
FORGET INNOVATION.



Focus on value creation.

*Success stories in human-centred innovation
or how to create a new kind of value*

FORGET
INNOVATION.

Focus on value creation.

FORGET INNOVATION.



Focus on value creation.

*Success stories in human-centred innovation
or how to create a new kind of value*

Minna Ruckenstein • Johannes Suikkanen • Sakari Tamminen



1st edition

Issuer: Sitra, the Finnish Innovation Fund

Publisher: Edita Publishing Oy

© The authors, Sitra, and Edita Publishing Oy

Cover: Suvi Sillanpää

Layout: Anu Mikkonen

Cover image: Shutterstock

Published in the Sitra publication series (Sitra 293)

Enquiries about the publication: by e-mail to julkaisut@sitra.fi,
or by telephone to +358 9 618 991

ISBN 978-951-37-6084-7 (paperback)

ISSN 0785-8388 (paperback)

ISBN 978-951-563-807-6 (URL: <http://www.sitra.fi/>)

ISSN 1457-5736 (URL: <http://www.sitra.fi/>)

Edita Prima Oy

Helsinki 2011

*There is a common saying:
‘If you hear hooves,
it’s probably horses, not zebras.’
But we say:
‘What if it is a zebra?’*

Foreword

The term ‘innovation’, alongside the word ‘architecture’, may have been hit the hardest by the inflation of words. Because the topic is so hot and of such focus in international competition, some research, consultation, and other activities have been cooked up around this term that have in no way clarified the situation – in fact, the opposite has often been the case. International gurus are out to squeeze this theme dry through books, presentations, and articles. However, this should be understood not as a criticism of innovation as a theme of interest but as a legitimate concern about fragmentation of the field of study and overly general theorisation regarding the entire ecosystem, which unnecessarily increases the gap between research and reality.

6 This is why this report is like a breath of fresh air blowing in from the real world. The authors employ a new theoretical framework, which they call ‘innovation anthropology’, but the book is at its best when it presents case studies from real life that testify that the frame of reference works well. These cases present enterprises that have in their respective fields of business shifted from the conventional product- or technology-driven approach to need-based and market-oriented value creation. What is the additional value that we offer our customers, and how can this promise of value – i.e., our product or service – be honed such that the promised value helps people in their everyday pursuits?

Innovation anthropology, a relatively new approach in applied anthropology, aims to understand the goals, desires, and everyday problems of customer and user groups from their own perspective. This model has already been utilised in the business world, but we wish to see it spread more rapidly – especially in this country of engineers where technological innovations are usually considered more interesting than the problems that they solve. The future is already here, but it is distributed very unevenly.

Although many enterprises claim to base their operations on this thinking, there is good reason to ask how many actually follow it – on any level.

The enterprises presented in the case studies of this report do. In their fields of operation, they have also achieved considerable improvements in their business. They show the accuracy of the old thesis that if a company earns its customers and keeps them, its business will be sustainable and achieve good results. The approaches adopted by the enterprises depend, naturally, on their sector of operation and the value chain typical therein. However, the product design processes of all these enterprises focus on customer requirements, and, when all goes well, the results are excellent, as shown, for example, in the case of Tapiola Private Banking.

In addition to offering concrete examples, the report successfully applies the new framework, innovation anthropology, in practice. In future work, it would be ideal for the theoretical framework to develop in tandem with the spreading of its application. Bridge-building between research and reality is not only important but necessary.

Without excellent cases of real-world enterprises, this book would be very different. This is why we would like to express our gratitude to the enterprises, other organisations, and interviewees for their input in the implementation of this project. We would especially like to thank Tero Kuitunen from the Ministry of Employment and the Economy for his active contribution to the work of the steering group. The authors, Minna Ruckenstein, Johannes Suikkanen, and Sakari Tamminen, whose expertise and enthusiasm have been of key importance, should, naturally, also be thanked.

Helsinki, 30th August 2011

Jari Pasanen

Sitra – the Finnish
Innovation Fund

Jari Romanainen

Tekes – the Finnish Funding Agency
for Technology and Innovation

Contents

1 Preface 11

THEORY

Anthropological basics for value creation.

2 Value in innovation anthropology 15

3 The social grounding of innovation 20

The illusion of individuality 21

The economic value of sociality 22

BRAND VALUE THROUGH PRODUCT DEVELOPMENT 24

SWEDISH HIP CONCEPTS 26

Breaking free from narrow user-orientation 26

Defining markets the Google way 29

PROCTER & GAMBLE'S NETWORKS FOR INNOVATION 30

Apple's trend-setting value network 33

IBM and new value creation 35

PIONEERING IN EMPATHY 36

TOWARD A BETTER UNDERSTANDING OF CULTURE 37

Intel's anthropological lessons 38

The great promise of ethnography 40

CARLSBERG CUTTING COSTS WITH FIELDWORK 42

GETTING THE MOST FROM ETHNOGRAPHY 43

4 Dimensions of value in innovation 44

New places of innovation 48

ACTIONS

People behind innovations.

5 Finnish pioneers of human-oriented innovation 52

Community-built housing: Defining a new market 54

HUMAN-ORIENTATION CHALLENGES
THE CONSTRUCTION INDUSTRY AND INNOVATION POLICY 64

Golla:

From hard technology to a soft experience 65

BECOMING A GLOBAL AGENT THROUGH
VALUE-NETWORK MANAGEMENT 77

Tapiola Private Banking:

Design thinking in business development 78

RELATIONSHIP WITH ASSETS AT THE CORE OF THE CONCEPT 90

Habbo Hotel:

Social value through skilful development work 91

COURAGE AND OPENNESS AS BASES FOR VALUE CREATION 104

Sinebrychoff:

Value creation alongside the customers 105

VALUE NETWORK STRENGTHENED BY INNOVATION 111

Kone:

Everyday luxury through new solutions 112

FOCUS ON THE VALUE NETWORK 122

Stora Enso:

Entering new markets through intelligent packaging 123

USER-ORIENTATION PUSHING TOWARD RADICAL CHANGES 131

THESES

From value talk to value creation.

6 Ten lessons in innovation for enterprises 133

Exercise empathy 133

Assign responsibility to small teams 134

Limit the budget, not the end result 135

Conduct rapid piloting 135

Focus on details 136

Nurture long-term innovation activities 137

Promote leadership that supports innovation 137

Make the organisation flexible 138

Value new types of expertise 139

Set a disciplined innovation target 140

7 Six ways to support Finnish innovation policy 141

Support crossing borders at the grassroots level 142

Immaterial processes at the core of innovation 142

Active dismantling of cluster-based innovation 144

Using human resources to support value creation 145

Innovation initiatives require ownership 147

New indicators for assessing innovation activities 148

8 Pioneering in human-orientation 149

Sources 152

Abstract 154

1

Preface

User- and human-orientation are becoming established as a new perspective guiding innovation policy, yet there is no broader consensus about how human-centric approaches are translated into economic value. This report connects people – whether users, customers, consumers, or citizens – and innovation activities in a manner that makes practical and analytical sense. We describe how economic value is produced in solving everyday problems and supporting human pursuits.

Conventional innovation activities focus on the development of new products and technologies. We suggest that this perspective needs to be complemented with a new approach that unfolds through research methods and processes taking people into account. Today’s global operating environments are complex and cannot be conquered simply through a focus on product and technology innovations. This is why we need the approach that we call innovation anthropology.

Innovation anthropology is a hybrid of research and practice. It is not a new paradigm but exploitation of existing research for the purposes of practical innovation activities. The approach is not radically new. Anthropology has been applied in innovation activities for decades, mainly in the United States, and the last decade has seen expertise in this sector developed in Denmark also. In Finland, however, innovation and anthropology have not been systematically brought together before. In order to strengthen the study, we interviewed pioneers of innovation anthropology in both Copenhagen and California for our research. We warmly thank these experts for the

important insights they gave into the ways in which anthropologists working in enterprises understand and approach people, whether as workers, customers, or users of products and services. To make innovation anthropology understandable to readers with no prior knowledge in this field, we have focused mainly on gathering concrete examples of Finnish and international enterprises. The aim with these examples is to demonstrate in a detailed manner how innovation anthropology and its will to understand and produce a new kind of value becomes a central competitive advantage in an economy defined by fierce global competition and markets that are increasingly difficult to comprehend and capture.

12 Significantly, innovation anthropology is not a single exclusive method or process. It is a work method that requires curiosity and skills in creative problem-solving. Accordingly, our research offers no process models or research techniques directed toward human-orientation. In fact, these can already be found in the current literature on innovations. Instead, we chose a different kind of approach. We introduce our readers, with brief consideration of theory and via practical examples, to the social value and meaningful differences that are always the basis for creation of economic value. We draw attention to basic anthropological understandings whose adoption will help enterprises and organisations integrate value-creation processes into business pursuits or other kinds of development work. In doing so, our work presents claims that both aid enterprises in developing their practical innovation activities and assist Finnish innovation policy to respond to changes in the economy in a consistent and appropriate manner.

We offer no 'how-to' toolbox for innovation, because we do not believe in the usefulness of such a device in human-centric innovation. Instead, we encourage those in charge of innovation activities in the public sector and in private enterprises to develop their thinking and adopt the perspective of innovation anthropology. Our examples

of Finnish success stories – community-built housing, Golla, Tapiola, Sulake, Sinebrychoff, Kone, and Stora Enso – demonstrate that, in the long run, this is beneficial from both the human and the economic angle. We emphasise the long-term perspective, because user- or human-centric development work is typically a continuous journey that is never truly completed. Correspondingly, the objective of this study is not to reach some final truth about innovation activities but, instead, to push something new into motion. Innovation anthropology persuades people to face the uncertainty and transitional stages that innovation always requires. True innovation and a new kind of value cannot be created through stubbornness or inability to adjust one's views, because these require taking new information on board, being able to listen, and being both able and willing to see things from another perspective. Innovation anthropology promotes active involvement in the world, a desire to understand and encounter other people.

THEORY

*Anthropological basics
for value creation.*

2

Value in innovation anthropology

Ambitious economic and political objectives are associated with innovation today. Innovations are discussed endlessly, at both national and global level. In Finland, ‘innovation’ is a buzzword that conflates science, progress, mobility, technological change, and globalisation. As the concept of innovation sweeps through society, it becomes devoid of meaning and, consequently, people see no value in innovation itself. Our aim is to rethink the value of innovation. In order to do so, we aim to define value in a way that makes practical and analytical sense. We argue that, at its core, innovation is creation of a new kind of value. Innovation produces value for a certain group of people, an enterprise, an organisation, or the larger society. The most successful innovations are inclusive; they produce value for many parties simultaneously, although the factors associated with value creation and production are different for the various parties involved in and affected by innovation.

15

Value is produced in countless ways, but successful innovations are always based on social value and meaningful difference creation that, in the end, translates or converts into economic value. In practice, ways of defining value are mutually intertwined in ways specific to a particular environment consisting of a tightly interlinked network of actors. In order to clarify our argument in a theoretically grounded manner, we refer to more conventional innovation theories and anthropological literature. Proceeding from practical examples and an anthropological perspective, we formulate an approach that opens a

perspective on innovation practices that differs from previous ones. We call this approach innovation anthropology.

Innovation anthropology is not a method but a framework for interpreting requirements for successful value creation. It focuses on factors that promote and guide economic activity at the practical level: the social relationships within enterprises or customer groups and the rules that emerge in these. The innovation anthropology framework also facilitates the interpretation of the methods and practices that produce new and attractive means of meaningful differentiation from other products or services, people, or their ways of doing things. Taking all of these factors into account in innovation activities enables the production of sustainable social and economic value that supports people in their desires, aims, and pursuits.

16 Chapters 2 and 3 build a theoretical foundation for innovation anthropology. Chapter 4 demonstrates with practical examples the dimensions of value and how they relate to innovation activities. The examples we have chosen – community-built housing, Golla, Tapiola, Sulake, Sinebrychoff, Kone, and Stora Enso – form the core of this report by empirically illustrating concrete value-creation processes. Together they demonstrate the various ways in which economic value is enabled by the creation and/or reorganisation of activities, including relationships between people, and their everyday practices.

Innovation work is typically a process; it does not display a linear narrative. Our examples highlight that successful human-centric innovation consists of a variety of changes, because the integration of the individual dimensions of value requires numerous reforms, both small and large. For instance, it might necessitate the reorganisation of established operations and relationships to customers, redefinition of the markets, changes in the enterprises' internal structures, or a new composition of the value network. In addition to discussing these aspects, we pay attention to the broader changes of the economy that heighten the importance of synthesising the various dimensions of

value in successful innovation activities. Concrete examples testify that the innovation anthropological interpretation framework works by capturing what is at the heart of innovation.

In order to create additional economic value, innovations must produce social value and meaningful differentiation. They must be socially buoyant, acceptable, and attractive. The everyday practices of people, who are defined as the designated target for innovation, must be thoroughly known when innovation is planned. Many research methods can be used for knowing the 'people stuff'. In other words, there is no specific way to learn to recognise and appreciate human needs and objectives. That is, from the standpoint of value creation, the data collection methods should not be the focus of the innovation work, no matter how tempting clear guidelines and processes might seem.

In practice, information may be collected by a variety of methods – for example, through individual and group interviews and surveys, via observation (including participatory observation), or by getting users involved with co-creation practices and platforms. These methods, however, should only be instrumental for reaching a set purpose, not act as strict protocols hampering the creation of new insights leading to value generation. Methods are very useful for data gathering, but they do not provide interpretation of the data, which is central for any kind of value creation. In other words, it is of key importance how the information about users, target groups, and markets is used and refined in the creation of new value. Information must be understood and interpreted in a manner that links it with other sources of information. In addition, the information generated must enable action, in order for it to really benefit innovation activities.

Our study repeatedly stresses how innovative individuals aim to take control of various kinds of environments. This draws attention to the self-evident point about innovation that there is no value creation without people, who make it possible. Innovation is not easy,

and competent people are a fundamental requirement for all innovation. In a world where innovativeness requires the co-ordination and control of the various dimensions of value production, it is ever more important for enterprises that at least some of their employees see past the established sector of business operations and daily tasks. In a fiercely competitive world, this is the only way pioneering work is done. Our interviews confirmed that innovativeness is first and foremost ability to identify opportunities that open up from situations in which changes in the operating environment create new needs and new types of relationships.

18 Typical of the current economy is that enterprises that are good at innovating gear their operations toward combining products and services, creating service concepts that give form to more overarching solutions. These enterprises do not aim to provide their customers with products or necessarily even services; the aim is a new breed of solution responding to various needs or problems detected in people's everyday life. By identifying this trend and focusing on topical objectives of innovation activities, our study brings to the fore the huge potential of innovation anthropology for enterprises and society, especially in this time of rapid change in which product- and sector-focused thinking is being rejected by more and more economic actors. Innovation anthropology relies on an established research tradition that examines different types of value and their relations to each other. It enables the emphasis to be placed on either individuals or global social challenges. Therefore, the approach is simultaneously human-centric and global and at its best it can benefit both individual people and the wider world.

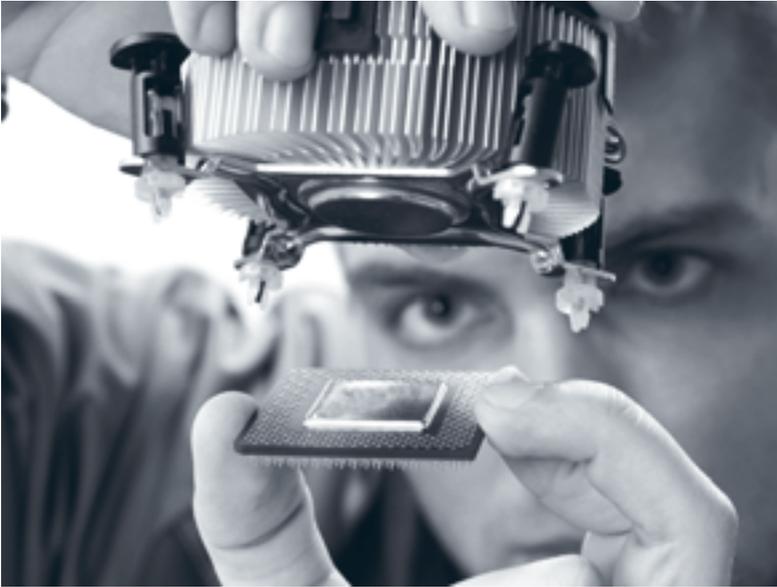


IMAGE 1. Industrial value production vs. value creation in human relationships.



3

The social grounding of innovation

‘The most important political struggles in any society will always be over how value itself is to be defined.’

(Graeber 2001, 115)

20

We stated above that from the viewpoint of innovation anthropology, innovation must produce a new kind of value. If such value is not created, we might have important improvements, but by definition we still cannot speak of innovation. Our approach to value is dynamic and processual; value is created within relationships between people, objects, and practices, and it can be defined in many ways. In other words, value depends on what is valued. We may speak of economic, social, ethical, moral, ecological, or political value. However, this multitude of aspects or types of value should not discourage us from thinking systematically about value creation and key dimensions to which this array can be reduced. This is precisely why we need innovation anthropology: it enables the systematic examination of the main qualities and dimensions of value. From the viewpoint of innovation anthropology, innovation activities always require certain supporting mechanisms that make realisation of the various dimensions of value possible and render their relationships visible and able to be assessed.

For innovation practices, commitment only to assess the economic value of new insights and ideas, often referred to in day-to-day discussions as added value, may even be harmful to the enterprise in question. Here, the innovation literature often, quite vaguely, dis-

cusses the significance of social dimensions of value. Social value is thought to emerge as if it were a by-product of innovation. Innovation anthropology is not content with such vagueness, for it takes up the challenge of social value much more seriously. For instance, in the case of products, the social aspect may be viewed within an innovation anthropology framework as relationships between objects and people. The following questions might be asked: how are objects used, what are the relationships between various objects, what do they mean to different people, and what do people pursue through them? Another alternative is to focus on why people choose certain products or services even when these are more expensive than others, and on how these choices produce meaningful differences that, in turn, build an enterprise's brand value. From the perspective of the whole enterprise, this means that the enterprise's brand becomes valuable when it is differentiated from the offerings of other enterprises in the product and service choices that people make in everyday life. A brand is not primarily economic value; it is created as a result of choices people make. The brand is enacted by people, who appreciate it in their daily selections.

21

The illusion of individuality

Innovation anthropology is built on the idea that people are fundamentally social; it is not based on individualism or on the idea that we, as humans, exist in the world solely as individuals. In this respect, the approach differs from the psychological orientation that forms the underpinning of many market surveys. Departure from individualism does not mean that innovation anthropology would ignore people's desire and pursuit of individuality. On the contrary, striving for individuality and differentiation from others is a force that drives the consumption culture. Consumer goods are appropriated to support meaningful differentiation that is important to people,

along with their desire to be individual. Products and services enable presenting identities that capture what people think they are – Audi men or cycling urban hipsters. However, such meaningful differences are always enacted in relation to others. The key lesson here is that individuality emerges in a network of relationships. Therein also lies the grand illusion of individuality. People aim for individuality but, on closer inspection, are surprisingly similar in these ambitions.

22 Innovation anthropology focuses attention on the patterned nature of individuality by emphasising people’s shared goals. It directs the attention toward examining the relationships among people, objects, and the symbolic work that maintains these relations. With regard to processes producing a new kind of value, social relationships – not individuals – are of central importance. For an innovation to succeed, it needs to be socially attractive. An innovation must move people, and support them in their shared ambitions, as well as in the processes that create meaningful differences and different identities in relation to other individuals. This is partly where the business potential of an anthropological approach lies; it uncovers unmet needs of belonging and togetherness while it examines regularities related to human endeavours. Innovation anthropology makes visible the myriad means by which people orient themselves to the future and organise their day-to-day life.

The economic value of sociality

From the point of view of value production, it is essential to understand what ‘social’ means. At its simplest, ‘social’ refers to a relationship. It is derived from the Latin concept of *socialis*, referring to a group formed of friends or acquaintances. People often mix up the concepts ‘social’ and ‘cultural’. Culture refers to established sociality – i.e., repeated manners of operation and the perception of meaningful relationships and matters at the level of daily life. Sociality can be

studied through examination of various relationships. The researcher might ask who or what people interact with in a certain situation, in a given role, or at a certain point of activity, and what this activity aims to achieve. In addition, the instruments and technologies used in this activity are of interest. Culture – established sociality – can be studied by observing linguistic sharing within a certain community (concepts, valuations or norms, and thought structures), established forms of operation (how things are done and what is sought through certain actions), and the typical tools used by community members in their activities.

Meaningful difference, in turn, is created either with new concepts or through visual presentation (such as branding), tools (technology and resources), or modes of operation (e.g., organisational changes) in relation to other actors in the markets. The challenge is to establish these new ways as part of the community's activities in such a manner that they would become part of the daily culture of the people in the defined target group. This is what innovations and the new kind of value they produce are really about. They are social changes that generate a meaningful difference in relation to other players in the field. The aim of innovation anthropology is to prove that social value and meaningful differentiation can be produced as systematically as economic value. Through the examples in Chapter 5, we demonstrate empirically how social value and the supporting meaningful differences are actively created and managed within specific enterprises.

Innovation anthropology looks into social value and the production of meaningful differences in order to discover their nature and business potential. We argue that building of a successful innovation requires comprehension of the various dimensions of value right at the beginning of the development process. A far-reaching understanding of value enables the economic evaluation of an innovation and the materialisation of this value in the form of the final offering.

Brand value through product development

There is no one definition for 'brand', but the detailed brand guidelines adopted by many enterprises, as well as positions such as 'brand manager', indicate that enterprises consider their brands important competitive advantages. The assumption of the key role of brands in value creation has also affected Finns, now that Finland's brand team has received media attention. The country brand is used by an elite to present the real, authentic Finland to the rest of the world. This kind of thinking on branding is based on classic works in marketing, such as David A. Aaker's *Building Strong Brands* (1995) and Jean-Noël Kapferer's *Strategic Brand Management* (1997). These texts describe the essence of a brand as a core identity with its unique DNA, whose specific definition and communication to the rest of the world ensures the success of the enterprise's offering in the long term. A meaningful difference is believed to be produced through the meaning created by a brand identity for the offering. Therefore, the brand should be nurtured and managed with particular care.

24

The well-established brand ideology conflicts with the central theses of innovation anthropology that push forward a more dynamic idea of branding. It is our view that a brand is always related to the ability of the offering to create value for the customer; the brand has to be enacted in

From this perspective, measurement of innovation by means of only economic indicators should not even be attempted, because the relationship may be only indirect between the social value produced by an innovation and economic productivity. Economic value is created, rather, with the support of other means of producing value: an additional economic value is possible only if a new innovation produces some other value in addition to direct economic value for its user. This has been demonstrated by, for example, Google, Apple, Amazon, Sulake, and Intel with their products.

daily lives. The currently popular purification practices for brand essence and the communication of brand identity to customers do not necessarily achieve this goal, because customer groups always interpret an enterprise's branding work and the messages it gives about the value of that enterprise's offering in relation to how well they serve economic, social, and differentiation needs. In other words, maintaining the purity of the brand identity and brand communication do not alone create value for the brand; these are only a part of the overall offering that creates (or does not create) value that is desirable and attractive. In fact, the idea that maintaining the purity of the brand's core guarantees long-term success is questionable. Nokia, along with many other corporations, has invested a great deal of money in brand management, but this has not prevented the collapse of the value of its brand in various surveys. In the light of innovation anthropology, it is impossible to differentiate the brand from the offering and from the overall production of meaningful differences, and, therefore, an enterprise cannot manage its brand in isolation from, for example, product development. From the point of view of innovation anthropology, brand thinking should be extended toward an understanding of sociality and toward inclusion of customer-oriented production of meaningful differences.

Swedish hip concepts

There has been some bewilderment in Finland about the ascent of fashion house Hennes & Mauritz to become a more valued company in terms of stock price than Nokia. In addition to H&M, there are other growing and increasingly international fashion companies in Sweden, while the Finnish enterprises in this sector remain very small. One of the Swedish success stories is Acne Jeans, which was founded in connection with a Stockholm-based design and advertising agency in the early 1990s. Over the years, Acne Jeans has become the favourite brand of high-earning young urbanites, and it has retailers in middle-class city districts throughout the world. The operations of Acne Jeans are based on carefully targeted concept design. In addition to fashionable products, the enterprise handles its own communications, including its own publication and various other media, such as advertising films, a bespoke shop concept, and carefully chosen retailers. Acne has managed to position itself as an identifiable and desirable fashion icon for its target clientele. Acne is actively designing value that both draws from the culture of its clientele and feeds it at the same time. By doing so, Acne pushes forward an everyday cultural cosmology by designing clothes that adopt the shared idea of good taste in a city district and among its residents and reflect and shape it.

Breaking free from narrow user-orientation

Inclusion of user-orientation among the aims of innovation policy is pioneering in nature. It involves people in the innovation activity much more closely than before. User-orientation breaks free from the idea that innovation is a one-way process, and it attracts innovators to a dialogue with users, consumers, and citizens.

There is no doubt that the great expense of technology-intensive innovation activities has contributed to user-orientation. Most technological innovations fail because people do not want to adapt or use them. In other words, product development fails not because of technological shortcomings but because the worlds of the producers

It is interesting to consider the international success of Acne Jeans and other Swedish fashion labels in relation to the typically Finnish way of looking at culture and user-orientation. Acne and other Swedish fashion houses do not build products in line with any specific Swedish school of thought but connect their offering with cultural trends they know and identify. Swedish design is able to control different worlds and produce meaningful, identifiable, and desirable symbols for the various relationships within those worlds. This exhibits a significant difference from the Finnish idea of culture and of the customers' role in design work. In Finland, the concept of culture is repeatedly associated with activities that are to be considered non-commercial, such as high culture or national cultures. In design, culture is understood as maintaining and strengthening our national identity – as Finnish design. The different worlds, transcending national borders, held by target groups do not guide business development in this case. As a result, many delicious elements that would be fruitful for innovations are not present in the development work done in Finnish enterprises, although these are specifically what it takes to build surprising success stories.

and the consumers do not meet. User-orientation aims to narrow the gap between the producers and the consumers and, thereby, hasten the market entry of innovations. When people test and develop products and services, the information and experiences collected from them can be used to improve and tune these. From the standpoint of innovation anthropology, user-orientation, despite its good intentions, is not sufficient in the long term. Historically, user-orientation has maintained a narrow focus on the study of relationships between people and a certain product or technology. Innovation anthropology, on the other hand, aims to identify more extensive processes:

discourses and practices that organise activities, and conscious differentiation based on them. It is these processes that aid in understanding the significance of the relationships that support everyday life for innovation activities. Although our report discusses questions related to user-orientation, we break away from the narrow view of user-orientation that is so easily harnessed to serve the prevailing way of doing things. In this kind of user-orientation, there is a danger of innovation continuing to be carried out in terms of technologies, not people. People's lives do not revolve around various products or services, and real humans never use one product or service exclusively

28

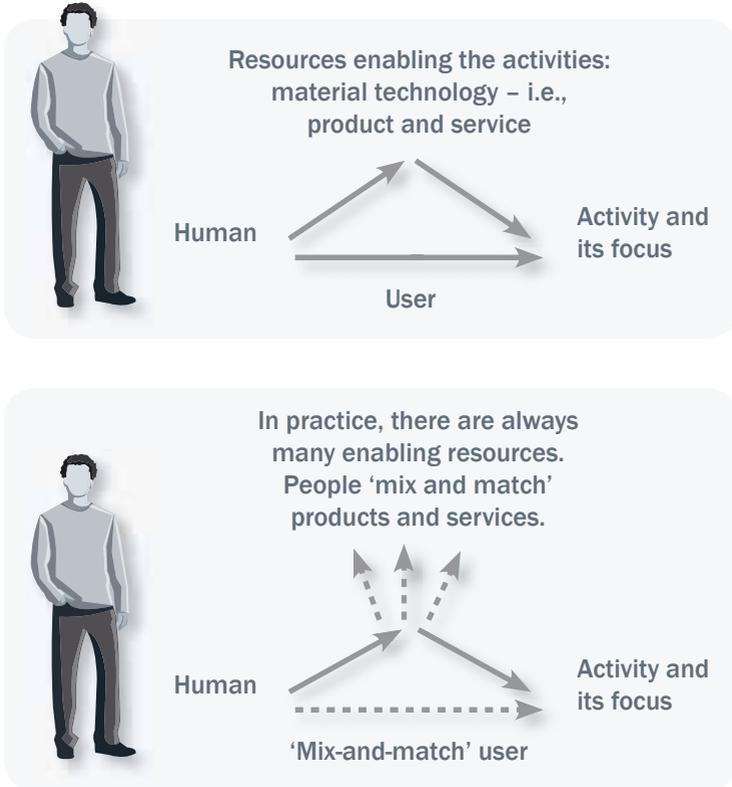


IMAGE 2. From user-orientation to a broader human-oriented approach.

– rather, people ‘mix and match’, using many products and services in combination. This points up the problem that user-orientation often strays into thinking about a single occasion of use or one’s experience of a single product or service at a time. In their everyday lives, people constantly use different – and competing – resources to pursue their aims in order to function in their daily environments. People mix several products and, in fact, become ‘multiusers’ at any given time (see Hyysalo 2009, p. 52).

In other words, people’s everyday activities are the sum of much more than the use of various products and services either at the same time or consecutively. The problem lies not in user-orientation itself but in the fact that the tradition of user-orientation has not included a perspective that would highlight the social dimension and meaningful differentiation. Innovation anthropology genuinely aims to assist in creating a new kind of value. This is why its premise must have a wider frame of reference than user-orientation can offer. That said, user-orientation is a good first step, if the innovation activities have been very product- and technology-centred. Yet, if the aim is real pioneership, user-orientation must strive towards a more all-encompassing understanding of social relations and cultural orientations.

29

Defining markets the Google way

Processes of value generation are related not only to social activities observed in everyday life but, naturally, also to the wider economic environment. This environment imposes constraints on how social relations and meaningful differences can become economically valuable.

In fact, the recent desire to manage value-production processes actively is specifically linked to changes in market environments. In recent decades, many terms have been applied to the economy that imply that certain irreversible changes have occurred. Today, business is carried out in complex networks of co-operation. New technologies

and innovative concepts in the financial sector have supported companies' conquest of the world. Taking control of and management of the worlds of globalisation and post-Fordism require a wide scope and co-operation between experts in a variety of fields, and still success is not guaranteed. This complexity forces us to constantly learn new things and to reassess prevailing practices.

Our economy at large has undergone changes, and it has been feverishly reorganised, with new economic theories and terminology that emphasise the close connection between economic and social dimensions of value production (e.g., Prahalad & Ramaswamy 2004; Ritzer & Jurgenson 2009). The terminology employed refers, for

Procter & Gamble's networks for innovation

30

Procter & Gamble produces consumer goods, such as perfumes, toothpaste, nappies, and detergents, for the global market. Customer-orientation has always been a guiding principle followed by Procter & Gamble, and the company has used an ethnographic approach to understanding the needs of its customers. Procter & Gamble's employees have spent countless hours at people's homes. They have observed how people around the world make up their faces, shave their beards, wash their dishes, clean their floors, and change nappies. The basic starting point of ethnographic work has been that people are not necessarily able to explain their needs but these become more evident from their activities. In other words, ethnography helps one describe what consumers want and then produce products that, it is hoped, will create the desired experience. In other words, Procter & Gamble aims to create not only products but also experiences. The consumer experience is particularly essential for Procter & Gamble because the consumer goods the company produces are short-lived. The consumer must return to the shop to buy specifically Procter & Gamble products, which means that the consumer's experience of a mascara, toothpaste, or nappy must be so satisfying that he or she is certain to buy the same product again.

instance, to a new culture of capitalism, network economy, innovation economy, experience economy, value economy, hybrid economy, meaning economy, and brand economy. The new terminology identifies a field of phenomena and provides some tools and perspectives for operating in the changed world and in the markets opened up by the changes. From the perspective of innovation anthropology, however, the best way to learn how to control and master all aspects of this world is by understanding different everyday contexts and by participating in their events actively and with curiosity. Companies avoid mobilisation among the people, as it takes too much time and requires a great deal of work. Yet personal experience is still the best

The ever-increasing role of understanding the customers in innovation work gradually changed Procter & Gamble's research and development operations to their very core. According to Nabil Sakkab (2007), the company's long-term head of research and development, the separation of research and development into a dedicated unit is a thing of the past, part of a time when research was carried out at laboratories aloof from the rest of the world. Researchers also often worked alone and, as a result, were reinforcing whatever they knew before rather than trying to seek radically new perspectives. According to Sakkab, a new kind of innovative thinking requires co-operation, so a better name for a research and development unit would be C&D, or Connect & Develop, a unit for building and developing networks. It is of essential importance in development work that contact be maintained with customers, other companies, and the research community. Procter & Gamble has as an aim that at least half of the company's new ideas will be created through co-operation with parties outside the company. Sakkab emphasises that the objective is not to outsource research and development but to bring in creative resources from outside the company (in-sourcing).

way to learn to appreciate how people's activities and various objectives guide the processes of value creation.

New forms of production, distribution, and consumption are being vigorously developed around the world. Some companies enter the market with completely new market definitions and question existing forms of business: for example, Google has dismantled structures of information distribution and management, thereby challenging operators in various sectors, including publishers and mobile phone manufacturers. The technological change obscures the borders of competition between different business sectors and companies. It may grow harder and harder for enterprises to understand what they are competing against. A kiosk chain selling gambling and video rental services does not clearly compete with other kiosks in its area – instead, it is challenged by the Internet. On the other hand, convenience store chains say they are developing their shops into kiosks that serve as meeting points for the neighbourhood, into third spaces of a sort. Amid such radical changes, it is essential to understand that the market should not be seen as consisting of competitors in the same field: market competition is not static. Rather, it is constantly being challenged by new ways of understanding and defining it. For instance, a fierce competitor to the company might be everything else that their customers are doing; that is, the company is competing for people's use of time.

32

That the field of competition has become harder to perceive casts into question, for example, the significance of competitor benchmarking in an enterprise's strategy process. Comparisons with competitors are still useful, but they should be neither the only nor the primary guide for the strategic development work carried out within enterprises. At the same time, it may be equally difficult to get an idea of the customers or users. They do not form a coherent and clearly defined group, for people have various, different and partly conflicting needs and objectives. In fact, more and more enterprises are focusing on their customers, rather than their competitors, by

carrying out additional surveys to aid in understanding the day-to-day lives of their customers. This indicates that enterprises justify their existence and role in the world through customer-orientation with the goal of being relevant to both their existing and potential customers. This way, enterprises are able to react more quickly to, for example, the opportunities offered by new technologies. Technologies are introduced if they produce additional value for customers. One key consequence of the changes in the current economy is the shift in the focus of enterprises' operations from the production of products to that of services and entire operating environments. People are approached not merely as consumers of products but also as producers of meanings. Enterprises aim not only to sell their products to people but also to attract them to interact with products and services in a culturally recognisable manner, with culturally recognisable narratives. A concrete example of this is children being sold not only toys but whole toy worlds that encourage the child's involvement. Lego, Pokémon, Nintendo, and Tamagotchi promote interactive worlds in which toys, media, and social relationships between children all seamlessly support one another.

33

Apple's trend-setting value network

The music industry is an excellent example of a new type of service economy. The digitalisation of music has brought about unprecedented change in this business. Phonograph records and cassettes have been replaced with new kinds of distribution concepts. The Swedish Spotify provides listeners with a huge Internet-based music catalogue and also makes it possible to distribute playlists or individual pieces of music among Facebook friends. The developers of Spotify have understood that the Internet is not only a new distribution channel. It can also be used for creating and supporting other objects of appreciation related to music, such as social sharing closely linked with listening to music. Therefore, Spotify enables the strengthening of

social relations that are considered important, and the finding of new music through these trusted relationships. By so doing, it attaches its users to this service, out of all possible digital music services on the Internet.

The immaterial nature of the services means that users must be offered experiences that lock them in with the service. This is how service-based markets challenge enterprises to detect social relations more carefully, as well as the various objectives pursued within these relationships. In fact, ability to produce the right kind of value in customer relationships is a central element of the service economy. This doesn't mean only understanding the end users. It may also mean the organisation of complex production or distribution models, in collaboration with the enterprise's corporate customers, as new solutions that create value for end users. One of the world's most admired and carefully observed enterprises, Apple, is an example of this. It does not create value solely by offering excellent user experiences for its customers; by contrast, it promotes everyday aesthetics that support people in their manifold daily pursuits. For years, Apple has been carefully building a value network – an ecosystem of compelling offerings – that brings together various operators and serves the shared clientele of Apple and its partners. Buyers of Apple products are given access to many additional services. The producers of these additional services, in turn, are provided with a fair business model, guaranteed by Apple, and direct access to an enormous customer base able to pay for the services in a simple manner. Apple manages these relationships, producing value for both its customers and the various other service providers while maintaining high standards of quality. A large proportion of Apple's economic value is created through promotion of desirable everyday aesthetics that encompasses the ability to direct and support various relationships and objectives within an offering ecosystem, in which Apple's own products and services have a central role.

IBM and new value creation

The building of well-functioning services requires a sophisticated understanding of the various dimensions of value production and of all the relationships of which the relevant enterprise is a part. In fact, the world's largest technology enterprises have understood that the transition from products to services and the creation of solutions requires the hiring of people who understand the mechanisms of social realms. In the 1990s, as IBM had increasingly shifted toward the service business, the company came to understand the need for a new kind of research expertise that would support business development. As a result, IBM found anthropology. Today the company employs numerous anthropologists and other humanists and social scientists to develop IBM's service business. Service development has gradually changed the views held by business life on the meaning of products and consumption.

More and more businesses are based on a service logic in which the products' social life and various meanings are of key importance. For example, telecommunications operators may offer their own service customers an opportunity to change mobile telephone during their contract period against a small additional fee. Car manufacturers aim to tie their customers to one particular brand by building service entities, and a rental market is created for luxury goods. It is not necessary to own a Louis Vuitton handbag – one may be obtained, for a fee, for only those situations where it supports its carrier's aspirations. Anthropologist Melissa Cefkin (see Cefkin 2009), who was interviewed for this study, reminds us that the corporate actors and anthropologists share common history and predicts that these connections will continue to strengthen. Enterprises are now looking for anthropological expertise that can be more closely linked to strategic and operational targets. In the United States, successful enterprises are typically more market-driven than in Finland. They actively seek

new kinds of market definitions, and their operations are based on adjusting their offering to the various ambitions of their customers.

Apple's commercial success is based on continuous reaction to technological development. However, Apple's operations are not technology-driven: the company's products use the latest technologies, but there is also an attempt to make the products and services aesthetically desirable and easy to use. The success of the anthropological approach in innovation within enterprises is rooted in its ability to make clear the social relations and established cultural

Pioneering in empathy

The significance of empathy in business development is highly topical in, for instance, the United States. But empathy has not become rooted in Finnish discussion of the fundamentals of value creation by enterprises. This may be due to the Finnish tendency to mix up the terms 'empathy' and 'sympathy'. For example, the American consulting agency Jump Associates, which focuses on innovation, describes empathy at its simplest as an ability to put oneself in the position of another person, ability to understand what keeps people up at night. According to Dev Patnaik and Peter Mortensen of Jump Associates, this skill is of central importance in business development if an enterprise wishes to produce products or services that excel. An innovative offering must solve real problems that people encounter, or support their objectives. At best, the development of empathy helps the personnel of the whole enterprise make the right decisions. Empathy does not develop only through collection and interpretation of information about consumers. It takes curiosity and active involvement in the world, a desire to understand and encounter other people. According to Patnaik and Mortensen, this pays off, as new business opportunities are created not through PowerPoint presentations but through understanding of the mundane relationships between people and also what people do in their homes, workplaces, and travels. In other words, empathy means an ability to understand what is happening outside one's own company or other workplace and how people perceive these events.

orientations that guide people's behaviour. This reveals meaningful relationships between people and objects, as well as the means and methods of differentiation they produce. The strength of innovation anthropology is its insistence on asking new kinds of questions about what in an enterprise's offering is important to people. At the same time, anthropology provides a worldview that is not static and complete but keeps changing constantly, depending on the perspective adopted. The innovation anthropological approach is, in fact, agile and flexible by its very nature.

Toward a better understanding of culture

Ken Anderson, an anthropologist working for Intel, has co-operated with a number of large corporations, in various parts of the world. He has accumulated an idea of the kinds of expertise that can be found in different areas of the world. He thinks Finns are good at calculations: they are able to monitor the course of processes systematically. On the other hand, he does not think that Finns are strong at understanding the meanings that technology and technology-based services have for people. For example, too little attention is paid to what it means that technology saturates people's day-to-day life. 'A better understanding of culture, meanings, and relationships is needed,' he says to crystallise the situation.

At Intel, Anderson has looked into, for example, how people really use computers. This is something that cannot be found out simply by asking. Questionnaires and interviews carried out by Intel indicate that people use their computers more and more for watching videos. Ethnographic study reveals that this is not actually happening. This creates an interesting situation wherein Anderson's team helps marketing personnel to stress the video's role in marketing (because people imagine they are watching more videos than before). Engineers, in their turn, need to be taught the reality of computer use so that they are able to make the right technological decisions.

Intel's anthropological lessons

According to Ken Anderson an anthropological approach can, when put to its best use, help enterprises approach and define their market in an efficient and meaningful manner. Anthropologists are thus able to lead the enterprise to see the essential. In this way, it is possible to create operational frameworks or frames of reference for the entire enterprise. In practice, this means that the anthropological approach needs to be adopted at the strategic level. In this context, strategy is defined as a conscious project that has at its core an idea of how an enterprise creates or will create value. A strategic approach involves a desire to reach an ideal state wherein the enterprise's resources have been harnessed to produce value for the customers and, thereby, also for the owners.

38

Specifically, the ability to produce a new kind of value for people, by using the enterprise's operations expertise as efficiently as possible, is central to innovation activities. Anderson notes that Intel, for example, has come to the conclusion that business concepts based solely on anthropological research are rarely innovative, because they are not connected with Intel's production and technological expertise in the best way possible. Accordingly, the important point is how to connect the anthropological perspective and knowledge seamlessly to the enterprise's core expertise and the market. This often requires that different types of expertise be brought together and that the enterprise have the courage to elevate the anthropological approach to the level of strategy. Ultimately, strategy work is about defining an enterprise's value creation more specifically and translating this process into operative functions. According to Anderson, strategically important technology choices must be based on an understanding of both the users' real habits in using the technology and how they imagine or dream of using the technology. The differences between actual behaviour, on one hand, and ideals and images, on the other, are often determined through ethnographic research that seeks to

understand why people tend to claim that they do things that they do not actually do in practice.

Application of an anthropological approach as broadly as possible in an enterprise's strategy and organisation guides the enterprise's day-to-day business. An enterprise's strategy is thereby translated into thousands of small decisions that form an entity on which the enterprise's success or failure is based. Peter Mortensen from Jump Associates emphasises that, when applied solidly, an anthropological approach creates a shared idea, within the enterprise, of its customers' lives and aspirations. This shared idea then guides the small and large decisions made on a daily basis – i.e., strategy. Unfortunately, corporate anthropology is still typically seen as part of product design or user research rather than as a strategic way of thinking. According to Anderson, the user-driven national innovation policy programmes of, for example, Denmark and Great Britain focus mainly on product design. In Denmark, huge investments have been made in user-driven innovation activities in the last 10 years. Links between anthropology and innovation activities and, extending further, to user-centredness have been supported in Denmark with the establishment of new professorships and research and training units.

39

This has set in motion a new kind of business around user- and customer-orientation. Danish consulting agencies are world leaders in this business. In other words, Denmark has consciously built pioneer-ship in user-oriented innovation through new training and research funding. The results are evident in the fact that Danish enterprises and universities have managed to attract experts from other parts of the world to join them in building a new culture of innovation. A number of interesting projects and experiments based on solid expertise in research or practical innovation work are currently under way. As pointed out by Anderson, the Danes' investments have not, however, been completely successful in producing radically new approaches. The anthropological approach continues to be used in a product-focused manner, which means that wider opportunities for

systemic changes are overlooked. According to Intel's experience, the greatest value of the anthropological approach for enterprises may be found on the strategic level if the enterprise's activities are consciously directed at creation of social value and meaningful differences.

The great promise of ethnography

Ethnography, an anthropological method of data acquisition, is the most common form of corporate anthropology. In practice, ethnography attempts to produce a comprehensive understanding of the phenomenon studied: it usually involves analysis and interpretation of various forms of data.

40 The basic starting point of ethnographic research is the collection of empirical data about people's established behaviours in a certain environment, the comprehension of the shared central meanings of a certain group of people, and the charting of existing tools and technologies. Ethnography can be used in strategy work that supports the conscious development of an enterprise's value-creation processes, or it can be used for solving very specific problems (e.g., Cefkin 2009; Ehn & Löfgren 2009; Sunderland & Denny 2007). Ethnography can also be employed for dissecting value-creation processes and, thereby, eliminating unnecessary functions within an enterprise. In Finland, an increasingly common way of using ethnography is in the study of customer practices. This approach aims to understand people's behaviour as product or service users in certain clearly defined contexts. One could say that studies focusing on certain practices often seek the ultimate truth of human behaviour in a strictly limited field of operation. This kind of study fits well in the Finnish technological and economic worldview and will probably become more commonplace.

From the perspective of innovation anthropology, the study of practices is frustratingly narrow in scope, although its focus on concrete actions is, without doubt, often useful. In strictly delimited fields of operation, such as within the health-care system, chains of

care have been improved in order to serve patients better in their day-to-day life through study of the everyday encounters between patients and health-care personnel and the related practices. However, studying strictly predefined and limited fields of operation is problematic when the study of practices is linked to innovations aimed at opening up entirely new kinds of markets and operation opportunities. From the perspective of seeking new opportunities and innovation, the study of mere predefined practices and contexts narrows the scope of explorative study. This means that the world of alternative and new kinds of realities, whose identification is essential for radical innovation in today's business, remain unexplored. For example, the important elements for people's well-being and meaningful everyday life, such as the desired parenting or aesthetics, and how to express these to others, cannot be discovered by focusing on certain limited practices, because they permeate numerous day-to-day practices that cover multiple fields of business.

In enterprises, ethnography is most often used in concrete and rapidly proceeding projects with easy-to-reach targets. This 'instant' or 'quick and dirty' ethnography has become hugely more common in the United States over the last decade. Nonetheless, it is not without its problems. Brigitte Jordan (see Jordan & Putz 2003; Jordan 2009a, 2009b), an established corporate anthropologist and consultant from the United States, notes that enterprises are, regrettably, seldom ready to commit to longer-term projects, even when these would benefit them. According to Jordan, instant ethnography runs counter to the anthropological research tradition and directs ethnographic research toward small projects that are unlikely to produce significant results.

At worst, ethnography may become limited such that it forms only a part of product development. Jordan finds this problematic because enterprises would be able to benefit in particular from thorough ethnographic study carried out over a longer time. This requires, however, that the management of an enterprise is committed to these kinds of projects.

Jordan notes that adoption of an anthropological approach – ethnography especially – is fashionable in innovation circles. In Japan, companies are actively trying to increase their ethnographic competence, while expertise in this field is being increased also in China. The challenge lies in how the enterprises and other organisations using ethnography can extract the benefit promised by the method. It can already be seen that ethnography does not reach anywhere near its full promise when it is reduced to a niche within marketing research or product design. Ethnography is perceived as consisting of

Carlsberg cutting costs with fieldwork

42

The brewery Carlsberg has been using an ethnographic method for a long time now. One of the company's research projects used ethnography to examine the efficiency of its marketing and advertising. This research was carried out by Danish consulting agency Red Associates. The fieldwork included, for example, beer-selling and table-cleaning at pubs and restaurants that sell Carlsberg beers, in many and varied countries. This ethnographic project revealed that Carlsberg spent large sums of money on advertising materials that bars and restaurants never displayed. In other words, these created no value at all. Barkeepers and restaurateurs found the advertising material unsuitable for their establishments because they wanted to create a cosy, home-like environment for their customers. The research project showed that economically more efficient sales promotion requires marketing and advertising that is closer to restaurateurs' or barkeepers' own ideals for promotion of sales. Thus the project was economically very effective for Carlsberg, as it enabled the company to eliminate useless advertising and marketing efforts. Significantly, this conclusion would have been impossible without fieldwork carried out at bars and restaurants.

interviews and observation rather than an opportunity to understand how various contexts of everyday life, whether customers' worlds or business environments, are organised in relation to attempts to create new kinds of value. From the standpoint of innovation anthropology, it is essential to understand that the use of individual methods, such as ethnography, does not guarantee that innovation activities will be successful. To the contrary, results are brought about through strategy work supported by various forms of collaboration.

Getting the most from ethnography

Innovation anthropology work, and the supporting ethnography, can be targeted in various ways in order to examine clearly specified issues or problems:

An ethnographic aim might be interviews of central actors and instant observation to investigate a clearly specified and typically local research question. What repeated ways of operation, shared meanings that direct actions, and tools or technologies are people now applying?

Instant ethnography involves participatory observation over a span of days or weeks, with the purpose of gaining an understanding of the context of the question that guides the research. This approach is suitable, for example, for restricted-scale product and service development projects or in such projects as collection of feedback about product ideas or prototypes.

Ethnography refers to longer-term work during which data collected by various methods are interpreted and analysed in order to form larger guiding and organising models or frames of reference that can be used, for example, to support work with new kinds of markets and future strategies.

4

Dimensions of value in innovation

Before turning to more concrete examples, we briefly clarify the intimate connection that innovation anthropology makes between innovation and value. We have insisted that an innovation must produce a new kind of value. What constitutes value and its production has been debated extensively. In the fields of sociology and anthropology, value-formation processes have been subject to considerable debate. The greats of this field – Karl Marx, Georg Simmel, Marcel Mauss, and Ferdinand de Saussure – have all put forth suggestions concerning what produces value. The economic, ethical, aesthetic, linguistic, and political dimensions of human life have been highlighted through processes of value production. Moreover, in current global economies defined by a relentless quest for change, improvement, and innovation, value itself has gained a new kind of value by becoming a meaningful cultural object. Professionals from financial services to government agencies and from social media to design firms talk about value, and added value, in order to emphasise their contributions to companies, customers, or the current world order.

44

The following discussion aims to say something substantial and useful, in a practical sense, about value by focusing on how it is created, supported, and successfully designed. Using previous research, we have developed a frame of reference for interpretation, which allows us to describe and analyse the various dimensions of value production. We rely especially on anthropologist David Graeber's work *Toward an Anthropological Theory of Value: The False Coin of Our Dreams* (2001), which makes clear the close connection of value

with social and economic ambitions. Graeber claims that value is created not by objects, or people but by activities aimed at promoting the creation of meaningful relations. From the perspective of innovation anthropology, this means that successful innovations either modify the relations between objects, things, and people or create completely new kinds of relations. Graeber (2001, 1–2) proceeds from the premise that a systematic theory of value is hard to find in the theoretical literature. This is because value is always relative: it depends on what is valued. However, value can be discussed from three broad perspectives, as described below, which together encompass the key theories of value.

- 1) Values in the social sense: understood broadly as the shared ideas of a certain group of people of what is good and desirable in human life and how the community should be organised around these ideas. The political, moral, aesthetic, and other social dimensions of value are shared by the group. As such, they are ways of valuing various goals and ways of acting, typical of the culture in question.
- 2) Value in the sense of differentiation of how different meanings are produced, for example, around a good and desirable life through various symbolic and linguistic differentiators (such as ‘lifestyle’ brands) and concrete actions (e.g., self-service concretely means different things to a restaurant’s customers than does being served at the table).
- 3) Value in the economic sense: the desirability of objects or other things, measured especially in terms of the quantity of other things that people are willing to give up in order to gain these.

From the innovation standpoint, all three dimensions of value are equally important: a new kind of value will not be created if these dimensions are not in balance. We demonstrate the close connection between the dimensions of value production in the diagram on the

following page. It highlights the inseparable nature of production and consumption and demonstrates how the various dimensions of value are linked with each other and always form an intimate relationship. Dimensions of value support each other; when social value is produced, economic value becomes possible. Innovation creates value by supporting orientations that a certain group of people find good and desirable: that group of people can naturally be defined in various ways – for example, as a modern-day tribe, a market segment, or a brand or user community.

46 An innovation supports meaningful differences that arouse emotions and allow acts of differentiation that may either identify with or exclude others. Finally, the value of a new product or service becomes concrete in exchange relationships: the choosing of a product or service is not only a demonstration of one's personal preferences but also an act of differentiation from other alternatives. By choosing a certain product, a customer or consumer makes a distinction from other brands and forms of consumption. In practice, this means that, in terms of frequency and regularity, seemingly trivial and insignificant practices, including discarding, purchasing, and recycling, exert considerable power over social arrangements and cultural horizons. In innovation work, this power is what needs to be understood, whether intuitively, through experience, or with the aid of research methods and other enquiries. People's choices become concrete when material resources, generally in the form of money, are given up.

In other words, purchasing and empirically observable exchange relationships are created in interaction between people. Pioneering companies observe the relations between various valuations and aspirations and, on the basis of these observations, produce an offering that supports the relations and produces additional value for the consumer in a way that makes sense with respect to giving up other alternatives and material resources. It is important to understand this because new products and services do not emerge separately from

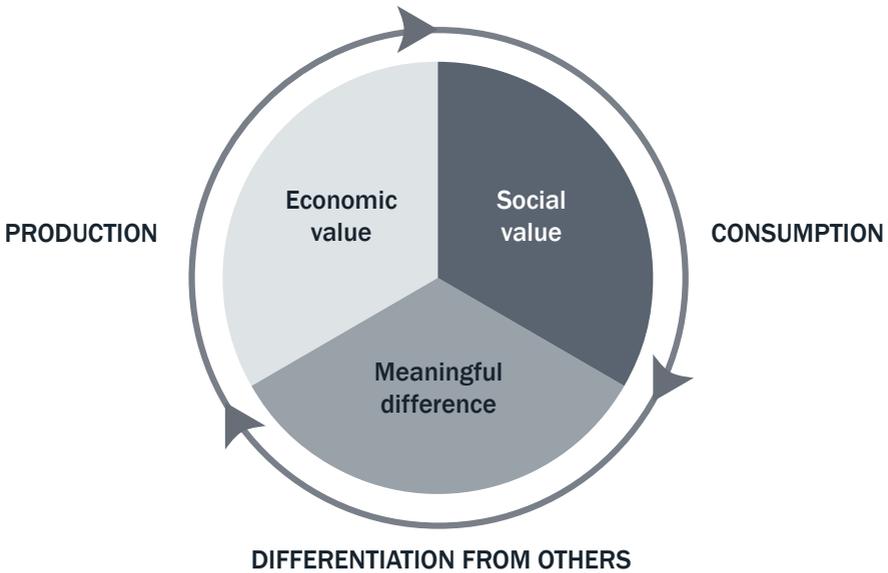


IMAGE 3. *The three dimensions of value are inseparably interconnected.*

other product and service offerings that people use to build meaningful worlds for themselves.

As stated above, innovation literature and research tend to emphasise the economic dimension of value. This is not surprising: innovations are expected to produce monetary value. The measurement of economic value is also fairly unambiguous, as it translates into turnover and profit. Yet even if economic value is measured separately from other dimensions of value, its production is, in reality, founded on social value and the supporting meaningful differences. The economy is typically considered an area that is separate and independent from other human activity. However, economic systems are always connected with social relations – in fact, all economic systems consist of them. This means that economic value cannot be created without mutual trust and various contracts. Ultimately, economic value is social value, and vice versa.

Thus, from the viewpoint of innovation anthropology, a view of the economy that is built on an intimate connection between economic and social value is a fundamental requirement for innovation. A concrete example of this is that professionals in the finance sector do not define the price of a company that is to be purchased without having an intuitive understanding of the social dimensions of value. In company acquisitions, in addition to the turnover, attention is paid to how the company's products or services meet the customers' needs or how the company's workers describe their work community or expectations of the future. In addition to quantifiable economic data, experts collect information about the company culture, internal relations within the company, and the symbolic additional value these create for the customers. In other words, economic value reflects and consists of the social sources of value.

New places of innovation

48

Social sources of value are tightly intertwined with a third dimension of value: value in the sense of differentiation. Producers of consumption goods aim to distinguish themselves from their competitors by building interesting product ranges. Differences between products, which may be small in factual terms, are emphasised. A similar desire to distinguish oneself from others is typical in relation to consumption practices. People seek individuality by using certain products or services – for example, by eating sushi or by buying luxury handbags.

With respect to creation of a new kind of value, meaningful differentiation is not essential as such: people produce it constantly in the most imaginative ways. What is essential is the manner in which meaningful differences connect with one another and the production of social and economic value. These connections are what innovation anthropology highlights and brings to the fore. The study of meaningful differences guides us to examine the relationships between people, objects, and affairs, as well as the activities that maintain

them. The mutual relations formed by those people, objects, and affairs must be known in order that a new kind of value can be created.

Innovations that solve practical problems are never merely based on meaningful differences. They support and produce solutions related to everyday activities, the problems encountered in these, and the imagery that people live with. Financing professionals often reduce people's needs to a simplified hierarchy of needs. According to this hierarchy, people first aim to satisfy their basic needs and only then move up to more sophisticated needs, such as the need of self-expression and individuality. The idea of a hierarchy of needs is in line with that of an individual who maximises his or her personal benefit and welfare, but in reality this view of the factors that motivate people is too simplistic. Practices are seldom created only on the basis of basic needs, perceived as being addressed in a hierarchical structure, because, in their imaginations and social lives, people are much more than their needs for food or shelter.

In fact, practices are aimed rather more at maintaining and creating social relationships within which people can organise activities that produce various kinds of value. These social relationships are directed, for example, by families, gangs, clans, secret societies, governments, and ministries. Repeated practices create positions in social relations from which people influence the world, but these positions are not unchangeable. New needs, desires, and positions are created. Structures are dynamic, and practices change; therefore, markets too change and make room for innovations. Indeed, places for new innovation are opened by new kinds of functions and their interpretations in people's day-to-day life.

Instead of newspapers, information is now being produced increasingly in blogs. A new information-producer is created alongside newspaper journalists, the blogger. People's activities are ongoing, and their goals are open. They constantly produce new needs, desires, and social relations, to maintain productive activity. Society emerges

and maintains itself through this constant movement and is not as permanent or internally coherent as people often suppose.

From the standpoint of innovation anthropology, it is a fundamental starting point that all human activities are ultimately about various kinds of relations and their reproduction. These relations exist between people, between people and objects, and in various kinds of symbolic and political arrangements. As far as innovation is concerned, the production of additional economic value requires that innovations are adopted as part of the relations and practices found within a community and the individuals forming that community. A beautiful object or a brilliant technological device becomes an innovation when it produces a new kind of value for people other than its maker. New technologies produce economic value when they find users who consider the technologies so meaningful that they are willing either to pay money for them or to endorse them by their actions.

50

As will be shown by examples in Chapter 5, the work of innovation is hands-on and practice-oriented. In innovation, it is important to identify the relations that are acted upon in the continuous reconciliation of the various dimensions of value. A company's operations must at the same time support all of the dimensions of value production, from many perspectives. Innovation literature writes about value chains that provide a linear description of value-creating elements. For innovation anthropology, the simultaneous existence of these relations is essential: a network of value relations may be a better conception here than a value chain. The different dimensions of value are intertwined, supporting and strengthening one another. Value is produced through trial and error while innovative enterprises continuously modify their value-production processes. The value of innovative, pioneering enterprises and communities is not static but created in activities that have no defined end point. The value becomes visible via constant revision of shared goals, learning, iterative processes, and an ability to exploit new kinds of insights in a concrete fashion.

ACTIONS

People behind innovations.

5

Finnish pioneers of human-oriented innovation

The aims of innovation anthropology are best made visible through the lens of practical innovation activities. This chapter describes innovation activities characterised by an active desire to eliminate obstacles related to value production. The materials were collected between October 2009 and March 2010. Dozens of people responsible for innovation were interviewed for the case descriptions. We warmly thank all of our interviewees, who opened for scrutiny their ideas and practices of creating and designing something new. A reader who has more trust in quantitative than qualitative studies may ask what conclusions can be drawn from such a small group of people and their activities. People may not even tell the truth, narrating instead their own version of the course of events. In the innovation arena, results speak volumes. The cases that were chosen have something more general to say about how economic value is enabled when activities or human relations are reorganised.

52

We use practical examples to describe the kinds of environments and prevailing conditions in which a new kind of value is created. We identify innovations related to products, distribution, and services. We describe their history, their characteristics, and the learning processes related to the innovation work. Insights were formed during problem-solving, in connection with practical work. Innovation has been advanced by whole new ways of creating relations and conceptualising the complex entities these relations form. We have

systematically focused on how enterprises and communities produce new kinds of value by making changes to some field of valuation. We have asked again and again what it is in an idea, product, or operating model that really creates value and what the essence of this value is. The enquiry was guided by questions such as these: What is the new value produced by an innovation based on, and how does social value contribute to and get translated into additional economic value?

By exploring the processes of value production from a practical perspective, we open a grassroots perspective on innovation. What is significant is that such an examination considers innovation at the level of longer cycles and slower motion. Innovation is a long-term, practice-oriented activity that requires remarkable patience. When the aim is to create additional value for numerous parties involved in an activity, supporting and integration of the various value-production processes requires the adjustment of operations, which takes time. At the end of the day, the functionality of innovative work methods is tested in practical work. People try various methods of innovation and learn new things through them. Our examples make clear that even a small shift in perspective toward a direction closer to innovation anthropology produces new insights.

53

We are well aware that the following examples are not grounded in use of an innovation anthropology framework: there were no such examples to be found in Finland. In order to encourage people to think in terms of innovation anthropology, we decided to demonstrate that people are already working in ways that take steps toward innovation anthropology. Therefore, the focus of our examples is on individual innovators who have been able, intuitively or with the aid of research, to understand other people than themselves: users and customers. Returning innovation activities to practice and people – the implementers of change – is one of the most important premises guiding this research. It is essential for value production that value becomes visible when people's power and ability to act takes a con-

crete form. According to Graeber (2001, 51), the reason we believe that it is technologies and money rather than people that change the world is that we imagine the world to be static. We think that the world will not change without external motivations that force it to change. Innovators base their activities on the assumption that they can change the world. Marx made the apposite observation that this is the greatest difference between humans and other animals. Unlike the most able spider, even the worst architect can visualise the building in his or her imagination before it is built. Humans can create changes in a highly conscious manner because they have the ability to imagine. Innovations emerge as a result of these imaginings; the supporting desires to solve things in new ways; and practices that change the relationships between people, objects, arrangements, and agendas.

Community-built housing: Defining a new market

54 In the last decade, innovation activities have emerged around community-built housing; the innovation work has sprung from the observation that there is ever-increasing empty space outside the markets and an attempt to develop new kinds of housing solutions. The basic concept of the community-built is straightforward. It satisfies the desire of people of different ages for community, and it supports ecologically sustainable housing, and well-being. Community-built housing is decidedly different from the other examples presented in this report, in that no significant business or new kinds of service concepts have appeared to support it. What is essential for the purposes of innovation anthropology is that the lack of business around community-built housing is not indicative of the business potential of new kinds of housing concepts. It only shows that no such business has been built.

The ageing of the population means that more and more people will live alone for long periods of time. Not all aged people have a

spouse or children to rely on, and many Finnish senior citizens prefer not to be a burden to their children. Community-built housing is a solution for meeting these, increasingly common, social needs. It enables the creation of an identity as an active and social resident, and not a lonely one. Community-built housing is, therefore, a very concrete example of why user-orientation is an insufficient method of promoting a new idea of innovation. Service housing, wherein senior citizens receive support in day-to-day life, is one existing user-oriented solution for old people's housing. However, many elderly people do not want to live in sheltered accommodation, because they see it as an unpleasant standard solution. Sheltered housing is certainly user-oriented, but the definition of its users is too narrow: the user is seen as a 'standard old person who needs service'. Ageing does not make everybody the same; neither does people's desire to express themselves disappear when they retire. In other words, community-built housing brilliantly combines the desires for community and individuality in all stages of life. In the following example, residents live in their own flats, which, in some cases, they have even designed themselves. Thus these people do not have to turn into standard 'oldies'; they can live individually alongside other people.

55

Loppukiri ('the final spurt') – the success story of Arabianranta

The award-winning pilot project of community-built housing, the Loppukiri senior housing building, is located in Helsinki's Arabianranta area. Similar projects are under way in various parts of Finland. These projects have not seemed interesting from the innovation policy perspective: they are too local, difficult to administer, and hard to copy. Despite the commendable aims of community-built housing projects, it is hard to find builders for them.

According to Jan Vapaavuori, the minister responsible for housing, it might be easier to attract construction companies to take part in community-built housing projects if the housing concept were

carefully thought through, the residents' participation processes were controlled, and the associations representing the residents had plans for presentation to municipal councils that would involve construction on more than one plot. This is among the great paradoxes of promoting community-built housing: the communities that represent the residents should see themselves as serial producers. However, these communities do not necessarily wish to build more than one building, a home for themselves.

Filling empty space

The history of the Loppukiri building for the elderly has been documented in detail, and the stages of the building project illustrate the challenges of innovation activities in a manner that gives a realistic account of the extremely demanding nature of creation of a new kind of value. The stories of the building's residents make tangible the perspectives that are far too rarely described in innovation literature.

56

When there are no supporting institutional structures that would promote innovation, human resources need to be targeted for overcoming and circumventing the obstacles created by existing structures. Innovativeness takes time, courage, perseverance, hard work, and tolerance of constant uncertainty. The first ideas about such alternative forms of housing came into being when Marja Dahlström and her friends met in 1999.

Around a kitchen table, the women talked about their mothers getting older. They also spoke of how they would like to sort out their own old-age housing on time, before growing too old and frail to do so. However, there were annoyingly few good alternatives available: old-people's homes were not very attractive, and sheltered housing seemed to encourage passivity in their residents. In addition, residents of sheltered housing had to pay for services even if they did not use them. These women would be able to function for a long while yet, and they wanted to make the choices affecting their well-being themselves.

The discussions between Dahlström and her friends were not unique in any way. The same issues have been pondered by many old people, all over Finland. However, these conversations were special in that the women wanted to act and do something about the situation. Someone had the idea that in community-based housing, it would be possible to affect one's own life. Various communal housing models have been implemented in the United States, Denmark, and Sweden, and people in Finland have also lived in community-based housing. In other words, the idea of communal housing was not new or revolutionary in any way. The ideas behind innovations often exist already, but to become real innovations they need to be refined – as in this case.

Communality had not guided Finnish housing production. As an example standing out in contrast to this, the Loppukiri building for senior citizens became an important new opportunity. The project is based on owner-occupancy and, therefore, defies prejudices about communal housing. In other words, communal housing is not only for students and adherents to alternative, hippie lifestyles but can also be enjoyed by those who would be able to afford to live alone in a house. When radio journalist Anna-Liisa Mikkilä and her music journalist friend Anita Wetterstrand returned from a work visit to a senior community called Färdknäppen, in Stockholm, the idea of a communal housing facility for old people began to concretise. Färdknäppen's operating model and the good spirit of its residents were inspiring. The Finnish group began in earnest to work for their own building in Helsinki. An association called Aktiiviset Seniorit ('Active Seniors') was formed as the project's backbone. Good ideas and experiences from Sweden have been used in the Loppukiri project in all possible ways.

Lessons about communality and the organisation of daily routines have been learnt from the residents of Färdknäppen, who have also provided recipes suitable for cooking for a large group of people, for example. People from Färdknäppen gave important support

during the building project. When setbacks were experienced, the Swedes provided the Finns with faith that their shared dreams and objectives could be achieved.

A six-year job

The City of Helsinki reserved a Hitas plot for Aktiiviset Seniorit in January 2001. However, it took years before a block of flats rose in Arabianranta. Loppukiri was designed by architect Kirsti Sivén, whose work was guided by the principle of empathic design. The idea's resident-orientation continued in its implementation. The goal was to create premises that would enable a full life at an older age. Accessibility and aesthetics were important grounds for the design decisions made. Although it is possible to access all areas in the building with a wheelchair or walking frame, Loppukiri does not look like a service building. In Färdknäppen, in Stockholm, one way of keeping the clinical feel of an institution at bay is to hang paintings and wall hangings on the walls in the stairwells. However, Finnish fire safety regulations did not allow this.

58

Close co-operation between the architect's office and the residents – focusing on empathic design – was employed to reduce costs and guarantee that the future residents would be satisfied. Architect Kaisa Ilkka developed a computer form, a 'flat card', on which all wishes could be recorded, to manage the individual requirements for each flat. The card served as a document of record that the resident-to-be then signed.

In October 2004, Aktiiviset Seniorit made the decision to build Loppukiri. Construction companies had already given their quotes when the plot was secured early in winter 2001. The winner in the bidding competition was Sato-Rakennuttajat Oy. Years had passed before funding could be obtained for the project, the plot cleared, and a builder found. The project was completely different from previous construction projects, and many work stages had to be re-

thought from first principles. As the project progressed, some human factors complicated it.

Fewer than half of the building's residents live in the flats that were designed for them. In the course of the long project, some people changed their minds and withdrew from it. Some of those involved fell ill, got tired, or decided to move to Spain or to the countryside. Project leaders had to continuously recruit new people to replace those who had left. There were some rows also. Even the economic climate seemed to be against the project: flat prices rose during the construction period. The original price set for a flat turned out to be too low to fund construction of the flat, or the bank did not grant a loan. Despite all of this, Sato-Rakennuttajat finally only had seven flats out of 58 to market itself and all of the flats had been sold before the building was complete.

When Loppukiri was finally ready to move into, six years had passed since the senior citizens had started their work. The two driving forces behind the project, Marja Dahlström and Sirkka Minkkinen, have written a book about the stages of building Loppukiri: about great dreams, friendship, insights, difficult decisions, and poorly slept nights. Aktiiviset Seniorit organised dozens of member meetings and various working groups. Project leaders held countless negotiations with officials, architects, the builder, banks, and hundreds of people who wished to become residents. When the building was finally complete, it felt like a miracle.

59

More communality

After the Loppukiri building was complete, there was no doubt about its innovativeness. Countless groups of visitors from both Finland and abroad have visited it since its completion. Helsinki Living Lab has used Loppukiri as an example of future housing. Aktiiviset Seniorit has been given many awards, among them the Visio prize of the Green Cultural and Educational Centre (Vihreä Sivistysliitto) and

the Pekka Kuusi environmental award. The explanation for the latter award emphasises how the Loppukiri building promotes both ecological values and alternative fashions of organising old-age housing. The building's residents are glad to receive guests, because they understand how unique their home is. They hope that Loppukiri will inspire other elderly people to become visionaries, subjects, and definers of their own lives.

Doing things makes life meaningful and strengthens communality, and, therefore, it is important for the residents that they take part, on weekdays, in cooking dinner and cleaning communal areas. 'It is almost painfully clean here,' one of the residents jokingly complains. Communality in Loppukiri is created through daily chores, not by being idle and served by others.

60 Loppukiri residents are repeatedly asked questions about communality. Those who ask the questions have doubts as to whether Finns are capable of communal living. People from Loppukiri have studied communality and pondered how people inhabiting a whole block of flats can be managed in a communal fashion. Their experiences are excellent for the most part. However, there are some residents who are not certain that they are up to this; it does not suit everybody. Nonetheless, most residents find it a very desirable form of living.

The desire for communality is concretely visible in the numerous communal housing projects under way at the moment. Aktiiviset Seniorit has also started another building project. The plot is already secured in Kalasatama.

One of the most interesting building projects in progress at the moment is a communal housing project of the association Koti kaupungissa ('Home in the City'), actively promoted by Salla Korpela. This project is very ambitious. A housing company will be founded for the project and build its block of flats in Jätkäsaari itself, without an external builder. The housing company already has a name: it will

be Malta, because the property is on Vällimerenkatu ('Mediterranean Street'). The building is planned to consist of about 50 flats. The residents will have their own flats, and there will also be communal areas. The objective is that the residents will be able to affect the design of their own flats. Particular attention will be paid to energy savings and to ecologically sustainable, aesthetically pleasing solutions in the structural solutions for the building.

The amount of work will be huge, but Korpela thinks there is no alternative. She holds a very bleak view of Finnish building developers, saying: 'Building developers are concerned only with business, and even if the builder sells all of the flats beforehand, it still creates standard solutions just to be on the safe side.' Korpela thinks that builders simply underestimate buyers: they think only bulk flats will sell.

That building developers have remained outside these new kinds of housing projects is due to a lack of interest and also the housing market: if flats can be sold regardless, why do anything out of the ordinary? As builders do not have expertise in resident-oriented construction, projects will inevitably be difficult, prove expensive, and require a large amount of work. Building a block of flats without a construction company involves many legal and financial challenges that must be resolved. For example, a lawyer must plan a contract procedure for the future residents that takes into account all possible risks that may be encountered. Because the building does not have an external building developer, it is left outside the Finnish RS system, which protects buyers' interests. At the time of the data gathering for this study, the Jätkäsaari project was at the stage where future residents had entered a joint agreement and made an advance payment of 30 euros per square metre for their future flats. 'The project is based on trust capital,' Korpela says. More than € 100,000 has been collected, which allows the design process to start in earnest. 'We are not buying a pig in a poke. We are aiming for the highest possible

quality in everything that is done,' Korpela sums up. The Jätkäsaari project requires the building of a new kind of value network to support the building project for the group of people concerned. From the standpoint of innovation anthropology, the project is based on creation of complex solutions speaking to people's needs and wishes. In spring 2009, Korpela tried to find money for developing the new concept of building. 'For example, it would not be a bad idea if money could be found somewhere to develop a model, using the services of a lawyer, which could be used in future projects of this type,' she says. Korpela struggled with bureaucracy in this respect: the project was not compatible with existing aid systems. So far, she has been working for the communal housing project without pay, alongside her work as a freelance journalist.

At the fringes of innovation policy

62

Communal housing projects speak of people's desire to improve their quality of life. These projects are not just building projects but projects to improve well-being. From the value-production angle, people are working actively to create social value in their lives: support networks and friendship. Loppukiri residents are very open in description of how they receive support from other residents. Cooking and cleaning together, and shared mealtimes, hobbies, and celebrations, make day-to-day life worth living. In Loppukiri, independent initiative, participation, and communality are not mere rhetoric: these words have a meaning, and they create security for the people.

Also involved in the project was Riikka Vitakoski, a lawyer for RAKLI – the Finnish Association of Building Owners and Construction Clients, who says that building developers are taking steps toward a human orientation. Builders are interested in what enables people to manage in and enjoy their homes when they are old. 'Suddenly everyone has moved on to the next age, in which we think more broadly about how to make people feel better,' she describes,

summarising: 'It has been understood that it is not just about walls.' Some builders have already begun active development of a new kind of housing-related expertise. The Ministry of the Environment and the Housing Finance and Development Centre of Finland provide grants and funding for research and development in order to encourage builders to carry out development work and support the creation of new builder and owner communities. In addition to the housing company Helsingin Loppukiri, the Housing Finance and Development Centre of Finland has provided assistance to the associations Oranssi, Alkuasunnot, S-Asunnot, and Käpytikka.

The construction sector currently faces the challenge of learning to discern which housing solutions produce a new kind of value. A participatory model of operation in which residents are actively involved in the design work is not necessarily compatible with the established operating methods within the industry. Communal housing is a signal that housing production and people's day-to-day needs do not meet, but it is definitely not the only solution to address housing-related desires and ambitions.

63

Housing could be supported, for example, by participatory urban planning, opportunities to affect one's neighbours, new kinds of practices for rental housing, and solutions that allow flats and communal areas to be modified in terms of their use of space.

Human-orientation challenges the construction industry and innovation policy

- 1) Housing involves many new opportunities for value creation. However, the various types of housing are organised and managed largely by those who are neither residents nor less solely profit-motivated building developers.
- 2) Construction companies recognise the structural change that concentrates plot acquisition and construction in growth centres. They do not recognise people's desire for communality. Our examples show that social strivings and the business potential they create are not perceived at this level and that constructors, as a rule, do not define their business sector in a very human-centric manner.
- 3) At the societal level, promotion of sociality is not recognised as part of welfare policy, even though it would be significant for public health and well-being. Existing models tend to trivialise well-being and not appreciate its holistic nature.
- 4) If something is considered important, innovation takes place at the grassroots level through actions of determined individuals, even if established market operators or innovation policies do not support it.
- 5) Social relations determine people's economic activity. Social value – in this case, the social value associated with housing – becomes a successful foundation for innovation, although it strongly challenges the business models of conventional construction.

Golla: From hard technology to a soft experience

Golla, a Helsinki-based company, is a highly exceptional Finnish company in its international orientation, but this is not the reason we decided to focus on Golla. In terms of innovation anthropology, Golla makes concrete the most decisive claims made in this report about the significance of an anthropological approach to profitable business. This manufacturer of colourful bags for mobile phones and laptops has managed to create a concept the like of which has rarely been seen from Finnish companies. Golla is closer to Swedish companies in its aim of participating in the worlds of its different target groups and producing recognisable and desirable products for the cultural relations that prevail in these worlds. Consequently, Golla's concept is exemplary in combining the various dimensions of value creation. Golla's success is the culmination of long-term work, and it has been boosted by an intuitive understanding that value is created not by objects, things, or people but by actions that promote the creation of social relations and meaningful differences. By doing so, Golla's products modify and support relations between people and objects while the company situates individual products in a broader world of Golla.

65

Fundamental to Golla is that it has people's ways of operating at its core. From this perspective, Golla's market definition can be considered functional: the company produces value by supporting people's ways of functioning and moving from one place to another. In practice, this means that the market foundation of Golla products is very simple: the market is created by the fact that people around the world have various electronic devices they wish to carry around with them. In addition to mobile phones and computers, people carry cameras, recording devices, and various other instruments. As a market definition, functionality and the associated meanings are innovative because they promote a processual understanding of value; they

do not assume a static world but aim at active creation of new kinds of relations both between people and between people and objects. From the standpoint of innovation anthropology, Golla products are not simply bags for carrying mobile phones or cameras; they are enablers of relationships that hold up human activity. Bags facilitate people's day-to-day activities and tie people to the technologies they own. The value of Golla products is thus created specifically by a meaningful difference and the value of differentiation. Golla turns bulk goods into personal effects.

66 As stated in previous sections, the production of meaningful differences is a driving force in the production of all consumer goods. This objective also applies for Golla. Colourful bags personalise and protect electronic equipment that is important to its users, thereby supporting people's desire for individuality. Golla products allow their users to toy with different identities and ways of expressing themselves. From the standpoint of producing a new kind of value, the mere supporting of individuality, however, is not enough. Innovativeness takes more than meaningful differences: these must be converted into products that make business sense. Behind a successful innovation there must also be professional production, distribution channels, logistics, warehousing, sales, marketing, and advertising. We have paid particular attention to the anthropological insights on value production holding up the Golla concept. They explain how a family business from Helsinki has quietly become a global actor.

Taking the world on duck feet

Golla has strong roots in Finland, but its models are Swedish: Ikea and Hennes & Mauritz. In the Swedish fashion, Golla aims to capture a global operating environment in an agile manner. Golla's bags for mobile phones, cameras, and laptops are sold in tens of thousands of shops, around the world. More than 99 per cent of the company's sales are outside Finland. In terms of figures, Golla's growth and

profitability are among the best. In five years, the company's net sales have multiplied. Despite the economic recession, the company has done excellently. Sales offices have been opened in Chicago, Shanghai, Tokyo, Essen, and Lille.

Golla operates in a fiercely competitive consumer goods market. Tight competition forces it to continuously think about what kind of products it makes and what it specialises in. Portable electronics contribute to a new kind of retail goods category that here has the idea of a 'Golla world' at its core. The objective is to form a product family from individual products. Viewed as a whole, this product family manifests a certain way of existing in the world. Golla's vision is summarised in the words repeated in many of its products: 'Mobile Generation'. In addition to the products, this vision is promoted on the company's Web site and in product brochures, adverts, trade-fair stands, and Golla departments at shops.

The journey to a coherent Golla vision has taken years, and many elements that steer innovative activities can be found in Golla's history. Golla's story underscores that new openings cannot be created without courage, risk-taking, resourcefulness, and continuous learning. Golla was created in the mid-1990s by the brothers Kähkönen. The company's name refers to the village of Kolla, in Rauma. The brothers were familiar with entrepreneurship from home: 'Yes, I grew up in an enterprising environment. So it's a genetic disorder,' jokes Petri Kähkönen, Golla's managing director. He used to craft hand-made metal furniture, but he soon realised that artisan's work would not be a good business. 'I had no ambition to become a famous designer, I simply wanted to do business and try to make that business grow. For this, we needed industrially produced products,' he says.

His first products were CD stands that stood on duck's feet and desktop CD stands in the shape of a dog's bone, which he and his brother put together. They designed the products so well that they were able to assemble them by themselves. In the design work, they

were assisted by professors from the Helsinki University of Technology. 'And then, after many twists and turns, the duck finally stood on its own feet,' Petri Kähkönen reminisces.

In 1996, the brothers rented the least expensive van they could find, filled it with their products, and drove to a consumer electronics trade fair in Germany. The trade fair was a success for the new entrepreneurs. Petri Kähkönen reminds us that before the Internet, trade fairs were important events for actual trading. It was possible to increase a company's net sales considerably at trade fairs. Today's trade fairs are not really necessary for trading purposes, and they are rather more a type of marketing event. Companies go to trade fairs to introduce themselves and to gain an understanding of the developments and new trends in their industry. At the same time, they meet friends and hear important rumours.

68

After the CD racks with duck feet, the focus of the Kähkönen brothers' business began to shift toward portable technology. The success of plastic cases for mobile phones turned Golla into a subcontractor to Nokia. The co-operation with Nokia was an education: Nokia's logistics management was in a league of its own. In other respects, from Golla's point of view, the subcontracting turned out to be a bad move. 'It was not good for our brand that our own motors stopped,' the managing director explains. After 18 months, co-operation with Nokia ended. Petri Kähkönen does not consider this a dramatic decision, explaining: 'We instead continued on the path that we believed in.' At that time, the rapid increase in the number of mobile phones, digital cameras, and portable computers was already clear. At the time when Golla and Nokia's paths diverged, the Kähkönen brothers also went their separate ways. Petri Kähkönen owns Golla, and his brother now has his own design company.

Commercial Finnish design

After the collaboration with Nokia, Golla began to find its own identity. A beanie-style pouch for a mobile phone, still part of the company's range, was created. 'A fine small innovation,' describes Petri Kähkönen, 'the pouch was used to open Golla's own collection.' Golla products are often created through experimentation. The mobile beanie was created from a fire hose: 'We had fire hose and somehow it became a jersey as it is now. Then we thought to put the elastic inside it and considered how to fold it and put the pouch together.'

Golla products aim for simplicity and clarity: 'You look at the pouch and see that, yes, of course that's the way it should be done – but no-one had done it before.' Simplicity and clarity connect Golla with the traditions of Scandinavian design.

Most of the company's designers are Finns, and many were educated at the University of Art and Design in Helsinki. Golla is grounded in local design expertise, but, at the same time, the company wants to break free from pompous and formal Finnish design. Petri Kähkönen says that they try to eliminate the pomposity from the world of design, the idea 'that everything has to be made into a statue', he says with slight exaggeration. Golla is Finnish but seeks inspiration in newer, more universal, content of Finnishness.

Where conventional Finnish design focuses on beautiful and practical products, Golla aims to capture the world of electronics consumers by creating concepts for products and images that are compatible with it. Golla's designers admire Apple, whose products' commercial success is facilitated by the company's rapid reactions to market changes, and the visual strength and usability of their products. 'It's a really clear package, and they know how to manage the business,' says Pia Haapalainen, Golla's head designer. At Apple, the visual appearance and usability always proceed from consideration of people and the way they operate. 'Mac combines visuality with music

and clothing,' designer Ilkka Heino explains. In addition, technological changes are closely associated with their operation, which is also the case for Golla. New equipment for which people seek new uses is constantly entering the market. 'When sizes and technology change, we can make a garment, a bag, or another case,' he says.

In Finland, contradictory views of commercialism are associated with design. On the one hand, it is hoped that products will sell, but at the same time they should still not be too commercial. The starting point is that design is considered more pure than business is. 'Either business is a bad thing or design is too good. But what is design? I think H&M is great design, but when I attended a course at the Helsinki School of Economics, they were contemplating whether H&M is a design company at all,' Heino ponders. In fact, Golla is not necessarily considered a design company in Finland, even though it bases its operations on careful design of the products. The core of the concept is the starting point for Golla's designs: people and their day-to-day needs. The company's objective is to respond to people's desire to personalise technological equipment, to use these items as instruments of self-expression. This desire is fed by the constant launching of new products for the market. The 2010 collection consisted of 160 products. The constant creation of new products sets strict conditions for the design work. Golla's products must be relevant and connected to the latest portable technologies. In addition, the products must sell well and be low in cost. Within these constraints, designers balance between different colours and prints, walking the line between infantility and maturity. 'We can't, under any circumstances, get too childish, because that means we'll flop. This work takes extreme precision,' Petri Kähkönen gives as his description.

Although Golla's designers understand the importance of consumer needs and ambitions in their work, the company does not carry out systematic consumer research. Golla's designers get feedback from those who make the purchases for department store chains, and

they trust their own vision. The products are ‘not too obvious’. They do not target any particular market segment, but they are connected by electronics that may be used by anyone. As Benetton does, Golla transcends national and cultural boundaries. The products are supported by their universal themes and motifs: colours, flowers, lines, freshness, and positive energy. The objective here is to make Golla products recognisable. ‘This is why we don’t want to take too dramatic leaps in one direction or another. It’s a good thing that we have a kind of DNA for our products,’ Haapalainen explains. In order for Golla to remain interesting, its appearance must be constantly reconsidered. ‘We do think about these things every day. We think about what we are like, for whom, and how,’ Heino sums up.

Joys of the China phenomenon

Building Golla’s product collection is a long-term effort. In the first stage, designers draw designs for a meeting where the properties of the devices and the season’s colours and prints are discussed. The best designs are developed, and, based on these, instructions for the Chinese factory are prepared. Golla products are produced by four or five Chinese factories. ‘We tell them how the product should look and what size it should be. The manufacturer decides how to put it together,’ Haapalainen says, describing the process.

Instructions do not always translate into products as desired, but the work with Chinese factories has become smoother as shared experience increases. For example, the Chinese factories now understand the importance of colours and quality much better now. ‘We have worked very hard with these things,’ stresses Haapalainen. In Finnish public debate, the China phenomenon used to be seen as a threat, equated to the loss of jobs in Finland. From Golla’s standpoint, however, it has been an enrichment. The skills of Chinese factory producers enable the implementation of design ideas. The Chinese think of imaginative ways of solving problems to do with placement of zips

or other fasteners, for example. ‘Maybe Finnish design is so boring because the limits of production are so quickly reached,’ Heino ponders. Design and implementation must take place within a certain company or building. ‘At our company, the imagination can exist without many limitations. We are not limited by the realities of production,’ she says. In Finland, production reaches a ceiling when it grows too rapidly, whereas in China, increased production capacity is arranged. ‘They build an extra floor to a factory and take a hundred more sewing machines in there,’ Haapalainen says of Chinese manufacturers.

Understanding the streets

72 Golla’s success stems from the strong core of its concept, but also professional sales are needed in the consumer goods industry if the world is to be conquered. Golla’s business is characterised by an active desire to capitalise on the rapidly changing economy. Lessons have been learnt from Swedish companies and Nokia. Petri Kähkönen’s experiences of being a Nokia subcontractor taught him that it takes more than innovative products to create a global brand in the consumer goods market. In addition to good products, Golla’s success is the fruit of an innovative sales strategy.

Golla has done export work on its own, and Petri Kähkönen has little respect for the organisations set up to promote Finnish exports. He emphasises that exporting must be taken seriously: ‘You can’t go and see how it goes. When you try to take the world, there is no return.’ This is one of the problems of Finnish design. Finnish companies do not know how to capture international markets. When excessive commercialism is shunned, effort is not made to increase sales. ‘It is not possible to get the products out there into the world without the right kind of sales strategy,’ Petri Kähkönen stresses. Beautiful and practical products require professional sales efforts, and Kähkönen’s insight involved contacting retailers directly. People

buying for department store chains became important customers and partners for Golla. Meetings were held with the managers of buying organisations at trade fairs where the products were introduced to them, and agreements for sales of the products were made there and then. According to Petri Kähkönen, these bulk buyers appreciate this procedure, 'especially when the product is good and there is professional expertise on offer'. He emphasises that Golla is not just products but a whole concept: 'This means stocks, updating collections, and quality.' Buyers for large chains scrutinise the background of their new partner companies in order to be certain that each company can really deliver the goods it has promised to deliver. Co-operation with buyers has deepened into partnerships with traders, and 'our objective is to have more Golla walls, Golla corners, Golla shops'. In other words, the Golla mode of operation has been characterised by something that could be called reverse sales activities. The staff have found the sales sites, rather than the other way round, and convinced the people in charge of sales, which makes Golla's position better than that of an importer. Not all importers have become excited about Golla's independent initiative. 'Business is quite protected in, for example, Italy. They say it's their country and tell others to stay out. But it doesn't work that way – we have to be able to keep our relationship with the local retailer,' Kähkönen says.

73

The success of the Golla sales strategy is evident in the fact that Golla is sold in the shops of large home electronics chains. In the United States, Golla's products are sold by Target, while in Finland they are sold by Stockmann. Airports are also an obvious place for selling Golla bags. Sales offices around the world make sure that contacts with buyers are managed well.

'To maintain this communication, we need a local presence,' Petri Kähkönen explains. In his opinion, the importance of that local presence should not be underestimated, even if the objective is to create a global brand of consumer goods. When consumers already know a

product, the amount of legwork required grows even further. ‘Sales effort must take to the streets, and this is now my motto – we must dismount and move among the consumers more,’ says Kähkönen. This moving among people takes time and a great deal of work, which is why companies avoid it. It is easier to observe the world through a computer screen. This is where things go wrong, he thinks: ‘An understanding of where we are going and what must be done must be obtained from the street.’ It is only through personal experience that people’s activities and aspirations can be understood. In Golla’s case, a local approach also means that the company must compromise on the uniformity of the product range when necessary. Golla products are designed for the most competitive consumer goods market in the world. ‘America is a world of its own, and we simply have to comply with their terms. Without compromising Golla’s image, of course,’ Petri Kähkönen continues. The company plan to send one of their designers to the United States to gain a deeper understanding of that country’s market, and ‘we’ll see what comes out of that’.

74

Ladders of the world of Golla

Golla’s story combines processes of symbolic differentiation with both the social and the economic dimension in an exemplary manner. Golla products share the insight that people have close relationships with portable technologies and a desire to make their equipment look individualised. While Golla products personalise cameras, mobile phones, or computers, they simultaneously strengthen the relationship between people and their electronic equipment. For modern people, mobile phones and computers are important extensions of the self, akin to parts of the body or close friends. People want to take good care of this equipment and protect it with bags and cases. In other words, Golla’s soft cases and protective bags defy the idea of cold, impersonal technology and make the hard, masculine world of technology warmer. ‘We believed combining these two realities would

be our opportunity. And that's what happened,' says Kähkönen as managing director.

In order for the combination of opposite realities to produce economic profit, something more than an intuitively anthropological approach is needed.

An enterprise such as Golla could not have emerged 20 years ago. The company exploits the forms of production, distribution, and consumption that globalisation has opened. In addition, it is a do-it-yourself family enterprise that keeps all business tightly within its control. 'Hard work' is a term that arises often in conversations with Golla employees.

The managing director paints a picture of Golla as a constantly evolving company. Despite its success, Golla is far from complete. It is typical of innovative enterprises to never be complete: Global consumer goods brands renew themselves regularly. For example, continuous and considered concept renewal has been the central thread of H&M's success story. An orientation with what is new is clear in Golla's workers too: they speculate about the company's next steps out loud. Golla seems to be a work community where the work methods are continuously developed.

75

'We must understand what technology brings with it and what we have that can be offered to fit that world,' Petri Kähkönen explains.

Similarly to Ikea, Golla has a fairly flat organisational hierarchy. The company has about 60 workers, and everyone makes decisions about his or her specific area of work. A common operating culture is created through constant discourse. People spar with and challenge each other in either pairs or small groups. 'We are still a small company; we don't have a manual to give anyone,' Petri Kähkönen says. Workers seek support for their decisions from their colleagues. Nobody is left alone, and no-one is blamed for bad decisions; after all, 'it would be worse if decisions were not made'. As the company grows,

Golla's workers must deal with uncertainty and constantly changing situations. Everyone must be active. 'We cannot have stowaways in a company as small as ours,' Petri Kähkönen says.

Work is carried out as systematically as possible. The managing director explains how activities are constantly focused. Tactical planning is done on a daily basis. Golla's field of operation is the whole world, and, to grasp it fully, Golla needs to manage complex processes. 'We just have to be humble about it. This means that if you've built something and it doesn't work, you have to start again,' he says.

In practice, focusing means that there is an attempt to build the various parts of the company as a ladder, not missing even a single rung, in order to reach the top safely. 'You have to be the king of some idea. And in order to be king, you must mobilise all your resources toward being the king of that one hill, although there are other hills out there. This is how to keep your market leadership,' says Petri Kähkönen.

76

Nobody at Golla thinks that the company's success has come about easily. The managing director emphasises: 'We work really hard to keep our design and appearance. In fact, it's an incredible amount of work.' However, Golla's workers do not work all day and night. They also want to express joy in creating the Golla world with Golla products. Golla does not wish to provoke or challenge people but wants to protect, please, appeal, and support.

Becoming a global agent through value-network management

- 1) Golla is a very atypical Finnish producer of consumer goods. Its operations are based in Helsinki, but it tries to systematically commercialise design and capture the global arena.
- 2) Golla knows how to utilise international ideas and practices in a constructive and effective manner to create a new kind of value. In Golla's case, globalisation has offered new opportunities, especially through flexible production structures.
- 3) Golla's concept is based on the idea of giving portable technologies some personality. Commercial possibilities have been systematically created for the products through redefinition of the traditional rules of sales and the successful organisation of production.
- 4) To control a complex operation environment, one must be part of it. Golla's managing director spends a great deal of time striving to understand where and how things happen. His way of operating resembles an anthropological approach to a certain degree: he actively tries to understand Golla's entire operating sector and various value-creation methods from concept to implementation.
- 5) The productisation of the meaningful difference and the resulting value into an innovation by Golla has not come about by chance: the company aims to systematically manage complex co-operation networks whose successful co-ordination creates the economic value produced by innovation.

Tapiola Private Banking: Design thinking in business development

Design thinking is a work method that combines architecture, design, and anthropology with solving of business challenges. The case of Tapiola shows how design thinking helps to specify a problem and give it form. Tapiola built a new market definition with an existing clientele, thereby consciously redefining the company's market. Our example is a down-to-earth one and concerns a small-scale redirection of business. However, from the standpoint of innovation anthropology, small steps such as these are significant because they can set in motion significant reform processes. In other words, when affecting the entire enterprise, even small steps are potentially radical.

78 For innovation, the redirecting of business is of key importance, for it creates value by opening up new ways of interacting with people, whether they are consumers, users, customers, or citizens. What is essential is that a new kind of value is created in these interactions and not in the innovation processes themselves. The case of Tapiola makes this perspective tangible by demonstrating that an individual product improvement or a response to an individual problem encountered by the customer is not enough to create permanent competitive advantage for an enterprise. A permanent competitive advantage is created by products that are designed to take broadly into account the meanings that customers give to money and wealth and, at the same time, methods of operation that strengthen the relationship between the enterprise and the customer.

Social value with a new concept

The purpose of design thinking is to find creative and user-oriented solutions to customers' problems. One difference in comparison to service design is that design thinking does not aim to restrict its scope to the development of new services. That said, some service designers

also work with existing services, which means that, in practice, these two approaches may have much in common, and both of them can be used for reorganising operations.

In spring 2009, Tapiola launched its asset management service Tapiola Private, which was developed according to methods of design thinking. The five and a half months after the service's launch took the whole Tapiola Group by surprise. In that time, Tapiola Private concluded three times as many asset management contracts as in the previous seven years combined. At the same time, the profitability of its asset management services improved considerably. This success was the result of courage and skill in creating a new customer-oriented asset management concept.

The building of Tapiola Private describes the day-to-day innovation work in a large company operating in a sector where the changing of established practices demands enthusiasm, hard work, and courage. The main character in our story is a manager who possesses an intuitive understanding of the anthropological premises of value creation; his work is guided by an idea of the processual and relational nature of value, which leads him to pay attention to the development of the value network through innovative business. From the angle of value creation, Tapiola Private managed to produce social value and a meaningful difference by creating a concept that customers perceived as being made 'just for them'.

79

Tapiola's Finnish roots

Tapiola is a Finnish group of companies owned by policyholders, consisting of three insurance companies (Tapiola General Mutual Insurance Company, Mutual Pension Insurance Company Tapiola, and Tapiola Mutual Life Assurance Company) and Tapiola Bank Ltd, Tapiola Asset Management Ltd, and Tapiola Real Estate Ltd. The Tapiola Group was formed when insurance companies Aura and Pohja merged in 1982, and the roots of the group go back to

Paloapuyhtiö (the Fire Aid Company), which was founded back in 1857.

While the Tapiola Group consists of many companies that offer insurance and banking services, Tapiola's customers do not feel that they are conducting business separately with the various companies in the group. Tapiola's internal service organisation co-ordinates the group's services for customers of banking, savings, and investment services, as well as their provision in sensible entities.

Tapiola's roots in history, its Finnishness, and the customer-ownership can be seen and felt in Tapiola. The company is not presented by the media as a great risk-taker. In fact, the company's image is slightly conservative and stresses long-term operations. Employees describe Tapiola as a democratic organisation where the opinions of various parties are taken into account. An advisory board consisting of customers represents the customers' voice in the company's larger decision-making processes. The provision of good services and benefits to customer-owners is central in Tapiola's business.

80

The 'grey mass' of asset management

Over the years, Tapiola had built a significant market position as an insurance provider for entrepreneurs, forest-owners, managers, and companies. Tapiola had also successfully managed the assets of its insurance companies, worth billions, for decades. Its asset management services were of high quality but only served the companies in the Tapiola Group and institutional clients. The assets of wealthy clients were managed elsewhere in the asset management market. When Tapiola examined its competence and clientele, the idea was raised that the asset management of corporate clients could extend so as to include good management of the client companies' owners, as this would strengthen the relationship between Tapiola and its customers. These asset management services targeted at individuals are generally referred to as private banking.

Originally, Tapiola's banking services deliberately excluded asset management for individuals – despite Tapiola being an expert in asset management and the company's clientele including thousands of companies and wealthy individuals. Tapiola Bank offered funds to its customers but no special service for wealthy individuals. This frustrated Tommi Elomaa, Tapiola's sales and marketing director, who thought that competing only with funds in the asset management market was like driving a family car in a formula race. The domestic asset management market was growing, but Tapiola only grew at the rate of the general market.

In connection with organisational changes in 2007, Elomaa was made responsible for the functioning of the supply of investment services. In his new role, he critically examined the operations of his employer and the Finnish asset management environment. He carried out this work alongside his day-to-day assignments: he had a personal interest in changing the operations of his company and promoting a new kind of perspective for the business. His examination of the asset management market revealed that the companies offering asset management services could not, in practice, be distinguished from each other in any way. Surveys showed that there were no differences in customer satisfaction and all asset managers communicated about themselves in an identical way. Even Tapiola's own employees could not recognise Tapiola's promise to its customers from among those of its competitors. In other words, as far as value production was concerned, no companies in the asset management market had produced a meaningful difference from their competitors. All asset management companies were part of the same grey, undifferentiated mass.

His observations led Elomaa to begin courageously stressing the importance of change. His message was that Tapiola's assets were not growing, regardless of a multitude of opportunities, because no asset management company could be distinguished from others by the products offered. According to Elomaa, it was essential that every-

one understand why changes had to take place. ‘I quite consciously poked our weak points time and again. I would say that “there’s a service gap, and here another one”,’ he recalls. At the same time, Elomaa’s unit was creating solutions to fill the service gaps in order for the changes to move forward. According to Elomaa, it is difficult to push changes forward without a minor crisis and clear answers to problems. An ‘internal social need’ for change is necessary.

Development with Stanford ideas

82 The concept development led by Elomaa began by segmenting the market for private Finnish asset acquisition. The purpose of this segmentation was to create an understanding of the customer groups with which Tapiola had a good position and of the business potential these customer groups would represent. Clients relevant to asset acquisition are conventionally categorised by their wealth. Elomaa’s team knew that this is not the optimal approach. Instead, they decided to divide clients into groups according to the source of their wealth: an entrepreneur’s relationship with his or her own wealth is completely different from the equivalent relationship enjoyed by an heir to a wealthy family. Different kinds of wealth create different needs and aspirations. Wealthy families, for example, need foundation services, which Tapiola does not offer. Similarly, an entrepreneur who has worked hard to gain wealth has a very personal relationship with it and it is important that his or her wealth be protected in a way that reflects the great amount of work that was required to build it.

Elomaa’s team aimed to identify a customer group whose needs Tapiola could meet by building an exceptional service. In addition, Tapiola had to present itself as a credible partner to this customer group. From its segmentation work, Tapiola could see that there was an under-served group of entrepreneurs, forest-owners, and wealthy pensioners in Finland, and that Tapiola would be able to develop its concept to meet their needs. Once the target group was found, the

challenge was to determine how such a group could be served better than ever before.

In order for the new concept to be genuinely customer-oriented, Tapiola wanted to find out the shortcomings encountered by the target group in their relationships with asset managers. Elomaa was familiar with this model, which focuses on solving the problems experienced by customers, from Stanford University, where he had acquainted himself with design thinking during his MBA studies. In a course about the management of strategic innovation, George Kembel, director of the Stanford Institute of Design, described the seven stages of a development model based on design thinking: define, research, ideate, prototype, choose, implement, and learn.

When these stages are followed, the problem will be specified, which makes it more likely that good solutions will be found. Unlike in chain-style innovation models, the stages of a design thinking process need not follow one another in a set chronological order; stages can occur at the same time, and they can be repeated if that is necessary. What is essential is to specify the customers' needs correctly and strive to find solutions that meet them. In practice, this is done through service prototypes that are tested with customers. Where innovation is concerned, this is an interactive and iterative process that enables rapid feedback, which is used for improving the concept in order to create the next version. In other words, the concept is built in small steps that allow new things to be learnt continuously.

83

Using research data for concept development

In the market studies that formed part of Elomaa's MBA studies, the business of low-fare airlines was examined, with EasyJet taken as an example. Elomaa says that this was when he understood that an individual product improvement or finding a solution to a single problem encountered by the customer is not enough if a company wants to create a lasting competitive advantage. A strong concept

requires that all stones be turned over: only a successful combination of a variety of solutions to problems creates a true competitive edge. For Elomaa, this view was supported by an idea expressed by Michael Porter – who also emphasised the importance of strategic positioning – about co-ordinating various parts of a service such that each strengthens another and makes the whole package hard to copy. Elomaa, who is passionate about his work, started discussions on Web forums of financial magazines and newspapers about how people perceive asset management and which factors give them grief. In addition, the problems to be solved were examined by interviewing, on the basis of segmentation, the potential clientele identified – i.e., wealthy entrepreneurs, pensioners, and forest-owners. A research agency specialising in qualitative research was used in the work.

84

From the customer research, Elomaa did not pick out the things that were of good quality and that the customers liked. Instead, he consciously looked for problems to be solved. Elomaa was in direct contact with the managing director who was carrying out the research. This proved to be a very useful method: Elomaa's close contact with the researcher enabled ongoing and iterative analysis of the data and a focus on the development of a new service entity.

Since the research was not conducted by a separate research department, the meaningful factors in the relationships between customers and asset managers did not turn into a report detached from the actual development work; this avoided a problem often seen in customer surveys. In addition to the sought-after market segment, Elomaa's team began to pay attention to Tapiola's salespeople. After all, the aspirations of the new clientele should be made clear to the salespeople. The faults found in asset management were analysed so that clear challenges could be identified. By meeting these challenges, Tapiola believed, it could build a genuinely customer-oriented private asset management service whose products would be easy to sell.

Thus the solutions to the problems identified through customer research became the core of Tapiola Private's service promise. One

basic problem encountered by investors is that pricing in this sector is complicated and unclear. Tapiola Private solved this problem by charging the same fixed monthly to all customers. Another common problem is that asset managers have no responsibility for how successful their investments are; they will be paid regardless. Tapiola Private wanted to act differently, and a fee model was built that guarantees that the asset manager is in the same boat as the investors. In practice, this means that when the value of a customer's portfolio goes down, the asset manager's fee is halved. Likewise, that fee is halved if investments lose to the comparison index. The customer survey revealed that customers are very annoyed when fees are charged in full even though the assets are diminishing. The model developed by Tapiola communicates a certain fairness to its customers: the customers should not be the only ones to bear the brunt amid recession or when investment decisions fail.

According to customers of asset management services, investment brochures, fund reports, and sales talk are deliberately made difficult to understand and written in jargon. They are full of terms the customers do not understand. The decision was made at Tapiola that communication and the language used must be made understandable and only products that can be clearly explained to the customers must be offered. In practice, transparency means that nothing in the products sold must remain unclear to the customer. Tapiola Private simply does not offer asset management services too difficult to understand. This is a significant departure from the norm in a sector of business where investment professionals create new products for salespeople to sell. According to Elomaa, the new policy has created internal tension at the company. The asset management personnel do not always understand why a certain product cannot be offered to customers. However, it has become clear that overly obscure products may even harm the customer relationship if they reduce the customer's trust in the asset manager.

In the same manner, the customer relationship may suffer if an asset manager keeps in contact with the customer when share prices go up but disappears when they fall. It therefore was written into Tapiola Private's customer promise that contact will be maintained also when stock prices go down. This increases customers' trust in their asset manager, as he or she shows the courage to communicate with the customer even when there is bad news to tell. Investment advisers are not necessarily trusted: customers think that salespeople have their own interests at heart. The salespeople sell whatever product gives them the biggest commission. In order to build a new kind of trust with their customers, Tapiola decided not to sell their customers anything that Tapiola's asset management branch was not investing in itself. At the same time, a long tradition in the sector was reversed, that of investment advisers often selling the products that produce the highest margin for the asset manager. The customer survey revealed that customers wonder why asset management companies sell only investment instruments and do not recommend, for example, savings products that would generate smaller yields for the company. In its customer promise, Tapiola Private states a commitment to acting in the customer's best interest. Customers' money is not used for making quick profits.

People who have had a long career and have earned their money through hard work often feel that focusing on unessential things is unpleasant where investment matters are concerned. They do not understand why various additional services are offered.

The solution to this problem became Tapiola Private's slogan: 'We focus on the essential'. The latest products are not available through Tapiola Private unless Tapiola itself invests in them. All in all, Tapiola Private tries to look after the customers' interests. For example, asset management customers' annoyance with luxurious environments paid for with the customers' money is avoided, as Tapiola Private operates from 'ordinary' offices that are also compatible

with Tapiola's down-to-earth corporate culture. No unnecessary frills (such as concert tickets) are offered.

Problem-solving through a concept

Following the stages of the design thinking method proved very beneficial in Tapiola's case. It enabled the company to build a meaningful difference from other asset management companies. Tapiola's asset management services were differentiated from the grey mass of the sector through their focus on the customers' problems. Ultimately, these problems turned out to be fairly slight and mundane, but solving them still required a new kind of co-ordination of many, different courses of action. By solving its customers' problems, Tapiola Private forged strong trust between itself and its customers, which guarantees that the customers give the company carte blanche. As a result, the company does not have to sell every change in its investment vision separately to its customers. This saves on sales work, whose great volume was a problem under the previous mode for operation.

87

By focusing primarily on customers, Elomaa's team were able to see other than technological solutions. As the concept formed, it was quickly tested with salespeople and customers.

Sales work is not often considered significant for innovation activities, but Elomaa stresses how important it was that salespeople were involved: without this involvement, development projects easily remain head-office projects that do not reach the customers through the sales field. When Tapiola Private was launched, salespeople were themselves involved in developing an approach that allowed the concept to be translated into the desired customer experience. In fact, Elomaa concludes that the commitment of the sales personnel to the development work is essential in the implementation of innovation projects that focus on services.

Group Director Jari Saine, who supported the development of Tapiola Private, also stresses the importance of such a holistic approach permeating the entire organisation. Saine, Elomaa's superior,

gave him a great deal of liberty in the development work but, at the same time, still held Elomaa responsible for the sales personnel's results. According to Elomaa and Saine, the combination of freedom with target-orientation had a central role in the creation of the successful concept. For Saine, the management of innovations equals management of innovative people. In this work, freedom and targets are essential: the people who do the work must be given freedom, but the work must also have a clear, well-articulated aim.

88 Positive feedback from customers was the most important element in concept testing and in making a rapid launch decision. For example, one customer said, after the concept had been explained to him, that the principles laid down in the customer promise were so good that they should be protected intellectual property. However, Elomaa does not think this is so, because the promise consists of the co-ordination of so many functions that copying is practically impossible. Indeed, Elomaa claims that ability to combine things in a new way is crucial for innovation. For Elomaa, innovation is a way of life rather than day-to-day toil. Alongside his regular work, he has, for example, led a team within Tapiola that considers the company's business from different angles: 'If Nokia started to give out insurance policies, how would they be launched on the market? How would Apple do it?' According to Elomaa, these questions and understanding of the customers produce much more interesting answers than does conventional benchmarking – i.e., comparing the company to its direct competitors. From the standpoint of work based on design thinking, new and interesting ways of operating are created in relation to customers, not in relation to other companies.

Value by reorganising relationships

From the standpoint of innovation anthropology, Tapiola Private's example highlights the importance of co-ordinating various dimensions of value. It makes clear how business value can be increased by

understanding the relationship between customers and wealth. For Tapiola, this relationship was at the core of the new segmentation model. For years, Tapiola had offered insurance services to secure the relationship between its customers and a certain type of wealth, such as forest assets. The development of new asset management services without huge financial input required focusing on the relationships between the customers and the sources of wealth that Tapiola knew particularly well and was already cherishing.

In its development work, Tapiola focused on selected customer groups and the relationships between these and the asset managers. The identification of hindrances affecting this relationship, as well as their elimination, was essential in order for the production of a new kind of value to become possible. The aim was to eliminate problematic factors in the relationships and transform these into concrete actions crystallised in a customer promise.

The shared aim for all of these actions was to strengthen the relationship between Tapiola and the customers using asset management services. This new, stronger relationship was symbolised by customers' *carte blanche* for the asset management services, indicative of the customers' trust.

However, Tapiola did not leave the understanding and supporting of these relationships at the level of concept development. Attention was paid to understanding the relationship between sales personnel and customers. Tapiola's sales personnel were involved in developing their own way of selling the concept so that the customer promise could be fulfilled in the actual sales situation. Such comprehensive management of the value network, along with understanding and development of various relationships, is rare in traditional business sectors, where organisations have generally been built around various products. Tapiola understood that the value of business is created particularly through the understanding of various sorts of relationships and by supporting them.

Relationship with assets at the core of the concept

- 1) Tapiola understood that there is more than one type of wealth and that the type of wealth has an effect on how its owner wants it to be managed. In other words, the owner's relationship with money or wealth matters: different types of wealth are connected to certain operational targets and needs in asset management services.
- 2) Tapiola took the investors' relationship with their assets as the starting point for the development and a new customer promise that takes into account this relationship, as well as the customer relationship. This enabled a relationship of trust that produces both economic value and a meaningful difference for both the customer and Tapiola.
- 3) The concept was adopted throughout the organisation, and the sales personnel were involved in planning their part. This required that a 'social need' be created within Tapiola and that supervisors support carrying the project forward.
- 4) A new innovative concept is built on new kinds of relationships, the meanings given to them, and the courses of action taken, rather than on new technologies or new products.
- 5) A holistic concept is hard to copy, because it consists of the reorganisation of relationships both within companies and with customers. This way, the innovation is also protected from competitors.

Habbo Hotel: Social value through skilful development work

One of the greatest challenges in the service business is to maintain good contact with users and understand their changing needs. Sulake Ltd's Habbo Hotel is a virtual world that enables social interaction and games and has managed to attract an estimated one fourth of 13–18-year-old Finns as users. The company operates in 31 countries and has millions of users every week. Habbo Hotel is by far the most profitable service offered by its producer, Sulake. The company's annual turnover is about € 50 million, of which Habbo Hotel accounts for 80 per cent.

The growth and geographical expansion of Habbo Hotel has been a challenge to the company's user-orientation. When a company grows, its operations tend to become differentiated. In an enterprise employing only a few people, those employees' job descriptions may be quite broad. The workers understand what the others are doing and the company has a common goal. Larger companies have separate departments that do distinct things. Sometimes a company's operations become 'siloed' and nobody thinks about the whole anymore. The company loses its shared idea of what it should be doing in relations with its customers. The strategy becomes obscured, and the business has problems because its operations lack a clear direction.

Sulake uses a range of user research methods, and it aims to promote a culture of open and shared innovation. For Habbo Hotel, it is not so essential to collect data about the users as it is to understand which services are meaningful to them: what it is that children and young people aim to do with the service, what kinds of activities motivate them, and what obstacles exist to reaching their aims. For this research, the constant attention required by user-orientation in Habbo is central. The user-driven work method is continuously developed, and the company's innovativeness proceeds from long-term work that enables a focus on users' aims and desires. Habbo Hotel

is not a single innovation but a continuous innovation process – it continuously changes and transforms, and the service development is iterative and interactive, with no end point.

Users as content producers

Creative activities taking place in leisure-time relationships among children and young people are at the core of Sulake's business. These include things that happen at the virtual hotel – meetings, making friends, the presentation of one's virtual self, making changes to one's 'own' room, and the doings and games that friends think up at the hotel. Habbo is like the backyard, playground, or youth hall of the 2000s in a digital world. It provides experiences and things to do by supporting day-to-day activities so that children and young people enjoy the digital environment and produce content for it.

92 More and more services are available for children and young people on the Internet, and Habbo must become better and better at supporting its users' aims and desires. Otherwise, they will go elsewhere online to spend their time and will produce valuable content for other service providers. 'We compete for our users' time,' summarises concept designer Inka Vikman.

Habbo has private rooms and communal spaces where users move about in the form of cartoon-style personalised avatars. No monthly fees are collected: Habbo is a free digital space for its users. Because it is free, the company's business must be connected with other dimensions of value. Most of Habbo Hotel's income is generated by sales of Habbo currency, or credits. This currency can be used for buying club memberships or Habbo products, typically furniture and fittings used for decorating one's room.

Just over 10 per cent of Habbo users make purchases in the Habbo currency, but most users utilise the furniture to give their private rooms a personal look and turn Habbo into a personal space. Opportunities for differentiation and toying with identities are mani-

fested in the things that Habbo users do. They dress and accessorise their avatar, and they decorate their private rooms according to their tastes. They use the furniture they buy to differentiate themselves from others and for displaying their personal preferences and aspirations.

Habbo's business has a simple basis: it sells club memberships or products that can be used in the service's internal world. In addition to the sale of Habbo currency, Habbo's business is based on advertising income. Besides these two main sources of income, other projects that support the business are carried out in Habbo; for example, the research unit seeks income by recruiting users to consumer panels. However, it is the sale of currency that is the most profitable and stable source of income by far. Economic fluctuations have little effect on the sales of Habbo currency.

The sale of products in Internet services seems simple, and many companies have tried to copy Habbo's concept and sell various goods to children and young people. However, virtual goods need an environment where their use is attractive, and not many other service providers have managed to offer one. Habbo products sell because they are not just products but entire worlds built alongside friends and virtual acquaintances.

93

A new playground on the Internet

The history of Habbo Hotel is well known in Finland, but it is still worth telling. The various stages of Habbo history remind us of the dynamic nature of innovation. It is typical of community-based services on the Internet that their makers are their first users. Without user-orientation, many Internet products and services would never have emerged. The makers' enthusiasm has had a profound impact on the development of the whole digital sector and, at the same time, has decreased the distance between companies and their products, on the one hand, and users, on the other. From the perspective of

value production, it is essential that the purpose of such user-driven innovation was not monetary gain but the building of new things in an inspirational manner.

Sampo Karjalainen, the founder of Habbo Hotel, remembers how Habbo started when he and Appo Kyrölä created an interactive Web site called Mobiles Disco for a band of their friends. The Web site was surprisingly popular, and the band soon had friends in far-off places, such as Brazil. The early stages of Habbo were characterised by open objectives that are typical of successful innovation activities. 'We were really keen to experiment with something like this and see what it could lead to,' Karjalainen says. The aim was to create an interesting service for people about 20 years of age.

Mobiles Disco was followed by the Snow Fight game provided via Elisa's Internet portal. With support from the advertising agency Taivas, a company called Sulake was founded. It opened Hotel Goldfish in August 2000. The most important insight in Goldfish was its business model: it offered visitors a room that could be decorated with furniture bought at a low price. Goldfish became so popular that Sulake decided to open its first international hotel in Britain in 2001. At the same time, the name was changed to 'Habbo Hotel'. As Habbo grew larger, its users became younger. 'We noticed that young people are the most active users and are the most certain to return,' Karjalainen says. Habbo seemed to support the aspirations of children and young people particularly well. Children who spent their leisure time on the new virtual playgrounds expanded their spatial range in the service and modified this as they pleased. In other words, Habbo Hotel very tangibly met the children's need for an independent space where adults were not present.

Habbo's founders did not become too obsessed with keeping their older users but began to develop the service from a new point of view. This is of central importance for innovative activities: a service must be actively targeted at those who are interested in it. At this

point in Habbo's development, safety in the service became an important aim. Clearer rules and supervision were created for the service. Today, nine out of 10 Habbo users are 13–19 years old. The youngest users are found in the Nordic countries and the Netherlands. It is not rare in Finland for Habbo Hotel to be used by 10-year-olds, even though it is targeted at over-13-year-olds. The users' age imposes certain conditions for user-orientation. For example, it affects the instructions provided for the service, as the youngest of Habbo users may not be very experienced users of the Internet. User data must be collected also via services elsewhere in the world, although most of Habbo's product development is carried out in Finland. This is important for ensuring that the service does not target too young an audience globally.

Breaking free from product-centredness

Karjalainen describes how close to the real users Habbo Hotel's development work was at first: 'We were active ourselves and tried to observe the things that were working and those that were not.' These days, such a close grasp of what users are doing is impossible simply because of the numbers and variety of users. As user numbers have multiplied, it has become harder to get an idea of what is happening in Habbo. Habbo Hotel is used in various parts of the world in constantly changing ways. 'This is why we do all sorts of user research in order to get an understanding of the direction in which the product should be developed,' Karjalainen says.

The importance of user-driven development work may be forgotten when a product or service becomes successful. Software developers lose touch with users and start to think in a more product-centric way. According to Emmi Kuusikko, the leader of the user research team, product-centredness did become a problem for Habbo Hotel. 'It has taken a lot of work to make our people understand how important it is that the product be developed for the users and not for the

developers,' she says. Concept Designer Vikman explains the basic problem of product-driven development work: 'If work is based on a product, the focus will be on the tools that are developed; we are solving a problem with technology when we should be focusing on what is in it for users.'

When developers' work becomes more technical, the scale of things may become distorted. Product development creates a platform on which the world is built rather than focusing on customer needs and aspirations. 'After minimal implementation, they should test with users, collect feedback, and then think about how to develop the product further,' Vikman suggests. Piloting enables the collection of feedback about how a product or service works. In other words, rapid feedback allows the testing of the product or service and its further development. Otherwise, the idea's newness and functionality can only be guessed at.

96

Breaking free of product-centredness poses a challenge because the existing ways of operating often support product-orientation rather than user-orientation. This is paradoxical since, from the standpoint of business, product-centredness may be considerably more expensive than user-orientation and its risks are greater. Success stories of innovation activities have shown that an active relationship with users makes successful product development more likely: this way, products will have been tested many times before they are launched. For these reasons, among others, the promotion of user-orientation has been a personal mission for Kuusikko. She was trained as an economist but has also studied social psychology and computer science. When she was hired for Habbo's marketing team, her work at first included, in addition to conducting questionnaires, performing market monitoring and measuring campaigns' effects. About three years ago, Kuusikko's two-person research team was moved from the marketing section to the product organisation so that user research could be more closely integrated with product development. Today,

she manages a team of four, where she had collected experts in both quantitative and qualitative research methods.

Kuusikko has a very practical perspective on the range of methods employed. She emphasises that there is a place and time for all methods of user research and they are suitable for different stages of product development, because the methods enable production of various descriptions or models related to users. In this connection, they are tools that support the learning of new things and direct development work in new directions. Kuusikko's team has collected user information through group discussions, surveys, and interviews. Fan sites, YouTube, and various Habbo-related discussions have also been observed. In addition, the user research team discuss the applications with users before launching them. After launch, a discussion forum is opened on the Habbo Web site so that the relevant application's success can be assessed. Kuusikko co-operates with research agencies when qualitative studies are conducted. For example, the first visits of new users have been filmed in Britain, and, from this information, a more profound understanding of the aspects of the service that work and those that do not work has been sought. Extensive data are also offered by the qualitative methods used by Sulake, as is sophisticated analysis of visitor statistics.

In 2006, Sulake also carried out an extensive questionnaire that was published outside the company as well. On the basis of the tens of thousands of responses to the Global Habbo Youth Survey, a detailed manual was prepared about the hobbies, interests, values, and attitudes of young people. In addition, brands and celebrities preferred by young people were listed in the manual. Before carrying out the research project, Kuusikko had to convince the company's management: 'It was about why we had to divide our users into "segments". What the benefits of it are.' Kuusikko describes the project as an important turning point: 'It was the first time we began to talk about our users as something other than "habbos".'

Based on the responses to the Global Habbo Youth Survey, a segmentation model was prepared, which presented the aspirations and aims in life of the young people using Habbo and their real-life circumstances. Habbo users were divided into five groups: Achievers, Creatives, Traditionals, Rebels, and Loners. As indicated by these names, the users were, respectively, competitive people with clear objectives, creative trend-setters, traditional, rebellious, or more timid than others. The segmentation model allowed product development to take into account the various user groups and build the service in a more holistic manner so that the hotel would be easy and quick to grasp for new users while still versatile and fresh enough for users who know it well.

Support from personas

98

Methods used in work conducted with users typically tempt one to use further methods. When the amount of information about users grows, so does the desire to know more. Segmentation is often the first stage. Habbo succeeded so well at this that the Global Habbo Youth Survey was repeated in 2008. However, as a method, segmentation is not particularly user-oriented. It models types of people who do not exist in 'pure' form. One person may belong to more than one market segment. Heini Kaihu, the leader of the concept team for product development, explains what this may mean in practice. Users are much more complex beings than segments suggest: they simply do not stay in neat predefined boxes. 'We accumulated more data and became very interested in finding out why users think the way they do,' Vikman reminisces. An idea for a 'persona project' emerged. It would be implemented in co-operation with user research and concept design groups. Alan Cooper popularised the persona method in a book published in 1999, whose title summarised the book's promise as is the American way: *The Inmates Are Running the Asylum: Why High-Tech Products Drive Us Crazy and How to Restore the Sanity*.

In the past decade, personas have become a commonly used tool in product development. Kuusikko says she had thought about a persona project years earlier but that the time finally seemed right for it. She convinced the company's management of the importance of a deeper understanding of users, and the project received widespread support. When it was time to carry it out, Kuusikko completed a method course run by the Nielsen Norman Group in Amsterdam, where work with personas was explained in detail, as was how to benefit most from them. In the practical work, Kuusikko followed the method guide, written by John Pruitt and Tamara Adler, entitled *The Persona Lifecycle: Keeping People in Mind Throughout Product Design*. She also received support from Adler, whom she consulted.

All data collected about Habbo users over many years were compiled, from many sources, for the project. In addition, those taking part in the project collected more general research data about teenagers. 'We must have read hundreds of studies,' Vikman estimates. As many other companies do, Sulake has a huge volume of user data and it keeps growing all the time. The challenge is how to extract the essentials from all of this information. The Global Habbo Youth Survey was an important data entity; however, the project was based on the premise that all materials were considered equal and the most significant user data would be extracted from them. Said data would make it possible to support, promote, and predict the aspirations of Habbo Hotel users. More user information was collected during the project from, for example, developers and local Habbo teams, with the objective of compiling and making known the 'silent knowledge' and expertise that the company had accumulated over the years.

The main objective of using personas is to give life to the users' various objectives and aspirations. As archetypes, personas extract what is essential from the research materials and present it in an easily accessible and understandable form. When personas are given a name and a face, they become like real people. Six teenagers, with

names, hobbies, favourite brands, and dreams for the future, were built on the basis of the Habbo Hotel user data. For example, Anna is a 12-year-old family girl from a middle-class family. She has one sibling, has a dog, and likes swimming. Anna has used Habbo for three months. Tom, in contrast, is a 16-year-old Habbo veteran who has a part-time job with McDonalds. He uses Habbo for more than 10 hours a week, five days a week. Tom knows Habbo through and through, and his character is a reminder that Habbo should also offer surprises to its loyal users.

Personas are used to crystallise the differences between users. In addition to basic demographics and other background data, these differences include their Habbo history and behaviour, friends, values, interests, and hobbies. There should be as little overlap as possible between the characters. Personas differ from segments in that they are not one-dimensional. 'They bring data to life,' Kaihu explains.

100 Akin to real people, personas may also act in conflicting ways and evade attempts at exhaustive descriptions. For example, one of the personas, 15-year-old Olivia, is shy in real life but seeks fame on the Web.

Kuusikko says they worked on the stories until they became credible. They wanted not 'poster people' but persons who could inspire future product development. 'The personas must live with the product,' Vikman says. The characters developed must support the developers in product-related decision-making. This way, personas help to guide the design process by underlining the users that the product is made for. 'They remind us that we do not make the product for ourselves, for Liisa next door, or for my own seven-year-old child,' Kaihu explains in concrete terms. Vikman compares personas to a common language: 'When we talk about six different personas, it is easier for everyone to remember that, "oh yes, Tom is the one who will soon be leaving Habbo".' That shared language clarifies the aims of the work and makes it easier to understand common goals.

Successful persona projects require that workers get to know the personas. 'It is our aim that every unit involved with Habbo bear the personas in mind,' Vikman says. Sulake has invested in internal communications to bring the personas to life. In product development, they define user data in terms of the user's know-how, motivations, and usage habits, thereby avoiding the problem of 'stretching the user'. Development work becomes more focused, and developers do not try to do everything for everybody. On the other hand, personas enable the refocusing of workers' attention on users, again and again. This is essential because users must remain at the centre of product development if they are to maintain their interest in the Habbo world.

Users as content

Both Kaihu and Vikman emphasise user-orientation as the foundation for concept design: the service must be made for users, and their feedback must be taken seriously. Segmentation and fictional personas are not aims of Habbo Hotel development per se but tools that make it easier to understand users and direct work efforts. According to Kaihu, constant co-operation makes it easier to respond to feedback. 'The closer our co-operation with the users is, the better we can react to feedback and the better we succeed,' she sums up.

In practice, success means that children and young people enjoy their time at Habbo Hotel and produce content for it. 'The users are also content,' Kaihu says, adding: 'There is no party in Habbo without users.' For Sulake, those users who do not spend money in the service are nonetheless a valuable part of the community. They are needed for the formation of community dynamics. They do not generate actual cash flow, but they are economically valuable in an indirect way, in that they promote the social acceptability of Habbo Hotel and the processes of creation of meaningful differences. The more users Habbo Hotel has, the more likely it is that there are users who wish to impress others by buying goods for their rooms.

Sulake gives its users space and resources, and users create Habbo Hotel. This is taken into consideration when products are produced for the service. The objects offered to users must promote the dynamics of the game. 'The objects must generate new games, fashions, cultures,' Vikman explains. The social life forming in Habbo Hotel needs concrete fixing points that enable the strengthening of social ties and 'bring them to life'. As an example of functionality planted in product development, Vikman mentions virtual pets in Habbo Hotel, which make the community produce content for itself. Special kennels and private rooms have been created for the pets, where their owners can play with them, train them, feed them, or race them against other pets. In other words, the pets are not just virtual animals; they create activities.

Users as owners of Habbo

102 Habbo Hotel concretises the fact that user-orientation is not about collecting customer feedback or even about understanding the customer. It forces a company to embrace a new openness. 'The users own Habbo,' Kaihu sums up. 'If we do something that the users do not like or they don't think that it fits with their idea of the Habbo brand, we will hear about it very quickly,' Kuusikko continues. Sulake gives children and young people space and resources and aims to direct their use. Ultimately, it is the children and young people who decide the direction in which Habbo Hotel evolves. 'We try to guide the product in a certain direction, but we cannot control how the community acts,' Vikman says.

Habbo Hotel pays attention to the mechanisms of communality that support the brand. The needs and aspirations of children and young people are at the core of the Habbo brand. 'As pathetic as it is, at the core of the brand is acceptance-seeking,' Kaihu says. She points out that, at the most basic level, the company cannot control its own brand, because customers and users do so from their own

standpoints. However, Habbo Hotel has not considered the users' ownership of the brand a problem. Rather, the opposite is the case. It distinguishes Sulake from conventional companies that imagine they are able to control their own brand. 'It has been very difficult for conventional enterprises to enter the world of social media and other, similar phenomena, because they cannot let go of their brands and they feel that the Internet is risky,' Kuusikko says.

The more open starting points of business are also evident in the manner in which Habbo Hotel is being built. Only a few years ago, the development of a new product or package of functions could take months, which meant that the product could become obsolete or non-functional even during the development process. Nowadays, companies want development processes that are as 'alive' and adjustable as possible, and that support and encourage the users' activities as well as possible. This way, they remain interesting to Habbo users. 'The next step could be that users are included as participants in the design process and in product development,' Kaihu speculates. Small steps in that direction have already been taken; however, much remains to be done.

Courage and openness as bases for value creation

- 1) The primary purpose of the service was not commercial success: Habbo Hotel grew out of experiments in creating new kinds of production, distribution, and consumption on the Internet. This shows that innovative initiatives emerge as a result of people's desire to resolve things in interesting ways. The production of economic value is not a purpose guiding the activities. That value is created later when a strong foundation has been laid for processes generating social value and differentiation. Habbo's social value was well established before the service had produced much turnover.
- 2) In successful innovations, social value and the establishment of meaningful differences create around them a network wherein processes of value production seamlessly support one another. An extremely multifaceted and interesting world based on content produced by users has emerged around Habbo Hotel. It also sustains the conditions for the service's economic survival. Thus Habbo combines the various dimensions of value creation in an exemplary fashion. The service is socially acceptable, produces meaningful differences, and is economically sustainable.
- 3) Business built around sociality requires openness and a constant state of alertness if the requirements of the changing social environment are to be observed. Various methods, such as customer base segmentation, personas, and direct observation of user activities, maintain an ongoing dialogue with users, which enables rapid reaction to changes in social needs.
- 4) Openness and courage are required for a meaningful message sent by the company to the world – i.e., branding – to succeed in the world of the Internet. For a brand to remain interesting and desirable for users, it requires both the input of users in content production and the continuous development of the service offered by the company. In the rapidly evolving world of the Internet, the dialogue between users and the company must be constant. Therefore, the brand is not only a message but a promise of value that must be delivered in day-to-day activities.

Sinebrychoff: Value creation alongside the customers

Finnish discussions of innovation tend to concentrate on product and service innovations, while little (if any) attention is paid to the possibility of other kinds of innovation. Innovations can, however, also be developed in connection with the distribution chain and the building of various partnerships. In the case of Sinebrychoff, additional value produced in collaboration with customers benefits both parties by improving the customer's experience of the product or service purchased. From this point of view, limiting innovation only to products and services restricts the opportunities for new kinds of value creation. Still, this is just how many technology companies in, for example, the B2B market operate. They aim to create new value by serving their customers in a way that would connect end users with them more closely than before.

Sinebrychoff has been shifting its courses of action in a more intimately customer-oriented direction for years now. Collaboration with the company's customers has produced good results with many products and distribution channels. From the innovation anthropology perspective, the customer programmes that Sinebrychoff developed for restaurants in order to improve the professional competence of their workers are particularly interesting. For example, these programmes teach the 'perfect serving' of beers and tricks of cocktail-making and, through these, teach how to create an increase in direct sales. The inclusion of customers in the value-creation process results in improved service to customers at bars and restaurants and verifiably increases sales of licensed restaurants and for various mixer products. Understanding the value network and taking customers into account in the company's operations creates measurable economic value for both parties. This is a carefully constructed innovation related to the distribution channel that required a great deal of work, new ways of thinking, and the bringing together of many people's expertise in a way that benefits all parties involved.

Roots of the Sinebrychoff school of drinks

When Katri Perälä was hired by Sinebrychoff in 1999 to take charge of client training, she began to develop a client training package, the Sinebrychoff school of drinks. The training was designed for daily consumer-goods customers, and the package paid attention to consumers' views in combination with product group training. The training worked well because it was free of charge for the participants, who were allowed to complete exercises by themselves, and the presence of managerial staff made the value of the worker's work tangible. Perälä says that the new customer programmes were actually rooted in a lack of resources. 'If you have a small budget, you must be a little more resourceful and think about how to carry things out,' she explains. Sinebrychoff chose its programmes for conscious differentiation from the customer strategy of its competitors. While competitors were parading the brilliance of their brands, Sinebrychoff wanted to join its clients behind the bar and help them in their business.

106

Working from experiences gained from previous training programmes, Sinebrychoff began to develop a new kind of approach for client training for licensed premises. The key principle was that Sinebrychoff stepped into the shoes of its clients, licensed establishments, and empathised with them in their day-to-day worries. Aniko Lehtinen, who was hired for programme development in 2001, began her work by interviewing a large group of clients. In addition, Sinebrychoff workers gathered information by performing bar work themselves. From the research, the core for the training became clear: training was divided into various packages, according to client needs. Each training package had its own target group. These were defined on the basis of the restaurants' activities and day-to-day needs: related to beer, cider, wine, and food. These days, these programmes are part of the Sinebrychoff Camp entity.

A fifth package was added to the camp when Sinebrychoff obtained franchises for a few imported alcoholic drinks and clients kept asking for cocktail recipes. ‘At some point when I was sending those recipes here and there, I had the idea: “What if we, with the clients, learnt to make drinks using our mixers, which are Schweppes and other mixers and Battery and all Battery products?”’, Lehtinen recounts. The programmes’ aim is for the company’s workers to learn, alongside the clients, the uses and methods related to the drinks. Also, attention is paid to how to motivate staff at bars and restaurants, make sales easier, and keep the consumer happy. Practical consultation is also given on how to sell more at restaurants and set product prices more sensibly. The first Bar Camp event was held in 2007. Since then, about 20 have been held per year, with 20–40 bar workers taking part in each training event. These events have been held in various parts of Finland, even in Rovaniemi. The training events have been a success both as a form of training and as a method of boosting drink sales.

107

Bar Camp and the secrets of distribution-related innovation

The integration of various motivations and objectives for client training to form a well-functioning training programme shows what Sinebrychoff’s method of operation is all about. The objective of the training has been to increase the bartenders’ enthusiasm to offer a certain product in sales situations. The old truth about a salesperson selling what he or she can sell applies also for restaurants. ‘We want to train our clients to use their creativity and offer the consumers alternatives. We would, of course, like them to use our products. So there is a clear commercial perspective to this,’ Lehtinen explains. It is hard to recommend or sell a drink that you have never heard of or do not know how to make. ‘And one of the most popular drinks at bars is “make something good for me”,’ Lehtinen continues. When

the sales personnel are able to recommend and make drinks, it is not only the sales figure that improves but also customer satisfaction.

After basic cocktail-making skills, one purpose of Bar Camp is to go through the bar's drink selection and create one's own cocktails. The bar staff's motivation to sell drink products increases when they have some other connection with the drink than the name that everybody knows. If necessary, new drinks are created in co-operation with the leaders of the drinks training. This stems from the objective of increasing sales. 'When clients create their own drinks during these training sessions, they get the feeling that these are their drinks, and they'll sell them. When bar staff can tell their customer that "yes, this is really good and I thought it up!,"' Lehtinen says.

108 The commercial aspect of bar work has been promoted through reminders of how, in addition to the contents of the drinks, drink-making involves work that the customer is happy to pay extra for. For example, a vodka-Battery drink can be made in any of several ways. The simplest is mixing Battery and vodka in a glass. Another way is to shake vodka and lime juice in a shaker, pour it into a drink glass, and then add Battery. Or vodka can be mixed with crushed ice and poured into a cocktail glass, with Battery then added and the drink decorated with a curl of lime. In this case, a cocktail fee can be added for the extra work required. At the same time, the profit margin of the drink is easily doubled.

Perälä and Lehtinen say that, in addition to providing training, it was important that Bar Camp anchored Sinebrychoff with the client bars' own offerings through mixers. Sinebrychoff provides all bars that have taken part in this training with advertising materials, such as bar-specific drink adverts created for menus customised during the training. This benefits both the bar and Sinebrychoff. One objective of Bar Camp has been to increase and maintain the use of Finland's most popular energy drink – Battery – as a mixer. Battery is drunk as part of drinks and as an invigorating beverage. This is why an under-

standing of the various uses of this energy drink and the strengthening of certain uses are important for the use of Battery as a mixer.

Segmentation according to uses instead of demography, for instance, and creation of Battery marketing suitable for these uses indicates, by Finnish standards, an innovative approach to consumption. Perälä clarifies: ‘A consumer may simultaneously be included in more than one segment, but, as a target for marketing, the consumer is better reached if the marketing is planned in terms of the use situation. In the case of Battery, it is possible that a 50-year-old man, an 18-year-old man, and a 30-year-old woman are in the same situation, driving a car late at night and being tired, needing something to keep them awake. They are then in a similar use-situation group even though they are demographically different.’

At a bar, Battery is used primarily as a drink and not as a source of energy. This is why the Bar Camp programme guides its participants to use Battery specifically as a mixer. This gives Battery visibility in new usage situations, although it is seldom used as a drink component in everyday use. In other words, the Bar Camp programme boosts the use of the traditional Schweppes mixers, for which Sinebrychoff is a franchise-holder, and Battery in drinks.

109

Intimate customer-orientation at the core of Bar Camp's success

Nella Lämsä and Katja Ryhänen, who contributed to planning the Bar Camp training, summarise the programme's success factors as follows: ‘The planning did not content itself with training. We thought this could also be a customer event, not just a boring training event’ The training event was turned into an event of shared learning, experience, and benefit.

A training event that was planned more as a customer event required that the restaurants approve and appreciate it. This is why the drinks training was given not by Sinebrychoff's own personnel but by two well-known and respected Finnish drinks specialists. This

way, the staff of the licensed restaurants were given the opportunity to receive instruction from top cocktail-makers and learn their tricks, including flairtending.

According to Lämsä, the location also affected the popularity of the training: 'We decided that the training would take place at restaurants, the natural environment for these staff. They would not be brought to our head office in Kerava and put in some auditorium. Rather, the training would take place at bars.' Customer-orientation was not limited to the content of the drinks school instruction. The implementation was also carefully considered. When satisfaction surveys were carried out for Bar Camp, participants regularly evaluated the event as excellent. These experiences are perhaps best described by spontaneous responses to questions to be answered on a one-to-five scale, such as 'Did this event meet your expectations?'. Someone had, instead of circling a number on the scale, written the following: 'It didn't. It was 100 times better than I expected.'

110

According to Lehtinen, who is responsible for Bar Camp, bar staff learn by doing, and, therefore, additional value is created for both Sinebrychoff and the licensed restaurants taking part: 'The benefits of our training must be made clear in down-to-earth terms. It may not be a good idea to explain margin accounting and other abstract things to bar staff.' And the success has been considerable. At licensed restaurants whose staff have taken part in Bar Camp, total sales of mixers have increased by 18 per cent, on average. Lehtinen summarises the secret of Bar Camp's success: 'This training and drink creation were made for the people behind the bar. Ultimately, they are responsible for sales to consumers and, therefore, for the use of our mixers.'

Value network strengthened by innovation

- 1) Since innovations are not always products or services, or directed only at end users, it is equally important to focus on rethinking one's own internal and external relationship networks and modes of operation. Innovation activities may be targeted, for example, at a company's relationship with its B2B customers. 2) Innovative concepts often require departing from routines and doing things differently: In Sinebrychoff's case, the distribution-channel innovation is based on training the bar staff of licensed restaurants in an inspiring way and with a package implemented on their terms.
- 3) The innovation activities in Sinebrychoff's distribution channel show how successful concepts require very practical work with one's customers. Also, the increase in the sales of Sinebrychoff's clients, in turn, increases Sinebrychoff's sales.
- 4) Large B2B companies must provide some product development on behalf of their clients. Small operators do not have their own resources for customer-oriented business development. Ultimately, both parties benefit and large operators establish for themselves a tighter connection with critical resellers.

Kone: Everyday luxury through new solutions

Companies that move from production-orientation to services and solutions face many innovation-related challenges. The case of Kone – one of the world’s leading manufacturers and maintainers of escalators, lifts, and automatic doors – described below, shows that a shift to more comprehensive and holistic solutions requires a new approach to the company’s product development and the tuning up of the company’s internal processes to support the new offering.

When these shifts succeed, they change not only the company’s offering but also its internal structure and perceptions concerning the market for which the solution is produced. Kone, a global company that celebrated its 100th anniversary in 2010, is one of the pillars of Finnish industry and is considered a success story in strategic reforms. Kone has gathered decades of product development experience and, despite global competition, is at the forefront of international development, leading the entire sector in advancing into the future.

112

In recent years, Kone has expanded its operations from product-based innovation to comprehensive solutions for the built environment. In this reform, it has aimed to differentiate itself from others in the marketplace by offering service packages that combine the company’s core expertise and products in a more extensive range that creates value for many different parties. The company’s current mission is to offer the best user experience ‘by developing and delivering solutions that enable people to move smoothly, safely, comfortably, and without waiting in buildings in an increasingly urbanizing environment’.

The renewal centres on a systematic approach to a market that is traditionally defined in a product-oriented manner and on a gradual shift to a better understanding of people’s everyday life. In connection with this strategic decision, Kone has assumed some responsibility for the product development of its clients, such as building developers,

in order to be able to provide them with interesting new solutions. One of the new comprehensive solution innovations is the IDE 300™ concept, which emerged as fruit of a development project by a small team.

Management of complex networks

In 2004, an internal project with a loosely defined objective began at Kone. Pekka Korhonen was given the simple but, in many respects, open-ended task of thinking about new user interfaces for lifts. For this project, Korhonen could pick three people whom he thought would complement one another ideally in their know-how. The team members, whose training and experience varied (the larger team consisted of engineers, a psychologist, and an industrial designer), were given a demanding framework: the project had a one-year time limit and scarce financial resources. Kone had conducted user-oriented research and product development before. The new project, however, differed from previous ones, in that its scope was wide and open in many ways.

113

The team began its work by studying the history of lifts' user interfaces and soon decided to expand the scope from a button on a wall to the services and service experiences enabled by a lift. The team looked at the development of the industry in order to understand current challenges. In addition, the team members studied changes in the market definitions of other sectors by examining the literature and considering international case studies. In fact, examples of changes in other sectors inspired a definition of the changing market situation that applied a new perspective.

The team members predicted that, in Kone's market area, a large driving force for development would be the understanding of customer aspirations and the integration of functions offered by various services and products into a seamless experience.

In February 2005 – after only a few months of work – the team presented a comprehensive idea of better mobility in the built en-

vironment. They began to call this perspective ‘people flow’. The work was based on ideas about the whole building, various products, and what they could be used for. ‘During that year, we developed many new ideas and prepared a number of invention notices. We still probably have half a dozen or a dozen patents from that period,’ Korhonen says. On the basis of this definition work, the team’s perspective on new user interfaces expanded from the lift to a larger built-environment entity of which lifts are only a part.

Turning an idea into a concept

114 The team developed solutions of many types for guidance, remote controlling of systems, and access control, then made some of them more concrete. The work aimed to combine Kone’s core products – lifts, escalators, and automatic doors – in a new way, producing additional value through the use experience. The team understood that the aim could not be to change the company’s core expertise to something else entirely. Instead, the aim had to involve perception of the company’s market from a new perspective. ‘We don’t think of “people flow” directly as a new market. We are not giving up the lift business and entering the people flow business. It is more an approach that aims to understand the customer’s value production and the end user’s needs so that we can offer the best solutions for both challenges,’ Korhonen explains.

Six concepts were chosen for further development from a couple of hundred general product ideas that the team had developed. These were made as concrete and clear as possible in an understandable manner. It was important to make the concept tangible, to guarantee its technical feasibility. For the remaining concepts, systematic elimination using paired comparison matrices was carried out. After these comparisons, two concepts remained.

Niko Rusanen, the industrial designer on the team, says that, of the two remaining concepts, Door and Elevator Integration (also known as DELI) was chosen for further development. The concept

centred on a simple idea: a resident arriving at the door shows his or her key card to the reader beside the door. The system opens the front door, turns on the lights in the corridor, and orders a lift taking the resident to the correct floor.

According to Rusanen, DELI allowed Kone to see into the future. It was close to Kone's core expertise and technologically effortless to manage. Its scope was easy to map and the costs reasonable. Despite its close connection with Kone's core products, the concept included new ideas about Kone's offering, instead of developing some product incrementally – i.e., with small improvements.

In the innovation anthropology framework, it is significant that the innovation was based on solving observed everyday problems. Rusanen explains how he had paid attention in the morning to the kinds of problems people had with doors and mobility. He remembers particularly well the patients arriving at Maria Hospital during his morning walk to work: 'Old people and disabled people were coming to the hospital, and I often helped them open the hospital door. I understood that they had problems just opening the door. I then had an idea that, as a matter of fact...'. Accessibility and mobility defined the concept's core: through the front door, to the lift, and to your own door without obstacles.

115

The concept was perceived as an ethically important improvement as it enhanced the life of disabled and elderly people. It would enable, for example, old people to live longer in their own homes. A large proportion of old people enter assisted-living accommodation because they have problems with day-to-day mobility. If the innovation enabled elderly people to live in their own home even five years longer, this would bring economic benefit to society as a whole.

Everyday observations gave the team something to think about with respect to not only people with restricted mobility but, more generally, anyone arriving at home. In addition to improving the quality of life of special groups, the team soon understood that the innovation in all its simplicity might appeal to anyone living in a block of

flats. Ideas about simple mobility within buildings were developed in the team's internal workshops alongside other concepts, until progress was made from mobility-related problems to definition of the central functionality of the concept.

Obstacle-free and easy access would actually serve everyone in day-to-day life. Rusanen talks about a workshop where the concept was developed via a 'bodystorming' method (i.e., placing oneself in a situation and physical space) until it was easy to present to others: 'I told the others to look – "now, here is the front door" – and I put two chairs there. "This is the door from the entryway to the corridor. That's the lift. And then there's the flat door. I have shopping bags in both hands. This is quite a normal situation when I come home. Now I walk in like this. Can you see? I just simply walk into the lift."'

116 Not only would the concept make life much easier, but it would not be difficult to implement technically. The necessary technology already either existed in Kone's own selection or could be purchased from elsewhere. The concept's implementation required only the synthesis of existing solutions into a functioning whole. In addition, one of the concept's basic ideas, automatically opening doors, was already in use on public premises with sliding doors.

Piloting and selling of the concept internally

The concept's technological simplicity and the value it added to users' everyday experience were not enough, though. In order that the concept could be tested in practice, the team had to sell the idea within Kone. A central problem was that the concept did not represent typical technological pioneering: it was not based on a revolutionary new technology. Instead, the concept represented a new type of value for day-to-day experience – i.e., a shift from the product-centred world of technology to the world of the experiences. This shift was in line with the aspirations of global technology companies. The team formulated the concept's sales materials in relation to a broader change in the economic operating environment. Technological leadership

is not enough, because, at the international level, more and more companies are able to produce the same kind of product, often at a lower price. In other words, it does not pay to compete with prices.

All members of the team considered it especially important to produce a concrete concept even if the idea behind it was simple. The concept was advertised within the company in various ways. The team produced simple visualisations of the new idea. Brochures, PowerPoint presentations, and staged videos produced on the cheap were used. The concrete presentation helped the team to communicate the concept and its feasibility to other Kone teams. Participants in internal workshops spread the idea of the new concept to others in the organisation. Videos, in particular, inspired people to rally for support to advance the project.

As a result of the successful internal ‘sale’, the team received a small budget to pilot the concept. The concept’s value to end users was tested through installation of the system in one residential building in the Helsinki area. Opening of the building’s front door was linked to the lift system. The test was a success. After the piloting period of a few months, the building’s residents did not want to give up the system and they requested that the system be left in place after the pilot was over. Residents of neighbouring buildings who had heard about the solution requested it for their own buildings. The system, which had now been tested in real-life situations, clearly produced value. The residents felt that the product made their lives more comfortable and described the concept even as a ‘doorman’ who knows the residents’ needs. Spontaneous positive feedback helped to bring the concept closer to becoming a real product.

117

Turning a concept into a product

Developing the concept into an actual product required that the additional value it produces for users be translated into economic calculations and expected yields. The team met this requirement by producing for Kone’s executive board a forecast concerning the

concept's market areas and the economic potential they represent. Assessments showed that the concept had enough business potential to warrant its entry to production. At this point, it was given a name compatible with Kone's existing product lines. DELI was now the IDE 300™ system, and it began to be referred to as an integrated mobility solution for residential buildings.

In addition to economic calculations, the productisation of the IDE 300™ system for the market required the rethinking of sales arguments and the incentives offered to sales personnel. How would a traditional manufacturer of metal and technology become primarily a supplier of a user experience, and how could this idea be sold to Kone customers? Harri Länsiö, who works with Kone's product marketing and is responsible for the marketing of the IDE 300™ concept, was involved in the concept development workshops from early on. According to him, the DELI system's transformation into a marketable product was, in essence, about proving the concept's various types of additional value to a range of parties, from Kone sales staff to customers.

118

At its simplest, the additional value produced by the IDE 300™ system is an opportunity for Kone and its customers to gain differentiation in the competitive technology, construction, and real-estate markets by creating the image of a new kind of pioneer that focuses on resident-friendliness. Kone stands apart from other companies by making new, hard-to-copy, comprehensive solutions that produce additional value for the residential building sector. The company aims to provide its customers with 'everyday luxury', as Länsiö puts it. Ease of use and the offering of small innovations for day-to-day life are important in enabling everyday luxury. This means that, in concrete terms, the sales argument is simple. 'This solution can be compared with a car's central locking system or electronic windows. You can live without them, but once you have tried them, it is hard to give them up,' Länsiö explains. At the same time, Kone customers such as providers of rental flats see a competitive advantage over buildings

that do not have an integrated concept. It is possible for them to gain differentiation from their competitors by increasing the desirability of their flats on the rental market. This way, the service integrated with the building is transformed into a business advantage. The lessor may offer the solution to the residents as an additional service at a price of a few euros per month or may increase the rent by a few euros per square metre. For renters, a longer customer relationship produces significant cost benefits, because the longer a person lives in a flat, the lower the costs to the company for removals and the acquisition of new tenants. At the same time, the resale value of the real estate increases.

Although the concept's core idea is to improve the residents' user experience and comfort rather than, for example, access control, the solution also produces additional value for the buildings' managers. The concept combines opening doors, switching lights on in the corridor, and calling the lift with individual keys that are easy to manage through a Web interface. When a new resident moves into the building, his or her information is coded in his or her key, and when that person moves out, the key can be simply disabled. This reduces the key management work required of the building's managers and, therefore, creates additional value in their daily work.

In fact, it has been central in the productisation of the IDE 300™ system and the definition of the additional value created for Kone that different kinds of additional value are combined: improvement in perceived convenience for residents, an increase in the business of building developers, and reduction in the work load of buildings' managers. It is necessary to understand what aspects of the solution are valuable to each party in the value network built around the concept and how this value should be communicated to them. Although the value and business model for various parties is easy to understand in theory, it is still hard work to turn this understanding into business practices

Sales challenges

One challenge to the success of the IDE 300™ system has been the refocusing of the sales organisation, and the development of sales arguments that meet the sales personnel's daily needs. Salespersons who work with customers have a key role in turning a piloted concept into an innovation. Kone's salespeople first thought the concept was hard to sell for two reasons. The IDE 300™ system is a new kind of integrated solution, combining products that Kone already sells. Therefore, the salespeople needed a new approach to what they are selling – instead of tons of steel, they are now selling a user experience. At first, the salespeople were afraid that the concept would be hard to sell because it required an additional initial investment from buildings' developers. The conventional logic in the construction business has been largely based on optimisation of costs during the construction phase. This is why it has taken a great deal of work to prove the additional value of the new IDE 300™ solution to Kone salespeople who are well aware of the cost logic applied in this sector. The new offering and the change required in the sales work have forced them outside their zone of comfort. 'It is vital for sales that the sales personnel believe in the product. In this case, that means being converted to the IDE faith. Otherwise, the product will simply not sell,' Länsiö says. 'We have tackled the problem by naming IDE champions in each country. These are master salespeople who know how to sell the product successfully,' he adds. Länsiö has held IDE workshops with salespeople in several countries, discussing the system's technical operation in practical terms. At the same time, sales strategies and arguments have been developed and harmonised.

120

Increasing the salespeople's professional expertise has created faith in the sales. A few pilot projects, successful deals, and sensibly planned incentive models have aroused the salespeople's interest and

dedication. Länsiö summarises the challenges for Kone's internal processes that were posed in co-ordinating the various parties and their objectives related to the IDE 300™ system: 'The sales bonuses and monitoring models developed are important for all new concepts. The management must also show commitment to the product by measuring its sales. If the highest people in the management are not committed to promotion of sales, why would anyone be?'

An innovation's years-long journey to the market

It took about six years for the DELI innovation to find its way to the market. Problems in co-ordinating various value production processes both within Kone and externally took time. A successful innovation requires that value formation processes of all parties related to the concept's development, use, purchase, and sales be identified and co-ordinated in a rational manner. Pekka Korhonen, the leader of the DELI project, notes that the innovation tubes are often longer in practice than people think: 'These things must be done properly, and it takes time.' However, it pays to do things well. 'If we ensure that every detail is considered, from the end users to understanding our own customers and tuning up the sales organisation, we make sure that this concept cannot be quickly copied. Technology patents can always be circumvented, but it is difficult to copy an entire mode of operation,' he says.

121

The innovation that began as the DELI project with its attempt to understand users' day-to-day needs was placed on the market in late 2009. It is expected to become a market success among new integrated systems. The concept of 'People Flow', developed during the project, has become one of the key elements in Kone's official strategy and is now part of the company's slogan: 'Dedicated to People Flow'.

Focus on the value network

- 1) Innovations can be created through a new combination of existing products and services. This requires 'outside-the-box' thinking that is not based on product-oriented design, but understands that value is created by well-functioning new relationships between things.
- 2) To ensure the value of innovation work, the work must be supported by the organisation and it must have a specified objective. When the objective is set, time and budget limits make it easier to manage expectations and clarify the work process. A reasonable budget helps to turn ideas into concrete products while the creative face remains focused and solution-centred.
- 3) A team of experts whose work is mutually complementary promotes innovation. The innovation is not done by mad scientists alone in a lab but occurs in rich interaction with others.
- 4) Often, many lines of innovation and concrete concepts are created in the ideation and conceptualisation stage. Direct contact with end users helps the ideation remain relevant to customers and enables rapid testing of the idea at a low cost.

The creation of a real innovation requires the original idea to be clarified and modified from many perspectives in order that agreement about its value can be achieved.

- 5) Internal selling of new ideas and their concrete implementation require that a social need be perceived by the innovators and that the creation of changes permeate the entire organisation. The creation of an internal need is the first step toward commercialising an innovation.

Stora Enso: Entering new markets through intelligent packaging

One interesting area of innovation is the development of new solutions for global social challenges. When they succeed, they produce both social and economic value: they make people's day-to-day life easier and improve well-being. Climate change and availability of energy, in particular, are recognised as global social challenges today: huge investments related to innovation policy are made in these areas. At the same time, many other problems are ignored while makers of innovation policy focus on green technologies.

Stora Enso's Pharma unit recognised a social problem that has been known about for a long time: a large proportion of prescription drugs are, for one reason or another, not taken by the patients. Some people forget to take the medicine or cannot afford to buy it, or they do not understand how important the medicines are. Some are simply careless or not in a good enough condition to think about it. Recently, this problem has been perceived as a cost issue at the level of the national economy, which makes it socially significant in various ways. Failure to take prescribed medication has economic consequences that harm national economies, pharmaceutical companies, and individuals.

The Pharma DDSi intelligent packaging for medication developed by the Pharma unit, whose stages are described below, is designed to solve this problem. The package is more than a container for medication. It also serves the end user. As new intelligent technologies have evolved, the transition to various integrated solutions in the packaging sector that serve the user is particularly topical. There are huge opportunities in this sector to build innovative packaging solutions that support various aspirations and solve social problems.

Innovative openings from outside the value chain

Forest company Stora Enso established its New Business Innovations unit in late 2003 to explore openings for innovation. The decision was made to seek new opportunities in certain sectors, and the pharmaceutical industry was chosen as one such sector. There were good reasons for this. For a long time, Stora Enso had been involved in co-operation with the pharmaceutical industry. It was one of Europe's leading manufacturers of packaging board for pharmaceutical products.

Ismo Saarinen was appointed manager of the Pharma unit. His job was to think about how to create business that would generate a new kind of added value for customers. Over the years, the co-operation with the pharmaceutical industry had become organised in a very conventional manner. Stora Enso produced packaging board for companies in the graphical sector – which printed the board and cut it to shape, then sent the products on. The various operators had their established places in the value chain: there was the board-supplier, the printer, the packaging producer, and finally the end user.

124

It was difficult to find a new kind of value in this value chain, so it was clear to Saarinen that room for innovation should be sought outside the established forms of co-operation. He'd had experience of this kind of work. He jokingly describes himself as a 'strange engineer', which means that he is too commercially minded to be an engineer proper. Saarinen has worked for Stora Enso for more than 20 years, and his previous job prepared him for his work as manager of the Pharma unit. At that time, he worked with a paper machine in Imatra and took the machine line in a new direction. 'We created a new product for the machine and customers for the new product. The result was that the machine produced something completely different than before. The products and customers changed, and profitability improved,' he explains.

At first blush, changing the product that a paper machine produces may not seem a process similar to specifying a new market definition, but Saarinen thinks the work required is very similar. ‘The only thing that is different is the scale,’ he says. In his previous job, the paper machine was producing something and his task was to consider how to use the machine in a different way, for production of a new kind of value for customers. Now he had to do the same with packaging solutions used in the pharmaceutical industry.

From customer expectations to packaging solutions

One of the principles guiding the operations of the Pharma unit was to consider the following topical question in the packaging sector: How can we combine intelligence with packaging in ways that are meaningful to customers? Stora Enso set out to work with reasonable, fairly small economic investments. ‘We had some money to use,’ Saarinen elaborates. The Pharma unit benefited from a Tekes-funded project that studied packaging solutions used by the pharmaceutical industry. The Tekes project gave Saarinen’s team an opportunity to network with Stora Enso’s packaging specialists working in Karlstad, Sweden.

125

Around the same time, Sari Häkli, a highly experienced sales manager for Stora Enso, joined the effort to build the business of the Pharma unit. She has been primarily responsible for presenting Pharma products to customers and various interest groups both in Finland and abroad: her work has required an excellent understanding of how customer desires are converted into new products. In-depth knowledge of the pharmaceutical industry is essential in her work.

Häkli describes the background for the first product for the pharmaceutical industry that she was responsible for. Stora Enso’s customers wanted something in the packaging for medicines that would verify their authenticity. A new decree about monitoring of drug deliveries came into force in Florida: when a large batch of

drugs is moved from one place to another, the drugs must carry an electronic pedigree. California followed Florida's example in its legislation, but enforcement has been postponed for many years because of insufficient standards and the complexity of the process. Drug-related legislation in the United States is anticipatory and tight, but, at the same time, pharmacists apply some methods that are very old-fashioned from a European perspective. Pharmacists measure out prescription drugs into bottles, and bubble packs have not become as common as they have in Europe.

Häkli describes the radical market change in the United States. Legislation and global standardisation are currently in preparation that aim at reducing package sizes and the number of layers of packaging while also making drug deliveries safer and more efficient. The processes of change focus on product safety in all parts of the delivery chain. If the objective is that the drugs not be touched by human hands, dosing by pharmacists must end. Häkli thinks bubble packs will become more common in the United States, enabling the new user-oriented packaging developed by the Pharma unit to shape emerging practices.

126

The Pharma unit's first actual packaging product materialised soon after the unit's establishment. In 2005, Pharma SHR, a child-resistant pharmaceuticals packaging solution manufactured in co-operation with a packaging company belonging to the German Robert Bosch Group, was launched for the US market. The idea of a child-resistant pharmaceuticals package is by no means new, but its creation process strengthened a new kind of thinking within Stora Enso. During meetings with customers and interest groups, discussions were held about the sector's future challenges and people's expectations of pharmaceutical packaging. In the United States, child-resistant packaging solutions were in particular demand, and the Pharma unit produced a solution responding to this need. The usability of the packaging was given particular attention. The package has a squeeze-and-pull mechanism. A child cannot open it, yet

it remains easy for an elderly person to open. The package proved that Stora Enso listened more carefully to the desires of its customers regarding packaging.

Toward intelligent packaging

The next packaging challenge has already found its form within the Pharma unit, but in 2005, it did not yet seem topical and the opportunity within that challenge was not seized. Customers did not express a wish for it, although the combination of electronics with pharmaceuticals packaging was already keenly discussed at packaging industry seminars. Packaging could be intelligent and tell people when to take the medication. 'It still seemed only a remote possibility that there could be a way to direct drug-taking in a way other than by ticking a box on paper,' Saarinen reminisces.

Saarinen was appointed to the board of the Health Care Compliance Packaging Council, a packaging-sector organisation that promotes patients' interests. One well-known global problem was often discussed at its meetings: people do not take the medication that doctors prescribe for them. This is a very serious and costly problem worldwide: It is estimated that perhaps even 40 per cent of prescription drugs are not taken. The pharmaceutical industry has to develop new drugs because people do not take the drugs prescribed. Drugs seem ineffective even if they are not, and some may be, or become, ineffective when not used appropriately. At the level of national economies, states could save money if people took their drugs on time and stayed healthier.

The Pharma unit began thinking seriously about intelligent pharmaceutical packaging. There clearly was a market for intelligent packaging and new solutions were needed. The company's research and development organisation had conducted experiments in conductive printing, and their expertise was strengthened with the recruitment of Juha Maijala, a specialist in the field. The development work was carried out by a multidisciplinary team that also included Ingrid Rokahr,

a nuclear physicist from Sweden. Additionally, Saarinen remembers now-retired colleague Risto Vesanto with great warmth for having had the courage to take on a new task and for his 'slightly nutty reputation, which is good for all pursuits'. Saarinen emphasises the fruitfulness of unprejudiced multi-sector co-operation: 'It is wonderful when different people look at things from so many perspectives'.

Intelligent packaging gradually obtained a form, after 'a huge load of work'. A printer with equipment suitable for conductive printing was chosen for the project. The Swedish Cypak supplied the electronic modules. The end product was as simple and user-friendly as possible. Conductive wires printed on cardboard criss-cross inside the pharmaceutical package. When the drug is taken, an electrical wire breaks and sends a signal to the memory in the electronic module's chip. An important piece of information is stored in the memory: the day and time when the drug was taken. In November 2007, the intelligent pharmaceutical packaging, Pharma DSSi, was ready for launch.

128

Finding support for intelligent pharmaceutical packaging

Pharma DDSi is an innovation that was created to meet a need. It is more than just a product, in that it serves its users in ways other than those they are used to. In addition to the packaging telling its user when the medication was taken, it reminds the user to take the medication. Although a market already exists in principle, the journey of Pharma DDSi to chemists may still take years. This is among the great paradoxes of innovation activities, which affect not only Stora Enso. Even if an innovation is excellent and user-oriented, this is not enough. Supporting functions and structures are needed if the innovation is to be fully exploited.

Stora Enso is trying to make the journey of Pharma DDSi to chemists smoother by providing research data that can make clear the product's benefits. The first pilot research project has been completed at Kuopio University Hospital, and Häkli hopes there will be

more research like this. Ulrich Tacke, a docent with the University of Eastern Finland, contacted Stora Enso: he is constantly looking for new treatment methods for his patients in drug replacement therapy. His pilot testing in Kuopio showed that Pharma DDSi packaging works well in the treatment of drug addicts. At its best, it could bring significant cost savings, as drug addicts would no longer need to fetch their daily dose from the clinic in person.

Häkli describes the pharmaceutical industry as being very conservative. It needs articles published in peer-reviewed medical journals to support the product. However, the perspectives discussed in this report give rise to the question of whether the pharmaceutical industry really is the most important sector for intelligent packaging. What if intelligent packaging were to be applied in consumer goods? Customer- or user-oriented activities may challenge an established sector or market definition in a very radical way, in which case the company involved must have a completely new kind of expertise. Without this expertise, a company may not be able to move where demand is found for their products or services, as this would require transcending the boundaries of its sector of operation.

129

Huge investments are being made in the development of intelligent packaging, around the world. 'These are the first crawls; this development really is in its infancy. There will be great solutions in the future,' Saarinen says. Electronic modules will become even smaller. No matter how intelligent a package is, the information stored on the electronic chip must be retrieved. It can be read on one's mobile phone or from a reading device attached to a computer. Successful reading devices will be affordable and easy for customers to use.

Pharma DDSi makes clear the problems in promoting new intelligent technologies. Intelligent technologies may make people's lives much easier, but the question is how they find their customers. Stora Enso is now collecting research data to support intelligent packaging. The problem is the slow speed of research and the subsequent publication process. At the same time, solutions emerge that take

the packaging issue further from several alternative angles. From the standpoint of innovation anthropology, Stora Enso has not yet fully determined what kind of co-ordination of values could take place around intelligent packaging. There is demand for low-cost intelligent solutions that would help people take their contraceptive pills, anti-depressants, or blood pressure medication on time, but there remains little supply.

Suitable doses of freedom and discipline

130 The idea in the development of DDSi is very different from the image that many people have of Stora Enso. The company is primarily seen as a producer of paper, cardboard, and pulp, but its operations have gradually shifted in response to the needs of its customers, even consumers. The reason is the same as for many other companies. From the value-production angle, taking people into consideration opens up completely new opportunities. Thinking about the development of Pharma DDSi, Saarinen says that a certain openness about its results was important for its success. He returns to the significance of inspirational members of the management: ‘They gave us an opportunity to use resources and the freedom to develop ideas. We needed to be focused, but our arms were not tied. They didn’t force us to look in just one direction.’

Saarinen’s superiors knew the markets and customers of the cardboard industry through and through. They had worked with customers themselves. Solid expertise in the business undoubtedly benefited the project of building something new. ‘We had already received signals about the kinds of packaging needs there are in the world,’ he says. In the initial phase of the project, Stora Enso controlled all aspects of it. ‘First, it was just our team and then, when we got to a certain point, we involved printers and converters,’ Saarinen says, recalling the course of the co-operation.

Saarinen summarises the basic principles of innovative management as the following. The management take the initiative in cre-

ating the framework for innovative work. Without the management's support and inspiration, new initiatives will not be implemented. This has been made clear by the cases described in this report, but it cannot be stressed too much. Individuals carry the innovative activities forward: they are the 'change-makers'. The more favourable the conditions for implementing changes, the better the results. In Stora Enso's case, favourable conditions are built by multi-sector co-operation, sufficient resources, and a well-defined task with enough freedom. Ultimately, these are simple things. Innovation is the result created by carefully selected experts and multidisciplinary teams that are allowed to work with reasonable freedom on objectives the team members have all agreed on. The story of the Pharma unit draws a picture of innovation management as a successful balancing act between freedom and discipline.

User-orientation pushing toward radical changes

131

- 1) The move to new business areas as a result of innovation requires radical changes in the partnership and value network, because it takes time to find the right partners and revise co-operation models.
- 2) Innovation and its value are not reduced to a new technology. Technological solutions do enable new product solutions, but their value may be more difficult to determine. Hard-to-meet expectations may be associated even with a simple solution – as the expectations of medical science, medicine control bodies, and end users for intelligent pharmaceutical packaging show. A solution has economic value only if the innovation produces additional value for all of these parties.
- 3) New kinds of products require many experiments and ability to find opportunities for the technological know-how in the customer's day-to-day life so that the concrete implementation of an innovative concept, and the potential business models, can be tested and evaluated in a real-life environment.

THESES

From value talk to value creation.

6

Ten lessons in innovation for enterprises

Drawing from our cases, we have compiled 10 recommendations that we think facilitate practical innovation work. Each recommendation refers to details discussed in connection with the cases described in the previous chapter. Thus the following recommendations are aimed at crystallising some of the practices and guidelines that support processes for creating a new kind of value by pointing out basic lessons drawn from an innovation anthropology perspective. Many of these lessons are familiar from more conventional innovation literature; in terms of day-to-day innovation practices, the innovation anthropology framework is not as radical as its potential for opening new opportunities for people-centric innovation. We found it useful to list some of the basics of successful innovation work without which creation of new value is, in practical terms, pretty much impossible. The innovation anthropology framework aids in innovation work but, unfortunately, does not eliminate typical organisational hindrances to it.

133

Exercise empathy

The creation of new value requires an extensive understanding and control of value networks. Competing against one's own customers (in B2B or B2C operations) leads innovation activities astray because innovations should produce value for the customer. Only this enables

a company, some other type of organisation, or a community producing social value to turn this value into economic value. In other words, the creation of a relevant value offering requires a thorough understanding of the company's customers. Empathy is the most central requirement in working with customers: this is the desire and ability to understand the environments of the customers and partners, with their various practices and aspirations. Working with customers requires of companies specific – and in many cases, new kinds of – know-how in order for the management of value networks and the solving of end users' problems really to produce value that is translated into offerings from the company. This may also require deeper co-operation wherein the company assumes responsibility for its customers' product development in order to serve customers' end clients in an innovative way.

Assign responsibility to small teams

134

Individuals are change-makers, and co-operation works best in small teams, who are more holistic in their approach. Therefore, it is important to assign the actual co-operation, responsibility, and indicators of success to a small rather than a large team. That way, responsibility is not divided and distributed among too many parties. This also avoids the 'free-rider' problem in innovation: everyone has a clear mission and responsibility for creating something new. Personal interest and individuals' incentive move things forward, while internal politics and games within the company or organisation hamper them. When responsibility and targets are integrated with innovation activities, the process is detached from simple development of a product or service and brought toward understanding of the conditions necessary for the activities to be successful, the broader uses of the innovation, and the conditions these impose on the whole process.

Limit the budget, not the end result

Our cases suggest that a small initial budget forces innovators to focus on the things that are central for innovation – the concept’s preparation, refining, and concretisation – so that they can be presented to others and visualised. At the same time, it enables multiple innovation projects simultaneously. This is important because it makes risk-taking possible and helps one to withstand losses resulting from failure yet does not bring systematic innovation activities to a halt when one idea, concept, or team fails. Failure in an acceptable manner and at an acceptable economic cost teaches a company or other organisation to evaluate ideas and work methods realistically. In other words, failure increases understanding of the strengths and weaknesses of innovation work in its own operating environment. Pioneering enterprises often have a clear innovation project portfolio that contains both more radical long-term projects and projects that create new value at a faster pace. This way, the enterprise guarantees its ability to renew itself both in the short run and over a longer period.

135

Conduct rapid piloting

Rapid piloting forces one to turn an idea into a more tangible concept that can be piloted in as authentic an environment as possible. At the same time, piloting produces experiences and understanding of how the innovative concept actually works. This way, it reveals things that cannot be taken into account in the planning stages. Experience-based information and feedback makes it possible to develop the concept quickly toward the next version. At the same time, concept piloting helps those involved to understand the market in more natural settings and enables the development of sales arguments. In short, successful piloting projects make the offering more concrete

and therefore simplify the selling of the idea both within the organisation and to any external partners. This way, piloting develops the competence of the company and its internal innovators. It is, therefore, of key importance that innovations do not exist, even in theory, until they have been defined in concrete terms and can be shared and evaluated with other people. Companies' customers cannot imagine product offerings that have not materialised or been made tangible in one way or another. The same applies to the employees working in other functions within the company to whom the concept must be sold internally. Well-defined concepts make it possible to assess their functionality in practice, and the concrete visualisation of concepts inspires, builds credibility, and establishes a shared vision. This also relieves the uncertainty and the resulting anxiety inevitably connected with innovation.

Focus on details

136

People-centric innovations typically consist of small things that are well executed and connected seamlessly with one another: they create many kinds of value, for various parties. Innovation work focuses on understanding and planning these values and co-ordinating them in a detailed and controlled manner. The focus on the details might seem small and insignificant, but this is actually where the competitive edge of the company is systematically built. Competitors can circumvent the technology patents held by a company, but they cannot quickly copy the methods and processes that the company has developed (for product development, sales and sales incentives, subcontracting chains, and creation of insight related to the customer). In other words, it is essential to develop the company's internal competence in taking care of even the smallest details. This gives an innovation the head start it needs in the market.

Nurture long-term innovation activities

The development cycle of the innovation processes we have described in our cases, from the first idea to a product's market launch, usually requires years. Innovation is typically long-term work, and there are no 'quick bucks' to be made in people-centric innovation. One of the main reasons for this is that organisations do not, as a rule, support people-centric innovative activities. Instead, innovative individuals must work to get their ideas through and appreciated and must constantly defy the prevailing courses of action; they need to sell their perspectives inside the company. In other words, many people-centric innovation projects must be implemented, and their successes marketed, internally. Consequently, user- or customer-orientation is not a one-off process but a 'total approach' to the company's business. Such a structural change of course is often made in small steps that require patience and countless hours of work.

137

Promote leadership that supports innovation

Innovation management needs to combine freedom and responsibility skilfully. Competent leadership is of key importance here. The management's support is particularly important in people-centric innovation projects because many of them transgress, change, or challenge the company's established methods and strategies (related to organisational structure, business models, sales incentives, etc.). Therefore, the use of ethnography in innovation activities, for instance, will probably not lead to significant innovations without unambiguous support from the management. Innovation processes alone are not enough to turn an idea into an innovation. Without the management's support, innovation projects cannot influence the

company's strategy and, therefore, sustainable operating conditions cannot be created for them within the organisation. This also means that the company's management should not outsource innovation activities to specialists either without taking a clear stand on the matter. The company's management should always be involved in innovation projects, setting targets for them, and the reaching of the targets set must be supported with appropriate incentives.

Make the organisation flexible

138

Some companies are clearly product-oriented and therefore fail to support customer- or user-driven innovation, which requires organisations to be flexible and able to transition to a structure that supports innovation through the insights derived from customer or user research. Without ability to change, the operations of a company or other organisation remain product-oriented, or product-driven, and cannot be modified to produce new value on customers' terms. Customer problems cannot be solved without knowledge of the actual value networks observed at grassroots level. This is why a theory-based model of value production in different parts of the value chain does not serve a company's value production in the best possible way. In other words, change within organisations must be based on a customer- or user-driven idea of the market and the components that the market can be verified as consisting of. For example, perceptions of a market depend on how those components are defined and on the most valuable way in which the company can perceive its market: as an arena of competition for complete products, as the purchasing power of the relevant customer sectors, or as a competition ground for complete solutions aimed at solving customers' problems.

Value new types of expertise

Production of new value requires the ability to exploit a wider base of expertise than is conventionally utilised. An ability to be empathic and to put oneself in the customer's position and thereby understand what the innovation might mean to the customer or the user is essential in taking business development in a customer-oriented direction. The internalisation of this view and its carrying over into development activities requires people who are capable of communicating this understanding in a simple and effective manner to other workers within the company. For companies that wish to develop expertise in people-centric innovation, this means a requirement to recruit new people and to accept and appreciate diversity. Ideally, new recruitment and the development of skills aim to find and characterise employees who understand both the company's core processes and solid methods of producing new value in a way that supports the overall aims of the company. For example, IBM emphasises a 'Y profile' in its personnel's expertise. In practice, this means expertise in two, separate sectors – and an understanding of the core expertise of both the company and the customer that helps the employee to translate customers' world into a language that the company understands and that can then be taken as a basis for improving customers' day-to-day life and developing offerings that support customer aspirations.

Set a disciplined innovation target

From a human-centric perspective, a company must define its field of operation with a focus on the customers. This way, it can learn how to support its customers and produce value for them. In other words, this understanding should be turned into a target that guides the company's innovation activities. In addition to producing new value through service and product innovations, or combinations of these, the company may strive toward the objective by developing value-creating activities in financing, internal processes, and distribution channels. Significantly, these measures should help the company approach the target it has set for itself of supporting its customers' objectives and aspirations. In other words, focusing merely on product and service innovations limits a company's opportunities to create new value, weakening the company's ability to react rapidly to market changes. To remain viable in the long term, companies should recognise that opportunities for innovation extend to, for example, their distribution chains, where small but considered improvements have the potential to create a great deal of additional value for the entire value network.

7

Six ways to support Finnish innovation policy

The examples of innovation activities we chose for this study describe learning processes and sequences of events that have enabled structural changes and new practices. The work has resulted in customer-centred products, services, solutions, market definitions, and operating environments. The object of innovation has been to cast aside conventional methods of categorising and doing things. People have boldly learnt new things and, at the same time, forced themselves outside their comfort zone. This reminds us that innovative people are driven by a desire to change things, and the approach to innovations in practical work is moulded by day-to-day doings and challenges. At its best, innovation policy supports these day-to-day activities and helps companies and organisations create new value. Therefore, innovation policy needs to be rooted in greater ability to understand factors and expertise that promote the production of value and enable the importing of practices that are emerging abroad to Finland. We need a work culture wherein new ideas are courageously put into practice. This also requires a willingness to develop expertise among different types of people, of differing background, skills, and nationality. We hope that the following recommendations can guide initiatives relevant to innovation policy in a direction from which one can better recognise different types of value and produce new value.

Support crossing borders at the grassroots level

The innovators interviewed for this research have actively sought instruction from various parts of the world. The cases make clear the importance of an approach that effortlessly crosses national borders. In other words, for human-centric value production, exchange of ideas with people from other parts of the world is of great importance, but even more vital than this is the ability to integrate new insight and knowledge into daily operations. Ongoing dialogue enables learning new things and acting in international circles. Accordingly, it is not enough to familiarise oneself with ideas that have been found to work abroad, as is often the approach in Finland; these new practices and expertise must be integral parts of the operations of the organisation. Significantly, permission must also be given for this imported expertise and thinking to challenge the existing operating culture instead of merely being tamed within the existing organisation. The interviewees stressed the importance of being present ‘on the spot’: in order to influence and change the world, one must be an active part of it. Nothing replaces participation that takes an inquisitive approach and active creation of new things, whether this has the support of social media or otherwise. The best way to learn to understand how people’s activities and various aspirations guide value creation is to be part of these processes. All of this means that innovation policy must support practical, constant, and concrete learning from various operating environments, as well as the application and development of imported ideas in the internal operations of Finnish organisations.

142

Immaterial processes at the core of innovation

We have demonstrated in our study that the world consists of social and cultural phenomena that are central for understanding how new and economically viable innovations are created. Most economic growth is based on the production of immaterial things, and in order

to transform desire for international pioneership into reality, Finnish policymaking should take this challenge seriously. The cases presented in this report make apparent the economic weight of a user or customer-driven approach. This is in line with domestic politics: user-centredness is now part of Finnish national innovation policy. From a practical perspective, user-centred innovation is perceived as an attempt to solve various problems from the viewpoint of the customer or the user, focusing – instead of on one technology or solution – on understanding the relationships within which products or services are used.

However, from the innovation anthropology perspective, use cannot be reduced simply to material and/or functional use of products and services. As shown by our examples, the meanings that people and enterprises associate with offerings are central factors in the creation of innovations. Therefore, a narrow user-driven innovation policy approaches the ‘user’ with excessively predefined expectations. This is why it is important that user-driven innovation projects not always aim for some predetermined product or technology but aim to transcend the existing division of tasks and create something new that truly supports the ‘mix-and-match user’ perspective discussed in the report. People always operate in complex environments where many technologies and services are used in day-to-day operations instead of planned innovation. Therefore, the most important element is to recognise the central role that social worlds created by people and the meaningful differentiation occurring in these have in the production of innovations. Unfortunately, organisational cultures have often formed in such a way that the organisation has lost the connection with relationships that are meaningful to customers and users and with the established acts of cultural differentiation existing within these. From the standpoint of innovation anthropology, Finnish innovation policy should be developed from the angle of user-centredness that emphasises processes and individual technologies or services in a direction that takes into account mix-and-match

users. In such development, an approach aimed at identifying established practices and related meanings (culture) and social phenomena (people's relationships in B2B and B2C environments) more fully is of central importance. This would encourage companies and other organisations to develop their expertise to incorporate innovation anthropology.

Active dismantling of cluster-based innovation

144 A new, innovative Finland is now being built with the support of Finnish Strategic Centres for Science, Technology and Innovation (SHOKs). This system also provides an opportunity to familiarise leading companies and other organisations with new methods of innovation. At the moment, methods or other approaches compatible with innovation anthropology are not in place within SHOKs, although user-driven innovation is one of the stated objectives of these clusters. The main obstacle for including approaches attuned to innovation anthropology is cluster-based thinking, steering the creation of groups of actors with similar operations. This refers to research and development projects often being built in homogenous groups consisting of people with similar expertise wherein large companies participating in SHOKs end up determining in advance what kind of research will be conducted. It is a false assumption, however, that large Finnish companies or research institutes understand people's day-to-day lives around the world or the ways of enabling creation of new value. In cluster-based operations, user-centredness may be dwarfed by other forces and transformed into mere modification of predetermined agendas into more user-friendly solution models. Therefore, the actual development work and thinking behind innovation activities tend to remain based on old models that, in turn, usually translate to mere user testing at the end of the project.

From the standpoint of innovation anthropology, it makes more sense to formulate the problems to be solved by SHOKs by means

of an explorative approach. New directions for innovation could be identified, for example, through an ethnographic study examining opportunities associated with the people's social relations and everyday aspirations or considering problems related to B2B value networks that could be addressed. The social worlds thus identified represent not a micro view but wider, macro-level phenomena that cannot be observed without an active presence in the worlds where innovations are intended to fit seamlessly. In practice, this could mean a B2B study of the organisational culture of buyers of engineering products and the gauging of the challenges therein in different parts of the world before solution models and technologies are finalised. It is of central importance that innovations be examined as social phenomena and phenomena related to meaningful differences, which are to be communicated as clear targets in innovation projects. This also requires the courage to specify great and clear social challenges, arising from people's everyday life, for the innovation programmes to solve. After this, the problem can be dissected into smaller sub-areas to be tackled, where these together form the value network for the solution.

145

With these elements drawn together, innovation policy aimed at creating a new kind of value must support bold pilot projects whose primary objective is not an economic one but is attractive for reasons related to the production of social value. The implementation of such projects and learning from them could make Finland a real pioneering society, where innovative new courses of action are systematically developed.

Using human resources to support value creation

Innovation policy should always support conditions favourable to value production. This can be done in many ways: the production of new value is promoted equally by careful management of information-production processes; the explorative identification of people's needs, aims, and desires; and the outlining of service or solution ideas.

A favourable setting for value production speeds along these processes and the systematic building of products, services, and solutions. With regard to innovation policy, it is therefore essential to respond reflexively to the desire of value networks formed by various organisations for simultaneous control of these processes, which may vary greatly in their nature. Ability to recognise and appreciate each organisation's individual strengths and roles, and to understand how various processes are linked with each other and intertwine, is of primary importance. This kind of complexity requires managerial expertise that is able to direct entities made up of quite diverse processes. Our case studies make clear that innovators have a key role in enterprises as they develop new kinds of value-creation methods. They draw from high-quality basic research by studying the literature and discussing the issues with researchers and by applying these methods to their enterprises in ways that are suitable for them.

146

Where people-centric business development is concerned, it is of central importance to focus on human resource development, using the foremost experts in the sector both in Finland and abroad. To develop the application of existing knowledge, an entirely new kind of development institute should be considered. This would adapt and bring together top expertise from Finland and abroad so as to form a package suitable for the pace of the organisations' operations at the time, independently of political associations. At the moment, enterprises have outsourced some of their innovation activities to public research institutes, but these are typically unable to support innovation at the required pace and within the organisational framework in which enterprises operate. This also imposes an uncomfortable double role on public research institutes: they simultaneously carry out both basic research and innovation-oriented development. Neither can consulting agencies support enterprises' innovation activities, because the number of consulting agencies that specialise in people-centric innovation in Finland is highly limited.

Another alternative might be a new financing model targeting the purchase, from Finland or abroad, of expertise producing ‘immaterial value’. In other words, the specification and steering of value-creation processes requires a new kind of expertise and a different approach. In view of this, a small country such as Finland simply cannot afford not to use global human resources to enable innovations.

Innovation initiatives require ownership

The examples in this report demonstrate that innovative people share a constant desire to find and use new information to advance their work. This is a considerable departure from the common assumption in Finland that innovations emerge as if by themselves at ‘boundaries’ or on ‘platforms’ between institutions. This research suggests that innovations do not, in fact, emerge at these boundaries and platforms and that the ideas that innovations feed on may emerge from new kinds of connections that are enabled, in practice, by new encounters. In other words, the creation of boundary interfaces, platforms, and networks is not on its own an adequate objective for innovation policy – ideas that create new value need the internal support of the enterprise/organisation, or various partnership networks, if they are to find their way to the market as successful innovations.

147

In fact, our case studies indicate that an innovation requires unambiguous ownership and that responsibilities related to its practical implementation need to be defined. If the activities taking place under the auspices of the instruments supporting innovation policy lack clear commitment from the enterprises’ management, no marketable innovations should be expected from them. Accordingly, in addition to creation of opportunities, a new division of responsibilities means encouraging commitment, and innovation challenges whose solution motivates various parties are needed.

New indicators for assessing innovation activities

Our examples show that innovations and innovation-friendly circumstances should be identified in a much more comprehensive manner than is customary in Finland. Innovations' value is measured with many, different indicators, but all focus primarily on economic value and indicators directly linked thereto. For example, they emphasise inputs in product development and focus on patents. These indicators have their own historical baggage: they largely reflect the conventional industrial methods of producing innovations. The biased nature of the indicators is a problem because, as demonstrated by the innovation anthropology approach, economic value is just one dimension of value. For example, patents were seldom seen by our interviewees as sustainable protection against competitors. Consistent co-ordination of the value network, the creation of a meaningful difference, social value, and economic conditions in which all of these support one another together form, in fact, much greater protection for innovations. Thus the study indicates that innovations should not be measured only in terms of economic indicators, as the relationship between the social value produced by an innovation and economic productivity may be indirect. By contrast, economic value is created as a result of support from other means of value production: additional economic value is possible only if a new innovation also produces some other value for its user than direct economic value. Innovation inputs can be understood and made more transparent in a more comprehensive manner only through systematic analysis of various dimensions of value.

8

Pioneering in human-orientation

A human-centred approach to innovation has already produced success stories both in Finland and elsewhere. In addition, human- and user-centredness are trends that are rapidly spreading in innovation discourse. This study aims to support this topical debate with practical examples. Our study illustrates that innovation activities are down-to-earth in nature. Primarily, they focus on problem-solving, not on creating universes of discourse. It takes more than talk to create a human-centred innovation culture.

The chapters of this book have progressed from more theoretical consideration of innovation anthropology to practical examples and recommendations. We have shown how innovation anthropology may be used to identify and analyse value-creation processes. Social value and the related practices of differentiation are necessary if any economic value is to be created. Practical examples illustrate in concrete terms how these dimensions of value are managed in successful innovation processes and demonstrate how economic value is created by supporting people's various aspirations. Naturally, these aspirations may be quite diverse. People may have a number of conflicting aspirations, the gap between which can be bridged with innovations. This is why successful integration of the various dimensions of value is typical of success stories in human-oriented innovation.

Human-oriented innovation has at its core competent people who are capable of creating new value. They need to be supported

by a company culture wherein the prevailing methods may be questioned and in which this is actively encouraged.

Multidisciplinary training and curiosity about actual practices observed in the world are of key importance for human-centric innovation that gravitates toward people's day-to-day existence, not to production processes or technologies. This is why we have referred to people as 'mix-and-match' users of products and services. This use of multiple products in a given category, often in parallel, highlights the meaning of a human orientation. In addition, it challenges enterprises and other organisations to recognise their own starting points and create new kinds of structures to support user-driven activities.

Our study presents basic issues related to human-centredness. In the longer term, human-centred innovation will give rise to completely new political and ethical questions simply because it creates and establishes closer relations between people and enterprises. This makes social relationships between people commercially ever more interesting. Human-centred innovation activity exploits the social relationships between people, opens new opportunities for them, and guides their course. This process inevitably affects people's relationships both with other people and with the enterprises, and it cannot but influence our future lives. This is why preparations for this change should be made at the political level.

A human-centred approach makes it possible to support a more diverse, tolerant, and dynamic Finnish society. In addition to conventional business activities, it can be employed in the promotion of, for example, new forms of finance, ownership, labour, and consumption; energy self-sufficiency; the demand for, and supply of, organic or local food; social enterprise; and well-being. Such opportunities are worth seizing because addressing these themes supports the building of pioneership in innovation.

Innovation anthropology calls for ambitious targets for innovation activities. New value cannot be created without specific, well-managed value-creation processes. Human-centric and visionary innovation work does not succeed through short-term research projects and a sequence of separate research projects that follow one after the other: it requires dedicated innovators, time, and resources.

Sources

Experts interviewed for the report:

Ken Anderson, Intel; Mie Bjerre, Copenhagen Living Lab; Melissa Cefkin, IBM; Michele Chang, Red Associates; Ken Erickson, Pacific Ethnography; Catherine Howard, Jump Associates; Brigitte Jordan, Xerox PARC; Anna Kirah, Microsoft; Orvar Löfgren, University of Lund; Mike Michael, Goldsmiths College; Peter Mortensen, Jump Associates

Literature:

152

Cefkin, M. (2009). Business, anthropology, and the growth of corporate ethnography. In: M. Cefkin (ed.), *Ethnography and the corporate encounter: Reflections on research in and of corporations*. New York: Berghahn Books.

Ehn, B. & O. Löfgren (2009). Ethnography in the marketplace. *Culture Unbound* 1, 31–49.

Graeber, D. (2001). *Toward an anthropological theory of value: A false coin of our dreams*. New York: Palgrave.

Hyysalo, S. (2009). *Käyttäjä tuotekehityksessä. Tieto, tutkimus, menetelmät*. Helsinki: School of Art and Design.

Jordan, B. & P. Putz (2003). Thinking assessment. *Practicing Anthropology* 25(4), 37–42.

Jordan, B. (with M. Lambert) (2009a). Working in corporate jungles: Reflections on ethnographic praxis in industry. In: M. Cefkin (ed.), *Ethnography and the corporate encounter: Reflections on research in and of corporations*. New York: Berghahn Books.

Jordan, B. (2009b). Blurring boundaries: The ‘real’ and ‘virtual’ in hybrid spaces. *Human Organization* 68(2), 181–193.

- Prahalad, C.K. & V. Ramaswamy (2004). Co-creation experiences: The next practice in value creation. *Journal of Interactive Marketing* 18(3), 5–14.
- Ritzer, G. & N. Jurgenson (2009). Production, consumption, prosumption: The nature of capitalism in the age of the digital ‘prosumer’. *Journal of Consumer Culture* 10(1), 13–36.
- Sakkab, N. (2007). Growing through innovation. *Research Technology Management* 50(6), 59–64.
- Sunderland, P. & R. Denny (2007). *Doing anthropology in consumer research*. Walnut Creek, California.

Abstract

This study describes the creation of people-centric innovations. Instead of focusing on innovation structures and processes, it looks at the creation of a new kind of value in practical innovation activities. We argue that innovation requires a clear understanding of the different dimensions of value and their inclusion in the development process right from the beginning. In the end, additional economic value stems from the additional value perceived by the user in his or her everyday life. The adoption of a people-centric approach requires that enterprises and other organisations understand that innovations equal the creation of new kinds of relations between people and supply. In simple summary, innovations are successful if they help users in their daily pursuits.

154

We have developed a model for the various dimensions of value in innovation activities. We call this framework and the new kind of views on innovation it gives rise to ‘innovation anthropology’. This model approaches value from three perspectives. 1) Economic value is related to how much and what people are willing to give up in order to obtain a product or service they desire and how the supply of these can be produced in an economically sustainable manner. 2) Social value, in a broad sense, is linked to what elements and practices certain groups of people consider good and desirable. 3) A meaningful difference, on the other hand, is defined in relation to those habits and means that individuals, enterprises, and other organisations adopt in order to differentiate themselves from others.

People-centric innovation practices are examined through seven Finnish enterprises, used as examples. These examples of innovation are the following: community-built housing, Golla, Tapiola, Sulake,

Sinebrychoff, Kone, and Stora Enso. We show that integration of the three dimensions of value requires a simultaneous understanding of social desires, opportunities for differentiation, and economic goals. Innovations are not only about technologies, processes, or products; they primarily concern the compatibility of supply with the relations affecting people's everyday lives.

Some principles whose implementation enables the development of enterprises' practical innovation activities are presented in the conclusions. The recommendations highlight, among other elements, customer-orientation, competent innovation management, the importance of a new kind of know-how, innovation in small teams whose members retain their personal responsibility for the team's work, and rapid piloting for collection of feedback. Real people-centric innovation cannot be achieved without simultaneous commitment to organisational changes – which may be considerable – to allow market launch of new concepts. For the different dimensions of value to become visible and for their significance to innovation to be understood, innovation programmes more supportive of people-centredness should be prepared, for boosting of innovation policies.

- How do businesses generate innovative solutions and business opportunities?
- How is value creation practiced from a human-centred perspective?
- How do products and services become part of everyday lives of their users?

The real experts on products and services – users – have knowledge that is vital for businesses. But are businesses able to understand this knowledge and use it in their innovation efforts?

This introduction to innovation anthropology offers tools for rethinking value. It outlines ways for identifying and exploring processes of value creation. The argument suggests that in order to truly create something new, conventional product- and technology-centred innovation needs to be reconsidered.

Innovation anthropology pushes forward a human-centred perspective and argues that innovation activities must be grounded in a thorough understanding of social dimensions of value. Economic value is only possible, if people's value aspirations are met.

The reader is taken on a journey of current practices in value creation and innovation. The case studies demonstrate how businesses engage with their customers' worlds while creating new solutions. The innovations presented address the diversity of human-orientated innovation, including insurance services, pharmaceutical packaging, pouches for mobile phones, and sales of digital items.

The authors, anthropologist Minna Ruckenstein and innovation consultants Johannes Suikkanen and Sakari Tamminen, urge their readers to forget the usual innovation talk and focus on the essential – a new kind of value creation.

SITRA


Tebes



9789513 760847

ISBN 978-951-37-6084-7

ISSN 0785-8388 (Sitra)

KL 69

Minna Ruckenstein, a research specialist at the National Consumer Research Centre. She holds a Ph.D in anthropology and has led a number of research projects at the University of Helsinki. She has published widely in Finland and internationally. In addition to innovation and value creation, her research explores children and the economy from the perspectives of money, toys and technologies. She is the president of the Finnish Anthropological Society and one of the co-owners of Hub Helsinki co-operative.

Johannes Suikkanen, the managing partner of Gemic Ltd. His career has seen him help both Finnish and international businesses to implement customer-driven business strategies and product development. Suikkanen has a special interest in connecting business with people's everyday needs and in helping businesses create new value.

Sakari Tamminen, the research director of Gemic Ltd. He works on methods of customer-driven service and product development and, as a management consultant, applies them to businesses' needs. In his work, Tamminen aims to show how useful social theory can be in business development. He has a Ph.D in the anthropology of science and technology from Helsinki University and holds a Licentiate of Technology degree from Helsinki University of Technology.