

Back to basics:

Why are we doing this, really?

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Behind, they have left the familiar territory of 'quality', that delivered almost guaranteed (yet limited) improvements. Ahead, 'innovation' offers an exciting journey, where you can't see the end from the beginning. But this demands a leap of faith. And, as we know, matters requiring faith tend to stay at the door of the boardroom.



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Back in the 60s, when the quality movement emerged in corporate practice, the promise was very pragmatic: You embed quality as part of the process- as a competence - and get back cost reduction, happier clients and higher sales and profit. All very tangible and glowing outcomes, so any cultural blockages were rapidly cleared. Quality became a basic competitive requirement.

Thirty years later, a new fad invaded the boardroom. It was the time for innovation.

The idea let loose some frothy corporate enzymes, but it also met resistance from hard-line executives. Still, many Fortune 500 (faced with decreasing sales and margins, more demanding customers and relentless competition - sometimes from other industries) were determined to take that leap of faith. They found that innovation delivered not only new business opportunities and white spaces but also process improvements and (surprise, surprise!) new culture and behaviours.

A blissful promise

Nokia is a great example from back in 1996. The company went from a confusing industrial conglomerate to be the leading and most innovative mobile phone manufacturer. Whirlpool is another inspiring story. Nancy Tennant Snyder and Deborah L. Duarte reveal in their book *Unleashing Innovation: How Whirlpool Transformed an Industry*, 'We did not have to invent a discontinuous series of innovations to change the dynamics of an industry; rather, innovating around articulated and unarticulated customer needs at the core of the business would have a significant impact on our success'.

Innovation became a must-have. This trend was reinforced by companies born with innovation already embedded in the way

they worked. The usual culprits are Google and Apple, among others leading the list. Companies like Cemex and W. L. Gore also offer extraordinary case studies.

Innovation practitioners rapidly developed their own toolkit: skills, metrics, processes, technology and organisational structures to help any company absorb innovation culture with the goal of, well, creating an innovation culture!



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Crisis strikes again

Nothing's wrong with creating a more innovative culture where ideas and insights are exchanged in a collaborative way - and converted into new products and services. But the challenge came when a more adverse economic climate infected the corporate world.

Soon innovation became a secondary concern. In some cases, leadership actually viewed it as the cause of the sudden climate change. After all, some say, innovation distracted us from our core values.

What is *your* purpose?

Going back to that same core, today more than ever, innovation only makes sense if it has a purpose - a problem to be solved. These are the main questions to ask:

// What is the job you want innovation to do?

// What is the business challenge in leadership's agenda that can find new answers through innovation?

Innovation is the structured search for differentiation, to tap sources of new answers to your challenges, whether yours is a disruptive challenge, such as re-inventing an industry, a more short-term ambition, such as improving a business process, a product or a service - or re-inventing your customer experience.

Over the last 15 years of designing and implementing innovation initiatives, we at Exago have learned that those who actually sustain innovation over time are committed to finding tangible answers. Innovation efforts have higher rates of success when built to generate answers in the form of actionable ideas and projects - in other words, to transform ideas into value.

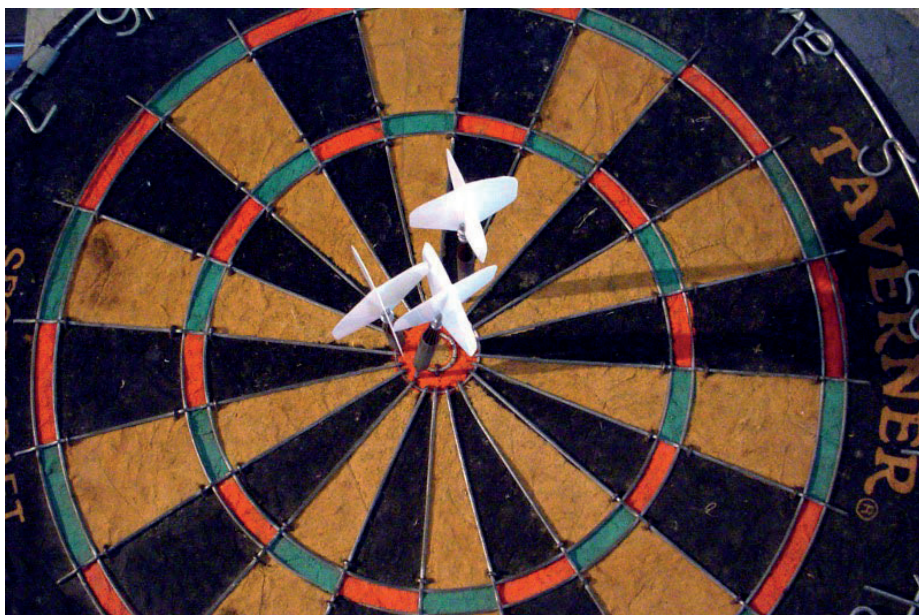
Innovation needs a purpose. Acknowledging this has implications and suggests new questions in the way we design and run these efforts:

- 1. Defining the challenge:** What challenges can innovation address? Or, more exactly, can innovation processes and methods address a particular business challenge?
- 2. Ownership:** Who should lead these efforts: an innovation team or the business challenge owner? For instance, if the initiative aims at re-inventing how the organisation attracts and retains talent, should HR or the innovation team lead the way?

(While there's no right answer to this question, we believe it should be co-led by both innovation and the business area in question. Business areas provide the resolve, challenges, resources and decision-making criteria to bring innovations to life. And innovation brings the processes, tools, methods and skills to apply to the challenges.)

- 3. Measurement:** What qualifies as a success must be defined at the beginning of each innovation initiative. When can we expect tangible outcomes? What are these outcomes? How are we going to measure them? Do we have the time allowance and resources to support our efforts until then?

- 4. Mandate:** When designing the effort, you must clearly understand the mandate. If it's just about getting a set of answers, what does it mean when you've received them? Does it mean closure? Does it mean it's time to look for another challenge? We seldom ask these questions, yet they are important in outlining the effort's validity.



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Define appropriate goals

We've made the case for purpose-led innovation. However, it's also true that, in some cases, the 'job to be done' can entail 'softer' ambitions, namely, creating an innovation culture and embedding an innovation capability.

These are ambitious goals and definitely deliver high returns to organisations when implemented successfully. The trick, in our experience, is to tie these objectives with more tangible, shorter-term business challenges. Call it an 'insurance' - it prevents your initiative from being shut down by results-starved executives looking for short-term, return-on-investment measures.

The opposite approach is also surprisingly common. When launching an innovation initiative with specific business aims, make sure you track some of the side benefits of your efforts. Many of them are difficult to measure but have to be accounted for, especially increased collaboration and organisational learning levels and a stronger two-way communication channel between top management and the rest of the organisation.

When kicking off any effort, at Exago, we advise our clients to track very simple metrics:

- // Number of individuals that participated in the effort
- // Number of individuals prepared by any sort of training event
- // Number of ideas and insights generated
- // Innovation and challenge perception (through a company questionnaire/ survey)

As your initiatives move forward, track your progress: Communicate and claim the appetisers, while the main courses are still being prepared.

In the end, it's about results

Today, innovation is under fire as a 'fad' to be replaced by pragmatism. Budgets are shrinking and 'soft' outcomes no longer claim the attention of the boardroom. In other words, innovation without results is useless.

This being said, always remember to align your innovation efforts with your company's specific business functional or operational challenges, engaging your people in the process. Addressing leadership's agenda through innovation - while reaping some side benefits - is more and more often the recipe for successful and sustained innovation initiatives.