

"Innovation Engine will help you build a climate and culture of innovation."

—Vijay Govindarajan, coauthor of the *New York Times* and
Wall Street Journal bestseller *Reverse Innovation*

Innovation Engine

Driving Execution for
Breakthrough Results

Jatin Desai

WILEY

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Preface

Innovation Engine is about the process of innovation execution for organizations of any type and any shape. It will balance theory and practice with real-life case studies to support the practice.

This book is not about convincing you to embrace innovation as a strategy. It will not create a business case for leaders who are ill prepared for the new fundamentals driven by globalization and automation. The evolution of twenty-first-century intelligent organizations has already started. There are plenty of experts who have spent their entire life researching and telling us about how big bureaucratic organizations are the thing of the past. Today, in the middle of the Knowledge Era, leaders cannot afford the time and tardiness for a ten-year strategic plan to produce results, learn from someone else's emerging business models, or wait for the corporate office to make a decision. Today, the new norm is a swifter and more flexible organizational climate with faster decisions, a broader context, a larger tool bag, empathy for all stakeholders, and deep passion toward the vision. This book's goal is not to convince you to adopt this new norm.

Innovation Engine is about how to *prepare* and *grow* your organization in a hyperdynamic and globally connected environment—through foresight and strategic innovation.

It is designed for three groups of readers:

1. C-Suite. Executives interested in building a climate and culture of innovation
2. Management. Those responsible for implementing and driving an *innovation program*
3. Corporate innovators (intrapreneurs). Individuals looking to invent and commercialize their ideas to make a difference through the principles and practices of innovation

There are over 150 different product development and innovation management methods in the marketplace. Unfortunately, most are not effective. Some narrowly focus on only *one* of the following:

- Product development
- Research and development

- Technology
- Ideation through creativity

These methods no longer work because they solve for only one symptom related to growth.

Great companies have figured out a new *rhythm for growth*—purposefully harvesting a cultural balance between performance (left brain) and exploration (right brain). This balance is hard work and requires sacrifice with risk tolerance. These high performers unequivocally not only fulfill current customer desires but also analyze and address the emerging desires of the same customers and adjacent markets.

Most organizations have been very innovative, and in fact, that is probably how they got started. The founders most likely had an idea and a vision. They probably sacrificed all that they had—took on the personal risk, sacrificed their personal lives, and, with conviction and courage, jumped in. As these nimble start-ups grow to be multinationals, however, they forget their roots and the values that gave birth to them. This book will help mature, fast-growing organizations rewire their DNA to include innovation as a capability, a competence, and a strategic tool for moving forward. It will help you create your own *Innovation Engine* for continuous growth.

Acknowledgments

The material in this book is derived largely from our global experience using and teaching the DeSai body of knowledge over the last twenty-five years. This knowledge is based on walking the talk—working with clients of every size and every shape in just about every industry we can think of.

In that sense, I am deeply indebted to all the DeSai practitioners past and present, the plethora of client groups with whom they have worked, and the thousands (a guess) with whom I have worked personally since my father and I started our firm back in 1983.

When you write a first book, it is difficult to acknowledge only a few people since many of the broad ideas and suggestions took shape over one's entire life. Therefore, at the outset, I want to thank my family members, school teachers, family friends, mentors, professional colleagues, customers, suppliers, community activists, and many other life-journey men and women who have touched my heart and shaped my mind. Please accept my deepest gratitude for being part of my life. If you know me, you have helped me.

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INTRODUCTION

The dictionary defines dualism “as the idea or belief that everything has two opposite parts or principles.” It is said that most of the primary progress that humans have made is because of a belief in dualism. Ever since the dawn of Adam and Eve, humans see the world as a colorful tapestry of contradictions. We spend our entire life in a system of right and wrong, good and bad, left and right, control and consensus, I and He, tall and short, good and evil, love and violence.

Dualism is not bad. It makes our world go around. In fact, it is the very source of human creativity as well as misery. Dualism gives us distinctions. It allows us to see what is and what can be. It allows us a vision to move from, toward what can be. It gives us motivation for progress in society. If we didn't practice dualism, we would still be hunting for food instead of going to grocery stores. Dualism powers evolutionary progress.

Today more than ever, organizations must generate short-term profits as well as invest for the future to create sustainable growth. Unfortunately, the financial systems, organizational boundaries, and reward systems are primarily aligned for short-term results only. Today's managers and leaders are seldom encouraged or offered incentives to pursue and ensure profits from the next generation of offerings. Unfortunately, the focus tends to be only on today's products and services.

In an ideal world of commerce, everyone would agree to achieve strategic objectives by adopting the mind-set of dualism. But that is not the case. Most managers operate in silos and lack the fast, necessary agreements for utilizing their scarce resources and skills for today's *and* tomorrow's outcomes.

The New Duality: Performance Engine and Innovation Engine

The critical call for C-level leaders is to develop a growth engine that includes a short-term *performance engine* as well as an *innovation engine* that creates long-term growth.

Innovation is often sought and is in high demand today. At the same time, it is little understood and often lacks committed sponsorship. Sometimes it even creates fear and generates wrong behaviors. Why?

Over the last three decades, most executives primarily needed to know how to excel at installing, running, and optimizing a performance engine for quarterly results (short-term only). Many were not given mandates to create a long-term sustainable

corporate culture fueled by an innovation engine. In fact, most organizations lack an innovation engine completely. Therefore, today most teams at the top are ill equipped to sponsor and run their organizations using both engines. This fact inhibits forward movement in a highly global interconnected business climate where dualism is the new norm.

The primary aim of this book is to help organizations complement the *operational performance* mind-set with the *innovation execution* mind-set.

Foresight

How would you have liked to have known about the emerging virtual bookstore opportunity in 1990? In 1994, Jeff Bezos launched a company called Cadabra.com; later it was renamed Amazon, and founder Bezos was named “Person of the Year” by *Time* magazine in 1999. Why didn’t the mega-publishers like Simon & Schuster or retailers like B. Dalton or Borders see this coming?

In 1996, we were introduced to the first smartphones. Using one of many foresight patterns, ability to predict demand and introductions of new products and services, available to innovators, years ago we could have predicted that the web browser would move from desktop, to laptop, to smartphones.

The social networking revolution has been coming at us like a freight train. Such services were introduced over a decade ago, with Napster (music sharing) and MySpace. In 2008, Daniel Burrus helped define the market potential for social networking.¹ There is still a huge opportunity to enter the market and organizations to innovate and leverage it as a strategic opportunity. Facebook, Twitter, Instagram, and LinkedIn are examples of social networking start-ups changing the very nature of how we communicate, share information, create knowledge, transact, and build relationships. This new technology platform will change our world at a dizzying pace, faster than any other technology we have seen in the last 2,000 years. Knowing this, why do most companies still lack a “social” business strategy?

The primary reason for such organizational behavior is because most of today’s management mind-set does not embrace the dualism mind-set—the organizational ability to deliver near term and also prepare for perpetual results year after year.

Each chapter of *Innovation Engine* is packed with actionable ideas, references, and resources so the reader can explore the concepts and ideas immediately.

This book has emerged out of conversations with many executives who have freely shared their experiences and knowledge, including those from Microsoft, Yahoo, ACE Group, Bristol-Myers, The Hartford, Prudential, Merck, Macy’s, AT&T, and Google in the United States and from Tata, Cognizant, Axis Bank, Coromandel International, Infotech, Larsen & Toubro in India, plus many others. Through other research, it includes stories from AMD, Apple, Facebook, Nike, Twitter, Wal-Mart, Whirlpool, and many other leading brand names.

Specifically, *Innovation Engine* will help leaders and managers who are trying to:

- Create a business case for innovation and supporting *innovation strategy* linked to business vision and goals.
- Accelerate innovation outcomes by reducing time to market.
- Expand the idea landscape with solid insights about the future.
- Build a pipeline of corporate innovators—the key talent for future growth (intrapreneurs).
- Balance profit, performance, and market differentiation.
- Help create a world-class, engaged workforce.

Getting Started

Creating a roadmap for sustainable value creation requires that an organization truly masters all aspects of innovation. Organizations looking for a competitive edge frequently focus on product innovation. However, most have little sustainable competitive advantage. Many new products never generate a profit, and those that do are often quickly copied by the competition, negating any long-term advantage. The result often involves a significant investment in product development without a commensurate return on investment.

While revenue growth is often the primary driver of shareholder value and the number one challenge for every business sector around the world, growth objectives for most industries are tempered by a continuing focus on cost containment.

To achieve sustainable growth, companies must better integrate product innovation with process and service innovations. They need to find new ways to improve efficiency and customer service. This is exactly the kind of innovation customers demand, and it's the kind of innovation competitors will find difficult to replicate.

Yet some organizations have focused on product innovation for so long they don't know how to innovate in any other areas. For example, Microsoft, one of the world's best product innovators for the last two decades, launched a social phone called Kin 2010. The product was a complete disaster. Within six weeks after the launch, the entire product group was shut down. According to the company's earnings reports, Microsoft took at least a \$240 million write-off. How could such a great product innovator strike out so fast? In today's climate, it happens to the best of them.

Transforming a company into an innovative enterprise is a major challenge and generally requires new strategies, processes, tools, and behaviors. It also requires a dedicated process for nurturing and commercializing valuable ideas. This type of deep and demonstrated commitment to innovation is the surest way to achieve meaningful and lasting differentiation.

Institutions with broad-based innovation capabilities enjoy higher customer satisfaction, greater loyalty, faster revenue growth, stronger earnings, and ultimately dramatic lifts in investor returns.

Barriers and Risks

Based on our firm's fieldwork and extensive observation of innovation successes and failures, we have identified five barriers to achieving the dualism mind-set for organizations. When these barriers are acknowledged and addressed, the risk of failure associated with value creation and sustainability can be mitigated and the potential results of innovation investments can be maximized. The five barriers are:

1. Absence of a required mind-set to harvest and manage new and novel ideas.
2. Lack of recognition and misalignment of resources available in organizations for investment in innovations.
3. The sheer size of human capital assets that are underutilized and disengaged from an organization's creative capacity.
4. The broad product and delivery capabilities that large-scale organizations possess, which dilutes focus on new emerging and disruptive opportunities.
5. Organizational orthodoxies and dominant logic² that hold on to the past and discourage risk taking.

Over a period of time, it is these barriers that create internal conditions for large companies, which are better equipped to create new innovations compared to small start-ups, to become subservient to new entrants.

The Game of Innovation

Nurturing innovation takes resources, players, and appropriate conditions. Innovation is elusive. It cannot be produced on demand, nor can it be corralled or scheduled. Real innovation that matters and has a major impact in practice is extremely difficult to achieve. At best, the organization can create an environment in which innovation as a skill can be taught, nurtured, and supported to create winning outcomes faster than others in the market.

Like a game of basketball or American football, innovation is arduous, difficult, and tricky. Be prepared to score a game-winner once or twice, but only if you are in the game of innovation first.

Are you ready to play the game of innovation? If you don't play, you don't have a chance to win. Do you have a solid business sponsor for the game of innovation in your company?

Innovation Scorecard

Once you are ready to play the game of innovation, you will need an Innovation Scorecard.

Many purists in the field of innovation say that innovation should not be measured because if you do, it will kill your innovation efforts. We disagree.

In a game, it is crucial to measure its progress and the performance of each player. The same is true for the Innovation Scorecard. You need an Innovation Scorecard to measure how well you, your team, and your organization are doing playing the game of innovation. When you begin, the scorecard you need is simpler than the one you will need three years into it or after ten years of playing the game.

What is most important is not the scorecard itself but the mind-set, method, and processes required to build the appropriate scorecard. This will depend on your current readiness for an innovation program. Scorecard statistics required in the National Basketball Association are not the same required in a high school game of basketball. Measuring the wrong things can be a waste of time, and not measuring the right things can lead to wrong investments impacting your ability to grow your program.

The Innovation Scorecard is a critical tool to help you create a robust innovation engine in harmony with the performance engine.

We explore the elements of a good Innovation Scorecard as you play the game in later chapters. The rules of baseball are different for Little League Baseball than they are for Major League Baseball. The essence of the game is the same, but the methods for preparation, motivation, communication, mentoring, and playing are drastically different. The same applies to your innovation journey.

To become a world-class innovator, you will need a scorecard to keep track of your progress. The scorecard itself will evolve as you develop maturity in playing the game just like it does from elementary, to middle school, to high school, to undergraduate, and finally to postgraduate or professional levels.

In Chapter 4, We introduce an Innovation Scorecard framework that includes examples of scorecards and how to link to your Balanced Scorecard.

Driving Innovation

Using years of experience working with companies across the globe in variety of sectors, we have developed an Innovation Execution framework that has been field tested and refined. If you and your organization are seriously ready to play the game of innovation, you need to consider the next ten steps to derive maximum benefit from your innovation investments. Each step is discussed in a different chapter. The book is designed to allow you to jump around. Feel free to go directly to the chapter that is most relevant to you at this point in your journey.

Innovation Engine is divided into three parts. Part I will help you build a business case for innovation and help create a clear innovation strategy designed to support the business strategy. Part II is about building your own playbook for innovation, and Part III provides guidelines, tools, and techniques to begin implementation of your innovation program. Here is a quick overview of each chapter to help you get the most out of the book:

Part I: Link Innovation to Business Strategy

1. “Develop a Clear Innovation Intent.” In today’s dynamic business environment, your strategies are constantly adapting and evolving. For innovation to

be successful, it must be linked to your current strategic intent—a unique direction for the company that will generate specific value targets (top line, mid line, bottom line).

2. “Assess Innovation Readiness.” Many organizations skip this important step. How ready is your organization’s propensity to innovate? By evaluating 45 components of innovation and reviewing your organizational structural, you can develop a highly customized roadmap for innovation. (Note: To learn more about an online system to help you conduct an innovation audit, please visit www.desai.com and learn more about the Innovation Readiness Assessment, which provides a measure of 15 factors and 45 components of innovation.)
3. “Creating an Innovation Strategy.” First, develop a unique value creation target. Then create a vertical and horizontal organizational alignment where everyone can see themselves in the strategic vision and mission. This is essential for future financial and nonfinancial returns.

Part II: Develop an Innovation Playbook

4. “Creating a Roadmap.” The final step before you commit to a long-term innovation initiative is to develop a detailed charter, a program implementation plan, and an Innovation Scorecard that will keep you on track. There are many ways to begin to create space, build strength, or accelerate growth for innovation. Each organization must evaluate where it falls on this continuum. In addition, organizational readiness, sponsorship, leader alignment, and urgency to innovate are necessary components to constructing your innovation roadmap.
5. “Building Momentum.” Once you have linked innovation to your organization’s specific business strategy and the intended value targets, you will need to educate employees at all levels on how the organization generates profit. After you create transparency, all employees will have a better idea of how to generate ideas that can be successfully ventured.

Part III: Playing the Game

6. “Structuring for Innovation.” One of the first high-priority tasks necessary for innovation to become an integral part of the organization is to create a vertical and horizontal organizational alignment structure. This structure outlines how each employee can clearly see him- or herself and how all can contribute to the vision and mission for innovation. This plan includes effective change management and control systems to make timely decisions.
7. “Innovation Management Process.” You will need to implement a formal process for managing innovation within your firm. The innovation process is the formal series of identifiable inputs, actions, and outputs that will be used to understand the relevance, risks, and value of an idea. If designed well, it should be flexible and scalable to enable rapid evaluation and the inclusion of all stakeholders in achieving success. The objective of the process is not only to identify new innovative opportunities but also to quickly discard ideas that do not have sustainable value.

8. “Building Intrapreneurs.” Innovation can occur by having people who can generate real wealth, not just great ideas. Leaders who overutilize resources and underdeliver value cannot be called real innovators. Innovation requires diversity in ability and competence of your people. Pair ability and competence together as often as you can, and they will drive growth and performance.
9. “Sourcing Radical Ideas.” At some point you will have exhausted all good ideas from within your company. For sustainable growth access, you will also need access to radical fresh ideas that can catapult you to the next business models. Doing this requires deliberate reimagination. By looking at trends and convergences, you can develop new ideas to put in your innovation pipeline. This chapter provides examples of important macro trends that might impact your business within next five years.
10. “The *One* Secret about Innovation.” Everyone can innovate or contribute to innovation efforts. But can they do it year after year? Organizations can identify and launch an unending pipeline of great innovations if they embrace this one secret that can continually produce streams of innovation success. What is that one secret?

Jump in and explore how to build your very own Innovation Engine using these ten steps.

Notes

1. Daniel Burrus, *Flash Foresight: How to See the Invisible and Do the Impossible* (New York: Harper Business, 2011).
2. In the field of strategic management, C. K. Prahalad and Richard A. Bettis first introduced the concept of dominant logic in 1986.