

LEADER

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Innovation to the Core



by Rowan Gibson: A global business strategist, a bestselling author and an expert on radical innovation.

It's not every day you get to launch what is billed to be "a major new book". This month, I've once again had this very special pleasure (my last book "Rethinking the Future" is now published in over 20 languages), and I'm delighted to finally see in print the culmination of over three years of hard work.

Co-authored with Peter Skarzynski, CEO of Strategos, in close collaboration with well-known strategy guru Gary Hamel, I believe that "Innovation to the Core" (Harvard Business School Press) is by far the most important thing I've ever done. Lots of people have been asking me for a synopsis of the book, so here goes...

Could you describe your company's "corporate innovation system"? Ask this question inside most organisations and all you get is a blank stare. It's obvious that, in the vast majority of firms, innovation is still more buzzword than core competence.

Yet a few leading-edge players – including GE, IBM, P&G, Whirlpool, Shell, Cemex, Best Buy, and W.L. Gore – are demonstrating that large industrial organisations really can tackle the challenge of innovation successfully in a broad-based and highly systemic way.

What these companies understand is that it's entirely possible to make innovation an "all-the-time, everywhere" capability, something that becomes part of the organisation's bloodstream – just like quality, for example.

Instead of ascribing innovation to a mysterious mix of happenstance, individual brilliance and the occasional bolt of lightning, the first thing we need to do is demystify the innovation process. If you want to create a high-performance "innovation engine" inside your organisation, you need to recognise and address three cultural preconditions for making breakthroughs happen: creating time and space in people's lives for reflection, ideation and experimentation; maximising the diversity of thinking that innovation requires; and fostering connection and conversation – the "combinational chemistry" that serves as a breeding ground for breakthrough ideas.

Next, you need a methodology for systematically generating novel strategic insights – these are the raw material for innovation breakthroughs. There are four specific kinds of insights that enable innovators to discover new and unexploited opportunities of real value. These are: company and industry *orthodoxies* that deserved to be challenged, *trends and discontinuities* that could potentially reshape the business landscape, *competencies and assets* that could be leveraged to create opportunities beyond the boundaries of the existing business, and emergent but as yet unaddressed *customer needs*.

Once your company has built a foundation of novel strategic insights using these four "lenses of innovation", the next step is to "crash" various insights together to see if the collision opens up new opportunities for innovation. Radical business innovations are almost always the product of "creative collision" – i.e. they are based on a combination of insights, ideas and domains that don't usually belong together. It is also imperative to examine each component of your company's (or your industry's) business model, using insights from the "four lenses" to uncover opportunities for industry reinvention.

In addition to this ongoing insight discovery and ideation work, which should engage as many minds as possible across your organisation, the goal is to open up the innovation process to your extended network of customers, suppliers and partners, involving all of these constituencies in the search for new growth opportunities.

Once your company is using all these available means to improve the quantity and the quality of new ideas entering its innovation pipeline, you should make sure you are employing the right evaluative criteria at every stage of the opportunity development

process, so that you avoid prematurely killing off potentially valuable ideas. The most important question to ask first, for example, is not "What's the expected ROI?", but "How BIG is this idea?" – based on the understanding that it is radical (rather than incremental) ideas that tend to deliver breakthrough performance.

It is also crucial to build mechanisms for rapidly reallocating resources behind new growth opportunities, as well as an "innovation architecture" that gives strategic coherence and consistency to your opportunity portfolio. You want to make sure your innovation pipeline is robust enough to nurture, manage and commercialise the ideas your organisation decides to pursue, and that it is capable of managing growth opportunities with very different timescales and risk profiles. You are also going to need a comprehensive set of metrics (linked to management compensation) that is designed to measure innovation performance – including inputs, throughputs, and outputs.

Finally, to drive innovation to the core, you need to put the necessary systems, structures and processes in place to make innovation a self-sustaining enterprise capability and a tangible core value. This requires four interdependent and mutually reinforcing components that need to come together to institutionalise innovation: visionary leaders and organisation aligned around a common vision of innovation; a disciplined approach to building innovation capabilities across the organisation; a systematic approach and supporting tools to enable idea generation, pipeline and portfolio management; and a collaborative, open culture that rewards challenging the status quo.

Do all of this and your innovation outputs will soar!



Source: Rowan Gibson is a global business strategist, a bestselling author and an expert on radical innovation. Visit our website at: <http://www.rowangibson.com/>.

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