

Book Reviews

Book Review Editor: Donovan R. Hardenbrook, NPDP

I am honored to have been chosen as the *Journal of Product Innovation Management's* (JPIM's) new book review editor. First and foremost, I want to thank Preston Smith for making the transition an easy one. Preston's experience and insights have helped bring me up the learning curve. His patience was much appreciated.

Second, managing the book review process is certainly more complicated than I had imagined but is fascinating nonetheless. As in the development of any product or service there are many people involved in the creation process, and considerable planning takes place prior to actual publication.

Last but not least is my admiration for our JPIM book reviewers. The care and effort taken to create the quality book reviews that meet JPIM's high standards requires critical thought and experience in new product development. We will continue to make our book reviews insightful, critical, and practical for you, our readers.

Books reviewed in this issue:

- Innovation Leaders: How Senior Executives Stimulate, Steer, and Sustain Innovation
- Understanding A3 Thinking: A Critical Component of Toyota's PDCA Management System
- Value Merchants: Demonstrating and Documenting Superior Value in Business Markets

Innovation Leaders: How Senior Executives Stimulate, Steer, and Sustain Innovation

Jean-Philippe Deschamps. New York: John Wiley & Sons Ltd., 2008. 433 + xxii pages. US\$34.95.

First, full disclosure: I have admired the work of Jean-Philippe Deschamps since I first met him at a Product Development & Management Association (PDMA) Frontier Dialogue in the early 1990s. He has been a frequent contributor to my organization, Innovation and Product Development (IAPD, a corporate member program of the PDMA) and credits "the interest

and encouragement" of the IAPD members, when he presented the ideas contained in *Innovation Leaders* with having him "decide to go ahead and write this book" (p. xxii). I'm glad he did, and I hope, in this review, to give you a sense of why this book is valuable for innovators and product developers.

Deschamps claims to be providing "a *first* map of the hitherto underexplored territory of innovation leadership" (p. xxi, italics in original). *Innovation Leaders* takes a close and careful look at the network of leaders a company needs to succeed at innovation. There are excellent books on the need for leadership in innovation and on what it takes to lead innovation (think of Wheelwright and Clark's (1995) *Leading Product Development*, but Deschamps's may well be the first to explore the varied territory of innovation and to connect leadership qualities explicitly to the different aspects of that terrain. There's no one talent or attribute that makes for a good innovation leader. Rather, we must look, for example, at the need for top-down as well as bottom-up leadership, at the differences among innovation strategies, at the fuzzy front end, and at the speedy back end.

Innovation Leaders grows out of Deschamps's research and experience across many companies and industries in his role as consultant and, since 1996, as professor of technology and innovation management at the International Institute for Management Development (IMD) in Lausanne, Switzerland. The book draws on his intimate experience of the issues faced by the innovation leaders he has known, worked with, and interviewed. Deschamps's use of this experience is twofold. First, he creates literal maps of the innovation landscape, showing us that leadership that works in one situation (e.g., the innovation of a line extension) would be completely wrong in another (e.g., the innovation of a new business system model). Second, he provides portraits of many different innovation leaders. In his own words, "based on empirical research, this book will analyze the profiles and attributes of various innovation leaders. The portrait will

be impressionistic . . . [and] each brushstroke will add a dimension to our description” (p. 6). If you want strict correlations between leadership approaches and innovation successes, this may not be the book for you. If you want to understand how leaders succeed and fail in the varied and complex landscape of innovation, by getting the real story of what they think and feel and do, then dig in.

Deschamps does not believe in silver bullets, in approaches and solutions that are applicable everywhere and always successful. In fact, maybe none of us do, but we fall for them far too often. He tells you to look and see what is going on—internally and externally—and what you want to achieve. Then, and only then, you might figure out what intervention might work. His view of the corporation is systemic, and his advice about intervention reflects the uncertainty of predicting the effects of any action in a system. The only way to have a chance at this is to understand the system you are working in. His case studies provide example after example of how different kinds of leadership played out.

Deschamps gives plenty of good advice. For example, “As a top management team, you should ask whether your company’s senior innovation resources are sufficiently aligned with your strategy; in other words whether your senior officers match up with the leadership requirements of your innovation strategy” (p. 166). The way you find that out is by exploring where you are in the innovation landscape, which Deschamps lays out in graph after graph. For example, Figure 6.1 lays out Deschamps’s proposed dimensions of innovation strategy: objective (why innovate); scope or focus (where to innovate); intensity (how much to innovate); boundaries (with whom to innovate) (p. 168). If you disagree with the categories he lays out and the typology he draws from them, go ahead and come up with your own, but pay attention to the need to provide appropriate leadership to the different dimensions, whatever they are.

As you read Deschamps’s cases, ask yourself how they illuminate something that might be going on in your company. Medtronic, a leader in medical technology, began to lose its reputation as an innovator as it lost market share and faced quality problems. Deschamps’s interviews with several top executives show that the company, rather than seeing the warning signs, basically went into denial: “People were trying to hang on to what they had and becoming too conservative,” chief operating officer (COO) and President Bill George said to Deschamps in a 2001 interview (p. 207). Medtronic brought in Mike

Stevens, “a no-nonsense type of leader” (p. 209) who pushed process and discipline. He was not interested in breakthroughs. He reduced risks on projects—when the team couldn’t commit to delivering the technology he would sideline the project until the next year—and he demanded adherence to schedules.

The changes in Medtronic’s results were impressive, but, Deschamps asks, “was Mike Stevens really an innovation leader? . . . Most people would call Stevens a tough operational manager, period” (pp. 213–214). But Deschamps’s approach to innovation leadership asks us to look not at the individual leader alone but at the interaction of a diversity of leadership styles within the multifaceted territory we call innovation. When Stevens launched a project to reduce the cost of the pacemaker, another Medtronic innovation leader launched a parallel project. This other leader was “always on the lookout for new ideas” (p. 219), and he wanted to make sure that the cost reduction effort wasn’t too conservative. Stevens was able to use ideas from Griffin’s project to produce a pacemaker at an extremely low cost.

Deschamps stresses that “there is not a ‘one-size-fits-all’ approach to innovation leadership” (p. xix). He also points out, “Without Griffin, the company would have missed many exciting growth opportunities. Without Stevens it would perhaps have missed the market benefits of these innovations” (p. 221). He ends the chapter, and the case, with an exhortation to all senior executives: “Look inside your organization to identify your Mr. (or Ms.) Discipline and your Mr. (or Ms.) Creativity! . . . How can you help them create momentum for growth and deliver?” (p. 221).

Innovation Leaders includes a number of instructive cases, including the following: Tetra Pak’s use of a “chain of leadership” to guide a breakthrough project into the market; TiVo’s combination of visionary leaders with pragmatic architects as they developed a whole new business system; and Philips’ and Sara Lee’s orchestration of a new coffee brewing system.

Deschamps’s final case, how Logitech developed a cadre of innovation leaders, demonstrates that the theory of innovation leadership describe in the book is anything but theoretical. Deschamps gives us the story, with close-ups of the leaders involved, their decision-making process, and their unanswered questions, of how the company assessed its innovation leadership needs and intentionally built the network of leaders it needed.

As Deschamps suggests, this book is more impressionistic than scholarly. The best use of the book will be to “compare the leadership environment” that

Deschamps describes “with the realities in your company” (p. 359), assess the strengths, and fill in gaps. “For innovation . . . isolated leaders are unlikely to be effective” (p. 359). Deschamps’s pictures of the innovation landscape and stories of leadership can help you to build the network you need.

Reference

Wheelwright, S.C. and Clark, K.C. (1995). *Leading Product Development: The Senior Manager’s Guide to Creating and Shaping the Enterprise*. New York: Free Press.

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Understanding A3 Thinking: A Critical Component of Toyota’s PDCA Management System

Durward K. Sobek II and Art Smalley. New York: CRC Press, 2008. 159 + viii pages. US\$40.00.

Understanding A3 thinking starts off with the premise that the majority of companies and organizations put much effort into effective problem-solving methods, but these do not translate through to underlying organizational problem; the domain of the problem-solving techniques resides in “fire-fighting” only. Durward Sobek and Art Smalley’s intent is to present a general purpose tool that can be used for problem solving not only to fight the fires but also to ensure that the primary issues of “fuel and heat” are resolved. To this end, Sobek and Smalley invoke the methods and tools developed by Toyota. Specifically, they make use of the A3 report and the Plan, Do, Check, Act (PDCA) cycle as the framework on which to build the fundamentals of “A3 thinking”; they are more than successful.

The A3 report is so called as it is usually presented on an A3-size piece of paper. Although the book goes on to provide outline templates of A3 reports for different situations and scenarios Sobek and Smalley are diligent in pointing out that it is the thinking behind the process that is key and that “adherents who value form over substance” (p. 11) will struggle to maximize the benefits on offer. This health warning is highlighted in several places throughout the book. The PDCA cycle is at the heart of the thinking being promoted; the A3 reports will help the immediate problem to be resolved but, more importantly for the organization as a whole, will ensure that the problem

is less likely to reoccur and that the problem solver will improve his or her knowledge and abilities to tackle other problems.

Coherence within and consistency across organization make it valuable and very accessible to all types of industry—product developers and service providers alike.

The book and its layout are pleasing aesthetically, ergonomically, and contextually. The text is broken into concise subsections containing useful diagrams and references that add value to and understanding of the text. The book contains eight chapters, which can be split into three sections. The first section covers an introduction to the PDCA cycle and the heart of the thinking and the theory behind A3. The second section covers specific examples of A3 thinking and reports based around three typical issues with which users will be more than familiar: problem solving, proposals, and status reports. Excellent examples are presented and discussed in detail, highlighting at every stage of the process the points that should be focused on to maximize the benefits of A3 thinking. The final section of the book encompasses a range of issues surrounding the implementation of A3 thinking from a practical level to an organizational level. The third section is weaker in content than the first two. There is a feel that this has been bolted on to cover the implementation challenge, but it does not come with the same positive impact as the first two sections.

Sobek and Smalley cover many important and insightful methods and practices, and chapter 2 presents the cohesive material that runs through the rest. Many cross-references are made to the material in chapter 2, which goes a long way to helping move the reader away from knowing and toward understanding A3 thinking. In chapter 2, Sobek and Smalley focus on what A3 thinking is. It is here where Sobek and Smalley split the A3 thinking in half: The first covers the behaviors to be adopted in A3 thinking, and the second discusses the mechanics of problem solving with A3 thinking. Sobek and Smalley outline seven key elements to A3 thinking: (1) logical thinking process; (2) objectivity; (3) results and process; (4) synthesis, distillation, and visualization; (5) alignment; (6) coherence within and consistency across organization and (7) systems viewpoint. All product developers and service providers will not find this list unfamiliar: It is almost common sense! However, what is missed is the subtlety of the interpretation. The seven elements are, more often than not, seen and interpreted as isolated traits or behaviours that are required for good

product or process development. Sobek and Smalley make it clear that the interaction of all of these elements is critical to A3 thinking. Following the methodology that they are promoting, they discuss the importance of each of the elements and use a common language to reveal the pertinent points within and between each of the elements. I would suggest to all readers that they should read this chapter several times to make certain they fully understand the overlaps among the seven elements. Logical thinking is the first element; Sobek and Smalley push the importance of identifying the cause of a problem through data-driven analysis rather than dealing with the effects. In using robust factual data-driven analysis, this then links directly to the importance of objectivity. Everyone has his or her own view of a situation, implicitly applying a filter that may not match with other viewpoints. Only through collating quantitative facts from multiple viewpoints can the analysis be unbiased and the true cause of the problem be identified. This then puts the emphasis on making sure that the problem-solving process is followed robustly to seek out the root cause so as not to just solve the immediate issue, which may only be an effect. It is important to solve the problem and achieve the goals, but doing it in the right way will be more widely beneficial. All of these must then be linked to by analyzing the data and results of analysis and assessing them against the collective viewpoint of all stakeholders of the problem being solved. Reviewing and discussing this continually will develop a focused coherent data-driven representation of the problem and options for resolution—presenting this in a concise visual report format the “A3 report.” This communication will flow through the organization: departments, lines of management, and company strategy. Keeping the lines of communication open and disseminating the A3 reports allows everyone to keep an eye on the goals of the problem being solved and why. This then becomes a common language that can be used throughout the organization, and this will then promote the understanding and alignment of all work and strategy.

This book covers a very broad and deep subject. It could be argued that the most important message within the text is presented far too briefly, but this would not fit with A3 thinking. Sobek and Smalley present and discuss A3 thinking with very well-thought-out examples to highlight how A3 thinking works—the book itself and how they wrote the book would also seem to be a prime example of A3 thinking. If you are contemplating introducing improve-

ments within your own organization, then whether you are doing this across the whole organization or just within a small project this book will be an excellent starting point. This book now sits on my desk, and I can guarantee that the pages will eventually wear away with the frequent thumbing through for reference and revision.

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Value Merchants: Demonstrating and Documenting Superior Value in Business Markets

James C. Anderson, Nirmalya Kumar, and James A. Narus. Boston: Harvard Business School Press, 2007. 219 + xiii pages. US\$35.00.

A quick way for customers' purchasing managers to reduce costs is to focus on price and to get price concessions from suppliers of new products. Many business units have a poor understanding of how their new product creates value for customers. As a result, the business unit does not get a fair return from the new product's superior value.

To avoid leaving money on the table, the authors of *Value Merchants* believe business units must use an approach they term *customer value management*. This approach has two goals: (1) deliver superior value to targeted market segments and customer firms; and (2) get an equitable return on the value delivered. However, insights into delivering superior value are of little use if the business unit lacks the technical competence to create and produce the product customers would value: “Customer value management is an enabler, not a substitute for technical prowess” (p. 166).

Seasoned product innovation managers can put to good use the wealth of knowledge and wisdom provided by the authors on how to get a better return on the superior value that their products, old and new, deliver. The authors' writing style is clear, formal, and to the point. However, some key terms and concepts will be unfamiliar to many readers. All interested readers will find a close reading of the chapters in sequence followed by rereading of chapters 1 through 3 and of chapter 7 will help in getting a fair return from their new product's superior value.

The book includes quantitative market results of superior business performance for 20 business units in North America, Europe, India, and Asia where

customer value management has been carried out. The results come from the authors' teaching, coaching, and consulting on customer value management in more than 50 different countries. James Anderson is professor of marketing at Northwestern University and the principal of James C. Anderson LLC, an international management consulting firm. Nirmalya Kumar is professor of marketing and director of the Center for Marketing at London Business School. James Narus is professor of marketing at Wake Forest University.

One of the 20 business units listed, Akzo Nobel's High Purity Metal Organics, kept premium prices while achieving a sales growth of 35% compared with the industry average of 15%. Another at Sonoco used its innovative RainGuard technology to produce superior Sonotube concrete forms. As a result Sonoco's business unit could charge a 20% price premium over competing generic forms while sales of Sonotubes increased 16%. In the past three years, Sonoco has put customer value management in effect throughout the firm. As a result, the average growth in Sonoco's revenue is 10.1% and in profitability is 18.7%.

Chapter 1 presents an outline of customer value management and of the book. Customer value management is composed of six processes, and chapters 2 through 7 discuss each of these processes in turn. Chapter 8, the final chapter, discusses what customer value management can and cannot do to help businesses prosper.

The process of *conceptualizing value*, the fundamental building block of customer value management, is the topic of chapter 2: "In recent years, the terms *value* and *value proposition* have become two of the most widely used terms in business markets. While these terms are fundamental to our customer value management approach, our research reveals that despite their growing use, there is little specificity or agreement about (1) what is value, (2) what constitutes a customer value proposition, and (3) what makes a value proposition persuasive" (p. 21, italics in original).

What is value? In the authors' words, "*Value in business markets* is the worth in monetary terms of the technical, economic, service, and social benefits a customer firm receives in exchange for the price it pays for a market offering" (p. 24, italics in original). Value in business markets is a comparative concept. Customers judge the value of an offering relative to what they regard as the next best alternative. The authors' fundamental value equation is $(Value_f - Price_f) > (Value_a - Price_a)$. Here $Value_f$ and $Price_f$ are the value and price of a firm's offering and $Value_a$ and $Price_a$

are the value and price of the next-best-alternative offering. An assessment of value provides a foundation for developers to create and deliver value to targeted market segments and customers.

What makes up a customer value proposition? The authors' research finds there are three basic alternatives for what managers mean when they use the term *customer value proposition*.

1. *All benefits value propositions* answer this customer question: "Why should our firm buy your offering?"
2. *Favorable points of difference value propositions* answer this customer question: "Why should our firm buy your offering instead of your competitor's?"
3. *Resonating focus value propositions* answer this customer question: "What is most worthwhile for our firm to keep in mind about your offering?"

What makes a value proposition persuasive? A resonating focus value proposition is the alternative preferred by the authors. It's simple and compelling. Less is better than more. Reinertsen (1997) makes the same point in his discussion of effective fuzzy front end tools. He found that, based on years of experience in market research, if a compelling value proposition cannot be stated in 25 words then there is a fundamental problem with the product concept.

Chapter 3, "Formulate Value Propositions," describes a process for business units to devise resonating-focus value propositions. As a first step the formulators list the specific ways the product can reduce customer costs or enable the customer to earn added revenue and profit—the value elements. Next these value elements are compared with the next best alternative in the market using a rearranged form of the fundamental value equation $(Value_f - Value_a) > (Price_f - Price_a)$. This arrangement highlights that what matters is the difference in value between the unit's product and next best alternative relative to the difference in their prices.

Most often there are only two or three significant points of difference. The next step is to conduct some quick qualitative research in the target market to refine the value proposition. Objective research makes sure the unit has not "fallen in love" with value elements that don't, in the eyes of prospective customers, deliver incremental value. A final step in formulation is to set up value word equations for each point of difference: "A *value word equation* expresses precisely in words and simple mathematical operators (e.g., +, ÷) how to assess the differences in functionality or

performance between a supplier's offering and the next-best alternative on a value element and to convert those differences into monetary terms The value element, expressed as either cost savings or incremental profit, is on the left side of the equal sign, and the components defining the differences in functionality or performance and what they are worth are on the right side" (p. 52, italics in original).

"Substantiate Value Propositions," the topic of chapter 4, describes effective ways of doing the hard work of proving how the product adds value or reduces costs for prospective customers compared with the next best alternative. This essential work often transforms a weak proposition into a resonating focus proposition. Chapter 5, "Market Offerings," shows how a deep understanding of customer value is used to offer value element options to different types of customers in the target market. As an example they cite Dow Corning, which uncovered four customer types and successfully offered different product options to each segment. Chapter 6, "Transform the Sales Force into Value Merchants," uses a business case describing how Kennametal put a value-selling process in place. The process provided effective answers to the two questions: (1) how have we equipped our salespeople to be able to sell value; and (2) why should our salespeople want to sell value?

Getting a fair return from prospective customers for the value a product provides is the topic of chapter 7. Prospective customers' contribution to the profitability of new products has two fundamental parts: (1) willingness to pay; and (2) cost to serve. Each of these fundamental parts can be divided into two con-

stituent elements. *Willingness to pay* can be divided into (1) price premiums; and (2) a more profitable mix of business. *Cost to serve* can be divided into (1) a greater share of the customer's business; and (2) eliminating value drains and leaks. Case studies at Sonoco, SKF, Seghers, Milliken, Eastman Chemical, Tata Steel, and Quaker Chemical explain how to manage each of the fundamental parts and their constituent elements.

The last section of chapter 7 discusses the authors' philosophy that price should be set attuned to a product's value. To assess opportunities for value-based pricing, a rearrangement of the fundamental value equation is used: $Price_f < Price_a + \Delta Value_{f,a}$. They approvingly quote Simon (1992, p. 55): "In most firms (however) prices are determined by intuition, opinions, rules of thumb, outright dogma, top management's higher wisdom, or internal power fights."

In the final chapter, the customer value management processes of the earlier chapters are reviewed along with evidence that these processes proved superior business performance. A section then follows on proven ways for creating early success when putting customer value management in place.

References

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