

Innovation to the Core

Turning innovation into an enterprise capability

By Rowan Gibson

Innovation. From the boardroom to the business press, everyone is talking about it. In any survey of management priorities these days, innovation is almost always one of the top two or three items on the corporate agenda.

However, making innovation a priority is not the same thing as making it happen. All too often, innovation becomes nothing more than a buzzword or a bumper sticker – the management theme *du Jour* – that receives a lot of reverential rhetoric in company meetings, corporate ad campaigns, and annual reports.

The difficult challenge for most organizations is how to turn all that rhetoric into hard-nosed, revenue-growing reality – not just by making incremental tweaks to existing products or services but by producing a constant stream of breakthrough innovations that compound over time to build a formidable competitive advantage.

Very few firms have managed to pull this off. However, the list of major companies that are working methodically on the innovation challenge is growing by the day, and the progress of a few pioneering firms provides hope and inspiration for the rest of the business community. These leading-edge players – companies like GE, Procter & Gamble, IBM, Whirlpool, Royal Dutch/Shell, Cemex, Best Buy, Roche, W.L. Gore and others – are demonstrating that large industrial organizations really can tackle innovation successfully in a broad-based and highly systemic way.

The new innovation challenge has become the focus of increasing attention in both business and academic circles around the world. Companies everywhere are asking themselves exactly what they need to do to drive innovation to the core – to make innovation an “all-the-time, everywhere” reality inside their organizations.

Institutionalizing innovation

Building a systemic innovation capability is exactly analogous to the efforts companies have taken to develop, deploy and sustain other enterprise capabilities – such as Toyota’s lean manufacturing, or GE’s six sigma. In each case, as is true with innovation, it was a deep, systemic challenge involving considerable effort across a whole range of interdependent dimensions, and requiring sustained commitment over time.

Any enterprise capability – i.e. quality, customer service – has some common components to it. In this article, I will outline four interdependent and mutually reinforcing components that need to come together to institutionalize innovation:

1. **Leadership and Organization:** Visionary leaders and organization aligned around a common definition of innovation
2. **People and Skills:** Disciplined approach to building innovation capabilities across the organization

3. ***Processes and Tools:*** Systematic approach and supporting tools to enable idea generation, pipeline and portfolio management
4. ***Culture and Values:*** Collaborative, open culture and incentives that reward challenging the status quo

These components appear to be almost generic for making innovation a capability inside any organization. Let's consider each of them in turn.

Leadership and organization

Building a self-sustaining, “all-the-time, everywhere” capability for innovation is fundamentally a leadership challenge – it is something that absolutely has to be spearheaded by the CEO. Without the full engagement and commitment of the company's leadership team, the idea of making innovation a core competence doesn't stand a chance.

Realizing a company's innovation embedment vision on a large or even global scale also requires a tangible organizational infrastructure for innovation. The responsibility for innovation needs to be taken beyond traditional structures like R&D, Marketing and Design and spread throughout a company's businesses and functions.

What is required is a systemic infrastructure for innovation that starts at the corporate level and infiltrates each and every part of the organization chart – an infrastructure that makes managers accountable at all levels for driving, facilitating and embedding the innovation process into every nook and cranny of the culture.

People and Skills

Increasingly, companies are realizing that ordinary employees can become extraordinary innovators. They are taking steps to enable “Front Line Innovation” through mechanisms such as discretionary time allowance, innovation training and tools, an open market for ideas, easy access to incremental seed funding, and structures for mentoring and support. In so doing, they are dramatically raising the innovation potential across their companies – and often beyond their organizations, too.

Building an enterprise capability for innovation repositions the role of Human Resources. The new role for HR must be to help an organization unleash the full potential for innovation and wealth creation that is latent in its human capital. The goal is to create a corporate culture in which everyone is responsible for innovation – whether that involves generating new ideas, mentoring innovators, managing innovation projects, or serving as an innovation team member.

To help build an enterprise-wide innovation capability, HR professionals should design an innovation curriculum and organize systematic innovation training across the organization. Remember, GE became famous for its world-class leadership development. What is to stop your company becoming famous for developing world-class innovators?

Processes and tools

Clearly, the right tools and processes make a big difference to what we can achieve in every aspect of life. Innovation is no exception. Instead of just asking their people to innovate, what companies should be doing is equipping their employees with the tools and the processes that are critical for making innovation happen.

These would include systematic mechanisms for discovering novel strategic insights, stimulating idea generation, engaging employees across the organization in the ideation process, rapidly redeploying resources behind promising new ideas, managing a pipeline of innovation projects, and measuring ongoing innovation performance. To a great extent, making innovation a self-sustaining capability is about using mechanisms like these in a systemic and mutually reinforcing way.

One of today's most powerful tools for driving innovation supply is information technology. Corporate intranets have already created something close to an information democracy inside organizations – decentralizing a great deal of the knowledge and wisdom that used to be concentrated at the top of the hierarchical pyramid. The next challenge for IT is to create an *innovation* democracy, where the responsibility for generating or nurturing new ideas – and developing new business concepts and strategies – is likewise distributed throughout the organization and beyond its walls.

Culture and values

Most corporate cultures don't foster innovation; they get in the way of it. For innovation to become a genuine value, it has to be deeply internalized and clearly tangible to an organization's employees. It becomes the net sum of a whole variety of messages and behaviors. In fact, in many ways, it is not really something a company can work on directly; it is something that comes from addressing all of these other issues: leadership and organization, people and skills, processes and tools.

Innovation can only become a true value in a company through collective learning across all its levels, functions and businesses, usually over considerable time. People need to not just *hear* that ideas are welcome “from everyone and everywhere”; or that rule-breaking and risk-taking are encouraged, or that ideas are allowed to fail without incurring punishment, they need to *experience* these things every day. That is when a corporate value becomes tangible enough to guide patterns of behavior across the entire organizational culture.

Making the cultural transition

The reason very few organizations have so far succeeded at building a deep, ongoing capacity for innovation is that most of them merely dipped their toes into the water, initiating piecemeal activities here and there, and hoping that by throwing some money at these initiatives they would somehow bear fruit. They never dived into innovation in a serious and systemic way, working hard to embed it as a core competence that permeates the entire organization and that eventually becomes part of their company's DNA.

To make innovation truly happen, people throughout the company need to understand that it is not just a corporate initiative, or a one-time project, or an activity for a particular group of people. They need to grasp the fact that for innovation to really work, and to be *sustainable*, it has to become a systemic and widely-distributed

capability – it has to be woven into the everyday fabric of the company just like any other organizational capability, such as quality, or supply chain management, or customer service. Innovation has to become *a way of life* for the organization.

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This article was adapted from Innovation to the Core, Rowan's new book (co-authored with Peter Skarzynski), which is to be published by Harvard Business School Press in March 2008. Rowan has been invited to speak at a special executive seminar hosted by Primavera BSS in Lisbon, Portugal, on March 18 2008, coinciding with the official international launch date of the book. Rowan may be contacted at rg@rowangibson.com