THE DISCOVERY PROCESS

The Moen Story

Transformation takes place when a new worldview replaces an old one.

—WILLIAM MILLER

While Southwest Airlines, IKEA, Charles Schwab, and other high-profile entrepreneurial companies tend to be associated with the concept of strategy innovation, they are not the only examples that exist. Strategy innovation does not always begin with a visionary founder in a start-up mode—it can happen in fifty-plus-year-old companies. It does not always germinate in technology-oriented companies—it can happen in companies that bend metal for their main business. It does not have to create a whole new industry—it can happen in companies that just want to grow their businesses.

To illustrate how strategy innovation (specifically the Discovery Process) can be implemented within a corporation, we selected an example from a quality, existing company in a very common industry, plumbing products. The company is Moen, located in a suburb of Cleveland, Ohio. Here is their story.

The internationally known Moen corporation has a long history of "firsts" in the plumbing products industry. It created the first single-handle faucet, the first washerless cartridge system, and a "swing 'n spray" aerator, which can change a faucet's water flow from a stream to a forceful spray. It was the first company to de-

velop a family of versatile faucets that could be lifted up to ten inches above a sink, and among the first to introduce pressurebalanced shower valves, as well as customer-friendly lifetime warranties and a toll-free help line.

Challenge for Growth

Yet in the early 1990s, this North Olmsted, Ohio-based company found itself in a challenging situation. Moen had just been purchased by American Brands (now Fortune Brands), and Bruce Carbonari had been installed as its new CEO. In assessing the company and its growth prospects, Carbonari quickly determined that he must transform the company in order for it to grow. The company was losing market share—it had become a distant number two brand in the market. It was also not positioned well for the changes that were beginning to take place in the market.

Moen's prior success had been achieved by focusing on faucet engineering and manufacturing. This was the approach to business that founder Al Moen established when he created that first single-handle faucet more than six decades earlier. The company's success as the number two brand in the plumbing products market was to make quality products and distribute them through plumbing wholesalers. Product styling, company marketing, and retail distribution were minor considerations in their business model.

But these old ways of competing would not sustain the new growth goals in the dynamic plumbing products market of the early 1990s. Female consumers were making more and more design decisions for kitchens and bathrooms, and they were looking for products that were as fashionable as they were practical. The number of shelter magazines and home shows was increasing to further fuel this interest in home renovation and design. At the same time, bigbox retailers were changing how plumbing products were being merchandised and purchased, making them more accessible to the average homeowner. In a short time, Moen's strategic landscape had become dramatically more complex than simply selling a technically superior faucet to a plumbing wholesaler.

So CEO Bruce Carbonari started thinking about how to reposition the company for the future:

These realities going on around us made it easier for us to start looking at change, because we knew we had no choice. We were the number two player, and dramatically smaller than the number one player. Roughly 90 percent of our sales were from products designed in the 1960s—and obviously not selling as well as we wanted. We needed to change, to evolve, and to get to a new and more sophisticated business model.

But before we could change our product or how we do business, we had to change the way we viewed the business and, really, the entire culture of the company. Moen was a metal-bending company, not a consumer-driven one. We were a company with great faucet technology. But our faucets were of such great quality that most people only bought a new one every nine years. Our products were practical, but not designed with consumer input, and certainly not exciting. And exciting is what we needed.

The infrequent purchase rate of a Moen faucet, once every nine years on average, became a focus of Carbonari's new internal strategy for corporate transformation. Calling his new strategy 9-to-5, he challenged his employees to create a company that produced such stylish and innovative products that consumers would be interested in purchasing new ones every five years, instead of nine years.

The company responded. New people and business processes were put in place to increase the flow of new, consumer-focused product lines. As new products were introduced to the market, sales increased, and Moen was back on a growth track. By 1994, however, Carbonari recognized that Moen needed even greater growth to achieve their corporate goals in the increasingly competitive marketplace.

Although Moen was doing a good job in developing new products, they did not have a reliable process for the identification of new products. Many different people within the company had many different ideas of what should be produced. They needed a way to determine a corporate strategy and accompanying product plan that would help them to meet the higher growth rate they desired.

Identifying Champions for Growth

The first thing he had to do was to get the organization aligned on the goal and get a group to lead the journey required to achieve it. To do this, Carbonari charged three members of his management team—Dan Buchner, director of new product concepts; Maureen Wenmoth, director of marketing services; and Tim O'Brien, director of technology innovation—to put together a diverse, crossfunctional team from within Moen. Their challenge would be to lead the team in the creation of a "future product road map," outlining how Moen would achieve its growth goals over the next five-year period.

Carbonari and the Moen senior management team agreed that for the company to succeed, it needed the following from this internal team:

- A five-year strategic product road map
- A proactive competitive strategy
- Organization-wide commitment on the goal of being No. 1 in the industry
- Foresight on significant trends and events for the future
- An exploration of new technologies
- A shift from being "engineering driven" to being "consumer driven"

This last point—being consumer-driven—was very important to Carbonari. He believed that "you can be visionary, but if consumers aren't with you, and don't want your product, who cares?"

So with these considerations in mind, plus Carbonari's promise to provide the necessary support, Buchner, Wenmoth and O'Brien began wrestling with the identification of ingredients for success—engaging the right people, scheduling sufficient time, and allocating appropriate dollars. In other words, they had to figure out how to harness and organize Moen's talent and assets to move a plumbing fixtures company to a new level of excitement and innovation in the industry.

Organizing for Success

The tri-captains focused their initial efforts on forming the team that could meet this challenge. Buchner, Wenmoth, and O'Brien did not want employees who were comfortable with the status quo at Moen. They also did not want team members representing only senior management (senior vice presidents and above). Nor, for that matter, did they want team members whose contributions might be constrained by personal or political agendas for this project. They wanted to enlist individuals who were known to have "open minds," a track record for innovation, a collaborative style, and a passion about the future of Moen.

With these criteria and after a lot of back-and-forth, Buchner, Wenmoth, and O'Brien handpicked a team that represented a horizontal slice of directors, managers, and vice presidents from the marketing, research, product development, engineering, sales, operations, IT, finance, and advertising departments—a total of eleven team members. The group named itself the "Project Periscope Team," and appropriately so. Like a periscope, its mission was to examine Moen's future landscape from a position out of the direct line of sight. And like a submarine captain, Periscope team captain Buchner was at first unsure what the Moen Periscope team would see. According to Buchner:

With a project this big, it's not initially possible to think too far ahead, or get a detailed implementation plan from the start. So the most important thing we needed to focus on here was the people. We needed people who were flexible and available and committed. People who cared about the company, but weren't overly concerned about the impact change would have on their functional area. Several times, I had to go back to managers and say, "No, I want someone else from your department" because the person they recommended was not bringing the right level of talent to the team or was not passionate enough.

The group committed to meeting weekly, or more often as the process and activities demanded. Buchner, Wenmoth, and O'Brien, as tri-captains, would invest more time, typically by arriving to work before others did or working later. In addition to this critical Periscope role and responsibility, the tri-captains also kept their "day jobs."

Additionally, an Extended Periscope team was formed, consisting of the key "doers" and "decision makers" from within Moen. Their involvement was designed to deepen the alignment among the decision makers and accelerate the implementation of the strategy once the process was complete. Involving CEO Carbonari, the senior vice presidents, and a carefully selected cadre of proven Moen innovators, this extended team would be engaged primarily for those events designed to yield customer insights or to identify and examine future marketplace trends. They would then have the opportunity to provide assistance to the Periscope team in its task of conceiving and developing new business concepts based on this new knowledge.

How often does the level of talent and experience represented on Moen's Periscope team and Extended Periscope team come together in any organization to focus on the future? In Moen's history, this was a first.

With the teams identified, Buchner, Wenmoth, and O'Brien worked to develop a common foundation of Moen knowledge so that everyone involved in the process would have a baseline of information on which to build throughout the process. This briefing document covered topics that would make up the Periscope "lens"

through which each participant might more accurately view Moen's preferred future. The composition of this lens included current company competencies, resources, talents, and strengths. It also outlined areas for possible strategic growth and, perhaps most importantly, acknowledged the company's weaknesses. One weakness brought to light by the process was Moen's practice of using the "gaps" or "holes" in a competitor's line of products to dictate the type of new products Moen would develop. According to Tim O'Brien:

In essence, we were letting the competition create our business strategies, and that, obviously, is not how things should be done. The central lesson from the brief was that to do things differently, we needed to see things differently.

Gaining a New Perspective

To see things differently, Moen enlisted the assistance of someone whose profession was seeing human behavior in a deeper, more insightful way—a cultural anthropologist. This anthropologist visited more than twenty homes and businesses across the country to observe how people use water and what role it played in their lives. He watched and photographed people doing the dinner dishes, washing their pet lizards, filling their pools, running through the sprinkler, hosing down the driveway, washing their cars, and bathing their children, among other things. He tracked people's moods, happiness levels, and feelings of satisfaction while carrying out each of these activities, plus how they felt when they were done. He wrote down how long each action took, and documented how people moved and adjusted their water faucet for the needs of that activity. He rated the importance people placed on water safety, flow, and efficiency, as well as the effectiveness and aesthetics of each fixture. The fun factor of each activity was rated too. He observed and noted the differences between the habits of men and women in their handling of fixtures. The final report from the cultural anthropologist did an excellent job of cataloging water use

among consumers, providing the Periscope team with a much broader understanding of the uses and implications of their product line. As Maureen Wenmoth noted:

> The results of this insight safari was that people wanted more than just functioning faucets. We thought we knew all about water and faucet needs, and why not? Moen had been in the water business for many decades. But, by never before conducting observational research, we really were missing out on a lot. We were also limiting ourselves by working in self-created boundaries. We were working under the pretense that water is a commodity element something people want and need. But the reality is that it's not so cut-and-dried. Water is many different things to different people. Yes, it's something people need. But it's also something they want to enjoy using and receiving. The information confirmed that we needed to be consumerdriven and think not just about faucets, but how they relate to a room, use, or surrounding space. Our future demanded it.

Enlightened by a new perspective on consumer behavior in and around water, the Periscope team wanted additional opinions or information on how this behavior might evolve or be influenced to change in the future. If this is our consumer today, who will be our consumer tomorrow? What will the world look like five years from now? What will be the key forces that could drive change in the marketplace? To create a "future view" to add to their newly found consumer worldview, the Periscope team decided to enlist the help and stimulation of a dozen globally recognized "thought leaders" from different areas of targeted expertise.

Bringing the Outside World Inside

Although the Periscope team was confident that an infusion of outside-the-company perspectives would be a positive stimulus, there was still some anxiety around picking the right topics and the right people to represent those topics. Observed Buchner, "The selection of the thought leaders and anticipating their interaction with our internal staff was an anxious time. Could we create a good outcome? We had lots of strong-willed people who had ideas that vertical integration was the way for us to go. What happens when you throw someone like a futurist into that discussion?"

The team decided that twelve thought leaders would be invited to two separate events. The first event, designed to provide Moen with a comprehensive "macro" view ten years out, would cover a series of broad topics. To identify these topics, Moen employees were asked if they could somehow, magically, achieve perfect knowledge, what would be the most urgent questions, the hottest issues, and the most enlightening topics to be addressed by a team of outside-the-company experts? The result of this exercise was a series of topics for the first thought leader panel, which included water quality, cost and availability, environmental regulation, trends in residential construction and building techniques, the relationship between people and water, the evolution and emergence of distribution channels, functionality and design in the homes of the future, trends in consumer purchasing options, and technologies and materials development of the future.

The First Panel

At this point, the recruiting of six thought leaders for this first panel began. Hundreds of people were contacted in order to identify the six that could best cover the topic areas. Thought leaders were selected based on both their knowledge of the topics and their style in communicating it. Thought leaders, to be effective in this role, needed to be confident of their expertise, open to being influenced by other thought leaders and the Moen team, and able to communicate their knowledge in an easy-to-comprehend way. These desired attributes in a thought leader made the search more daunting, but in the end successful. The selected thought leaders were then coached very carefully on how to play the role of "provocateur" in

this panel, instead of an "expert with the answer." The goal was to stir up the thinking of the Periscope team and the Extended Periscope team, not to tell them what to do.

The first thought leader event was very successful. The thought leaders shared their perspectives, covered the topics well, and, most importantly, caused the Moen teams to think more broadly about their business. They learned that people outside the company had important perceptions and experiences that could help drive the move to a new growth strategy for Moen. "Short of clairvoyance, this was the best process for determining future wants and needs," says O'Brien. "It enabled us to look at, and be guided by, the present and the future, rather than the past."

The Second Panel

The second thought leader event was designed to deepen and advance the learnings of the first event. While the first panel had been intended to provide a wide-angle perspective on the industry's future landscape, this second gathering of thought leaders was focused on what it would take to have Moen's new business concepts and models successfully developed and launched into the market-place. The thought leaders for this event were recruited for their expertise in kitchen and bath design, changing consumer values and lifestyles, water regulation and conservation, and trends in construction and building design.

The Probability of Terrorism

During the second event, a trend surfaced that had the potential to become an industry-wide discontinuity in the future—"environmental terrorism." In 1995—almost seven years before 9/11—multiple thought leaders had forecast the probability of terrorists purposely polluting or poisoning a public water supply with the intent to harm or kill many people. Following such a catastrophic event, it would be hard to imagine a parent drawing tap water from a faucet and then handing it to a child. The Periscope team heard from multiple experts that, regarding environmental terrorism, it

was not a question of whether it would happen, but when. Consequently, it was not difficult for the team to see the need at some point in the future for a product that would filter pollutants and poisons from a home faucet and signal when it was safe to drink. Maureen Wenmoth observed:

These were people who saw, and knew firsthand, how people want to use water, from many different perspectives and areas of expertise. They gave us a deeper understanding of the topic. How people want water faucets that are as safe as they are attractive. How they want fixtures that don't actually look like fixtures. And so on. Water safety, in fact, was a recurring theme that really got us thinking and focusing on the potential importance of water filtration.

With new perspectives and knowledge from the cultural anthropologist and the thought leader events, the Periscope team was ready to start creating a robust portfolio of new business opportunities. In a series of sessions, they created a wide range of opportunities, spanning the short-, middle-, and longer-term time horizon for their five-year plan. To combat the probable trend of environmental terrorism and assure water safety, the Periscope team conceived a new product/business concept they called "PureTouch." It would be the world's first faucet with a built-in filter and electronic signal to indicate when the water is safe to drink. Moen partnered with Culligan, a leading water filtration company, to provide the replaceable filter in PureTouch. The innovative business design for PureTouch provided new growth potential for Moen via follow-up filter purchases by those who bought the product.

Since Carbonari, his executive staff, and American Brands management had all been members of the Extended Team and involved throughout the process, there was no need for the Periscope team to do the traditional "selling" of their new business concepts up the corporate ladder. Instead, the time and energy typically invested in selling senior management at the back end of a process was freed

up to do more and better future planning. So the Periscope team, using tailored market research, did additional fine-tuning of their new business concepts and the five-year road map. The Moen Future Road Map described a preferred future for Moen as it looked to compete in the plumbing products market for the next five years. It outlined the major events, milestones, and potential conditions of the world and marketplace over that time, including such things as:

- Target launch dates for new products, with key milestones
- Anticipated trends and significant events at retail, with consumers, and in government regulations
- Probable competitive tactics and responses

As Dan Buchner explained:

We took the output from the thought leader panels and built a detailed Future Map that captured our new learnings regarding the industry, the economy, and our competition, anticipating what might happen over the next five years. We updated the Future Map as part of our annual planning. It helped us focus and showed us the difficult decisions that we would have to make. Before, we had been trying to do everything in the marketplace, so the map helped us focus our attention and our efforts. The events on our Future Map played out faster than we expected. Three-quarters of the things happened, but in half the time that we expected.

It took several years of intense development and problem-solving for Moen to actually produce PureTouch. In the process, the company brought in new people with new skill sets to broaden its ability to create innovative products. They also set up systems to efficiently develop new products and take them to market. The Moen tradition of engineering excellence would remain essential to product development. But also added to their development strategies was a closer examination of water containment, water forming, the water-user interface, valving, product intelligence, installation/retrofit, treatment, temperature, and style.

It was the development and launch of PureTouch, along with other similarly innovative products, that significantly changed Moen. No longer did Moen view itself as merely a faucet company. With their new internal slogan H2O-4-U ("water for you"), team members were set to position Moen as a full-service water supply company, offering "Water the way you want it." In the market-place, this new product line and new company attitude signaled to consumers and the plumbing products trade that Moen was serious about their new, long-term strategy of "leadership through innovation."

Award-Winning Innovation Spurs Growth

The PureTouch Filtering Faucet System won *Popular Science's* prestigious "Product of the Year" award for 1999 (along with the new Volkswagen Beetle and Viagra!). Awards are nice, but for some on the team, it was almost as satisfying when the CEO of a leading competitor was discovered, by an after-hours security camera at a major trade show, fondling an early PureTouch model. And, within six months of PureTouch hitting the shelves, Moen became the number one brand in North American residential faucets.

Fast forward to the end of 2002. Moen has tripled in size and is pushing \$1 billion in sales. Its market share is up 72 percent since the early 1990s, and the brand is now number one in consumer awareness in all of Moen's product categories. Bruce Carbonari is now the CEO of Fortune Brands Home and Hardware. Maureen Wenmoth and Tim O'Brien have been promoted to vice presidents at Moen, and Dan Buchner has taken a position leading the Industrial Design group for Design Continuum, an international design firm.

In assessing the success of the Periscope project, many believe that this strategy innovation initiative was the catalyst for creating organizational alignment around a number of new growth platforms for the company. The resulting development of internal systems and capabilities for those platforms allowed the company to launch a series of new products that fueled company growth for the next five years, keeping Moen the industry leader and allowing them to meet their financial targets.

As this book is being written, Moen has recommitted to its strategy of "leadership through innovation" by launching a new five-year strategy innovation initiative, called Periscope II.

Strategy innovation can have a dramatic impact on a company's growth and its future. Identifying the business opportunities for strategy innovation is a process that can be carried out in any company willing to make the commitment to it. In the next five chapters, we describe the process used by Moen in their successful transformation. Use it in your company to eliminate the dreaded delta, navigate the whitewater of your changing marketplace, or revitalize your business. You too can do it.