

# innovation

## Innovation



Reviewing today's thinking on corporate strategy, one word appears frequently and with import. The word is **innovation**. The plethora of articles, books, Web sites, institutes, and speeches suggest that innovation has become the operative word in business.

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# the seven C's

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According to a recent Innovation Survey in The Economist, half the current growth in the U.S. economy alone comes from companies that didn't exist ten years ago. Globally, companies are fundamentally changing the rules of the game, generating value and thriving.

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 service or product, or on time but with the wrong service/product. 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.

Separating real, lasting innovation from the fad du jour has been a challenge for individuals, business units, and organizations for years.

At an individual level – innovation declines with age.

A study of 1600 children (the Office of Economic Opportunity) found the following:

- ❖ at age 4-5 – 98% demonstrated innovativeness
- ❖ at age 10 – 30% demonstrated innovativeness
- ❖ at age 15 – 12% demonstrated innovativeness

A similar survey of 7000 adults tested found that at age 31 only 2% demonstrated innovativeness!

At a business unit level, leaders usually possess a high degree of autonomy and are quick to defend their ideas or decisions. Business unit leaders are also rewarded on the basis of the performance of their division. But as Gary Hamel notes, "This would be fine except for one thing:

Tomorrow's opportunities seldom line up with today's business unit boundaries. The business unit structure creates a powerful constituency for the status quo. Divisional executives are reluctant to surrender good people to opportunities outside their own domain. This is, of course, a recipe for perpetuating the status quo."<sup>1</sup>

At an organizational level, the problem is that most companies don't lack good ideas, but can't seem to implement the ones they have. Hierarchical approval dictated by top down organizational structures stifle ideas. Companies that succeed in the Digital Age will be like the Web itself: open, flat, nonhierarchical, experimental, and flexible. Companies like Charles Schwab, GE Capital, and Royal Dutch/Shell understand this reality. Good ideas are the seeds of innovation. No seeds, no innovation.

### So, how do we get there?

There are seven C's or Capabilities we need to demonstrate to be innovative in the Digital Age.

#### The first C is individual capability.

People have been trained to think in ways that represent the Industrial Age, not the Digital Age. Gary Hamel suggests that "they've been trained to think that there is such a thing as sustainable competitive advantage. They've been trained to think about innovation in products and technology, not innovation in business models. They assume that being radical is risky and being incremental is safe. We have to rewire people with new thinking skills. That's a lot more than teaching people what e-commerce is."<sup>2</sup> Individual Capability means teaching people to be creative, non-conventional, contrarian, with good partnering

skills to gain the confidence and creative input from others.

#### The second C is developmental capability.

This is a convergent capability (in contrast to the diversity of creativity) and requires different skills and processes: the ability to make good decisions on which ideas to pursue and the ability to champion and establish projects. Pick four or five important processes – compensation, strategic planning, capital budgeting, and product development. Then find where these management processes unknowingly preserve the status quo and reengineer them for innovation.

#### The third C is implementation capability.

This requires good project management abilities, communications skills, partnering skills, and management matrix skills.

#### The fourth C is learning capability.

To increase the innovation capability of the organization, the ability for the organization to learn is critical. The company needs to learn not to play by old rules, not to be afraid of uncertainty or ambiguity, but how to learn, and how to face uncertainty without fear.

#### The fifth C is connectedness capability.

As the number and quality of interconnections between individuals and ideas go up, the ability

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to combine and recombine ideas accelerates as well. Hamel suggests building corporate-wide innovation networks, "where ideas and talent and capital can meet and marry without having to painfully crawl up the hierarchy to get approval from somebody at the top. In these virtual incubators, the simple principle is that any individual should have the same potential to shape the destiny of that organization as the chairman, CEO, or anyone else." <sup>3</sup>

## The sixth C is climate capability.

Collaboratively create an environment that provides each individual with a sense of trust, safety, and honesty in which unique gifts and human potential may be explored. Celebrate, rather than tear down, new ideas. Ask everyone to first describe what he or she respects – rather than what they don't respect – about an idea. If all the world's a stage, many are content to be critics. Don't let them. Gebelein suggests that "anyone who wants to shoot down an idea should be asked for an alternative that will achieve the same goal differently. Naysayers who have no better suggestions are poison. Never let them become the dominant voices in the room." <sup>4</sup>

Team members understand that innovative thinking is part of everyone's job, regardless of function, title, or level of responsibility. Leaders, talk to those who deal directly with clients/customers. Ask, what could be done more quickly, more effectively. Ask for suggestions from everyone, anonymously if necessary.

Measure and reward people for their ideas. There is an old adage, "what gets measured gets done and that which is rewarded gets

done." In the goal setting process with individuals and teams, set innovation targets. Reward by following through on good ideas and recognize/thank people for their ideas. Observes Goblin: "The likelihood of success, and the belief that an idea will be acted upon, are powerful motivators." <sup>5</sup> If a great idea falls in a forest and there is nobody there to hear it ... why bother?

Set meeting agendas that include the discussion of new ideas. Emphasize that all new ideas are welcome and will get a fair hearing, even those that are not fully developed or thought out. At Gap Direct, people spend a lot of time just free-thinking, with people talking about what work they are doing and how they are doing it and how they can improve.

Gebelein also suggests brainstorming. "If a problem comes up during a meeting, or at any other time for that matter, suggest a get-together where anyone with a proposed solution can come and give it. These sessions should be open to all ranks, from new hire to CEO." <sup>6</sup>

## The seventh C is experimental capability.

You have to be willing to start a lot of pilots and experiments. If you start enough experiments, you will find the big new businesses. Hamel suggests that "It might take 1,000 ideas and 100 experiments to get 10 truly interesting businesses, but you won't get the big business at the end without the experiments at the beginning." <sup>7</sup>

Finally, unless we have clarity around purpose and motivation through stretch goals that require new ideas to achieve them, innovation is unlikely to thrive.

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