

The next thing I want to talk about is what types of innovation are there. We at the Massachusetts Institute of Technology think about technology. But we also think about a lot of other things. If you have types of innovation, you have can technology. But you could also have process innovations as well. You can have process innovations, where we change a process. Someone looks at something, says it's going to be done differently. We also can have business model innovations. This is probably one of the most interesting areas right now, because you see terrific value creation in innovative business models, not just things like Blockbuster or Salesforce but the underlying innovation at Google that was creating value, I would argue, is the new way that they do advertising.

Previously, before that, there were banner ads. But Google, again, took the idea from Overture with Bill Gross and commercialized that to change the game for business models, how they extracted their value. They did it by Google AdWords. So they were charging, they were advertising using the words as opposed to just the real estate. Another one that's very interesting when you talk about innovative business models-- In hindsight, looking back at iTunes now, one of the big breakthroughs that made iTunes successful was, before them, everybody was charging on a subscription basis for the music. What Apple did was they charged \$0.99 per song, and you got to keep it.

Turns out, that was a very good business model innovation as to how to price it and extract value. Because that made it more familiar with the past, where they were buying CDs and the like. So business model innovation is a very interesting one. You can also have positioning, how you position yourself. And then we'll just say other, because it's hard to limit your types of innovation.

Yeah. When you have types of innovation, I would also say, indeed, we also have categories of innovation. And, in this case, we have disruptive, which is the word that we hear so often now. This is disruptive, this is disruptive. That can be a very good thing if you're not the entrenched player. If you're the new player in the market, you want disruptive.

However, if you're the entrenched player, you're looking for incremental innovation that says, this is 10% better. 20% percent better. And the last one I'll say is a very interesting one, is what we'll call later innovation. Or I think Stefan Thomke at Harvard calls it general innovation. And this is something that was an innovation that you saw in another industry and you're just bringing back into your industry.

Now why do I have types and categories? Because, in this case, you could have a technology that was disruptive innovation. You could have a technology that's incremental. Or you could have a technology that's already worked in another industry, and you bring it in. So really what you have is a matrix where you have three different

categories for each type.

And there could be more, but my point here is that, as we're about to go through these 24 steps, innovation can be driven by a number of things. It's not just technology. And sometimes your innovation can be disruptive. And sometimes it can be incremental. And sometimes it can be general. All of these are good, and it depends on your situation. Don't just look for disruptive, technological innovations.