

Interview with Rowan Gibson for Strategic Direction on Innovation, November 2008

Rowan Gibson is a global business strategist, a bestselling author and an expert on radical innovation. Over the last two decades, his 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's last book *Rethinking The Future* (Nicholas Brealey Publishing) is an international best-seller, published in over 20 languages, which has sold hundreds of thousands of copies worldwide. His new book **Innovation to the Core** was published in March 2008 by Harvard Business School Press. Co-authored with Peter Skarzynski (CEO of Strategos, the consulting firm founded by renowned strategy guru Gary Hamel), the book explains how to build and sustain a company-wide innovation capability.

Firstly, could you tell our readers what inspired you to write *Innovation to the Core*?

Initially, I wanted to write a book on corporate strategy because it is an area that has always been very close to my heart. I was having a conversation about this with Gary Hamel over at the London Business School, and we were kicking a few ideas around, and during the conversation we concluded that the number one strategic priority today is innovation. Fundamentally, corporate strategy is about meaningfully differentiating yourself from the competition by innovating at the level of the business model, so if you are going to write a book about strategy you might as well cut to the chase and make the book about innovation. The idea was that rather than producing yet another book that says "innovation is the key imperative", which we all know already, we should produce a book that – for the first time – explains to companies how they can actually innovate on a profitable and sustainable basis. What we set out to do with *Innovation to the Core* is to answer the question, how do you build a corporate innovation system? How do you turn innovation into an enterprise capability that is analogous to quality or customer service, or any of the other enterprise capabilities that organizations have been busy building up over the last couple of decades? That was really the starting point for the book.

And leading on from that, what would you say are the first steps an organization needs to take to begin to make innovation a part of their everyday culture?

The first thing you have to do is address leadership commitment to innovation; you cannot go straight to the culture and say, "we are going to build an innovation culture here". You can if you are Google and you are only 10 years old and you were born as an innovative company, and you can if you are Virgin group and you have Richard Branson shaping the culture as an innovative leader. But asking a 100 year old manufacturing firm to go from being an efficient manufacturer to being an excellent innovator is a big leap, so number one you have to address leadership commitment. It is like the quality movement. It was only through leadership commitment to making quality a number one priority that it was possible to turn quality from a department into a deep, ubiquitous enterprise capability inside organizations. You also have to start building a management infrastructure around innovation, where you have an

innovation director, business unit innovation officers, innovation consultants and trainers, and so on. At the same time, you need to make sure that your management processes become supportive to innovation. So, it is the leadership commitment, the infrastructure, the processes, as well as giving people new innovation skills and tools, and making serious changes to HR in terms of personnel involvement right across the company. This is not something you can do with a Band-Aid or silver bullet. It is a three to five year transformation process. But once you start doing the things I mentioned, you will find that the culture automatically begins to change as innovation becomes embedded in the organisation's DNA.

So is it paramount for the success of innovation that leadership takes it on board first?

If leadership does not do that then it will not happen. If someone came up with this innovation initiative at the company picnic it would soon be killed by the innovation "death zone"; that is, middle management. The innovation embedment process needs to be driven from the top. If you think about a company like GE, it is the CEO Jeff Immelt who is arguing that "the only answer for us today is innovation". Once the CEO is using phrases like that you realize that things are going to change at GE. And what Jeff Immelt has launched is a cultural transformation process that has shifted the company from being focused purely on Six Sigma, cost-cutting and mergers and acquisitions, to being a company that believes in imagination and in coming up with new growth opportunities that stretch the company into new geographic areas, new customer groups and new lines of business. Jeff Immelt has made his senior people personally responsible for coming up with what GE calls "imagination breakthroughs", and each one of these breakthroughs must be worth at least one hundred million dollars in incremental revenue within the next two to three years. So once that has been placed upon your shoulders by the CEO, you are not going to forget about it. You are going to go back to your business unit and you are going to ask questions like, How are we doing on innovation? How much money are we putting into these projects? That is how innovation gets driven from the top, and this is the pattern we see at GE, at IBM, at Procter & Gamble – all of these major companies have realised that innovation is the key strategic imperative, and that the only way to push it through and embed it as an enterprise capability is to literally drive it from the top.

Embedding innovation takes a big commitment from companies; do you think there is a danger in the current global financial climate that a focus on innovation may slip down the priority list for organizations?

Of course there is a danger. When we get a situation like the one we see today, human beings tend to panic. In fact, people panic in herds, which only exacerbates the problem. We see a knee-jerk reaction, and this is happening with more and more companies. With the financial crisis underway, companies are cutting back on their workforces. E-bay **is making** a 10% cut in their workforce, Hewlett Packard is **cutting** 8%, which equates to about 24,600 people around the world. We are also seeing R&D budgets being cut in all kinds of industries, for example HP and Dell are doing that in the computer industry, Pfizer and GlaxoSmithKline are doing it in the pharmaceutical industry, and Nokia, Motorola and Sony Ericsson are following suit in the mobile phone industry. They are all cutting their R&D budgets, yet on the other hand they are saying that innovation is the key imperative for the destiny of their organizations. Clearly, in a stalling or recessionary economy, the immediate focus goes back to operational efficiency. But the key is not to lose grip on innovation while

we are doing that. I like to describe it in the book as a kind of “tug of war” between operational efficiency on the one hand and innovation and growth on the other. A company needs to maintain the creative tension especially at a time like this, and make sure that its long-term growth strategy, which is dependent on innovation, does not become the victim of short-term cost-cutting. It is not an either/or trade-off. Companies need both innovation *and* efficiency to survive and thrive in the future.

Did you come up with any surprising findings when you were carrying out the research for your book?

What does surprise me, not necessarily as part of the research for the book, but in carrying out the speeches and masterclasses that I give around the world, is the lack of management responsibility for innovation that I find within organizations. I will often talk to a room full of Senior Executives, and I might have the company’s entire executive committee around the table agreeing that innovation is one of their top strategic priorities, yet when I look around the room I find no-one who is directly responsible for embedding innovation as a core competence. They will have a head of HR, a head of IT, a head of Finance, and so on, but there will not be a Head of Innovation. So the big surprise for me is that, on the one hand, companies believe innovation is the only sustainable source of competitive advantage, yet on the other hand no-one in the company is actually responsible for it. And, let me be clear, if no-one is responsible for embedding innovation, then innovation embedment is not going to happen.

And finally, if there was one key message you would hope that readers took away from the book, what would that be?

The message that it is entirely possible to build an enterprise capability for innovation, just as we built an enterprise capability for quality. Looking back three decades to the beginnings of the quality movement, if you had said to Ford, or General Motors, “Would you like to improve your quality?” they most probably would have said “yes”, but they would not have known how to actually do it. In the meantime we learned that we really could build an enterprise capability for quality; we could make it so systemic that it becomes almost second nature to the organisation. The message of this book is that we are now at a stage where we can do that with innovation. In the early 1980s, Tom Peters was talking about excellence and we spent a couple of decades honing down our operational excellence, but I think we are now at a point where we can actually create what I call “innovation excellence”. That means we know how to put the systems, mechanisms and processes in place inside a company to make breakthrough innovation a sustainable, deeply-embedded and widely-distributed capability.