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Keeping the Lights On

SUSTAINABILITY BLOCKAGES

The Key Dangers

- Viewing innovation as a temporary, extraordinary effort in response to a crisis, or pursuing innovation as a competitive response.
- Treating innovation as the domain of only the R&D or Marketing department, or some other subgroup.
- Treating innovation as a project-based activity, instead of as an integral organizational capability to be invested in and professionally managed.
- Having no systems in place for managing the organization's innovation activities.
- Not investing time and energy into making your organization more flexible and adaptable so that it can cope with the increasing pace of change that innovation introduces.

OVERVIEW

Success can be blinding. Organizations often drive themselves by trying to look through the windscreen and in the rearview mirror, only to get blindsided by something from the left or the

right. Put another way, organizations often focus on what they've already done and moving it forward (often in an incremental way). Organizations also invest in defending and extending the core products and services that made them successful—focusing a huge amount of energy on protecting their flank. Don't get me wrong, incremental innovation is important, but all of your competitors are trying to make their products and services incrementally better than yours at the same time. At best, your efforts will allow you to maintain or make slight improvements in revenue and profitability. And of course, companies that fail to invest in at least incremental innovation efforts often find themselves getting less and less competitive in the marketplace. Ultimately, the organizations that create sustainable success are those that invest in not only identifying and implementing the change that their customers desire and require, but also the change that is necessary inside the organization to deliver it.

Who Innovates?

Do you have a group of innovation elites in your organization? Maybe these are folks in Marketing or in Research & Development. Or do you make a concerted effort for all of your employees to feel that it is part of their job to innovate? If people feel that innovation is someone else's job, then they're not going to participate, and you are going to miss out on a whole spectrum of interesting innovation ideas. The fact is that markets are too big, too complex, and opportunities for insight lie in too many different reference industries and geographies for any small number of people to be able to successfully sense and ideate. I heard Dr. Alph Bingham, founder of Innocentive, recently talking about who actually solves most of their challenges, and he said that if you were to classify people across a spectrum of those who you believed would be most likely to solve the challenges on the left and those you believed would be least likely to solve the challenges on the right, most of the solutions come from the right-hand side. So if the best solutions are most likely to come from those you would deem least likely, wouldn't it

make sense to include everyone in your organization in your innovation efforts? And possibly people outside your organization?

Innovating in a Crisis

Companies that only have the courage to innovate when there is a crisis, or a competitive response is needed, will be unable to achieve sustainable innovation. Not only that, but their innovation attempts are likely to lack the vision necessary to leap ahead of the crisis or competition—instead they will merely meet the threat and keep the organization as a reactionary pursuer of innovation instead of becoming a leader. This is the GM approach to innovation— constantly trying to catch up to where Toyota was five years ago—instead of trying to jump the next curve and regaining a leadership position. Innovating in crisis often means that the main motivator is going to be fear. Fear does not serve as an effective motivator for innovation. We know this because of the inverse correlation between the fear of failure and the quantity and quality of innovation in organizations. Organizations looking to innovate in a crisis cannot do so over and over, and so they must find a way to transform feelings of fear into a believable, committed challenge mentality. To make an analogy: When the Russians launch Sputnik, you have to commit to an innovation moonshot.

Innovation Is Not a Project

Often when companies attempt to innovate because of a crisis or in response to the competition, they pursue innovation as a project. When you pursue innovation as a project, the organization does not build any kind of innovation capability. Instead a group of people come together to tackle a particular challenge, and when the work is complete everyone goes back to their day jobs. None of the learnings are retained in a meaningful and easy-to-access manner for future projects, and there is no opportunity for policies and processes to be refined for greater efficiency next time. You may be pursuing a portfolio of innovation projects, but innovation itself is not a project. Projects start and stop, but for innovation to be sustainable, it must be continuous. This often means investing

in a small core team of people (maybe only allocating part of their time) to serve as innovation shepherds—identifying and cataloging innovation best practices and building the innovation capabilities of the organization so that all innovation projects in the portfolio may benefit.

If You Want Systemic Innovation, You Need Systems to Manage It

If you are really serious about creating sustainable innovation in your organization and engaging more than just a handful of people in the generation of ideas, you not only need to have a group of people to manage the process (either part-time or full-time), but you also need systems to manage the idea generation, idea evaluation, and idea development processes. This class of software is commonly referred to as innovation management software and it is often sold in a Software as a Service (SaaS) manner. Organizations with above average privacy or security concerns may choose to run this software locally in their own organization (see Figure 10.1).

There are tons of companies selling innovation management software, but the three heavyweights in this area are Brightidea,

Do you have a systematic Idea Management system in place, collecting ideas from employees, customers, etc.?

60 responses since March 23, 2010
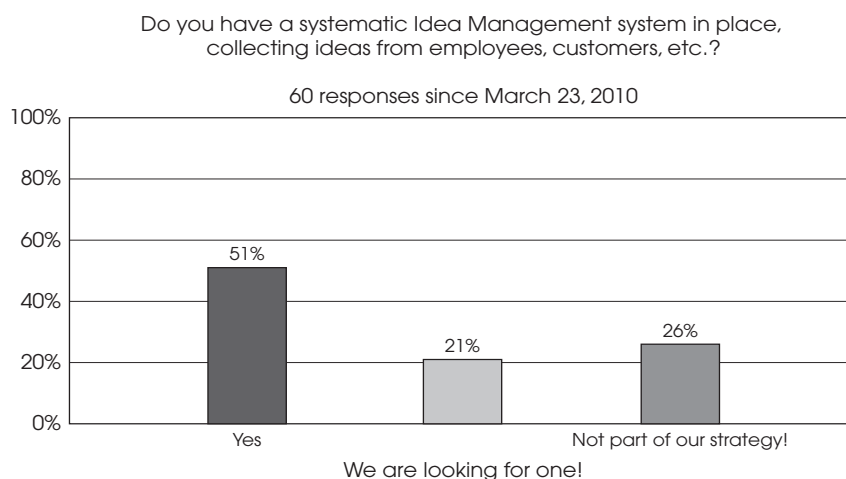
Figure 10.1   Poll Idea Management Software

How do you collect ideas and suggestions from
employees, customers, etc.?

76 responses since March 25, 2010
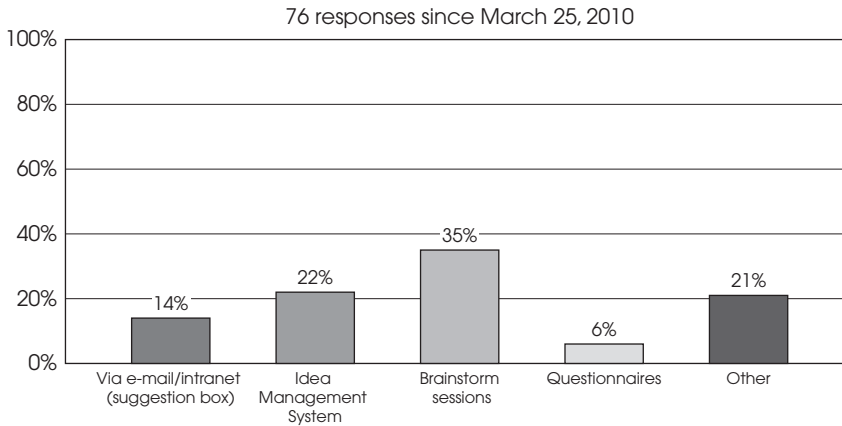
Figure 10.2   Poll Collecting Ideas

Imaginatik, and Spigit, but you also have software like Invention
Machine and others that serve similar or adjacent needs (patent
searches, etc.). But there is no reason you couldn't build your own
innovation management solution into your enterprise portal or
collaboration software platform such as Lotus Notes, Microsoft
SharePoint, and others (see Figure 10.2).

It's not completely accurate to call it innovation management
software because it only manages ideas, but having a software plat-
form for managing ideas is crucial to ensure that you are able to do
the following five key tasks.

1. Capture all of the ideas.
2. Allow employees to collaborate on evolving ideas.
3. Allow program managers to evaluate them.
4. Allow program managers to track idea development progress.
5. Allow program managers to monitor commercial success of
   ideas.

No matter how you choose to solve the need for an innovation
management software solution, make sure that you have a plan for

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how you are going to address these five tasks, both in the software and in your organization's policies and processes.

Innovation versus Flexibility

Does your organization focus on identifying only new innovation projects and not on making the organization itself more agile? For innovation to be sustainable, the organization has to become flexible enough to remake itself as its environment changes and succeed at completely new ways of doing business. Think about Nokia going from tires to mobile phones. Could your organization do that?

Or, think about the Apple iPod, and how Apple went from being a computer company to a consumer electronics company. Figure 10.3 shows one way to think about the changes that both the organization and the customer had to think about (see the case study at the end of this section for more detail).

Innovation is all about change. It's about finding a new set of solutions that customers value above every existing alternative—including your current products and services. While investing in innovation projects is important, you have to also make sure that your organization is capable of adapting to the changes in the marketplace. What good is coming up with a breakthrough customer insight that drives great innovation ideas and projects if your organization isn't capable of making the internal changes that are necessary

Organization

- Get knowledge of consumer products
- Build consumer product supply chain
- Get knowledge of music industry
- Get knowledge of audiobooks industry
- Get knowledge of movie industry
- Get knowledge of television industry
- Write software for Microsoft Windows
- Develop expertise in piracy prevention

Customer

- Understand what the iPod is
- Understand digital music
- Understand the value-to-cost equation
- Get comfortable buying music without getting any physical media
- Get comfortable with not being able to share music anymore
- Get comfortable with buying an Apple product as a PC user

Figure 10.3 Change Required by the Apple iPod

to execute upon the insight and bring the product or service solution successfully to market?

If you live in the United States, you may be familiar with a couple of failed airlines—Ted and Song. United started the ill-fated Ted, and Delta started the equally unsuccessful Song in response to the growing success of low-cost competitors like Southwest and Jet Blue. Given that Ted and Song came along and copied a successful, proven business model, how did they manage to fail so miserably?

The answer is not a simple one, but in addition to the brand confusion they caused among customers, the harsh reality is that neither organization could change fast enough to operate as efficiently or effectively as Southwest Airlines and then create any innovation capable of proving their solution to be valued above every existing alternative.

Quite often it is not the technical aspects of invention that keep established companies from delivering disruptive innovations, but the change that is required either on the part of the customer in order to adopt an innovation, or on the company's part in order to deliver the innovation to the marketplace (or both). Investing in innovation without also investing in organizational agility is often a fool's bet.

Managing Innovation Is About Managing Change—A Case Study

Innovation is about change. Companies that successfully innovate in a repeatable fashion have one thing in common—they are good at managing change. Change comes from many sources, but when it comes to innovation the main sources are incremental innovation and disruptive innovation.

The small changes from incremental innovation often come from the realm of *implementation*, so the organization, customers, and other stakeholders can generally adapt. However, the large changes generated by disruptive innovation often come from the *imagination*, and so these leaps forward for the business often disrupt

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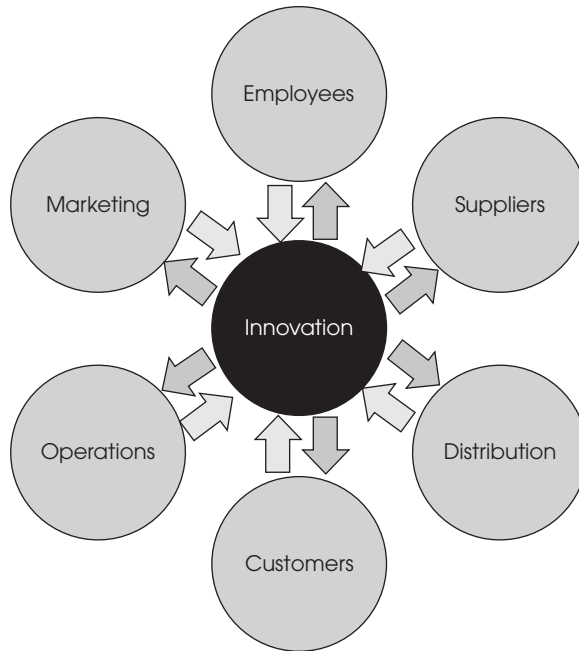
Figure 10.4   Organization Ecosystem

not only the market but the internal workings of the organization as well; they also require a lot of education and experience (not just explanation).

The change injected into organizations by innovation ebbs and flows across the whole organization's ecosystem (see Figure 10.4).

Let's explore the change categories visualized in this framework using the Apple iPod as an example.

Changes for customers—Any disruptive innovation requires a company to imagine for the customer something they can then imagine for themselves. Go too far past your customers' ability to imagine how the new product or service solves a real problem in their lives, and your adoption will languish.

> Customers had to try and imagine Apple as more than a computer hardware manufacturer and begin to see it as

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a company to trust for reliable consumer electronics. They also had to imagine what it might mean to download music digitally (without any physical media).

Changes for employees—Disruptive innovations often require employees to do things in a new way, and that can be uncomfortable, even if it is only your employees imagining what you are going to ask them to help your customers imagine.

> Employees had to acquire lots of new knowledge and skills. Apple support employees had to learn to support a different, less technical customer. Other employees had to learn how to effectively build partnerships in the music industry.

Changes for suppliers—Innovations that disrupt the status quo may require suppliers to work with you in new ways. Some disruptive innovations may require suppliers to make drastic changes akin to those they had to make to support just-in-time manufacturing.

> Apple had to work with suppliers to source components at the higher volumes and shorter lead times required for success in consumer electronics. This meant finding some new suppliers who could handle the new volumes and market requirements.

Changes in distribution—Often big innovations disrupt whole distribution channels and this can cause challenges for incumbent organizations (think Compaq and big box retailers versus Dell Direct).

> Going into consumer electronics meant that Apple had to build relationships with the big box stores including people like Target, Walmart, and Costco. They also had to build a completely new distribution system—iTunes—for distributing digital music.

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Changes in marketing—New products and services (especially disruptive ones) can require Marketing to find and build relationships with completely different types of customers and/or require Marketing to speak to customers in a different way or to reach them through different channels.

> Marketing had to begin moving the brand from computing to lifestyle, including changing the company name from Apple Computer to just Apple in 2007.

> Marketing also had to learn how to connect with mass market consumers, and help them imagine how this new hardware/software combination would enhance their life—no small task.

Changes in operations—In addition to changes in the supply chain, the organization may have to adapt to disruptive innovations by hiring different types of employees, retraining existing employees, accounting for revenue in a different way, or going about production in a new way.

> The Apple iPod was an experience sell, which highlighted the fact that Apple didn't really have a place where they could help customers experience their products. This led to the opening of Apple retail stores. Apple's finance and operations had to adapt to the change from low-volume, high-price items to high volume, low-price items. Apple also had to build out a resource-intensive online operation that didn't exist before (lots of IT investment).

Note that Figure 10.4 has arrows going in both directions, but not simultaneously. There is a push-pull relationship. At the beginning of the innovation process the satellites influence what the innovation will look like (new production capabilities, new suppliers, ideas from partners/suppliers, component innovations, new marketing methods, etc.). But as the innovation goes into final commercialization, the direction of the change becomes outwardly focused.

You can see that while an organization is imagining how to take their creative idea and transform it into a valuable innovation in the marketplace, they also should be imagining all the changes that are going to be required and how they will implement them. This is no small feat, but with proper planning, organizational learning, and adaptation over time, any organization can improve its ability to cope with and even anticipate the change necessary to implement its next disruptive innovation.

Purpose and Passion

Ultimately, successful and sustainable innovation is all about purpose and passion. The people in your organization have to be clear on what the purpose of the organization is. Ideally, that purpose has to be something bigger than the individuals and something that people can get passionate about, because first and foremost, as Jeffrey Phillips has said, "You can't force a disinterested person to innovate."

Passion is a prerequisite not just for getting started with innovation; people leading innovation projects must have enough passion to fight through, over, around, or under any obstacles they may encounter in their effort to make a new idea a reality.

> *Passion-based organizations stop at nothing to accomplish their goals and are able to attract people and resources to their causes. That got me thinking. Over all of my years as an innovation junkie, the common denominator, among the innovators I have connected with and the most successful enterprises I have observed and worked with, is passion. They started with a passion or cause and then organized around it to make it happen. Not the other way around.*

—Saul Kaplan

Blogging Innovation as a Case Study in Passion

I started innovating long ago, but I didn't start Blogging Innovation until 2006. I realized I needed an outlet to express my passion for innovation, and blogging offered the perfect opportunity. I kept reading and writing about innovation despite getting only a couple

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of hundred people to read my articles each day. Then at the start of 2009 I completed a marketing strategy project for Wunderman and Microsoft Windows Live, and, using some great tools including Website Grader, I discovered that the blog had some technical challenges. After fixing those, traffic to Blogging Innovation finally started to take off. Now instead of averaging more than 200 daily visits, the blog averages nearly 10,000 and the numbers are still growing. Do I spend less time on the blog now than I used to? No!

Most people would consider an increase in traffic of 2,500 percent in one year as being a huge success and a chance to relax, but I don't see it that way. Back in August 2009 I decided to commit the blog to a mission of making innovation and marketing insights accessible for the greater good. As a consequence of that mission, I decided to open up the blog to the very best contributing authors on the topic of innovation and other marketing-related subjects that I could find.

Instead of using the blog as an extension of my company, Blogging Innovation exists to help raise the baseline understanding of innovation and marketing so that organizations can become better at satisfying the needs of their customers, the first time they try. After all, the more efficient our organizations are at meeting their customers' needs, the less waste of human capital and natural resources. That's what drives me to get up at 5:30 A.M. seven days a week to start letting people know about all the great content our contributing authors have published that day.

We have recently decided to take on a monthly sponsor who wants to be associated with innovation in a tasteful way, but that is not for commercial reasons but because the blog needs additional people power to run it and a new site design to make the content even more accessible. As I go out to look for the assistance I need to take Blogging Innovation to the next level, I'll be looking for one thing in the people I choose to help make the community stronger—passion.

Passion versus Obsession

There is a great article "Passion versus Obsession" by John Hagel that explores the differences between passion and obsession. This

is an important distinction to understand in order to make sure you are hiring people to power your innovation efforts who are passionate and not obsessive. Here are a few key quotes from the article:

> The first significant difference between passion and obsession is the role free will plays in each disposition: passionate people fight their way willingly to the edge to find places where they can pursue their passions more freely, while obsessive people (at best) passively drift there or (at worst) are exiled there.
>
> It's not an accident that we speak of an "object of obsession," but the "subject of passion." That's because obsession tends towards highly specific focal points or goals, whereas passion is oriented toward networked, diversified spaces.
>
> The subjects of passion invite and even demand connections with others who share the passion.
>
> Because passionate people are driven to create as a way to grow and achieve their potential, they are constantly seeking out others who share their passion in a quest for collaboration, friction and inspiration. . . . The key difference between passion and obsession is fundamentally social: passion helps build relationships and obsession inhibits them.
>
> It has been a long journey and it is far from over, but it has taught me that obsession confines while passion liberates.

Innovation Is Social

These quotes from John Hagel's article are important because they reinforce the notion that innovation is a social activity. While many people give Thomas Edison, Alexander Graham Bell, and the modern-day equivalent, Dean Kamen, credit for being lone inventors, the fact is that the lone inventor myth is just that—a myth. All these gentlemen had labs full of people who shared their passion for creative pursuits. Innovation requires collaboration, either publicly or privately, and is realized as an outcome of three social activities.

1. **Social Inputs**
   - From the very beginning when an organization is seeking to identify key insights to base an innovation strategy or

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project on, organizations often use ethnographic research, focus groups, or other very *social* methods to get at the insights. Great innovators also make connections to other industries and other disciplines to help create the great insights that inspire great solutions.

2. **Social Evolution**
    - We usually have innovation *teams* in organizations, not sole inventors, and so the activity of transforming the seeds of useful invention into a solution valued above every existing alternative is very social. It takes a village of passionate villagers to transform an idea into an innovation in the marketplace. Great innovators make connections inside the organization to the people who can ask the right questions, uncover the most important weaknesses, help solve the most difficult challenges, and help break down internal barriers within the organization—all in support of creating a better solution.

3. **Social Execution**
    - The same customer group that you may have spent time with, seeking to understand, now requires education to show them that they really need the solution that all of their actions and behaviors indicated they needed at the beginning of the process. This social execution includes social outputs like trials, beta programs, trade show booths, and more. Great innovators have the patience to allow a new market space to mature, and they know how to grow the demand while also identifying the key shortcomings with customers who are holding the solution back from mass acceptance.

When it comes to insights, these three activities are not completely discrete. Insights do not expose themselves only in the social inputs phase, but can also expose themselves in other phases—if you're paying attention. Flickr famously started out as a company producing a video game in the social inputs phase,

but was astute enough during the social execution phase to recognize that the most used feature was one that allowed people to share photos. Recognizing that there was an unmet market need amongst customers for easy sharing of photos, Flickr reoriented its market solution from video game to photo sharing site and reaped millions of dollars in the process when they ultimately sold their site to Yahoo!. Ultimately, action is more important than intent, and so as an innovator you must always be listening and watching to see what people do and not just what they say. Build your solution on the wrong insight and nobody will be beating a path to your door.

Bringing It All Together

If your organization is struggling to sustain its innovation efforts, then I hope you will do the following things.

- Find the purpose and passion that everyone can rally around.
- Create the flexibility necessary to deal with the constant change that a focus on innovation requires for both customers and the organization.
- Make innovation the social activity it truly must be for you to become successful.

If your organization has lost the courage to move innovation to its center and has gotten stuck in a project-focused, reactive innovation approach, then now is your chance to regain the higher ground and to refocus, not on having an innovation success but on building an innovation capability. Are you up to the challenge?