GROWTH

DRIVING THROUGH INNOVATION

By the author of the bestselling Managing the Future

ROBERT B. TUCKER

SECOND EDITION
REVISED & UPDATED

How leading firms are transforming their futures
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DRIVING GROWTH THROUGH INNOVATION
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Introduction

Since the first edition of this book appeared in 2003, innovation has become topic A in management suites around the world and the subject of countless articles and conferences. Yet, if you’re like so many managers I am in contact with each year, my guess is that you’re probably not convinced that your firm’s attempts to embrace innovation are nearly where they need to be to meet the competitive challenges you face, nor are they bringing you the revenue growth you seek.

You may question whether there are enough breakthrough ideas in your pipeline. Perhaps you see a new and dangerous competitor looming on the horizon with the potential to disrupt your business model. You may be concerned whether your company can meet the changing needs of your customers or whether you have individuals in your organization who have that entrepreneurial mindset—that seemingly innate ability to spot opportunities and seize the initiative to bring them to fruition. And you may be responding to a directive from your chief to double the size of your business unit or division in … the next three years!

That’s why I wrote this book—to help you and other key managers in your firm develop a game plan to tackle the issue of jump-starting growth. I’ve written Driving Growth Through Innovation from the perspective that you’ve been charged with rethinking and redesigning how innovation is accomplished in your firm. I’d like you to consider this book as your guide to the essential things you need to think about and to put in place. And think of me as your coach, your advisor, your consultant in this journey.

The strategies and best practices and methods in these pages are based on my two decades’ experience working with companies to improve innovation. If you’re open to learning from their experiences—from their failures and successes—I believe you will discover an approach that is right for your firm and will help you grow. I also believe you’ll grow as an individual in the process of mastering innovation.
Over the years, I’ve witnessed companies and their people transform as they committed to new ways of doing innovation. I believe you will achieve results that will surprise even you, impress stockholders and stakeholders, delight your customers, and force competitors to react to your moves. But only if you begin this journey with pen in hand, ready and willing to make required changes.

You’ve probably seen how superficial, flavor-of-the-month initiatives seldom have lasting benefits. Nowhere is this more true than in the arena of innovation. Of late, as innovation has moved to the front burner, I have seen far too many companies try to make innovation one of their 13 pillars of success, or their eight essential priorities. This won’t work; innovation is much more complicated than that, and the pull of today’s business is simply too great when innovation is but an afterthought.

On the other hand, I also have the great privilege to work with firms and to research firms that are getting serious about innovation. These are the ones we’ll explore and examine in the pages of this book.

I call these companies the Innovation Vanguard firms, and in the first edition of this book I wrote about the emerging best practices 23 of these firms were developing to make innovation an established practice.

In the early 2000s, when most companies were serving the gods of either cost cutting or acquisitions, these firms were already challenging assumptions about how to facilitate greater numbers of ideas to commercial reality and, in the process, figuring out how to do innovation differently in a new century. My team of researchers, most from the University of California, Santa Barbara, helped me study these companies and interview their CEOs and innovation champions.

Companies in the vanguard at the time included Whirlpool, Progressive Insurance, Citigroup, EDS, BMW, and many others. Since then, new companies, including Bank of America, Procter & Gamble, John Deere, and others, have embraced systematic innovation and have achieved tremendous results. In this newly updated edition, I have combined my original research (where it’s still relevant) with new research into those companies that continue to push the envelope for change in their organizations.

What I have discovered is that firms that achieve growth from their innovation practices are companies that encourage ideas from everybody and everywhere in the organization, not just from traditional sources. Because of the pace of change today, your next breakthrough idea could almost just
as easily come from your logistics department brainstormers as from your R&D process, and it is as likely to be a “bottom-up” idea as it is top-down. Using unconventional methods, the Innovation Vanguard seek out the unmet and unarticulated needs of their customers and they teach themselves how to listen differently than everyone else. They master the art of gleaning insights into their customers, and in anticipating their needs and wants often before the customers themselves know what it is they will respond to. Vanguard firms also strive for a faster *throughput of ideas* from concept to commercialization. Because they have a “process for innovation” just like they have a process for everything else, they prototype and experiment with and explore ideas more quickly, assess feasibility more intelligently, and make proper resources available so that good ideas don’t get lost in translation.

In examining the best practices of Vanguard companies, I have discovered five essential practices that undergird them all.

**Principle 1: innovation must be approached as a disciplined process.**

In a cover story in *Inc. Magazine*, journalist John Grossman was allowed to participate in a new product brainstorming session at Eureka Ranch, a leading ideation center in Ohio. Grossman detailed how seven top managers from Celestial Seasonings tea company, then facing flattened sales and needing desperately to introduce new products, were guided through three days of non-stop sessions, all designed to come away with new ideas. But three years later, when one of my researchers followed up with the company to see which of the new products on the market came as a result of that session, we were surprised by the answer: zero. Huh? Not a single idea became a
product that made it into the marketplace, we were told. A Celestial Seasonings spokesperson, who did the fact checking for us, explained it this way: “[It’s] our corporate structure and management . . . it’s hard to get ideas through an organization.”

Truer words were never spoken. Companies often seek to promote creativity by, for example, sending their people to facilitated brainstorming sessions such as the one at Eureka Ranch, where companies hope their people will learn some new whiz-bang method of generating ideas. Nothing wrong with that; such sessions can be a nice diversion from the daily grind and are likely to produce lots of new possibilities. If nothing else, they can prove that you and your colleagues are capable of thinking out of the box, and that can be an empowering demonstration in itself. But just don’t think anything is going to happen back at the office, because it likely won’t. By the time Monday morning rolls around, that retreat will already seem like a fantasy. Why? Because innovation at your company is not a discipline, and ideas, no matter how exciting, get pummeled by the pressures of the present. You need an overarching process in order to be able to capitalize on ideation sessions, and that’s where discipline comes in.

Sometimes managers will tell you that lack of creative ideas isn’t the problem in their company. On the contrary, they’re convinced that they have “too many creative ideas” rather than too few. But this, too, is symptomatic of the lack of a disciplined process. If there’s no process in place to separate the winners from the duds, that’s a destroyer right there. To a kid with a hammer, everything’s a nail. To a brainstorm participant without criteria, every idea is fantastic.

If there’s no selection team in place to prioritize and prune and harvest and nurture ideas on an ongoing basis, you have no process. If there are no resources and at least some funds available to people with ideas, you have an anti-innovation culture. And if important people in your firm aren’t involved, if your chief isn’t up to speed on the growing importance of innovation and isn’t enthusiastic about the topic, you have no process and you have no discipline.

Vanguard firms know that disciplined innovation is not an oxymoron. Nor does having an innovation process mean, as some at first fear, that you set up a stifling bureaucratic system that exasperates imaginative people before they’ve even begun. On the contrary, as we’ll see in the examples in the pages ahead, the important thing about a disciplined process, which is not always easy, is that it gives structure and freedom to your approach.
Innovation, even when practiced as a discipline, doesn’t guarantee you’ll get breakthroughs—at least not right away. You can’t schedule yourself to have a great big idea on Tuesday just because you need one, and then three more by the end of the week. Even with an innovation process, you’ll still need to keep up the search. It’s just that your process will ensure that you keep up the search quarter in and quarter out, through good times and bad, because that’s exactly why you need a process: without one, you are liable not to get around to it.

Like all disciplines, you’ll get better with practice, and your practice will evolve. When you come right down to it, the only thing that separates your firm from competitors is the strength of your innovation process: the ideas, knowledge, commitment, and innovation skills of your people. So the discipline part is about empowering people with the tools to show them how to generate ideas, and it’s also about empowering them in how to think through their ideas to know which ones are aligned with the goals of the business and the criteria management has laid out. Once you’ve done that, you’ll have a much better idea which ones should be pursued and how to take ideas forward. Teaching the discipline of innovation involves showing people how to champion and communicate their ideas, how to find resources, and how to overcome obstacles and collaborate and persist when the going gets tough.

You won’t stop experiencing “failures,” because failure is an inevitable part of innovation. You’ll simply make less obvious mistakes and your “failures” will propel you forward faster. And while lack of discipline pretty much guarantees failure, practicing innovation as a discipline almost guarantees a higher batting average of hits—ideas that bring greater value to customers and thereby build your top and bottom lines.

Principle 2: innovation must be approached comprehensively.

Innovation can’t be confined to one department or to an elite group of specialist performers who will be responsible for making new ideas happen. This sounds great to the uninitiated, yet is one of the most common temptations for organizations and their leaders just becoming interested in the discipline. Simply put: they’d like to confine the messiness and the presumed chaos associated with innovation to a specific group and a specific place, hermetically sealed off from the rest of the work force. “Maybe we should start a
skunk works to . . . ,” while tasking the rest of the organization to keep pro-
ducing operational excellence.

Vanguard firms realize, based on experience, that while it may sound
good in theory, such compartmentalization doesn’t work. All too often, re-
jection of the new product or service or process or strategy ideas begins im-
mediately when the special team is assembled and others wonder why they
weren’t chosen or how this new approach will impact their work. And pity
the ideas that do emerge needing adoption because they will be subverted,
pummeled, and rejected faster than a snow-cone melts in Phoenix in mid-
summer! If the entire organization doesn’t have a stake in an idea’s success,
you’d be amazed at the speed with which the idea will die.

My strong recommendation is that innovation must be part of every
business unit and every executive’s job description. In turn, the search for
new ideas must permeate the company and encompass new products, ser-
vices, processes, strategies, business models, distribution methods, and mar-
kets. If you can cause this to happen (and you can), you will have succeeded
in making innovation part of the DNA of your entire organization and you
will be said to be comprehensive in your approach.

In the Vanguard companies, one thing you notice is that responsibility
for results has been diffused throughout not just business units such as new
product development or marketing, but to each and every functional depart-
ment, whether purchasing, operations, transportation, finance, or human
resources.

To empower such widespread responsibility won’t happen just because
you announce that this broad participation is sought. So then, what does
motivate managers and leaders across the organization to embrace innova-
tion broadly and give it ongoing priority? Metrics.

The adage “that which gets measured gets improved” is just as true when
it comes to broadening and motivating the scope of from whom you seek big
ideas as from where you are getting them.

The most common innovation metric, one everybody is familiar with,
is the one where you keep tabs on percentage of revenues derived from new
products you’ve introduced in the past four or five years. 3M invented this
metric and in sharing it saw it widely adopted and widely quoted. But be-
cause it only measures new product innovation, it is not nearly enough. In
subsequent chapters we’ll return to this topic and I’ll show you some addi-
tional ways to gauge progress, or lack thereof, from all areas.
Principle 3: Innovation must include an organized, systematic, and continual search for new opportunities.

Given the torrid pace of change, the rapid commoditization of products and services and even business models, organizations that rely on today’s ideas, today’s products, and today’s assumptions are clearly vulnerable. This is precisely why firms that make innovation a disciplined process have specific systems and practices in place that help them at the so-called “front end” of the innovation process to bring future growth engines into focus.

Vanguard firms scan the horizon for impending threats, potential discontinuities, and, most of all, for emerging growth opportunities. They are seeking to spot where “we can use new technologies to disrupt an existing industry,” in the words of one executive we’ll hear from later. They are disciplined and regularly ask searching questions such as: What do these developments mean to us? How might we take advantage of them? What threats must we respond to now if we are to turn this change into an opportunity?

Innovation-disciplined companies promote a deeper understanding of social, demographic, and technological changes in a continual, systematic search for tomorrow’s opportunities. And they use novel methodologies such as ethnography and archetype research and customer case research to gain richer insights into consumer behavior, which thereby gives them an edge in exploring implications and opportunities hidden in such trends.

Principle 4: Innovation must be directed from the top and involve the total enterprise.

After observing dozens of companies’ efforts to build innovation capability, there’s one success factor you can count on and it’s this: the leader is engaged; the leadership team is involved; the top team, including the CEO, has bought in! I believe innovation must be directed and supported from the very top of the organization and ultimately involve your total enterprise. You and your fellow managers, indeed your company, will be tempted to make innovation one of seven or ten or even more top priorities. You and your colleagues will hope that this will be enough to make lasting change and to move the growth needle. You will be tempted to rationalize the lack of understanding or support for what you clearly see as the way forward and hope that you can inspire top team participation at a later stage—after
you’ve shown early wins and fast results. Resist all these temptations, and do it right. Here’s what I mean:

Because of its complexity, innovation needs to be the top priority of senior management in your company while a new approach is conceived and implemented. The top team must take the lead and establish innovation goals. The top team must figure out how to involve people in contributing ideas and break down the silos that prevent collaboration and experimentation. And the top team is the one that needs to establish milestones and metrics to gauge progress along the way.

Even with the surge in interest in innovation in this decade, the majority of companies still have no way to motivate their people to generate new ideas, and no way to gather those ideas up even if they did.

Worse, there’s a prevailing assumption in many companies that mid-level managers and even rank-and-file employees cannot come up with powerful, growth-producing, potential breakthrough ideas. And still others will tell you flat out that they don’t want their people to get any ideas; they just want them to execute, do what they were hired to do, and leave well enough alone.

Not the Vanguards. They are over this conceit. Not all ideas will be useful. Some will be redundant, self-serving, and trivial. But firms that practice innovation as a discipline, those that invest in building innovation capability, often use what are now commonly called “idea management systems” to capture ideas. They have discovered that this dormant creative potential can be awakened, managed, and translated into a new funnel for capturing value.

**Principle 5: Innovation must be customer-centered.**

Innovation-adept firms live and breathe the customer. They recognize that customers are fickle and difficult to please and can sometimes lead you astray if you listen to them blindly, or if you ask them, in focus groups, what they are likely to respond to if you build it. But they don’t let that stop them from being customer-centered.

In fact, the ever-evolving discipline of innovation now says that simply listening to customers in traditional ways—make that surveys and focus groups—is likely to give you only incremental ideas. The seminal work of Harvard’s Clayton Christensen has also shown that you have to be careful which customers you listen to.
In fact, while listening is important, it’s even more important to watch what they do, how they use your products and services to meet their needs in order to gain insights into what they will want next and what they’ll respond to.

They also know that creating new, exceptional, and unique value propositions for their customers is the only route to success. And while you can fool some customers all the time, and all customers some of the time, ultimately, the reputation and acceptance of your products, services, and service offerings had better deliver.

How the Chapters Ahead Will Guide You

Each chapter in this book will integrate these five essential practices of systematic innovation into a step-by-step process that’s designed to help you conceptualize a working blueprint. In each chapter, I’ll give you a series of questions to ponder as you work on a first draft of your new approach to innovation. Here’s what we’ll cover in specific chapters of this book:

In Chapter 1, “What It Takes to Drive Growth,” we’ll visit several vanguard companies and see how they revamped their processes based on the five best practices of innovation. Because the very act of defining innovation hangs up so many firms (Should we count this as innovation? What about that? Is invention the same as innovation?), we’ll look at how innovation can be categorized by type and level.

In Chapter 2, “Leading Innovation,” we’ll focus on the five essentials that a firm’s top managers must wrestle with if innovation is to become an embedded, growth-driving process. These essentials include the need to define and commit to an innovation strategy; the need to spread responsibility; the need to properly allocate resources; the need to measure innovative progress; and the need to reward and recognize innovation success.

In Chapter 3, “Cultivating the Culture,” we’ll address the single most important factor that leadership must shape if it is to deliver a steady stream of innovations—your company’s culture. Be forewarned: this chapter will invite you to look at some very pointed aspects of your company’s culture. What happens to mavericks in your organization? What happens when someone fails? Do you have enough champions—people with the skills and stature to lead teams that build ideas into new opportunities? Read this
chapter carefully and you’ll come away with suggestions and ideas on how to create a climate that encourages and facilitates systematic, all-enterprise involvement in your company, based on the culture as it exists, rather than the one you might wish were prevalent.

Chapter 4, “Fortifying the Idea Factory,” takes up the issue of how you invite everyone in your company to create ideas. This chapter will show you what the Vanguard firms are doing, and guide you through the process of blueprinting an idea-management system that’s right for your firm.

Chapter 5, “Mining the Future,” takes you through a process for creating an organized, systematic and continual search for new opportunities. We’ll look at six proven ways to develop new capabilities that help you anticipate the direction of change and discover opportunities therein.

Chapter 6, “Filling the Idea Funnel” shows you how the Innovation Vanguard companies are going beyond the conventional methods of market research, focus groups, and customer surveys to completely redesign their ideational processes. Case examples reported here show how a leading pharmaceutical firm, a global financial services company, and a golf club manufacturer all discovered breakthrough ideas by activating the creativity of their employee base, listening to “lead users,” and delving more deeply into their customers’ unarticulated needs, wants, and desires.

Chapter 7, “Producing Powerful Products,” provides you with an inside look at companies that have redesigned their product-development process to drive growth. You will learn six powerful methods you can use to improve your firm’s batting average with new products. You’ll hear about compelling new research showing how innovation-adept firms contrast with average companies in how they conceptualize, design, and launch new products for growth and profitability.

As Chapter 8, “Generating Growth Strategies,” makes clear, no matter how seemingly bulletproof your firm’s current business model, it will be challenged by new ones. Over time, it will be imitated, and thereby diluted and commoditized. Upstart competitors may or may not have staying power, yet collectively they can render today’s method of creating value for customers passé. This chapter argues that strategy innovation is just as important as product or process innovation in driving growth, yet is often given short shrift when companies look at remodeling how they practice innovation. This chapter outlines six ways to jump-start your search for imaginative new business models for your firm.
Chapter 9, “Selling New Ideas,” addresses the final, yet essential issue of successful innovation: Can you sell it? No matter how many new products, services, strategy ideas you come up with, you and your company must be equally skilled at gaining market acceptance for those ideas, or all is for naught. This notion of building the buy-in—by not just customers, but by your own employees, your suppliers, distributors, retailers, and all other stakeholders—is a critical component of success. This chapter discusses seven powerful strategies to help you hone your persuasion skills and I’ll share with you some of the success secrets from the innovators behind some of today’s biggest breakthroughs.

Finally, Chapter 10, “Taking Action in Your Firm,” will help you further assess the raw ideas you’ve gained from reading this book and prioritize the steps you’ll need to take to implement them.