

# EXECUTIVETRAVEL

## M A G A Z I N E

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## INNOVATION EVOLVES

BY ROBERT MCGARVEY

### CHEW ON THIS FRIGHTENING IDEA:

Everything you know about business innovation may be false, or at least outdated. “Everything about innovation has changed,” says David McCourt, a recognized innovation expert and CEO of Granahan McCourt Capital, a Princeton, N.J.–based investment firm. Globalization, outsourcing and new technologies have all conspired to rewrite the rules of innovation, making it both faster-paced and more profound.

**The other slice of troubling news: Business** leaders must innovate or perish. “Companies see innovation as a synonym for growth,” says Michael Raynor, a Deloitte fellow and coauthor of *The Innovator’s Solution* (Harvard Business School Press, 2003). Standing still is not an option in a business world where “ideas come from everywhere, from any direction,” says Chetan Chandavarkar, director of product development at FutureThink, a New York consultancy focused

on innovation. The ideas that utterly transform a business today can come from customers, vendors or outsourced workers half a globe away—even from hourly workers in a factory.

The bottom line? If you think the research and development team has a monopoly on innovation, you’re missing the big picture. These days, every employee has the right—and maybe even the responsibility—to act as an innovator. Innovation has become a company-wide mission.

All this leads us to the overarching question at the top of every business leader's agenda: Just how do I harness innovation? Experts on the topic express four main ideas: First, most organizations are clueless about managing innovation; second, failure must be accepted as a necessary step in stimulating innovation; third, impossible as it seems, some companies do get it and have become adroit at managing innovation; and finally, ride the innovation wave just right, and you'll find that almost anything is possible—including what seemed unimaginable a generation ago.

Perhaps there's also a fifth idea to consider: In today's business environment, the top priority for senior management has become riding the innovation wave without getting thrown off. Savvy executives are realizing how to super-charge their organizations with innovation—because, daunting as it sounds, it's the best prescription for prosperity in a world where the only constant is change.

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### **THE PESSIMIST: BALANCE AND MOTIVATION REQUIRED**

Ask Gary Hamel—author of *The Future of Management* (Harvard Business School Press, 2007) and one of our brainiest business thinkers—how many companies have made innovation a day-to-day priority, and the first answer you hear is a sigh. Hamel explains that the challenge for corporations lies in balancing control with innovation; that is, in balancing how to get the job done now with the infinite potential to vary and improve their processes.

Hamel swiftly agrees that is a tricky task, then delivers the dropkick: “The DNA of most organizations is, in fact, toxic to innovation. I would say that 99 percent of large companies have not managed to make innovation what it needs to be”: an ongoing daily focus. He adds, “CEOs know innovation is important, but they just don't know where to put the shovel to make this happen.”

In part, their confusion lies in the perhaps too broadly defined notion of innovation. “Product innovation alone is not good enough, and companies are beginning to recognize that,” says Hamel. In other words: It's all well and good to focus on improving today's products, but where are the ideas for wholly new products, improvements to manufacturing processes and new styles of marketing?

Every leader dreams about breakthrough innovations, but in order to get there, “You have to give up control. That's central to successful innovation,” Hamel explains. Understandably, this is where most managers balk. For most management teams, prescribing their own surrender is tantamount to turning in their employee IDs.

Even worse, in many organizations, “We have disincentivized people against expressing innovative ideas,” says Hamel. He adds that in many companies, people who rock the boat—and innovators, by definition, question and push up against established practices—are simply cast overboard.

The pity, Hamel points out, is that people are born innovators. “Most human beings have creative instincts. This is what distinguishes us as human beings.”

But don't think that Hamel has thrown in the towel regarding business innovation. In fact, he believes that a small handful of companies have a lock on innovation and have pushed the process down through their organizations, with fantastically profitable consequences.

The first step may be as simple as getting management out of the way, so staff at all levels have the freedom to explore new ideas. Easier said than done? Of course. But savvy businesses are starting to recognize that they may no longer have a choice. Innovation must be allowed to flourish, because there is no other way forward.

### **THE REALIST: GETTING SERIOUS ABOUT INNOVATION**

Scott Anthony has a message of hope for business leaders: One of the prerequisites for innovation is well within our grasp. “The organization must start by giving people time to think—most companies don't do that, and because they don't, they have given up on innovation,” says Anthony, president of innovation consultancy firm Innosight in Watertown, Mass. “If a company is serious about innovation, it has to allocate resources to it.” This means giving employees time to brainstorm, providing seed money for idea development, and rethinking how ideas are filtered out and killed off.

That final step is crucial, Anthony emphasizes: Often when Innosight begins a new consulting relationship, the company starts by reopening the file of ideas previously rejected by management. “Most companies actually have loads of good ideas, but they get filtered out of the system before they can be developed,” he explains. “You can innovate anything. There are no limits on innovation.”

That said, Anthony posits what seems like a contradiction: Part of successful innovation is knowing when *not* to innovate. “This is a hard message to get across,” he elaborates, “but there comes a point where product advances aren't useful. Good enough can be good enough.”

Another tough Innosight precept to swallow: “‘Failure’ is not a dirty word. We try to get companies

to see that.” This acceptance is critical, because attempts at innovation inevitably produce some failure. To instill innovation throughout a culture, a company “must learn how to handle failure,” says Anthony, and this means not punishing people who take rational risks but come up short.

### **THE NURTURER: KICKING IT UP A NOTCH**

“You don’t innovate for the sake of innovation. Innovation is all about growth,” says Robert Shelton, coauthor of *Making Innovation Work* (Wharton School Publishing, 2005) and director of PRTM Management Consultants’ Product Innovation Practice. Understand this, says Shelton, and it’s a quick leap to the idea that has transformed today’s thinking about innovation: “It’s a process that can be managed.”

A generation ago, innovation was considered the random output of a lone genius—and, of course, there’s no managing that. Today, the underlying idea is to empower every worker to innovate, and to manage the process without getting in its way.

This brings us to another Shelton teaching: “Innovation is collaborative. It’s a team sport.” The sooner multiple corporate functions get involved in trying to improve ideas, the sooner those ideas are likely to become viable.

Motivation also matters, adds Shelton. Companies that are serious about nurturing innovation know how to reward employees who go the extra mental mile. Innovators generally want to make a difference, but they won’t all respond to the same motivators. That’s why Shelton suggests a range of rewards, including money, recognition, and simply providing the leeway for employees to pursue their personal passions.

### **THE OPTIMIST: INNOVATION WILL END POVERTY**

How fruitful can a deep commitment to innovation prove? “Within 30 to 50 years, innovation will let us rid the planet of poverty,” says Faisal Hoque, a native of Bangladesh, where he saw profound poverty firsthand. Hoque is now CEO of Connecticut-based consultancy Business Technology Management Corporation, which helps clients achieve sustained innovation.

Don’t be too quick to dismiss this dream of a world without poverty as idealistic fancy. Hoque points to innovations that have led to the explosion of so-called microlending, where loans as small as \$25–1,000 are transforming the lives of impoverished citizens in Asia,

South America, Africa and beyond.

Many millions of dollars are at work in developing countries—not as gifts or donations, but as small business loans used to buy inventory, plant cash crops, tune taxi engines and buy cell phones for use as village pay phones. In this last scenario, the cell owner earns a profit on calls made by villagers who previously had no phoning options.

The successful execution of such innovations, says Hoque, comes from the marriage of technological improvements with grand ideas—for instance, the realization that while processing a \$100 loan would be impossibly expensive in a paper-based bank, microloan processing becomes viable if the whole operation happens online. This practice necessitates a completely new approach to making loans, but, says Hoque, this innovation can be put into motion while following established business principles.

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The proof, he adds, is in the numbers: Established microlenders are reporting significant profits. “This is not about charity,” Hoque explains. “It’s about cost-effectively funding viable businesses, and innovation is letting this happen.”

The relevance of innovation to 21st-century business is vivid, Hoque elaborates: “Success today, in any venue, requires sustained innovation,” so the organizations that thrive are the ones that understand technological improvements can be harnessed—and that every business process can be reconsidered and made more efficient.

So, if eradicating global poverty is a viable midterm goal, then is there anything we can’t improve by simply committing to a program of sustained, continuous innovation? According to Hoque, the possibilities are endless. The first step is deciding to drive innovation across our organizations. Then, just maybe, we’ll discover that there are no limits to what we can deliver. 📌

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