

Interview ROWAN GIBSON for Speakers Academy – The Netherlands

'Finally, there are tools for innovators'

In his bestseller 'Rethinking the future', international business strategist Rowan Gibson provided business leaders with an extraordinary opportunity to gain insights into tomorrow from the world's most highly regarded business thinkers. They explained how organisations could be redesigned to survive and thrive in the hyper-competitive global environment of the 21st century. "Since I wrote the book in 1997, the need to rethink and innovate has become more urgent than ever, but I realised that there were absolutely no clues or guidelines in the book about how to actually start doing that as a company. That's why I decided to write 'Innovation to the core'", says Gibson.

Over the last decade, many companies have followed Gibson's advice to radically rethink their future strategy, but innovation remains something that is still very elusive to most of them. "They have had the intention to innovate, but so far they haven't had the tools or the system to do it properly. That's why I was eager to answer burning questions like 'How do we learn to innovate and turn it into a deep capability?'" In 'Innovation to the core' (March, 2008) Gibson and his co-writer Peter Skarzynski tell companies what innovation really is and how to embed it into their DNA. They outline a methodology that has already been successfully implemented by companies like Whirlpool and Royal Dutch Shell. "In fact, the methodology - based on what we call 'the four lenses of innovation' - has been used by enterprises for the last ten, fifteen years, but we now feel that we've gathered enough experience inside these firms to share it with the world." Although 'Rethinking the future' is far from outdated - one could think it was written in 2008 - Gibson's new book is not based on his previous bestseller. "I was having a conversation with Gary Hamel, about strategy and things, and was kicking around the idea of writing a book with him. In Gary's last book 'Leading the revolution', he dedicated a couple of sentences to corporate innovation systems, but if you ask ordinary people inside a company to describe such a system, most of them wouldn't know how to do it. That's because their company probably hasn't got one, or it's still on the drawing board. The answer wasn't in Gary's book either. In 'Innovation to the core', which includes an introduction by Gary Hamel, Gibson answers questions like this detail and explains - perhaps for the very first time - how to build a corporate innovation system that really works."

"We've been talking about innovation for decades. Thirty years ago, Peter Drucker pointed out that companies only have two basic functions: marketing and innovation. So we have long known that innovation is vital, but until now companies have tended to approach innovation in a very piecemeal way. They have organised brainstorming sessions, put funny thinking caps on everybody's heads, launched corporate venture funds or pumped their money into research and development (R & D), but none of these activities - on their own - have really added up to very much. The analogy I use is the quality movement. Back in the late 1960s, if companies wanted to improve quality, they would hire more quality inspectors. They just didn't have the tools and the insights at their disposal that we now have. When some of them visited Japan in the early 1970s to figure out what their approach was towards innovation, they quickly concluded that Friday afternoon quality circles were the answer. However, what really mattered was not sitting around drinking green tea and talking about quality, it was the successful integration of new values, skills, management processes, and metrics in a systemic capability. It was changing the core DNA of the firm in a way that affected every single employee. Today, we would call that 'building an enterprise capability'. So, just as with quality, the way to push up innovation to a dramatically higher level is not to hire more R & D people, but to involve employees right across the firm in the innovation initiative. More and more influential companies in business circles have understood and accepted the new innovation imperative." Gibson quotes Jeff Immelt, CEO of GE (General Electric), the largest company on Earth by

market capitalization: 'The only answer for us today is innovation' . "What made Immelt's predecessor Jack Welch successful was fanatical cost cutting, efficiency drives, mergers and acquisitions. That was needed then, but Immelt realises we are in a new era. In terms of cost reduction, GE has probably already squeezed most of the juice out of the lemon, so the company is not going to be able to make any really significant gains in this direction. Today, the only way companies can dramatically increase productivity is by growing revenues through innovation. They have to find new lines of business, new customer segments, and new geographic markets. Jeff Immelt has succeeded in shifting attention beyond efficiency and cost cutting towards driving revenue growth. What he has done represents a cultural revolution at GE, and if GE does something like this, everyone else in business tends to follow. I could tell you the same story about IBM or Procter & Gamble."

Four lenses of innovation

Whirlpool is one of Gibson's key examples. "The world's largest appliance manufacturer has been able to push annual revenues from innovation up from something like 73 million dollars in 2003 to close to 2 billion dollars today, following the methodology outlined in the book. The company's innovation pipeline currently contains a further 3.5 to 4 billion dollars worth of ideas that they are working on. Whirlpool competes in the highly commoditized "white goods" industry, but has been able to differentiate substantially and grow incredible customer loyalty through extremely innovative new products and business models. At the heart of it is a thing we call the four lenses of innovation. This is a methodology for systematically generating high quality strategic insights. These insights are basically the raw material for gamechanging innovation. Lens number one is about challenging orthodoxy and conventional wisdom in a company or an industry. The second lens is about harnessing trends and discontinuities to create new growth opportunities. The third lens is focused on leveraging resources – the competencies and assets you have in the firm that can be used in new ways to generate new value for the customer. The fourth lens helps companies to understand unmet or unarticulated customer needs. You have to know what the customer needs before the customer does." Then, very catchy, Gibson says: "Single people form the fastest growing demographic group worldwide. A traditional appliance Whirlpool produces is the dishwasher. The company has acknowledged that single persons don't need large family dishwashers. It would take a single person a week to fill it up. So Whirlpool came up with a new kind of high quality low-cost dishwasher – Briva – which is about the size of a microwave and is placed under one side of a double tub sink. They got rid of another orthodoxy as well." Whirlpool has always focused predominantly on women customers and has subsequently made products for two rooms in the house: the kitchen and the laundry room. Not anymore, the company has added the garage, where men do a lot of DIY, to its list of priorities. "Whirlpool has developed an innovative range of units called Gladiator GarageWorks – including a fridge, a freezer, and organiser units to store tools – which has resulted in the largest non-appliance revenue ever (25 million dollars in the second year alone). The company has used the four lenses of innovation and combined them to understand and develop innovative new growth opportunities."

Gibson: "Whirlpool has trained 30,000 employees across the firm already in the skills and tools of innovation. The other employees can use a very extensive online tutorial, which is built into the IT infrastructure. Whirlpool puts people from all levels of the company together in four discovery teams, one innovation team for each lens. These teams have rotational membership so when the members finish their assignment they are replaced with new members. The ideas from Whirlpool that I mentioned before – the Briva dishwasher and Gladiator GarageWorks – came out the heads of ordinary, everyday people. Working with the four lenses gives them a systematic way to discover these new insights. Before I start working with a group of people in the morning, hardly anyone thinks he or she is capable of coming up with fantastic ideas. At the end of the day everybody does. It is very gratifying to realise that we are all innovators. That's the power of this thing." Innovation doesn't only mean introducing new innovative products, but also involving all the employees in the process and harvesting their ideas. Ordinary workers with wonderful ideas have been ignored for years. "Let me tell you what happens with these innovation teams. One third of the people involved in the teams go back to their jobs and infect their peers with the innovation religion. At Whirlpool one third became innovation mentors or full time innovation consultants and finally, the last third actually lead the project they came up with themselves. We always think the only incentive is money, but that is not true. Take Royal Dutch Shell. They have also used the methodology that we outline in the book to create a system called "Gamechanger". If you come up with an idea you

don't take it to the boss (where most ideas normally die!) but instead you go online to the Gamechanger peer panel. If they see something in your idea, you get a funding of 25,000 dollars and 30 days off from your regular job to pursue your idea. You can build a prototype or go out and talk to people about it to gauge their reaction. For Shell 25,000 dollars is peanuts – in fact, it's not even the salt on the peanuts! – but for an innovator it is a lot of money. If nothing comes out after a month, it's o.k. The investment was pretty small. But if your idea is considered to be promising they can give you another 50,000 dollars and 90 days off or even a million dollars and a year off to push it further. Some of the greatest new initiatives inside giant Shell came out of Gamechanger."

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