

USING  
**THEMATIC**  
**THINKING** TO  
ACHIEVE BUSINESS  
**SUCCESS,**  
**GROWTH, AND**  
**INNOVATION**

FINDING OPPORTUNITIES WHERE  
OTHERS DON'T LOOK

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JULIA FROEHLICH  
MARTIN HOEGL  
MICHAEL GIBBERT

## Praise for ***Using Thematic Thinking to Achieve Business Success, Growth, and Innovation***

“This is THE case book for unconventional, yet proven business ideas on anything from brand extension, new product development, to intelligent homes. The authors provide a straight-forward approach to solving well-known problems using a new perspective. Thematic Thinking will be an eye-opener to many strategist and innovation leaders.”

—**Prof. Dr. Mueller-Kirschbaum**, Henkel, Corporate Senior Vice President,  
Research & Development

“If, like me, you think visually, this book will have you thinking about networks and nodes and also nesting Venn diagrams. Reading the book will have you precluding taxonomic and promoting thematic categories for problem solving. It will teach you how-to and when-to, and also when-not-to. It is very pragmatic, and—for businesses in many categories—may prove very profitable.”

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Columbia University, New York, USA, and author of *Creativity from Constraints:  
The Psychology of Breakthrough*, and *Creativity from Constraints  
in the Performing Arts*

“This book will change the way you view the business world. Most managers are trained to categorize, from their own ‘core competence’ to the industry in which they operate. In this book, the authors demonstrate with numerous real-world cases the surprising power of viewing business as a world of interconnected products, services, and industries. By recognizing the relations among businesses, rather than simply focusing on their categorization, managers can capitalize on a whole new world of opportunities. This book is a must-read for anyone who’s looking for a competitive advantage for their business.”

—**Zachary Estes, Ph.D.**, Associate Professor, Department of Marketing,  
Bocconi University, Milan, Italy

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# Using Thematic Thinking to Achieve Business Success, Growth, and Innovation

Finding Opportunities Where Others  
Don't Look

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# Preface

This book is about Thematic Thinking. Thematic Thinking uses themes and similarities to address important business questions. We take a close look at different entities and how they interact and how they could interact. This is pretty much the same for business ideas as well as for the authors of this book. The theme of Thematic Thinking has accompanied and occupied us for the past few years. Martin and Michael had already started to work on the topic when Julia joined the theme in the first days of her Ph.D. studies. The theme with the three protagonists writing this book took off with a very lively discussion in the patio of a German business school. The theme inspired us and never stopped to do so. Since that meeting on the patio, we have never stopped working on and thinking about Thematic Thinking. Many ideas and people have since joined the scene. Over the past few years, we have learned that the basic idea is very easy to get across and gets people to think. We are glad that a lot of those who were confronted with our idea of Thematic Thinking shared their valuable thoughts and added a wide range of different perspectives. This book is not only the result of our research and long discussions at various places in the world, it is also the result of the inspiration and support we have received from others. These “others” include collaborating researchers, students (from bachelor students to MBA students), family and friends, and many more. Before we get to the core of the idea, which we developed with their support, we want to thank every single one of them for their contribution to Thematic Thinking. We would especially like to thank Monica Mendini for research assistance. This book is also an invitation for you to join the debate on Thematic Thinking and share your thematic stories and insights at [www.thematicthinking.com](http://www.thematicthinking.com) or get in touch with us on social networks (you can find them on our home page).

As already mentioned, Thematic Thinking is based on a very simple idea, so we start with some very simple questions: What do jogging shoes and iPods have in common? What is more similar—magazine and newspaper or newspaper and coffee? Answers to these questions depend largely on how we perceive similarity. And how we perceive similarity determines in large measure how we categorize competitors and partners, respond to opportunities and threats, and eye companies for potential partnerships. Despite this, not much at all is known in business management about similarity and how it influences the way we perceive the world around us.

This book puts the spotlight on similarity and how it matters in management. We draw on the most recent research in cognitive psychology and apply these insights to more than 70 concrete case illustrations from all kinds of industries and products (ranging from A for aircraft to X for Xylobands). The main takeaway from this book is that when it comes to similarity, most of us intuitively think in terms of similarity as a matter of degree (more or less similar), rather than what type of similarity might be at play. In particular, we point to a different type of similarity, much overlooked, but highly consequential for business management, called thematic similarity. As we demonstrate in the cases and company examples, thematic similarity is at the heart of a new business logic, which allows us to find opportunities (and threats) in areas that are so seemingly dissimilar that others do not consider them relevant and end up ignoring them—at their peril!

This book translates the latest insights from cognitive psychology into an easy-to-follow manual on how to make the best of an overlooked type of similarity. Each chapter provides takeaways as well as concrete business cases and applications, illustrating the potential of thematic similarity to make a difference in how managers perceive their business and that of their competitors. The chapters are largely independent of each other, enabling readers to start the book at any one chapter (but if you want our recommendation, then go with the flow of the book).

*Thematic Thinking* illuminates blind spots on strategic maps and in innovation processes. It shows ways to appreciate and act on those concrete ideas, which offer great opportunities and synergies even though they are not habitually similar to a company's core business. It also points to enterprises that might become competitors even though their business models seem to be miles apart. Thematic Thinking is unlike other business books and textbooks, which point to "distant" areas for new ideas. "Distant," we believe, is unhelpful as a strategic direction, unless you constrain it in some way. Where does distant start? More importantly, where does it stop? By providing a frame of reference, thematic similarity makes sense of "distance" in meaningful and actionable ways; we provide you with an entirely new angle of looking at innovation at the product, brand, and strategy levels. In a nutshell, *Thematic Thinking* provides you with an actionable tool for seeing similarity where others see only difference. The key argument of our book is that sticking only to traditional concepts of what is distant or close in terms of markets, technologies, or new product ideas is counterproductive for three reasons. First, by using them, we fail to see new opportunities (why did it take more than a quarter of a century for managers to realize that jogging shoes and MP3 players literally go together and may be profitably combined?). Second, we fail to see new competitors (which Google manager would have thought that people use Facebook as a substitute for Gmail?). Third, we lack a roadmap guiding us out of innovation dead ends (thinking outside the box makes much more sense when you know where to go after you get "outside"). Thematic Thinking closes these gaps, helping us to see important similarities where we are generally not trained to look.

In spite of the solid scholarly basis of the thematic similarity concept, we offer a case-oriented approach and show concrete business applications. Beyond that, we take a holistic approach by applying a basic cognitive principle to multiple levels, ranging from the big picture of corporate strategy to its execution through individuals and teams generating and implementing thematic ideas in the companies'

innovation processes. Over the last few years, we have been building up a case-study database filled with illustrations of how taxonomic thinking holds back managers' progress, and where thematically oriented managers make a difference. In this book, we open up this rich database for you and illustrate how you can apply Thematic Thinking, too. Once in a while, we revert to the more scholarly basis, but key concepts and technical terms will always be defined and can also be found in the glossary. If you want to learn more about specific topics of the book, the Readings list at the end of the book will point you to more in-depth information. To enable efficient reading and make our ideas stick, you will find the aims of each chapter at its beginning and the main takeaways at its end, and we provide small exercises that can be used to foster your thematic view on ideas. Subsequently, Chapter 1, "Introducing Thematic Thinking: Start Seeing the World with Both Eyes," introduces the basic idea by promoting thematic similarity as a key counterpart to the more often-used taxonomic similarity. Unlike taxonomic similarity, thematic similarity enables you to move beyond immediately related business ideas and threats, and search in areas where others don't look.

Chapter 2, "Behind the Themes: How Thematic Ideas Are Motivated," addresses very straightforward yet critical questions: How are thematic ideas motivated? Why do they evolve? Why do we need them at all? Thematic ideas can be classified by the underlying motivation. We differentiate between *improving the experience, solving a thematic problem, retaining customers, and reaching new target groups*. All these aims are very good reasons to look for a thematic idea and can actually be solved by Thematic Thinking. The main part of the cases used in this book is based on "first-world problems" and refer to first-world markets. The rules of bringing successful innovations to the market differ between different world regions. Especially when it comes to the needs a new product is supposed to address, the situation in emerging economies is quite different from the situation in most Western countries. Here we find a different and challenging

environment for bringing new ideas to the market. Bringing them to the market can be taken quite literally in this case. For example, one of the problems that companies and nongovernmental organizations (so-called NGOs) face is (literally) reaching customers in rural areas. In Chapter 2 we take a closer look at the characteristics of what scholars call innovation for the “bottom of the pyramid” and relate that to Thematic Thinking.

In Chapter 3, “Kind(s) of Similar: Defining the Basics of Thematic Thinking,” we drill a little deeper on the key concepts of Thematic Thinking. In this chapter, you will learn not only how Thematic Thinking is defined and how ideas build on similarity but also how Thematic Thinking is related to other concepts. We especially focus on thematic similarity as antecedent of complementarity. This might all sound a bit technical to boot, but we are quite sure that you will appreciate how basics help you fully absorb the lessons of the subsequent chapters.

In Chapter 4, “Exploring Themes,” we discuss one aspect of Thematic Thinking that so far has been ill-defined, even in academic research, but is very central to the concept: the theme itself. To create a thematic idea or to identify an existing idea as being thematic takes, first and foremost, a theme. Themes can come in very different shapes. Thematic ideas can also create new themes. To help you identify relevant themes, we discuss the main differences between various kinds of themes. The dimensions encompass not only the existence of themes but also the level of abstraction and the thematic distance involved in the idea.

Brands can also build the basis for thematic ideas. Therefore, we devote a whole chapter to the relationship of Thematic Thinking and brands. In some cases brands can even be regarded as themes. This is not the only relationship between Thematic Thinking and brand management; whether a thematic idea based on a brand will be a success or “makes sense” from a customer perspective depends on the brand image. In the case of brand extensions, for one firm producing

products from the same thematic category as another firm, the same thematic extension might make a lot of sense; and for the other, not at all. Developing brand extensions for one's business that do not make sense from the customers' perspective is not the only pitfall in the relationship between themes and brands. On the dark side, a product might get associated with a certain kind of theme that might harm the brand image. In this case the thematic lens can be helpful to identify this kind of threat at an early stage. All this awaits you in Chapter 5, "The Thematic Power of Brands."

Chapter 6, "Thinking Thematic," combines two aspects that are both of utmost practical importance. On the one hand, we report what makes people think thematically; on the other hand, we provide some simple tools that will help you put what you have learned over the preceding chapters into practice. The propensity for Thematic Thinking does not depend only on stable interindividual differences. It also depends on situational factors, which can be influenced to foster Thematic Thinking. As for most things in life, practicing is crucial to be able to successfully engage in Thematic Thinking. In Chapter 6, several small cases are provided to get your Thematic Thinking skills going.

Chapter 6 should provide you with all the tools you need to foster your Thematic Thinking and create and identify great thematic ideas (even if you might not be a "naturally born thematic thinker"). So what comes next? We submit that thematic ideas are not very useful unless you are able to put them into practice. For several reasons, this can be quite difficult. Thematic ideas often differ from "the way things are done around here"; and from a taxonomic perspective, they just look "far out." Paradoxically (even though everybody seems to call for new, highly innovative ideas), "far out" often constitutes a death sentence when it comes to innovative ideas. Thematic ideas indeed require different resources and a different way of thinking. The so-called execution gap is always an obstacle that cannot be underestimated. This is true not only for innovation ideas—thematic or taxonomic—but

also for every new idea, may it be a new strategy, a new marketing concept, or an organizational change. Chapter 7, “Thematic Ideas in the Corporate Environment—Giving Them a Fighting Chance,” is devoted to the challenges related to executing new product strategies based on thematic ideas.

New technologies and technology trends have gained importance in virtually every domain imaginable. Not only have new technologies gained importance and changed the way we live, but the changes and new developments have gained breathtaking speed. Some of these technology trends can be regarded as catalyzing thematic ideas. For example, consider home automation or the concept of a “smart home.” In this concept, technology (for example, wireless Internet and different kinds of sensors) is used to establish a more convenient lifestyle by getting household devices to communicate (your fridge might notice that you have run out of milk and will order some from the supermarket) or be remote controlled from a distance (not sure if you have turned off the stove...well, turn it off with your smartphone). In Chapter 8, “Linking Technological Innovation to Thematic Thinking,” we present some technologies, technical devices, and trends that can be linked to Thematic Thinking and offer new ways to establish thematic ideas.

Chapter 9, “Wrapping Up: Think Thematic,” pulls together the main messages of the preceding chapters and draws a holistic picture of Thematic Thinking.

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# 1

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## Introducing Thematic Thinking: Start Seeing the World with Both Eyes

### What You Will Learn

- What are the key messages of Thematic Thinking?
- What is thematic similarity and how is it different from taxonomic similarity?
- Why is thematic similarity so powerful as a tool for redrawing the competitive landscape?

Executives around the world push for innovation in their companies' core business. However, many executives may be all but blind to great opportunities or grave threats, given their own mental framing of what their (core) business is. What they routinely overlook are great opportunities and grave threats in distant but related industries and markets. As markets change (think of digital consumers and the mobile Internet) and industries merge (think of health care and food), managers need to brush up on what they see as *similar* and hence what is *related* to their core business. Traditionally, strategic issues need to be sufficiently "close," "related," or "similar" (in terms of existing resources, production, and distribution lines) to be considered a feasible course of action and to be perceived by managers as a competitive threat or opportunity.<sup>1</sup> For quite some time, researchers have concluded that despite sophisticated analytical tools, decisions ultimately rest on an individual's "cognitive structures which categorize firms on the basis of their similarities and differences."<sup>2</sup> And people differ in

## **2** USING THEMATIC THINKING TO ACHIEVE BUSINESS SUCCESS, GROWTH, AND INNOVATION

the preference for how to process information and construct mental models. Therefore, we want you to do a small task before reading on (you can find the task in Table 1.1 and the solution in Table 1.2).

For each line in Table 1.1, choose the concept on the right or on the left side that appears to be *most similar* to the one stated between them. You can find the key to the test at the end of this chapter (Table 1.2).

**Table 1.1** Word Triad Test

	dog	
cat		bone
	saxophone	
harp		jazz
	wine	
champagne		cellar
	pepperoni	
pork chops		pizza
	accident	
ambulance		mishap
	turkey	
thanksgiving		swan
	hot dog	
mustard		steak
	demon	
possessed		ghost
	police car	
sedan		police officer
	diamond ring	
bracelet		engagement
	can opener	
can		bottle opener
	spider	
spider web		wasp
	milk	
soda		calcium

It is perhaps surprising, but not everybody agrees on the similar pairs in this simple task. The thing is, people see similarity in different ways. Some people will say cat and dog are clearly similar, but a quite large proportion of the individuals being asked think dog and bone are clearly the most similar items. So which similarity type are you? The answer to this question matters big-time, because how you perceive similarity directly determines how you see your core business and what you see as related or unrelated to your core business.

The key to the test at the end of this chapter helps you identify if you are the *thematic* or the *taxonomic* type. Most individuals show a clear preference for one or the other type of answer (that is, either two-thirds or more taxonomic answers or two-thirds or more thematic answers; in our small test, this would mean eight or more). This leads to the next obvious question: What do cats, dogs, and bones have to do with creating innovative ideas and discovering business opportunities? Actually, quite a lot. The way we organize and retrieve knowledge builds the basis for every new idea. Even more importantly, it impacts which kind of idea we perceive as being worthwhile and which we perceive as making no sense at all. Such judgments are based on executives' mental models of what their companies' core business is about (and this mental model might be based on the wrong kind of similarity...).

So where to turn for guidance? Management and strategy literature is firmly rooted in the idea that related (rather than unrelated) businesses are what we want to consider—but relatedness is based on similarity and different people see different things as similar. Fortunately, cognitive psychology has a long tradition of investigating similarity, providing the management literature with a number of useful leads. To begin with, the similarity between two items has traditionally been thought of in *taxonomic* terms. That is, similarity has been seen as a function of overlapping features. Simply put, the degree of similarity depends on the extent that two objects are from the same superordinate category.<sup>3</sup> After all, it makes intuitive sense that the

similarity of two items increases with the number of common features and decreases with the number of different features, and those items with the same superordinate category are more similar than items with far removed superordinate categories. Thus, jogging shoes and walking boots are more similar than jogging shoes and MP3 players, for example. Perhaps due to the intuitive appeal of the assumption that similarity increases with *common features* and decreases with distinctive features, it has served as the basis for key frameworks such as strategic relatedness, taxonomies such as the Standard Industry Classification (SIC) system, and patent classification systems such as the International Patent Classification (IPC). For example, the IPC category F02 (combustion engines) contains internal-combustion piston engines, gas-turbine plants, jet-propulsion plants, and so on. The problem is that the taxonomic mindset is only part of the “truth”—giving you only one part of the picture. It is only partly true because it constrains your perspective to only one type of similarity, completely ignoring another type. This other type, thematic similarity, has the potential to open your eyes to a whole set of other ideas, businesses, and concrete products that are eclipsed by the traditional taxonomic outlook. Consider what this means for strategic opportunity search.

## Strategic Opportunity Search

When the possibility arises that your basic conceptualization of similarity is in need of radical restructuring, the implications for managerial cognition are considerable. Recent research in cognitive science suggests just that. According to these findings, there is not just one, but two different kinds of similarity. That is, human beings tend to make judgments about how similar two items are based not only on taxonomic similarity, but also on *thematic* similarity. According to the traditional, taxonomic view, the jogging shoe industry is more similar to the hiking boot industry than to the MP3 player industry. Clearly,

jogging shoes and MP3 players share few if any features, factor inputs, or distribution channels and are consequently taxonomically dissimilar. But two things are thematically similar if they functionally interact in the same scenario or event, even though they might be taxonomically dissimilar. For instance, jogging shoes and MP3 players are thematically similar because many people enjoy listening to music while exercising. Yet, since the invention of the Walkman, it took decision makers more than a quarter of a century to realize that the jogging shoe and portable music industries, while dissimilar taxonomically speaking, are similar thematically, and that this similarity could hold substantial commercial value. The Nike+, for example, is the result of a collaboration combining Apple's iPod and a Nike jogging shoe: an Apple chip is put into the Nike shoe, and this product uses the proprietary "Tune Your Run" technology, where the iPod displays information about the distance ran, pace, and calories burned. It even allows the runner to select specific songs with a faster rhythm (by pushing a "PowerSong" button on the iPod), enabling people to turn on, at exactly the right moment, "the one song that always gets you through the home stretch."<sup>4</sup> Following its launch in June 2006, Nike sold more than 450,000 units of the hybrid product within the first three months, and an estimated 10 million units by April 2008.<sup>5</sup> By 2013, the Nike+ ecosystem had 18 million global users and the product has been regularly updated.<sup>6</sup>

Taxonomic similarity eclipses an entire universe of potentially lucrative "matches," which are dissimilar in one sense but similar in another. And thematic similarity enables you to put meaningful boundaries among the theoretically limitless mass of matches that are dissimilar. That is, if you recognize only the taxonomic matches in your universe, you'll be constrained to the limits of your current industries, markets, and technologies, turning a blind eye not only to unconventional opportunities, but also critical threats that seem miles away taxonomically but are very close thematically.

## Recognizing Strategic Threats

There is more to thematic similarity than just opportunity recognition. Strategic management typically splits competitive analysis in opportunities and threats. We've just looked at opportunities. But what about the threats, especially those that your traditional taxonomic frame of mind would not expect? Ultimately, just as Thematic Thinking has direct implications for finding opportunities, it also is instrumental for distinguishing competitors from noncompetitors. In particular, Thematic Thinking suggests an alternative and complementary frame for understanding the competitor definition problem. Note here that taxonomically dissimilar firms can also be competitors, in particular if they are thematically similar. A case in point is whether Facebook in its first four years of existence (since its foundation in February 2004) represented a competitive threat to Google. A taxonomic mental model predicts low similarity between the two companies. Technologically, the two used completely different platforms, applications, algorithms, and business models. From a market-based perspective, Google was in the business of providing information about online sources and in the email business, not in the business of social networking. Facebook's share of Internet activity, however, was growing. As early as 2007, 18% of U.S. Internet users visited the site at least once per month and the average user spent 3.5 hours per month on Facebook,<sup>7</sup> and by mid-March 2010, for an entire week running, more people worldwide were using Facebook than Google.

Recognizing the thematic similarity between social networking, email, and online searches, media analysts argued that Facebook could become "the platform that unites the applications and services you believe are best on the Internet and then instantly overlay your social networking fabric on top of it."<sup>8</sup> It was not until November 1, 2007, that Google openly acknowledged the threats posed by Facebook by launching Open Social, Google's first significant attempt at establishing its own social networking platform. In other words,

Facebook remained a noncompetitor in the eyes of Google executives for more than three years and six months after Facebook's launch. In fact, Google managers actively dismissed Facebook precisely because it did not fit Google's taxonomy of activities: Google CEO Eric Schmidt said: "We have address books, and the sum of our address books is the social graph."<sup>9</sup> Thus, Eric Schmidt's interpretation of the environment as well as his response to that environment was chiefly based on the classic taxonomic mental model—in this case, an excuse for inaction, giving Facebook the time it needed to establish itself as a formidable competitive force. In fact, it was not until February 9, 2010, that Google's managers acknowledged the thematic similarity between social networks and email by making a determined foray into exploiting the integration of social networking and email by launching Buzz, a networking service that was closely integrated with the firm's email offering, Gmail. Buzz let Gmail users create the network easily from their existing email contacts (given that Gmail had 176 million users, the thematic similarity between the two services lowered entry barriers for Buzz). Buzz also exploited Google's search know-how to help users identify the material of most interest to them and to customize the information received on their networking pages.<sup>10</sup> In October 2011, Google closed down Buzz. Currently, Google Plus provides similar functionality and is Google's most recent attempt at competing not only with Facebook, but also with Twitter and the like. In 2013, Google Plus had about 359 million active users and was the second largest social networking site in the world, having surpassed Twitter in January 2013<sup>11</sup> (at the same time, Facebook had more than one billion active users<sup>12</sup>). In September 2013, two researchers from the University of Oxford published a map showing how Google and Facebook dominate the Internet. They had analyzed how many people had visited each of the sites on August 12, 2013.<sup>13</sup> According to their study, Google was the most frequently visited site in 62 countries and Facebook in 50 countries.

As you can see, thematic similarity opens your mindset to a vast competitive landscape that remains hidden under the taxonomic way of looking at the world. What is dissimilar (from a traditional, taxonomic perspective) remains in the shadow of competitive analysis and opportunity recognition, and it remains completely outside your understanding of what your *core* business is and what is or might (in the future) be related to it. Conversely, competitors in dissimilar businesses are, well, simply not competitors. Consequently, they remain outside the competitive radar screen, so to say. They remain invisible. Thematic Thinking unmasks these potential threats by pointing to ways in which they might (again, in the future), interfere with an updated definition of your core business—a definition that relies not only on taxonomic similarities within industries, markets, and technologies, but also (!) thematically related elements in other industries, markets, and technologies. As you will see later in this book, business analyses based on taxonomic grounds are not in themselves wrong, but the exclusive reliance on such heuristics renders you blind in one eye, giving you part of the truth, which in many cases proves too little. Another perfect area to illustrate this “blind-spot effect” is innovation. The next section shows you how Thematic Thinking helps you avoid the innovation dead end in the day-to-day (*core*) business.

## Avoiding the Innovation Dead End: Reconsidering What’s “Distant” to Your Core Business

So let’s slide down from the executive suite and its focus on strategic opportunities and threats to the innovation laboratories and research and development (R&D) centers. The key question hitting the innovators is: What is the next big thing in my industry? Where and how do I find it? A natural point of departure for this quest is a company’s current products and customers. This makes intuitive

sense, but it also poses a fundamental challenge. The behavioral theory of the firm,<sup>14</sup> an influential theory in management, has long acknowledged people's tendencies and the subsequent dangers of searching in familiar taxonomic domains. That is, innovators tend not to look in faraway places for cool new things, but stick fairly closely to things they are familiar with. Take Chrysler as an example. Being in the automotive business commonly makes its innovators focus on its current technologies and its current customers (and their needs today). Scholars and consultants have advised managers for a very long time to search in categories that are distant (rather than taxonomically close) to their own, or else you risk reinventing pretty much the same wheels. Yet everyone owning or driving cars can attest to the fact that the vast majority of things that make up today's automobile are in no measure radically different from cars in the 1980s. Yes, we have an electronic stability program that helps out when you lose control, but with the vast majority of cars sold today across the world, there are still four wheels, a combustion engine, a radio, a steering wheel, a boot in the back, and so on and so forth. It is this so-called local search that leads innovators to rather incremental improvements such as heated steering wheels and yet another set of side airbags. The results often are overengineered products with too many features that most customers never actually use (the so-called feature creep) and companies that are stuck in an *innovation dead end*. Recently, some thematic ideas evolved in the automotive industry. Consider, for instance, the navigation systems and associated data services like integrated traffic updates that we all have come to depend so much on. So far, these ideas have not been game changers, but the ones evolving around new technologies are likely to play an important role in the near future.

Managers try to work their way out of such innovation dead ends. Methods such as brainstorming, which aim at identifying such distant domains, are very popular across many industries. For example, in an attempt to move beyond mere product extension, companies often

encourage their developers to think outside the box (that is, in taxonomically dissimilar domains) by freeing their imagination to envision products that respond in radically new ways to customer needs.<sup>15</sup> However, where does “distant” start, and where does it stop? Notwithstanding the popularity of these outside-the-box approaches, they have been questioned in numerous studies. For example, in a series of studies, Jacob Goldenberg and colleagues found such unbounded methods to be largely ineffective. The main conclusion of these studies is that a search process in distant domains impedes, rather than aids, creativity, essentially because the space of taxonomically distant domains is theoretically infinite, making effective and efficient opportunity search practically impossible. They describe how more often than not, this kind of brainstorming yields a flurry of ideas that, while appealing, are just too far out, given the company’s brand image or capabilities. They are quickly discarded or, if they make it to market, simply flop. A classic example is Scott Paper’s erstwhile and unsuccessful foray into disposable paper party dresses. Whatever the merits of the concept, Scott—known for utilitarian products such as toilet paper—was probably not the company to bring this or any fashion-driven product to market.<sup>16</sup>

These drawbacks of the thinking-outside-the-box school have led to a second stream of thought, which may be called the thinking-inside-the-box school. Cognitive psychology and research in creative cognition have shown that thinking within a frame of reference enhances the creation of new ideas. Building on established concepts in cognitive psychology (encoding/retrieval, analogical thinking), this school of thought argues that individuals are more creative when limited (or guided) by constraints than when faced with a “blank slate.”<sup>17</sup> For instance, think of having guests over for a dinner party on very short notice. You’d like to offer them something nice but have only about ten items in your refrigerator. Chances are, you are more creative under these circumstances than when faced with all the choices at your local superstore. In fact, laboratory studies involving students

baking cookies with more or less limited sets of ingredients confirm just that; fewer options with ingredients lead to more creative and simply better tasting cookies.<sup>18</sup>

Innovators using both a taxonomic and thematic mental model can reconcile the two schools of thought. As such, Thematic Thinking is about the box itself, which one approach aims to break out from and the other advocates to stay within, in order to search for winning ideas for new products or services. The “box” can be addressed in terms of which mental model of similarity is used, with the two schools of thought taking different approaches to similarity apprehension, and hence to framing the box. Consider again Nike and Apple: both had to think outside their taxonomic boxes (sports footwear and apparel versus consumer electronics) but inside the thematic box of “jogging”!

Another example, this time from the realm of sponsorship, is Louis Vuitton donating 15% of its online sales to Al Gore’s Climate Reality Project. With so many organizations to choose from, what would be the appeal for a luxury brand to partner with an environmental advocacy group? We submit that applying thematic similarity to opportunity search makes it clear that “distance” is also a matter of kind (not just a matter of degree) and that a search process in distant taxonomic terms can be close in thematic terms. While distant taxonomically, Louis Vuitton and the Climate Reality Project share the thematic similarity “travel” or, even “frequent (air) travel,” and hence a concern for promoting awareness of the climate change and what can be done to help.

Table 1.2 provides the key to the word triad test at the beginning of the chapter.

**Table 1.2** Key to Word Triad Test

Taxonomic	Thematic
dog, cat	dog, bone
saxophone, harp	saxophone, jazz
wine, champagne	wine, cellar

Taxonomic	Thematic
pepperoni, pork chops	pepperoni, pizza
accident, mishap	accident, ambulance
turkey, swan	turkey, thanksgiving
hot dog, steak	hot dog, mustard
demon, ghost	demon, possessed
police car, sedan	police car, police officer
diamond ring, bracelet	diamond ring, engagement
can opener, bottle opener	can opener, can
spider, wasp	spider, spider web
milk, soda	milk, calcium

## Takeaways

- Different kinds of similarity and similarity perception exist.
- These different kinds of similarities lead to different results when looking for new product or strategic innovations.
- Only adhering to one kind of similarity can lead to missing out on threats and opportunities and hitting the innovation dead-end. Combining well-known taxonomic approaches with Thematic Thinking can help to avoid these pitfalls.

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