Five Levers to Speed Innovation

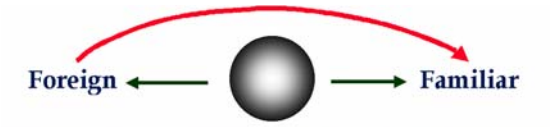
Christopher Meyer, Ph.D.

> "If a business leader from another planet landed on earth, they might have thought that most executives had taken their firms to the Corporate Fat Farm. Instead of Richard Simmons leading the flabby and overweight as they sweated off the pounds, we had Michael Hammer and his devotees leading re-engineering calisthenics across the globe. The exercise was worthwhile, but enough is enough. It's time to stop pruning, and start creating and growing new value for our customers, and ourselves"
>
> Christopher Meyer, *Relentless Growth,* 1998.

It's no secret that fierce competition is *the* driving force behind the need for exceptional innovation. The inability to innovate can stifle growth, make you late to market with the right product, or on time but with the wrong product. Failure to push the "innovation envelope" can cost millions in market share, as others seize opportunities that *should be yours*. Research demonstrates that the best competitors constantly re-evaluate and re-examine their ability to innovate; be it internal operating process, distribution channels or their approach to product/service development and corporate strategy.

The innovation mindset vs. operating reality

When doing the research for *Relentless Growth,* it became apparent that MBA's and corporate education programs teach people how to run current businesses vs. create new ones. One company that has a world wide reputation for it's operations management retained us to help them grow through internal innovation. The more we worked with them it became clear that their skill at operations was also their barrier to innovation. They were happier than pigs in manure when working with facts and numbers. For them, more precision was better, even if the issue itself was not critical to growth. They became quite nervous if there was little precision, even if the issue was central to growth. In short, they were both comfortable and trained to manage to the right of the decimal point. The problem is that innovation starts to the left of the decimal point for new ideas have little precision, no historical data and are hard to compare. Market research couldn't tell Apple that fruit colored packaging could bring the Macintosh back to life.

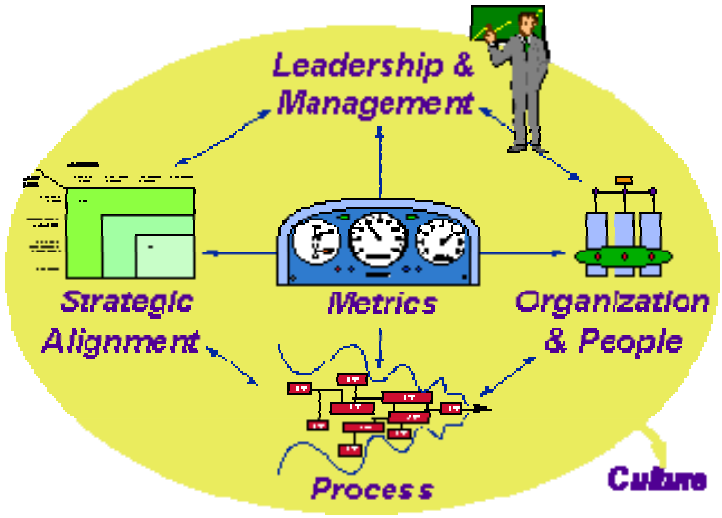


Causality unclear	Causality clear
Facts are fuzzy	Facts are verified
Imprecise	Precise
Poor historical data	Rich historical data
Hard to measure	Easy to measure
Comparative	Absolute & comparative
Multi-functional	Functionally based
Dollars are a reach	Easy to reduce to dollars

The Innovation System

Good ideas are the seeds of innovation. No seeds, no innovation. The problem is that most companies don't lack good ideas, but can't seem to implement the ones they have. Successful innovators understand that innovation requires a systemic approach that has five basic elements.

1. Leadership & Management: Leaders provide the fertile soil for new ideas as well as owning the critical decisions such as project selection, resource allocation, technology strategy and risk management. Effective and rapid innovation is a function of a "loose-tight" leadership, where creativity is balanced by a disciplined culling of alternatives.



2. Strategy and alignment: Strategic alignment is the process of defining, evaluating and linking innovation alternatives to the firm's strategy and operating processes. Using a portfolio approach, we assess the degree stretch, risk, and leverage against market requirements, competitive actions and internal execution capabilities

3. The Innovation Process: The innovation process defines key roles, responsibilities, timing, work flow infrastructure and the tools for effective execution. Starting with ideation and basic research, the innovation process continues through launch, up to and including end-of-life decisions.

4. Organization and People: Only people can create and execute the ideas required for effective innovation. How effectively differences are nurtured and utilized often dictates what creates sustainable success, versus a flash in the pan. Without flexible organization structures, and clear roles, ideas easily elude detection and hamper execution.

5. Metrics: Metrics provide the guidance and feedback system necessary for innovation. Without them, you're flying an expensive, risk-prone craft by the seat of your pants. Like the pilot's instrument panel, a good measurement system helps you detect and correct error, ideally *before* serious problems occur.