

**Mr. Gibson you have started off your career in marketing, but later on you have decided to focus on business strategies, setting up a consultancy service. What was the main reason for such a change and even further on to becoming a bestselling author on 'core strategies and innovation'.**

If I look back, I would say that I took quite a logical pathway to where I am today. Peter Drucker, who is arguably the man who invented modern management, once wrote that a company has two—and only two—basic functions: marketing and innovation. These two functions have been the cornerstone of everything I've done over the last twenty-five years.

Where some companies still go wrong is in thinking that marketing is just a department. Or that innovation is just a department – like R&D or New Product Development. They don't see these things as core functions that should be intrinsic to literally everything the company does. When I started out on my career, I frankly didn't understand this either. So it took me a few years to make that progression in my own thinking. At some point, I came to realize that marketing, and competitive strategy, and innovation are all rolled up together. Essentially, they are all about business creativity and breakthrough thinking. And when we look at a company like Apple, we can see that very clearly. There are no dividing lines between these things. So that became the focus of my consulting work – helping companies develop core strategies that integrate these functions and create a powerful competitive advantage.

The main point of my first book, “Rethinking the Future”, was that core strategies don't last forever. In a world of hyper-accelerating change, hyper-competition, rapid commoditization, and unprecedented customer power, the only way to sustain success is to continually reinvent it. Therefore, the issue for every company today is: can we change as fast as the world is changing around us? Can we invent new sources of profit before the old ones disappear? Can we reinvent our strategies and business models before they become obsolete? These questions have become more urgent than ever in the current economic crisis.

What I've tried to do in my latest book “Innovation to the Core” is help companies find the answers to these questions. The book explains – for the first time – how any organization can build a deep and sustainable capability for innovation that will continually drive revenue growth and strategic renewal.

**What made the biggest impact on your career for taking up the role of a speaker, and become one of the most significant figure in the world of business conferences?**

Actually, I have always enjoyed public speaking. I took my first training course in public speaking when I was just eleven years old, so I've been standing in front of audiences and giving speeches for as long as I can remember.

Throughout my years as a marketing consultant and then as a business consultant, I was always the guy who got up to present new strategies to our clients or prospective clients in major companies. In turn, these clients would often ask me to present the same strategy to their own people or to their customers at larger events. I suppose that, after a while, it just became part of my blood.

Parallel to all of this, I used to spend quite a lot of time at management seminars listening to well-known business gurus like Tom Peters, Michael Porter, Peter Senge and Michael Hammer. I would say that these thought leaders probably had the biggest impact on my career, because they not only influenced my business thinking in countless ways but also awakened a desire in me to follow in their footsteps - to write bestselling management books and travel the world as a speaker.

In the end, that's exactly what happened. In the meantime, my books have been published in more than 20 languages, and I've given speeches in about 36 countries in just the last two years alone. But, again, it's quite an obvious progression. I think that, as individuals, we become the sum total of all our experiences.

**Could you elaborate your collaboration with Mr. Gary Hamel on your first book? How did that come to be?**

Actually, Gary Hamel and I collaborated on both "Rethinking the Future" and "Innovation to the Core". He has been a huge source of inspiration to me over the last fifteen years or so, and he is definitely one of the smartest people I have ever met. Gary is able to look at the same basic information as everybody else but he can see connections that the rest of us would probably never discover. He has this incredible ability to build very deep insights into what is happening, and then articulate those insights with extraordinary precision. He is probably the greatest strategic thinker of his generation.

Having immensely enjoyed working with Gary on "Rethinking the Future", I approached him in 2004 about writing a book together on strategy and innovation. That was the birth of "Innovation to the Core". We met in London in early 2005 to sketch an outline of the book's contents, and then we worked on the first draft of the manuscript through the rest of the year. Sometimes we would get together at the London Business School, where Gary is a visiting Professor. And on other occasions we would spend a few intensive working days at Gary's home in Woodside, California, which is right next to Silicon Valley. At lunchtime, the two of us would sometimes go out for a drive in Gary's Corvette, and I have fond memories of cruising with him along the sunny 280 Freeway, which runs down the Pacific coast from San Francisco to San Jose.

Unfortunately, Gary doesn't appear as a co-author of "Innovation to the Core" because his other book "The Future of Management" was published at about the same time and our publisher, *Harvard Business School Press*, didn't want to have the two books competing with each other. Instead, my co-author became Peter Skayzinski, who is the CEO of Strategos, the consulting firm Gary founded back in the 1990s, and I'm grateful for Peter's contribution.

Still, in many ways I would argue that Gary was the godfather of "Innovation to the Core", and I could not have written the book without him.

**Bearing in mind the current economic situation, many companies are focusing on preserving operational efficiency, rather than growth and innovation efforts. What is your advice to all such companies? What is innovation exactly supposed to be?**

Innovation is essentially about coming up with new ways to create value for customers. And, to do that, a company needs much more than operational efficiency.

At the macro level, productivity – which of course is central to profitable economic growth – has always been determined by two elements. On one side, it is

determined by the efficiency with which companies use their inputs – how much labor and capital it takes to produce their goods and services. On the other side, productivity is determined by the value that customers place on the outputs. If a company is not capable of combining low operating costs on the one hand with high value-creation on the other, it simply becomes incredibly efficient at making the kind of products customers don't want. Detroit's Big Three automakers are a prime example of that.

Charles Simeon, a pastor at Cambridge University in the 18th century, profoundly observed, 'The truth is not in the middle, and not in one extreme, but in both extremes'. The same could be said of operational efficiency and innovation. Now more than ever, organizations need to learn how to operate equally well at both extremes – they need to be both highly innovative and highly efficient at the same time. In a value-based economy, companies must be able to continually dream up the kinds of products and services their customers would want to buy, yet they must simultaneously have the capacity to deliver those things with brutal efficiency.

In the current economic downturn, of course, with demand falling sharply and a widespread pressure to cut costs, companies naturally find themselves drawn toward the efficiency end of the equation. But innovation is not a luxury reserved for the good times. It's the mainstay of revenue growth and company value and market share and competitive advantage, whatever the state of the economy.

My advice, therefore, is this: by all means, take a careful look at your innovation investments and try to manage them just as efficiently as any other in the company. But don't let innovation become the victim of a shortsighted focus on cost cutting. Instead, continue to build and maintain your company's foundation for long term growth, which is centered on its capability to innovate.

**What sort of problems are you usually working on with your clients? Would you grant our readers with maybe the most memorable examples of your advice helping other companies achieve great success in rethinking their business strategies?**

Usually, it's exactly the same problem wherever I go: how do we actually make innovation happen? A lot of companies recognize the innovation imperative for driving growth and strategic renewal, but until now very few companies have really succeeded in building a deep, sustainable capability for profitable innovation. The problem, in other words, is that they just can't seem to move innovation from rhetoric to reality.

At the root of this problem is the fact that most companies have a very weak understanding about how the innovation process actually works. When asked where big, breakthrough ideas come from, many managers still ascribe the process to a mysterious mix of creative brilliance, serendipity, and the occasional bolt of lightning.

Much of my work, therefore, is focused on demystifying the innovation process. What I teach companies is that they don't have to leave it to chance. They can actually take a systematic approach to generating game-changing innovations.

Here's the big news: when we looked deeply at hundreds of examples of business innovation, we found that an interesting pattern began to emerge. Specifically, what we found is that, time and again, innovators came to their insights by looking at the world from a particular perspective. It was as if they used a different set of "lenses", which enabled them to look through the familiar and spot the unseen. In fact, we found that there are four essential perspectives that seem to dominate most successful innovation stories. We call them the "four lenses of innovation".

The first lens is “Challenging Orthodoxies” - questioning conventional wisdom inside companies and inside industries about what drives success. The second is “Harnessing Trends – spotting unnoticed patterns of trends that could substantially change the rules of the game. The third is “Leveraging Resources” – looking for alternative ways to use a company’s core competencies and strategic assets in order to create new value for customers. And the fourth lens is “Understanding Customer Needs” - learning to live inside the customer’s skin, empathizing with unarticulated feelings and identifying unmet needs.

Over the years, I have worked with many organizations – from pharma giants like Bayer to car companies like Volkswagen – to systematically generate new insights and ideas using the “four lenses of innovation”. As an example, NOKIA already used the lenses back in the 1990s to identify opportunities for revolutionizing the mobile phone industry. One of the ideas they generated had to do with transforming the mobile phone from a gadget for business executives into a communication device for every teenager. Today, we can see the result.

**You’ve said once that in many cases the best innovations come from the people on the ground, giving the example with the NYC employee of Best Buy who saw an opportunity to sell electronic goods to the thousands of passengers that were coming in with the cruise ship every Sunday from Brazil. So, what is your advice to the managers, starting from the top levels, to stimulate the innovation impulse of their workers?**

Managers have to understand that “ordinary” employees are capable of the most extraordinary innovation. British historian Paul Johnson studied great creators throughout Western history – from Beethoven to Disney – and he concluded that “there is creativity in all of us, and the only problem is how to bring it out.”

Think about all the inherent creativity that has been unleashed by today’s easy-to-use computer software tools. Look around today, and we see a world filled with bedroom DJs, amateur movie directors, podcasters, game developers, bloggers, and citizen reporters. Yet, while most companies tell their employees to bring their brains to work, many still limit the use of that brainpower to initiatives aimed at improving operational efficiency. They rarely ask all of their people to get involved in imagining new markets or new growth strategies. Instead of tapping into the huge potential for creativity that is latent throughout their organization, too many senior executives continue to view innovation as the exclusive province of one or two specialized departments like R&D or New Product Development.

The challenge and opportunity, therefore, is to “bring out” all of the latent creativity that currently lies untapped within a company’s own organization – and indeed, across its extended network of customers, suppliers, and partners – and channel that creativity into the innovation pipeline.

What companies seldom seem to recognize is that one of the best ways to get more ideas into the innovation pipeline is to ask for them. You mentioned Best Buy, North America’s leading consumer electronics retailer, which is clearly an organization that understands this principle. The company has a systematic and highly disciplined program of bottom-up innovation that is open to every employee. Called the “Customer Centric Cycle”, this program encourages everyone in the company to dream up new ways of creating a differentiated, end-to-end shopping experience for customers – and to share in the financial rewards that come from pumping up the company’s profits. The rollout of this program has unleashed a huge amount of store-level innovation, making

employees alert to ways of serving customers better. It is also driving changes in everything from Best Buy's supply chain to the company's service offerings and marketing programs. Most importantly, these changes are being driven by empowered employees all across the organization, not by the board of directors.

**And what about the innovations within the financial industry worldwide? Would you consider all the 'goods' invented by the investment banks and investment funds in the past 10-15 years to be the main reason for the banking disaster that we all witnessed?**

The main reason for the global banking disaster was a deadly mixture of stupidity and greed. The American investor Warren Buffett, who is basically the richest person in the world, likes to say that he doesn't invest in anything he doesn't understand. I don't think there's much more to the current crisis than that. It was a lot of people investing a lot of money in something that didn't make a lot of sense to anyone.

The assumption underlying the infamous sub-prime mortgage was that a jobless, homeless person who is just out of jail and doesn't even have a bank account can afford to make horrendously overpriced mortgage repayments. Going after this risky, low-end market segment with a ripoff financial product turns out – duh! – to have been not such a smart idea. Who would have guessed? And it was even less smart when used as the cornerstone for a multitrillion dollar house-of-cards based on endless derivatives of derivatives.

Thanks to the sub-prime mortgage debacle, the phrase “financial innovation” has become a phrase that now strikes fear into every banker's heart. Yet should the financial services industry keep well away from innovation in the immediate future? I don't think so.

It's worth remembering that over the last couple of decades, innovation has given us a string of success stories in financial services: Charles Schwab's online equity trading, Commerce Bank's open-all-day, seven-days-a-week business model, First Direct's branchless banking, Grameen Bank's micro-credit lending concept, PayPal's user-friendly, online-payment service, or Umpqua Bank's people-centered retail environments, to name just a few. The difference with these opportunities is that they were all based on very solid assumptions about the viability and sustainability of the business model; they were not built on proverbial sand. That's why these innovations have created significant new value and wealth, instead of destroying it.

**In your opinion, how should one stimulate the innovative products in the financial sector, and in the same time preventing such irresponsible conduct like the one that brought the world to the edge of economic catastrophe?**

When I work with banks and insurance companies, I use the “four lenses of innovation” to stimulate the generation of high-quality insights and opportunities. When they follow this disciplined discovery process, their ideation efforts become quite solidly grounded. In other words, the ideas that get generated are based on real industry orthodoxies that deserve to be challenged, real trends that seem to have potential for industry upheaval, real competencies and strategic assets that could be leveraged in new ways, and real customer needs that are currently going unmet. In other words, the discovery insights all represent realities; things that can be tested and validated. That

means that the ideas they inspire will be connected to the real world, not just some crazy, unbounded creative space.

To de-risk innovation, a company needs to do everything it can to reduce uncertainty. It needs to be excruciatingly clear about the assumptions or hypotheses that are critical for an opportunity's market success, and then focus on testing the validity of these assumptions to see whether they can be confirmed. For example, assumptions about who the customers are, what benefit the new product or service will offer them, whether customers would actually want or value it, how much they would be willing to pay for it, and so on.

Too often, companies launch a new business based on a very faulty set of assumptions about what it will take to be successful. Maybe the opportunity arena itself is relatively uncharted territory – perhaps few if any companies have tried anything like this before, so there is very little information to go on. Or a company is entering a new business but bringing along a lot of unstated assumptions from its existing business, some of which may no longer hold true in the new area.

The greater the initial uncertainty surrounding critical project assumptions, the greater the number of experiments that should be launched to validate or invalidate these assumptions. Each experiment should be set up to rigorously test an explicitly stated hypothesis about what must hold true for a project to succeed. This process of experimentation, assessment, and adaptation will stop companies from ever completely misreading the basic economics of an opportunity. It will progressively close the ignorance gap, which in turn reduces the decision risk associated with each aspect of the project. It will make sure that hubris never gets the better of humility.

**What are you going to advise the Macedonian business community on the business conference in Skopje? What is the best way to increase the competitiveness during the economic crisis that affected more or less all the industrial sectors?**

I am going to talk about two things: how to develop innovative strategies for winning in these tough economic times, and how to get the sales curve moving upward again in spite of the crisis.

The first part of the program is about dealing decisively and creatively with the challenges that currently face every business. I aim to show companies how to survive – and even win! – in the turbulent times ahead. I am going to introduce them to the “Four Lenses of Innovation”, and show them how to use this cutting-edge set of innovation strategy tools to turn crisis into opportunity by adapting their business models to rapidly changing customer needs and market realities. In fact, I am going to demonstrate that by innovating through this economic crisis, a company can actually come out of it better and stronger than it was before.

In the second part of the program, I'll be addressing the fact that global demand for almost everything is down by an average of 30% or 40%. Unless companies act to reverse this trend, they are clearly headed for big trouble. But how can an organization get its sales curve moving upward in a market where customers no longer want to buy? This is the question I'm going to answer. I argue that the absolute worst thing companies can do in a recession is assume that they can continue to sell the same old product or service to the same old customer in the same old way – and at the same old price. Instead, they need to radically rethink sales by reinventing their business models from the customer backward. This involves radically rethinking the customer, rethinking the product or service configuration, rethinking sales channels and processes, rethinking

pricing, and rethinking the way they differentiate their offer from competitors. I am going to explain how companies can discover innovative ways to create new value – both for their customers and their own organizations – and thus continue to generate revenues in turbulent times.

**Do you think that is possible to urge the innovation processes with quite limited financial funds? The vast majority of Macedonian companies do not have huge R&D budgets, so, our question would be, does innovation have to be necessarily interrelated with R&D or is there some other way to rethink core business strategies and all the segments of doing business, as well?**

The idea that innovation is solely about big science and big R&D budgets is an outdated paradigm. The fact is that many of today's most successful innovations are business model innovations, not technological innovations – they are ways of doing business that break from industry norms by serving unmet or unsatisfied customer groups, providing new or different benefits, or delivering value in an unconventional fashion. These kinds of innovations often have nothing whatsoever to do with R&D, and they can potentially come from any company located in any country on earth, including Macedonia.

Take Jim Penman in Adelaide, Australia, who turned a part-time grass-cutting job into a global business with 2,600 franchisees. The company, called Jim's Group, does everything from grass cutting and dog walking to car washing, home repairs and pool care – basically all the drudge work you don't want to do, or simply don't have time to do. It's a great example of business model innovation.

For decades, there has been an implicit assumption that radical, game-changing innovation only happens if a company invests substantial resources. This is not necessarily true. In fact, innovation can actually cost a lot less than companies think. The correlation between innovation resources and competitive outcomes is actually much weaker than most people imagine. You don't have to have a massive budget to pull off incredible innovation achievements. On the contrary, a company can innovate very successfully "on the cheap".

When Steve Jobs and his team created the original Macintosh computer back in the early eighties, IBM was spending at least 100 times more money on R&D than Apple. Where Apple scored big was in recombining existing but underutilized technologies – such as the mouse, the full page monitor, and the graphic user interface (which were invented by Xerox but not commercialized) – in a cleverly-designed and consumer-friendly package.

Fast forward to 2001 and we find that the same was essentially true of the iPod. Before we had an iPod we had flash memory, MP3 decoders, digital-to-analog converters, lithium batteries and basically everything else inside the device. None of the essential components of the iPod are unique; they can almost be bought off the shelf. In fact, the guts of the iPod are supplied by a reference design company called PortalPlayer Inc. What made iPod such a hit was the way Apple infused the device with those classic Apple attributes – user-friendliness, cool design and iconic branding – and then linked it to the iTunes business model.

Indeed, consider Mac OS X. How is it possible that Apple makes arguably the world's most advanced personal computer operating system, despite having a tiny 5 percent share of the computer market and just a fraction of Microsoft's \$6 billion annual R&D budget? Here's the answer: the core software code behind Apple's operating system is UNIX—it came out of the public domain. Essentially, Apple layers its own

proprietary “skin” over this core—the interface, the Finder, and other components that make the operating system so wonderfully cool and easy to use.

If Apple had chosen to develop the Macintosh, the iPod, or MAC OS X completely on their own, entirely from scratch, the costs would have been astronomical. Instead, they chose to be innovative where it matters – in things that add unique Apple-type value – and source the rest from outside the organization. This is a crucial key to leveraging limited resources in the pursuit of big, breakthrough innovations.

**The media already branded you as 'guru among the gurus', but how would you describe yourself? What is your ultimate mission within all these conferences and seminars all over the world?**

About a month ago, a business magazine in England referred to me as “the W. Edwards Deming of innovation”. That’s much closer to how I would like to describe myself.

Thirty years ago, Deming was at the forefront of what we now call “the Quality Movement”. He taught us that dramatically higher levels of quality could be achieved by involving ordinary workers right across an organization. He introduced us to the idea that quality could be more than a department; that it could be turned into a systemic enterprise capability that was part of everyone’s job. Basically, my ultimate mission is to do the same thing for innovation. I’d like to think that I’m making a valuable contribution to the new “Innovation Movement”.

**What are your personal idols, the business gurus or speakers you admire the most?**

I would have to say Tom Peters. It may have been Peter Drucker who invented modern management, but he left it rather dull and grey. Then Tom Peters came along in the early 1980s and repainted the whole thing in bright and beautiful colors. He made business exciting and entertaining – something that made you look forward to Monday morning. He injected it with a massive dose of passion. And he still exudes that passion today.

Tom inspires me through his books, his speeches, his blog – his whole attitude to management and strategy and life. If ever I feel my energy level starting to drop, the first thing I do is go to Tom’s website. There’s always something there to re-inspire me.

So, if there was one business guru, more than any other, that made me want to write these books and travel the world giving these speeches, it was definitely Tom. And he’s still on the road most of the year, at 65 years old! Sometimes I find myself waking up in a hotel at a really early hour to give a speech in, say, New York or Johannesburg or Moscow, and with all the travel and jetlag and so on, I honestly wonder how I can get myself out of bed. At that very moment, when I’m so desperately tired I just want to go back to sleep, I remind myself that Tom is probably having exactly the same experience somewhere else in the world, and he is 20 years older than me! That’s what keeps me going. “If Tom can do this at his age”, I tell myself, “so can I.”