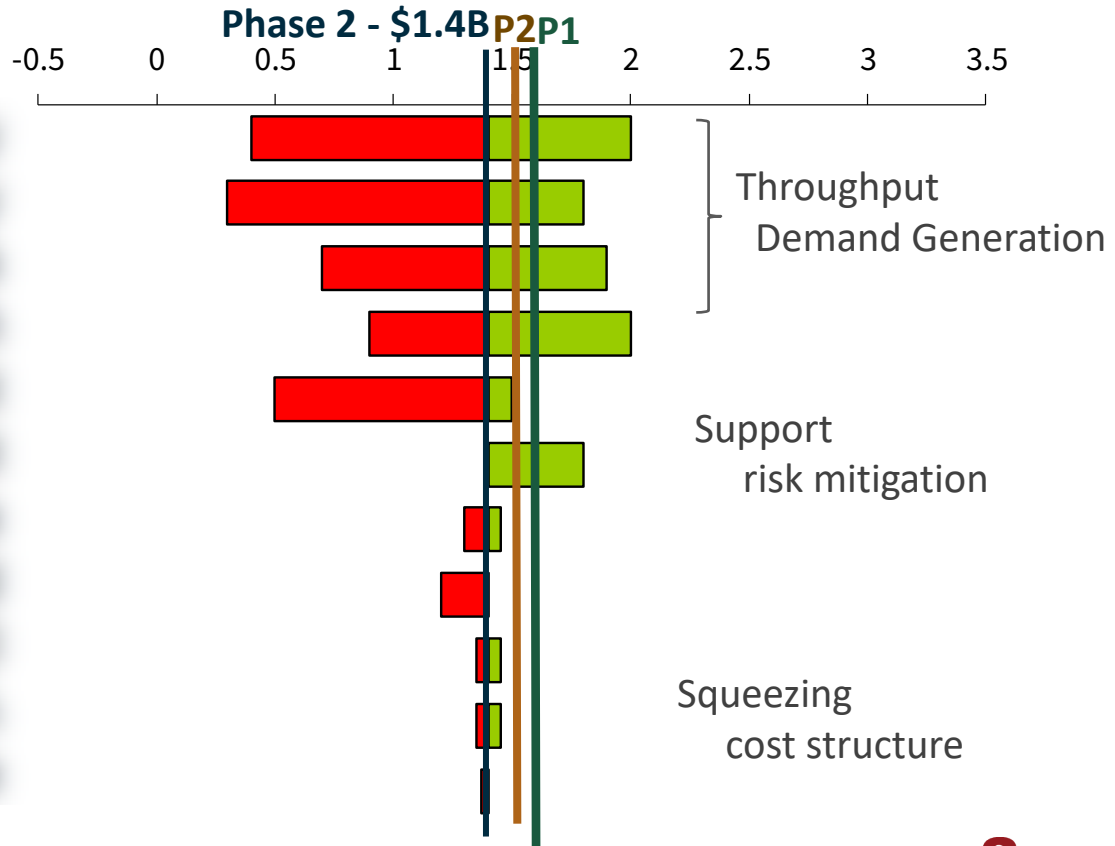
# Articulating the Evidence of Value



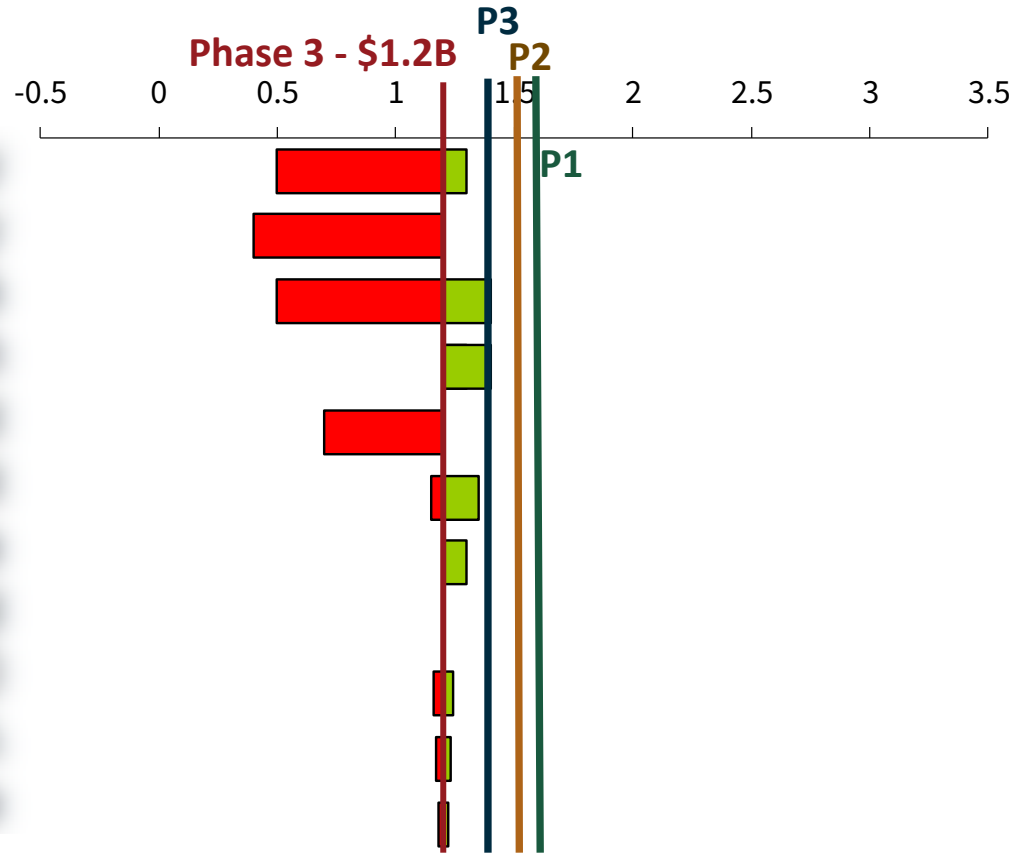
# Evidence of Value – Phase I



# Value of Evidence – Phase II



# Evidence of Value – Phase 3



# Key Lesson: The Evidence of Value

Keep track of what the World is telling you

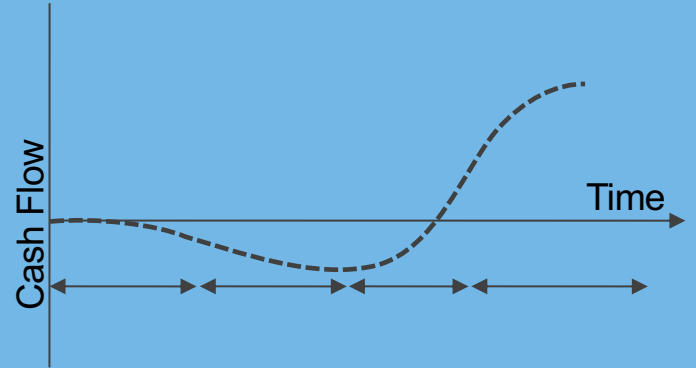


Evidence  
of  
Value

Why?

>

When?





# Chapter 2



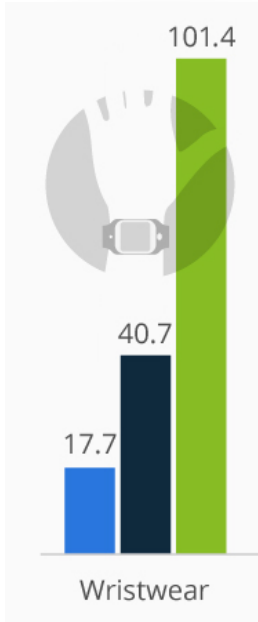
Value  
Of  
Evidence

# 2013 Consumer Wearables

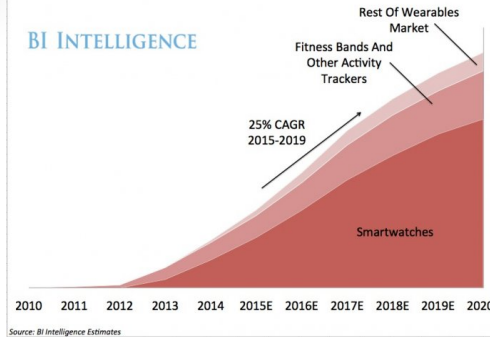


System-Level  
Engineering  
Expertise

**Smartwatch Style**  
Engineered by HP



## High Market CAGR



Emerging  
Device  
Category



World's 1<sup>st</sup> Smartwatch

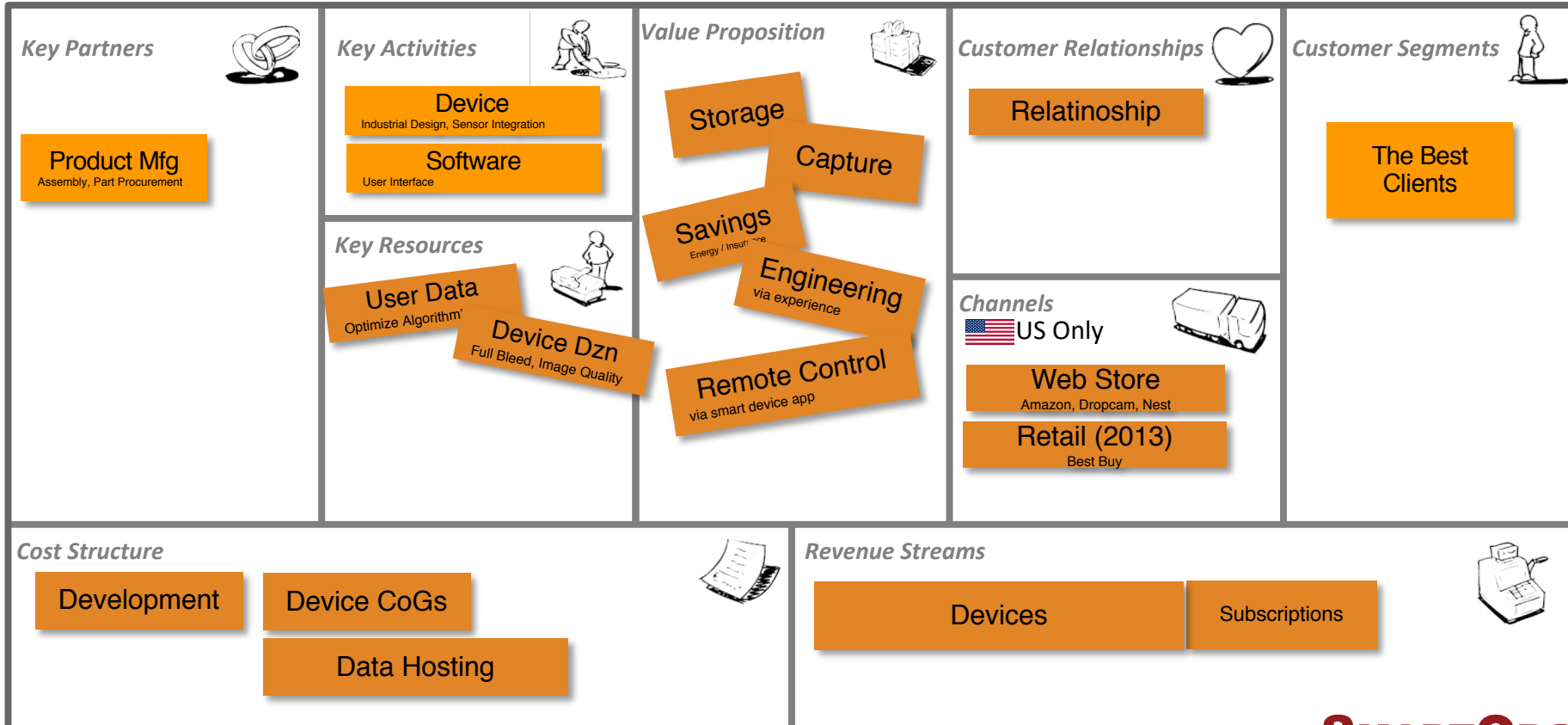
# Who has made one of these graphs?

## Business Model Canvas

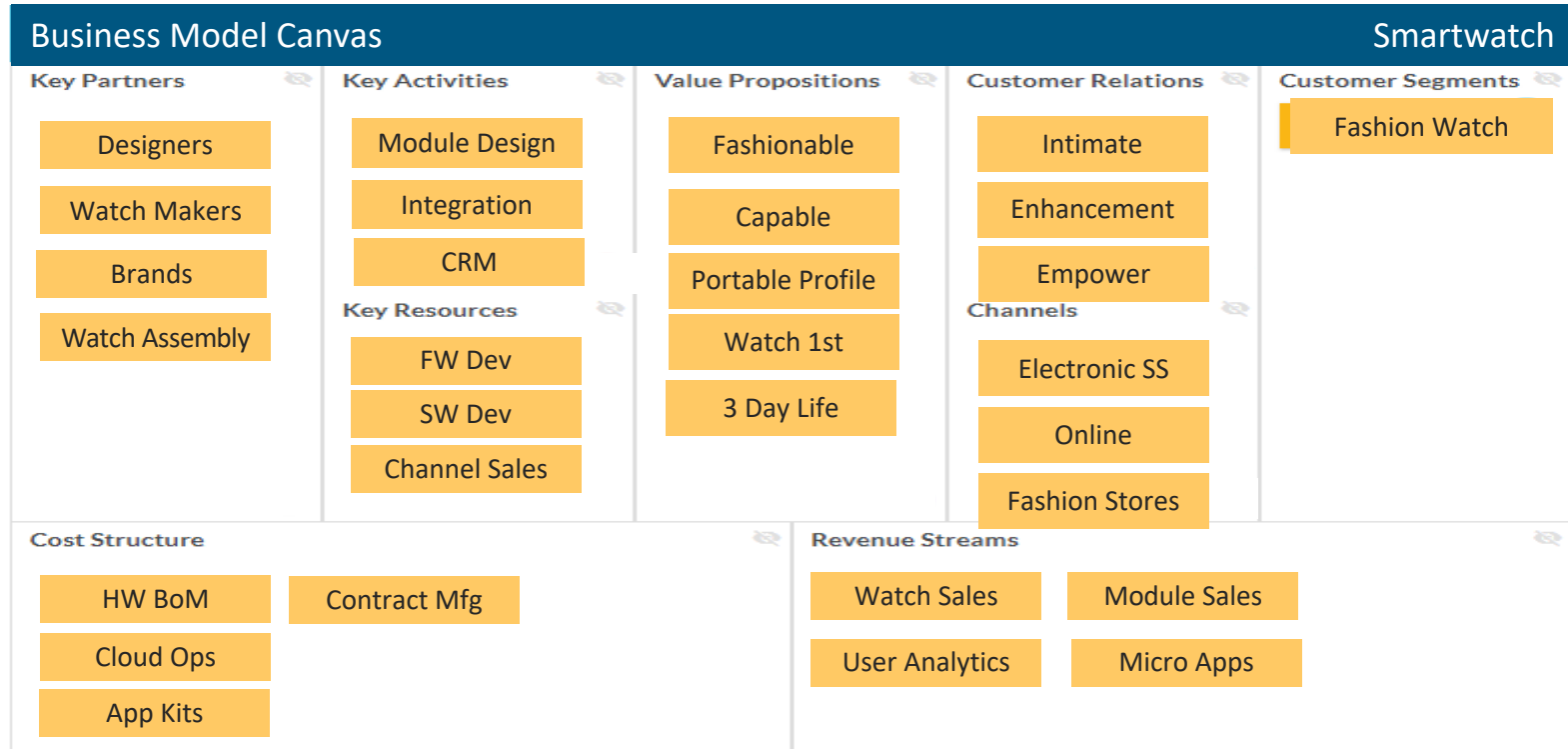
Designed for:  
**Most New Products**


Designed by:  
**Ambition & Charisma**

On: \_\_\_\_\_  
Iteration: \_\_\_\_\_



# The Smartwatch Team completed one...



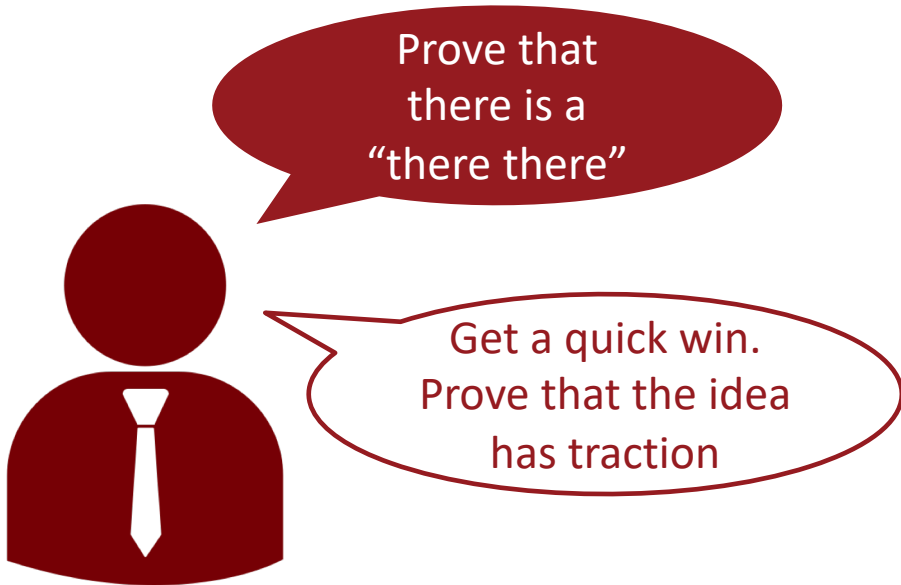



# Where do you start?

# Accomplishment Focused Innovation

Let's show opportunity viability for HP

## Executive (Investor) Guidance





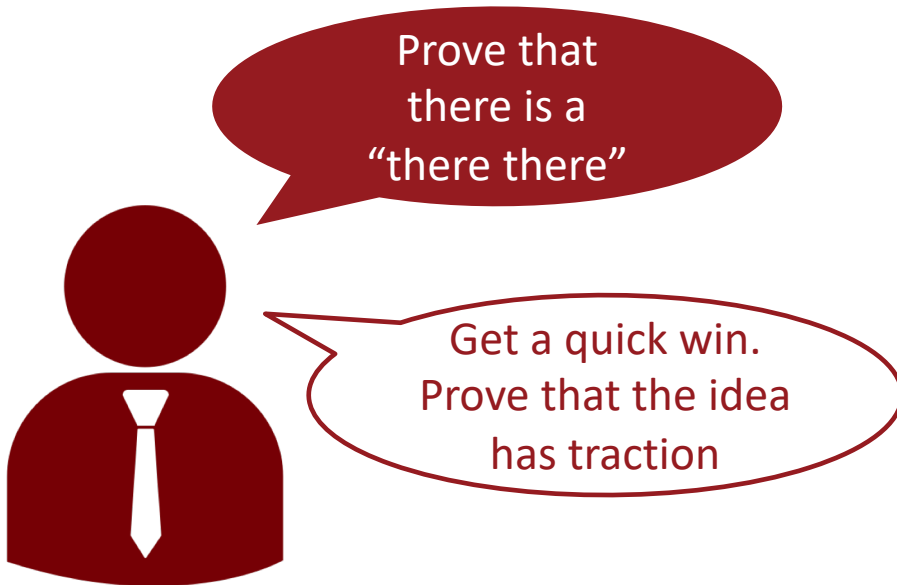
HP's new smartwatch  
actually looks good  
- The Verge

High-Tech meets High-style  
in the MB Chronograph by HP.  
- The Wall Street Journal

# Accomplishment Focused Innovation

Let's show opportunity viability for HP

## Executive (Investor) Guidance



## Innovation Activity

- Designers
- HW BoM
- Enhancement

minimum  
Viable  
Product

5k Units  
\$1.2M



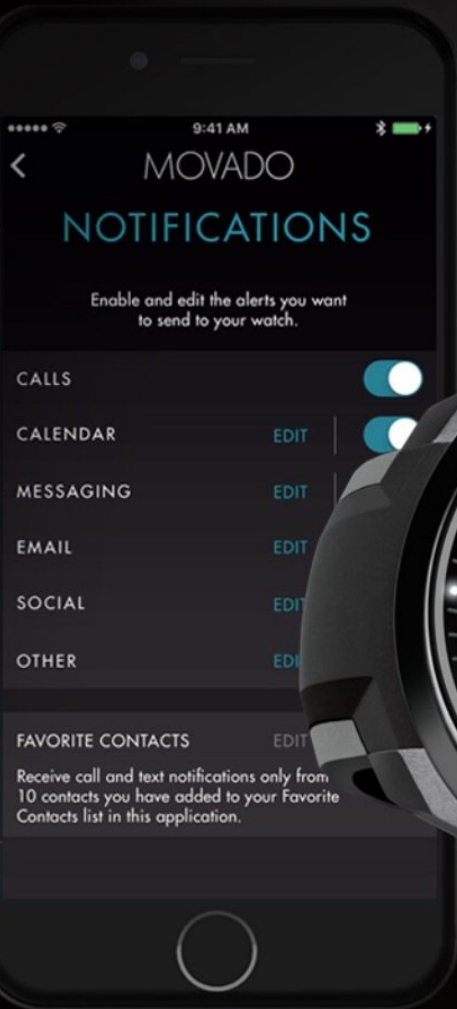


# Accomplishment Focused

Growth scaling. Sales & Marketing Roadmaps.

## Executive (Investor) Guidance





Movado debuts a smartwatch  
that actually looks like a watch.  
*Goodbye mini wrist computers!*  
- Elle Magazine

Movado Bold smartwatch  
is a HP wearable in disguise.  
- Wareable.com



MOVADO BOLD MOTION  
THE BOLD NEW WAY TO STAY CONNECTED

# Accomplishment Focused

Growth scaling. Sales & Marketing Roadmaps.

## Executive (Investor) Guidance



Who can help us drive global scale?

Can we leverage our channel for more volume?

## Innovation Activity

Fashionable

Electronic SS

Watch 1st

Mobile App



Minimum  
Awesome  
Product

15k Units  
\$8.1M

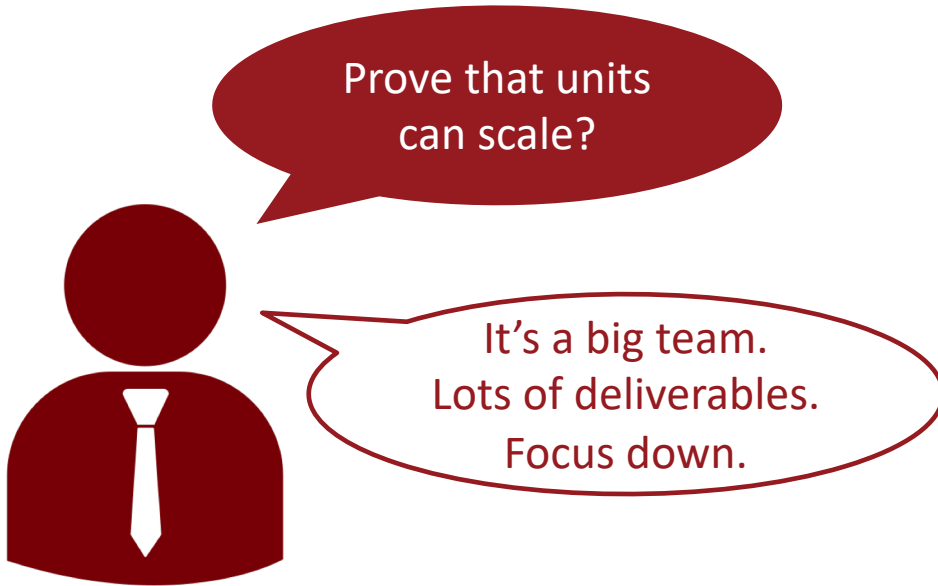


# Accomplishment Focused

Let's show opportunity viability for HP

Innovation Activity

## Executive (Investor) Guidance





LACOSTE 

Engineered by HP



SMARTORG®

# Accomplishment Focused

Broaden Product Offering

## Executive (Investor) Guidance



Who can help us drive global scale?

Can we leverage our channel for more volume?

## Innovation Activity

> Brands

SKU's Required

Module Integration

Customer Development

80k Units  
\$12M



**SMARTORG**

It's a cool product suite.  
I applaud the team for  
everything that they have  
done. However, there is *no  
evidence* or proof that this  
business can scale to a  
magnitude to materially  
impact our business group  
profitability.

- Executive Vice President

Efficient

<

Valuable

# What is the Value of Evidence?

**Not all unknowns are of equal value...**

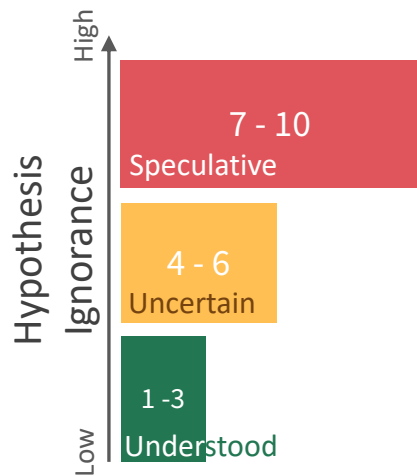
**.... Some are not even relevant.**



# The Ignorance to Value Relationship

The Value of Evidence determines the proper course of innovation action

## Ignorance Measures



Speculative: Unknown unknowns

Uncertain: Bounded range, unknown actual

Understood: Within narrow estimation error

## Hypothesis Scoring

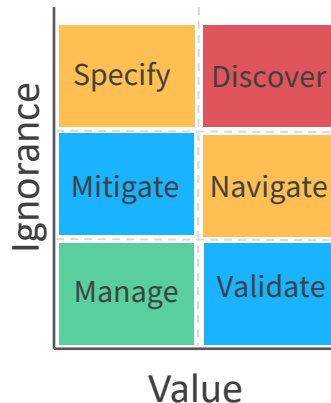
Key Partners [View back view](#)

Prompt: We will partner with   Not important

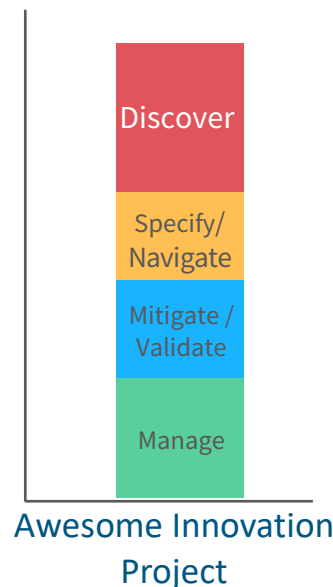
Distribution:

Rate your level of uncertainty in this assumption:

Rate the importance of this assumption to your success:

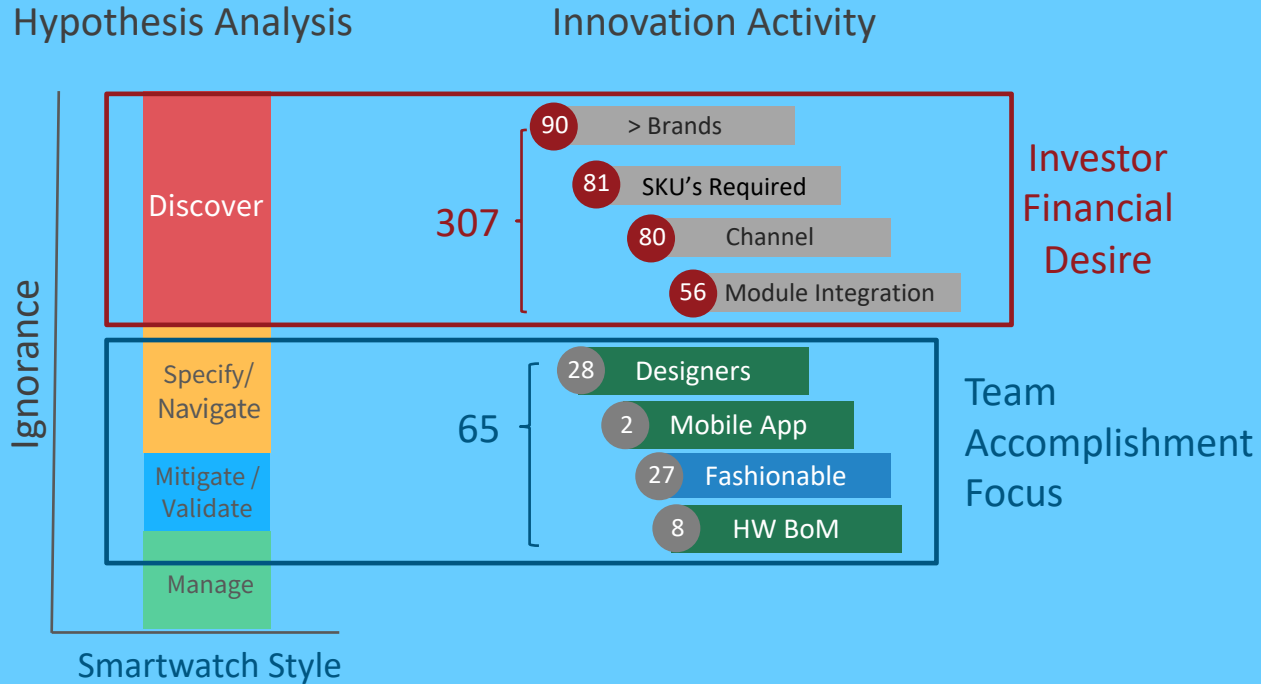


## Hypothesis Analysis



# Key Lesson: Prioritizing the Value of Evidence

The Value of Evidence prioritizes the proper course of innovation action



# Chapter 3



Match  
Innovator Dialect  
to  
Investor Language

# 2014 - Find a \$B Business in IoT Domain

HP Labs/CTO = Great Pool of Candidates

Entertainment



High-End  
Location Based  
Virtual Reality

Education



Personalized  
Early  
Education

Government



Context  
Relevant  
Body-Cam  
Activation

Retail



Low Cost  
Electronic  
Imaging  
Surface

Office

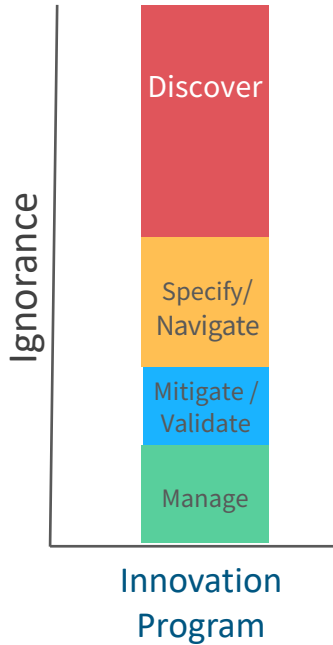


Enterprise  
Wellness  
&  
Productivity

# Activity Based Value Discovery

Using resources responsibly to “Buy-Down” opportunity risk

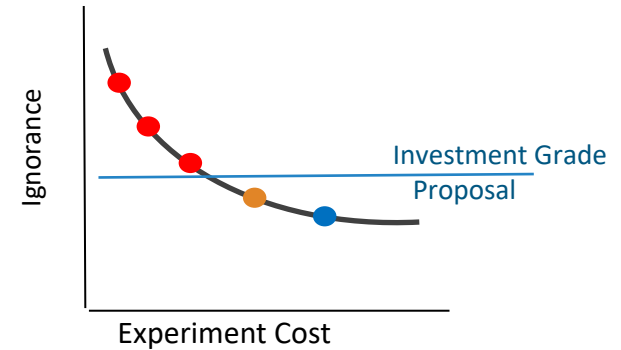
## Hypothesis Analysis



## ‘Experiment’ Budgets

H1   Learn A	\$
Learn B	\$\$
H2   Learn C	\$
H3   Learn D	\$

## Innovation Priority



# Incubation Process required each project to....

Develop Hypothesis & Experiments

+

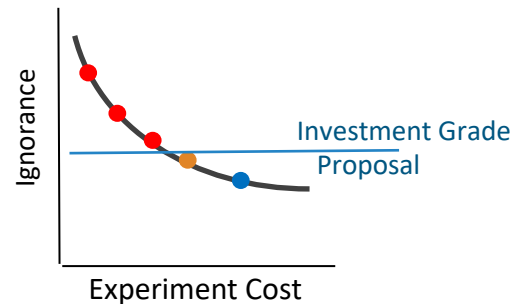
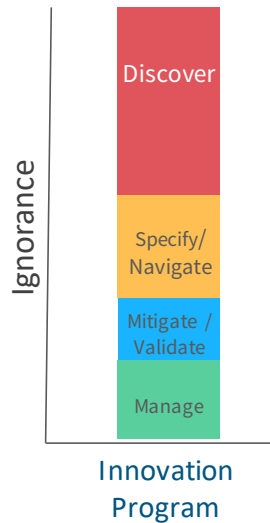
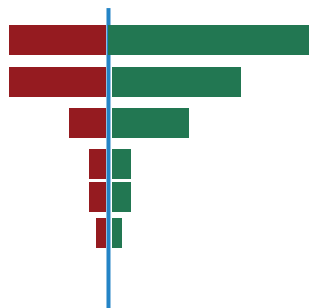
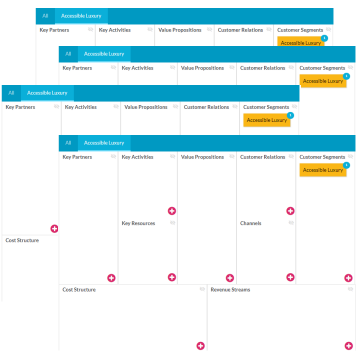
Hypothesis to Value



Hypothesis Analysis

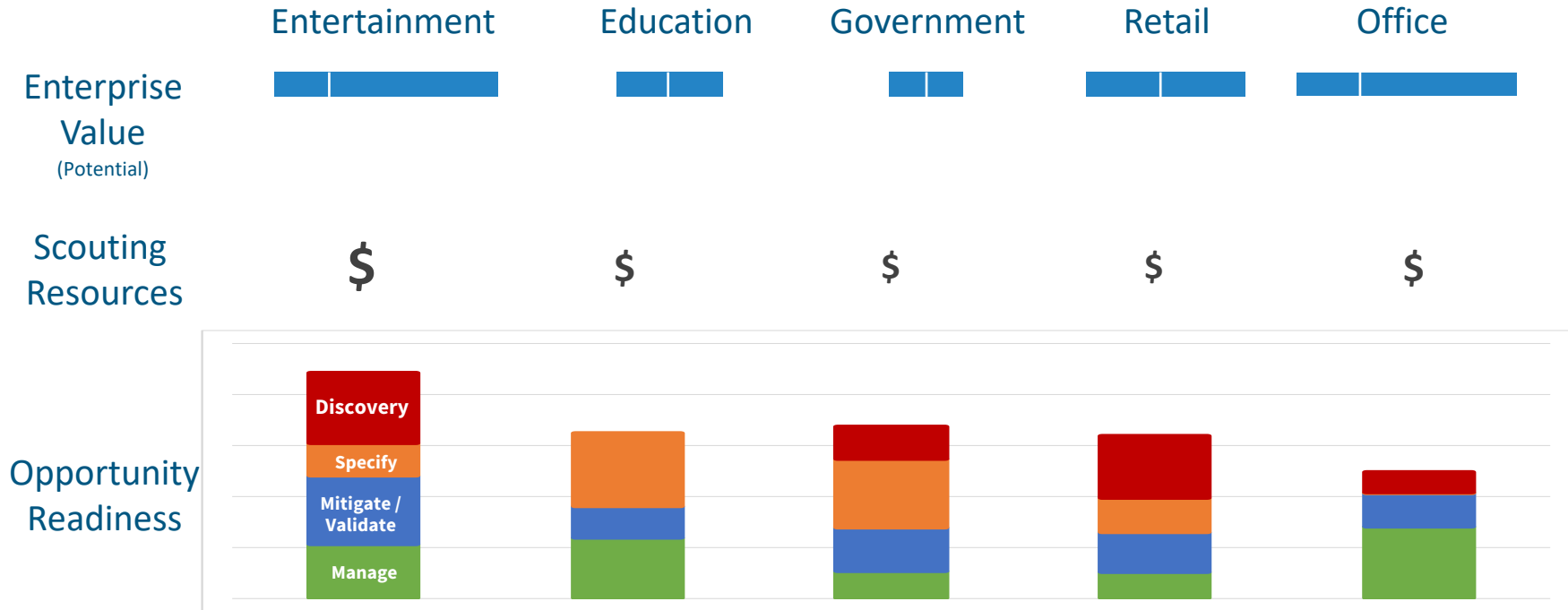


Innovation Action Plan Priority



H1   Learn A	\$
Learn B	\$\$
H2   Learn C	\$
H3   Learn D	\$

# 3 Simple Measures of Front-End Innovation

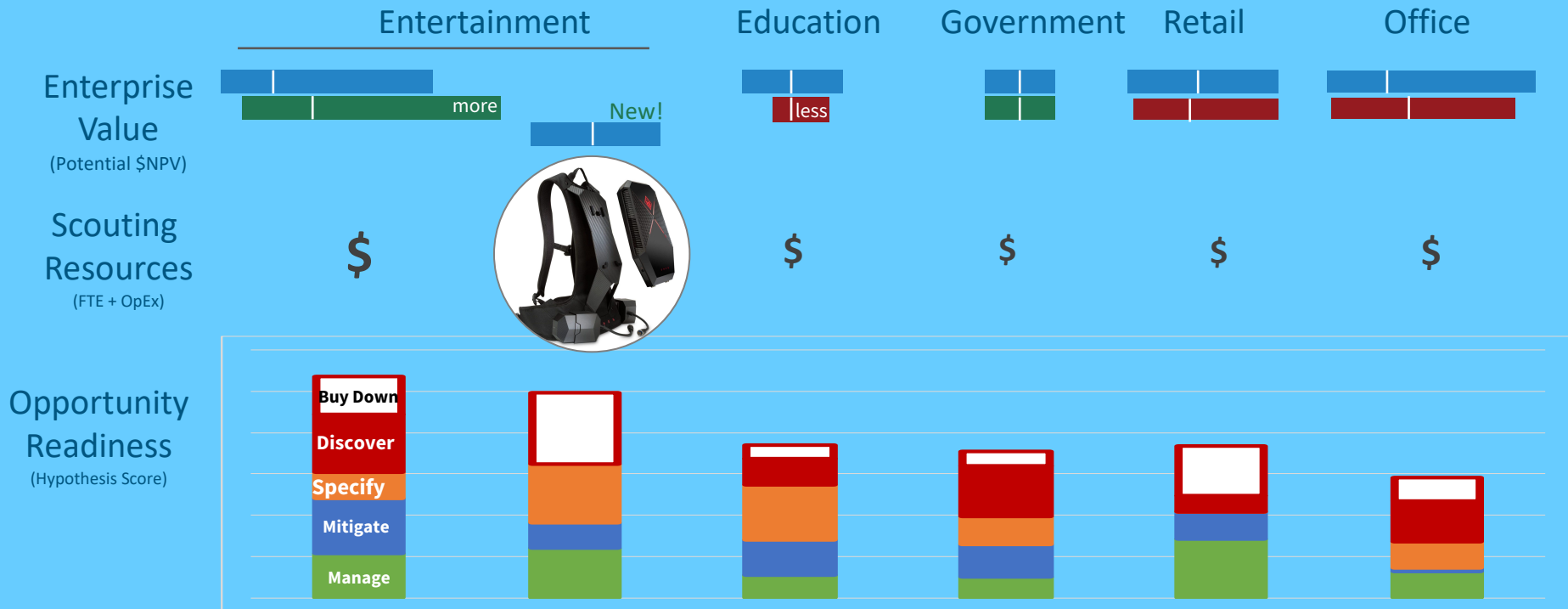


# Design Sprint ~ 100 Days





# Key Lesson: Match Innovator Dialect to Investor Language



# Result: ~30x Return on Innovation

\$12M

Invested

over

3yrs

~23%

Success Rate

1 - Commercial Success

1 - Launch & Buy-out

---

1 - Investment Proposal

6 - Invalidated Opportunities

\$400M

Enterprise Value  
Created



**Match  
Innovator Dialect  
to  
Investor Language**

**Innovator Action**  
articulated in the  
language (value readiness)  
of the  
**Corporate Investor**

# Successful Return on Innovation



**Evidence  
Of  
Value**



**Value  
Of  
Evidence**



**Match  
Innovator Dialect  
to  
Investor Language**