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Leading Innovation – A Five-Base Game

By Charles Kiefer

Over the last several years the concept of innovation has increasingly been recognized as a key factor for business success. Where in the past, the term innovation referred to new products, today many firms have implemented corporate-wide initiatives that view innovation as going far beyond products and into all of the processes and activities through which economic value is created. In this view, if something is new for you, even if it is not new for someone else, then this is innovation. (For example, one division's adoption of a new process or solution from a sister division) Innovation then becomes the day-in, day-out attempt to improve performance not only by doing new things, but also by consistently attempting to do existing things better, or by doing them differently in an intelligent way.

There is an enormous amount of writing available on the subject of innovation for business leaders. This essay attempts to simplify much of these writings in what might be called "The Agenda for Senior Leadership Teams." Think of it as five bases — miss any one of them and "you're out!"

The Five Bases

1. Skills and Abilities
2. The Business Imperative
3. Innovation Processes, Structures, and Systems
4. Mindset and Culture
5. Leadership

1. Skills and Abilities

People generally consider this base first, often focusing on innovation as a function of creativity, skills, and techniques, e.g., "make my people more creative and innovative." But this definition needs to be broadened to include other essential skill categories.

The first is **Technical/Scientific**. If you are in the biotech industry, you need biologists and geneticists. If you manufacture jet engines, you need mechanical engineers and metallurgists. This would seem like common sense, but without these talents one cannot compete in the game.

A less obvious category is what might be termed **Temperament or Inclination**. Everyone knows that for successful innovation you need *Idea Generators*, the kind of

people who are always thinking up new things. However, there are a few other skill sets to keep in mind as well. Some of your people must be the *Entrepreneurs*, whose attitudes and skills drive things to the market. You also need early-stage managers, since not all entrepreneurs are good at planning, organizing, budgeting, and managing people. Also important are *Executive Sponsors* to support and fly air cover for innovators whose disruptive effects often trigger organization-stabilizing mechanisms that seek to quash the causes of disequilibrium. Organizations often fail to recognize the variety of temperaments that are necessary, and generally don't plan and organize very well according to the skills they do have.

One company I worked with a few years back had ideas bubbling out all over the place. Management had challenged the company to think out of the box and had placed direct lines through which employees could send their ideas to senior management. The organization responded as directed. Senior management sifted through the ideas and suggestions as they had promised and ordered the implementation of many of them. When the change was an improvement to something already in place, it was generally successful, but when it involved doing something new, it wasn't. Projects and new product ideas would get started and then stall. Why? Often it turned out that the person who had the initial idea did not have the internal drive to surmount obstacles, even with the support of senior management. In a few cases, innovation failed even after a forceful implementer had proved the product's market acceptance and built high energy around the new project simply because of a lack of basic political and management skills. With a bit of rethinking, senior management began to staff their ventures with people whose temperament was appropriate to each project's stage of development. The company's innovation efforts became categorically more successful.

Individual creativity, skill, and technique, are necessary both for working alone and in groups. Team leaders often begin innovation efforts by looking at themselves, thinking that if they as an individual become more creative, these skills will somehow translate to their team. Though seductive in logic, this doesn't often work. Volumes have been written on the acquisition of creativity skills; adult education courses on the subject abound, organizational development consultants can be cost effective and some large consulting companies have years of experience and powerful techniques in the area. A web search will identify many of these resources.

2. The Business Imperative

This is probably the most important and in my experience under-addressed bases. Given that many businesses are up against the wall trying to get improvement through means with which they're already familiar, it's reasonable that they would turn to ... drum roll and flourish ... *innovation*. But, it does seem that becoming innovative — essentially out of desperation or as a last resort — doesn't work. A strategic vision is necessary in which innovation is a must have, not a nice to have. Otherwise innovation is just another initiative du jour. The financials must confirm the necessity and show that you will not be successful in the long term without innovation. Without strategic logic, the imperative is experienced as “be innovative because we (senior management) say so.” To illustrate the point, think of the innovative firms you know. Don't they view innovation as vital?

In establishing and articulating this imperative, managers must be explicit, because the territory is generally unfamiliar. The strategic rationale must break through the prevailing mental models through out the organization and the company's self-image must change. Despite effort over the past 20 years, I've had limited success in getting my clients to do this, but when I have the results have been extraordinary. Properly placing the role of innovation in a firm's strategy is paramount. Some strategy consulting firms have been effective with this task.

3. Innovation Processes, Systems, and Structures

The backbone of the classic process for new product innovation begins with the marriage of a market need with a technical solution and ends with stable manufacturing and profitable sales. Many firms haven't formalized this process. There are often weak or broken links which in many cases are so burdensome, they kill off any innovation before it can flourish. Other types of innovation, for example creating and implementing a new manufacturing line, require different processes, many of which may be absent or significantly flawed. In most areas in which you want to foster innovation, there are one or more associated processes suited to obtaining those goals. If these processes are flawed, broken, or absent, you either won't get innovation or you will be stuck getting it the hard way. With current pressures, most people understandably don't have the appetite for undertaking something that is recognizably hard and thus personally risky.

Sound organizational systems and designs are also essential for innovation. There are no universally effective designs; instead, there are those specific to the organization, industry, or technology, which function best. For example, in some industries it is better to separate basic research from product development; in others it is better to integrate it. Some organizations set up standing committees to drive innovation, while others do not with equal success. What works in one organization is laughed at by another and both can be correct. Beneath all this there remains one simple point. Poor design can cripple or kill innovation.

Soft structures are as important as the hard ones. One example would be a compensation system that penalizes people for risk taking, another would be social norms that discourage collaboration between marketing and technology. The list is endless and while you need to create new structures, more often than not you also need to either alter or destroy the old ones.

With each of these three areas, there are no panaceas or rote steps to take, but with awareness of what they impact and some careful thought, the right approaches can be uncovered and put into place.

Taking Stock of the Second and Third Bases

If innovation has not been strategic for you in the past, it's reasonable to suspect that your existing structures and processes are not optimal for that purpose. If your strategy or environment has changed, what once enabled innovation might not be what's needed now. Most firms benefit by doing an assessment of the current strategy and the nature of the innovation requirement. Does that requirement meet the criteria in Base 2 above? Are

all the innovation processes present and functioning? Are the required structures sound? Once the assessment is complete, the holes below the waterline will be revealed. It becomes straightforward to monetize the costs and implied benefits of change, prioritize and identify the appropriate next steps. Firms can complete the assessment themselves, but often outside experts maximize what an organization learns.

If you address the first three bases, you will innovate more, but you will not necessarily be innovative. Without covering the remaining two bases, innovation will require a great deal of effort and you will fail more frequently than you need to. To play at the top of your game, you need both a Mindset and Culture that welcome innovation and leadership.

4. Mindset and Culture

Senior management can successfully direct subordinates to behave in more innovative ways and consequently see positive results. But while behavior will change, there is a big difference between what I call “doing innovation” and being innovative. The innovative individual is curious about what is going on and whether it can be improved. When a new idea dawns, the innovator takes the first steps to test it. It is much the same for an innovative organization. People are on the lookout for ways of improving and when discovered, those ideas are taken to the next level for testing. If they hold up, mechanisms are in place to carry them further.

Motivation and energy are critical for innovation. An individual or organization can do things in reaction or response to the circumstances faced; Robert Fritz has termed this the “reactive/responsive orientation”. The source of energy comes from “outside,” whether it be management directive, the market, or customers and generally aims to get rid of the undesired circumstance. The other form of motivation is generative and termed “the

Since they are interconnected, sometimes in vexing ways, all five bases need to be looked at together. A number of years ago I helped several organizations analyze their processes, structures, and systems using a series of case studies. The case studies were based on interviews with key participants from six successful and six unsuccessful innovations within each company. The presumed causes of success and of failure were collected from these participants, other senior managers, and observations from academic literature. The hypotheses were then cross-correlated with the cases to determine what were the real patterns of success and failure for each company.

One company provided a perfect example of how elements interrelate and create unproductive consequences. It is accepted that for success, an organization needs internal entrepreneurs who in turn need senior level sponsorship. In this particular client firm, both were present in the successes and in the failures. A deeper inquiry revealed the difference. In the failed efforts there was no continuity in the sponsor role. The technical people and the entrepreneurs stayed in place for the six-year time frame of the innovation (new chemical compounds), but senior people changed every two years in each failure and remained in place in every success. Why? The firm’s fast-track, management-development system forced rotation of candidates into new jobs every two years as a matter of policy. Though this was arguably good for management bench strength, it was catastrophic for innovation and cost the company billions.

creative orientation” by Fritz and “intrinsic motivation” by W. Edwards Deming among others. Intrinsically motivated people do what they do because they want to and because they actually care. The creative orientation seeks to bring what is wanted into existence; the reactive/responsive orientation seeks to drive the unwanted out of existence. These approaches differ in essential ways. The problem with the reactive orientation is that action ceases when the pressure of circumstance is removed. For example when business improves, management switches attention to something else. This is not the case in the creative orientation wherein energy and action are sustained. Shifting from the reactive/responsive to the creative orientation is critical. It is the basis for being innovative.

The second critical shift is forming the new habit of generating fresh thought rather than using memory thought. Much of our thinking is reviewing, reusing, and rethinking thoughts we’ve already had before; I term this “memory thought.” Much of our education has been oriented to memorizing – absorbing facts and methods so that they can be recalled and applied when new problems are encountered. Memory thought is habitual for most of us and for most organizations and can be very useful when the answer to the new problem is already known or when it can be discovered by a known method using known facts. The alternative is what might be termed “fresh thought,” namely an idea or thought you’ve never had before—a thought that is new for you, the thinker even though others may have had it before. High-quality fresh thought is associated with new ideas, insights, and solutions that work, but even when it does occur, this type of thinking is less frequent, less noticed, and generally drowned out by memory thought. Being innovative requires forming the organizational habit of fresh thought and legitimizing, encouraging, and supporting it. Contrary to popular belief, there are many ways to bring about this shift in capability.

5. Leadership

There are at least six mandates for any Executive Team that wants to promote the shift to being innovative. They all point to elements of being leaders, not just adopting leadership behavior.

First, be clear in your own minds about what being innovative would look like in your organization. How would you know it if you achieved it? Then be prepared to set out this vision for others to see and discuss.

Second, ensure that all of the five bases are covered. Do an honest assessment of the current reality in each of the areas. This evaluation will help you develop a blueprint, which you must use to plan and lead organizational change.

Third, articulate the connection between becoming innovative and the business imperative clearly, relentlessly, and at every opportunity. If history is any sort of teacher, you cannot overdo this.

Fourth, remember that executives don’t have to be the idea generators, they shouldn’t be the early-stage managers, and it’s generally dangerous for them to be the entrepreneurs.

One or more (though certainly not all) executives need to develop the abilities of Executive Sponsors. Which of you will step up to the plate and become skilled at this?

Fifth, manifest the mindset shift from the reactive to the creative and from memory thought to fresh thought. You yourselves must be the change you wish to see; only this will evoke it in your subordinates. Then you can figure out how to propagate these shifts more deeply in your organization.

Sixth, it is particularly powerful for the Executive Team to become accustomed to “insisting on the impossible,” a trait originally ascribed to Edwin Land (of Polaroid fame), but which probably applies to all executives who have successfully driven repeated innovation. Your job first and foremost, is to define what must be created (no matter how impossible it may seem at first), and then to let your organization rise to the occasion and meet the challenge. This precept is every bit as applicable to becoming innovative as it is to an individual project.

Becoming more innovative is itself an innovation, an ongoing creative act at an organizational level. It is a process of creating and refining, creating and refining, with which you are never done. Your attention will naturally and continually shift from one base to another, each time discovering new things that need attention and each time stepping off from the progress you have made in the past.

The Author

Charlie Kiefer founded Innovation Associates in 1976 to help large organizations learn to innovate. Early on, the firm focused predominantly on the “people” side of the issue and specifically on high-performing teams for innovation and leadership. Later it pioneered and became known for the field of Learning Organizations through publication of IA co-founder Peter Senge’s bestselling *The Fifth Discipline*.

Over the course of nearly 30 years Mr. Kiefer has developed extensive experience and capability in Executive Team Development, Leadership, Learning-based Organizational Change (which is particularly pertinent to the challenges an organization faces in becoming innovative), and finally and perhaps most important, Shifting Mindset and Culture, which is one of the special offerings of his new firm Insight Management Partners www.insightmanagementpartners.com.