

Winning the war for innovation

Embedding innovation across the organization requires flexibility, adaptability, and a new outlook

By **Braden Kelley, Co-Founder and Editor of InnovationExcellence.com**

Whether you want to admit it or not, your organization is at war. Competition between companies has intensified, and in the same way that we talk about a war for talent, there is also a war for innovation. Companies are fighting to either gain or retain a market leadership position, making innovation a “must-have” to stay competitive. Often innovation is the key differentiator between success and failure, between growth and stagnation.

As an increasing number of industries become commoditized, innovation has become an important way to distinguish your company from the competition, and a necessary investment just to maintain your existing market position. Fail to invest in innovation and eventually you will suffocate and forfeit market leadership to a competitor or to an entrepreneur who identifies how to deliver a solution that creates more value than yours (and those of your competitors) – think Yahoo!, [Apple in the late '80s](#), Blockbuster Video, etc.

Ultimately if you don't innovate, you'll disappear. To stay relevant, grow, and thrive, organizations must innovate continuously and work to make innovation a core competence. Sustainable innovation is the key to 21st century success.

The accelerating pace of innovation

Barriers to entry are lower than they've ever been in

many industries, and there are more routes to market than ever before. Many companies now must worry about competition from their customers. In fact, Eric von Hippel, Jeroen P. J. de Jong, and Stephen Flowers recently published in [Management Science](#) that British consumers spent more on creating innovation in the consumer products category in 2007 than the total corporate R&D spend on consumer products that same year (by more than an estimated \$1.5 billion).

Companies used to be protected from individuals with brilliant ideas because a single individual could rarely access the means of production necessary to launch a product innovation. But that's changed. Now individuals with a great idea can work with a firm like [Evergreen IP](#) or license their idea to a firm like [Quirky](#) or raise money from the crowd on a site like [Kickstarter](#) or [IndieGoGo](#) to bring a potential innovation to market.

“In the 1980s, the [watchword] was quality; today, it's innovation . . . But the two are not mutually exclusive . . . Now we want superior quality and faster cost reduction, plus innovation — all at once.”

[Harry Burritt](#), Whirlpool VP of Corporate Planning and Development

At the same time, the increasing use of standardized components and outsourced manufacturing (or marketplaces like [Alibaba.com](#)) have lowered the barriers to entry further in many industries, while also accelerating the speed to market. The ability for companies and individuals to reach global scale faster than ever before is quickening the pace of innovation. More companies are now competing with themselves rather than risk the loss of part of their shelf space or product sales to a new entrant.

Witness the example of General Mills' Cheerios. Introduced in 1941, there are now 13 varieties of Cheerios on the market, not including snack mixes introduced in 2008. In its 70+ year history, General Mills

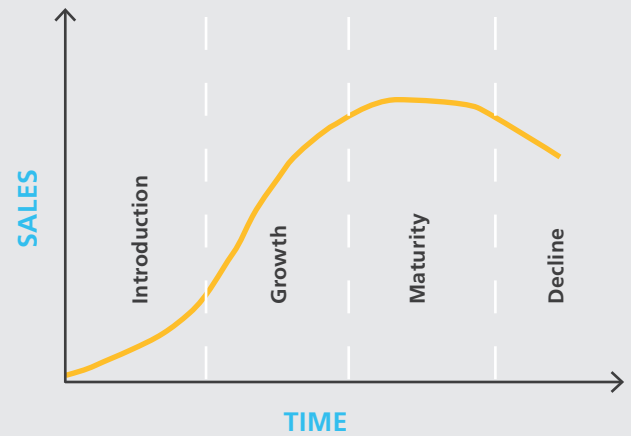
introduced no variations in the first 35 years; all of the new varieties have been introduced during the second half of Cheerios' lifespan, with eight of 13 new varieties being introduced in the last decade. The 13 current varieties of Cheerios (with launch dates) [according to Wikipedia](#) are:

- Cheerios (1941)
- [Honey Nut Cheerios](#) (1979) (see above)
- Apple Cinnamon Cheerios (1988)
- MultiGrain Cheerios (Original in the UK) (released 1992, relaunched 2009)
- Frosted Cheerios (1995)
- Yogurt Burst Cheerios (2005)
- Fruity Cheerios (2006) (Cheerios sweetened with fruit juice)
- Oat Cluster Crunch Cheerios (2007) (sweetened Cheerios with oat clusters)
- Banana Nut Cheerios (2009) (sweetened Cheerios made with banana puree)
- Chocolate Cheerios (2010) (Cheerios made with cocoa)
- Cinnamon Burst Cheerios (2011) (Cheerios made with cinnamon)
- Dulce de Leche Cheerios (2012) (sweetened Cheerios made with caramel)
- MultiGrain Peanut Butter Cheerios (2012) (Multigrain Cheerios with sorghum, not wheat, and peanut butter)

But it is not just the increasing speed with which new technologies are arriving; the speed of adoption is increasing too. This gives companies less time to react while a product category is still in the growth phase of the product life cycle, and makes it even more important that companies focus on using learning from the introduction and growth phases of one product life cycle to increase the innovation potential during the next product development cycle.

It should be obvious why innovation must be a continuous investment. When innovation staggers, market leadership and relevance can quickly evaporate (i.e. Internet Explorer, Blackberry, Kmart). So, organizations must work very hard to identify the right jobs to be done, and the correct customer and market insights, upon which to base their next innovation pursuits. At the same time they must embed flexibility

PRODUCT LIFE CYCLE



“Invention has become second nature at Amazon, and in my view the team’s pace of innovation is even accelerating.”

[Jeff Bezos](#), CEO of Amazon

into the product development process and some level of modularity into their products to allow for in-process upgrades to the product as components with improved capabilities become available.

Every product development cycle must seek to [maximize the value](#) for customers (innovation), and to deliver greater potential innovation per product development cycle than that of the competition. Organizations must also make sure that, during each introduction and growth stage, they learn more than the competition from customers and feed that learning back into the next product development cycle.

Making innovation a core competence

In much the same way that companies pursue operational excellence, companies must now also consciously pursue innovation excellence if they are to stay ahead of the competition and deliver the financial results that investors demand. This requires a systemic

approach to innovation that requires executives to build deep innovation competencies within their organization in four main areas:

- Leadership & Structure
- Processes & Tools
- People & Skills
- Culture & Values

In a [worldwide survey](#) of 175 companies by Hill & Knowlton (a communications consultancy), executives cited “promoting continuous innovation” as the most difficult goal for their company to get right. “Structurally, many companies just aren’t set up to deliver continuous innovation.”

Technology may be important to help manage the processes of ideation and innovation, but it is only a part. **Leadership & Structure** are both important because of the role that support from the top plays in successful innovation, and the role that organizational structure plays when it comes to compensation, org charts, staffing, and resource flexibility. **Processes & Tools** have a role to play in keeping your overall innovation efforts organized and in helping them to be as efficient as possible. **People & Skills** efforts help build a deeper innovation capability by helping individuals develop increased technical and creative capabilities while also helping them work together to make your innovation efforts more effective. And **Culture & Values** investments, when done well, will help your organization develop a culture of educated risk-taking, learning fast, and an environment of increased trust, respect, passion and purpose capable of sustaining your innovation efforts for now and for the future.

Realizing an Innovation Vision – A Procter & Gamble Case Study

Creating a deep innovation capability is fundamentally a leadership challenge – it’s something that requires leaders at the top to be fully engaged and committed. It also requires that leadership communicate an innovation vision to help employees understand why the organization is pursuing innovation, where it is

INTERSECTION OF VISION, STRATEGY, GOALS

Let’s look at P&G as an example of how these things come together:

INNOVATION VISION

Reach outside the company’s own R&D department for innovation

INNOVATION STRATEGY

Create a formal program (Connect + Develop) to focus on this vision

INNOVATION GOAL

Source 50% of the company’s innovation from outside

focusing its efforts, and why they should be excited to participate.

Meanwhile an innovation strategy sets the direction towards realization of the organization’s innovation vision. It gives members of the organization an idea of what new achievements and directions will best benefit the organization when it comes to innovation. An innovation strategy must determine what the organization should focus on (and what not to) so that tactics can be developed for how to get there.

And while an innovation vision determines the kinds of innovation for an organization, and an innovation strategy determines what the organization will focus on when it comes to innovation, it is the innovation goals that break things down into tangible objectives that employees can work against.

The graphic above is an example from Procter & Gamble (P&G) of an innovation vision, strategy, and goals coming together to form the Connect + Develop open innovation program.

In an interview with former leader of Connect + Develop, Chris Thoen, we hear about how changing

the culture to accept a shift from inventing everything internally, and owning all the IP to an open culture, with shared risks and rewards was a huge challenge.

“P&G has incredibly talented employees – employees who are proud of the work they do. Moving from ‘only invented at P&G’ to ‘proudly found elsewhere’ required a change in mindset. It was important that employees realized that Connect + Develop was not another name for downsizing and outsourcing jobs but instead, a strategy to ensure sustained business growth for the Company.”

Chris also talked about how success stories are the best way to highlight the value of open innovation, including increases in capacity and capabilities made possible by collaboration with external innovators and experts. He cited the Sonic toothbrush as a great example.

“P&G was looking at entering the sonic toothbrush market. We considered doing it ourselves, but projected 3-5 years before going to market. Instead, we partnered with one of the largest home electric product companies in Japan (cannot name partner due to confidentiality) and went to market in fraction of the time (18 months) and cost.”

Embedding innovation – A Whirlpool case study

Whirlpool has made great strides toward embedding innovation as a sustainable capability thanks to strong, visible, committed and sustained support from the top.

Whirlpool’s CEO, Jeff Fettig, has been in place for eight years and carrying the standard for innovation in good times and bad, picking up where previous CEO Dave Whitman left off after announcing in 1999 that he wanted innovation from everyone and everywhere.

But it is not enough for the leadership to talk about innovation – they must commit by putting boots on the ground in this war for innovation to make sure the components are in place across the organization to make innovation sustainable. This includes giving

people a common language of innovation and investing in resources to help turn ideas into reality.

Whirlpool Corp. has invested in training literally thousands of employees in the basics of innovation across the globe. Whirlpool started with a centralized approach and a group of i-Consultants, but has since moved to a more decentralized model focused on training people to become i-Mentors and then embedding them in the business all around the world. i-Mentors are to innovation what black belts are to Six Sigma. Whirlpool now has about 500 i-Mentors out of 70,000 employees.

“Innovation is risky but it’s not random. Innovators have a disciplined invention process. They may not be able to articulate it, and sometimes the Eureka! moment happens in the shower, but it stems from a disciplined process.”

[A.G. Lafley](#), Former CEO of Procter & Gamble

The purpose of having innovation resources spread across the organization is three-fold:

- Help people add rigor to the business cases of their innovation submissions
- Increase innovation project successes by distributing innovation tools and understanding
- Serve as a contributing force to a more positive, sustainable innovation culture

Making Time for Innovation – An Intuit Case Study

You may have heard about how Google and 3M allow employees to spend 15-20% of their time on projects of their choosing, and some people think this a great way to create more innovation. But there is a problem with percent time.

The day-to-day deadline pressures and fire drills never disappear in any organization (even an innovative one), and so often the joke goes – sure Google employees get 20% time, but only if it’s on Saturday or Sunday.

Intuit’s solution is to allow employees to accumulate

their time and then schedule time off to pursue a specific innovation project, often doing so at the same time with 3-4 other employees so they can collaborate on the project idea and push it forward. You might call it an [innovation vacation](#).

This approach balances the needs of the business and its required staffing predictability, with the desire to invest in innovation to sustain the business into the future. Allowing employees with an innovation idea to schedule a collaborative innovation vacation helps achieve *several* key business goals including predictability, employee retention, stronger internal networks, and increased organizational performance. To encourage participation and to reinforce its potential, Intuit also has an Innovation Wall of Fame in every office location, and if you look at a picture of the wall in the lunchroom at the Mountain View headquarters, you'll see that all but one of the innovative ideas were pursued by teams.

Reinvent, Re-imagine, Innovate, or Die

For organizations to continuously innovate, they must maintain their ability to reinvent themselves and re-imagine their markets and their products and services. This requires that organizations become masters of perception, skilled at extracting heuristics from customer and marketplace clues, and efficient at translating those heuristics into algorithms that they can scale.

Companies that successfully embed continuous innovation into their organization are capable of repeatedly re-imagining markets and reinventing themselves. Those that approach innovation as a one-time burning-platform event will eventually become tomorrow's innovation road kill as even the most disruptive of innovations has a shelf life. The mantra of 'Innovate or Die' is alive and well.

Companies that fail to engage in the waves of reinvention that continuous innovation can bring, end up like Circuit City, Borders, Silicon Graphics, Schwinn, or Polaroid. These companies, and thousands

of others, have fallen under the sword of innovative new competitors and shifts in marketplace dynamics. Companies that continuously re-imagine and reinvent themselves like [FujiFilm](#) (profits of nearly \$1 Billion in 2010) survive, while companies that fail to do so like [Kodak](#) (losses of nearly \$1 Billion in 2011) – die. Of these two film titans which one would you rather be?

“You need creativity and invention, but until you can connect that creativity to the customer in the form of a product or a service that meaningfully changes their lives, I would argue you don't yet have innovation.”

[A.G. Lafley](#), Former CEO of Procter & Gamble

Winning the war for innovation

The time to act is now. Your innovation journey begins with a single step – committing to the pursuit of innovation excellence. That commitment will allow you to create a common language of innovation and to choose [what type\(s\) of innovation](#) to pursue. It will also help you stop seeing innovation as the responsibility of Research and Development (R&D) or New Product Development (NPD), but instead as a capability that must be built across the entire organization.

You must increase the flexibility and adaptability of your organization to help it keep pace with the change and competition happening around it. You must get better at harnessing the talents and passions of your workforce that don't show up on a resume. And you must transform your organization to allow for a productive balance to exist between optimization and disruption, even if that means becoming comfortable with disrupting your own organization. Witness Microsoft's risky bet to embrace cloud computing with their Windows Azure and Office 365 product offerings that compete against their two most profitable franchises. Nobody said winning the war for innovation came without risk or potential bloodshed.

Organizations that commit to the pursuit of innovation excellence with the same vigor that they pursue

operational excellence will provide the leadership & structure to enable it, the processes & tools to power it, the people & skills investments to facilitate it, and reinforce the culture & values to make it sustainable.

Answering the call of the innovation imperative and building a deep innovation capability is the only way to win the war for innovation. Will you lead the charge onto the innovation battlefield, or will you let your competitors bring the fight to you?

About the Author

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Braden Kelley is an experienced [innovation speaker](#), trainer, pull marketing strategist, and social business architect. He is the author of "[Stoking Your Innovation Bonfire](#)" and has been advising companies on how to create innovative strategies, effective inbound marketing, and improved organizational performance since 1996. Braden writes frequently on the topics of continuous innovation, [pull marketing](#), and social business. He has maximized profits for companies while living and working in England, Germany, and the United States. Braden earned his MBA from top-rated London Business School.

Braden is passionate about innovation and has published more than [650 articles](#) and white papers for online publications including The Atlantic and The Washington Post. In his spare time, he is a co-founder of the popular global innovation community – [InnovationExcellence.com](#) – home to 4,500+ innovation articles and is an innovation leader on Twitter ([@innovate](#)) with 13,500+ hard-earned followers.