



Rowan Gibson and Peter Skarzynski



Peter Skarzynski

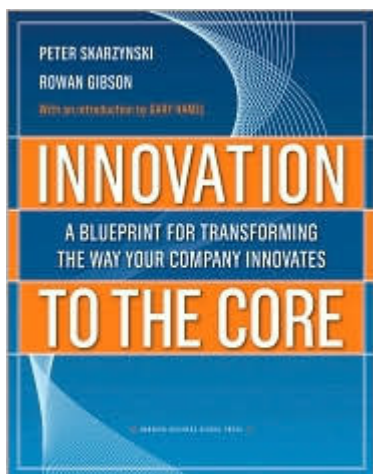
As CEO and founding Director of [Strategos](#), Peter Skarzynski brings more than twenty years experience to helping organizations set direction, capture new growth opportunities, and make their organizations more innovative. Co-founder of Strategos is Gary Hamel, author of [The Future of Management](#) (with Bill Breen). Peter's education, experience, and thought-provoking articles coupled with his leadership skills have helped create and build a global organization dedicated to enabling clients to invigorate their approach to markets and set new rules for industry competition.



Rowan Gibson

Rowan Gibson is a global business strategist, a bestselling author, and an expert on radical innovation. His last book [Rethinking the Future](#) is an international best-seller, published in over 20 languages, and it has sold hundreds of thousands of copies worldwide. Over the last two decades, Rowan's international clients have included some of the world's largest and most successful organizations. He teaches them how to seize new growth opportunities, create new markets, and even transform industries by recalibrating their whole organizational system around the paradigm of innovation. Rowan is a popular keynote speaker, and his books, articles, interviews, and columns have been widely read around the globe. He has been interviewed extensively on television and radio, as well as in the international press, and appeared in several business documentaries. You can visit his website at [rowangibson.com](#).

Together, Rowan Gibson and Peter Skarzynski wrote [Innovation to the Core: A Blueprint for Transforming the Way Your Company Innovates](#), and they discuss it with Erik Hansen for our interview.



tompeters.com asks ...

There are a lot of books out there on innovation. What sets your book apart from the others?

RG: For decades we've had books talking about the innovation imperative. Not many have addressed the issue of how you make innovation happen. I've just come back from speaking at an IBM forum in India. IBM has started an advertising campaign: stop talking about innovation, start doing it. That parallels our message. There's a need for people to find out how to implement innovation, how to turn it from rhetoric into reality. That's what this book is written to address.

PS: Rowan describes it well. Other books on innovation emphasize the importance of innovation and may even suggest that it's inescapable. But books to date don't offer specific how-to's, such as, where do I go for fresh insights for my particular problems? What metrics should I set for my innovation program? How do I know when I should implement it broadly across the organization? How do I know when I should implement it more narrowly within the organization?

You brought up IBM, so I have to mention their recent commercial. I noticed you use the word *ideation* a lot in your book. In the commercial, people are lying on a floor in a room, a guy comes in and says, "What's going on here?" A woman says, "We're ideating." It seems to be making fun of that notion of sitting around and thinking, of the term *ideating*. The ad goes on to stress the importance of doing stuff. It sounds very Tom Peters, in a way, from the [In Search of Excellence](#) days: stop planning, start doing.

RG: I have not seen that commercial. I think that it's fine to poke fun at some of the innovation efforts that have been going on inside companies because, quite frankly, a lot of it is hocus-pocus. You know, somebody dressed up in a Superman outfit with a big "I" on the front, people putting on thinking caps, wearing one red sock and one green sock because that will make them feel more creative.

We're saying that era is over. Now we have to start doing what we've been talking about. And that means turning innovation into a deep enterprise capability—just as companies did with quality. Thirty years ago, quality had to go from hocus-pocus to something that deeply affected the DNA of an organization. We're saying that now we're at the point where innovation can become as deep an enterprise capability as quality.

PS: Exactly. Ideation is just one activity of the innovative enterprise. In the book, we describe the organizational levers—actions, if you will—that encourage productive ideation to flourish ... and also how to screen, prioritize, elaborate, and eventually launch those new businesses into the market.

You talk a lot about the diversity of ideas and how important it is to get ideas from everyone in the organization. We all know how homogenous a group senior corporate leadership is. So you're stressing the need for seeking ideas from the front lines. One of our frequent commenters at tompeters.com is [Trevor Gay](#). His whole focus is on getting everything back down to the frontline employees. I think you're saying the same thing, that a lot of innovation resides in these people. But how do you get the innovative ideas from them?

PS: You must create a climate in your organization that gives people the opportunity to contribute ideas. You also need to arm them with tools and new perspectives. It doesn't necessarily mean that in a 50,000 person organization you're going to get ideas from 50,000 people. But you have to create an environment where individuals across the organization, at any level, can contribute if they choose to, and, in fact, are encouraged and given incentives to do so.

So how do you do it? There are a variety of ways. One is to solicit those ideas from the broad organization in some context that matters strategically to the company. Say you're in an insurance company, maybe the challenge or context is, "What do we do to provide a better experience for our customers in order to retain them as customers for life?" Retention is a big issue in insurance companies, and improving retention can have a dramatic impact on profitability. Another example, imagine we are a global, major energy company. A challenge could be, "What do you think about this particular aspect of renewals that we're working on? How can we form communities within and outside the organization to progress a set of new growth ideas?"

The book outlines principles by which you would engage the front line. But the book is not asserting that frontline innovation is, in and of itself, the answer. It is only one mechanism to bring innovation to the core. Other mechanisms include management processes that may have to be changed in an organization. There are also new perspectives that need to be built around insights on consumers, the economics of the business model, the disruptions that can and should take place by us as a leader in the industry. One can make those insights available on the company's intranet or to communities inside and outside the company. So it's multiple mechanisms, not just the frontline.

RG: The idea of asking frontline employees to contribute ideas is certainly not new. We can look at a lot of companies

where that's happened. I spoke recently with a very big German firm. They said that three years ago they asked everybody in the company to contribute ideas. For the first year it was fine and the second year it began to peter out. Now there are hardly any ideas coming in. So as I said, just asking people to contribute ideas is not enough.

If you go back to quality, people weren't just asked to contribute their ideas on quality. In order to make [Total Quality Management](#) a reality, people had to be trained. Innovation, it turns out, is also a skill that can be taught. We can teach people to use what we call the "four lenses of innovation". The lenses help companies develop fresh perspectives on orthodoxies in their industry, on trends and discontinuities in the world around us, on the competences and assets of the firm that could be used in new ways, and on un-articulated customer needs.

We're actually training people how to use these lenses to generate new insights, crash those insights together to create new ideas and growth opportunities, to self-screen the ideas, and to turn ideas into business plans. It's far more than putting a suggestion box somewhere in the front hall and saying, "Everybody can contribute an idea."

PS: Suggestion boxes don't work in isolation. Idea management systems don't work in isolation. Lots of organizations have put them in place, but they peter out, so to speak. They don't work because they're not focused on a real business issue; there's no process wrapped around it. And after an employee empties his or her pockets of ideas, there's no stimulus to get the individual or team thinking very differently.

As Rowan just said, there are ways one can go about, in a very disciplined way, the process of creativity and innovation, and get ordinary employees to do extraordinary things.

Then there's the cynical employee's view, "Oh God, here's yet another thing I have to be trained in. Can't I just do my job today?" There's always that kind of resistance, right?

PS: You bet.

RG: That's one reason why this really must be driven from the top. Going back to IBM, CEO Sam Palmisano, says, "All roads lead to innovation." Over the last three or four years inside IBM, he's been beating this loud drum on the innovation imperative, putting certain processes in place to make things happen, like the [Innovation Jams](#). They're 72-hour online sessions where literally everybody across IBM can get involved, employees as well as partners and suppliers.

People have to be made aware that there's no plan B. The message is: "If we're going to stand any chance of growing revenues at the rate we have to grow them to keep Wall Street happy, if we're going to stand any chance of strategic renewal in the face of hyper-accelerating change, and if we're going to stand any chance of business model reinvention—which everybody agrees is the only way for us to create a sustainable competitive advantage—then we have no option other than to innovate, folks. All of us should get involved."

You quote Gary Hamel, who wrote your foreword, "Gary Hamel argues that Silicon Valley's phenomenal wealth is not being generated by a group of geniuses, but by the Valley's market-like business model. His clear prescription for large companies is this, try to bring Silicon Valley inside by replicating the region's economic model within your organization. That is, set up mechanisms that connect ideas, capital, and talent much more fluidly than traditional organizational structures and management processes."

He's advising companies to act in a more fluid way, yet in order to do that, you have to go outside the current structures that are holding your company together.

RG: Nobody is suggesting that you should throw your core business in the bin and run off to do crazy new things. Rather, implement some new infrastructures and processes alongside what you already have. In view of hyper-acceleration, hyper-competition, hyper-commoditization of products, services, and also capabilities, and in view of the customer primacy that we have today, there is a need for us—far more quickly than ever before—to develop a whole portfolio of new strategic options for the firm.

In traditional structures there's no place for those new strategic options. They don't fit within the current business model and, by the way, there's no money set aside for funding them or any spare people to put behind them. What Gary's talking about with the Silicon Valley model is that, rather than the traditional model where people have to fight their way up the chain of command in order to go, hat in hand, begging for money from the capital budgeting system, there must be a way for us to create access to resources such as capital and talented people to put behind these new strategic options. That's how you make the ideas that are bubbling up happen.

PS: The Silicon Valley metaphor is just that. Whether one is interested in innovating within the core business, adjacencies,

or new-to-the-company businesses, the principles apply.

Take the example of [CEMEX](#) that is described in the book, how they created a market for ideas. A CEO's intention is not to create anarchy in the organization and, to be clear, that's not what we're suggesting in the book. But how can you take the principle of creating a market for ideas, and apply it in a context that is suitable to the culture of the organization and advances the business issue of interest? CEMEX, a buildings material company, holds quarterly innovation challenges. Examples of a challenge would be: How do we house the world's poor? How do we create affordable housing?

The market for ideas is set up as a contest. Think of the principles by which the [NCAA Basketball Tournament](#) works every year. It starts off with 62 teams and winnows down to the final champions. CEMEX runs a process like that. There are contests between ideas one and two, between ideas three and four. There are judges—representing the invited population—that assess whether an idea has merit or not. There's flexibility in the process; if you have eight great ideas, then you'll act on eight or maybe only two. Judgment must be applied. But that's an example of a market-based process for ideas.

It's very structured.

RG: The issue with Silicon Valley is that ideas can come from anywhere, there are lots of places to go for money, and talent tends to migrate to the most exciting ideas. Well, that isn't true of most companies. The truth is that ideas really can't come from anywhere. And if they do, it's not certain that management is going to put any resources behind them.

If you're sitting right next to the head of R&D and you come up with an idea, it's much more likely that you're going to get some funding than if you're some frontline worker that's far removed from headquarters. But in Silicon Valley, it doesn't matter who you are. It doesn't matter where you came from. What matters is the value of the idea.

What's also true inside a company is that the only way you can get funding is up the chain of command, there's nowhere else to go. In Silicon Valley, however, you can go to hundreds of different venture capitalists before somebody decides to fund you.

Talent tends to migrate to the most exciting places, the most exciting ideas. That's why people have been flocking to Google over the last few years, and away from some of the other Silicon Valley companies. So we have to create processes inside companies whereby people can migrate to the ideas that excite them the most. This actually happens in Google; it's talent attraction versus talent allocation. What we're suggesting is that it is possible, even in a very large, manufacturing-type firm, to create systems whereby people can migrate towards the most exciting growth opportunities.

So you're talking about creating free markets in places where we'd least expect them. Basically you're taking the larger economy and putting those principles to work between people, departments, all over the organization?

PS: You're absolutely right. But if I'm in the organization, what I don't want to be telling my CEO is that we're going to create a free market inside the organization. Instead, we're applying market principles in ways that suit the context and the objective of the organization.

You write a fair amount about ideas coming from outside the organization. I recently interviewed [Bill Taylor and Polly LaBarre](#), authors of [Mavericks at Work](#). They gave an example of a gold company in Canada that was trying to figure out how to get more gold out of the ground. They made the geologic information available to the world and asked people to figure out where the gold is.

PS: Yes, the mining company is Canadian-based GoldCorp and they have had great success with open innovation—or at least a "crowd sourcing version of it." Back in the first year of their ["Goldcorp challenge"](#) two [Australian companies](#) won the prize.

I think you mentioned that at [P&G](#), 50 percent of the new ideas come from outside the company. Is that right?

RG: That's absolutely right. [Connect + Develop](#) is a program whereby A.G. Lafley, CEO, basically demanded that 50 percent of the innovation should come from outside P&G. When they started it was something like 20 percent. They were required to push it up to 50 percent within three or four years, which they basically achieved. Not only have they been able to launch a whole slew of very exciting innovations that had their genesis outside P&G, but they've actually been able to cut their own expenditure on R&D by something like 20 percent.

Contrast that with Microsoft. David Pogue wrote in the *New York Times* about [Microsoft trying to acquire](#)

Yahoo. He bemoans the fact that Microsoft has lost its ability to innovate and has to buy innovative companies. He maintains that within Microsoft, some little sprouts of innovation are still happening. Isn't this the more regular case in our economy? A large company loses its way innovation-wise and has to acquire other companies to keep the innovation going?

RG: I think that Microsoft has been doing that all along. Microsoft spends about six billion dollars a year on R&D. And yet, people have been asking for years, "Where's the beef?" The truth is, Microsoft has most often been a follower. They buy the companies that have launched some innovative new thing, and merge them into the company.

So I wouldn't say that Microsoft is acting out of character. The only thing that's out of character is that this is a hostile takeover bid, rather than people being glad that someone has come along with a lot of money and offered to buy them.

PS: There's nothing wrong with acquisitions as a means by which to grow. Cisco has done that quite well. I won't comment on whether the Microsoft/Yahoo deal is good or bad; I think that's a deep conversation to have in and of itself. There's nothing wrong with acquisitions, per se. Yes, it is true that organizations too often use acquisitions to drive growth because they have missed some left hand turn in the road, if you will. And certainly Microsoft missed search in a big way.

What we argue in the book—to borrow someone else's phrase—is that some of these things are inevitable surprises. What you don't know is who's going to win in search, but you know that it's going to be critically important. And you knew that in 1995, for goodness sake. So we raise the questions: How do I continue to outperform industry rivals by bringing innovation to the core? How do I constantly build foresight? How do I bring that foresight into the organization so that people can act on game-changing opportunities? The book provides a blueprint to guide you in answering these questions—a blueprint for bringing innovation to the core.

A lot of that relies on transparency, openness, and the free flow of information.

PS: Within the organization. That's right.

RG: Most companies do some form of trend research. Most companies do some form of customer research to find out what customer needs are. But quite often we find that all of the insights that are being generated are found in different places in the organization. There's no one place that someone can go to find the customer insights, the trend insights, insights on how to use our competences and assets in new ways, or insights around business model strategies. So we provide examples in the book of companies that are actually having some success with using an insights management system to drive the creativity and the innovation of all the people across the firm.

What's one of your examples?

PS: Whirlpool has many mechanisms that enable innovation. One of them is that most employees in the organization can access a set of insights relevant to the business area in which they're working. They can access ways to stimulate their thinking about a particular problem or challenge. They can submit an idea.

Whirlpool has something they call an I-Pipe. It's a management process. It's a pipeline that goes from raw ideas to something in the marketplace. They have specific gates and protocols that guide it. CEMEX, IBM, and Procter & Gamble do the same thing. They all use different processes, but with the same result.

The key here, as Rowan has mentioned a couple of times, is to apply the principles of markets, but to do so in the context of what suits the organization's culture. You must work within the grain of that culture and what is relevant to their growth agenda.

RG: It also comes back, Erik, to your first question, what's different about this book? Rather than saying innovation is black magic and bolts of lightning, we're saying that it's about systematically gathering insights, managing insights, and using them to generate radical new ideas. We're suggesting that the process of innovation can be systematized, which is something altogether new.

PS: It's important to realize that innovation does not have to be this big mystery that only well-dressed people like Steve Jobs can do. You can take the principles of an innovative person or organization, apply it in your own context, and you will outperform your historical performance. And if you do it in a systemic way, you are going to outperform your industry.

RG: I'd also like to add that for years we thought that innovators were a rare breed. We tend to characterize them as people who are sitting at a desk, looking out the window, waiting for a eureka! moment. But there's incredible creativity in everyone! The challenge is to bring that creativity out and to focus that creativity on business issues that matter to the

organization. So, we've literally looked inside the mind of the innovator. We have found out what it is that innovators do, either consciously or subconsciously, to arrive at their breakthrough insights. And we have reverse-engineered it. We're sharing this process with people through the book. They can actually create an innovative organization that systematically uses the thinking processes great innovators have been using all along.

Excellent. Thank you very much for your time.

RG: Thank you, Erik.

PS: Thanks.

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