Innovation and Value

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What is innovation?

The week 1 seminar asked the room, laptops closed, and collected these answers:

- Solving someone's problems or trying to improve their situation
- Creating value for a client or customer
- Improving something that exists with a different mindset
- Creating a new solution to a problem that changes how things are done
- Creating meaningful items that the customer wants to pay for
- Improving upon an existing solution

The common thread — and the course's one-line definition — is **innovation = creating value for someone**.

Value is defined by the customer, not the maker

> "Quality in a product or service is not what the supplier puts in. It is what the customer gets out and is willing to pay for. A product is not quality because it is hard to make and costs a lot of money, as manufacturers typically believe. This is incompetence. Customers pay only for what is of use to them and gives them value. Nothing else constitutes quality."

— Peter Drucker

This is the assumption the whole course rests on. Effort, cleverness and cost do not create value; only what the customer gets out does. It's also why the process starts with customer-discovery[1] rather than with building.

Why we need an innovation process

Because products and businesses fail, and mostly for reasons that have nothing to do with the code:

Failure reason	Percentage
Cash flow	38%
No market fit	35%
Competition	20%
Business model	19%
Regulatory challenges	18%
Pricing issues	15%
Team	14%
Timing	10%

(The percentages exceed 100% because failures usually have several causes.) The single most addressable item on that list for a student team is **no market fit** — 35% of failures come from building something nobody wanted.

The solution the course proposes: **focus on the customer**, and answer three questions in order.

1. What are their problems?
2. Do we have a solution? Can we make one?
3. Will they pay for our solution?

From development to innovation

Four shifts distinguish an innovation process from ordinary product development:

	From	To
1	A client	A market segment (customers)
2	A system	A value proposition

[1] courses/comp1100/customer-discovery.pdf

	From	To
3	Development	Experimentation
4	A requirements specification	A Minimum Viable Product

Each shift has its own machinery later in the course: market segments and value propositions in business-model-canvas[2] and value-proposition-canvas[3], experimentation in experimentation[4], and the MVP in minimum-viable-products[5].

Divergent thinking for creative design

When generating ideas rather than evaluating them:

- **Don't challenge or criticise.**
- **Quantity, not quality.**
- **Do not analyse or organise** — but do record and draw.
- Then **identify significant themes**, and **refine**.

The separation matters: the generating phase and the judging phase are different activities, and mixing them kills the first one.

Key takeaways

- Innovation = creating value for someone.
- Failure is often because we do not understand our market.
- Success is more likely if we **get out of the building**.
- An innovation process means generating and testing ideas early, so we **fail early**.
- Failure is an opportunity to learn.

[2] courses/comp1100/business-model-canvas.pdf
[3] courses/comp1100/value-proposition-canvas.pdf
[4] courses/comp1100/experimentation.pdf
[5] courses/comp1100/minimum-viable-products.pdf