

Exclusive excerpts from the latest in management reading

# Innovating makes good business sense

## Creating the Preconditions for Innovation

Where does innovation actually come from? How do you generate an idea that is so radical – so compelling – that it fundamentally alters customer expectations, or reinvents the cost structure in your industry, or redefines the basis for competition in a way that devalues the skills and assets of your rivals?

Even after all these years, the innovation process that either consciously or subconsciously leads to such breakthroughs is little understood. To be sure, we have lots of ways to evaluate an idea or a business strategy once it's already there. We can use a whole set of criteria to assess whether it's worth investing in or not – for example, we can ask if it is likely to deliver above-average profits, or create a sustainable competitive advantage, or satisfy customers in new ways. But these measures, useful as they are, will only help us determine whether an innovative idea is likely to go somewhere; they won't tell us where it came from in the first place.

While most corporate leaders view the innovation imperative with urgency, many companies are having a difficult struggle creating and fostering the cultural and constitutional conditions that serve as catalysts for breakthrough innovation. When asked where quality comes from, executives at these companies can usually talk at length about training, tools, metrics, values, IT, and management processes – they know how the TQM system works. Yet when asked where innovation comes from, their answers remain a lot less confident. There is still a sense that innovation is something ethereal and elusive – the

21st Century equivalent of El Dorado or the Holy Grail.

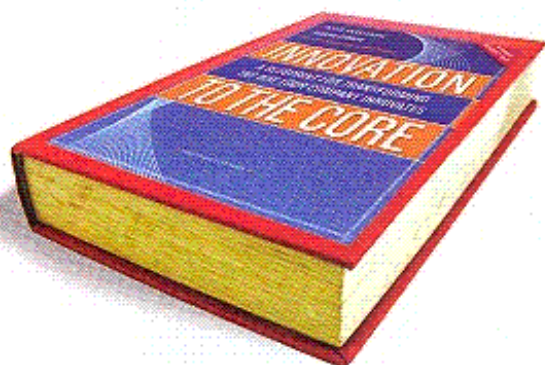
This should strike us as more than a little odd in an era when practically every other business process has been honed to a fine art. Can you imagine any other major capability in a large company – supply chain management, customer service, quality – being ascribed to a mysterious mix of happenstance, individual brilliance and the occasional bolt of lightning? In this chapter, we will begin to demystify the innovation process by identifying three critical preconditions for making breakthroughs happen:

1. Creating time and space in people's lives for reflection, ideation and experimentation
2. Maximizing the diversity of thinking that innovation requires
3. Fostering connection and conversation – the "combinational chemistry" that serves as a breeding ground for breakthrough ideas

These three preconditions form a vital part of the answer to where innovation comes from. They are the starting point for making your organizational culture more conducive to innovation.

## The First Precondition: Creating Bandwidth

When we asked more than 500 senior and midlevel managers in large U.S. companies to identify the biggest barriers to innovation in their respective organizations, one of the most common responses was "lack of time". In an age when business worships at the altar of operational efficiency, every company has a mandate to work harder and faster, or lose out to someone who will. Over the last few decades, organizations have been pulling the reins tighter and tighter, giving most of today's companies very little room for playing around with



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creative ideas, exploring new possibilities, and running lots of experiments.

It's also a world where our attention is fragmented into tiny shards – where we're constantly distracted by e-mails, instant messages, mobile phone calls, faxes, meetings, express deliveries and so forth. This places severe limits on our ability to think, reflect and innovate in a focused manner. Therefore, one of the fundamental challenges for leadership is how to create space for innovation in people's lives; how to give them the extra bandwidth and scope they need for this kind of thinking. Building a culture where employees have time to imagine and experiment and develop their own ideas is the first commandment of innovation.

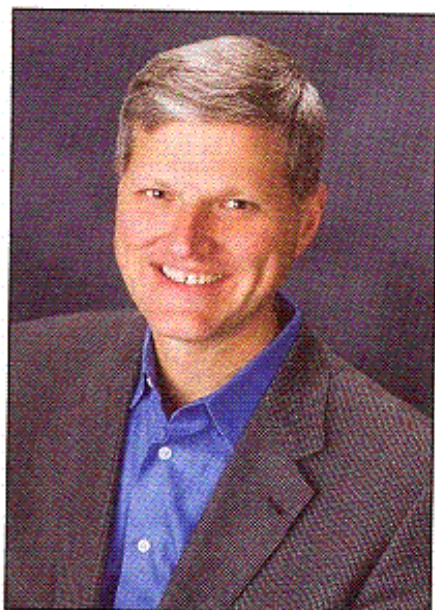
Whirlpool has approached this challenge in a very systematic way. On the first step of the company's Innovation Journey, 75 people were selected from three geographic regions around the world to receive extensive training in the skills and the tools of innovation, and to spearhead the generation of new strategic insights and opportunities. They were then spread across the globe to lead one and two-day innovation labs, helping to fill out the company's innovation portfolio. These people, who were taken out of their normal everyday jobs for nine months, were not "spare" employees that nobody wanted. According to Nancy Snyder, Whirlpool's Global Vice President of Innovation at the time, "They included some of the top talent in the organization, pulled from their operational roles at a time when the business needed them." It was the first time Whirlpool had ever before dedicated 75 people full-time to a key strategic initiative, but this in itself was a signal about how important the initiative was to the company.

There were a lot of objections internally at the time about how the organization could spare so much bandwidth. But top management realized that in order to build a critical mass of skilled innovators, as well as a foundation of truly novel strategic insights, they would need to commit a

lot of bandwidth to the innovation challenge right at the beginning. Just as in any other large company, there were many things working against innovation within Whirlpool, and many other priorities to think about. Without this big initial push, they would never have been able to move the whole organization in the direction of innovation.

After nine months as members of Whirlpool's "Innovation Teams", roughly one-third of the original 75 people returned to their previous work to spread the innovation "religion" among the ranks. Another third became full-time "Innovation Consultants", responsible for teaching others their new-found innovation skills. The final third were assigned to lead the new innovation projects that the initiative had spawned, some of which have since become very successful ventures. One ex-participant, Tom Arent, who was in the innovation group that came up with the original idea for Gladiator GarageWorks – a modular system of storage units and accessories for organizing the garage. Now Arent is general manager of this highly profitable business, which was spun off from Whirlpool as a separate brand.

Today, thousands of people across the Whirlpool organization, at one time or another, have taken part in the same basic program as those first 75 people. In the early days of its Innovation Journey, Whirlpool also set up "Innovation Boards", comprising senior leaders from three regions: North America, Latin America and Europe. These were given the responsibility of steering innovation activities at the regional business level. Every month, Innovation Board members had to set aside a minimum of a half day to a full day to meet and discuss the company's progress on embedding innovation as a core competence, and to review ongoing innovation projects. Nancy Snyder says, "The meetings carved out innovation from the normal workday and became the only place where innovation took center stage away from the day-to-day demands of the business." Thus, the Innovation Boards became an important tool for focusing top management time and attention on



Peter Skarzynski is CEO and founding Director of Strategos, a consulting firm he co-founded with Gary Hamel.



Rowan Gibson is a global business strategist and editor of the international bestseller *Rethinking the Future: Rethinking Business, Principles, Competition, Control & Complexity, Leadership, Markets and the World*.

**Google's method for creating bandwidth is the "70/20/10" formula: employees allocate 70% of their time to the company's main business, 20% of their time to new strategic projects (like Froogle, Google News, Google Earth, Google Print etc.), and a 10% slice of their time to "pet" projects – basically whatever interests them.**

innovation. Today, Whirlpool's executives schedule regular Innovation Board meetings every 2-4 weeks. They have become firmly ingrained in the corporate culture.

As part of the strategic innovation initiative, senior executives were asked to carve out time – both for themselves and their work units – to work on innovation projects, and support the ongoing process of innovation embedment. Not only were these leaders expected to systematically foster "Innovation from Everyone and Everywhere", but they were also made accountable for helping would-be innovators find time during regular work hours to pursue their ideas. There was no specific requirement for the percentage of discretionary time to be allocated for innovation, but in practice it came down to about 10 to 15 percent.

By creating this extra bandwidth for people to work on new ideas, Whirlpool's leaders have been able to unleash the imagination of employees across the organization, and create a slew of new opportunities. Often the process begins quite informally, with employees spending just a small portion of their time kicking an idea around in its early stages. Later, if the idea receives seed funding, managers will make sure that team members get more time away from their normal responsibilities to move the project forward. In the end, if it really starts to take off, these employees could find themselves assigned to the project full-time.

Cemex, the Mexican building materials firm, takes a similarly systematic approach. The company creates multifunctional "Innovation Platform Teams" (with 10-12 rotating members from right across the company) to explore innovative solutions around major platforms or themes – e.g. how to sell "solutions" to contractors, in addition to cement. The people invited to join these teams are first intensively trained as business innovators. Then they devote at least one day a week over three or four months to their innovation challenge, generating new ideas and breakout proposals in these major opportunity

arenas. Their goal is to develop eight to ten strategy "experiments" focused on the platform theme. At the end of their ten to twelve week assignment, the team will be replaced by a new team and the process starts all over again.

Other companies, too, have gone a long way toward putting innovation on everyone's agenda by allowing their employees to schedule discretionary time for creative thinking. 3M has its famous "15% rule", which allows employees to spend 15-20% of their time working on their own personal projects using the company's resources. And at W.L. Gore, another innovation powerhouse, every employee can set aside 10% of his or her time to "dabble" with new applications for the company's unique materials. Dave Myers, for example, was working at one of Gore's medical-product plants in Flagstaff, Arizona, where he was helping them invent new kinds of plastic heart implants. What did he do with the 10% of his time that he was supposed to spend dreaming up new ideas? Myers tinkered with the gears on his mountain bike, eventually coating the gear cables with plastic to make them shift more smoothly. These experiments led to the development of Gore's popular Ride-On bike cables. After this success, Myers wondered what would happen to guitar strings if he coated them with a similar plastic. The result was Elixir – now the best-selling brand of acoustic guitar strings with a 35% market share, in a field that had previously seen no significant innovation for decades.

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