TOOLBOX

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 corporatewide 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 it is an 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 article 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!"

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, a business cannot compete in the game.

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

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 staff. The organization responded as directed. Senior leaders 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 for both 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. Fortunately, there are many resources available on developing these capabilities. Volumes have been written on the acquisition of creativity skills, and 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, underaddressed base. 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 throughout 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 make this shift, 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; in many cases, these short-comings are so burdensome that 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. For example, in some industries, it is better to separate basic research from product development; in others, it is better to integrate the two. Some organizations set up standing committees to drive innovation, while others do not do so and are equally successful. What works in one organization is laughed at by another, and both can be correct. Beneath all these examples 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 com-

plete, the holes below the waterline will be revealed. It becomes straightforward to monetize the costs and implied benefits of change, and then prioritize and identify the appropriate next steps.

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 also need 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 they discover them, they take those ideas 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 is management directive, the market, or customers, and generally aims to get rid of the undesired circumstance. The other form of motivation is *generative*; it is termed "the 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; it can be 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.

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 (see "Looking at the Bases Together"). 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 in this area?

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 by doing so will you 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 phrase 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. ◻

Charlie Kiefer founded Innovation Associates in 1976. Early on, the firm focused predominantly on high-performing teams for innovation and leadership. Later, it pioneered 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, Charlie has developed extensive experience and capability in executive team development, leadership, learning-based organizational change, and shifting mindset and culture. His new firm is Insight Management Partners (www.insightmanagementpartners.com).

LOOKING AT THE BASES TOGETHER

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 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.