CHAPTER 1

Innovation, Survival, and the ''Aha!'' Moment

Remember back in the dark ages of, oh, several years ago, where in some quarters it was legitimate to actually ask questions like:

- Should we innovate?
- Should we create a new product development (NPD) program?
- How necessary is our research-and-development (R&D) department, anyway?

That last one in particular makes me cringe. All of these questions, though, seem quaint in the context of today's business environment. It's war out there. You innovate. *Period.* If you don't innovate, you perish (Exhibit 1.1). Simple as that. If you are reading this book, you know that failure simply is not an option.

With innovation no longer a choice, the next question for many of the thousands of otherwise thoughtful
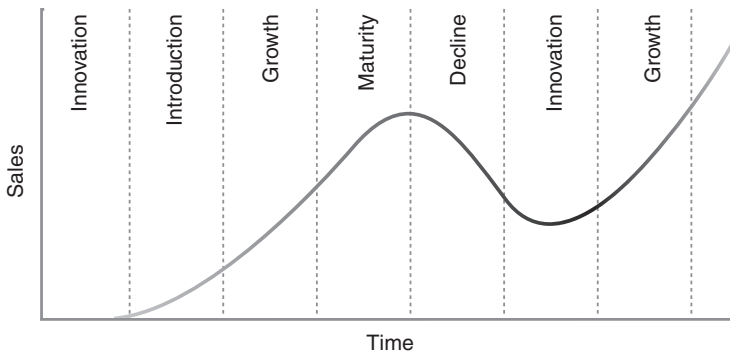
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Exhibit 1.1   Innovation Restarts the Product Life Cycle

executives I've met over the years—in a wide variety of industries—is, ''Okay, we need to innovate. But how?'' or, ''Okay, but we already have an NPD program in place, but it's not working. You're consistently late to market.''

Where do you start? How do you fashion a program that works within the context of your organization and its unique culture?

You've come to the right place. If you've read this far, you know that innovation is the lifeblood of new business. You want to outperform the competition but are unsure of how to proceed. Maybe you've benefited from an innovative product or service but have been unable to recreate this past success with any degree of regularity. Or perhaps you face a mandate to cut budgets to the bone—the so-called addition by subtraction. One of the first budget line items to be cut is often R&D—the very *last* thing that should be eliminated during uncertain times.

In today's business environment, *Robert's Rules of Innovation* will help you create order from the chaos—clearly,

concisely, and helpfully. The cornerstone of *Robert's Rules of Innovation* is the set of 10 essential rules of innovation implementation to create and sustain *new* business, detailed in Chapter 2. These rules are distilled from my decades of experience as a leader of international product development teams, as well as input from my international network of professional sources with experience on a wide variety of products and services.

How Do I Get to ''Aha!''?

Throughout my professional career, my orientation has been spent on new product introductions. While at Philips Lighting as Manager–New Products, I developed the first version of an NPD stage-gate process and refined this process in roles and companies that followed, such as GTE Sylvania and Kohler.

One highlight of my career came at a company I headed, called Airspray. Take a look in your kitchen, bath, or cupboard—in the United States, in Europe, in the Pacific Rim. See those instant-foam dispensers, most likely hand soaps—the ones that work without chemicals or propellants? Dishwashing liquids? Cleansers? We pioneered that dispensing technology and created a ubiquitous presence in every household, in both developed and emerging markets. (See Exhibit 1.2.)

I am often asked how we did it. How did we get to that *"Aha!"* moment, when we knew we had a dispensing design that would turn the personal care product industry on its head? Once the technology was perfected, how did we sell it in one market segment after another? How did we protect our investment and ward off industry newcomers? How did we build a worldwide team and overcome the

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Exhibit 1.2   Foaming Hand Soap
Source: Rexam Airspray, B.V.

cultural differences inherent in a multinational effort? And how did we build upon our first designs to keep trade customer, retailer, and consumer interest (and profitability) high?

The answer: **innovation**. It's an overused word and very broad in meaning. Before we continue, let's take a closer look at what I mean when I use the word *innovation.*

One of my professional associates, a true product innovator, Peter Dircks, is the Vice President of Product Management and New Product Development at Hearth & Home Technologies. According to Peter, who has just

redesigned his company's flagship product line, true innovation is the optimum balance achieved by using the latest technologies, cost structures, styling, features, and services, and then successfully delivering that which is ''new'' to match customer or end-user needs at the optimum price.

''One needs to look only at the iPod as a perfect example,'' he says. ''End users wanted the ability to purchase single songs, versus entire albums, as well as to easily categorize and organize their MP3s and have all the information from the music industry. Apple delivered on this by leveraging the use of the Internet (technology), developing highly intuitive software (iTunes), as well as utilizing their music industry contracts (distribution and royalty agreements) with a very cool physical product (the iPod itself, its styling, user interface, etc.).''

According to Peter, ''this is one of the best examples of true innovation, in my opinion, and why they have such a global market share MP3 player lead in what could have been a commodity product, like the TV.''

Great example, Peter, yet let's bear in mind that while innovation used to relate primarily with manufactured ''things'' (products), companies have recently innovated new services as well, as evidenced by new offerings in banking, real estate, and insurance—the reverse mortgage comes quickly to mind.

And there are hybrids as well: new products accompanied by an innovative service. Again, the iPod model—super electronics bundled with iTunes accounts for managing downloads and personal music libraries.

Here is yet another take on how to think about innovation, from my friend Bruce Sauter, who studied industrial design and was a driving force at Atari and, later, at a

division of Kohler Company. His incredible mind sits comfortably at the confluence of product design, aesthetics, and the product's emotional tie to the end user.

''As I progressed in my career, my roles expanded to give insight into the fact that, for innovation to work and be sustainable, it must be the DNA of the organization—one with visionary leadership,'' Bruce told me. ''Innovation is a holistic strategy for building organizational culture, empowering the passion to create, developing creative environments that can execute effectively, and creating the potential for market leadership.''

''Innovation,'' he continued, ''is not just happening in the front end of the business development process—it needs to be pervasive throughout the entire value chain.''

According to Bruce, and I think you'll agree, innovation appeals to those of us who are passionate about creativity, working in dynamic teams through hard times and good times, building upon the free exchange of ideas and the successful execution of those concepts that results in a win. When an idea is discovered and implemented across the value chain with success, a ''sweet spot'' is hit—right on the mark. It's like winning the big game together.

Innovation is a cumulative process. It takes time and lots of energy. It is seeing people grow, open up, and succeed. This is one of the great by-products of innovation, he said. Successful organizations have successful people.

What it all boils down to is this: finding, empowering, and fostering individuals and teams with the passion to create their environments where they do their work, and play, and continually improve efforts to sustain the outcome. The rush you feel when things come together in just the right way and result in market leadership—that's what it's all about for me.

Successful innovators will tell you over and over again, and it's important to reflect on it here as well: Innovation is not just about ''creating new stuff.'' It's about creating an organizational process that encourages the creation of new methods, ideas, and, yes, products. It's all about instituting a different way of thinking, doing, and creating value.

With all this innovation taking place—from new widgets to new insurance products to new processes—it has become more important than ever for business leaders to institute innovation programs and *manage* them effectively.

Usually, I avoid clichés (like the plague!). But the cliché has its purpose: It is based on a common experience, a real issue faced all the time. And the cliché that comes to mind here, regarding innovation, is this:

Fail fast, but fail cheap.

In the dark ages, NPD program participants ideated and created a new product and passed the torch to sales and marketing. Today, however, there are more complex issues within the organization that require flexible structures and unprecedented cooperation across disciplines, teams, and business units.

So we now need bold tools such as new organizational structures, new forms of training, procedures, intra-company communications, and bold leaders who understand and can implement consensus across divisional and geographic boundaries.

Innovation Is Not a Luxury

At this point, I know what some of you may be thinking:

We're a smaller company, with less than $50 million in annual revenue. We don't have the time,

> manpower, or money for this type of comprehensive
> innovation initiative. Why can't we just "wing it" like
> we usually do?

As this is written, the media's stream of negative financial news appears infinite. Earnings are off. Consumer spending is down. Savings rates are up (maybe that's not such a bad thing, though). Layoffs. Deleveraging. 401(k)s that are now "201(k)s."

"How can we afford an innovation program?" you ask. "Maybe when things get better, we can revisit innovation," others might say. Like putting off that European vacation, postponing the purchase of that new Beemer, shelving the kitchen remodeling. Luxuries can be delayed, right?

Remember, innovation is not a luxury, even for today's most successful companies. Sustaining success means ongoing renewal of your intellectual property (IP) portfolio. After all, technologies become dated; end-user fashions change; and new processes, materials, and capabilities emerge. Like breakers at the seashore, the life cycle of a technology begins, crests, and falls off as, all the while, new technologies form and carry momentum of their own—an ongoing cycle of innovation energy, if you will. Exhibit 1.3 will help you visualize the "waves" of technology.

At Airspray, we applied this philosophy but extended sales growth from the initial hair care product to skin care, to hand soap, to foaming body wash.

Innovation is a must-have. It's your company's lifeblood. And remember, too, the perfect time to ramp up your innovation efforts is exactly when your cash-strapped competitors are slashing their programs. Especially if you believe that we are in a major, global economic shift, not just a garden-variety, cyclical downturn.
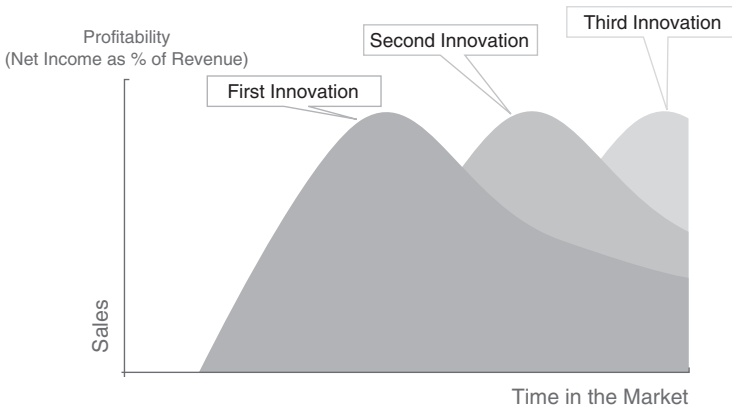
Exhibit 1.3   Repeating Innovation Is Critical to Sustaining Above-Average Long-Term Profits

Source: Brands & Company, LLC.

BusinessWeek magazine recently reported on this very issue. ''Innovation is an easy target,'' says Vijay Govindarajan, a professor at Dartmouth's Tuck School of Business. ''R&D dollars, by definition, lead to uncertain outcomes. Companies don't want failures during difficult times.''[*]

Some companies are taking an innovation vacation, resting on past successes, making incremental changes to successful products. But others, the smart ones, are looking at ways to reposition existing technologies in order to appeal to new end-user audiences. Here's an example: Guitar Hero. The technology itself is cool, but not earth-shattering. What's innovative is that its makers have captured the imagination of customers who had not been

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[*]Reena Jana, ''Is Innovation Too Costly in Hard Times?'' *BusinessWeek*, April 9, 2009.

considered typical ''gamers.'' When you have 55-year-olds rocking out to Aerosmith, playing with a toy guitar without knowing even a handful of basic chords—a group that is not typically associated with the Grand Theft Auto crowd—you've done something creative.

Redirecting customer appeal is one way to be creative. Of course, there is also the technological breakthrough, for example, the aforementioned Airspray mechanical foamer in the world of hand soaps. At the time we came on the scene, the key innovations in hand soaps were:

> *Early 20th century:* The invention of the bar soap available at retail.
>
> *1970s:* The launch of liquid soaps.

Nothing had changed in hand soap packaging for decades, and the market was primed for something new. Along we came, with a dispensing solution that offered real consumer benefits in a final ''medium'' that consumers really wanted—foam (Dripless! Easy to use! More efficient cleaning! Kid friendly! Fun!)—and offered true product differentiation at the point of sale.

Then there is innovation through change in the business model—how can your company wring incremental revenues out of the current value chain? Again, this method is exemplified by Apple and its iPod. It's more than a device. It's more than a service. It's a lifestyle must-have that has become embedded in our daily lives.

There are three themes for innovation, and all address the ultimate goal: to create value in the minds of your customers, whether you sell business to business or directly to end users/consumers. Innovation is not a luxury to be placed on the back burner. Innovation builds brands,

which means profitable growth, which means marketplace success.

Where Does Innovation Begin?

There are plenty of reasons to innovate, especially in times such as these. Yet the question still begs: What are the key issues around getting started?

- How do you set the policy?
- How do you build a quality team and an environment that fosters teamwork?
- Is it really possible to work with your customers and keep them involved in the process?
- How can you make the organizational changes needed to facilitate your efforts?
- What's the best way to harness marketing to encourage marketplace demand for, and acceptance of, the innovations to come—prime the pump, so to speak?

These topics will come up again in greater detail later on in this book, but for now I've asked my friend and associate Jill McCurdy to weigh in. Jill is an ideation expert and runs the Innovation Center for Rexam's Plastics Division. She addresses a key concern about innovation programs: how to maximize their performance (i.e., how to enhance the financial return on their investment in innovation).

A key factor, Jill explains, is turbo-charging the ideation process, through creating the right kind of processes, being the right kind of leader, and selecting the right team. Her insights are valuable to a wide range of executives, in companies large and small.

''When I think of ideation that goes awry, I think of too much overplanning,'' she said. ''Way too much.'' By that, she means too much emphasis on cutesy rooms, with lots of props and scenarios purchased in the hope of spurring the ideation team to dizzying heights of creativity.

''It's great to start with some creative play to get the ball rolling. You want to set the stage with visual tools, but just enough. In my experience, it's more about real strategies, and problem solving, and harnessing the right people,'' she said.

Paramount is starting with a specific problem in mind, which helps focus, or channel, the energy in the room and create just the right environment for success. Innovation objectives must correlate with business objectives, and these must be effectively communicated to the team.

Another key: building a knowledgeable group attuned to customer or end-user needs. And the group should be diverse, from across functions, divisions, age groups, gender lines, ethnic backgrounds, and company levels. A diverse group, she explained, creates the tension and interplay that can take the team to new, unexpected places.

How diverse is *diverse?* Actually, some innovation experts encourage inclusion of customers in the core group, to simultaneously help generate ideas through widened perspectives and build relationships in the process. Working in partnership with customers can also help accelerate time to market and lead to custom solutions that result in enhanced capabilities and expertise, Jill said. Risky? Perhaps so. And, in fact, we'll later hear from an expert who is strongly against mixing your team's creative folks with the client or customer.

But the potential payoff for daring collaborations is the creation of high(er)-margin products, hence improved return on investment (ROI) on your innovation program.

As for structuring the process, clearly this varies widely and is dependent on the size of the organization. The nimble, smaller, more entrepreneurial company may have its NPD team run by the chief executive officer, with a core group of three or four other team players. The process is often a bit less formal, and there are fewer projects to track.

But smaller companies can have a great deal at risk, and innovation can loom as a do-or-die imperative. Therefore, processes are in place to ensure proper tracking from ideation to finished product.

According to Jill, the innovation process is clearly a left brain/right brain exercise. "You need the strategy piece, structure, and logic—as well as the intuitive, more random thinking processes," she said. Once upon a time, structure in ideation was considered antithetical to creativity, but no more. "It's all about the balance between planning, ideation, and analysis of the session—and the actual doing," she said. "Neither should stifle the other, and it's up to the leader of the team to make sure the group is on the right track."

Up to the leader of the team. What are the personality characteristics of the ideal leader? What is the skill set? Clearly, the leader of the innovation team is a make-or-break factor in the group's success. It is important to recognize that the characteristics of the successful entrepreneur often do not overlap with the characteristics of the innovation team leader. It's important for the team leader to be able to "give stage" to others in the group, to be a good listener and capable of patiently facilitating sessions composed of the aforementioned diverse groups.

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The team leader has to have the gift of personality and managerial skills that allows team members to think the right way. He or she has to be the cheerleader for the initiative, the keeper of the culture, which includes excitement and recognition of success. The leader needs to involve all members of the team and balance the emotional needs of both the team's alpha dogs and its more reticent members. In a nutshell, the leader champions the entire innovation enterprise.

Based on my experience in a wide range of midsized and smaller firms, sometimes the ''little guys'' (the smaller firms) have an edge in terms of creating and sustaining the culture of innovation. Innovation may be more of an imperative than in larger, process-driven companies. And, even more to the point, in the smaller outfits, interaction between engineers, sales, marketing, production, and C-level executives is more regular and comfortable. Listening to each other is more of an ongoing occurrence.

Above all, innovation leadership must instill and monitor the process discipline that leads to a positive, innovation-driven, ROI story. This includes scheduling regular meetings, setting financial guidelines, establishing timelines and goals for NPD programs, and assigning responsibilities.

The successful innovation leader cares about more than determining the optimal time of day to hold the ideation meetings (although regularly scheduled meetings are important, and we'll learn why later in this book). He or she is about more than incentives, using creative exercises to get the synapses popping, encouraging the participation of quieter group members and tempering the enthusiasm of the alphas.

The successful innovator builds the culture brick by brick, top down, and reinforces it—every day, in every way—and can dynamically, persuasively, intelligently, and passionately challenge the team to new levels of success for mutual benefit, turning great ideas into showstopper products and services that lead to incremental sales.

Ready to begin? Then read on for the Innovator's Manifesto.

Think About

- How would you describe the tone and outcome of your most recent ideation sessions?
- What was the result of your last ideation/partnership with a customer?
- In terms of group diversity, are there others who might contribute to the team?
- What recent marketplace innovation do you admire?
- What recent innovation from *your* company are you proudest of?