



(Big Man on Campus)

Clayton Christensen of Harvard Business School, author of *The Innovator's Dilemma*, one of the most influential business books of the last two decades.

SEE P. 46



Innovation by the Numbers

Magnus Penker, Innovation 360

March 15th, 2018



Tactics for Changing Culture

Gary Getz, Strategos

April 5th, 2018



Does Measurement Kill Innovation?

Mariko O'Neill, PA Consulting

June 14, 2018



Why Innovation Teams Get Stuck

Mike Maddock, Maddock Douglas

Replay at [Innovationleader.com/
il-masterclass-innovation-unstuck/](https://innovationleader.com/il-masterclass-innovation-unstuck/)

masterclass

Live video lessons from innovation experts, focused on best (and worst) practices

[Innovationleader.com/il-live](https://innovationleader.com/il-live)

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ON THE COVER:

Clay Christensen in the atrium of
Morgan Hall on the Harvard Business
School campus. Photograph by
Tony Luong for Innovation Leader.



350 ATTENDEES

2+ DAYS

100+ SESSIONS

WHAT IS **IMPACT**?

Impact 2018 is about helping corporate innovators drive meaningful change within their organizations.

Through interactive whiteboard sessions and workshops, attendees will learn about metrics, governance, working with business units, as well as personal innovation, branding, and career development. Infused with peer-to-peer learning, skill-building, and interactive activities, our off-the-record sessions are for attendees' ears only. No slides, no panels, just real conversations with your peers at the world's largest companies.

Participants will get concrete take-aways, as well as templates and member-contributed tools to implement in their organizations. Not to mention access to a highly-curated network of innovation professionals willing to share best practices and lessons learned the hard way.

Running from **October 16 to 18** in Cambridge, Mass., Impact also offers attendees the opportunity to experience morning yoga, off-site tours, and runs along the Charles River. To learn more or register, visit innovationleader.com/impact.

**Innovating Your
Organization,
Innovating
Your Career**

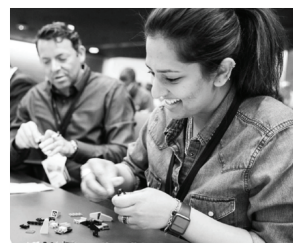
**Interactive,
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Whiteboard Sessions**

**Actionable Takeaways,
Frameworks & Tools**

**New Relationships,
Not Business Cards**

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But No PowerPoint**



Crowdsourcing Our Cover Story



SPRING 2018 | ISSUE Nº 7

Scott Cohen
PUBLISHER

Frank Hertz
CFO & COO

Scott Kirsner
EDITOR

Kelsey Alpaio
ASSISTANT EDITOR

Pamela Bump
EDITORIAL ASSISTANT
& RESEARCHER

Patrick Mitchell
CREATIVE DIRECTOR
MODUSOP.NET

Alicia Jylkka
DESIGNER

Andrew Donovan
DIRECTOR OF ADVERTISING
AND SPONSORSHIP

Marina Askari
MARKETING AND AUDIENCE
DEVELOPMENT MANAGER

Ellen Dolan
EVENTS AND STRATEGIC
PARTNERSHIPS MANAGER

CONTRIBUTING WRITERS
Steven Melendez
Patricia Riedman Yeager

CONTRIBUTING ARTISTS

Cayce Clifford
Paul Elledge
Dave Gray
Jimell Greene
Tony Luong
Simone Massoni
Robbie McClaran
Jason Schneider
Felipe Vargas

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CLAY CHRISTENSEN DOESN'T MINCE WORDS, and when I went to visit him in 2013, shortly after we'd started Innovation Leader, I asked him about the trend of companies installing Chief Innovation Officers. "My sense," Christensen said, "is almost all of them will prove to be wasting time for the company, and they will fail." (You can read the whole interview on innovationleader.com.)

Christensen was right—at least partially. In the past five years, we've seen plenty of Chief Innovation Officers without resources or influence, and others who can't figure out how to work productively with colleagues around the company. Before long, they're spiffing up their LinkedIn profiles and talking to executive recruiters.

Others have endured, and found ways to deliver value for their company. When we went to visit Christensen again this past October, we asked Chief Innovation Officers, R&D executives, and CEOs to submit questions for us to put to him in our follow-up conversation. You'll find that on page 46.

Christensen's office on the campus of Harvard Business School is just one subway stop away from Innovation Leader's Cambridge, Mass. office. But we covered a lot of miles to bring you this issue: from Nestlé headquarters in Switzerland to Burt's Bees in Durham, N.C. to the Sixers Innovation Lab in Philadelphia to Southwest Airlines' headquarters in Dallas to the campus of University of California at Berkeley.

We've got a full schedule of events for 2018, including Field Studies in New York City and Cleveland, and an expanded and reinvented fall conference, Impact. Impact will focus not just on helping you move your company forward, but also on your own skill-building and career development. All of our gatherings are open to corporate executives only, and they're designed to help you upgrade your initiatives and programs, no matter what level you're at. Our complete event schedule is at innovationleader.com/events.

Got suggestions for other cities we should be visiting, or topics we should be covering in the magazine? Drop me a note at the e-mail address below.

Scott Kirsner, Editor & Cofounder
editor@innovationleader.com
@innolead



P.S. If you're not receiving (or seeing) our e-mail newsletter, visit innovationleader.com/email.

First



Upgrading Innovation Governance and Reporting

WHO'S WATCHING WHEN INNOVATIONS GET ROLLED OUT BY THE BUSINESS UNITS? BY SCOTT KIRSNER



THERE IS NO READY-MADE, OFF-THE-RACK SOLUTION to innovation governance and reporting.

Every company's innovation objectives are different. Companies have different sized teams pursuing those objectives. Some focus on developing new technologies or products, and others new business models. And no two companies have the same political environment or cast of characters, when it comes to who should (and shouldn't) be involved with innovation governance.

But the most common problem that companies encounter, based on more than a dozen interviews with R&D and innovation executives at large (\$10 billion+) public and private companies, can be summed up in five words: "the super-sized committee of no."

Innovation councils wind up being the size of a marching band, rather than the Beatles. Representatives from every function and

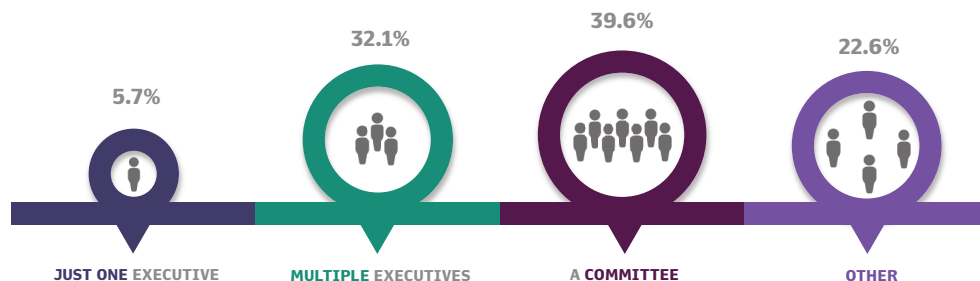
business unit get a seat. With more members, focus dissipates and the meetings get tougher to schedule. There are more people who can potentially feel like a piece of their business might be cannibalized—or their influence diminished—if a new idea succeeds. With so many experienced veterans around the table, getting to "yes" is hard, but getting to "no" is a cinch.

"We had so much governance and process at the early stages that we finally scaled it back," says the innovation leader inside a multi-national professional services firm. "We also put an extreme focus on resource allocation and funding [that we need] ... to get things done."

At ExxonMobil, an innovation team in the IT division realized that the more senior the executives on its review committee, the more they expected every project idea to be fully-baked, with a complete business plan that was ready to execute. "What we really needed was [people who had the mindset of] venture capitalists, people who were willing to fund seed ideas and hunches and trying to see, 'Could this grow into something bigger?'" explains ExxonMobil Innovation Catalyst Christopher Bailey.

"We had so much governance and process at the early stages that we finally scaled it back. We also put an extreme focus on resource allocation and funding..."

Is there a single executive, or a committee, that oversees innovation/R&D activities at your company?



Innovation
Leader



Inside a \$25 billion financial services company, the head of employee innovation explains that they've been shifting away from committees that meet quarterly, and toward providing continually-updated information to executives through an online dashboard.

"We've tried to get away from a committee structure and have more visibility and reporting up to our senior leaders' and the CEO's dashboards," says this executive. "They can see the results we're driving. They can ask for updates at any time." She explains that it is part of an organization-wide attempt to cut the number of committees. "Waiting for a committee meeting slows everyone down," she says. "We want to run faster, recognizing that the world is changing at a more rapid pace than ever before."

How do you do move toward that sort of structure, and away from the super-sized committee of no? It begins by acknowledging that innovation and R&D efforts succeed when they have a clear sense of mission; a governance model that can flex and evolve over time; regular reporting to the governance group, and broad communication to the rest of the organization about what the team is doing and how people can get involved; and an expectation that the governance group will approve, fund, and support projects being tested and rolled out to the business at a regular pace.

We heard from several interviewees about the dangers of governance committees that are supposed to meet quarterly—but are lucky to convene twice a year—and of others

that constantly would like reams more data before they give the go-ahead.

But one area where most governance committees can improve is in the hand-off from an R&D lab or innovation group to a business unit for commercialization.

"Even though there's the desire for

"Waiting for a committee meeting slows everyone down. We want to run faster, recognizing that the world is changing at a more rapid pace..."

innovation, once it gets turned over to an operational group, the 'nobody's watching' phenomenon seems pretty common," says one innovation VP working in consumer packaged goods.

Is the governance group regularly checking in to ensure that a nascent product, service, or new process is getting the right resources once the business unit has taken responsibility for the roll-out? Governance shouldn't abruptly end once the cocktail napkin sketch has evolved into something sellable.

"Innovation efforts are easy to start, and very hard to keep alive," Robert Urban, the Global Head of Innovation at Johnson & Johnson, observes. Key to survival is a model for governance, reporting, and communication that builds and maintains real support throughout the organization. ●

To access the complete report on governance, reporting, and communications, visit innovation-leader.com and click "Reports." Up next in our series of quarterly research reports: Benchmarking Innovation Impact 2018.

If there's a committee, how large is it?

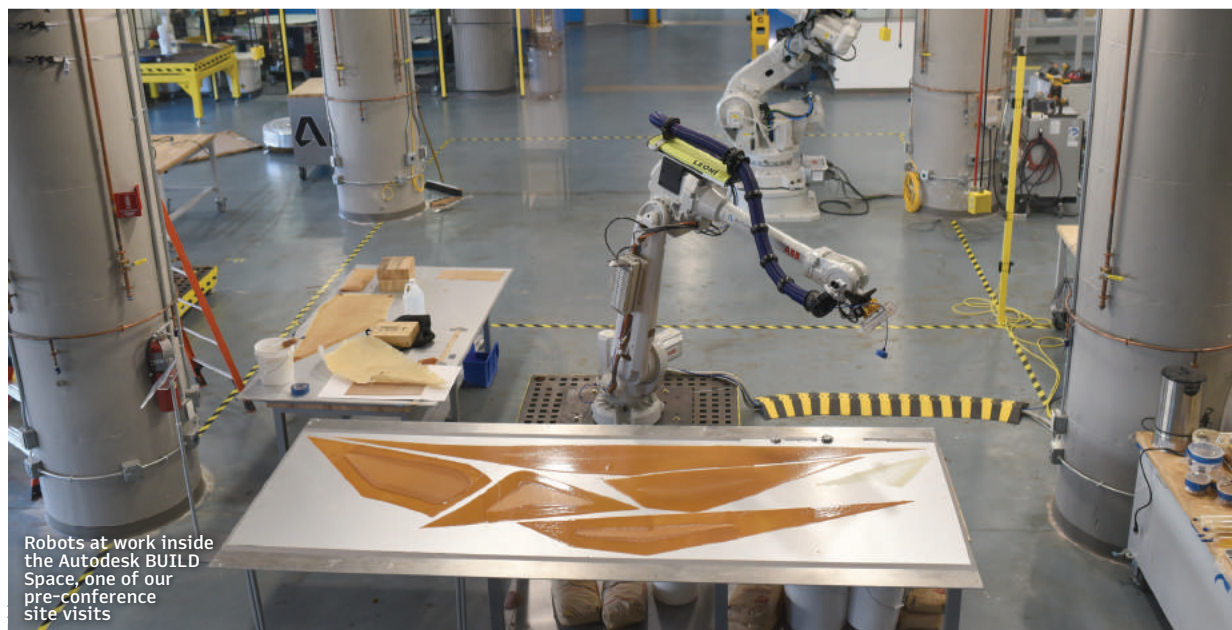




Teach-In MIT

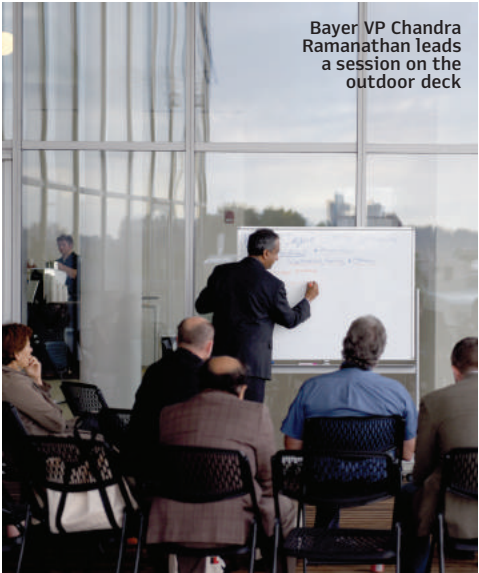
OCTOBER 2017

More than 200 innovation, strategy, and R&D executives gathered at the MIT Media Lab for two days of whiteboard sessions, site visits, and fireside chats with guests including PepsiCo Vice Chair Mehmood Khan, MIT professor Sanjay Sarma, and former NFL linebacker Isaiah Kacyvenski, now co-founder of the Sports Innovation Lab.

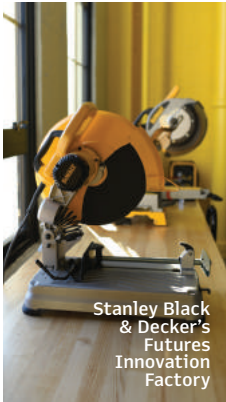




Discussing the stages of innovation progress, at the MIT Media Lab



Bayer VP Chandra Ramanathan leads a session on the outdoor deck



Stanley Black & Decker's Futures Innovation Factory



Pepsico Vice Chairman Mehmood Khan with Scott Cohen of Innovation Leader



Chief Innovation Officer Robin Glasco of Blue Cross Blue Shield of Massachusetts



At Gingko Bioworks, an MIT spin-out that designs custom organisms



CEOs discuss innovation. From left: Steve Kaufer of TripAdvisor, Bob Maresca of Bose, Scott Kirsner of IL, and Bob Rivers of Eastern Bank



Benchmark Your Innovation Program

Compare your approach to peer companies

Validate your budget, staffing, and more

Benchmark your innovation program maturity

Identify obstacles to (and enablers of) innovation

Drive value from your innovation investments

Take the "Benchmarking Innovation Impact 2018" survey today,
brought to you by Innovation Leader and KPMG, at:

<http://innovationleader.com/2018benchmarking>

Respondents will be among the first to receive copies of the printed results, and will have the opportunity to join a series of Executive Roundtables held in New York, San Francisco, and Chicago to discuss the findings.



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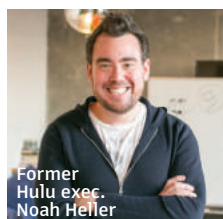
Visit innovationleader.com/join



Field Study Los Angeles

DECEMBER 2017

Our Los Angeles Field Study took participants to the headquarters of commercial real-estate giant CBRE; the Los Angeles Cleantech Incubator; the offices of digital entertainment pioneer JibJab; and Northrop Grumman, where we got a look at the James Webb Space Telescope, slated for launch in 2019. We also sipped wine and sampled ice cream at Platform, a new retail showcase in Culver City.



To learn about future gatherings, visit InnovationLeader.com/events.





Field Study participants take on an interactive exercise



IL Co-Founder Scott Cohen spins the wheel at JibJab



Platform Co-Founders David Fishbein and Joey Miller discuss how the retail landscape is changing



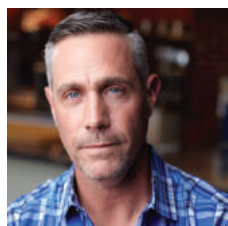
Farmers Insurance Head of Innovation Mariel Devesa



Halon Entertainment CEO Chris Ferriter offers participants a course in VR film directing

Share This Cereal

A BUY ONE, GIVE ONE HOT CEREAL SPUN OUT OF CAMPBELL SOUP COMPANY HELPS CUSTOMERS GIVE BACK BY KELSEY ALPAIO



Chip Heim, Co-Founder and Head of Marketing for The Soulfull Project

IMAGINE OPENING YOUR KITCHEN CABINETS and finding nothing. No granola bars, no rice, not even a jar of peanut butter past its expiration date.

That was the scene that inspired The Soulfull Project, a “buy one, give one” hot cereal created by the Campbell Soup Company.

“We were visiting families, learning about the types of foods that they eat, and we just unexpectedly met a family that had no food,” recalls Chip Heim, Co-Founder and Head of Marketing for The Soulfull Project. “When we left that house, we made a promise to ourselves that we were going to actually fix that, and make a difference.”

At the time, Heim was serving as the Global Design Lead for Breakthrough Innovation at Campbell’s. But other priorities intervened, and nothing happened.

“We got back to our day jobs, went home, and a year later it turned out that we really hadn’t followed up on that promise,” Heim recalls. But Heim and his team got another reminder when a family outside the Campbell’s warehouse in Camden, N.J. came to the door looking for food. “At that point, we actually sat down and worked out the details. We worked on it at night and over the weekends. Then we built the business model.”

The essence of the idea was giving back. Heim’s team wanted to find a way to provide meals to families in need, while giving consumers an opportunity to eat well and feel good about purchases. For every serving of hot cereal purchased, another serving would be donated to a food bank in that region.

Heim and his team pitched this to top executives at the company, including President and CEO Denise Morrison and Mark R. Alexander, President of Simple Meals and Beverages for the Americas. Direct-to-consumer products are rare at Campbell’s. Heim says the seed money that executives allotted to the project gave him the opportunity to

test out some of the technical and operational challenges, like taking credit card information and fulfilling small orders quickly.

The team started a test at 14 Wegmans Food Markets and three food banks around Camden, N.J., selling and donating hot cereals with healthy ingredients like quinoa, chia, flax, and oats. Within a few months, Wegmans expanded the project to 64 stores, and Soulfull made donations to 57 area food banks. The cereals can also be purchased online, on the Soulfull website, and now on Amazon. They’ve spurred around 200,000 servings of cereal to be donated to food banks. The team’s next goal? One million servings.

The Soulfull Project is now its own company within Campbell’s, one of two B Corps inside the organization. (B Corps are for-profit companies certified to meet standards related to social and environmental performance and transparency.) Heim says this presents its own benefits and challenges.

“The thing with big companies, especially Campbell’s size, is they’re all about efficiency and trying to make sure that you optimize as much as you possibly can,” says Heim. “Startups really aren’t. They’re more [about] the experimentation—a little bit of money, a little bit of time, make decisions fast, try it and if it doesn’t work then try something else... The cool thing that has come out of the relationship is that the Campbell’s teams are seeing new ways to do things. We experiment with something and if it seems to work, then Campbell’s can implement some of these things.”

In the future, Heim says he sees Soulfull going beyond breakfast to other foods.

“It’s the idea of being able to give back with every purchase, or in your daily activity [when] you buy things,” he says. “If you can give back every time, we think that’s just an amazing experience. It’s something that’s easy to do, and you can have a huge impact.” ●





“The thing with big companies, especially Campbell’s size, is they’re all about efficiency and trying to make sure that you optimize as much as you possibly can. Startups really aren’t.”

Monitoring Progress

A VISUAL GUIDE TO INNOVATION METRICS

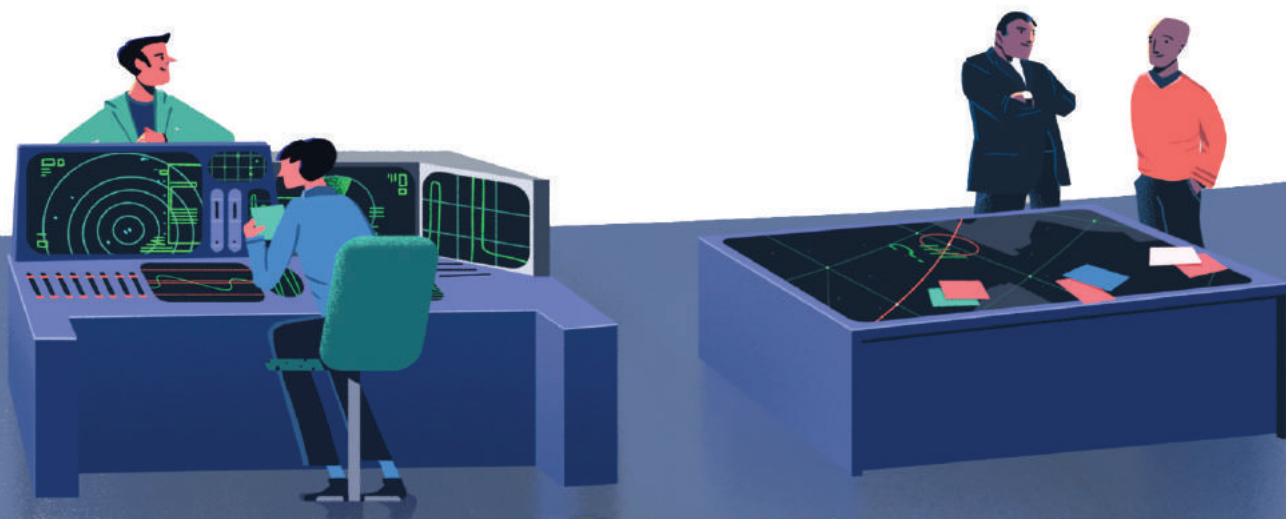
BY XPLANE & INNOVATION LEADER

It'd be madness to launch a space mission without first setting up a mission control center to monitor its progress. Yet so many innovation initiatives get started without much thought to how impact will be measured. What data will show that you're on track and heading toward your objectives? How will you collect it? Who will collect it? For the third installment of our "Innovation Illustrated" series, a collaboration with the renowned visual thinking firm XPLANE, we take on the topic of metrics. Measuring innovation is so much harder than measuring on-going operations. The upside can be squishy. Explosions on the launch pad or en route to orbit are common. But without a set of metrics that leadership believes in—and has access to—innovation programs simply don't last. You can tear out the illustration and use it with your team to spark discussions. Have you defined who is responsible for gathering metrics as concepts evolve into products, and get handed from one group to another? What metrics does your leadership care about most? Are you communicating the impact of your program broadly enough?

We'd love to hear what you think, or your ideas for future installments: editor@innovationleader.com. Thanks to everyone who provided input to this illustration at our Los Angeles Field Study, and thanks to our partner Sopheon, whose thoughtful take on metrics appears on the back of this pull-out.



To see the first two installments in this series, or to download this illustration as a PDF, visit www.innovationleader.com/innovation-illustrated.





GET RECOGNIZED FOR YOUR INNOVATION IMPACT

The Impact Awards will honor companies achieving extraordinary outcomes related to innovation programs. Awards are based on what really matters: the impact of your programs. Nominations, due before July 31, are free to IL members and \$250 for non-members. Finalists will be posted at InnovationLeader.com. Winners will be announced at Impact 2018 in Boston and in a future edition of the magazine!

Co-Creation

Awarded to a company that has launched a product, service, or operational efficiency that was “co-created” or developed with one or more strategic partners.

Open Innovation

Awarded to a company that has launched a product, service, or operational efficiency that was developed through an Open Innovation program that solicited external support or assistance from a large group of external stakeholders.

Internal Crowdsourcing

Awarded to a company that has launched a product, service, or operational efficiency that was developed by internal crowdsourcing of employee ideas.

Innovation Lab

Awarded to a company that has launched a product, service, or operational efficiency that was created in an innovation lab, or a centralized innovation “skunkworks” program or team.

Work with a Startup

Awarded to a company that has launched a product, service, or operational efficiency that was developed through a pilot or other relationship with a startup, either through an incubator, accelerator, or other startup-engagement program.

Ecosystem Development

Awarded to a company that demonstrates impact on a regional ecosystem through programs with municipalities, universities, venture capitalists, entrepreneurs, nonprofits, and/or other organizations.

Culture, Employee Engagement

Awarded to a company that demonstrates significant and impact on internal culture and employee engagement.

Wildcard

Awarded to a company that can demonstrate the impact of their innovation program on other aspects of the business, including recruiting, brand impact, or other strategic objectives.

Enter today at innovationleader.com/awards!

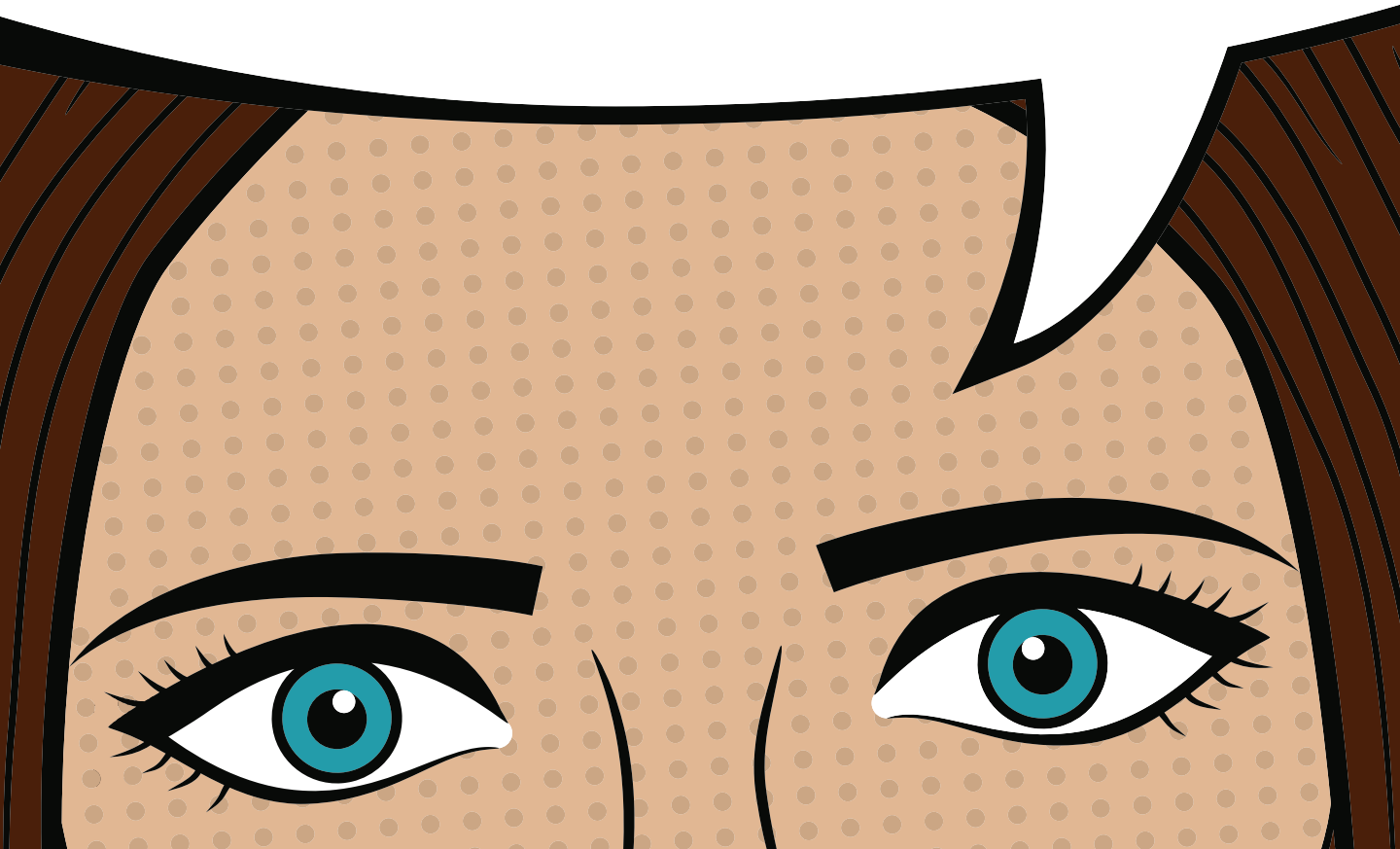
Q

How should you budget for the launch of your program?

Each week in our Friday email, IL members put questions to their peers, and we publish a batch of anonymous answers the following week.

Got a burning question you need input on? Send it to kelsey@innovationleader.com. And keep your eyes on our Friday email, so you can help out others with their issues and challenges.

(NOT GETTING OUR NEWSLETTER? SIGN UP AT INNOVATIONLEADER.COM/EMAIL)



"We started with a small consulting budget and some headcount, with the understanding that we could go and ask for additional money based on showing a believable business case."

"Apart from a small amount of corporate seed money to establish the facility, we budget our innovation program entirely by pull from our businesses. We do not receive set (or percentage-based) funding like other R&D elements, but rather must find the problems requiring innovation and internally 'sell' our ability to deliver solutions in order to fund projects. This motivates our staff to use agile methodologies for frequent customer interactions..."

"Budgets are built from the bottom up. After deciding on the who, what, and how we will execute on the next year's strategic objectives, we budget for staff labor, external consultants to support specific initiatives, space costs, and other operating costs."

"Treat it like a start-up, going in for initial seed funding with a 'back of the envelope' ROI and a strong innovation 'score' (i.e. on key metrics important to the company.) Lay out a path to further defining the business case with a series of learning experiments to refine the proof of concept, and clear points of incremental funding needs."

"I'm allocating ~2 percent Net Revenue (~5 percent profits) to innovation growth initiatives."



From left: Brian Ulicny of Thomson Reuters, host Cris De Luca of J&J, and Mark Pacelle of Phillips Lighting



Marla Capozzi of McKinsey Academy

UNDERGROUND Boston

SEPTEMBER 2017

Our Underground roundtable in Boston focused on how companies scout trends and emerging technologies. It was hosted by Johnson & Johnson at its innovation center in Cambridge, MA. Participants helped shape the direction of Innovation Leader's research report on scouting, published in December.



Julie Ferland of Shell, Mila Ristic of WL Gore, and Jessica Decosta of Liberty Mutual



Participants discussed some of the ways they align scouting activity with high-level corporate strategy

Deloitte's Geoff Tuff and Scott Kirsner of Innovation Leader kick off the discussion



Using Post-It Notes to suggest topics for break-out discussions



From left: Jason Berns of Ralph Lauren, Linnette Le of Deloitte, and Rebecca Cameron of Nasdaq

Nick Jarema of TR Labs



From left: Vince Tripodi of Associated Press, Melissa Kivett of Prudential, and Michael Hauser of Boeing @HorizonX

UNDERGROUND New York City

NOVEMBER 2017

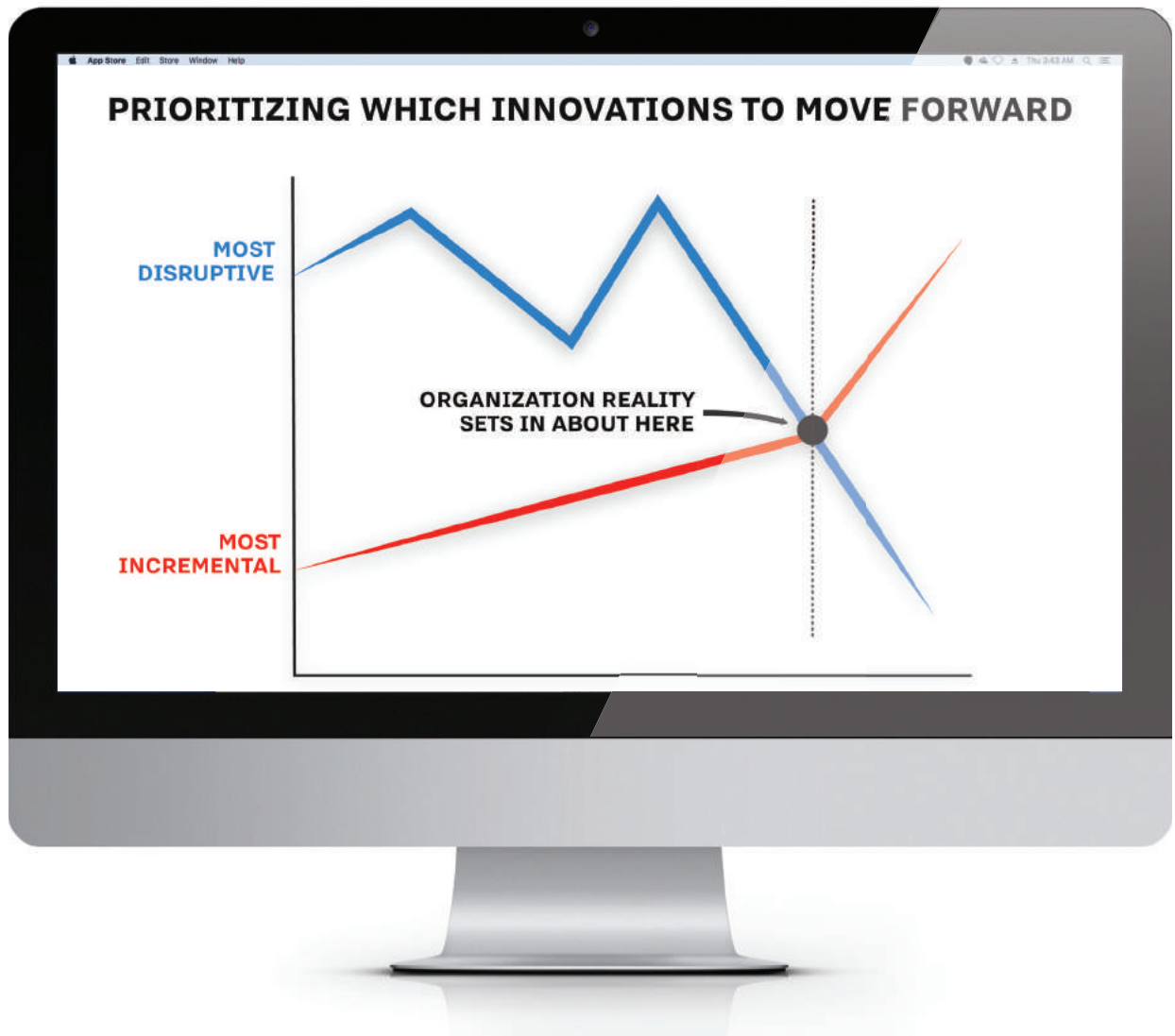
In November, we brought together leaders from large organizations at MasterCard Labs in Chelsea for a roundtable co-hosted with our partner Deloitte. The focus: applying behavioral design principles.



Hasan Kazmi of Citi and Wendy Mayer of Pfizer



Scott Cohen of Innovation Leader with Chaiti Sen and Deborah Barta of MasterCard



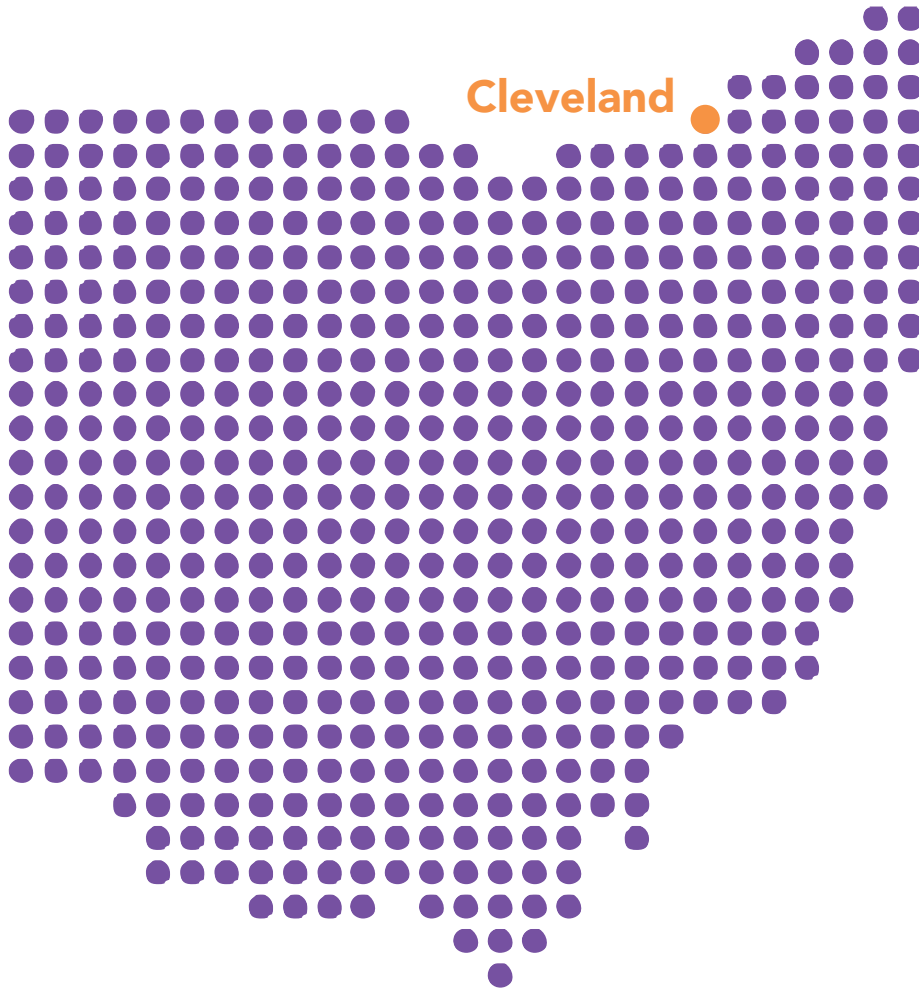
NANCY TENNANT, formerly the Chief Innovation Officer at Whirlpool Corp., now teaches innovation leadership at the University of Notre Dame. She's also the author of the book "Unleashing Innovation: How Whirlpool Transformed an Industry."

Tennant has been producing a series of insightful—and sometimes acerbic—slides that offer a look at how people really think about corporate innovation, which we've published in the last few issues of **INNOVATION LEADER** magazine.



Cleveland | JUNE 20-21, 2018

Better partnerships between innovation teams and the rest of the business.



That's the focus of our Cleveland Field Study on June 20-21, 2018.

More details at
www.innovationleader.com/cleveland2018/



Peer Perspectives



Transforming Hiring and Work Habits at Intel

BY JENNIFER MONNIG, MANAGER OF PORTFOLIO STRATEGY, INTEL CORP.



At nearly 50 years old, Intel has accomplished a lot. We hire thousands of people every year, and then integrate them, grow their knowledge, capabilities, and productivity. Nearly 100,000 of us interact every day—like most of you, we spend more time with our coworkers on any given day than we do with our families. There is a tremendous amount of goodness in our history and how we've impacted the world, but as you can imagine, over 50 years we've also created standards and processes that can at times feel bureaucratic to some.

In 2014, we kicked off a three-year innovation effort. The focus of our new Work Practice Innovations team was on transforming the ways we interact and get work done. We wanted to increase the perceived importance of a culture that valued *how* things were done, just as much as *that* they were done. The team launched more than 15 pilots, and nurtured, grew and evolved dozens of new approaches to hiring, integration, work, and interaction. The work generated external recognitions from companies including JobTrain and the Anita Borg Institute; contributed to impressive rankings in the candidate and interview experience space from LinkedIn and Glassdoor; earned numerous internal awards, including Intel's highest honor, the Intel Achievement Award; and showcased the power of possibility.

Though unintentional, our most successful innovations wound up following Intel's product methodology. Our "products" started as ideas, with code names, and were treated as experiments. We tested, refined, gathered feedback, learned, measured, implemented, and adjusted. Some gained momentum and ultimately had a significant impact on the ways we interact and get work done here.

Three lessons stand out as we look back over 39 months, more than 15 pilots, a network of more than 900 internal and external fellow travelers, dozens of partners, two key leaders, and 10 amazing team members.

DO 'IT' DIFFERENTLY

Whatever your 'it'—product, service, practice, process—you're being asked to innovate,

so start by thinking about how your innovation team operates. Our work was focused on changing the ways we interact and get work done. Which meant we needed to “do work” differently.

We hired differently —no job descriptions, no grade level requirements, no behavioral interviews, no requisitions. We cast a wide net, shared what we were hoping to accomplish (and how we planned to work), and asked who was interested. We created a team whose diversity was perhaps its greatest strength. The team ultimately encompassed a social scientist, an electrical engineer, a 20-year Intel veteran manager, a UX expert, the leader of Intel’s global Great Place to Work team, a content strategist, a manufacturing expert, and a not-quite-HR HR person. (We hired only internally, but we did bring in two summer interns over the course of the project.)

We also worked differently. We spent hours on end locked in a room with pictures, quotes, magazine stories, and about 12,000 Post-it notes tacked to the walls. We defined our work blocks, and then re-defined them and re-defined them again. We offered tours in lieu of PowerPoint. We decided to never hold meetings. We sat on yoga balls and stood on balance boards. We stormed (over and over and over again) and we normed. We argued. We created. We tried things, and encouraged others to try new things as well. The combination of expertise, opinions, discussion, brainstorm, and experience meant we landed on better, more robust, and less insular ideas and solutions than we might have with a more traditional team.

The way we hired for Work Practice Innovations and for another business group around the same time influenced an innovative approach to attracting and hiring external talent. What started out as a project dubbed “Project Champagne” turned into Intel’s Red Carpet events, which have driven a significant increase in technical female hires over the last two years, and contributed to a #1 ranking by Glassdoor in 2015 for interview experience, and a 2015 top 10 ranking by LinkedIn for candidate

experience. The Intel women involved in the Red Carpet events were excited by and impressed with the approach, and started asking for a similar internal experience, which led to the creation of what we call Blue Carpet events—networking and development opportunities for Intel’s mid-career technical women. To date, we’ve served over 1,000 women, and the event itself has continued to grow and evolve.

CONNECT TO CURRENT REALITY

As innovators, we enjoy the crazy ideas, the brainstorming, the possibility thinking. But we also want to deliver results; to influence, create an impact and a legacy; and to see the ideas turn into something real. When we connected one of our new ideas—a new approach or a new practice—to a current priority for the organization, that’s when we saw the biggest influence and impact. One of our earliest transformative ideas was what we called the Pilgrimage—the idea of bringing all new hires together at Intel headquarters to accelerate networking, integration, learning about this big thing called Intel, and how to get work done here. At the same time, Intel was accelerating its hiring, with a particular focus on diverse hiring in the United States. Thus ROAR (the Rapid Orientation for Accelerated Results program) was born. ROAR was designed from the original Pilgrimage concept, as a flexible platform to provide newly-hired women with mentoring and knowledge-sharing opportunities. The program provides instant community and connection for new-to-Intel women in senior grades, and it facilitates rapid integration into Intel culture. It has been a marvelous success, and incredibly meaningful for the women—and now men as well—who go through it.

LEVERAGE YOUR NETWORK

We intentionally built a network across the company and around the world by asking the people we knew to introduce us to others,

“As innovators, we enjoy the crazy ideas, the brainstorming, the possibility thinking. But we also want to deliver results; to influence, create an impact and a legacy; and to see the ideas turn into something real.”

“Our senior leadership offered us the space to experiment (both literally and figuratively), engaged in blue sky dialogue with us, and was a critical guide to the areas which were important to the company, helping us make the connections to reality and current priorities.”

The Work Practice Innovations team at Intel, a three-year initiative created in 2014, developed this manifesto to help guide the hiring and work practices at the company.

WORK PRACTICES TEAM MANIFESTO

WE REFUSE TO MOVE WORK FORWARD 1 HOUR AT A TIME. WE WILL WORK HARD & PLAY HARD - IN OREGON. WE WILL THINK BIG, & WE WILL SWEAT THE DETAILS. WE WILL DESIGN FOR THE INTEL OF THE FUTURE, FOR BUSINESS VALUE & FOR BUSINESS RESULTS. WE WILL CREATE MEASURABLE IMPACT THROUGH FOCUS. WE WILL LEARN FROM EVERYTHING WE DO, EVERYTHING WE SEE, EVERYTHING WE TRY, & EVERYTHING WE HEAR. WE WILL SPEND TIME IN THE BIG BLUE SKY, TEMPERED WITH A STRONG BIAS TOWARD ACTION. OUR RAMPANT CURIOSITY WILL BE BALANCED WITH A HEALTHY DOSE OF REALITY, ABSENT A FEAR OF FAILURE. WE WILL BE UNAWARE OF PUSHING INTEL FIRST & LUSHED BOUNDARIES IN SERVICE OF PUTTING INTEL FIRST & MAKING IT BETTER. WE WILL LISTEN - TO PARTNERS, CUSTOMERS, NAYSAYERS, LEADERS & CHANGE AGENTS. AND WE WILL INFLUENCE RIGHT BACK. WE WILL TELL A COMPELLING STORY - OF WHAT COULD BE. WE WILL WORK WITH PARTNERS TO DRIVE TRANSFORMATION IN THE AREAS THAT DRIVE BUSINESS VALUE FOR THEM. WE WILL BRING/BUILD A DEEP KNOWLEDGE OF OUR BUSINESSES, CONTACTS & CONTEXT TO THE TABLE. WE WILL WORK HAPPILY IN AMBIGUITY. WE WILL BE INTERESTED IN ANY ROLE, ANY TIME, FOR ANYONE. WE WILL DEFINE OUR SUCCESS AS A TEAM WHERE THE INDIVIDUAL IS NOT SUCCESSFUL IF THE TEAM IS NOT SUCCESSFUL.

WE WILL PUT INTEL FIRST.

by creating an internal blog accessible to anyone at Intel, and by attending various Intel events and starting conversations. We knew we weren't the only innovators. The network is necessarily vast, and it takes curation and tending. These are the people who gave us the “real story,” the word on the street. They're the ones who helped us identify the experiences people were having that weren't so great, and the ones that were amazing. They vetted ideas, ran pilots, and helped influence others. We found at least equal—if not more—value in showcasing the work that others did as we did in showcasing our own team's work. These people think differently and make a difference, and will continue to do so.

As important as the people on the ground are, senior leadership is equally important to have in the network. Senior leadership offers air cover, insights, and often, frankly, budget dollars. Our senior leadership offered us the space to experiment (both literally and figuratively), engaged in blue sky dialogue with us, and was a critical guide to the areas which were important to the company, helping us make the connections to reality and current priorities. That helped to drive the results we achieved, and

helped us to both impact and influence how Intel operates.

Over the past 39 months, we influenced and then had a hand in building a completely new way of working inside a nearly 50-year-old company, Freelance Nation. We

created a new way of integrating people that has only grown [ROAR]. We taught people how to think differently around the world. We threw a few yoga balls around the building. We created a higher-touch model of hiring that has fundamentally changed how we recruit in specific areas [Red Carpet]. We created opportunities for technical women to do technical things. We helped people connect with their deepest wishes about what their job should look like, and empowered them to make that happen [Blue Carpet]. We assessed the social network of one of our organizations and then used that data to make decisions and plans. We asked 100 people a question a week for 12 weeks to understand what the reality of their week-to-week experience looked like [real-time sensing with TinyPulse®]. We gave away airline tickets to recognize people for a job that was more than just “well done.” We drove deep and meaningful academic research, and partnered with extraordinary external academics for insights. We started down the path of redefining what qualified looks like here at Intel [Community College Intern pilot]. We ran a 24-hour hackathon-type event as an “interview” [Designation]. And we started to introduce the Humans of Intel to the humans at Intel—reminding us all that we're all just people, no matter what our job here is.

As I look back over three amazing years, it's clear that changing the way work happens—and even feels—in a large company is an ambitious goal. Success requires a dedicated team willing to take risks, lots of experiments, continuous learning, leader support, and partners around the organization who are looking for change as well, and willing to help you achieve it. ●

Editor's Note: Jennifer Monnig spent the past three years, from 2014-2017, leading an innovation team within the human resources organization at Intel Corp. that sought to create a healthier and more collaborative culture, focused on getting things done in new ways. In 2017, that team moved on to other projects, but much of its output has become integrated into the way that Intel operates today. Of course, Monnig explains, “some experiments lasted no longer than the experiment itself... but we've learned from everything.” She wrote this piece for Innovation Leader to capture some of those learnings.



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David Lee of UPS: What You Need from Leadership is Permission

INTERVIEW BY SCOTT KIRSNER



You need to rewind the clock a few decades, but UPS—with 434,000 employees and \$60 billion in revenue—was once a startup.

In 1907, the company began life as a messenger service in Seattle, founded by two teenagers with a \$100 loan from a friend. Couriers traveled on foot or by bicycle until 1913, when the company acquired a Model T Ford.

These days, the company operates more than 100,000 cars, vans, tractor-trailers, and motorcycles.

As part of our IL Live series of conference calls, we recently spoke with David Lee, the company's Vice President of Innovation. Lee also oversees the Strategic Enterprise Fund, UPS' corporate investing arm.

Lee joined UPS in January 2017, after serving as Director of Innovation Programs at SunTrust Bank, headquartered in Atlanta. Lee has also focused on emerging technologies at Bank of America, as VP of Product Development and Innovation.

"My personal view on strategy and innovation," Lee says, "is that an innovation strategy needs to be about pathways and mechanisms and partners and channels. It is less about, 'What should you be doing,' because in some ways the market, your customers, and your executive leadership can tell you that."

He continues, "How do you get it done in the most cost-effective, realistic, pro-innovation method? That's the job of an innovation team—to help guide how stuff gets done, rather than what gets done."

ON THE MOVE

[The transition from finance to UPS] has been quite a learning curve ... Growing up in the finance industry, and in the digital industry as a whole, it's often easy to look past the physical movement of things.

At UPS, I have to think about physically delivering 16 million packages a day in literally 200 airplanes that are moving back and forth in the United States, and 100,000 vehicles that are [driving] three billion miles. It's been a big education for me, learning how physical stuff moves around the world. It was, in some ways, an afterthought in the banking industry.

The reason for the change largely is that...I wanted to see if the programs that we built in banking would also apply to the logistics and transportation industry. The learning has been...about trucks and planes and labor unions and people and physically moving objects. But so far, the programs that we built in banking [were] about solving cultural problems, and solving bureaucratic problems—large, corporate problems.

The barriers to innovation that existed in banking, I'm finding, are not that dissimilar to the barriers to innovation in other large corporations, even companies with a great history of innovation like UPS.

TURKEY SANDWICHES AND HACKATHONS

When you're architecting a program to try and solve different cultural problems or corporate problems, what we do is design specific programs to approach different types of problems.

For example, one of the programs was about [identifying and connecting with innovators around the company]. Often those groups are hidden, in part because if they're uncovered they get in trouble—or people use it as their secret sauce. They don't want other people to know about it. But in large corporations, what we have to do, especially if we're competing against really small, nimble organizations, is to make sure that we create a space for all of our innovators. That program takes the form of a monthly call where people get together and share ideas, [or] show off projects that they'd done.

It's like a show-and-tell, but also an emotional support group for people who might feel like they're the only ones who think a certain way in a large corporation.

At SunTrust we called it the "Turkey Sandwich Club." We started around just having these informal lunches. At UPS, we started this. It was one of the first program that we launched here. It's called "Bright Browns," because of the color of the company. That is one of six different programs that we're working on. It's important to recognize that when you're building programs to engage lots of different people and to get output, you really do want to create a specific type of program around the specific barrier that you see.

The Rise Contest [at SunTrust] was a hack-

athon designed for grownups. The traditional model of a hackathon is a 24-hour or a 48-hour thing where people eat pizza, drink a lot of Mountain Dew, and just create stuff.

When we're in a corporate environment, you're dealing with a lot of people who have family obligations. They have to go pick up the children, they've got to make dinner. They get tired at nine o'clock. They're not going to want to spend 48 hours pounding through things, so we created a hackathon that would spread out over three weeks instead of 24 hours.

We gave people the freedom to just build anything they wanted. One of the things that's really important is that we wanted to get people the freedom to not only build anything they wanted but also, be anything that they wanted.

As people got together and got excited about common ideas, then they closed the gaps on their team to find the different skill sets they would need to build a working prototype over three weeks. Then they went to go build it.

The results of these contests—we ran them twice—were really remarkable. Over 400 people each time stood up and said, "Hey, I want to go build this thing," and they built these things.

When we started off the contest, I expected maybe eight to 12 teams to finish and give us a working prototype. What blew me away is that, three weeks later, for literally zero dollars and zero cents of hard cost, we had 50 functioning prototypes. They were solving real-world frustration points for customers and real-world frustration points for employees. It really just gave people the chance to go solve problems that were personally important to them.

We were surprised by how many functioning prototypes came back. Our initial thought was, "Let's just take the four or five that were good, put them in front of the Executive Committee, and let them pick which ones would go to deployment."

With 50 functioning things live, we invited people for huge demo days ... We invited all of the people we could reach to come. In the second demo day, [during the] second year we did the program, we had over 2,000 employees walk through and see what people had built. They were amazed at what their coworkers had made.

We closed with a final showcase where you have a live studio audience of 250 people, and



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UPS delivered most of its packages in its early days on foot or by bicycle. In 2016, the company began experimenting with electric-assist bikes to deliver packages in congested urban areas, and reduce carbon emissions.

four C-suite executives set up in a *America's Got Talent*-type format, where each of the teams has eight minutes to pitch. What we asked for at the end of the show was that the “celebrity judges,” our C-suite leaders, would go back into a deliberation room and not pick the one that they thought had the highest ROI or the one that they thought was the most pragmatic. What I wanted them to do was pick the one that they personally most wanted to see made real, and then stand up on stage at the end, present an award to that team, and explain why—as an individual human—they wanted to see that solution made real...

We had a build team, and a great relationship with our IT partners. We took the four winners from the contest, as well as four to six other teams, and put them into this program called Daylight.

[This program was about getting the] prototype into production in 100 days, in the most cost-effective, least-disruptive way. Each of the teams would take a slightly different path through that, but we had about a 60 to 70 percent hit rate, in terms of taking prototypes from the Rise hackathon contest and getting them into live production.

Without that mechanism, you lose a lot of the energy, excitement, and value that's created in the hackathon...[At UPS] we've had some [hackathons], but we've been trying to scope the hackathons appropriately until we have those mechanisms to take things into production.

TIES TO THE C-SUITE

I sit in the Corporate Strategy Group. We have a whole series of set meetings and committees... At UPS, the C-suite is referred to as the Management Committee.

We have a really good relationship with a number of key stakeholders on the Management Committee, in particular Juan Perez, our CIO, our chief engineering and information officer; Alan Gershenhorn, our chief commercial officer; and then Jim Barber, our head of UPS Global. We work with them a lot to think about the spaces [in which] we need to be creating new products. Where are the spaces that we need to achieve high-tech operational efficiencies, and how can we expand our businesses overseas?

Each of our leaders has something that they

need, and what we try to do is help [evaluate] the best way to design new experiences and new solutions for everybody that's involved...

Largely speaking, my personal view on strategy and innovation is that an innovation strategy needs to be about pathways and mechanisms and partners and channels.

It is less about, “What should you be doing,” because in some ways the market, your customers, and your executive leadership can tell you that.

How do you get it done in the most cost-effective, realistic, pro-innovation method? That's the job of an innovation team—to help guide how stuff gets done, rather than what gets done.

BRIGHT BROWN AND INNOVATION FRIDAYS

Innovation Friday is something that we started at SunTrust, and now I'm working on bringing an appropriate flavor over into UPS.

Innovation Friday, at its heart, is a one-day collaborative design session. We break it into three acts: Act One is the morning, Act Two is the afternoon, and Act Three is the 10-week period that happens after Innovation Friday.

[You will] choose a problem that's really difficult, something that doesn't have an obvious answer...What you do is you bring anywhere from 30 to 50 people together and have a really frank dialogue in the morning, where you need somebody...to say the thing that you would never say in a group of 50 people—a really controversial but true statement. You get the room talking about things that really bother them.

We would use stimulus questions. One was around human resources processes. We invited the room to spend three minutes silently answering the following question, “What is the process that is so painful that your friends or family members know when it's happening? Why do they know that?”

Another question we did for another session [at SunTrust] was, “How do we make the bank a more attractive place for young talent?” We also asked everyone to silently sit and write, “What's the most soul-crushing experience you've had at this company so far?”

Most of the people in the room were less than 30 to 35 years old. We had everybody stand up and read those. When you get the

“When I think about innovation, I like to think in very short time periods. Is there something that UPS can do two months from now that we couldn’t do two months ago?”

level of really brutal honesty and heartbreaking stories, it gives the room the chance to really connect. As facilitators, what we would do is listen and take notes on what people were saying. We’d take a break at about 11 o’clock. To close out Act One, we’d take each of the major themes that came up in the morning.

We’d hang these themes up around the room and then we’d say, “This is the end of Act One. Our time to complain about things is over. Now it’s time to try and go do something.”

People would self-select into [groups based on] one of the banners that was hung around the sides of the room. In the afternoon, those teams would get together and try to design a solution that could be implemented at the company inside of 10 weeks using no money, existing resources, and could be accomplished by a team of volunteers... They had three hours to go design a solution, come up with some ideas, and then come back to... pitch what they were trying to solve.

After these presentations, we do multi-dot voting. Often from eight working teams, we used to go down to about three... Then, you’d enter a 10-week sprint to try and implement or prototype whatever it is that you designed that afternoon.

What was really surprising is that 10 weeks later, about 70 percent of the things that we tried to accomplish actually happened... The key was just getting enough people to agree that this was an important problem. Then, when you’re giving them license to move forward, you make progress.

At the end of 10 weeks...we celebrated all those [pitches] equally and gave people the chance to stop. Stopping things is just as important as starting. In fact, [it’s] probably more important than starting things.

‘THE REST OF US CAN JUST SLOG ALONG’

My personal belief, and the way that we case it, is that innovation absolutely could and should be happening everywhere. One of the things that is problematic about an innovation department is that you’ll have [people]

say, “That’s where the innovation is supposed to happen,” and then the rest of us can just slog along at the speed of whatever... Really good organizations are ones where everyone is innovating, and coming up with things to do.

If I got 400,000 people around the world that talk to customers, move packages, drive, [and man] planes. They know much better than me where the opportunities for improvement exist. My job is to create channels for them to find collaborators who they might not normally get to.

If you have programs where it’s just the IT people, it’s incumbent on us as innovation leaders to make sure that the IT people get the chance to form teams with people in marketing, finance, or operations. At the end of the day, the people who are building technology are often not the ones who are using it. The closer we can allow people to collaborate, the more quickly we can mock up and build innovative solutions.

WORKING IN A UNIONIZED INDUSTRY

There are a lot of nuances. There’s a lot of legal contracts in place. I don’t claim to be an expert on it. I’ve spent several days with our drivers and package handlers, members of the Teamster Union, and other unions.

What we’re trying to do in our innovation program is to make everyone’s life better. That of the employee, and that of the customer... The skunkworks model is a really dreamy one, but in a lot of ways, if you have a group of 20 really smart people, they can solve a lot of problems, but they don’t actually know what the problems are. It’s important for people to build these bridges between machine learning and artificial intelligence scientists, with people who are fixing airplane engines and changing tires on vehicles. These are the people who are doing the hands-on work of our companies and talking to our customers. We need to make sure that we’re creating innovation that’s valuable to everyone.



PERMISSION TO EXPLORE AND FAIL

What you need from leadership is permission. You need permission to chase down certain problems and work in a slightly different way. You have to have permission to explore and fail in a way that is inconsistent with a lot of typical management [practices], where [people] go, “Hey, what’s the return on investment? How many months is this going to take?”

You might be looking at the portfolio of 30 different major projects and at the C-Suite [level], you should expect that one, two, maybe three of those projects are going to fail. The challenges of that, if you’re one of these 30 operating managers of the 30 key projects, none of you believe that it’s OK for you to fail. People do everything within their power to make sure that their projects are successful.

What’s important from an executive leadership standpoint is that when they look at their innovation departments, they go, “That’s my Department of Failure, but it’s my Department of Good Failures.”

I’ve often joked that my goal in life is to be the Vice President of Failure ... I want to be the collaborative partner and I need executive support to allow me to do that, so that I’ve got funding that I can put on to small projects where I can spend time building and not spend time asking for money...

There’s no question that an innovation department has to be producing tangible, viable wins. My approach is one that is a little bit modeled after an early-stage [venture capital] group, where we’re going to take on anywhere from 15 to 30 projects in a given year. We have to have a pretty high level of confidence that at least a third of them are going to land, and within a third of [those], that there’s enough positive economic impact that it more than easily clears the cost of the other things.

Even though we’re in innovation, and even though we have a higher appetite for failure, we certainly shouldn’t be immune to financial accountability... The thing is, if you keep into account, “I spending X million this year, the funding that I’ve given back, either in new revenue or sales, is $X \times 2$,” and you continually do that, the ability for innovation departments to outlast downturns and environments of tight pursestrings, that is key.

There’s no question that innovation is

often seen as the thing they cut in tight times, but the truth of the matter is that that’s not a recipe for success in the long run.

INVESTMENTS INTO INNOVATION

The UPS Strategic Enterprise Fund has a long history. It was founded in 1997... This all predates my time at UPS, but I really want to congratulate and tip my hat to the executive leadership at UPS during that period, where they said, “We are not always at the front of that curve. How do we get exposure to the very front of the curve?”

They make minority investments in early stage, seed, A, B, C-round companies, and then when possible, take a board seat or a board observer seat, so that we can help get exposure, for our UPS leaders, to emerging business trends and emerging technologies.

One of the things that I would like to add to that is a greater emphasis on operational capability.

When I think about innovation, I like to think in very short time periods. Is there something that UPS can do two months from now that we couldn’t do two months ago?

[That capability] can come from internal invention. It can come from external invention. It can come from research. We welcome partners of all shapes and sizes, because we’ve got really interesting problems to solve. We need as many talented brains and hands to solve the problems that are facing our company. ●

UPS acquired its first motorized vehicle, a Model T Ford, in 1913. Today, it operates more than 108,000 package cars, vans, tractors, and motorcycles.





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Turner Classic Movies is Preparing for the Future

INTERVIEW BY SCOTT KIRSNER



In the era of *Citizen Kane* and *All the President's Men*, media business models were so much more straightforward. You sold newspapers and newspapers contained advertisements, and if you succeeded on both dimensions, you had a solid business.

Not so in 2018, when print media readership is plummeting—along with cable television viewership. According to the research firm eMarketer, in 2017, more than 22 million adults in the US will have cancelled cable, satellite, or telco-provided TV service, a number that rose 33 percent from the year before. Replacing traditional “pay TV” are services like YouTube, Hulu, and Sony’s PlayStation Vue, television via videogame console.

That creates a tremendous imperative for cable stations like Atlanta-based Turner Classic Movies, part of Time Warner. TCM has always relied on fees from pay TV systems as its primary source of revenue—known as carriage fees—and has never interrupted its movies with commercials.

In recent years, TCM has experimented with new businesses like a subscription-based fan club, the TCM Backlot, and a wine club that suggests pairing each bottle with a classic flick.

As part of our IL Live series of conference calls, we recently spoke with Shannon Clute, Director of Business Development and Strategy at TCM, about the channel’s “bottom-up” innovation strategy.

“Top-down support is crucial, but bottom-up development is the key to creating something that is reflective of your culture, and will result in widespread buy-in and active participation,” Clute says. “We decided to create a cross-functional, non-executive action planning team (all Senior Manager and below) to develop a ‘Culture of Innovation’ strategy, and got senior leadership’s approval on that plan.”

MY ROLE AT TCM

I think that the easiest explanation of how I got involved in innovation is, it was simply part of my DNA. In just under a decade at TCM, I have worked in four different departments, and was always proposing new ways of doing business or new processes for

improving communication or collaboration.

As the [cable television] industry shifted... the leadership here at TCM, and in particular our general manager, Jennifer Dorian, recognized that she wanted a unit within the network that focused more explicitly on identifying and developing new business ideas and opportunities.

There were two people who were tapped to create this department. I focus on more transformational opportunities, looking further afield, and then creating the touchpoints and the processes of development of an innovation culture within TCM.

Lydia Kim, who has a strong development background, focuses more on the portfolio strategy, the modeling and prototyping of individual businesses, especially those that are more adjacent. We are a good one-two punch.

CABLE TV DYNAMICS

People are actually watching more television, it's just that they're doing it in more places, and traditional cable subscriptions are eroding both because of cord-cutting [giving up cable TV subscriptions], and because of what you've heard called "skinny bundles," these smaller distribution packages that are popping up with PlayStation Vue, etc.

Retaining the same level of [distribution on various cable systems] is a challenge, and with that decline in subscribers comes the need to look for other business opportunities.

There is an innovation group that is quickly growing within the Time Warner corporate research function. [But] TCM is really unique, and it has been great for us from an innovation perspective, that we're an unusual network...

First of all, we're not ad-supported. By and large that's a real advantage, but of course, as you're facing industry headwinds and [a] decline in [cable] subscriptions it's a particular challenge, because we don't have some of the other revenue sources. We don't have ad revenue. We don't have our own intellectual property, as the other networks do that create their own programming.

It creates a really unique situation, where for the first two decades plus of our existence, we focused primarily on the brand and what it meant to consumers, and on this formula we had created around curation and context for the movies we presented, so that

people could experience them in a more deep and meaningful way, and that meant hosted introductions. It meant themed programming. Nothing goes on TCM without a context... It made it a really unique environment, both from the business perspective and from the perspective of the consumer's perception of the brand and what it represents.

I actually have to say that despite the challenges of not having our own intellectual property, it has in a strange way positioned us to be on the forefront of innovation thinking within [Time Warner], because we've always had to be about reaching the consumer where they are, and figuring out ways to extend the brand in a more meaningful way to the consumer and their lifestyle.

Many of the sorts of trends that brands are going through now as they try to transition from traditional business models to become, say, lifestyle brands or fandom brands, we've always had to think that way.

We don't want to use the term "the little engine that could" because it makes us sound small, and we have a really outsized impact in some ways on broader innovation thinking within Turner.

DON'T LEAD WITH MEETINGS

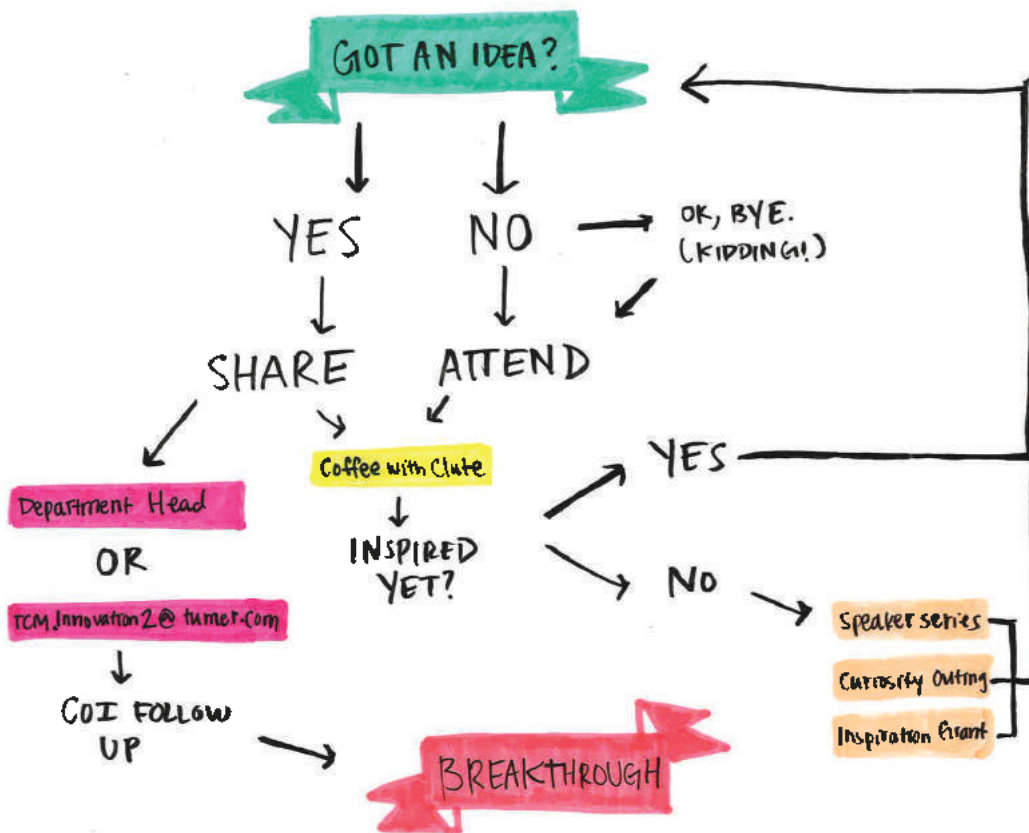
We started [our innovation initiative] in two directions. We started by shopping this to the leadership team, but also by beginning to schedule some innovation initiatives, some workshops for all staff, and we discovered that in retrospect, maybe it wasn't the right approach...

The fact of it going on peoples' calendars, whether it was the calendars of leadership, or the schedules of staff more broadly where we were scheduling these sorts of workshops or brainstorming or touchpoints, it [created] the optics of this being an additional layer to their day job.

If you lead with scheduling, I think that you put yourself in a corner where you've made innovation look like an additional responsibility or an additional duty. What we really wanted to create was a cultural change, where we said innovation was not an additional thing we need to do. Innovation is a way that we need to go about everything we do.

We need to be rethinking all of our day-to-day operations, whether they're program-





A flowchart created by the Culture of Innovation (COI) team at Turner Classic Movies.

ming or packaging, marketing. All of these things need to drive additional value or have the potential to drive additional value, and ideally value that would exceed the linear network too as we extend into other businesses that are more direct-to-consumer.

We hit pause and brought in an outside partner to help facilitate discussions with the leadership team about...what it meant to create a culture of innovation, why it was important, to really clarify terms, clarify goals, create a shared vocabulary, and build consensus and buy-in.

[The outside partner was] a branch of the Center for Creative Leadership in Greensboro, which is probably best-known for its individual assessments and trainings. But they have an entire unit that focuses on executive organizational structure, organizational culture, and leadership culture.

Then once we decided that it was going to be a full-staff initiative, we—myself and Lydia Kim in business development—we sort of did an initial short-list of staff that we thought would do a great job of thinking cross-func-

tionally and in forward-thinking terms...

We then took that shortlist to the individual department heads and said, “Do you think this person would be a good fit, and could we make sure that there’s some time in their calendar for on-going ‘culture of innovation’ development work,” and got the buy-in then from those leaders, then sent out the invitations, initially to just one person from each team.

Every single one of them accepted and really dove into the work, which to my mind is indicative of this thirst for employees to really understand and embrace innovation. But a lot of times when it’s rolled out more as an exercise, they don’t know where to begin. We discovered that there was a lot of confusion about what we meant by innovation. Was it just ideation? Was it just business proposals?

We had the opportunity with this cross-functional non-executive staff—they were all senior managers and below—to work collaboratively to define those terms in ways that would be meaningful to all staff.

[We created] illustrations [like the one above] to represent the full ecosystem of

touchpoints that we developed collaboratively, to develop this broader culture.

These [touchpoints] range from very informal and unstructured [things] that are really just meant to be thought-starters, to things that start to get people a little more structured development in innovation thinking.

[One example is] the inspiration grants, which are something we're proud of...all the way through to this by-invitation meeting that we're calling "The Breakthrough," which is where we direct people who have an idea that we think has real revenue potential.

Then the Culture of Innovation team manages that meeting... They talk them through a formal idea résumé, and they coach them on where they think there's room for more development, etc.

Once we're comfortable with that pitch, it then goes on to the pipeline group that does the formal assessment of the portfolio mix in which new businesses are going to receive some seed funding for exploration, etc.

This next document was also created by the culture of innovation team. This was one of the key documents at the actual rollout of the strategy to all staff, which we consider the official launch of this new culture of innovation strategy.

This was accompanied by a very cute video that the team produced. It's cute, but I should also say it was really well-done because of course, we have some great producers in the house at TCM.

From day one, it had this feeling of really being authentic to our culture.

EXPLORING BUSINESS OPPORTUNITIES

Traditionally, ideas [at TCM] would come from various groups. Those that got voiced through the individual department heads would make their way up, so there was still a process for innovation. The problem was, of course, as we became busier and we launched more businesses, it seemed likely that fewer of those ideas would get through the filter of layers within their individual departments.

What we needed to start was a crossfunctional group that...could help to champion [new] ideas up through leadership.

There were already innovations going on and there were businesses being launched that really were aimed at extending our linear

network into first, a lifestyle brand, and then really more direct-to-consumer product lines.

The lifestyle brand stuff, by and large, was an immediate hit with consumers because the connection was obvious. Things like the Turner Classic Film Festival in Hollywood that we do each year when we take over historic venues, show old movies, have incredible talent from those movies present, that was an easy fit.

But then, as we started to extend into, say, subscription-based businesses like the TCM Wine Club, it was tougher for us to understand how to position those businesses where what we were really saying is, "Look, we're curators of the classics, and we know how to do this in other arenas."

But, we weren't doing enough to help the consumer understand that just dinner and a movie is a fun thing to do, and makes a lot of sense. Once we turned a corner in how we were positioning it, that [wine club] business started to succeed better.

METRICS OF SUCCESS

Now that we have established a strategy, and we've defined all these touchpoints and processes, we're excited to start really using this on a more regular basis to see what sorts of ideas come through it and what sorts of value they drive.

I think a big emphasis for us in 2018 is assessment of the actual revenue or monetary impact of these processes on our businesses, and also the kind of qualitative and cultural impact. Does it encourage more idea generation, get more people actively involved?

Testing some of the initial metrics of success that we've established to see, are we accomplishing what we meant to? Are we maybe accomplishing something else we didn't expect to?

In terms of bigger investment for the company, needless to say, we are at a crossroads for reasons you've probably all read about, which is that we're waiting to find out what's happening with the pending [merger between AT&T and Time Warner, Turner's parent.]

That will certainly have a big role or a big impact on where we go in the future. That one I wouldn't know how to speak to at the moment, because there are a lot of uncertainties. ●



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Setting Up the Innovation ‘Shop’

BY RACHEL ANTALEK
FORMER VP/CONCEPT INNOVATION, STARBUCKS



For me, getting started was the hardest part of responding to the ambiguous instruction to “set up a disruptive innovation team.” I’d been an innovator for years at both Darden Restaurants and Starbucks, and I was comfortable with ambiguity. But when I was tapped to become the VP of Concept Innovation at Starbucks, in 2013, the context was different. I’d never created an innovation team from scratch, and we had no internal experience with a team dedicated to disruptive innovation.

I read countless articles, written by academics and consultants. I found little that had been written by corporate innovation veterans. (This was a few years before Innovation Leader launched.) Here’s the advice I wish I’d received then, organized by “the why,” “the what,” and “the how.”

THE WHY

An initial step is defining what kind of innovation you will pursue. For me, it meant answering the question, why disruptive innovation, and what did we mean by that? This was one of the most challenging questions. We had no formal definitions of innovation in the company. We tackled it two ways.

What it isn’t: Disruptive innovation to us meant being clear that we weren’t near-term. If a solution emerged that looked like a quick win, we would attempt to hand it off to another team. And it meant we weren’t incremental, meaning we weren’t looking for slight improvements or optimization of current products or experiences.

What it is: We wanted to look more than five years into the future and design the solutions that the business would need at that point. Our work would be holistic, meaning that every facet of our business was in play. And lastly, we wanted to be able to work with a blank sheet of paper, asking, “how would we do this today if we were starting from scratch?”

THE WHAT

Engage your stakeholders before you do anything else. For my team at Starbucks, this was a four-fold approach:

1. Interview your senior leaders. What growth gaps remain in the long-term strategic plan? What keeps them up at night? How do they define disruptive innovation? What ideas do they have for needed innovation? (Don't be surprised if these answers relate to today's burning needs, not tomorrow's disruptions.) Who in their organization do they recommend you collaborate with?

2. Get inside your customers' heads and hearts. Get smart on every piece of consumer data you have—quantitative, qualitative, and don't forget the non-traditional. In our case, as retailers, this meant lots of in-depth observation.

3. Get inside your front-line employees' heads and hearts. For us, this was our baristas and store managers. They know the customer better than anyone else.

4. Map your internal innovation ecosystem. Understand what other activities are happening within the company, where, and what their goals are.

Move quickly to a strategic framework that zeroes in on opportunity areas. Use this framework to align the organization around expectations, and to tee up the right performance metrics for innovation. Get clear with your leaders that breakthrough innovation requires unconventional KPIs—which is a separate article in and of itself. But make sure your leaders know that number of experiments conducted and key learnings shared with the organization are likely to be important, especially as you are building out a pipeline of innovation.

Get the team in place. For disruption, bigger is not better. Small, nimble, diverse, simultaneously creative and analytical are hallmarks of the Starbucks team. They're insatiably curious. Roles you can't live without: storytellers, at least one financial wiz, one ethnographer, the "liaison" to the rest of your internal innovation ecosystem, and one devil's advocate. (The devil's advocate role is important, as calling potential solutions into question forces the team to both strengthen the idea and have a clear narrative for naysayers.) To start, we built the team from internal

veterans. After a few months, it became clear what gaps we had as a team, and those gaps were filled both internally and externally. We also filled gaps on a time-limited basis (i.e. we rented expertise, both internal and external.) This is an incredibly cost-efficient way of getting the expertise you need. For us, internal hires made sense, as we had great internal talent to choose from and they understood our brand. External hires bring a fresh perspective, but the learning curve to understand the brand is much higher. And in my opinion, the brand is the sole constraint in disruptive innovation. You simply can't launch things that contradict it or don't align with it.

THE HOW

Think like a start-up, no matter how big your company. Don't demand big budgets. Let the potential value of your innovations prove themselves worthy of further investment. Think of creative ways to resource your team—a lean, dedicated team supplemented with rotational assignments, external contractors, and agencies.

Manage your executive sponsor. He or she is there to provide air cover, assist in securing resources, and help communicate your message as needed to his or her peers. Set him or her up for success by ensuring your narrative and needs are current and succinct. For me, this meant keeping a current email of one-liners in my boss's inbox and often ghost-writing the emails I needed him to send. Innovation Strategist Bill O'Connor at Autodesk talks about IBNU (Interesting But Not Useful). It's easy for a sponsor to get excited about the interesting part of the work, but that isn't always what his or her peers need to hear.

Resist the urge to have a single process, and keep your front-end process light. By this I mean, change it up—daily if you have to. One of our early ideas came from a mash-up of inspiration (cool equipment from another industry), combined with frame-by-frame

“One of our early ideas came from a mash-up of inspiration (cool equipment from another industry), combined with frame-by-frame video observation of our customers and employees making a beverage, combined with inventing an algorithm for a sensory experience.”

“Find one or more quick wins that you can double down on early in your team’s inception, and bring them to market quickly.”



In December 2017, Starbucks opened a Reserve Roastery flagship location in Shanghai. Visitors can watch as beans are roasted, and use an augmented reality app on their smartphones to learn more about the bean-to-cup journey.

video observation of our customers and employees making a beverage, combined with inventing an algorithm for a sensory experience. Breakthrough innovations are unique, and you’ll need to flex the process to fit the concept and move quickly to testable prototypes. One thing is mandatory amidst all that flexing: don’t lose sight of eventual implementation. Understanding potential constraints makes things more challenging, but also strengthens your concept and brings it to market faster. For example, ask yourself how you’ll sell the innovation into your CFO or COO, and what questions they will want answered. These questions are great challenges that a disruptive innovation team can creatively address.

Find one or more quick wins that you can double down on early in your team’s inception, and bring them to market quickly. Initially, our team had planned to hand these “quick win” concepts off to other teams in the company, but often they couldn’t adjust their priorities quickly enough to test them, or

weren’t resourced to execute on them. When we pivoted and brought our ideas quickly into the test phase ourselves, we gained much needed momentum and internal support for our efforts. The learning was that some disruptions can be quickly executed. Once we proved there was “something there,” other teams in the company became more interested in dedicating resources to it. That approach led to better partnerships down the road when we tried to hand something over.

And my last bit of innovation startup advice: get ready for the most intense experience of your career. As the leader, you have to coach your team to do the hardest work of their careers, help your organization understand a new competency with ambiguous outcomes (at least at the beginning), and protect your team from the corporate politics that impact everything—including innovation. It’s some of the most intellectually challenging work I’ve done, but the reward is incredible professional growth, and for me, a whole lot of fun. ●

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The author of *The Innovator's Dilemma* and the forthcoming book *The Prosperity Paradox* takes on questions from the Innovation Leader community.

By **Scott Kirsner**
PHOTOGRAPHS BY TONY LUONG

OFFICE
HOURS
WITH

clay





GOING TO SEE CLAY CHRISTENSEN ON THE CAMPUS OF Harvard Business School is very much like office hours with your favorite college professor. There are papers covering the desk, family photos and published articles proudly displayed on the walls, and a window looking out at brick buildings and trees with leaves just starting to change colors.

But this prof is one of the best-known business theorists of the past two decades, ever since his book *The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail* was published in 1997, just as the Internet was beginning to touch every industry. And as the co-founder of a consulting firm (Innosight), a nonprofit (The Christensen Institute), and an investment firm (Rose Park Advisors)—not to mention a busy author and speaker—his day is planned out with the rigor of a military operation. (His email auto-responder begins, “Thanks for your email—I am honored you would reach out to me,” before asking you to fill out an online form to route your request to the right person on his team.)





“We don’t have metrics that [tell us that] five years down the road, we’re going to get killed.”

You don’t just drop by for a rambling conversation. You schedule time with Christensen’s assistant for a Friday in October, wait in the hall on a bench, and at precisely noon, the office door swings open, and Christensen invites you in.

There are lots of ways you could spend an hour with Christensen. You could discuss the applications of “jobs to be done” theory, which posits that customers “hire” a product or service to do something very specific for them, rather than buying it because of a slick marketing campaign. You could explore the question of whether education or healthcare will ever truly be upended by “low-end disruptors” like Udacity or telemedicine apps on your smartphone. You could soak up advice about finding fulfillment in work, family, and religion—the focus of his 2012 book, *How Will You Measure Your Life?*

But for this conversation, we turned to members of the Innovation Leader community and asked them what questions they wanted to pose to Christensen. We got more than 100 submissions, including questions from executives at Pearson, Pfizer, Chobani, and Bose, and lobbed as many of them as we could during the hour we spent sitting across the desk from Professor Christensen—plus a bonus few minutes as we tagged along with him across campus to his next appointment.

...

Scott Kirsner: Here’s what I did. Because you and I have talked a few times before, I thought, “Let me crowdsource some questions for Clay from smarter people.”

Clay Christensen: Oh, that’s scary. ... You promised that you would only ask me easy questions.

No, these are the hardest questions. I feel like I’ve thrown too many softballs over the years.

[Laughs.] Oh, jeeppers.

I thought this was a good question, just because we’re thinking about Amazon this week, since they’re looking for a second headquarters city. Brian Christian, who works at Inovo, says, what do you make of

Jeff Bezos and Amazon?

Are they showing the way for any big company to serially create transformational new businesses, or are they a one-off exception to the rule that cannot be emulated?

The answer is, I don’t know. That’s a great question. I have a more complicated answer than you’re asking for, but there’s a piece that we are midst of writing, called “The Capitalist’s Dilemma.”

One of the ideas in it is that historically...we’re taught in finance that we should husband the use of things that are costly and expensive.

[Something like] platinum—you’re very careful about how you use it. Things that are abundant and cheap, you don’t have to worry about husbanding its use. Like sand, you just waste it, if you want. Historically, we always viewed capital as expensive and scarce. We’re taught in finance [to] only deploy it whenever it’s absolutely needed.

After we have put our money in, we want to get it out as quickly as possible, because we can then maximize the return on something that’s scarce and costly. If you look around the world today, capital is abundant and cheap, yet we continue to behave as if it’s costly and scarce.

In my mind, somehow the idea that capital has become abundant and cheap allows Amazon to do what under the old regime of capital—that you have to husband [it]—that actually doesn’t apply anymore. Not just in Amazon’s world, but in the market as a whole. We behave as if we can’t use capital abundantly.

Is it abundant if you’re an Amazon competitor like Target or Walmart? Do you feel like they could go to the markets and say, “Hey, we need to compete against these guys. We want to run the Amazon playbook. Give us some money.”

Scott, that’s a great question. There’s an article, I think, in the last version of the *Harvard Business Review*, written by a former student of mine named Max Wessel. [“Why Preventing Disruption in 2017 Is Harder Than It Was When Christensen Coined the Term.”] He teaches now at Stanford, unfortunately. The essence of the article is, [it is] actually a lot harder to respond to disruption than it



was when Clay developed the model. He said, "Because there is so much capital..."

I just feel a lot of the entrenched firms, they're hurting for capital.

That's exactly the point. He describes Ford as an example. Ford can take its money, and put behind these new startups in the future of automobiles. The value that that gets is just unbelievable.

If they put that very same money on the very same idea, and follow every element of Clay's description of how you need to deal with disruption—

—putting the money into internal Ford product development, they get less return than they would funding a new electrical vehicle startup that [someone is] going to start.

That's right. I think that that's a real problem. Max, at the end of this article, says he doesn't know the answer. Nor do I.

Bob Maresca—I don't know if you've met him—he's the CEO of Bose. [Maresca became chairman after this interview, in December 2017.]

Yes, I have.

He's trying to restructure the company. It's a founder-built company, I think founded in 1964. The question Bob has is about the situation when a company is going through a disruptive transformation that's rendered certain [activities] obsolete, which leads

you to eliminate jobs that had been important at the success of the old company.

For him, examples are they used to do in-house manufacturing. They used to do their own print ads. They used to have a call center, where you could call in, and buy a Bose Wave radio.

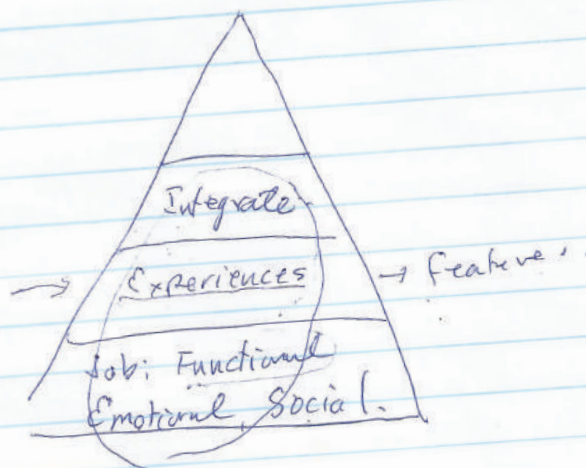
He's saying that the challenge he's facing is having those people feel appreciated and respected for the contributions they've made, while getting them to understand that those jobs are not delivering value to the company.

I think the question in here is, can you do retraining programs? Are there ways to take that human capital, and shift it around, or are there just painful transformations that companies have to make? [In his case,] he said, "Look, we don't need a call center anymore."

He's correct... I always have a catch in my mind when I say what I just said, because the model of the jobs to be done is in a pyramid. The bottom level is just the description of, what is the job?

It always has social, functional, and emotional dimensions to the job. Then on top of that, at the next layer, what are the experiences in purchase and use that we need to provide the customer, so that they will sum up to nailing the job perfectly?

If you understand the experience you've got to provide the customer, at the next level is, what are the processes we have to put into place so that those processes can deliver the



Christensen sketched this pyramid based on his "jobs to be done" theory during our interview.

experiences required to get the job done?

If you do that, then the last piece is, it needs to be capped by what we call a purpose brand. That's a brand that pops into people's minds when they realize that, "Gosh, there's somebody that makes a product that does this job perfectly."

There is a student of mine [who] had a similar question. The question that she was writing her paper about in my course was, do jobs arise, and do they disappear? We have a concept called "competing against non-consumption."

Is there, in my realm, a job that is arising in people's lives for which my product or my technology could be used to get that job done? In her paper, she talked about the non-consumption of art. What the theory would say about that is, when you move into a new apartment, you walk in, there's this wall, and there's nothing on it.

You then go out, and try to find a piece of art to decorate your place. For about three weeks, you consume the art, meaning every time you walk in that room, you think, "Gee, that was a good piece of art we chose."

After about three weeks, you walk in, you go through, and you walk out. You don't consume that piece of art. She said, "There is so much non-consumption of art." She proposed that we ought to get a flat screen TV with a [component] in it that, every three weeks, can send to me a piece of art that I can enjoy...

I have a sense that if Bose would look around [the] world [of entertainment and communication], are there people who are not consuming what Bose could offer? There is more non-consumption than we think.

Dan Seewald, who's at Pfizer, asks about the word disruption. He says, "The term disruption is being used pervasively by corporate innovators and large companies. Has the term lost its intended meaning, and how can you reclaim the intention behind the concept of disruption," or are you not fighting this battle anymore, Clay?

No, we're fighting it every time I give a talk,

every time. I offer my course online. A key idea, right in the first session is, what is disruption? Yet it gets hijacked millions of times.

Is there a succinct way that you say, "Look, don't use the word disruption just to mean snazzy, cool, and novel, but use it to mean X"? What do you say?

We are writing a new book about where prosperity comes from... Every market has a set of concentric circles around it that represent larger populations of people who have progressively less money and less skill.

A disruptive innovation is not an innovation that makes good products better, but rather it makes [something] so much more affordable and accessible that much larger populations of people have access to it.

By using that language, I think it's helped the problem. That a good product, better, makes it affordable and accessible, so that a whole new population of people have access to it.

Can I have that drawing?

Sure.

Will you sign my name under it? I'll tell people I thought of it.

K I R...

I'm just joking. I meant for you to write your name under it. But it's 'S N E R.'

There's a healthcare-related question. Eric Thrailkill, who works at AmSurg, says, "Given the polarization in Washington, DC around healthcare policy, and no end in sight for a bipartisan solution to address costs, an aging population, and the enablement of true population health initiatives, do you see healthcare being disrupted in the next five years? If so, where does disruption come from?"

It's actually quite important that you have a... personal way of thinking about the problem. I always look at the bottom of the market. That's where disruption always begins.

When I look at the bottom of the market, I see InterMountain [Healthcare] that are trying to walk away from as fast as we can, fee for performance, and just give people an annual fee. They've learned that when you help your customers stay healthy, they make money.

When their patients get sick, they lose money. If they're sick, they make money if they help them get better faster. There's a model there. Kaiser Permanente has done a similar thing.

Then there's a company in the Boston area—I think they've got more than dozen [practices] around the country—called Iora

Christensen says that "every market has a set of concentric circles around it that represent larger populations of people who have progressively less money and less skill." Truly disruptive innovations, in their early stages, target people in the outer circles.



To
Scott Kirsner,
-Clay Christensen



Christensen in his office at Harvard Business School, October 2017. After our interview, he played a song on a set of chimes made of steel rebar; disruption in the steel industry has been a focus of his research.

“A disruptive innovation is not an innovation that makes good products better, but rather it makes [something] so much more affordable and accessible that much larger populations of people have access to it.”

Health. Their model for personal care is, they have a coach. The coach is responsible to be sure that you lose weight.

They're responsible to be sure that you take your pills, and that you do all these things. As I got to know them, I asked them, how can you add all of that overhead on top of a horribly burdened system? Their response is, it's actually dirt cheap.

Even though it feels like extra touch points, it reduces the costs of other stuff that you do to that person when things go downhill.

That's right. As their model coalesced in my mind, I was invited to go to Utah last summer to give a graduation event for Western Governors University. Do you know about these guys?

They are all online. They have 83,000 students. Over 90 percent of them graduate. They produce more nurses in America than any other college but one. They produce more high school science teachers than any other school in the country.

That's so cool.

I'd known that they exist, but as I got to know the data, I realized that they have the same model as Iora. They have coaches for every student who signs up.

Paul LeBlanc at Southern New Hampshire University takes that same approach. I think you know him.

Yeah, we started it. [Christensen is friends with LeBlanc, the President of SNHU, and as a trustee of the university, helped advise the school as it built its online division.] The people who need to learn in that environment—there are jobs to be done—is [the students who] are 39 years old, on average. They can't get a better job. They can't make enough money to buy a home. “We've got three kids...” A key element is you have these coaches. If I don't turn in a paper on time, this guy—

—the phone's going to ring.

They're there to support you in every way.

“Are you running out of money? Can we put you on a different track so that you're not in debt?” They have the very same approach [as Iora.] If [students] drop out of school, it is so costly to us. I think that that model is a disruptive model, both to higher education, and to healthcare.

You've talked about CVS' MinuteClinics before, the people who are not Mass General or Cedars Sinai-type hospitals...The important stuff is happening on the edges.

That's exactly right.

Let me see if we can get to a couple more, because we've got really good questions, including this one from Chobani, the yogurt company. It says, “Clay has divided innovation into three categories: efficiency, sustaining, and disruptive. Is there value in dividing up an R&D department at a company into three different teams, each with responsibility for one of these types of innovations?”

The second part of the question is, “Could it lead to burnout of employees who are always working on the same stuff? ‘You're just the efficiency folks.’ Or, ‘You're just the sustaining folks.’”

[Laughs.] That's a great question, for which I wouldn't have an answer.

Really?

We [do] need to have those kinds of projects going on... But the individual people. Is there a different type of person that performs well in a market-creating or disruptive innovation, versus another type that does sustaining innovations? I'm not sure that I would go that far.

So if you have 100 people on an R&D team, you would just say, “I think in that group, we need to be devoting some time and some people to each of those three categories?”

That's exactly right. It depends upon where your strategy is. If you're running out of growth, then you've got to have a team of people targeting at, is there a job out there



needing to be done? If you're running out of cash, then you deploy a group of people who are efficiency innovators.

What's gone wrong in our system is that the way we measure success causes us to over-invest in efficiency innovations, and make it very hard to invest in market-creating innovations.

One of our friends in Belgium at BNP Paribas has another people-related question. She wants to know, what are the characteristics of people inside the company that could be identified as game-changers?

The second part of her question is, how do you convince executive committees in a company that they're going to be disrupted, and create that sense of urgency at the top, that you can't just do efficiency and incremental [innovation], and hope to survive in this environment?

They're big questions, aren't they? Again, I don't have answers, but one element of getting this done well is, you know, we don't have metrics that [tell us that] five years down the road, we're going to get killed. If I'm at Moody's or S&P, and I give you a B minus average...

There's no corporate lifespan estimation, right?

That's right. They only look at this year, and maybe next year. There's not a commonly accepted measure of, are we investing for the long-term? The system will not allow the development of that. The only way to develop it is if managers themselves would get together, and hammer out a metric that measures this.

This is not a question that somebody gave me, but you're not supposed to feel fear as a leader. You're not supposed to communicate it to people in the company. It's an important emotion in humans, and people feel anxiety, probably, as they're having to lay people off, close stores, and close facilities.

But how do you communicate that urgency of, "We may not be here in five years," in a way that's going to be constructive? It's a huge leadership challenge, so that you don't turn into the person who's cracking the whip, harping on things all the time, or seen as negative.

You're exactly right. I also think that I, you, and most people are trying to be thoughtful about it. We haven't articulated why growth is critical for continued success. If you're not growing, then the people who are giving their lives for the enterprise—there's no place for them to grow into. Everybody needs to get more responsibility, and achieve more.

...I ran into a guy who heard me give a talk, from Qatar. He wanted me to come there to give a talk about disruption... [and] about why their nation needs to grow. He said that there are two different types of governments.

One type of government [aims] to help their citizens be more successful in their lives. There are other governments whose purpose is to—what's the word he used?—put down their [citizens], and use them for the government's purposes, rather than use the government to help them to be more successful in all they're trying to do.

He points out that there are a few nations where the essence of their governments is to help their citizens to be better, to give them better education, better healthcare. When you look at those—and those include the USA, Canada, Australia—you don't see terrorism emerging from those nations.

I think the point you make about [the importance of] growing companies—it's not just satisfy the investors and the Street, but it's to satisfy the people that work for you. That's exactly right.

It's huge. I think a lot of the Fortune 500, if you looked at them, they're not attracting the same talent that Google, Amazon, Facebook, Netflix-type companies are, because those are perceived as [the companies] where the growth is. That's where, in two years, I'm going to be a director, in three years, I'm going to be a VP, and in four years, I might be running the place.

That's right.

If I were [Jeff] Bezos, the biggest concern would be, after we get that big, we can't keep growing, unless we cut [the company] in half. Your people need to be able to have opportunities to grow.

The last one I want to try to squeeze in today is from somebody at Abbott Nutrition, who says, "Looking back on your successful and distinguished career, where do you think you got it wrong? Something that you look back on and say, "How did I get it wrong?" A regret?

Is there anything you look back on and, not regret, but just say, "I got that wrong"? Sometimes I wish I had spent more time and energy on exercise, because it takes a lot more energy to get back in shape, and get your mind to be clear, if you're out of shape. I regret that. I was a good basketball player, and then I assumed that I would always be a good basketball player [laughs.] ●

How Do You Go Beyond “Innovation Theater”?

IT HAS BECOME FASHIONABLE for pundits, consultants, and startups to decry the ills of “Corporate Innovation Theater.” Some opine that corporate Innovation Labs don’t work, and never will. Others suggest corporation innovation is an oxymoron and big companies shouldn’t even try to innovate, period.

If you’re on the corporate side, doing nothing is not an option. The megatrends of today are ratcheting up the pressure to reinvent, reimagine, and reinvigorate business. Our rapidly digitizing world is awash in threats and opportunities.

Startups are seizing opportunities too quickly for corporations to keep up. In a world where change is now fast, fluid, and multi-dimensional, enterprises must become fast and decentralized enough to pivot like startups, without losing the powerful execution levers and economies-of-scale they already enjoy.

Sadly, too many of today’s well-intentioned Digital- and Innovation-oriented change initiatives fall flat, doomed by subtle, yet deep-seated, cultural resistance. It’s not that Innovation Theater or Corporate Innovation Labs are “wrong” or a bad idea. It’s that they don’t go far enough.

By Chris Townsend

CHIEF MARKETING OFFICER
IMAGINATIK



NOT ‘THEATER’ — BUT ALSO ‘NOT ENOUGH’

Not long ago, a company I know was in the early stages of a major innovation push. They were the worldwide leader in a B2B product category with a market size of \$2 to 3 billion. They had the strategic foresight to recognize their space would soon undergo a massive shift — from making “dumb” devices to selling smart solutions enabled by IoT and big data.

Led by the CEO, with direct support from the board, the company formed a product innovation team to engineer a prototype from the ground up. They would change their business model from selling products to delivering services. They needed to rework the financial, sales, and support models. They launched a private beta with their most trusted customers. It was a success.

That's when the problems started.

The core product innovation team was about 20 people. Plenty to prototype a new product line, but not enough to scale a new business. The plan was to prove the viability of their new approach, and then partner with mainline business functions—manufacturing, marketing, sales, support—to launch and scale the new business model in the marketplace. In the course of the internal transition, delays crept in. Production was behind and timelines kept pushing back. Engineers said the company had lost its way by straying from its strengths. The support organization struggled to adapt,, professing an inability to understand the new solution, much less support it capably.

The only team with enthusiasm for the new solution was sales. Every day, customers would ask when their rollout would happen. Account managers were forced to offer excuses. Eventually, customers defected. Word leaked to competitors about the revolutionary new solution. The No. 2 company in the space saw an opportunity, rushed a knockoff version into production, and beat the original innovator to market.

What started as a smart, inspired growth strategy, and continued with excellent work from the product innovation team, went off the rails. Two years into the journey, the company had not only failed to reap any benefits from their strategy, but had also gifted the innovator's pole position to their competition.

Why Continuous Reinvention matters

The haters will use this story to flog their preferred narrative: Corporations can't innovate. Better leave the innovating to the startups.

This is dangerous. Not because it's disingenuous and lazy—but because it's incorrect.

We've seen companies avoid these pitfalls. They share a common realization that chartering an innovation team or launching an Innovation Lab is not enough—nor is creating an Idea Management process, instituting a Design Thinking curriculum, or introducing HR incentives for innovation. None of these surpass the threshold required for an organization to work more collaboratively together, to embrace new ideas and fresh approaches together, or to take calculated risks more often together.

What's required is a coordinated innovation

program focused on instilling an ethic of Continuous Reinvention into your organization.

"Continuous reinvention" is different than a normal change initiative. It's based on the ability of your organization to innovate constantly—at any time, any level of scale, and for any reason. It does not require CEO approval, and it is not a special initiative or skunkworks project. It's woven into the fabric of the organization just as much as Marketing, Sales, and Finance.

Along with strong, consistent leadership support, there are two elements that you need.

First, you need to build a full corporate innovation program. Organizations don't start innovating just because the CEO asked, nor because the board forced them to. They innovate because there was an explicit, empowered, concerted effort to accomplish innovation goals not achievable through existing processes. This innovation program tends to evolve into a new internal function, or an additional piece of an existing unit like technology, strategy, or marketing. Its role is to champion and incubate innovative projects—i.e., efforts which are clearly important to the company that don't fit into any other group's responsibilities or incentives.

Second, you'll need an innovation platform—both the collaboration software, and the supporting "business system" of processes it enables. A major aspect of success for nearly any long-term innovation program is a platform of engagement to liaise effectively with other divisions and departments—by collecting and developing ideas, driving innovation development projects, and coordinating scale and launch of the most promising prototypes. As we saw in the story above, if the innovation group is too disconnected from the rest of the organization, it will be seen as a foreign body to be rejected. R&D, engineering, marketing, sales, finance, operations, production, support, HR—all of these groups deserve to be important. If the innovation group can find common cause with their colleagues by driving engagement and partnership in a broader set of innovation objectives, they are likely to succeed. If they fail to do so, their ultimate failure is all but assured.

That may sound like a lot, but it's what works. The alternative is to make a half-hearted attempt at "innovation," wait two to three years until you know it's failed, then try to deflect blame. At best, you'll be labeled as Corporate Innovation Theater and we'll all have a good laugh at your expense. Worst case, you'll be out a job, your company will be out of business, and you will be the next cautionary tale alongside Kodak, Borders, Blockbuster, and the like.

The choice is yours.



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Case Studies



Owning the Future

WALMART AND AMAZON RACE TO BUILD THE FUTURE OF RETAIL BY STEVEN MELENDEZ

ILLUSTRATIONS BY JASON SCHNEIDER







mid-January, Amazon opened the doors to a single-location convenience store, Amazon Go, not far from the company's Seattle headquarters. The store is designed to be so automated that shoppers don't need to stand in line at a cash register to check out. ■ Almost immediately after the grand opening, lines of Seattle-ites eager to go inside began forming on Seventh Avenue. ■ A few days earlier, the world's largest retailer, Walmart, abruptly announced it was closing 63 locations of its Sam's Club discount stores—including one located just a few miles north of Amazon Go. Ten of the former Sam's Club stores would be transformed into distribution centers for Walmart's online business. ■ As the world's largest retailer, Walmart saw more than \$485 billion in revenue in its latest fiscal year. That still dwarfs Amazon's \$177 billion in 2017 revenue. But Amazon's share of US e-commerce is a massive 43.5 percent, according to eMarketer, with Walmart claiming only 3.6 percent. And Amazon is moving aggressively into the brick-and-mortar realm, with 13 bookstores, the Go convenience store in Seattle, same-day merchandise pick-up locations, and, of course, 477 Whole Foods grocery stores. ■ But don't buy into the narrative that these two companies are gladiators battling to the death. Walmart has been increasing its online revenues at 50 percent a quarter, and Amazon is on track to grow from \$100 billion in revenue to \$200 billion faster than just about any predecessor—including Walmart and Apple. ■ Amazon and Walmart are both going to be just fine. If they're fighting over anything, it's to acquire promising e-commerce startups and bigger companies that can help expand their reach, and to win over



customers from wheezing brick-and-mortar competitors that aren't able to invest in innovation. (Is anyone bullish on the future of Macy's or Sears?)

In 2018, Amazon's big question is whether success in the digital sphere can translate into physical stores. (At Whole Foods stores, there have already been reports of product shortages.) And for Walmart, with its legendary logistics skills, the question is whether all of its e-commerce acquisitions are truly starting to create a new culture of innovation at the company—or are just disparate entities that won't affect how things work at Bentonville, Arkansas-headquarters.

"Walmart has the physical footprint that Amazon would love, and at the same time, I think Amazon has the digital footprint that Walmart would like," says Joseph Feldman, senior managing director at Telsey Advisory Group, a research and brokerage firm focused on the consumer sector.

Walmart is also reaching out to new markets beyond its suburban and rural base by acquiring online brands like Jet.com, Bonobos, and ModCloth. The acquisitions have also helped Walmart pull in talent and new capabilities, while adding some icing to its overall e-commerce revenues.

BRINGING AMAZON DNA INTO WALMART

In 2011, Walmart acquired the Silicon Valley search and social media startup Kosmix. The deal injected a few strands of Amazon DNA into the giant retailer: Kosmix co-founders Anand Rajaraman and Venky Harinarayan previously started Junglee, an early e-commerce search firm purchased by Amazon in 1998.

At the time of the Kosmix acquisition, Walmart's online operations lagged behind Amazon's in rolling out new features, Rajaraman says. He was approached by Eduardo Castro-Wright, then CEO of Walmart's global e-commerce business.

"He reached out to us with an interesting proposition, where he suggested that Walmart was starting to get serious in e-commerce, but had a lot of catching up to do," says Rajaraman, now a founding partner at Palo Alto venture capital firm Milliways Ventures.

Walmart announced that Kosmix's founders would lead a new e-commerce innovation center in the Bay Area. To recruit talented engineers wary of working for a far-off discount retailer without much tech "mojo," the unit was branded as Walmart Labs. Early press highlighted the division's startup-like culture, com-

plete with weekly catered lunches and ping-pong tables. A cheeky office signpost noted the distances to San Francisco and Bentonville.

"If we had to scale up the e-commerce effort, we had to hire and bring on a lot of talented engineers, and they would need a new brand name to come and work at, as opposed to Walmart," says Rajaraman.

Walmart Labs contributed some of its engineers' code to open source projects, something more commonly done by employees of Google and Facebook. Many Labs projects were tested with massive data sets from the Walmart mothership, which may have lured engineers interested in a big challenge.

"Our scale is a key consideration factor," explains Jeremy King, CTO of Walmart US. "Innovators know that any idea will ultimately have to scale to thousands of stores and millions of clicks." King joined Walmart Labs when it was first formed in 2011, after stints at eBay and LiveOps, a provider of cloud-based call center technology.

King continues, "The breadth of our technology environment can also be a challenge—groceries, photos, pharmacy, money center, auto shops, fishing licenses, optical, custom bakery, etc. Walmart stores and websites have a vast array of services we provide to customers. But the same factors are also a



huge advantage. Where else can you experiment and scale in the same organization? It's what engineers live for."

Internally, the growing Labs team worked to help customers find products more easily on Walmart.com, which initially sported a less-than-reliable search engine.

"Often searches would bring up completely irrelevant things," says Rajaraman. "One of the first things we did was build a new search engine from scratch, which worked much better than the old one, and would surface the right products if Walmart had them. That improved conversion significantly from before." The Labs team also built confidence in the replacement search engine by using a common technique in the software industry: redirecting small numbers of website visitors to the new tool at first, and documenting which one of the tools performed better.

Whether customers can efficiently find what they're looking for is still a major data point the company tracks, King says.

"Our internal metrics track key drivers of customer satisfaction along the journey: do we have the product people want, can they find it, does it display all the information they need, is it priced right, and delivered with a great experience?" says King. "This is consistent with what we do in stores as well, where we track key drivers of customer satisfaction for an in-store journey."

Rajaraman, who left the company with Harnarayan in 2012, says Labs leaders also promoted the idea that it's okay for some experiments to fail. These experiments involved social media shopping tools, gift options, and product subscriptions. But one successful change involved automatically adjusting online prices based on supply, demand, and other data, rather than having them set manually by humans.

"If you're going to expand the catalog from tens of thousands of items to millions of items, it becomes hard to manually price everything," Rajaraman says. "We created algorithms for pricing, and I think that ended up having a huge impact."

One challenge was shifting marketing dollars from traditional ads promoting the

Walmart brand and overall low prices to online listings promoting specific products to specific shoppers. But those ads generated real-time performance data, and allowed budgets to be adjusted based on that performance.

"In performance marketing, it's very different, because if you can pay a dollar, get a customer, and make a profit of more than a dollar in that customer, then you can have an infinite budget," says Rajaraman. "We had to spend a lot of time educating [our colleagues] and, to be honest, I don't think we were completely successful in our efforts by the time I left."

One former Amazon and eBay executive gives Rajaraman and King credit for what they've established with Labs, but says that it will "probably not be enough to overcome the gap with Amazon. Labs is not acquiring the top Google, Netflix, or Amazon talent, though they have acquired some decent Valley tech talent."

PICKING UP THE ACQUISITION PACE

In August 2016, Walmart paid \$3.3 billion for another startup built by someone with an Amazon pedigree: Jet.com. Co-founder and CEO Marc Lore had previously built and sold Diapers.com to Amazon, and stuck with Amazon for about two years after that transaction.

Lore was put in charge of Walmart's domestic e-commerce division, and industry observers say it's likely that he was influential in some of Walmart's big ticket purchases that followed, including the \$310 million buyout of Bonobos, the online men's retailer, and the acquisition of womens' apparel site ModCloth, announced in March 2017.

"I don't think any of these other subsequent moves would have happened without his leadership and being involved," says Dave Knox, managing director at WPP Ventures and the author of the book *Predicting the Turn*, which focuses on the relationship between startups and established companies.

Since Lore joined Walmart in September 2016, online sales numbers have been on the rise. In May 2017, the retail giant reported that online sales had leapt by 63 percent in the prior quarter. The spurt comes as the company has dramatically increased the breadth of its online products to more than 67 million items, up about one-third from the previous quarter. It has also rolled out new online offerings, like free shipping on orders of \$35 and up.

"We anticipate e-comm growth will remain robust given [the] expansion of initiatives and

"Walmart has the physical footprint that Amazon would love—and at the same time, I think Amazon has the digital footprint that Walmart would like."

JOSEPH FELDMAN, SENIOR MANAGING DIRECTOR
TELSEY ADVISORY GROUP



tests, as well as continuing to learn from Mark Lore and the team at Jet,” wrote analysts from financial firm Cowen & Co. in an August 2017 report.

In the early years of Labs, Walmart also picked up more than 12 digital startups, from search provider Adchemy to fashion app Stylr.

“The past five or 10 years, there’s been a sense that Walmart hasn’t been serious about e-commerce and has let Amazon steal the march,” says Neil Saunders, managing director of the retail unit at research firm GlobalData. “I think that has changed now, though.”

In earnings conference calls, Walmart’s CEO has spoken of acquisitions as a source of “expertise” in categories of products. And Saunders says Walmart has increasingly been

giving acquired businesses more latitude to keep their existing practices and culture in place, while gingerly easing successful features into its overall operations.

Walmart has begun to allow acquired businesses to keep some elements of office culture, different from Bentonville’s, says Saunders. He points to reports that the company backed away from cracking down on events like after-work happy hours at Jet.com’s main office in Hoboken, N.J.

“That may sound quite obvious, but that’s really quite brave for Walmart, because they’ve never really operated that way,” he says. “I think they’ve recognized they need to give divisions more autonomy, more of their own decision-making power...”

Walmart’s Major Digital Acquisitions

Company	Date	Price	Description
Kosmix	April 2011	Reportedly more than \$300 million	Search and social shopping
Grabble	November 2011	Undisclosed	Startup integrating in-store checkout systems with mobile devices
Small Society	January 2012	Undisclosed	Agency building mobile apps for major companies
Inkiru	June 2013	Undisclosed	Predictive analytics software for retailer
Reclip.It	October 2013	Undisclosed	Shopping list and coupon app
Yumprint	February 2014	Undisclosed	Software for turning recipes into shopping lists
Adchemy	May 2014	Undisclosed	Software to optimize online ad campaigns
Stylr	June 2014	Undisclosed	Mobile search engine for clothing deals in nearby stores
Luvocracy	July 2014	Undisclosed	Platform for product recommendations
Yihaodian	July 2015	Undisclosed	Chinese e-commerce site, later sold to JD.com
Jet.com	August 2016	\$3 billion	Discount shopping site
ShoeBuy	December 2016	\$70 million	Online shoe store and rival of Amazon’s Zappos
Moosejaw	February 2017	\$51 million	Online outdoor clothing and gear retailer
Modcloth	March 2017	Undisclosed	Online women’s retailer
Bonobos	June 2017	\$310 million	Online men’s retailer

“Culture is a slow thing to change—but Walmart’s is changing much faster than it ever has.”

PANO ANTHOS, MANAGING DIRECTOR XRC LABS

Pano Anthos says that the acquisitions “signal to Wall Street that Walmart executives are rethinking their whole brand concept.” Anthos is the managing director of XRC Labs, a retail accelerator based in New York. But he adds that “those businesses add zero to their bottom line. They’re pebbles in an ocean.”

The former Amazon and eBay executive with whom we spoke questions whether assembling a portfolio of brands like Jet, Bonobos, and ModCloth creates “any synergy with things like fulfillment, customer service, and technology.” Besides, he says, “ModCloth will never link back to Walmart. The ModCloth customer won’t go to Walmart. It’s like Gap buying Prada—one has nothing to do with the other. They’re just window-dressing.”

To really move the needle, this executive continues, Walmart would need “to make a serious-sized acquisition online—maybe an eBay. Something to that scale. Jet was tiny, and it was a very expensive purchase for the very little that they got.”

In March 2017, Walmart announced a new Bay Area startup incubator called Store No. 8, named for an early store where founder Sam Walton often tested new ideas. It recently co-sponsored a contest for virtual reality shopping startups and ideas. And, says Knox at WPP Ventures, the company sponsored a virtual reality demo and Walmart-branded lounge area during 2017’s South by Southwest conference, looking to start building more awareness in the entrepreneurial ecosystem.

“I think that was a really unique genuine way, from a very subtle standpoint, to have engagement with that community and start saying, ‘We’re looking for a different sort of partnership—not just a PR stunt where people go pitch on stage,’ he says. “They also realize [that] to have a chance to even play in the acquisition game, it takes those relationships, and [Walmart] being the first phone call when opportunities present themselves.”

BRINGING INNOVATION TO BRICK AND MORTAR

Walmart is also looking to innovate by combining its network of brick-and-mortar stores with digital commerce, just as others, including Amazon and eyeglass merchant

Warby Parker, are expanding their networks of in-person shops.

“I think Walmart has an enormous advantage with its stores, because it can potentially deliver faster and in a more cost-effective way, and sometimes in a more convenient way, than Amazon can,” says Saunders. “I think by using those stores much more effectively as points of distribution, points of collection—I think that really can drive some success.”

Walmart Labs is now part of the e-commerce division headed by Lore. The division has recently expanded its focus to physical stores, and building new services that bridge online and offline.

“We’re testing associate delivery of Walmart.com orders in a few stores and by the end of the year, we’ll have approximately 100 automated pickup towers in stores across the US, where customers can pick up their [online] orders within a matter of minutes,” Walmart CEO Doug McMillon said in an August 2017 earnings call. He also highlighted a new “Easy Reorder” feature, which allows consumers to request a home delivery or in-store pickup for frequently purchased items.

“The new game is about speed of delivery—speed of getting it to the customer as fast as they want and when they want,” says Feldman at Telsey Advisory Group.

And Labs still operates with a degree of independence that enables it to consider ideas that are a bit more radical than those that might come out of the mainline business units, says Saunders.

“Walmart and the Labs part should be separate, because the Labs need to have fresh thinking,” he says. “It’s a very different part of the business.”

While the company may be reluctant to change how its brick-and-mortar business operates all at once, that reticence is slowly being shed as the industry evolves, Saunders says.

“I think in Walmart, the culture is changing, and I think the culture is moving to one where people are not so afraid to shake things up, where change is welcomed and new ideas are welcomed,” he says.

THE NEXT PHASE

Anthos at XRC Labs concurs: “Culture is a slow thing to change, but Walmart’s is changing much faster than it ever has.” Still, Anthos says, everything at Amazon “from top to bottom is about ‘let’s test and learn.’ Walmart’s test and learn model is not nearly as agile across the board.” Still, Anthos, a former entrepreneur



himself, says he is impressed that Walmart has been able to persuade the founders of the startups it has acquired recently to stick around, including Lore and Bonobos founder Andy Dunn. In 2017, the company also hired Jenny Fleiss, co-founder of the Rent the Runway, an apparel rental startup in New York, to run a project within Walmart's Store No. 8 division.

Anthos says he's watching two things closely. One is the widespread deployment of Amazon's Echo intelligent speaker, which now sells for as low as \$40. "Amazon clearly has changed the game with Alexa," he says. "Voice is the new user interface — the new mobile." The second is whether Walmart will launch a membership-based free shipping program to compete with Amazon Prime.

Others, like long-time e-commerce executive James Keller, are tracking Amazon's growing investment in bricks-and-mortar retail locations. Keller currently runs Print Syndicate, a Boston startup.

"Stores are absolutely not going away," Keller says. "It's also very clear that Amazon views the storefront as a very important part of the overall value proposition. We've seen a number of investments like Whole Foods and the Amazon bookstores. I think there's more

of that to come."

Amazon is also building a business that's less dependent on human workers, with its cashier-less Amazon Go store in Seattle, and a continuing investment in advanced robots for its distribution centers. There are roughly 45,000 robots roaming Amazon warehouses, and an annual design challenge encouraging startups and academic institutions to imagine how robots can become more dexterous and capable. Amazon also continues to hire engineers and managers for Prime Air, the division working on delivery drones. Amazon generates twice the revenue per employee as Walmart.

Amazon and Walmart are investing heavily to own the future of shopping, online and in the physical world. The two are pushing each other to turn weaknesses into strengths, while other web merchants and traditional retailers need to not only be creative about their strategies to remain relevant, but committed to executing them.

"Retailers that don't have strong and sustainable differentiation on product or price will struggle," says Keller, "if not be outright steam-rolled." ♦

Additional reporting by Scott Kirsner



How Does the ‘Power of Yes’ Apply to Innovation?

WHY, YOU ASK, THE POWER OF YES!? And, how the heck does the “POWER OF YES!” connect with innovation? Let me explain.

It all began several years ago when I took an innovation job in a new industry. I was fresh from leaving an organization that held innovation as a core belief. The mindset and practice of innovation permeated every aspect of the organization’s culture and it guided how the company’s leadership made decisions for the organization.

There I was with my team, ready for a new challenge in a company that was relaunching innovation within the organization. All of the ingredients for embracing disruption and bold ideas seemed to ready to go. The company’s mindset seemed to be right and the new leadership team was standing behind the new approach.

But, as my team stepped into our first big endeavor, we heard the dreaded words that no innovator wants to hear:

- “No.”
- “We can’t do that, it’s way too out there.”
- “That’s a great idea, but it’ll never work.”
- “Regulations and regulators will not allow us to do that.”
- “No! No! No!”

My team and I were forced to embrace the demotivating power contained in the word “no” and how this “no mindset” can destroy the spirit of

By Shawn Nason

CEO
NASON GROUP



innovation. The effect of this type of mindset can and has stopped innovation not only in that organization, but organizations all over the world. Unfortunately, many innovators today face that mindset still.

Navigating this journey of “no” shaped my thinking and my career path. The “no” words were part of a “no” mentality that was rooted in a “no” culture and I wanted to have no part in it.

The experience became the catalyst for starting the Nason Group, which would be founded on the “POWER OF YES!” in innovation.

In September of 2015, I blogged about the “Power of Yes!” for the first time. Fed up with organizational negativity, I wrote, *“Each day I try to live the POWER OF YES — the power to give people the freedom to explore, test, and win; the power to let my children be all they want to be; the power to allow innovators the freedom to create what has never been created before; and most importantly, the power to say YES to life.”* I still deeply believe in this statement, and in this current age we find ourselves in, it’s never been truer.

As we lived into the “Power of Yes!” in innovation, we developed a challenge for ourselves and our partners:

Y — Yes, I can. Yes, you can. Yes, we can. Yes, Yes, Yes! In all circumstances, opportunities, and challenges, I will do my best to start with yes, which means distancing myself from the word “no.”

E — I will equip and empower everyone around me to reach for their dreams, especially the ones that they may feel are unattainable.

S — I will focus on success. There is a measure of success within each and every opportunity. Even if I fail, I learn and I move forward.

What WE Learned and What YOU Can Learn

The Nason Group has learned more than we expected from living the “Power of Yes!” It has influenced who we are today, how we work, and how we communicate. Most importantly, it affects our understanding of innovation and the partners with whom we work. We recently looked at who we wanted to be through the lens of the “Power of Yes!”, which enabled us to claim what we believe and why we do what we do.

Here are our seven “we believe” statements:

We Believe:

- ▶ The best thought solutions don’t always have to be complicated.
- ▶ Using “know me, surprise me, and make it easy” will reconstruct the customer experience.
- ▶ Disruption is healthy and necessary for growth and leads to new ideas that change the world—your world.
- ▶ Ideas that are radical enough to change lives require a space for teams to create, develop, test, and implement.
- ▶ Engaging consumers’ stories and voices are mission critical when exploring new ideas and the ONLY way to do business well.
- ▶ Figuring out the right questions to ask takes time and energy.
- ▶ With the “Power of Yes!” anything is possible.

What are you currently saying “no” to that needs to change to “yes”? Practice replacing “no” with “yes” and let the impossible come to life!

What We Do and What You Can Do

At the Nason Group, the Power-of-Yes! mindset is our culture. It is how we lead, how we interact with our partners, and how we hold each other accountable. This year, I had the honor to take many of these thoughts and write a book called, “The Power of Yes! In Innovation!” In the book, I share my journey as an innovator and disruptor from the eyes of an executive and a person, what it is like to live out the “Power of Yes!”

My ask of you today is to give it a try! Get out of your own way and focus on YES in the innovation space. When a “no” mindset creeps into your work, press the pause button so you can flip the no to a yes. And, in case you’re in the midst of wanting to give up on an innovation challenge, don’t do it! Find your Power-of-Yes moment and go kick some a**!

Rather than an article about a quick solution to innovation, I decided to write something from my heart that will hopefully challenge and inspire you to a new way of thinking. Getting to a YES mindset came from a lot of hard work, struggle, and pain. Our team has seen the good, the bad, and the ugly of innovation. Perhaps you’ve seen it, too. Instead of living in the negative, which sucks the life out of innovation, let’s come together to focus on the POWER OF YES! together.

If you are interested in getting a copy of the book, *The Power of Yes! In Innovation!*, go to powerofyes.co and enter code “InnovLead” for your discount.



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Down with Bathtime!

WHY BISSELL TURNED TO CROWDFUNDING FOR A NEW
DOG GROOMING PRODUCT BY PAMELA BUMP



HEN CHUCK MARTIN

first pitched BarkBath, the concept faced almost universal skepticism.

Martin is General Manager of Global New Business Ventures at Bissell Homecare, the 142-year-old cleaning appliance company based in Grand Rapids, Mich. And he was convinced that there was an opportunity to expand from vacuuming and upholstery cleaning gear into pet care and grooming.

“We’re good at cleaning spots and stains,” Martin says. “We love kids and animals, because they both make messes. Because we have such a strong equity around pet, consumers believe that we’re a pet company.”

And his team’s research showed that the pet industry offered growth opportunities. “It’s gone from \$17 billion to \$73 billion in the last 17 years. In the next five years, it’s [projected to] go up to \$93 billion as an industry,” says Martin.

But to get past the doubters and unleash the company’s first petcare product, Martin and team relied on three non-traditional things: a yellow lab named Maggie, the online crowdfunding platform Indiegogo, and one persuasive penguin.

BISSELL’S HISTORY

Bissell was founded in 1876 by husband and wife, Melville and Anna Bissell. It was born after Melville patented an early carpet cleaner to help Anna in cleaning sawdust off the floor of her crockery store. When Melville died, Anna took over, becoming the first female CEO in the United States.

While the company has targeted pet owners as a major customer market—and has

even created a foundation that assists animal shelters—it had never developed a product specifically made to clean an animal.

The BarkBath, a portable grooming device, uses existing Bissell technology to wash dogs “from the skin up,” as Martin puts it. As users brush the animal with a specially-designed nozzle, it emits (and then sucks up) a stream of water and shampoo.

Martin admits that its initial idea saw “100-percent rejection” from the company. “They really didn’t understand it,” he says.

GROWING BEYOND THE CORE

Years before the BarkBath, Martin’s team was initially formed by CEO Mark Bissell. Bissell, the third generation of the family to run the company, felt that “our core business is only going to get so big,” Martin explains. “Domestically, the only way to grow is if we find new profit centers, new ideas, and new businesses. That’s why he created the Business Ventures group.”

When Martin joined the company eight years ago from Whirlpool Corp., he took the Business Ventures group from a back warehouse at Bissell’s headquarters to a more startup-like loft space, five miles off-site. With a team of about 16, Business Ventures would go on to launch seven businesses—including BarkBath—from this location.

“[The original warehouse] wasn’t very creative, enticing to recruit people into, or thought-provoking,” Martin says. “If we really wanted to do things differently, we didn’t want to be held down by anything negative that could happen in the core business...”

The group first moved off-site in the wake of the 2008-2009 recession. “Our business took a hit,” Martin says. “But we were still able to be far enough away from the negativity that we could continue to invest in new ideas.” Martin adds, “We’ve learned a lot about testing and launching with new avenues—and also about continuing to build awareness in new and different ways.”

Unlike some new ventures groups that conceive and test new ideas, before handing them off to a different business unit, the team Martin oversees takes products all the way into the market. “We take it from the fuzzy front end, prove out the concept, build partnerships, manufacture, build the launch plan, put it in market, and then continue to grow it,” he says.

Prior to BarkBath, the team had successfully launched the Big Green Deep Carpet Cleaning Machine. Available as a rental, the machine required far less water to clean a rug





than its competitor, the Rug Doctor.

After launching Big Green and other businesses related to the company's core experience set, the Business Ventures team decided to explore petcare. Martin saw the industry as not just a growth opportunity, but recession-proof, because animals are seen by consumers as "a member of the family." He also saw that pet care was an industry with "lots of entrepreneurs, new ideas and products... There must be a lot of pent-up need for new innovation in this area."

One of these entrepreneurs was Dave Hachey, who had developed a commercial-sized system for washing dogs and horses.

"He'd been talking to [Bissell] for eight

"If we really wanted to do things differently, we didn't want to be held down by anything negative that could happen in the core business..."

**CHUCK MARTIN (ABOVE WITH MAGGIE),
GM NEW BUSINESS VENTURES AT BISSELL**



Bissell's Business Venture's office is a dog-friendly environment. When developing the BarkBath grooming device, which now sells for \$149 on Amazon, Chuck Martin's yellow lab, Maggie, played a key role in demonstrating the product.

years about this idea that he came up with about washing your animal from skin up, and not fur down," Martin explained. "He had a Newfoundland that had a bad odor. He was using one of our carpet and upholstery tools on some stains. Then, he tried using it on his dog."

After seeing how the dirt was pulled away from the Newfoundland's hair with the upholstery cleaner's soft suction, Hachey built his own nozzle, which used basketball inflator needles to aim water and shampoo at the skin.

"I sat down with him and had an 'a-ha!' moment," Martin says. "What if we could shrink [Hachey's system] and take it to all the homes?"

DRAFTING MAGGIE TO HELP

"This was our seventh business, but the business farthest from the upholstery cleaning core," Martin explains.

To persuade his colleagues at Bissell about the merits of the idea, Martin's team put a great deal of work into researching the pet care industry and the functional requirements for a pet grooming product.

Martin says, "My only objective was, not just to get [Bissell's board] to understand the idea, but just not to let them say no, and allow me to do more research."

"All I wanted to do was research the idea," he adds.

To answer questions like, “How much water is needed to wash a dog?” the team gave traditional baths to Martin’s 80-pound yellow lab, Maggie. They found that it took 19 gallons of water to bathe her in a regular bath, but only 48 ounces with the BarkBath prototype.

They next entered the market research phase with a quick SurveyMonkey online survey, and local in-person focus groups. The SurveyMonkey data “was promising, but we knew there were some gaps, and we wanted to talk to consumers.”

In local focus groups, Martin realized that showing participants the BarkBath concept on paper was not the right way to communicate its advantages.

When participants said, “I don’t know if it’s right for me, but it’s interesting,” Martin realized they “weren’t getting it.” Martin again turned to Maggie for help. He brought the dog in for a “show-and-tell” demonstration of the prototype

“It was the turning point in the whole project. ... When I brought my own dog in, put a towel down and used it, everybody stood up and said ‘Oh my god. I have to have this,’” Martin recalls.

“That was when we went to a video concept. We took our cell phones and cobbled together a few things. We made a video montage. We did that on our own and put it into research. It scored off the charts,” he says. “When they see it, they believe it.”

After spending roughly \$4,000 to run the SurveyMonkey survey and the local focus groups, “we went to our final round of quantitative research with a big agency out of Portland,” R2C Group. That research focused on price sensitivity.

The vice president of R2C told Martin that “he hadn’t seen a concept score so high in his 25 years at the company,” Martin says.

The product received the green-light for manufacturing in August 2016, with a launch planned for January 2017.

Although the product derived from a pre-existing Bissell upholstery cleaner, it still needed a few minor tweaks. The BarkBath’s specialized nozzle tool was designed by Tekna, a Kalamazoo-based product development company. An internal design team at Bissell created the exterior visual look of the machine.

HELP FROM THE CROWD

Still working with a skimpy budget, Martin’s team decided to turn to a crowdfunding site, Indiegogo, to build buzz and pile up some

pre-orders for the product.

Indiegogo allows customers to “back” the products they like—effectively pre-ordering them, often at a discounted rate or with perks included. Since the products and projects on the site are often being hatched by individual creators, users of the site are accustomed to waiting six months, a year, or longer before actually receiving the item they’ve backed. And from Martin’s perspective, because the platform would only take 5 percent of the gross purchase price as its fee, Bissell got the advantage of exposing customers to the product without a media budget totaling millions of dollars; the company would only pay when the product was pre-ordered.

“We didn’t have a big launch budget or time,” Martin says. “Indiegogo allowed me to launch three months before having product. We could build up all the PR and buzz, or see if consumers would communicate... So, I could make modifications before launching on the website and everywhere else.”

Martin pitched this option, as well as another more expensive Indiegogo partnership, which would add analytics, PR capabilities, and video production assistance. Bissell approved just the standard pay-for-performance launch in January 2017.

With no training or guidance, the team would go on to create a website, a marketing strategy, and videos organically.

A PENGUIN TAKES A DIVE

With the Indiegogo launch set for March 1, 2017, Martin still couldn’t shake the skepticism.

“Even when we said we were going to launch—and how we were going to launch—on Indiegogo, we still had skeptics within our whole management structure, within my peer group, and within my whole company that didn’t believe the idea was going to work,” Martin explained.

One of those skeptics was within Martin’s New Business Ventures department, but not on the BarkBath team.

“Why would I give my dog a bath that way?” was the question on the mind of Dan Heidenga, General Manager Commercial Products at Bissell Business Ventures.

At first, he said he believed that bathing a pet was just a “standard” household chore. “We put the dog into the bath or the shower and just take the hose and clean him off,” Heidenga says.

Heidenga, a Bissell veteran of more than 30 years, continued, “At face-value, I kind of



thought that it was a tough product. I thought the dogs would be scared of it with the noise level and asked, 'Are you going to be able to get a dog to sit that long?' I kind of put myself in the consumer's shoes."

While Heidenga was skeptical about the BarkBath concept, he was intrigued by the idea of using a crowdfunding site to launch it. "It was something totally different, and I was really excited about that opportunity and seeing what we could learn from that aspect of it," he says. "A lot of the innovation of this project, in my mind, came from the launch plan and doing it differently than we'd ever done it before." The traditional launch plan within Bissell involves spending on television ads, and contributing to the cost of print ads run by retailers.

Throughout the process of developing BarkBath, Martin kept his key success strategy in mind.

"In any organization," he says, "I tell people you need three things for success... One is time, because I have to find the idea, understand how to market the idea, and then put everything together. Two, I need funding that is going to be stable. If the organization gets into hard times, that funding is still going to be available so we can continue."

The third thing, Martin explains, is "what I call a penguin."

"I need one senior leader that is willing to jump off the cliff first, so that everybody else follows," he says. In the case of BarkBath, Martin's "penguin" was Bissell's Senior Vice President of Sales, Mike Best.

"He's been here 30 years," Martin says. "He's not my boss and he's not one of our directors. But I chose him as my penguin because he continues to have a lot of passion and always saw the vision. He's far enough removed from our business that he's able to look at things with a different perspective. I think people appreciate that."

While it wasn't Best who greenlit the launch, he provided supporting evidence to the executives who did. Best "had side conversations with board members," Martin says. "He was the one that would tell people that [our] trade customers loved it."

In February 2017, the team finalized the BarkBath and Indiegogo pages in preparation for the March launch. "We looked at about 15 different Kickstarter videos and ten Indiegogo videos, and started dissecting them to [understand] what makes a good video," Martin says.

Maggie the yellow lab, who would also appear on the BarkBath packaging, wound up starring with her owner in the team's Indiegogo video.

LAUNCH DAY ARRIVES

Within the first 12 hours of the Indiegogo launch on March 1st, 30 percent of the product's pre-order goal was reached.

By April, the BarkBath was being sold on Amazon, Indiegogo, and Bissell's own site.

Amazon reps told Martin that the BarkBath saw more pre-orders in the first 45 days of launch than any other product, excluding home electronics.

"We sold out of product and had to air-freight products in from China to be able to take care of just pre-orders that we had in the first 45 days before we even had live sales on Amazon," Martin says. "BarkBath beat all of our expectations on every success criteria that we had."

I had people walk up to me and say they were surprised, and had thought I would get fired. They said, 'I'm so happy it worked out for you.'"

Along with record-breaking pre-orders on Amazon, BarkBath has been featured on TV and online media, including on the Today Show and Mashable.com.

"Obviously, [Indiegogo] worked. When the sales went really well, it was kind of hard to argue with the successful result," said Heidenga, a former skeptic of the product.

He adds that he and his wife later bought the product for bathing their own dogs following its launch.

THE POSITIVE SIDE OF NEGATIVE REVIEWS

Both positive and negative customer feedback accompanied the BarkBath launch.

"We built a tribe of people who were really excited about the product," Martin says, "But we didn't forecast correctly. We only had a set number of units that came in..." And the company started fulfilling the Amazon orders first, before Indiegogo.

"We wanted to attend to our Indiegogo backers," who'd been the earliest supporters of the product, "but we got those shipments later," Martin explains. "A lot of [our Indiegogo] backers posted comments saying they could get it in two days from Amazon, but it was going to take another two weeks" for their orders to arrive.

Although Indiegogo backers paid a discounted price of \$89, while the BarkBath sold on Amazon for about \$149, the Bissell team admitted to "messing up" and still gave the backers free BarkBath accessories to "make it right," according to Martin. "We



“My only objective was, not just to get [Bissell’s board] to understand the idea, but just not to let them say no, and allow me to do more research. All I wanted to do was research the idea.”

CHUCK MARTIN

really valued the fact that they bought first,” he says.

Martin’s team was also preparing for another customer complaint, which ultimately did temporarily lower its Amazon ratings.

“We knew that this product was going to be very polarizing,” he says. “It has a sound like the sound of a vacuum. We know that there’s a certain percentage of dogs that don’t like the sound of a vacuum at all.”

On both Amazon and the Bissell site, a disclaimer was published at launch saying that this product might not be suitable for dogs that are scared of vacuums or the sound of a hair dryer. The company also included hoses which would allow the BarkBath unit to be placed further away from the dog during use.

Despite the warnings and preparation, the BarkBath began to slip down to a 3.1-star rating on Amazon, according to Martin. “People loved or hated it,” he says.

What Martin learned from this experience was that people were not reading the product description on Amazon carefully before they bought. But once there were negative reviews on the site, prospective purchasers saw those.

Eventually, people whose dogs were scared of vacuum sounds stopped buying the product. That cleared the way for more positive reviews; after collecting roughly 260 reviews, the BarkBath’s star rating has climbed back up to 3.5.

LOOKING TO THE FUTURE

Within three months of its initial launch, Martin’s team was already in the process of rolling out a 2.0 version of the BarkBath product.

“When you get those early successes, it makes you want to go even faster and accelerate,” he adds. Martin’s team has taken the sound issues into account with the development of a “BarkBath Quiet Time.” Launching in April 2018, the product will operate at a lower decible level. They’re also developing line extensions and more BarkBath accessories.

To amp up BarkBath’s marketing post-launch, the team again turned to a crowd-sourcing site called Zooppa, instead of a



This dog statue stands outside of Bissell’s headquarters in Grand Rapids, Mich. The company has long created cleaning solutions for pet owners, but BarkBath is the company’s first solution specifically made for cleaning animals.

pricier creative agency, for user-generated video content. Martin said that Bissell worked with Zooppa for a total cost in the range of \$5,000. Martin sent Zooppa a brief explaining what he was looking for, and received video submissions from more than 50 creators on the site. Zooppa allowed him to license five videos for use on social media, with the opportunity to purchase more.

In total, Martin says Bissell has bought licenses for 14 videos, noting that the team would have gotten just one video for the same price using an outside marketing firm.

Martin says that the BarkBath experience has helped show the company that new digital platforms can be leveraged for a very different, more capital-efficient product launch.

Heidenga says that “ultimately, the goal is to take our learnings...[and] try to make processes faster and then apply it back to the core. Do I think we’ll do some of those [BarkBath processes] with other projects? Definitely, we will.”

Martin says, “With that kind of a ‘yes we can’ mentality, we’re really looking at other areas and getting a lot more support for the core organization. We’re going to continue to push ourselves.” ●



Johns Hopkins Technology Ventures' FastForward program brings together resources—including work space—to help healthcare startups move from prototype to market.



Startups, Stat!

HOW JOHNS HOPKINS IS TURNING DOCTORS INTO
ENTREPRENEURS BY KELSEY ALPAIO

You

see a flashing light or hear a soft hum. ■ Suddenly, you're filled with joy, anger, or fear. ■ You're light-headed and confused. ■ Those are just a few of the "aura" symptoms that people with epilepsy can experience before having a seizure. Auras can help individuals by giving them time to find a safe place, contact a loved one, or—in the case of EpiWatch—log an oncoming seizure on their Apple Watch. ■ EpiWatch, a research project that helps track seizures, possible triggers, medications, and side effects using an Apple Watch app, is just one of the digital healthcare concepts that the Technology Innovation Center at Johns Hopkins helped develop in 2016. ■ The TIC is a design and software engineering team within the IT organization at Johns Hopkins Medicine, the Baltimore-based, \$8 billion healthcare system. Johns Hopkins Medicine combines the expertise of the students, physicians, and scientists at Johns Hopkins University with the professionals and facilities of Johns Hopkins Hospital, which dates back to 1889, and is regularly ranked as one of the world's best. Within Johns Hopkins Medicine, the Technology Innovation Center serves as a hub for budding innovators, helping them build, deploy, and test clinical solutions for JHM. ■ The TIC's goal is connectedness—the team of around 27 is located just a block away from the main hospital. And just a few floors below the TIC is Johns Hopkins Technology Venture's FastForward startup incubator. ■ "I always found that there were too many degrees of separation between the people that create solutions and the people who then have to use them," says [Paul Nagy, TIC's deputy director](#). "The role of an innovation center is trying to reduce all those degrees of separation, so that we can have a quick way of evaluating a new technology and then really seeing if it actually improves clinical value... The people who are building the solutions are sitting right next to the physicians who are trying to deliver care to their patients."





“I always found that there were too many degrees of separation between the people that create solutions and the people who then have to use them.”

PAUL NAGY, DEPUTY DIRECTOR, JOHNS HOPKINS MEDICINE TECHNOLOGY INNOVATION CENTER

FastForward, a startup incubator located on the Johns Hopkins campus, offers shared and private lab space in one their Baltimore-based “innovation hubs.”

GIVING PHYSICIAN-FOUNDERS A ‘DECENT CHANCE OF SUCCESS’

Nagy earned his PhD in Diagnostic Medical Physics from the Medical College of Wisconsin, working alongside medical students in radiology and oncology.

“I was trained to be a partner with physicians to help them use technology,” says Nagy. “I grew up trying to understand how they can use technology to improve patient care... I found that the ingredients for change are a combination of getting clinical leaders trained in leadership, and then pulling in technology and partnering with technology [experts] to evaluate it.”

These were the principles that guided Nagy as he helped to build the innovation center in 2014, along with Executive Director Dwight Raum. His goal was to create a func-

tion that would give physicians the opportunity to grow as leaders, work with engineering teams to find solutions, and ultimately test solutions in a clinical setting.

“I train physicians in systems thinking, design thinking, and how to be part of a team, so that I can give them an engineering team, and [they’ve] got a decent chance of success at developing a solution that can actually improve patient care,” says Nagy. “[The innovation center] is an extension of the IT organization. Most hospitals have very large IT organizations. I think they’re seen as infrastructure support, whether it’s desktop or networking or clinical information systems like the [electronic medical record.] We wanted to be an actual engineering arm alongside our IT group, to build new solutions. We often find that commercially, we only can get a certain percentage of the way to the solutions we’re looking for clinically. We built a team that can actually help us build custom solutions once we’ve already explored commercial opportunities, and we’ve explored the market, and we need to build things that we couldn’t find,” says Nagy.

Nagy says it took a couple of years for the center to get formally organized; his team was scattered across three different locations until mid-2017. But that doesn’t mean they weren’t delivering impact for the hospital and its

Innovation
Leader



patients. In 2016, the software developed by the TIC was used by Johns Hopkins providers to improve patient care in more than 2,598,401 different situations.

FINDING THE RIGHT IDEAS TO DEVELOP

Solutions designed in the TIC typically address problems brought to the center by Johns Hopkins clinicians. That happens in two ways.

The first way is fairly traditional. A clinician with a problem submits their proposal to the TIC, similar to how they might interact with an IT group or an outside software development company. But the TIC has a leg up on those alternatives. The innovation center keeps project costs low by offering a subsidized rate for the work it does for colleagues within Johns Hopkins Medicine, and their familiarity with the institution aids in the implementation of the solution once it's ready.

The second method is a bit more involved: a clinician with a problem or idea submits an application to "Hexcite," a four-month pre-accelerator program run by TIC. Through workshops, leadership training, and team building, Hexcite's goal is to provide clinicians with the resources they need to not only create a solution to their clinical problem, but potentially create a startup that will take it to market.

"We are clinician-led," says Nagy. "One of the key tenets here is that we're pulling solutions into the clinical space, not trying to push technology. It's not technology looking for a problem. We start with a physician with a problem...and try to see how technology can help them."

Applicants to Hexcite pitch their ideas during a "Shark Tank"-style event, and the ideas with the most merit, potential impact, and feasibility are accepted into the program. Five clinical leaders participate in Hexcite each year. Once accepted, these clinicians must commit 20 percent of their time to the program, and pay a tuition of \$5,000, which is often covered by their department.

Successful startups share a few key factors, Nagy says. "One of them is the idea. One of them is the team. The other is the timing of the idea. We put a lot of energy into the team," he says. In helping to build Hexcite teams, Nagy explains that the TIC also recruits business school, engineering, biomedical, computer science, and design students from the university to help the clinicians create their solutions and companies. "We focus on team performance, strengths, and integration... The

physician is not going to become the CEO of the company. We want them to keep practicing medicine, but we want to build them a team and a company around their idea that could take their idea to the marketplace."

Through Hexcite, clinicians are trained in "evidence-based entrepreneurship," an approach developed by the author and professor Steve Blank. Teams conduct more than 40 customer interviews during their time in the program, and the clinicians are developed as "leaders" ready to implement their solution when the 16-week program is over.

"We don't believe there are any technical solutions," says Nagy. "We believe they're all social-technical solutions, which means that that requires adaptive leadership. Whenever we deploy a tool, generally that tool requires people to change their roles, or change their behaviors, or it requires a change in the clinical workflow, which can be very difficult... We also spend time training the clinical providers not just in how to build an engineering team, but in design and systems thinking and in how to have the adaptive leadership skills to be able to help influence their peers, and looking at this from a systems perspective... Part of this is really the physician leaders themselves working with their clinical and organizational leads as they deploy a solution to make sure that it has got good ownership within the clinical staff."

But before TIC or Hexcite-made solutions can be implemented by the Johns Hopkins system, the question of funding must be answered. Funding for projects at the TIC tends to come from three places: operations, the capital budget, and external grants.

"We're trying to partner with physicians," says Nagy. "We want to train them in leadership and entrepreneurship. If you can't get a \$100,000 grant from the state, the odds are good that you're probably not going to be very successful with venture capital. There's a way of beginning to learn how to pitch and learn how to raise funds [that are] part of the steps you need to do in company formation."

FASTFORWARD

Nagy says the best next step for individuals who've been through Hexcite is to use FastForward, a collection of resources created by Johns Hopkins Technology Ventures to help companies move from prototype to marketplace. (The Technology Ventures group is the licensing and commercialization arm of Johns Hopkins University.) One of FastForward's "Innovation Hubs" is just an elevator

Pitch Day at Hexcite

Just outside the glass doors, doctors hustled by, the tails of their white lab coats fanning out. Nurses in colorful scrubs clung to their clipboards, making beelines from one patient room to the next. But inside the Chevy Chase Auditorium at Johns Hopkins Hospital, there's a different sort of charge. Nervous energy was in the air on December 8, as the five teams from The Technology Innovation Center's 2017 Hexcite program prepared to give their final pitches. Each team delivered a 10-minute pitch to a panel of judges, including David Greenwald, Director of Business Development and Corporate Partnerships at Johns Hopkins Technology Ventures; Brett Jackson, Head of Strategy for Radiology at Philips; and Elizabeth Harber, Senior Program Officer at Abell Foundation, a Baltimore nonprofit focused on healthcare and community development. Here's a look at the five companies that presented:

► **DaiWare** DaiWare is a mobile health application with the goal of helping physicians "forecast" a patient's health based on diet, exercise, circadian rhythms, and biometric information. The team is currently beta testing DaiWare, and creating a physician portal for the application, called "CompassRX." Targeted at hypertension patients, the application will collect patient-generated data and present it to the physician via an online portal.

► **Welby** Welby is an educational tool for patients, aimed at solving the problem of interpreting health information they may not understand. The tool includes a "decision support portal," electronic medical record data, patient stories, checklists, and more. This data is also laid out along a timeline, to help patients understand their path from diagnosis to recovery.

► **Project Commune** Project Commune aids in communication between physicians by creating a "snapshot" of patient information based on the electronic medical record. This solution targets coordination around "episodes of care," or all of the services provided to a patient in a single visit. The platform brings this data together in real-time, providing all involved physicians with useful insights.

► **Theramate** Theramate is a mobile health application design to monitor the mood, medication adherence, and treatment delivery for patients with both addiction and a mood disorder. This app aims to tackle the problem of disengaged patients who are at high risk for relapse and hospital admissions.

► **Bartleby** Bartleby is an analytical tool used to improve clinical documentation, especially in regards to giving the correct "code assignments" for care provided to patients. Code assignments are used to identify diseases and care provided, which impacts reimbursement and supports physician decision-making. The tool uses machine learning to accurately document care, ensuring patient safety and cost-effective care.

ride away from the TIC, and a second is across the street. These spaces, which have a bustling, high-energy vibe, serve as coworking space and lab space for companies participating in FastForward.

FastForward also hosts educational programming and workshops, such as an "Entrepreneurship Bootcamp" and "Startup Creation Series." Megan Wahler, FastForward Program Manager, says FastForward startups can also access mentorship offerings, legal and accounting services, and assistance with investors.

Wahler says the relationship between TIC and FastForward has existed ever since the former got started.

"We have had startups come through [FastForward] that have been developed from ideas that went to the TIC," says Wahler. "We've had some of our teams referred back to the TIC to do some development. [Our partnership] really came to fruition when we opened our second space and the TIC was temporarily displaced... They rented space [from us], and all of a sudden we became very close with a lot of people on the team, learning about what they did, and they learned what some of our startups were doing. It created this symbiotic, collaborative relationship."

One startup that has used the resources of both TIC and FastForward was EDuMD, which created a web-based training platform called MileMarker. Wahler says the MileMarker project went through a development process with the TIC, which led to the formation of EDuMD as a company. After completing their time with TIC, FastForward helped EDuMD receive funding via the Maryland Innovation Initiative, and helped the company find their CEO.

EDuMD also participated in the first cohort of FastForward's M1 Accelerator, a 16-week program for connected health and fitness companies. Hosted in one of FastForward's hubs, M1 companies receive \$25,000 in equity funding and support from Plank Industries, the University of Maryland, Brown Advisory, and the Abell Foundation.

"Johns Hopkins is a huge institution, and when Johns Hopkins Tech Ventures was reorganized three years ago, it used to be just a tech transfer office," says Wahler. "We're now focused more on commercialization and creating viable ventures. We made it one of our goals to work collaboratively with all departments and all of the different institutions within Johns Hopkins. We are sort of in the middle, and we're constantly working to find how we can help our many constituents and clients across each department, school, and institution. Part of our mission is also to promote the economic development of Baltimore and Maryland, so we





Participants in the 16-week Hexcite pre-accelerator take part in a design thinking exercise.

realized that if we're working with each of the departments in our institutions, we also need to be working more collaboratively across the city and the state."

COMMUNICATION AND INTEGRATION

With resources like the TIC and FastForward, physicians at JHM have a multitude of ways to cultivate solutions to problems they encounter in the clinical setting.

Nagy says that one rich problem set surrounds communication and collaboration.

"The ability for healthcare providers to collaborate with each other is a real challenge," Nagy explains. "Right now, the electronic medical record [involves] big documentation systems, and so they're not like Slack or instant messaging... If you're inside the hospital, there's many different care providers. There's lots of different hand-offs. There's a really strong need for collaboration."

He continues, "We don't typically use Skype inside healthcare. There's an enormous value for that, but that requires a lot of clinical workflow [changes]."

Nagy adds another major theme he's seeing in healthcare is patient engagement. He says physicians are often frustrated with the minimal interactions they have with their

patients. There's a push for extending the relationship between office visits with wearable technology, telemedicine, or digital advising. This challenge is especially prevalent for patients with chronic illness.

But Nagy cites adoption of digital health solutions by both physicians and patients as one of the major challenges the TIC still needs to work on.

"You shouldn't even start a project in digital health unless you have a strategy for clinical integration," says Nagy. "If you're not going to be integrated into the electronic medical record, no matter how good your tool is, there's no way physicians are going to be able to use it, because they're just way too busy. The same thing should be thought of for patients as well. Right now, patient portals are their doorway into the medical records... We've actually built tools right off of our patient portal, and built apps that can integrate with it, so patients don't have to use a new password or have a separate account or have to manually enter in fields about what medications they're taking... People don't appreciate the value of integration. They think of a great idea, and they think people are going to jump through all these hoops to do it. People are incredibly busy, whether they're patients or providers."

That grounding in reality is essential, Nagy says, to getting innovation in healthcare to take hold. ●

How Do You Get Your Company **Unstuck?**

CLEVELAND WAS BUILT ON THE southern shore of Lake Erie. You can see the water from many points around the region. Getting to it, however, can be surprisingly tricky. In the late 19th and 20th centuries, when Cleveland was growing, industry and highways took precedence; lake access for people was at best an afterthought. As a result, Cleveland is left with a curious challenge. Much of the industry is gone, but the city can't easily capitalize in other ways on its proximity to one of the largest freshwater bodies in the world. It's right there, but many obstacles stand in the way.

Innovation can be like that. For every company we talk to that has no ideas whatsoever, we hear from two or more with ideas, plans, and goals — but, they can't seem to get started, or they got started and the project stalled. Or, they've maintained momentum but have belatedly realized that they skipped some important steps and will soon come to a halt if they can't adapt on the fly. The idea often proves to be the easiest part. Getting that idea to market is the challenge.

Nottingham Spirk worked with a client that was virtually choking on ideas. They'd identified six categories for products, but were at a loss as to how to narrow the list to a more manageable number. Their team and ours spent two full days deeply immersed in every scrap of data they'd collected, and identifying everything they had not considered, using human-centered and exploratory design processes. The work was arduous but energizing, and at the end the choices were almost shockingly clear.

By Sandy Croucher

MARKETING LEAD
NOTTINGHAM SPIRK



This company was able to see its dilemma and, even more importantly, seek new perspectives. That's not always the case. Here are some of the common and surmountable impediments to innovation that we frequently see and help our client partners overcome.

Too Many Ideas

The client described above is staffed with smart, dedicated people with an enviable record of bringing products to market. But they were so deeply immersed in their work that they lacked the capacity to truly step outside it. Our work with them focused on that. In the workshop, the participants shelved their expertise and stepped back, then stepped back again, questioning every assumption. We challenged every belief about the spaces in which they did or did not see potential, as well as their own processes for shepherding ideas.

They needed outsiders who would first spend the time to understand their market and their place in it, and then ask "why" with the persistence of a curious child. Some of the answers to their questions required research with fresh eyes, but others just needed to be excavated from beneath layers of knowledge and habit.

Too Many Siloes

The podcast "You Are Not So Smart" recently interviewed science historian James Burke, who posited: "Innovation took place in the spaces between disciplines, when people outside of intellectual and professional silos, unrestrained by categorical and linear views, synthesized the work of people still trapped in those institutions, who, because of those institutions, had no idea what each other was up to." Burke was referring to history, but the lesson applies to organizations that assign people roles in departments separated by literal or figurative walls.

We understand that corporate structures can improve efficiency and facilitate communication. But not all walls are load-bearing, and you need to be open to tearing some down from time to time, to open up new spaces. Nottingham Spirk's Vertical Innovation™ process helps push through these figurative walls and get all stakeholders moving in the same direction.

Too Many Pivots

Open offices. Design thinking. Stage-gate processes. Any one of these trends, and the many others that have come and gone over the years, could help some organizations improve their capacities to innovate. But none of them will help all organizations.

The most common mistake companies make with these processes is layering them over a structure and culture for which they aren't a

good fit.

If there were shortcuts to fostering a culture in which innovation flourishes, we'd happily share them. Culture isn't what you say, or even what you believe, it's what you do — everything you do, from whom you hire, how you manage them and where they work. Any corporate culture can become more open to collaboration, risk-taking and the other essential elements of innovation. But that shift must start with an honest and thorough assessment of where the organization is, where it wants to be and what that journey will entail.

Too Much Focus on Core, Profits, or ROI

This is, by far, the greatest innovation killer. We believe that, like individuals investing their money, businesses must manage their innovation portfolios, as Bansi Nagji and Geoff Tuff put it in a 2012 piece for the Harvard Business Review

"Firms pursue innovation at three levels of ambition: enhancements to core offerings, pursuit of adjacent opportunities, and ventures into transformational territory," they wrote. "Analysis of innovation investments and returns reveals two striking findings. Firms that outperform their peers tend to allocate their investments in a certain ratio: 70% to safe bets in the core, 20% to less sure things in adjacent spaces, and 10% to high-risk transformational initiatives. As it happens, an inverse ratio applies to returns on innovation."

We see the aversion to risk on the individual level as well. When associates are evaluated and compensated solely or primarily on the performance of an existing product line, they have little incentive to look beyond it. Even bonuses may not shift their focus, at least not for very long. Companies that won't take risks can't expect their employees to.

We've flipped the mindset from ROI as Return on Investment to Return on Innovation™. Considering the impact to your business if you don't innovate can help you understand the importance of investing in it. Over the past 46 years, we've generated over \$50BIL in revenue for our client partners using this model.

There's Always a Way

Cleveland has been finding ways to make better use of its lakefront land. In 2017, the Cleveland Plain Dealer's editorial board suggested offering the city's small lakefront airport to Amazon for its new headquarters, and a "huge, lush park." The pitch to Amazon remains a secret. But we admire the audacity of the idea. There's always a way to reach the water.



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Regarding HENRi

NESTLÉ SHARES ADVICE FROM ITS
GLOBAL HUNT FOR BIG IDEAS BY **SCOTT KIRSNER**

ILLUSTRATIONS BY SIMONE MASSONI



Innovation
Leader





It's

nearly impossible to go a day without consuming something made by Nestlé, the largest food and beverage producer in the world: from Nespresso to Häagen-Dazs to Pellegrino to DiGiorno to Toll House to Purina (if you're a dog or cat.) Twenty-nine of Nestlé's brands have sales that top \$1 billion annually. ■ But the Swiss company has experienced a slowdown in its sales growth, at the same time as it tries to transform itself from a company best known for sweet treats—like KitKat bars—into a business more focused on nutrition and wellness. In 2017, Nestlé paid \$2.3 billion to acquire Atrium Innovations, a Canadian producer of nutritional supplements like Omega-3 fish oil and organic multivitamins. ■ A key part of that pivot—and of making Nestlé more open to great outside ideas—is its HENRi initiative, launched in July 2016. The launch marked the company's 150th year in business, and the initiative was named after Henri Nestlé, a pharmacist who started the company in 1867 after inventing a baby formula. ■ “HENRi is all about taking on projects that matter,” explains Gerardo Mazzeo, Global Innovation Director at Nestlé. “That's the way we want to differentiate HENRi from other open innovation systems that already exist out there. It's about creating a healthier future for consumers and families, and contributing to more of a sustainable future. It links beautifully with the core of what Nestlé is all about.” ■ And HENRi was set up with a clear mechanism for funding an initial pilot test with one of Nestlé's 8,500 brands. ■ Mazzeo, who took on his role in 2012, recently explained how HENRi is structured, and how he spreads the word inside and outside of Nestlé.

Top: Nestlé Global Innovation Director Gerardo Mazzeo at a 2016 networking event in London. Bottom: Mazzeo chats with Rose Lewis, Co-Founder of Collider, an accelerator for marketing startups.



“What we say is that HENri is a bit like a matchmaker, where creativity meets scale,” Mazzeo says. “We’re looking to bring together the ingenuity of startups—their creative spirit, the passion for what they do—with the scale, geographic reach, and breadth that Nestlé can provide, in terms of marketing, R&D, or mentorship.”

A first set of innovation “challenges” launched in 2016 focused on forging collaborations between Nestlé brands and startups working in fields like mobile apps, augmented reality, and data analytics. One example: working with Boston startup Crowdly to help the Nestlé Purina pet food division understand who its most influential social media followers are, and improve word-of-mouth marketing.

More recent challenges posted to the HENri site deal with topics like encouraging kids to exercise; diagnosing micronutrient deficiencies; or helping support a new class of “agripreneurs”—next-generation farmers—around the world.

“We’re very demanding of the quality of the challenge that goes onto HENri,” Mazzeo says. “It really is about purposeful innovation. It has to be linked to our core purpose and values, and how we’re going to enhance the quality of our consumers’ lives. I’m not after short-term tactical projects. Those we can do internally, with our existing networks and agency partners.”



BUILDING ON WHAT YOU HAVE

The HENri platform itself was designed, built, and launched in about five months, Mazzeo says. “The back end already existed—there was already an existing platform internally within digital services and global IT—so we were able to just focus on the front end, design, look and feel, registration, and data collection. That made the launch less costly.” Mazzeo describes the initial project as “a lean startup—it was ‘me, myself, and I’

from Nestlé, along with an agency team of two or three people.”

Mazzeo, who reports to Nestlé’s Global Head of Marketing and Consumer Communication, says he is the only person who works on HENri full-time. But he adds that a handful of others in the company, and at the advertising agency McCann, provide support “when their subject matter expertise is needed.”

ESTABLISHED FUNDING AND BUSINESS NEEDS

For each challenge posted to the HENri site, there is already an internal brand sponsor at Nestlé, and \$50,000 in funding allocated to get a pilot test underway. “The challenge and funding needs to be signed off by a senior executive in [a specific Nestlé] business,” Mazzeo says. And the funding, while small, helps “to lubricate the beginning of that partner-pilot proof of concept phase. It shows true commitment that they’re deadly serious about this particular challenge.”

Mazzeo views one of his roles as an editor or curator of challenges. He says being selective is crucial.

“I’d rather have disappointed internal people than have the dilution of having lots of challenges on the HENri website,” he says. “Fewer challenges of higher quality is better.”

Sourcing those challenges requires lots of internal legwork. “Getting the traction, getting the awareness, getting the amplification—we’ve learned to do that in a much more creative way since we started,” Mazzeo says. “Any initiative that comes out of the global headquarters is always going to be met with some resistance.” But getting a first wave of “good quality challenges,” he says, really helped to “wake people up to the idea that, if we engage with HENri, they can really have impact.”


And participating in many business unit committee meetings, he adds, is part of what it takes to build support for something new in a large organization. “I’ve had to spend a lot of time internally with our different strategic business units, presenting HENri—what we’re doing, how they can get involved.”

But Mazzeo says he emphasizes that his team will handle much of the heavy lifting of running a challenge. He explained that business unit leaders will only help define the challenge itself, along with the selection criteria, or “filter” that will help to weed out irrelevant startups. Once five startups have been chosen, the business unit leader will listen to pitches from five different compa-

“Any initiative that comes out of the global headquarters is always going to be met with some resistance.”

GERARDO MAZZEO, GLOBAL INNOVATION DIRECTOR



A photograph of a Nestlé factory in Brazil, showing a production line for Dolce Gusto coffee pods. The pods are arranged in a row on a conveyor belt, moving towards the background. The background is filled with industrial equipment, including pipes, valves, and structural beams. The lighting is bright, with several colored lights (red, green, yellow) visible in the distance. The overall scene depicts a modern, automated manufacturing process.

A Nestlé
factory in Brazil
produces
Dolce Gusto
coffee pods.

Examples of Projects Posted to the HENri Website

Every project on Nestlé's HENri website has already received funding approval of \$50,000 to pilot test a proof of concept with customers.

SUSTAINABLE POUCHES

"Many young parents cook and puree at home to make sure their baby is eating healthily. But this isn't always convenient, especially when they're out and about. That's when soft food pouches offer the perfect solution: nutritious food in a convenient and portable package.

Soft food pouches are lighter and more space-efficient than glass jars, which makes them more environmentally friendly when we take transportation economies into account. But the material required to keep the food fresh and safe is non-recyclable and non-biodegradable, so we want to go one step further and find a way to make pouches even more sustainable. Our ambition is to make them the best option not only for convenience, but also for the environment.

We want to work together to create a solution that leads to even greater sustainability gains in the baby food market, to help parents reduce their environmental impact.

The solution could be anything from a biodegradable material to a way to further improve efficiency in the supply chain, or even an enabler of behavioural change. But it should offer a tangible sustainability gain, without compromising the nutritional quality or freshness of the food."

THE FUTURE OF BOTTLED WATER

"The PET plastic that we use for the majority of our packaging today is the best solution, but it's not without challenges. Conventional plastic is not seen as a credible biodegradable material, as it requires fossil fuels and recycling rates are still far from being what they need to be. Meanwhile, carton-based packaging is not a viable alternative as consumers want to be able to see the water through the packaging. But there are innovations in packaging and delivery systems that we might not yet have considered or tested.

That's why we want to work with the right partner to scout for new, complementary alternatives and to find new, additional ways to make tasty, quality drinking water available to our consumers. We'll source and test solutions that companies of all sizes (from start-ups to established groups) might have already in the market or plan to launch—for mineral water, spring water and purified water. The chosen solution will need to be see-through, allow for branding, protect water quality and not require any municipal works (such as hundreds of kilometers of new pipework). It also needs to be credible in the eyes of eco-conscious consumers if we're going to make a genuine difference to how we access water.

This is a long-term challenge. The sooner it is met the better. Once we have selected the most promising solutions, we'll pilot them and afterwards look to roll them out to the wider Nestlé Waters organization."

nies—either in person or via Skype. Following the pitch session, "the business owner will select a startup that they best feel meets their challenge," Mazzeo says.



SIMPLIFY EVERYTHING

To make it more appealing for startups to work on projects with Nestlé—and limit frustration on both sides of the equation—Mazzeo says it's important to reduce the number of steps and the pages of paperwork required to run a pilot test.

Mazzeo has representatives of legal, procurement, and finance who work closely with his team, and, he explains, "We have significantly reduced our NDA [non-disclosure agreement] and scope-of-work documents to two pages. I said [to colleagues in the legal department], 'How can we make the process easier and simpler for startups?' I asked a controller, 'Who is the best person I should speak to in order to help our brand teams when it comes to payment terms? How can we turn this thing upside-down to get payment terms down to the absolute minimum?'"

Even after more than a year of running HENri, Mazzeo says he is "learning every single day about how to best manage our peer-to-peer relationship with startups."

Just as speedy payment is important, so is a speedy decision about whether Nestlé is interested in a partnership. "Startups want to hear the word yes, but if you tell them no, they can move on," Mazzeo adds. "The word we don't want to use is 'maybe.'"

"Startups are not suppliers," he continues. "They are our future partners on the challenges. Within 24 hours, we'll get back to every startup and every inquiry so we do not keep them waiting."

COMMUNICATING EXTERNALLY

One of the key learnings from getting HENri up and running, Mazzeo says, is that the best startups don't just flock to a big company because it has unveiled a new website.

“Amplification and awareness” are essential, Mazzeo explains.

“We didn’t realize how impactful being on a panel would be, or being a keynote speaker, or having a booth at a trade show where we talk about HENri,” he says. “You meet people with similar shared ambitions to what you want to do at a global level; you meet partners that want to work with you. The event schedule has been really important. We go to food and beverage events; we went to an agritech event where I was on a panel. Establishing thought leadership at the events is really important.” In recent years, that has included events like the Festival of Marketing in London, ad:tech, and a New York City panel discussion on “The Future of Food, and Who Will Feed Us.”

HOW HENRI IS DIFFERENT FROM NESTLÉ’S SILICON VALLEY OUTPOST

Since 2013, Nestlé has operated an outpost in Silicon Valley, run by Mark Brodeur, the company’s Vice President and Global Head of Digital Innovation. Like HENri, it reports in to the company’s marketing organization.

Brodeur and his California-based team look at different emerging technologies, like the Internet of Things, chatbots, and augmented reality, and work to identify the important players in those areas. “The aim,” Mazzeo explains, “is having three or four really good startups in a particular vertical.” Then, he says, “startups are invited to talk to senior leaders at Nestlé about how their technology might impact our business, and how collaboration or co-creation can work.”

The difference between that work and how HENri is set up, Mazzeo continues, is that “I’m already starting with a business opportunity or challenge posted on the HENri website,” as opposed to identifying a promising startup and then working to find the spot where it might best “plug in” to Nestlé’s business.



A WAY FOR EVERYONE TO REGISTER

If a startup wants to engage with Nestlé, but doesn’t have an offering that is relevant to a specific challenge, it can still register on

the platform. “When we have appropriate challenges, we will contact them directly,” Mazzeo says. “We’re opening ourselves up for business.” HENri is intended to be, in Mazzeo’s words, “the entry point for global startups” that want to collaborate with Nestlé.

As a result, Mazzeo says, “our database of great startups is improving. We had over 160 applications to the first six challenges, and three of those [pilots] are now in field.” In total, he adds that nine projects have come through the HENri matchmaking process and are either being piloted, or heading toward a pilot test.



WHAT’S NEXT

The next phase for HENri may involve running challenges specific to Asia, South America, and other non-English speaking regions. And in 2018, Mazzeo says his team will be “ramping up the event schedule” to promote HENri to startups around the world. And he’s also continuing to meet with colleagues at Nestlé, “playing Sherlock Holmes,” as he puts it, “and finding more great challenges to run.”

One thing is definitively not on the roadmap for HENri’s future, according to Mazzeo. “From the very beginning, we were clear that HENri will never become an idea suggestion box” for collecting ideas from Nestlé’s 330,000 employees. “They never work,” he clarifies. “You don’t open yourself up to the outside world, and it doesn’t link to strategy.”

Mazzeo says he’s gratified to see that Nestlé’s CEO, Mark Schneider, has been touting the company’s new emphasis on open innovation in recent talks. But Mazzeo says he knows that, before long, the collaborations that HENri is spawning will need to deliver tangible returns to the company.

“My CMO is soon going to be asking, ‘Show me the impact, show me the rate of return—which are very valid KPIs,’” Mazzeo says. “But the learning and the collaboration have been incredible. And the fact that an organization of our size and complexity can do this—we’re Swiss, we can be risk-averse and conservative—I think it shows that the culture of experimentation is beginning to build.” ●

SOUTHWEST AIRLINES
PRESIDENT **TOM NEALON**
ON HOW THE 50-YEAR-
OLD DISRUPTOR IS
STILL EVOLVING

BY **PATRICIA
RIEDMAN YEAGER**



Innovation
Leader





**‘If you
don’t
like
change,
you’re
going
to hate
extinction’**



ALKING INTO THE

Dallas headquarters of Southwest Airlines, a quote from founder Herb Kelleher greets you, etched in marble on the lobby wall. It's a tribute to the employees of Southwest Airlines, who have "transformed an idea into a legend."

The words are not just there for show.

When I sit down with Tom Nealon, President of the \$20 billion air carrier, and bring up the quote, he lights up like a Boeing 737 cockpit panel. "Our vision is to be the most loved, most flown, and most profitable airline," he says. "That's a pretty bodacious goal."

The airline, notably, started flying from Dallas' Love Field in 1971, and has "LUV" as its ticker symbol. But what exactly does "most loved" mean? Nealon explains that it's about strong customer relationships and loyalty. "We've got to be innovators," he says. "We are about hospitality, reliability, and efficiency."

This is Nealon's second stint at Southwest. He served as Senior Vice President and Chief Information Officer from 2002 to 2006, before leaving for JCPenney. He began consulting for Southwest again in 2010, and then formally rejoined the company as Executive Vice President of Strategy & Innovation in 2016, taking on the title of President last January. In this role, he's still active in the company's innovation activities, participating in monthly meetings the innovation team has with key executive stakeholders.

Southwest is the country's biggest airline, with 55,000 employees serving 115 million passengers annually. It is also the US airline with the longest track record of continuous profitability: 44 years. We spoke with Nealon in his modest office overlooking Love Field in early December.





Southwest Airlines President Tom Nealon poses for a photo with employees. The airline's ethos puts employees first, customers second, and shareholders third.

How does Southwest define innovation?

We think of innovation in terms of the whole customer experience. What are the pain points of the customer experience? What can we address? Where do we need to spend our time? Where do we need to spend the resources? We know experience starts with the inspiration to travel, booking, the whole airport check-in, the TSA, the gate experience, the whole concourse experience, boarding, right through in-flight and arrival.

We know where the pain points are for the customer, [and] we also know where the pain points are for our employees. We know what we need to work on and solve. So that's how I think about innovation...

It's important that there's some type of guiding framework. Southwest's [looks like this]:

- ▶ How do you identify ideas?
- ▶ How do you turn those ideas into concepts that you actually want to pursue?
- ▶ Those concepts may make it to the next step, or may fall flat
 - ▶ If it's worth pursuing you [create] a fast prototype
 - ▶ If we do well in the fast prototype, then you take it to pilot, scaling the product and beginning production
 - ▶ If it does well, we take into production.

That's the framework that exists now, and that's how we prioritize and identify what we work on. [We have] a massive pipeline of

ideas. I can promise you, they're not emanating from just from the innovation team. They're emanating from the organization.

How do you organize innovation activities?

[It's] a little bit unique, and I like it a lot, because it's not innovation by itself in a lab. First of all, it's a small team. So by virtue of that, it's very important that we're working across the organization.

The innovation team is paired with the continuous improvement team, and it's [also] paired with the data science team... So the convergence of those three things—continuous improvement, innovation, and data science—is a really powerful triad. I am not sure if our structure is unique, but I think it's very intentional, and there's real synergy and leverage having those three things together.

Does your reputation as a low-cost, no-frills carrier hinder innovation?

I don't consider us to be a no-frills airline... I think the product is a very rich product. When you think about...first class, lie-flat sleeping seats, and that kind of thing—that's not who we are.

I think by virtue of the fact that we carry 115 million passengers a year, we have to find ways to be innovative. If you're a first-class passenger or a passenger flying on coach... the customer expects to have a good airport experience, a good digital experience, and an easy check-in process. I think the digital elements transcend class of service.

How does the innovation team interact with the rest of the company?

We have a standing team of senior executive staff [a sub-group of 12 of Southwest's Senior Management Committee members] who are all around innovation, and we go over to the lab every month, and we're going through what's next on the list. Where are we on the pipeline for this one? ...What are we going to do next? There's a level of engagement—and these aren't innovation people—these are senior executives, these are directors, these are station leaders. That's the value of it. It's not just an innovation team thing. It's embraced.

What resistance are you encountering to innovation?

The answer is none. I think that if we were doing it within the closed society innovation thing, and were coming in and encroaching on ground operations and the marketing customer experience team, there'd be all kinds of resistance. But it's such the opposite of that because they're coming to the innovation

Southwest Airlines
founder Herb Kelleher
at a company chili
cook-off.



team and saying, “Here are the ideas. Help us prioritize and see what else is in the hopper, and then let’s work together.” Honestly, I’m not saying that like this is La La Land, where everything is perfect. But honestly, we aren’t seeing a resistance to ideas. What we’re seeing is a push to do more, faster, which is why it’s really important to have a framework...because you can’t do everything, so you really have to have a system without stifling it. I want to keep the ideas percolating; I want to keep the concepts flowing, but at some point you do have to say, you can’t work on everything.

How do you organize ideas?

We’re talking directly to station leaders and front-line employees and headquarters leaders [about] their ideas, and then we’re informing that with data on what the pain points are—real customer data.

Last fall Southwest conducted a six-week test of “digital wayfinding,” a way to deliver more information to customers in the form of digital signage and an app at its Dallas Love Field airport. Tell us more about the test and how it was received?

The Dallas test was really just about what were the pain points for the customer. We mapped out the whole customer journey and we zeroed in on the day-of-travel experience. We wanted to know what could we solve. [And] we’re trying to speak in our voice, not sterile data; we’re trying to have fun with it.

[One] of the things that were most valuable from my perspective [was] de-planing. You’re getting off the plane and looking for your connection. You’ve noticed that there’s a sign as you’re getting off the plane. On that sign is not every flight...it was only the flights for people getting off the plane, so it was curated for just who’s on that plane. It tells them very clearly, “You’re at gate whatever and you have plenty of time,” or “better hustle up.”

There were all sorts of operational things like that—you had big gate signs, up on the columns. [It was] very clear, the font size and color-coding. So you can look down the terminal, if you’re a customer, and understand which gate is yours, what color is it. And it’s also pretty good if you’re a station leader or station employee, because you can look down and if flights are running behind, they’re red, so [you can see] where you need to deploy more resources quickly. So a station leader, shift leader, or supervisor can look down and say, “That concourse is looking pretty good right now,” or, “That concourse has two hot spots; better get some resources down there.” It was a clear visual cue.

The other one I liked a lot—it was fun was because our customers know us, but don’t really understand the operations. So we had a countdown clock. [It told customers that] the aircraft was in range; the aircraft is on the ground and taxiing; we’re cleaning the plane; we’re now deplaning; we’re getting ready to board. So people know what’s going on. I tell you it sounds kind of silly, but...if [customers] are more aware, they feel more in control. As opposed to “Where’s the plane? What’s going on?” We’re telling them, “This is what we’re doing.” That’s really calming.

Part of the digital sign test was also mobile. [An app called Air Way was tested by users recruited by the innovation team.] One of the elements put cameras at the gate area. What that allows you to do [is you] can go to Chili’s [Grill & Bar] or Starbucks and sit down and keep an eye on the gate from your phone. And when people start lining up, you’ll walk down. As opposed to just sitting at the gate area. Part of the reason that’s important is that it gives people more control and more understanding and...the gate holding areas are fine, but as you know not every gate holding area has 175 seats in it. It’s not that they don’t want to put seats in it, [but] airports have space constraints; it’s expensive real estate... By the way, it’s not bad for the airport concessions either. It’s a win-win for the concessions and the customers...

There were nine elements to this test. We’re not going to go with all nine elements, but each one was serving a purpose. We were testing the reaction to each of the elements. There were probably five or six we determined were having a real impact.

How does your outsider status help you in your position?

I like the fact that I’ve had exposure in different industries. I’ve been in consumer goods, I’ve been in retail, I’ve served financial services companies, and I’ve been in airlines. Very different industries, but if you think about what we do at Southwest...consumer goods, to a large extent is a big logistics game... We do a lot of logistics at Southwest. Retail has a pretty heavy e-commerce and merchandising element and digital marketing element, and that’s a healthy expertise and skillset to be able to bring in. Financial services is about high-volume transactions, digital, mobile capabilities. [At Southwest], we do all those things.

[Southwest] has many elements of financial services, in terms of the transaction intensity and workload intensity; it has a lot of the elements of an online digital e-comm player, and it has a lot of the elements of a

big logistics company.

I think bringing those experiences has been really valuable to me and I'd like to think it's been valuable to the company. I'm really comfortable with who I am and where I've been.

Tell me a little more about Southwest's mobile strategy and how it's evolving?

There are three very significant advantages to that strategy:

First, we aren't paying commissions to the OTAs [online travel agencies] or the GDSs [global distribution systems, like Amadeus, Galileo, and Sabre.] That's a lot of money. When you're carrying 115 million passengers a year, that's a lot of commission fees. We're not doing that.

Second, by virtue of the fact that our inventory is only sold on our store, it's kind of like a specialty store, as opposed to a big department store. Our competitors have very limited visibility into what we have available, in terms of the inventory and fares. They can certainly shop the store, but they're not going to get anywhere near the information that would be available to them if [our inventory] were on an OTA... We don't expose our schedule or our fares to the competition.

Third, We know an awful lot about our customers because the transaction is with us, so we can tie it to their history. There are all sorts of other techniques where we can pull other information in, and begin to build a profile of the customer, so we have much richer customer insight and customer data, and that's very valuable. That gives us very rich set of customer information.

Has Southwest set up a separate lab for its Innovation Team?

The [X Airline lab] is where we mock up parts of the airport [and the] customer experience. Heather [Figallo, Senior Director of Innovation, Design, and Entrepreneurship at Southwest] leads our innovation team, and she's really essential. Heather's fantastic, but the lab isn't one person. She has a very strong, innovative team. These people are like idea generators.

The startup accelerator MassChallenge just expanded to Texas, and Southwest is one

of the sponsors, helping to fund 100 local startups. How does that work into airline's innovation strategy?

We've been trying to figure out how we make sure that we're not becoming insular in our ideas or our thinking... [To learn more about the MassChallenge approach, Southwest recently sent 10 members—a quarter of its senior management committee—up to MassChallenge's headquarters in Boston for an off-site.]

I think it's important for myself and our senior leaders to be exposed to how startups think and how they problem solve... In return, all these entrepreneurial innovators could probably benefit from the thinking of some of our great financial people or our really strong operational leaders, just in terms of how do you communicate? How do you structure? Here are the kinds of questions that you really want to ask when you're trying to sell this... We give a lot of that company maturity and thought process to them, and I think we get a lot of their entrepreneurial and creativity thought process back.

Who vets the ideas?

Our chief executive officer [Kathleen Wayton] is in there throughout this whole process. Kathleen is one of the key people we need to have close to this, as is Ryan Green [chief marketing officer], because a large part of his world is digital, so he's got to be in this stuff, as does Steve Goldberg, who runs ground operations. He's got 40,000 employees. It's the largest work group in the company. Steve has got to be all over this, because it will invariably impact his work group, and he's one of the biggest champions for innovation.

We have an innovation meeting tomorrow. It's a two-hour monthly meeting. It's one of my favorite meetings. ... It's intellectually stimulating and it's fun and you can see the impact.

What are the biggest challenges Southwest faces?

It's having a well-defined process to winnow out the weak; support, test, and solidify the stronger; get them to prototype; get them to the next step of pilot... By the time you get to pilot, you're really refining. But there's got to be a path to production... There's got to be technology resources and there has to be financial resources that are held in reserve. In the annual planning process, you can't say, "I have two very good ideas. I'm not sure what they are yet, but I have two." You have to have unallocated resources—people, technology, and money that you can deploy against these ideas.

“Any company going forward has got to be very, very good at those three things: continuous improvement and continuous refinement of how we do things; data science; and innovation.”





Are things hardwired into Southwest's brand identity that it's unwilling to change?

Yes, the no change fee [no charge to change flights], two bags fly free, friendly employees, that's just part of our product. We're criticized often by various analysts for not charging those fees, because it's worth a lot of money. That's how airlines make money. And we actually counter that one of the things that makes us unique is that, and for whatever we'd pick up in fees, we'd probably lose in customer loyalty, because now we're not different. I think it is a differentiator; it's a promise that we've made to our employees and our customers, because that allows our employees to serve our customers well. If we break that promise it makes their job harder. It's harder to be hospitable when you have to say, "Here's your change fee..."

We have a cost structure [that is] uniquely advantaged versus the industry... That allows us to offer low fares. We've always had people who really do...want to follow the Golden Rule, in terms of how we treat each other and customers. Those are the core things. We've always been financially very disciplined and deliberate, and you could say conservative.

What must businesses do to prepare for the future?

You'd better be good at your fundamentals, your core tenets, but I think any company going forward has *got to be* very, very good at those three things: continuous improvement and continuous refinement of how we do things; data science (if you're not good at data science, you're in trouble); and innovation. The world is changing faster than ever, and the consumer is more powerful than ever. Industries are being changed, transformed, destroyed by changes in technological capabilities. You'd better be thinking about it; you'd better be addressing it; and you'd better be planning your path forward.

A good friend of mine who led teams through changes had a saying: "If you don't like change, you're going to hate extinction." I really do believe if you're not thinking about being excellent at your fundamental tenets, and then really playing to win on those three things...you're going to hate extinction.

We're being proactive and deliberate in terms of building that set of capabilities out. What's fun to see is [that] it's inspiring to the organization... It's exciting to them to see us really playing offense on these domains. I think it sets a tone. ●

The average Southwest Boeing 737 is in flight 11 hours a day, operating five flights. The company has 687 jets in its fleet.

How Do We Get Our Culture to **Allow Ideas to Flourish?**

IMAGINE YOU RUN A TAXI BUSINESS. You're successful — the biggest in many cities. But naturally, there's competition. You know you can't take success for granted. You've come up with ideas to keep customers loyal — like capped fares, choice of car, and guaranteed pickup times. You were first to bring in cabs with TV, Wi-Fi, and a booking app.

You've attracted new customers, underlining your green credentials with a fleet of electric cars. You've beefed up revenues, diversifying with a spinoff courier operation.

It's great incremental innovation, and has kept you on top, despite Uber. But change is coming that's going to call for a much more fundamental shift. Driverless cars will transform your business. Do you try to find a place in this future by selling transport as a service? Or, do you move into different kinds of transport — electric scooters, or frictionless tubes of hyperloop?

INNOVATION IS ESSENTIAL — BUT HARD

When businesses face situations like this, they need new ideas, whether they're incremental or disruptive. And they know it.

Our research says two out of three businesses realize they won't survive without innovation. But, only 24 percent say they have the right skills for innovation, and only 37 percent have changed their approach to it in the last three years.

How do you boost the chances of coming up with innovative ideas? And how do you stop them from

By Hsiu Mei Wong

US CHIEF INNOVATION OFFICER
PA CONSULTING GROUP



risk of aversion or getting suffocated by the corporate inertia pillow?

Our research shows that successful innovators aren't bound by the habits of today as they anticipate the future. Innovators understand their industry and customers so deeply that they can get ahead of change, as well as the competition. They have a framework of systems and processes that foster new ideas and commercialize the best ones. They look beyond the business, and into their network of partners and suppliers.

Culture is the Key

This can't happen without the right culture. As former IBM CEO Lou Gerstner said, "Culture is not an aspect of the game, it is the game."

Culture is intangible. You can't go out and buy it. Culture is when many things come together to give people a shared feeling and understanding about a business. Your culture will either make them feel the business is open to new ideas, or it won't.

Start With 'Why'

A big part of that feeling comes from your purpose and how you articulate it. Why do you exist? The clearer you are about that, the better you'll be at sparking, scouting, and channelling ideas. If your company's mission is to facilitate the transportation of customers "by taxi in a value-added manner," you won't inspire anyone. They'll be busy pondering what "value-added" means. If you say you're about "getting people from A to B quickly, comfortably, and cheaply," you take away all doubt. By removing 'taxi' you allow yourself to try new things.

You also create the bedrock for an employer value proposition to help you attract and keep the best people.

Mind Your Language

The words you use, verbally and in writing, are the clearest expression of your culture. As with culture in general, leaders set the tone. Half of businesses we surveyed said their leaders lacked the vision and passion needed to make innovation happen. In a lot of cases, that could be down to the language they use. If your CEO talks like a compliance manual or loads every sentence with words like "synergy," "granularity," and "scalability," they won't get people behind a vision. With simple, straightforward language, they're more likely to inspire and persuade their people, partners, investors, and everyone else the business relies on to succeed.

Honest language also lets people know you trust them. It's part of how you give them permission to be creative. We helped The American College of Chest Physicians (CHEST), a medical

association specializing in pulmonary, critical care, and sleep medicine, map out a strategy to stay ahead in its field. Their COO lays down an unmistakable marker, saying CHEST is "revolutionary" and embarked on "a series of small changes leading to a big innovation."

Be Comfortable with Uncertainty

More than eight out of ten companies we surveyed shy away from this, rewarding uniformity over creativity. In many industries, uniformity is what keeps customers buying. But, can businesses that run solely on uniformity adapt when the world changes? Kodak showed what can happen if they don't. A globally trusted brand, they could have been Instagram if they'd evolved from film to digital.

Succeeding with new ideas means being prepared to embrace the unknown. That's intrinsically alien to a lot of organizations. Corporate decision-making structures are there to sustain the status quo and control risk. They can also stifle innovation. As one client told me, "If you pitch a new idea to VC companies, it only takes one executive to greenlight it. In your own company, if only one executive says no, the idea is dead."

If Netflix hadn't been comfortable with uncertainty, they'd still mail rented DVDs. If anyone had suggested the business create its own content, the idea would've been snuffed out for being too offbeat.

Redefine success to include failure. Ralily Health is a digital health business using techniques like gamification to help people get a grip on health benefits. President and COO David Ko said: "We tell employees we want to be a company that continuously innovates. ... It's got to be in everything we do, which means that some of the things we're going to do aren't going to work — and that's okay."

Protect your big ideas

The taxi business' record for ideas is good, but the next one might be a too different. Give an idea its own space so established culture doesn't overwhelm it. The skill is judging when to go from lab to launch and integrate disruption into the business.

Test Your Culture

Once culture is in place, how do you sustain it? Take a look at clothing and shoe retailer Zappos. Fifty-percent of the decision-making about new-hires comes down to "cultural fit." After week one, the company offers them \$2,000 to quit. That's how far they go to make sure people perpetuate the culture. Would you back yours that strongly? That'll show whether you are ready to thrive in a world without taxis.



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At the Burt's Bees R&D Lab in Durham, N.C., scientists experiment with various natural ingredients and pigments like raspberry seed oil, moringa oil, and more.

HIVE MIND

WHY **BURT'S BEES** IS
LENDING MARKET
KNOWLEDGE TO NATURAL
PRODUCTS STARTUPS

BY KELSEY ALPAIO



WHEN IT COMES TO

startups and big companies working together, finding the right partner can be a bit like hitchhiking. The startup waits patiently along the side of the road, hoping a big corporation will pull over its 18-wheeler and pick them up. But hitchhiking isn't always the safest option. And riders and drivers don't always find common ground.

This isn't just a metaphor—it's the way Burt's Bees, the all-natural personal care company, was founded in 1984. The two founders met when Burt Shavitz, a beekeeper, picked up Roxanne Quimby, an artist, from the side of the road in Maine. The two began collaborating on projects using leftover wax from Shavitz's hives, eventually creating a popular line of beeswax lip balms, soaps, and lotions. The company, now headquartered in Durham, N.C., was bought by Clorox in 2007 for \$913 million.

The passion for entrepreneurship and all-natural products is still buzzing at Burt's Bees, but the organization has moved away from what you might call the "hitchhiking" method, with its randomness and unpredictability.

"The [Natural Launchpad] was founded on the idea that creating better relationships creates better outcomes," says Andrew Douglass, R&D Director of Open Innovation at Clorox. "It's very difficult to assess who's a good partner to work with... The whole idea of the program was to create an environment where we could learn about each other for several years. Through learning about each other, we will create better outcomes together."

The Natural Launchpad, which Douglass helped to conceive and implement, is an annual grant program for natural products

entrepreneurs. Ten startups are selected every year, each receiving a \$10,000 grant, mentoring at Burt's Bees headquarters, and access to the other entrepreneurs in the cohort. But the desired corporate "outcomes" from the program are still loosely defined. Currently, Clorox and Burt's Bees are simply looking to identify high-potential startups, form partnerships, and learn from budding entrepreneurs. But down the road, Douglass suggests these partnerships could turn into investments, mergers, or acquisitions.

The Launchpad, which is on its second cohort, is now headed up by Paula Alexander, Director of Sustainable Business at Burt's Bees.

AN IDEA BORN FROM INTERNAL CROWDSOURCING

Every year, Clorox runs an employee idea event called Innovent. Hundreds of individuals submit ideas, hoping they will get the most votes from their fellow employees. This is where Douglass first submitted the idea for the Natural Launchpad.

"We did groundwork on where the white space is in the entrepreneurial accelerator market," says Douglass. "The idea of Burt's giving back to the entrepreneur community, tapping into its roots, and helping to generate this natural environment—that got a lot of resonance," says Douglass. "In terms of ROI, we did a fair amount of research, and there are multiple pieces of it. Tapping into a community, building for the long haul, recognizing the risk of mergers and acquisitions. We placed in there that there should be some deal exits, at a certain frequency from a financial side."

The Launchpad was voted one of the top ideas as part of Innovent in January 2015, and Douglass was soon developing the business case, forming a team, and pitching the idea to a subset of Clorox's executive committee.

"We were just pitching to get to the next stage," Douglass says. "We hadn't thought at all about how we would run a mentoring day [for entrepreneurs.] We just knew that we wanted to get out and advertise to get people to come in. If we had enough people who would come in and actually enter to try and win a grant, then we would figure out how to run the next stage of it to bring them on site."

That incremental approach worked, and the idea got greenlit in June 2015. By February of 2016, the Natural Launchpad was accepting applications, looking to attract "up-and-coming thinkers, the dreamers, the midnight-oil-burning innovators," as its website advertised.





“The program was founded on the idea that creating better relationships creates better outcomes.”

ANDREW DOUGLASS, R&D DIRECTOR OF OPEN INNOVATION, CLOROX

A photo of Burt Shavitz, the beekeeper behind Burt's Bees, sits in a window at the company's headquarters. Shavitz founded the company with artist Roxanne Quimby in 1984.

APPLICANTS THAT FIT THE BILL

In its first year, the Launchpad received more than 100 applications. Startups that applied had to be in the health and well-being space, with revenues between one dollar and \$2 million. The Launchpad also put an emphasis on companies that were environmentally responsible.

The 100 applicants were initially evaluated by a third party, which narrowed them down to a group of 25. Then, this group was cut down to 10 by Alexander, Douglass, and others, including Burt's Bees leadership.

"We get around the table and drink drinking chocolate, eat coffee bars, smell personal care products, and eat bagel chips," Alexander says about the vetting process. "We always want to make sure that [these startups are] delivering great products that will delight consumers, but also want to make sure that they're well on their way to being a responsible company."

In its second year of taking applications, the Launchpad focused on applicants that were more mature, with annual revenue between \$200,000 and \$2 million. That caused the number of applications to drop to 75, but their overall quality and market-readiness increased.

Those further-along ventures, Douglass says, were at "more of a sweet spot" for Burt's Bees and Clorox. "They were at a place where we could provide more value to them, in terms of knowledge, and then that whole reciprocity was stronger. They had more brand recognition, more reach. Therefore, we had more visibility as the sponsor of this program."

Burt's Bees Natural Launchpad: Participant Companies

► **EarthKind** EarthKind creates natural pest prevention products, made from essential oils and plant fiber. They guarantee that their products will eliminate pest infestations without the use of toxic chemicals.

► **ReGrained** When beer is brewed, sugar is extracted from grain, leaving behind micronutrients filled with protein and fiber. ReGrained calls this byproduct "Super Grain," and uses it to create healthy, sustainable snack bars. Flavors include Chocolate Coffee Stout and Honey Cinnamon IPA.

► **Seedles** Seedles are balls of seed, compost, and clay-seed bombs that you can just "throw and grow." These balls make it easier for individuals to fill the empty spaces in their yards and neighborhoods with colorful flowers that benefit pollinators—including bees.

THE RELATIONSHIP

Startups that are selected for the grant program receive several perks, without Burt's Bees or Clorox taking any equity. These include a \$10,000 grant, a day-and-a-half of coaching at Burt's Bees headquarters, access to a community of peers, and permission to use a Natural Launchpad seal on their products and marketing materials. But Douglass says the more significant outcome, for both participating startups and Burt's Bees, is the relationships the companies form with each other.

"The program was founded on the idea that creating better relationships creates better outcomes," Douglass adds, "It's very difficult to assess who's a good partner to work with... In [an] M&A context, you get to peek... [but] it's very hard to know what a company is really like... The whole idea of the program was to create an environment where we could learn about each other for several years."

In terms of attracting entrepreneurs to the Natural Launchpad program, Alexander says that many hear of it by word-of-mouth, or at trade shows like Natural Products Expo East.

"There's such a value in the mindsets, in the creative spirit, and the 'we can knock down any barrier' [attitude]," says Douglass. "We've engaged some of these entrepreneurs that come in to help us to solve problems we have in our own innovation, because they bring a very fresh and different, diverse perspective... Entrepreneurs, at very early stages, can get access to broad markets by using web sales. Entrepreneurs have amazing access to funding through crowdsourcing platforms... There's a huge community of people who are making things that you can tap into. You can tap into expertise, you can tap into cash, and you can access markets."

Kari Warberg Block, founder of the natural pest prevention company EarthKind, participated in the first cohort of Launchpad, and says the resulting relationships really do feel symbiotic.

"What was most valuable was looking at how fast the consumer is changing, and looking at how fast companies nowadays have to innovate and get to market, which is extremely difficult to do when you're a small company," says Block. "But I think it's even harder to do when you're a big company... The future of innovation and the future of growth is going to be more of a harmonious, cooperative endeavor, much like how nature evolves. There's a whole ecosystem involved, and I think it's really innovative what Burt's Bees is doing, because they're reaching out their hand and creating this new network where there's a lot of sharing."





Block says one of the most valuable relationships formed through the Launchpad happened as a result of the time she spent at the Burt's Bees headquarters in Durham, N.C. for the program's "Durham CEO Exchange." During a "speed dating" exercise where grantees were able to meet with employees of Burt's Bees, Block met with an employee who had extensive knowledge on working with retailers.

"[This Burt's Bees employee] helped me move the dial and get four SKUs with a major retailer," says Block. "Each customer has their own way of doing business... Consumer packaged goods is so difficult right now, there are a lot of changes. But she gave me advice... I've been able in return to help this person get a broader perspective on her approach, because her goal is someday to be a CEO."

Despite the creation of reciprocal relationships like these, neither Burt's Bees nor Clorox has made any formal investment in Launchpad companies, but Alexander says that is a possibility in the future.

"It's certainly a conversation that we have," says Alexander. "We may over time evolve [the Launchpad participants] to be larger companies, or getting it to the point where it might [involve] staged investment."

PROGRAM EVOLUTION

In addition to raising the revenue floor for applicants in year two, Alexander says there were several other alterations to the program for the second cohort. One change involved

"We've engaged some of these entrepreneurs that come in to help us to solve problems we have in our own innovation, because they bring a very fresh and different, diverse perspective..."

ANDREW DOUGLASS, R&D DIRECTOR OF OPEN INNOVATION AT CLOROX

the Durham CEO Exchange.

"We had the entrepreneurs really finding value in coming out here," says Alexander. "[In year one, participants] felt like they didn't have enough time to really dig in. We adapted the program...making sure that we were spending plenty of time with subject matter experts... Also, having plenty of good interaction time amongst each other, because they are at similar stages of development, and facing similar challenges."

In year one, Alexander says 80 percent of participants in the Durham CEO Exchange said that they found a high level of value in the program. In year two, 100 percent said that it was of high value.

"What they've really found valuable was having exposure to the Burt's Bees culture and how we have built that, because these entrepreneurs are starting to build teams of their own," says Alexander. "These entrepreneurs are at this stage where they need to start doing that—engaging employees, and having [their authentic culture] come through in the way they sell their products. By coming to Durham, really get a sense for how we've done that and how to help that be a real competitive advantage." ●

The exterior of the Burt's Bees headquarters in Durham, NC. Every year, participants in the Natural Launchpad visit the HQ for the "Durham CEO Exchange."

Home Court

WHY THE PHILADELPHIA 76ERS
ARE HOSTING STARTUPS
AT THEIR TRAINING COMPLEX
BY KELSEY ALPAIO

Innovation
Leader



Photograph by Jesse D. Garrabrant



rt

Advantage



WHEN IT COMES TO launching an initiative to attract startups, Seth Berger of the Philadelphia 76ers Innovation Lab has one piece of advice: “Be unique.”

For Berger, creating a stand-out environment for promising startups and talented entrepreneurs was his main goal when he signed on as managing director of the Sixers Lab in November 2016. Berger felt there were three things that would help differentiate the lab:

- Opening up his and the Sixers’ networks to the startup founders.
- Providing founders with amenities like free workspace, housing, meals, marketing, PR, and legal advice—as well as funding.
- Helping the businesses on an operational, day-to-day basis.

The lab accepted its first participant, Monster Roster, in August 2016, and has since brought in three other companies. These companies work together in an 8,000-square-foot coworking space located in the Sixers’ Training Complex in Camden, N.J., which was completed in July 2017. And Berger’s vision for a “unique” space truly feels fulfilled there. The lab is tucked away from the bustle of Philadelphia, but it has a buzz of its own. Outfitted with Kimball Office furniture, the mix of industrial modern design creates a high-energy space. As part of the largest training complex in the NBA, you may bump into a Sixers squad member at any moment. And with 250 front-office Sixers employees just one floor up, the knowledge of the entire organization is easily accessible.

We spoke with Berger and Rhyann Truett, the Lab’s Director of Operations, to hear more about the importance of physical space



and design; how they work alongside the startups; and how they’ll gauge success.

ATTRACTING A DIVERSE PORTFOLIO

The lab is open to hosting all kinds of early-stage consumer product companies and some B2B concepts—not just sports or fitness-related startups.

“The sports category, although it’s really big, is pretty limiting,” says Berger. “The Sixers’ network is so broad across so many





different industries—to limit ourselves to sports didn’t make sense.” He adds that the leaders of the Sixers franchise aim to build not only a great sports organization, but a broad business that impacts a variety of industries. Sixers owner Joshua Harris is an investor who co-founded the private equity firm Apollo Global Management.

Applications are open on a rolling basis, and every company that applies to the lab is evaluated by Berger and Truett. Truett says they get an influx of applications between January and May, when entrepreneurs finishing college

or grad school are hunting for their next home. The normal evaluation process lasts between two to six weeks, starting with a 30-60 minute phone call. If the company passes that screen, it’s then onto the Sixers “shark tank.” This group of seven or eight individuals from across the organization gives the final thumbs up or thumbs down.

“For us, a great challenge is finding a company that is the right fit,” says Truett. “We have these four companies, and now we are looking for the right fit for the lab, but also for them to coexist alongside these companies.”

The Innovation Lab, which is part of the Sixers Training Complex in Camden, NJ, is outfitted with furniture from Kimball Office.



Startups selected by Sixers Innovation Lab receive access to free coworking space, along with housing, food, legal services, and more.

Once a company is accepted, the founders are invited to move into the lab space. Truett says the lab is looking to bring in two to four more companies in 2018.

WHAT PARTICIPANTS GET

Getting into the Sixers Innovation Lab solves more than just the office space problem for founders. Participants are provided with free housing, food, legal services, marketing and branding, and around-the-clock support from Berger and Truett.

“I’m not a finance guy. I’m not an investor. I’m an operator,” Berger says. “In [the accelerator] space, there are a lot of financial-based models where people do [investing] really well. There are not a lot of day-to-day, hour-by-hour models in the accelerator space.”

With Monster Roster, a fantasy sports lineup recommender, this has meant close collaboration between Berger and its co-founders. Berger says, “With Monster Roster, a lot of their business happens on the weekend [before football], because that’s when our Facebook advertising goes out... Dylan [Elder, the founder of Monster Roster] and I not only work Monday to Friday together, we work Saturdays and Sundays together.”

Elder, age 20, says that “having the chance to work with and learn from someone as

experienced as [Berger] on a daily basis has been a tremendous opportunity... I can’t imagine myself and the company in a better situation.”

There’s a financial component to being a participant in the lab, but it’s based on needs of a given company. The Sixers take an equity stake in each participating company, but the deal varies on a case-by-case basis. There are no set deadlines for when a company needs to leave the lab, and many participants will be provided with financial support and advice throughout the life of their companies.

“We want to recruit good companies into the lab, we want to help them grow while they’re here, and we want to help finance their growth throughout their life,” Berger explains.

Participants are also given access to the broad network of partners that the Sixers franchise has cultivated—including StubHub, DraftKings, Disney Accelerator, IBM Watson, furniture-maker Kimball Office, and the Wharton School of the University of Pennsylvania. Berger says that these partnerships stemmed from existing relationships with the Sixers franchise.

“We’re essentially one call away from anyone in the world,” says Truett. “We have our small innovation lab family, but [these startups] have access to everyone [at the Sixers]... Most of our teams are one to three people, and so this access to all of these other

‘coworkers’ that you get by being in the innovation lab, and the Sixers front-office staff being upstairs, has been really great.”

The Sixers are part of Harris Blitzer Sports & Entertainment, giving the startups access to brands like the New Jersey Devils, the Prudential Center, and Crystal Palace F.C.

THE IMPORTANCE OF PHYSICAL SPACE

Located downstairs from Sixers’ corporate offices, the physical lab space is meant to be a home base for participating startups. The entire space is outfitted with Kimball furniture designed to foster openness and collaboration. Kimball Office is a founding partner in the lab and also uses the space as a testing ground and “showroom” for its products. Truett says that the startups provide feedback to Kimball on the pieces they use the most, and Kimball will continue to rotate in different furniture to optimize the space.

“I wouldn’t have anticipated before we started the lab how collaborative the companies are among each other,” says Truett. “Being able to all be in one spot really lets them collaborate... We have a weekly standup meeting where we’ll go through ‘Here’s an update, here’s what’s going on with my company, here are some challenges I’m facing...’ We’ve found that they [often] have challenges that we’ve tackled with other companies, and then they get to work together to share [perspectives].”

Truett says the space is very flexible, and startups are encouraged to alter it to fit their needs. For instance, Doc and Phoebe’s Cat Co., a pet products startup that joined the lab in 2017, used counter space to pack and fulfill orders for its Indoor Hunting Feeder product.

“You come to work not just with these incredible people, but the physical space is so exhilarating,” says Liz Bales, founder of Doc and Phoebe’s. “From my background [as a veterinarian], I don’t have other startup people in my life, so being surrounded by these [other startups] has been incredible to exchange ideas about our companies... Just to metabolize the process of being a startup CEO, having the support of each other has been very special.”

Doc and Phoebe’s entered the lab in an atypical way. One of its team members met Berger to discuss a different project, only to realize that Doc and Phoebe’s was a “perfect fit” for the lab. Truett says the company fit the three criteria she sees as most significant for successful ventures: a great team, product, and scalable business.

MEASURING SUCCESS AND GROWING THE LAB

One way the lab will track how it’s doing is through the success of companies over time—and not just in fundraising. “Raising money doesn’t define success,” Berger says. “Building a business defines success... It’s too early in the lab accelerator space to know what metrics will determine success and failure.” But, he adds, “Our owners are really big on return on investment, as am I.”

Truett says that part of their focus in 2018 is on how to foster the lab’s community—even after startups leave.

“[Our goal] is to bring in more companies,” she says. “These companies will transition out, so identifying how they’ll work as an ‘alumni chapter’ of the Sixers Innovation Lab will be really interesting, because they’ve learned so much from each other that the opportunity to mentor new companies will be really interesting.”

In reflecting on what has helped the lab build momentum since its 2016 launch, Berger says: “[Running an innovation lab] is no different than any business. Every business that succeeds is meeting a consumer or business need in a unique way... For any other labs coming into the space, how can they be unique and be different and help entrepreneurs in a way that other labs aren’t?” ●

Current Companies in the Sixers Innovation Lab

► **Monster Roster** Monster Roster, the first company to join the Sixers Innovation Lab, is a fantasy sports lineup recommender that employs an algorithm to determine optimized lineups for participants in fantasy football, basketball, and baseball. According to the The Fantasy Sports Trade Association, 59 million people played fantasy sports in 2017, with each player spending an average of \$653 annually.

► **Doc and Phoebe’s Cat Co.** Doc and Phoebe’s Cat Co. is a cat wellness company dedicated improving the lives of felines and their owners. Its first product, the Indoor Hunting Feeder, emulates natural hunting for cats using mouse-shaped feeders, which leads to improved health, weight, and behavior.

► **Live Life Nice** is a digital media company with the goal of introducing more positive news into society and promoting the message of “Be Nice, Do Nice.” The company will produce original content, and partner with “cause-minded brands” to create positive stories.

► **U GIT GUD** U GIT GUD is an analytics and training platform for esports players. The company currently offers data feedback, personalized recommendations, and videos from top players for people looking to improve their skills at the game League of Legends.

How Can You Harmonize Existing Innovation Initiatives at Your Company?

ANYONE GIVEN the responsibility for accelerating innovation in a large corporation quickly appreciates that they won't start from scratch. As you survey your company landscape, you may see that a variety of well-intentioned teams such as "Lean Startup," "Design Thinking," or "Crowdsourcing" are within pockets, preaching practices. You don't want to smother enthusiasm but you're now responsible for making choices about harmonizing existing initiatives and conceptual models if innovation is to rise from tactical to strategic.

YOUR SITUATION IS NOT UNIQUE

As forward-thinking members of companies turn to innovation, it's the norm that pockets of practice build up based on different approaches. As we began his organization's innovation capability assessment, a client at a large telecomm company said, "You will find that when it comes to innovation, every potentially good thing is being done by at least one person! But no two people are doing the same thing."

In reality, building an innovation is difficult and systemic. There's a real challenge posed by competing merits of allowing internal practitioners to use methods they are enthusiastic about and harmonizing the approaches used across the organization.

By Gary Getz

CEO
STRATEGOS, INC.



Guiding Principles What before how: It's a mistake to focus too much on methods and not enough on outcomes. It's important to understand what you're trying to achieve. Then you can make informed judgments about which toolkit best delivers results. Our first step is conducting a Vision of Success workshop with leaders to identify scope, boundaries, desired results, and desired or required culture changes.

Once "what" is specified, turn attention to developing an inventory of existing methods. Focus on understanding outputs (content, skills, behaviors) that each is equipped to deliver.

Match your organization and culture:

Depending on the nature of your organization and its situation, it may not make sense to strive for uniformity in innovation approaches.

Process standardization can create efficiency, speed an organization up the learning curve, and simplify companies where employees move across functions or business units. But, it has shortfalls including motivation loss among practitioners and forfeiture opportunities to test multiple approaches. When the emphasis shifts from "creating and executing great opportunities" to "process compliance monitoring," you have a problem.

Consider the following to learn if harmonization fits your company, and what approach might work best:

- ▶ How often do members work on innovation topics across organizational boundaries, or move through units as part of a career progression? How often would "pockets" of innovation practice interact?
- ▶ Have implemented practices depended on clear and uniform processes, skilled individual practitioners, or collaboration?
- ▶ Are you centralized or decentralized?
- ▶ What's been the history of central centers of excellence other than innovation in influencing unit-based practitioners to adopt harmonized practices?
- ▶ Is dominant culture compliant, collaborative, or autonomous?
- ▶ How embedded are communities of practice based on disparate innovation methods? How difficult would it be to gain support to harmonize approaches?

Extra care is needed when functional operating models and cultural elements aren't aligned.

Use the innovation life cycle: Build approaches that bridge the innovation life cycle. If you're not covering the major "whats" that people in your organization are focused on, new communities of practice will proliferate another set of non-harmonized tools and processes.

Beware battling philosophies: One thing

that's lethal with a lack of harmonization is dueling approaches based on different assumptions about what objectives are. It's rare that a company can operate a model based on employee crowdsourcing and customer empathy along with one focused on functional specialists deploying technology roadmaps.

Specific Tactics Engage your practitioners:

A big part of the solution to harmonization challenges is involving practitioners who use a collaborative process of finding the best model. Start with building a shared view of "what" you're trying to achieve with innovation at each point in the life cycle, then challenge the diverse participants to work together in a search for "truth" regarding the best tools for each job.

Deng Xiaoping states, "It doesn't matter if a cat is black or white, as long as it catches mice." While devotees of each method will tout virtues, a group dialogue based on the recognition that many different methods can be applied to yield a given "what" is more likely to succeed.

Use innovation to build innovation: If you have existing communities of practice, use them! Observe and participate in the work of different groups to see how they apply favored techniques. Understand the strengths and weaknesses of each in yielding desired outcomes. You might want to organize a competition where a similar challenge is given to different practice communities to see how they approach the challenge and what results they achieve.

Build a blueprint and roadmap: Keep the innovation life cycle in mind and build a blueprint of preferred approaches for each element of it. You'll be able to present clear rationale and show how innovation capability building is about creating a coherent end-to-end capability, rather than a disconnected set of tools.

Build, manage against, and update a development roadmap. An end-to-end process capability won't quickly emerge, — but a stepwise migration plan, used as an adaptive tool, will make the path clear (reducing employee resistance).

Pay attention to the handoffs: If you build a life-cycle approach from disparate pieces, make sure that handoffs work! We see breakdowns when one step of an innovation model generates outputs that don't feed into the next — or when requirements of an earlier step have not been clear.

Consider a holistic approach: If existing pockets of practice are not too deeply embedded, go back to adopting an end-to-end innovation model built for the life cycle. We've implemented this integrated approach with many clients.

These approaches allow room to incorporate embedded practices. If there's an established discipline, interfaces to other parts of our integrated model can be designed to build on available insights and skills rather than re-tooling them.



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Guidance



Putting Open Innovation to Work

HENRY CHESBROUGH, THE AUTHOR OF THE SEMINAL BOOK *OPEN INNOVATION*, TALKS ABOUT HOW COMPANIES ARE MAKING THE MOST OF THE WORLD OUTSIDE THEIR WALLS

INTERVIEW BY **SCOTT KIRSNER**

PHOTOGRAPHS BY CAYCE CLIFFORD



What

does it really mean to practice open innovation? The term sometimes refers to the strategy of bringing in concepts and inventions from the outside—or it can also mean making your company’s data, platform, or intellectual property accessible to others who’d like to build things with it. ■ But amidst all of the idea challenges and hackathons, the term “open innovation” has been getting overused and abused. (Not every meeting with a startup or visit to a university lab counts as open innovation.) And there’s a difference between the “outside-in” and “inside-out” approaches to open innovation. ■ To clear things up, we consulted the guru of open innovation: Henry Chesbrough, a professor at U.C. Berkeley’s Haas School of Business and faculty director of the Garwood Center for Corporate Innovation. In a recent conference call as part of our IL Live series, Scott Kirsner spoke with Chesbrough about why the “inside-out” approach is more challenging for most companies; how open innovation is being practiced at companies like Intel, Eli Lilly, Bayer, and United HealthCare; and some of the common barriers to making open innovation part of the way people work every day, rather than a one-off event. ■ Many large companies, Chesbrough argues, “have these fiefdoms or silos where one part of the company really doesn’t know what other parts of the company are doing. Open innovation really works best when you have open flows of information internally as well.”





Prior to his career in academia, Chesbrough spent over a decade working in the computer and hard disk drive industry, at companies including Quantum Corporation. The author of several books, including *Open Innovation*, *Open Business Models*, and *Open Services Innovation*, Chesbrough also received the Industrial Research Institute's Medal of Achievement in August 2017.

You're credited with, if not coining, at least popularizing the term "open innovation." It's a term that's over applied today. What is the essential definition of open innovation?

Thanks for asking. I think Clayton Christenson has had this problem with disruptive technology, too—that disruption has now taken on a life of its own, and it isn't always used the way he intended. Open innovation, I think, has fallen victim to the same problem.

You can think of it as the antithesis of a model of vertical integration or self-reliance, where you have to do everything yourself.

Open innovation is about a distributed landscape where there's a lot of useful information in lots of places.

Even the biggest and best companies would do well to make use of and incorporate external ideas and technologies in their own innovation, and allow things that they're not using to go out for others to use in their innovation activity. There's an outside-in path of knowledge flows, and an inside-out path.

Which tends to come easier to large companies? Outside-in or inside-out?

It's been my observation that companies have been quick to grasp the potential for bringing things from the outside into their own organization. That's done to either reduce costs, or reduce time, or share risk in innovation activity. There are three dimensions of benefit—cost, time, and risk—to doing the outside- in [path.]

There has been less uptake on the inside-out... Doing inside-out effectively means you're placing a technology in a new

business model. These are things that don't fit with your current business model... [Business model innovation] touches many different parts of an organization, whereas outside-in is something you can implement more or less inside your existing organizational structure.

One example of inside-out would be a pharmaceutical company with a potential drug that they've stopped developing, but they may say, "Jane has a biotech startup. They're interested in that drug compound. Let's license it to Jane's startup. We'll get a little licensing revenue or even the promise of licensing revenue down the road, and Jane's startup might develop an actual drug." Are there other examples, or is that the most common—taking IP that you're not developing and out-licensing it?

Your pharma example is a great one. I have a case study of exactly that with a medicine called Cubicin that was taken out of Eli Lilly and licensed out to a specialty pharma company called Cubist. Subsequently, it became a blockbuster drug for anti-infectious diseases. Lilly has collected over \$300 million in licensing and royalty income through the arrangement.

There are many other examples. One that I think is interesting and profound is Amazon's Web Services, where they took their internal IT infrastructure and then created a business around opening it up for rent for others to use the same infrastructure to host their websites as well...

"There are some things that get in the way. One is the support organizations—whether it's legal, brand, or procurement—often slow things down. You do need to create new processes internally to use open innovation..."

I think it shows anytime you have a high fixed-cost resource or asset where the utilization is not very high, there can be powerful economies by opening that up for others to use as well.

We see a lot of companies that say, "It sounds like a lot of work to do that." It's almost easier for them to leave unused IP or unused concepts on the shelf than to figure out how to carve that trail and get that inside-out activity happening.

There is more work involved because you are, in a sense, hunting through the jungle for some new business model. Let me give you another quick example. I pay all the

fixed costs every year for my car... I pay 100 percent of the costs for an asset I use five percent of the time. If you could find a way to pool the utilization of that resource so that others could use it when I'm not, that would spread all those fixed costs over more volume.

This is one of the hidden insights behind the car sharing services like Uber, Lyft, ZipCar, and CAR2GO. All of these have the benefit of pooling and boosting the utilization of a fixed asset.

[Sometimes when people talk about] open innovation they talk about P&G or General Mills. Early on, they started saying, "We used to think of the lab as our world. Now we think of the world as our lab." Are there other examples of really effective open innovation today?

General Mills and Procter & Gamble were two of the quickest, best examples. We could add Kimberly-Clark to that and others who did very, very well.

What's happening today is digitalization. I think what's driving best practices in open innovation is that, in this domain where software is eating the world and more and more things are moving to digital—big data, blockchain, and machine learning, and all the rest—the best practices in open innovation are also moving that way.

One of the open innovation insights is all this data that you have to crunch to train your algorithms in this digital world—there's nothing that says it has to be your data.

A company that does this well is part of United Healthcare. It's a group called Optum, which is their internal IT organization. [They,] like Amazon, have been unleashed to offer IT services to other hospital chains, other healthcare providers. Because they're serving those IT needs as well, they aggregate all that data from all their clients, which is giving them more data to become more digital and more effective.

Are there common barriers you've seen to the spread of open innovation, or things that accelerate open innovation?

There are many barriers to the adoption of open innovation and, as your question suggests, there are also barriers to continuing and scaling it, even after you've adopted it internally. I've done two surveys now with the Fraunhofer Institute in Germany, where we surveyed large companies of \$250 million [in revenue] a year, both in North America and in Europe...

Roughly 80 percent of the companies



we survey are practicing at least some parts of open innovation. Encouragingly, about 70 percent of those companies report that they're doing it more, and management interest and support is increasing...

There are some things that get in the way. One is the support organizations—whether it's legal, brand, or procurement—often slow things down. You do need to create new processes internally to use open innovation in collaborating with the external world.

A second thing that slows you down is a lot of companies...have these fiefdoms or silos where one part of the company really doesn't know what other parts of the company are doing. Open innovation really works best when you have open flows of information internally as well... If I have knowledge that you don't have, by hoarding that knowledge, I have more power.

These are some of the cultural challenges that get in the way of using open innovation.

Are there pieces of advice [that you give] about making the case for the first experiment?

When I'm talking to somebody at the top, I usually don't start with innovation. I start with growth...in particular, organic growth. You can do acquisitions and buy growth, by acquiring somebody else who has executed and scaled up a new business model, a new set of technologies.

What open innovation enables is sustainable organic growth... You also need to grow your skills in generating organic growth.

Open innovation is a great way to do that because it can save time, it can save money, you can share risks, and you get leverage on your internal R&D by collaborating with [partners on the] outside...

In the middle of the organization, I tend to talk more about some of the viral resistance you're going to encounter in a large company, and how you need to generate proof points to convince the organization that it can work here as well.

It's fine to survey what other companies are doing and, indeed, that's not a bad starting point, but you're going to have to put it to work in your own organization. You better do that in a way that is contained, and not a huge investment of time and money at the outset.

Then, as you get some initial positive results, use those results as an early win to build momentum, spread the possibilities in your own organization, and only then start asking for additional resources and support.

There are [software] platforms out there

that do challenge-based open innovation—InnoCentive being one of the early ones. There are platforms for understanding who's out there in the startup world that might be relevant to you. Do you have any thoughts on the usefulness of these, or maybe how they're ideally used, or if they can provide value?

The software tools do help to collect and provide information in one place about your innovation activities, both inside and outside the organization... By not sharing it with anybody else, there's much less opportunity to leverage that knowledge.

These tools offer the promise of capturing and widely sharing what's being done, and who's doing it, and how might you connect to it. They can be...a powerful tool, but these [software] companies will be the first to tell you that it's just a tool.

You've got to put management processes around this to take the results...and get them into the marketplace, and generate a real business result, which means the front end of the innovation process needs to be connected to the back end of the innovation process, where you can actually go to market through existing or new business units, and sell to real customers who pay real money...

I know you interviewed Karim Lakhani [of Harvard Business School] earlier in your series. He has a student of his who's now working at NYU, named Hila Lifshitz-Assaf, who has done some wonderful work at NASA in how they've implemented some aspects of open innovation, particularly challenges.

One of the wonderful things in her work is that, when NASA put out these challenges and got some great results back from the external world, she could've just stopped there, and written up the paper, and got a nice publication talking about how powerful this is, and how valuable it is to leverage outside knowledge... [But] she kept going back to the Johnson Space Center in Houston...

[She observed] the impact inside Johnson Space Center on the scientists and engineers at NASA who were saying, "I came to NASA to solve these difficult problems... When we start taking all these ideas from outside the organization, what happens to me?"

That's a very deep, human response that creates resistance... That's something that's going to happen in lots of organizations if you're not managing it carefully.

Have you seen more success with a central R&D organization helping a business unit execute an open innovation initiative, or the opposite? Does it tend to be

more successful when the line of business is leading and driving the initiative?

I tend to be pluralist in that. There are benefits to central R&D organizations in that they tend to do longer-term, bigger impact projects. Whereas, if the business is driving [things], it tends to be a more incremental, quick hit. Truthfully, you need both.

I think what works best is to have multiple funding sources for different horizons, to use the McKinsey terminology. Most of the Horizon One research that's in the near-term is probably best directed and funded by the business units, and the R&D organization is responding to that.

When you get out to Horizon Two and Horizon Three, though, you need to have some discretion and autonomy in the central R&D organization to do that. It's going to be a much smaller percentage of the total of R&D spending, but it is the stuff that is going to provide the seeds for larger, more profound opportunities in the future. I would advocate a mix.

You hear this ratio in companies like Google of 70 percent near-term, 20 percent mid-term, and 10 percent longer-term... You may need to tweak it up or down...but the idea is you don't put all your eggs in the current basket, and you certainly don't throw too much into the long-term basket either. You need to balance and manage all three horizons.

“The people that have been working on the project typically get broken up and redeployed on new front end activities. So a lot of the knowledge that we assembled and put together gets diffused.”

One listener asks, “I work in the pharmaceutical industry... Who should we be engaging in order to get an open innovation initiative started?”

I've done some work with Bayer in Germany in the pharmaceutical industry. I think they've got a very well thought out, very well constructed open innovation program that has a number of moving parts in it.

One is they have grants for apps, where they actually will provide funding for people to look at their compounds and suggest new uses. They have another one where they're looking for leads that has a similar kind of a crowdsourced mechanism, but they still do a lot of internal R&D as well. They're now increasingly sharing that with others.

Lilly does something...the pharma industry would do well to copy... They offer to external entrepreneurs and research scientists a

service where you can bring your compound to Lilly. They run it through internal assays and tests, and give results at no charge...

These assays Lilly has built up over decades are quite rare and valuable... [Lilly] sees the results as well, and they have something that you don't. They have all the other results for compounds on those same assays.

They know where you fall in the distribution of results... They can do further discussion with you about maybe collaborating or doing a joint development... It helps them scan very effectively for new, promising compounds outside their own research labs.

We hear [that growth] can be a more effective word to get people engaged, rather than just saying “innovation” and assuming everybody thinks about that positively...How do you think about driving innovation-related activities toward quantifiable business results?

We need to be thoughtful about linking the front end of the innovation process to the back end... Let's assume that [the back end is] some kind of a stage-gate model that Robert Cooper and his colleagues have done a good job of articulating over the years. We need to link up the front end to that...

When [companies like Intel] have their front end group come in with a promising new project, they're looking for a business unit to take it and run with it. The business units are run on very tight budgets that are done annually, and there isn't a lot of spare money lying around to pick up and run with something in the middle of the year.

Typically, you'd have to wait until the end of the year to make the budget request for the next fiscal year to have the resources to start to work with it... [There is] not only a funding mismatch, but the people that have been working on the project typically get broken up and redeployed on new front end activities. So a lot of the knowledge that we assembled and put together gets diffused. It's hard to put it all back together again when the funding does arrive for the next fiscal year...

[Intel] created a fund to provide funding during the fiscal year for things that the businesses didn't know about, and couldn't specify at the beginning of the fiscal year.

These funds...tide over the project until the next budget justification... [They also] make at least one person on the front end team transfer to the business unit for at least six months to provide a continuity of knowledge... These are practices that help connect the front to the back end in a practical way. ●



Training and Education

COURSE LISTINGS FROM OUR STRATEGIC EDUCATION PARTNERS

AT THE REQUEST OF OUR MEMBERS, we have created this Executive Innovation Education supplement, which catalogs leading courses and curricula in the field of innovation education. These courses, contributed by our Strategic Education Partners, are deeply aligned with the needs of our members, who regularly contact us with requests for information on inventive thinking, innovative design, Lean Startup, and other frameworks, methodologies, and tools. For more information on these classes, select “Resources” at innovationleader.com.





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UPCOMING PROGRAM

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Leveraging Systematic Inventive Thinking

DESCRIPTION

This class helps you learn how to plan, develop, and implement self-sustaining innovation for your organization. This is a hands-on three-day program that teaches you how to generate creative solutions to problems — solutions that are both novel as well as useful — and helps you develop an action plan for successful innovation planning and execution. Jointly taught by academics and practitioners, each session provides a short conceptual framework followed by an introduction of practical tools and a workshop where the tools can be applied. In addition, on-site coaches will guide you through the program.

PARTICIPANT PROFILE

Design Your Innovation Blueprint is designed for mid- to upper-level executives who have been charged — formally or informally — with creating a culture of innovation in their organizations and translate it into a sustainable practice that supports the business strategy and translates into quantifiable top-line and bottom-line results.

FORMAT

In person

DATES

Jun 6–8, 2018
Nov 14–16, 2018

PRICE

\$5,980

LOCATION

Columbia Business
School Campus,
New York City

CONTACT

Anthony Madonna
+1-212-854-6016
anthony.madonna@
gsb.columbia.edu

LEARN MORE: <https://www8.gsb.columbia.edu/execed/program-pages/details/1056/DIB>



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UPCOMING PROGRAM

Certified Innovation Mentor Program

DATES

March 12-16, 2018
June 11-15, 2018
Sept. 10-14, 2018

DESCRIPTION

Our flagship innovation program provides rigorous, in-depth innovation education and application for innovation leaders charged with leading teams through innovation methodologies and tools.

PRICE

\$19,500

FACULTY

Innovation experts including Dr. Nancy Tennant, Chief Innovation Officer Emeritus for Whirlpool Corporation.

LOCATION

University of Notre Dame
South Bend, Indiana

FORMAT

Three separate classroom modules, two intersessions including on-line content along with application of classroom learning via participation in a team innovation project, and completion of an individual innovation project implemented within the participant's organization.

CONTACT

Matt Krathwohl
574-631-5285
mkrathwo@nd.edu

OTHER CUSTOM OFFERINGS

Innovation Mentor Boot Camp: Our intensive innovation workshop – offering broad-based, short-format innovation training for corporate teams who leave with an action plan for success.

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UPCOMING PROGRAM

Innovation Engineering Black Belt Certification Program

DESCRIPTION

Innovation Engineering is a new field of academic study and leadership science that enables you and your organization to innovate with increased speed and decreased risk. The Innovation Engineering Black Belt Certification Program transforms you into a genuine expert at system driven innovation. It's a true mastery program covering five university courses worth of content.

FACULTY

Doug Hall, founder and CEO of the Eureka! Ranch, Innovation Engineering Institute and Brain Brew Ventures.

FORMAT

Each course is in three parts: 1) on-line, 2) in person, 3) 6-month personalized certification work plan to apply new skills to your real work, with the help of a coach.

OTHER CUSTOM OFFERINGS

Innovation Engineering Blue Belt Certification: A fundamentals courses where everyone can learn reliable systems and tools for being more innovative in their current job right now.

Innovation Engineering Silver Belt Certification: A leadership course where company & department leaders learn their role in creating and keeping a culture of innovation.

DATES

Pre-requisite Courses:
March 6-7, April 10-11,
May 8-9, June 5-6
Black Belt courses:
April 24-26, July 24-26

PRICE

\$15,000

LOCATION

The Eureka! Ranch,
Cincinnati, Ohio

CONTACT

Lydia Carson
513-509- 6405
Lydia@InnovationEngineering.org

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Maddock Douglas has helped established brands who are experiencing growth challenges to determine what's next. We've identified four challenges involved with advancing innovation: The ability to justify investment in innovation, pace of innovation, effective prioritization of innovation efforts, and getting disruptive ideas in market. We bring competencies and experts to bear on these challenges, serving needs of various disciplines within your organization.



Movestheneedle.com
@MovesTheNeedle

Our mission is to transform organizations to continuously innovate by empowering people to discover and create new value for their customers. Co-founded by Brant Cooper, author of „The Lean Entrepreneur,“ Moves the Needle helps ignite entrepreneurial action, empowering employees to discover and create new value.



Nasongroup.co
@Nasongroup

The Nason Group catalyzes change by meeting people where they are, bringing disruptive thought leadership, compassion for the human experience, and a global mindset to transform services through customized experiences. Now, more than ever, organizations require disruption, innovation, and transformation to keep pace with a changing world. As a boutique, minority-owned service design group, the Nason Group relentlessly engages human-centered practices to create and achieve the seemingly impossible.



Nottinghamspirk.com
@NottinghamSpirk

For over 44 years, Nottingham Spirk has developed hundreds of patented products that have generated \$50 billion in sales for Fortune 500 companies. The firm offers a full-service Vertical Innovation™ process – from market research, user testing, product design and development, mechanical, electrical and software engineering, to prototyping and support for full commercialization.



PAConsulting.com
@PA_Consulting

PA Consulting Group is an independent firm of over 2,600 people, we operate globally from offices across the Americas, Europe, the Nordics, and the Gulf. PA is the only consultancy with over 70 years' experience across consulting, technology and innovation. We define success as achieving results that have a lasting impact on businesses, communities and individuals worldwide.



PatSnap.com
@PatSnap

PatSnap helps business leaders make better informed decisions about their innovation strategy by harnessing intellectual property analytics. Thousands of companies use PatSnap to analyze tech trends, drive innovation, automate competitor intelligence and maximize return on R&D.

With advanced neural networks and data science techniques, we read, analyze and correlate millions of documents from across the globe every day. Then we add the information you need to make the right decisions, from chemical structures and clinical trials, to financial reports and litigation records.



Qmarkets.net
@QmarketsGlobal

For over 10 years Qmarkets has offered the most comprehensive crowdsourcing solutions. Its modular approach allows organisations to configure a process that adapts to requirements of any group within the business, while maintaining centralized control and visibility. This extends beyond innovation management to include process improvement and operational excellence, open innovation, M&A scouting, employee suggestion boxes, best practice sharing, virtual innovation workshops, and prediction markets techniques. It offers technical and visual flexibility to a list of global clients; including Nestle, Ford, Lufthansa, Ab InBev, Phillip Morris International, and UniCredit.



Sopheon.com
@Sopheon

Sopheon's Accolade® software, services and best practices provide end-to-end decision support and process automation for the entire innovation management, new product development and strategic initiative lifecycles. The end result is business agility and increased performance of innovation investments required for long-term relevance in a fast-changing market. For the first time, businesses can access a single source of the truth across strategic innovation planning, roadmapping, idea and concept development, process and program management, portfolio optimization, resource capacity planning and in-market management.



Spigit.com
@Spigit

Spigit is the #1 ideation management platform, and enables you to harness the collective intelligence of your employees, customers and partners to solve today's problems, maximize tomorrow's opportunities and accelerate innovation.



Strategos.com
@StrategosTeam

Strategos is a strategy and innovation consultancy founded by a group of talented professionals and Professor Gary Hamel. For over 20 years, we have helped clients across the globe developing game changing strategies, identifying opportunities for growth and embedding innovation at the heart of their organization. Our approaches, methods and tools enable a creative and systemic approach to strategy and innovation that have been time tested and proven to deliver results.



XPLANE.com
@XPLANE

XPLANE is a global consulting partner that helps large organizations transform their business and accelerate results. We combine the strategic expertise and organizational strength of a consulting firm with the creative power of a design studio. We leverage visual thinking, design facilitation, co-creation, and people-centered design to help clients solve complex problems and drive immediate and lasting results.

UPCOMING EVENTS

MARCH

THE UNDERGROUND

SAN FRANCISCO & NEW YORK

The Innovation Leader Underground is a roundtable series that convenes senior executives working in innovation, strategy, and R&D. By creating a confidential, off-the-record space, and facilitating highly-participatory conversations, we empower leaders to share recommendations, insights, and guidance with one another. Our March Underground gatherings will focus on AI, automation, and robotics (San Francisco, March 1) and innovating in highly-regulated industries (New York, March 28.) innovationleader.com/underground

MARCH 25-28

ISPIM INNOVATION FORUM

BOSTON, MA

A forum for researchers, executives, and consultants with a passion for innovation management. Speakers include researchers from the MIT Media Lab and Northeastern University, as well as Emily Reichert, Greentown Labs CEO, Bill Wagner, LogMeIn CEO, and James Heppelman, CEO of PTC. ispim-innovation-forum.com

APRIL 19-20

INNOVATION LEADER NEW YORK FIELD STUDY

NEW YORK, NY

The next Innovation Leader Field Study takes 50 corporate executives to R&D labs and sites around New York City, including Dow Jones, Nasdaq, Cadillac House, and J&J. The focus is on changing company culture and cultivating an ecosystem of partners around a company. Featuring session leaders from ESPN, New York Life, Ralph Lauren, Gensler, Pfizer, and Kickstarter. Includes an optional tour of Lululemon's experimental lab store. innovationleader.com/nyc2018

APRIL 23-25

FRONT END OF INNOVATION

BOSTON, MA

Speakers at the 2018 edition of FEI include former GE chief executive Jeff Immelt, Procter & Gamble CTO Kathy Fish, and Ed Catmull, President of Pixar Animation Studios. The event includes off-site visits, a demo zone, and tracks on fueling exponential growth, FEIx. marketing.knect365.com/feiusa

MAY 17

INNOVATION LEADER DEEP DIVE: TRANSFORMING HEALTHCARE

BOSTON, MA

If you work in a large healthcare organization and are tasked with making change happen, don't miss this event at the Pulse@MassChallenge healthcare accelerator. Focusing on concrete tactics, we'll explore where the best ideas come from; how companies structure and run pilot tests, and gather data; and turn successful pilots into large-scale roll-outs. innovationleader.com/deepdiveHC

JUNE 20-21

INNOVATION LEADER CLEVELAND FIELD STUDY

CLEVELAND, OH

Our first Ohio Field Study covers topics important to corporate innovation, strategy, and R&D leaders—with a focus on creating the right partnerships with business units and other functions to make innovation a daily occurrence, not an isolated initiative. How do you work with colleagues to set objectives? How should they be involved in incremental, adjacent, and transformational innovation activities? How do you ensure that they become advocates? Our session leaders will include representatives from business units as well as functions like legal, HR, finance, and tech. innovationleader.com/cleveland2018



To learn more and see a full list of upcoming events, visit www.innovationleader.com/events



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UPCOMING EVENTS

INNOVATION LEADER

IMPACT

CAMBRIDGE, MA

October
16-18



Deep Dive:
Healthcare
BOSTON, MA
May 17

BEST PRACTICES IN PILOTING
AND DEPLOYING NEW IDEAS



FIELD STUDY CLEVELAND

June 20-21

FORGING EFFECTIVE
INTERNAL PARTNERSHIPS
TO FUEL INNOVATION



FIELD STUDY

London

SEP 20
18



FIELD STUDY NEW YORK CITY

April
19-20



GRAB YOUR SPOT AT INNOVATIONLEADER.COM/EVENTS

Measuring Innovation

XPLANATIONS

Corporate innovators need metrics to show where they're delivering impact, and ideally, to gain access to additional resources. But measuring innovation is much more challenging than measuring on-going operations, since by definition it is about exploration and experimentation — and failure is not only an option, it's part of the journey. Here's Innovation Leader's look at how you can design an effective "Mission Control" for your innovation work, along with questions to discuss with your team and senior leadership.

For more on the stages of innovation listed below, see <https://www.innovationleader.com/navigating-maze-of-corporate-innovation/>



ACTIVITY METRICS

There are two kinds of metrics: **activity metrics**, which show what you've been doing, and **impact metrics**, which show the results you've achieved. Most programs begin by tracking activity metrics, like:

- | | |
|-----------------------------------|--|
| # of ideas submitted by employees | # of prototypes built or pilot tests run |
| # of patents filed/issued | # of training workshops run |
| # of startups met with | # of sessions held in new innovation lab |

IMPACT METRICS

As innovation programs mature, they need to be collecting and communicating **impact metrics** to show that they are delivering clear business benefits (and to help make better forward-looking decisions.) Examples include:

- | | |
|------------------------------------|--|
| Revenue generated by new offerings | Media/social media coverage |
| Improved employee retention | Customer satisfaction/Net Promoter Score |
| Cost or time savings | Stock price |

GOVERNANCE

As the strategy for an innovation initiative takes shape, work with your governance committee to create a set of initial measures. Key questions:

- What are the activity and impact metrics that we believe will matter most?
- Who needs access to metrics data, in what form?

PROCESS

Collecting data is a messy task, especially when projects involve multiple functions and business units. Key questions:

- Who is responsible for gathering/reporting results?
- Will you use an existing system/tool, or something new?
- Are there ways to pare back less relevant metrics as your program evolves?

CHALLENGES

Many benefits of innovation work can be fuzzy, tough to measure, or measurable only over a long time period. Other challenges to consider:

- Keeping metrics aligned with overall corporate strategy
- Small innovation teams can spend too much time on metrics and reporting vs. "doing stuff"
- Measuring impact as projects move across functional or business unit "borders"

DISCUSSION QUESTIONS

- What current innovation metrics does your leadership care about most? Least?
- What is difficult to measure, but might be worth measuring?
- How can you help leaders understand that certain initiatives will take time to show results?
- How broadly should you be communicating the impact of your program?



ALIGNING METRICS WITH STRATEGIC INTENT

BY MICHAEL TULANEY, SENIOR INNOVATION MANAGEMENT CONSULTANT, SOPHEON

Managing and measuring innovation is complex. The task of determining what to measure is critical, as the metrics used will focus efforts, influence decision-making, and impact the overall performance of innovation portfolios.

METRICS TO USE

Every organization has a unique set of innovation initiatives and processes to drive them. Collectively, the objectives for each initiative should play into realizing the general innovation strategy of the organization.

In general, consider two classes of metrics:

Activity Metrics: The measure of the cost, effort, and activities or programs related to developing new products and services, or launching an innovation initiative.

Impact Metrics: The measure of the contribution to the strategic and financial health of the company's portfolio of offerings, both new and existing.

While most companies with mature innovation processes forecast the financial impact of their innovation

investments with classic metrics such as net present value (NPV), return on investment (ROI), and gross margin, it may not be obvious that the metrics used can actually drive behavior of decision makers, potentially to unintended outcomes.

Executives and process designers must be sensitive to this subtle dynamic and ensure that appropriate metrics for forecasting, prioritizing, and measuring performance all align with the strategic intent of the innovation portfolio.

Stated simply: You get what you measure.

DATA VOLUMES REQUIRED FOR DECISION-MAKING

Business insight is not free, nor should it be if it is to lead to a profitable opportunity for an organization. Project teams typically see modeling, forecasting, reporting, and then defending the information provided to support executive decisions as a distraction from "actual product development work."

To the contrary, if modeled thoughtfully, the development of this information *is* product development work, and typically saves teams from time wasted working on low-value projects.

The right balance is struck when decision makers can confidently defend the choices they make, not because there are volumes of accurate data behind the decision, but because they have sufficient insight to pursue an advantage without waiting for more information.

RE-EVALUATING WHAT'S BEING MEASURED

Rapid market change and digitalization now require all organizations—large and small—to operate in an agile manner. Thus, it is becoming common practice to revisit metrics as regularly as you revisit innovation strategy and operating plans. This is not to suggest that metrics necessarily be changed, but rather that organizations appreciate and exploit the deep connection between measurement and performance.

CONCLUSION

Forecast and measurement of activity, as well as impact metrics, are critical tools in the innovator's toolbox.

High-performing organizations work hard to establish a framework and align measurement with strategic intent. They seek balance in what and how much is mea-

sured, so teams can be productive and leadership can make agile decisions based on trusted data.

An end-to-end, decision support software platform like Sopheon's Accolade® significantly simplifies and automates this process while boosting productivity, giving corporate leaders clear visibility into what matters so they can make informed decisions based on trusted, cross-functional data generated by the daily work of business units and team members.

A successful innovation management program will help a company realize sustainable, profitable revenue for new products and services via increased value, improved success rate, throughput, and reduced time to market.

Interested in learning more about metrics and influencing outcomes? Visit www.sopheon.com/metrics

