NANO TOOLS FOR LEADERS®

FIND INNOVATION SUCCESS WITH THE "REAL-WIN-WORTH IT" SCREEN

Nano Tools for Leaders® are fast, effective leadership tools that you can learn and start using in less than 15 minutes — with the potential to significantly impact your success as a leader and the engagement and productivity of the people you lead.

Contributor: George Day, PhD, The Geoffrey T. Boisi Professor, Professor of Marketing, The Wharton School, University of Pennsylvania; and author of the new book *Innovation Prowess: Leadership Strategies for Accelerating Growth.*

THE GOAL:

Effectively screen new products and services to decide which potential innovations are worth funding.

NANO TOOL:

When it comes to innovation, many companies have it backwards. They start with the product or service instead of the market. Research shows that the vast majority of innovations fail because companies don't ask questions in three key categories: Is there a real market for this? Can we gain and maintain a competitive edge? And will the expected payoff be worth the risks involved?

Looking at the market first makes sense for two reasons: First, the robustness of a market is almost always less certain than the technological ability to make a product or design a service. Second, if you discover that the market isn't strong enough, you can head off a costly "technology push." This syndrome often afflicts companies that emphasize how to solve a problem rather than what problem should be solved or what customer desires need to be satisfied.

The Real-Win-Worth It (R-W-W) screen is a simple but powerful tool to use in the early stages of the innovation process to test the viability of ideas for new products or services. It's also useful at stage gates throughout the development process to confirm the value of the innovation project or to support its termination. At its highest level, the R-W-W screen consists of six fundamental questions: Is the market real? Is the product real? Can the product be competitive? Can our company be competitive? Will the product be profitable at an acceptable risk level? Does launching the product make strategic sense?

HOW A COMPANY USES IT:

- 3M has used R-W-W on over 1500 projects. It played a central role in the ultimate success of the company's computer privacy light-control film, which, although it promised unique privacy benefits, almost didn't go to market. Using the R-W-W screen, they revealed a complete lack of market knowledge regarding market size and target customer segments, and whether the film would satisfy the most attractive segments. Subsequent test marketing showed a large market potential, so a full line of films for laptops and PCs was launched. It quickly became one of 3M's largest and fastest-growing businesses.

ACTION STEPS:

Although project screening teams vary by company, type of initiative, and stage of development, effective teams typically involve members from across functions, including R&D, marketing, and manufacturing. Service business teams would also include members from systems and IT. They should work with senior managers who are familiar with the screen and who can dispassionately push for accurate answers. The development team then answers the six fundamental questions by exploring an even deeper set of supporting questions. The team determines where the answer to each question falls on a continuum ranging from definitely yes to definitely no. A definite no to any of the fundamental questions typically leads to termination of the project, for obvious reasons.

1. **Real:**
    The first set of questions focuses on the market. Is there a need or desire for the product? Can the customer buy it? Is the size of the potential market adequate? Will the customer buy the product? Are there subjective barriers to purchasing it? Is there a clear concept? Can the product be made or the service designed? Could it be created with available technology and materials, or would it require a breakthrough of some sort? If it can be created, can it be produced and delivered cost-effectively, or would it be so expensive that potential customers would shun it? Will the final product or service satisfy the market?

2. **Win:**
    Assuming that there are no definite "No's" in the first step, move on to exploring the competitive environment. Can the product or service be competitive? Does it have a competitive advantage? Can someone else's offering provide customers with the same results or benefits? Can the advantage be sustained? How will competitors respond? If we were going to attack our own product or service, what vulnerabilities would we find? How can we reduce them? Would the product or service survive a sustained price war? Can our company be competitive? Do we have superior resources? Do we have appropriate management? Does the organization have direct or related experience with the market, are its development-process skills appropriate for the scale and complexity of the project, and does the project both fit company culture and have a suitable champion? Can we understand and respond to the market?

3. **Worth It:**
    Finally, if the R-W-W Screen shows promise in the first two steps, it's time to explore the risks vs. payoffs. Will the product or service be profitable at an acceptable risk? Are forecasted returns greater than costs? Are risks acceptable? How will small changes in price, market share, and launch timing affect cash flows and break-even points? Does launching the product make strategic sense? Does the product or service fit our overall growth strategy? Will it enhance the company's capabilities by, for example, driving the expansion of manufacturing, human capital, logistics, or other functions? Will it have a positive or a negative impact on brand equity? Will it cannibalize or improve sales of the company's existing products or services? (If the former, is it better to cannibalize our own products than to lose sales to competitors?) Will it enhance or harm relationships with stakeholders-dealers, distributors, regulators, and so forth? Does the project create opportunities for follow-on business or new markets that would not be possible otherwise?

All innovation involves risk, but by answering all the relevant questions in the R-W-W Screen you will have completed an effective due diligence analysis. You can be more confident in your recommendations, more influential with key stakeholders, and more likely to focus your innovation resources on projects that are well worth the costs.

SHARE YOUR BEST PRACTICES:

Do you have a best practice for screening an innovation concept or product? If so, please share it on our blog at Wharton's Center for Leadership and Change Management. http://whartonleadership.wordpress.com/

ADDITIONAL RESOURCES:

- *Innovation Prowess: Leadership Strategies for Accelerating Growth*. George Day (Wharton Digital Press, 2013). Shares proven methods for building a comprehensive strategy for driving continuous organic growth.

- "Is It Real? Can We Win? Is It Worth It? Managing Risk and Reward in an Innovation Portfolio," George Day, Harvard Business Review, December, 2007. Provides two tools, including the R-W-W screen, companies can use to undertake a systematic, disciplined review of their innovation portfolios and increase the proportion of major innovations while carefully managing the risk.

- *The Innovator's Guide to Growth: Putting Disruptive Innovation to Work*. Scott D. Anthony, Mark W. Johnson, Joseph V. Sinfield, and Elizabeth J. Altman (Harvard Business School Press, 2008). Describes a process for institutionalizing innovation, building on Clayton Christensen's *The Innovator's Dilemma*.

- "Leadership and Innovation," Joanna Barsh, Marla M. Capozzi, and Jonathan Davidson, The McKinsey Quarterly, Number 1, 2008. Argues that to close the gap between innovation aspirations and execution, strategies should employ existing talent and resources.

- George Day teaches in Wharton's *Innovation for Growth: Strategies and Best Practices*, *Strategic Marketing Essentials*, *Advanced Management Program*, and *Competitive Marketing Strategy*.

ABOUT NANO TOOLS:

Nano Tools for Leaders® was conceived and developed by Deb Giffen, MCC, Director of Innovative Learning Solutions at Wharton Executive Education. It is jointly sponsored by Wharton Executive Education and Wharton's Center for Leadership and Change Management, Wharton Professor of Management Michael Useem, Director. Nano Tools Academic Director, Professor Adam Grant.