

when it c  
lmost of  
about-  
t day ir  
, such a  
■ The col  
Interfa  
■ The hig  
■ The uni  
that en  
correct  
■ The spt  
service  
to make  
Each  
ds of o  
d that's  
n is no  
ativity.  
a new or  
ue for y  
anizatio  
mple, w  
avid Sari  
it deliver  
The g  
ow" of i  
getting  
e manag  
the fron  
e same  
out the e  
they trip  
endering  
ve an ut

Copyright © 2006 by Curtis R. Carlson and William W. Wilmot  
All rights reserved.  
Published in the United States by Crown Business, an imprint of the Crown Publish-  
ing Group, a division of Random House, Inc., New York.  
[www.crownpublishing.com](http://www.crownpublishing.com)

Crown Business is a trademark and the Rising Sun colophon is a registered trademark  
of Random House, Inc.

Library of Congress Cataloging-in-Publication Data

Carlson, Curtis Raymond.

Innovation: the five disciplines for creating what customers want / Curtis R.  
Carlson and William W. Wilmot.—1st ed.

Includes bibliographical references and index.

1. Technological innovations—Management—Case studies. 2. Organizational  
effectiveness—Case studies. 3. Creative ability in business—Case studies. 4. In-  
dustrial management—Case studies. 5. New products—Case studies. I. Wilmot,  
William W. II. Title.

HD45.C37 2006

658.4'063—dc22 2006003861

ISBN 13: 978-0-307-33669-9

ISBN 10: 0-307-33669-7

Printed in the United States of America

Design by Nora Rosanky

10 9 8 7 6 5 4 3 2

First Edition

This book is dedicated to our colleagues at SRI International and at our  
subsidiary, the Sarnoff Corporation, and to our partners and customers  
around the world. Special gratitude goes to the following teammates  
whose ideas, human values, and commitment to creating the highest cus-  
tomer value made it possible:

NORMAN WINARSKY

HERMAN GYR

LEONARD POLIZZOTTO

LASZLO GYORFFY

# your elevator PITCH: HOW HDTV BEGAN

"IF I AM TO SPEAK TEN MINUTES, I NEED A WEEK FOR PREPARATION . . . IF AN HOUR, I AM READY NOW."<sup>1</sup>

*Woodrow Wilson*

## Getting to Yes

Could it be done? For two decades Japan led the development of HDTV. Every HDTV "first" was owned by NHK, the national broadcasting agency of Japan. Among their accomplishments was the first practical HDTV system, which they called MUSE.<sup>2</sup> It was a superb accomplishment, but it was an analog system that used a great deal of bandwidth. The question every video laboratory around the world was trying to answer was whether an all-digital system was practical. It needed to have full HDTV resolution, good motion rendition, and use roughly half the bandwidth of MUSE. This wasn't an easy question to answer in the early 1980s. It's another example of trying, as Edison did so well, to figure out whether all the critical parts can be made to come together at the right time. If you are too early you can waste hundreds of millions of dollars; if you are too late you can miss a multibillion-dollar opportunity.

Our team had worked on HDTV for years, first as part of RCA Laboratories and then as part of Sarnoff, SRI's subsidiary. We had been developing persuasive arguments for why digital HDTV was now possible.

"This works!"

work."

12 13 14 15

e presenting  
in you have  
e to move to

positions—often hun-  
red that he had again  
in a lightbulb, he said,  
t didn't work."<sup>18</sup> But  
agues and iterate, iter-  
proposition. If you do,  
improvement, uncover  
d of a successful inno-

Our customer at the time was Thomson Electronics, which had bought RCA from GE. We had a chance to make our case during a major review at Thomson's digital video laboratory in Germany with the senior VP for research, Eric Geiger. We were given only a few minutes to present our case for starting an HDTV program in the United States. Geiger is a remarkably perceptive and courageous manager, but many of the people at the meeting were unreceptive to the idea of a U.S. digital standard. Consequently we wanted to avoid getting into a protracted debate about the minutiae of HDTV, which could have derailed our proposal.

We decided to keep our presentation extremely short, and to present it as an Elevator Pitch composed of six questions, which we would address directly to Geiger. If he said yes to all six, the result would be the start of the program. With a splendid colleague, Glenn Reitmeier, we worked for months on the questions and possible answers. The goal was to make it easy for Geiger to say yes. Here is a truncated version of our elevator pitch to him with the six ingredients in bold:

**THE HOOK:** "Do you believe that consumer electronics will be revolutionized by digital technology over the next ten years?" Geiger said, "Yes."

**NEED:** "Digital HDTV, with five times the number of pixels and high-quality digital sound, would be an exciting new consumer product that would create a 35mm film experience in the home and replace every TV. For example, just the total home TV market will be well in excess of \$20 billion per year. Do you agree?" Geiger said, "Yes." "Excellent."

**APPROACH:** "We believe by 2003 that we can practically compress and transmit at consumer prices a 1.2-billion-bits-per-second high-definition signal over today's United States 4.2 MHz analog television channels, which can be allocated by the FCC. Our approach would use an advanced version of MPEG-2, which our simulations show can provide the performance we need. Are we on the right path?" Geiger said, "Yes."

**BENEFITS PER COSTS:** "Establishing the U.S. HDTV standard with your current 25 percent market share represents a five-billion-dollar-per-year new business for your company with two to three times the ROI

of today's products. It will provide the foundation for multiple waves of new products and services, such as camcorders, CDs, and consumer games, each of which will result in several billion dollars in new revenue. Do I have this correct?" Geiger said, "Yes."

**COMPETITION/ALTERNATIVES:** "We have demonstrated a number of capabilities that distinguish our system from the competition, including 20 percent or better image quality and new digital services such as interactive advertising. We could start this program in Europe, but that approach would not have credibility with the FCC, which must approve the system. The United States is the beachhead market that must be won first. Reasonable?" Geiger said, "Yes."

**THE CLOSE:** Then do you agree that we should immediately start a U.S.-based HDTV program?" Geiger said, "Yes."

We asked our questions, and to all six Geiger said, "Yes." Then we sat down before everyone in the room fully realized what had just happened. Clearly, we left the technical details out of the above summary, and you might feel that the justification for HDTV is obvious now, but it wasn't at the time. The hard part of this presentation was figuring out how to get back to yes if he said no. Fortunately, because we had done our homework, that was not necessary.

### *Getting Noticed*

Ideas have always been a dime a dozen, but never more so than today in the exponential economy. We are all bombarded with "the new new thing." Getting the attention needed for success requires that you distinguish your ideas by their clarity and value. If you are the champion of a new innovation, one of your jobs is to raise the financial and human resources needed to get your project completed. This always means that you must convince someone—a company president, a board of directors, a venture capitalist, or a government program manager—that you have a good idea. In most situations, the number of possible projects far outstrips the available financial resources. SRI board member

Henry Kressel, who is a managing partner at Warburg Pincus, the world's largest venture investment firm, says, "If there is a quarter on the table, there will be fifty people reaching for it." Venture capitalists, for example, receive hundreds of proposals for every few they fund. There are a lot of hands out for their "quarters."

Distinguish yourself by giving clear, succinct presentations. In a nonprofit agency, if you can succinctly state the great social value of your proposal, others can join with you. In the business world, if you can tell your story in a few minutes, you have a much better chance of being funded.

### The Elevator Pitch

An Elevator Pitch is a pithy summary of your value proposition that can be told in one to two minutes. It grabs the attention of a potential customer, partner, employee, or supervisor who can't forget it and wants to learn more.

One of the hardest things to teach people—especially bright, accomplished people—is the importance of succinct and vivid communication. They know all the details and they feel that leaving any out will destroy the integrity of their presentation. "Do you want me to mislead them?" That's categorically *not* what we have in mind. What we are after is finding the core message and presenting the best possible value proposition. We want to determine "What *must* our audience remember about our message?"

Keep your message as short as possible. Remember Strunk and White's succinct admonition from *The Elements of Style*: "Omit needless words."<sup>3</sup> In the movie *Amadeus*, the emperor said to Mozart, "Your composition has too many notes!"<sup>4</sup> That was ironic, because Mozart's music is unique in that it has *no* extra notes; every note matters. If you take one out—even one—you feel the loss. Think of Mozart as your role model. Take out all those extra "notes" until you can give an Elevator Pitch that would make Mozart proud.

If your audience doesn't understand, it's your fault. It is too easy to say, "They should understand," or "I need more time to explain it."

These are all cop-outs. As a champion who accepts responsibility for the success of your program, you must be willing to iterate and develop your value proposition until it is compelling to all on your team. In the exponential economy, if you cannot communicate with zip and force, there won't be anyone listening. Sequoia Capital—a leading Silicon Valley venture-capital company that helped form Apple, Google, and Oracle—says, "One test we often apply to a new business is the ease with which it can be explained. If someone is able to summarize his company's plan on the back of a business card, it usually means that he will be able to describe its purpose to employees, customers, and shareholders. It suggests they truly understand their business."<sup>5</sup>

Melanie Griffith starred as Tess, a hardworking secretary in the movie *Working Girl*.<sup>6</sup> She wants to make it in the world of high finance, but she is stuck in her role. Her boss, Katherine, often accepts good ideas from her without giving credit. One day, by accident, Tess discovers that Katherine is planning to steal another of her ideas and present it to Mr. Trask of Trask Industries, Katherine's boss. This idea would open up a new market in radio, allowing Trask to improve their market position without competition. A few days later Tess, Katherine, and Mr. Trask are all in the lobby of the office building. Tess has a confrontation with Katherine, Mr. Trask steps into an elevator, and just as the elevator door closes and Mr. Trask disappears from sight, Tess says, "Did she tell you about the hole in the account?"

"The hole?" Mr. Trask is hooked. He opens the elevator door and steps out. Mr. Trask and Tess go into an empty elevator and Tess is told, "You're on."

She has just over a minute to sell Mr. Trask on her idea during their elevator ride. She is succinct and shows Mr. Trask some of her research and how "the hole" could be closed to Trask's advantage. When they get off the elevator and Katherine rejoins them, Mr. Trask asks Katherine where she got "her idea" and she can't answer. She is fired and Tess wins the day on the strength of her Elevator Pitch. Hollywood understands the importance of a good Elevator Pitch.

Your crisp elevator pitch must exude value. What do we mean by that? The goal should always be to present opportunities whose value is so obvious that the audience *must* take advantage of them. When you

have a compelling presentation, you prove that you are focused on the fundamental issue of creating value in the marketplace. You also prove that you will be able to communicate that vision, not only to investors, but also to customers and employees. If employees do not clearly understand the vision of the company and the value being created, then the chances for success are limited.

What does an Elevator Pitch look like? Fred Fritz was president of a disposable hearing aid company called Songbird Medical Systems.<sup>7</sup> Here is Fred's Elevator Pitch to a prospective user:

Are you having trouble hearing? You're not alone.

Tens of millions of people suffer from hearing loss and find the hassle of getting an expensive hearing aid too much trouble.

For the first time, disposable hearing aids are available.

We offer a disposable hearing aid that costs one dollar a day. It has the best-quality digital sound and, because you throw the units away every month, it is made of a soft material that fits comfortably, securely, and invisibly in your ear. You can buy them over the counter in your drugstore.

By comparison, high-quality hearing aids cost several thousand dollars today, and they have to be fitted by a doctor. Because they cost so much, they have to be made out of hard, durable materials that do not fit comfortably or tightly in the ear, which also makes the sound quality suffer.

Would you like to see one of our disposable hearing aids?

Keep it brief. Every team should be required to prepare an Elevator Pitch for its proposal.

### The Elevator Pitch Template

The template for an Elevator Pitch has three parts: a hook, a core, and a close. It has a hook to get interest, a core composed of your quantita-

tive value proposition to tell your story, and a close to ask for action to move to the next step. An elevator pitch looks like:

- Hook: to get their interest
- Core: your NABC value proposition
- Close: action to get to the next step

Your Elevator Pitch must be repeatable by others. Executives, venture capitalists, and leaders in government and universities cannot be expected to remember long, complicated arguments. If they cannot walk out of the room after meeting with you and state simply and clearly why their company or organization *must* move ahead with your project, you have failed. Your project will get lost in the morass of normal business. Good venture-capitalist firms, for example, look at several thousand ideas a year and invest in about a dozen. Stand above the rest; start with a compelling, value-laden Elevator Pitch. And make it brief.

We all know when someone is *not* compelling—the vision does not resonate, you cannot see your role in the activity, and you are not convinced by the value proposition. Here are some ways to develop and improve your Elevator Pitch.

### Have a Hook

Advertising people know the importance of having a "hook" that connects your idea to something that is important to the individual, as when you say,

- "Are you having trouble hearing? You're not alone."
- "Each year, one hundred thousand people die because of adverse drug effects."<sup>8</sup>
- "More than two thousand ideas have been patented for new mousetraps and only two are really used."<sup>9</sup>



People relate to stories, metaphors, and humor. Tell a vivid story; it will stick in their minds. When we talk about how Douglas Engelbart and his small team created the foundations of the modern PC user interface, including the computer mouse, people remember. His story crystallizes the idea of innovation teams making an impact, and maybe, as a result of the story, you will want to know how you can create an innovation team too.

Failure stories also resonate. When we describe how, even in Silicon Valley, more than 80 percent of start-ups fail to produce a significant return, it sparks interest. How might that be improved? Hooks intricably link the listener with the value proposition and activate their interest or curiosity. Provide the audience with a hook.

### *The Core—NABC*

In Chapter 5, "It's As Simple As NABC: How Liz Got Her Big Job," we gave you the essentials of the core of your Elevator Pitch. The NABC value proposition focuses you on the audience need—not your own need—and on the approach you propose, the benefits per costs you can provide to your audience, and an examination of the competition. The NABC is your quantitative value proposition tucked in the middle of your Elevator Pitch.

### *Be Quantitative*

One of the most difficult things to do, but one of the most persuasive with an audience, is to be quantitative. Rather than saying, "How would you like to improve your workshop offering to the organization?" you say, "Would you be interested in a 20 percent increase in enrollment over the next six months?" Because being quantitative is so rare, it helps you to stand out from the crowd. Further, it forces you to become clear and specific about your value proposition; after all, you don't want to make a promise you can't fulfill.

"Faster," "cheaper," and "better" are not quantitative. Faster than

what? How much cheaper? Better than what? And are the amounts significant? You can have a computer chip that is faster than another, but does it matter? For example, 0.1 percent faster probably doesn't matter; it might take 100 percent to sell successfully. You need to demonstrate that your improvement will create *significant* new value for the customer.

Imagine a college basketball scout giving a report to his coach. He says, "I have found a terrific new center, named Kareem, for our team. He is tall, he scores well, and he's a nice guy." Compare that with "Coach, I have found a new center named Kareem for our team. He is 7 feet, 2 inches tall, he has scored 43 points per game, he has a 3.7 grade point average, and he is president of his class." Specificity is powerful.

When talking about market size, give numbers. When talking about product specifications, list them. When talking about profitability, say how much. People like numbers. Think of baseball and football statistics.

If you don't yet know the specifics, tell your audience you don't know and take a SWAG.<sup>10</sup> Put down your best estimate. Say, "We are still working to get the data, but we expect to be 20 to 50 percent less expensive." Over time, you can improve your estimate. But you must at least give ballpark estimates so your audience will have some idea of what you are talking about. Don't compound ignorance with ambiguity.

People in human resources and in nonprofit work find this even more challenging than others. Something feels "wrong" about providing quantitative details. Yet when you do, you are forced to be absolutely clear about what you are offering, and it will stick better in the listener's mind.

### *Close: What Are You Asking For?*

All too often, the close for beginning presenters is to lower the voice, break eye contact with the listener, and then awkwardly sit down—relieved to be done. Slinking away is not an effective close. A good close must accomplish something. After all, why are you talking to *them*? What are you asking for?

- another meeting
- funding
- additional partners and employees
- a reference to another person

Ask yourself before you begin, "What do I really want here?" Is it just to survive the one-minute pitch or to accomplish something? If you don't want a specific outcome, don't waste anyone's time.

### Practice and Make It Contagious

Both the message and the delivery must be practiced and improved by suggestions from others. You don't want to give a canned sales pitch. Refine, recast, redo—iterate, iterate, iterate. When you communicate and it doesn't resonate with the team members, or outsiders, refine your pitch. Talk to others about how to cast the message the next time. *None of us gets it right the first time*, so expect to change and refine as you go. Here is a test: Can your friend, who doesn't understand your business or job, understand what you are saying?

Passion sells. Former secretary of state General Colin Powell said, "Enthusiasm is a force multiplier." Winning presentations are given with passion. Passion is a visible sign of your commitment. It is tangible proof that you are a champion: someone who can be believed and followed. We do not mean that you must be flamboyant. On the contrary, presentations can be understated and said softly. But others can tell if you are committed and enthusiastic about spreading the gospel of your project. And passion is contagious—when you make the ideas important and relevant, they almost spread by themselves. Others think, "Gee, if this is so important to them, maybe I could be part of this too."

The nice thing about contagion is that it cycles back to you. The next thing you know, one of your team members is in a meeting giving a passionate plea for your project. The contagion reverberates throughout the team and the organization.

As you begin working on your first Elevator Pitch, Figure 8.1 will remind you of the necessary components. Fill in the blanks and begin the iteration process.

The exponential economy moves fast. It is based on a flood of information and ideas; it is noisy. To distinguish your project, develop a compelling Elevator Pitch and present it succinctly and with conviction. Your Elevator Pitch is your NABC value proposition with an opening hook and action steps in closing. The Elevator Pitch works best if you have a gripping hook, so others can connect with it. Through practice, you can give a confident, compelling presentation with passion. When all these ingredients come together, your enthusiasm will spread throughout your innovation team and beyond. People invest in and join champions who speak with clarity and passion about important projects.

Create a one-minute Elevator Pitch around an idea you would like to champion			
OPENING: What's the hook?			
What's the quantitative customer and market need?	What's the specific approach to satisfying that need?	What are the quantitative benefits per costs from that approach?	Why are these benefits per costs superior to the competition and/or alternatives, by name?
CLOSE: What's the request?			

Figure 8.1: Worksheet for developing compelling Elevator Pitches.