



A good idea  
isn't enough.  
It has to  
create value.

**OLD** *IdeaVerse, Lucent Technologies's award-winning creativity center, was state-of-the-art in 1996. Highly praised internally and in the media, the center stimulated "ideation" and offered a wide range of training in creative problem solving and other techniques. IdeaVerse had it all: leadership, passion, great programs, outstanding marketing and communication, and the support of management. Four years later, it was defunct—joining the list of other great but departed programs such as those at Polaroid, DuPont, Ford, and R.J. Reynolds. Why?*

The world has changed, and the ground beneath our feet no longer feels as solid. In a matter of months, we have gone from a hiring frenzy to the highest unemployment rate in five years. In October 2001, more than 700,000 U.S. jobs were lost. That, in addition to the events of September 11, makes us wish we could turn back the clock to a time when every idea turned to dot.com gold and everyday life seemed carefree and safe.

# Innovation DNA

By Ruth Ann Hattori  
and Joyce Wycoff

- In This Article: Innovation**
- Nothing is more risky than not innovating, with the possible exception of confusing innovation with something that fails to create value.
  - Teams are the center of innovation activities, and rewards have moved from individual and monetary to team-centered and celebratory.
  - Tools for innovation and creative thinking are widely accessible through self-service, virtual resource centers, and idea-capture and management systems that involve everyone in the organization in the innovation process.

But time doesn't go backwards. The challenge now is to live and thrive in the new world, where the call is for more innovation. When faced with increasing uncertainty, our natural impulse is to avoid risk at all costs. What we actually need is to face risk and manage it effectively. Fortunately, that's exactly what many leading organizations are doing. Kraft, Enron, Pillsbury, Air Products and Chemicals, HP, Datex-Ohmeda, Fidelity Investments, Teck Cominco, Rohm and Haas, Fedex Custom Critical, Cargill, and many others are learning how to sustain innovation in a way that reduces long-term risk. There's truly nothing more risky than not innovating, with the possible exception of confusing innovation with something that fails to create value.

Over the past several months, a flurry of articles have discussed the downside of innovation. In each case, it seemed that the writer's definition of innovation was limited to the implementation of a new idea. No matter how powerfully an idea is implemented, the question must be, In service of what? What value will be created with this new idea—for the customer (whether internal or external), the organization, the community, the employees, the world? Though powered by an endless supply of creative ideas, the dot.com house of cards proved that ideas aren't enough and ultimately collapsed because it failed to create value.

**NEW** *Pillsbury's Innovation Team views innovation as a distinct discipline and has created a department of more than 20 people representing technical and business functions. Many members are top-level managers of their functions, and most had already been coaching innovation on the side. Innovation Team now owns the stage gate process, guides new product research, and coaches and facilitates product and project teams. The team has a presence on virtually every project within Pillsbury and operates seamlessly to enhance innovation to attain revenue and profit goals.*

#### Pause, rewind

During the early 1990s, the push for corporate creativity caused the term "out of the box thinking," once novel, to become trite. Innovation became a buzzword but was too often confused with creativity or invention and generally deemed the exclusive dominion of research and development. Ideas were put into suggestion boxes, and sometimes the ideas that were implemented earned monetary and other

rewards for individuals in the winner's circle. Understanding the importance of having new ideas was growing even if the systems for capturing and evaluating those ideas were a little ragged.

Throughout the 1990s, self-appointed change agents followed their passion and developed the on-the-job avocation of facilitating creativity. Many of those activists managed to find champions in upper management, who would bless their pursuit and even help them establish a creativity or innovation center or an internal consulting role. The change agents focused on training individuals and teams in problem solving and idea-generation tools and techniques. They facilitated management meetings, idea-generation sessions, product-naming sessions, and more. They measured their success by the number of people trained, the number of ideas generated, and the number of requests for their service. And their numbers were impressive.

But, one by one, the centers disappeared. Though they did good work training people and launching projects, each center remained the pet project of one or a handful of passionate champions. When the leader or benefactor of a center moved on to a new role, the center's energy, will, and funding faded.

#### Fast forward to 2001

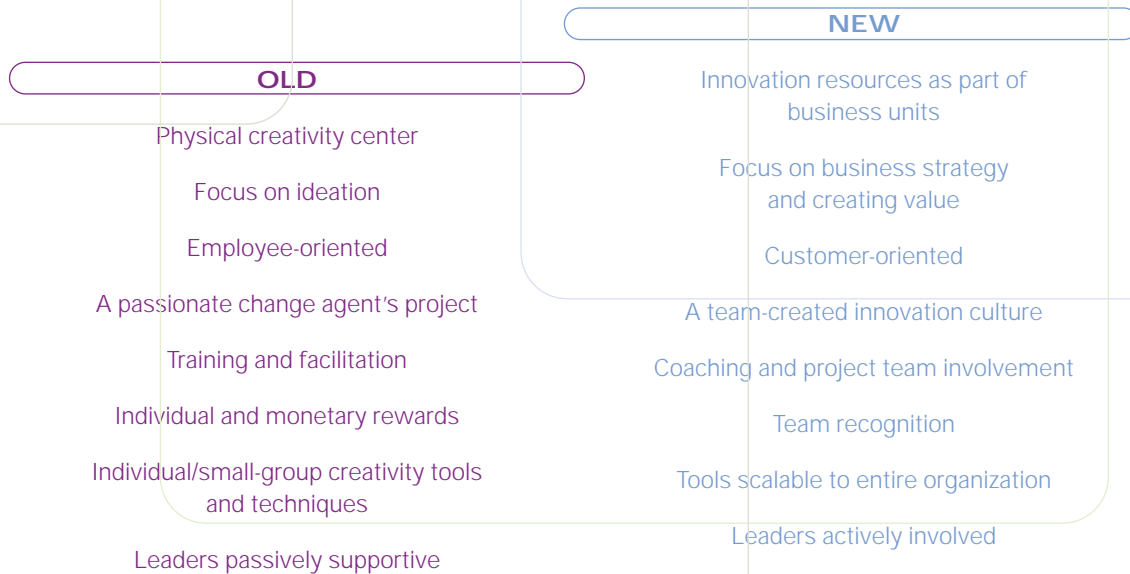
*Transformational innovation* and other such terms are appearing on strategic agendas. Kraft, Bristol-Myers Squibb, Cargill, Datex-Ohmeda, and others have created budgets or allowances specifically for innovation projects. Innovation leadership has been climbing up the corporate ladder with top-level managers involved in direct management of innovation. New positions to spearhead innovation activities are appearing rapidly.

At Air Products and Chemicals, Ron Pierantozzi was recently named director of innovation and early business development, charged with finding white-space opportunities for innovation. Russ Ward, project director of new products, carries the innovation torch at Datex-Ohmeda, and James Bady of Cargill has been working for two years as the innovation and knowledge process manager of his business unit.

Marsha McArthur, part of market research at Bristol-Myers Squibb, spends 100 percent of her time on innovation—most recently, on implementing a sophisticated ideas-management software system.

Those are just a few of the growing cadre of innovation champions considered to be a critical part of the innovation strategies of their organizations.

# The Innovation Shift



Creativity has been put into context as a tool of innovation. The end result—whether a new product, service, or process—is expected to deliver real value to customers and the bottom line. Business units are taking up the charge, guided by strategic initiatives that call for specific goals achieved through innovation. In addition to serving directly on project teams, Pillsbury's Innovation Team includes three full-time, professional innovation coaches—yes, professional innovation coaches—who bring new skills to teams, including the up-front process of uncovering unforeseen opportunities.

## The center of innovation

Teams are the center of innovation activities, and rewards have moved away from individual and monetary to team-centered and celebratory. The ultimate example of teamwork is the cross-company innovation team called the CSX-Tropicana Cultural Partnership, formed out of the ashes of a classic, adversarial supplier-customer relationship between an orange juice producer and the railroad that carried its product. That partnership produced millions of dollars of improvements for both companies and cultivated a can-do culture with team celebrations

and peer awards. At Cargill, Bady is shepherding projects that are adding millions to the company's bottom line. He favors such rewards as ballgame tickets for entire teams and often their families.

The tools for innovation and creative thinking are becoming widely accessible through self-service, virtual resource centers—providing 24/7 availability for a 24/7 world. Idea-capture and management systems involve everyone in the organization in the innovation process. Some organizations are developing their own idea-capture systems, such as Enron's *Thinkbank* and Cargill's *Innotrack*. Others, such as Bristol-Myers Squibb, are choosing vendor-developed systems. All of those systems invite broad-based participation and empower employees to influence the company's future directly.

## Organic metaphor

The focus of innovation has shifted to value creation and is deservedly gaining momentum in many organizations. More companies are trying harder to understand how to innovate more and faster. To that end, they're exploring the drivers and underpinnings of the fascinating process of innovation.

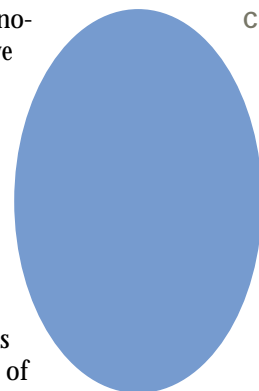
Several years ago, as founders of the InnovationNetwork <img alt="InnovationNetwork logo" data-bbox="245 178 265 192"/> [www.thinksmart.com](http://www.thinksmart.com) we recognized that most organizations were talking about innovation but didn't have a good sense of how to do it. Too many were getting stuck in the idea-generation phase. We gave the challenge to the Innovation University Fellows, members of an education program developed by InnovationNetwork who meet three to four times a year at various sites, and asked them to create a model of

innovation. The result is InnovationDNA, which isn't quite a model but more of a graphic framework of the system or life of innovation. When the IU Fellows began their research, they rejected mechanistic models and looked for an organic metaphor that would closely reflect the nature of innovation. They began to think about DNA as the essence of life—the stuff that makes up the infinite variability of the world and realized it was what they were looking for: the genetic elements that create the infinite possibilities of innovation. The elements:

**Context.** Organizations are a part of the web of life. As the events of September 11 proved, organizations are affected deeply by what happens in the world around them. But context isn't just about the world surrounding an organization; there's also an internal context of leadership, core values, and culture that provide the foundation for innovation.

**Leadership.** We follow our leaders because we believe they see a better place in the future and know how to get us there. Because innovation by definition involves journeying into the unknown, it's critical that organizations have confidence in the vision, strategies, and intention of their leaders.

**Core values.** All organizations operate on a spoken or unspoken set of core values. Core values such as learning, commitment, people development, and contribution are innovation drivers that can transform the mundane into the compelling and an ordinary project into a stellar new business. When those values are truly embodied, they make the impossible possible.



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**Culture.** Culture is the reflection of leadership and core values—the outward and observable expressions of values. Culture creates the playing field for the actions, transactions, and interactions of business and the pursuit of innovation. An environment that's flexible and empowering and that welcomes ideas, tolerates risk, celebrates success, fosters respect, and encourages fun is crucial to innovation.

Over the past several years as part of the Innovation University program, we visited innovative organizations across the United States and in Canada and Peru. Although the company cultures we saw were unique, the strongest ones were obvious from the moment we walked through the door.

For instance, at Fedex Custom Critical, we were greeted by a receptionist whose title was leader of first impressions. At GSD&M, an ad agency in Austin, Texas, we walked across its core values cast in concrete in the floor of the rotunda, as employees do every working day of the year. At Cirque du Soleil, we sat in an executive conference room

with windows overlooking the practice gyms. That deliberate building design lets practicing artists see all of the people who support them in their work and gives management and administration a chance to see how their work and decisions are directly connected to the final kaleidoscopic product of talent, music, costumes, lights, and mystery that delights audiences and generates revenue.

When organizations start to think deeply about innovation, they understand that it's not enough to train people in new tools and techniques. They need to somehow understand their cultures and how they must change to support innovation.

**Challenge.** Innovation means doing things differently, exploring new territory, and taking risks. There has to be a reason for rocking the boat—a vision of what could be or a deep fear of what might happen if things don't change. That's the challenge. The bigger the challenge and the commitment to it, the more energy

innovation efforts will have. Every organization can identify meaningful challenges; they don't have to equal mapping the human genome.

APCI's Pierantozzi says, "We developed 11 major areas that we want to work in. We call them 'waves,' and we focus our efforts and ideation in those waves, pursuing them from bottom up and top down." The 11 waves represent the challenge for the future and form an organizing context for thought, exploration, idea generation, and action.

**Customer focus.** All innovation should focus on creating value for customers whether they're internal or external. Interacting with customers and understanding their needs stimulate new possibilities and the motivation for implementing them.

At Datex-Ohmeda, a developer and manufacturer of anesthesia and critical-care products, part of the company's innovation effort is a program called Discovery that encourages people to do onsite customer observations. Says Russ Ward, "When people see our products being used in real situations, they get stretched outside of their normal consciousness. They understand the problems and needs of the customer in a new way and learn how to step outside the normal perception processes."

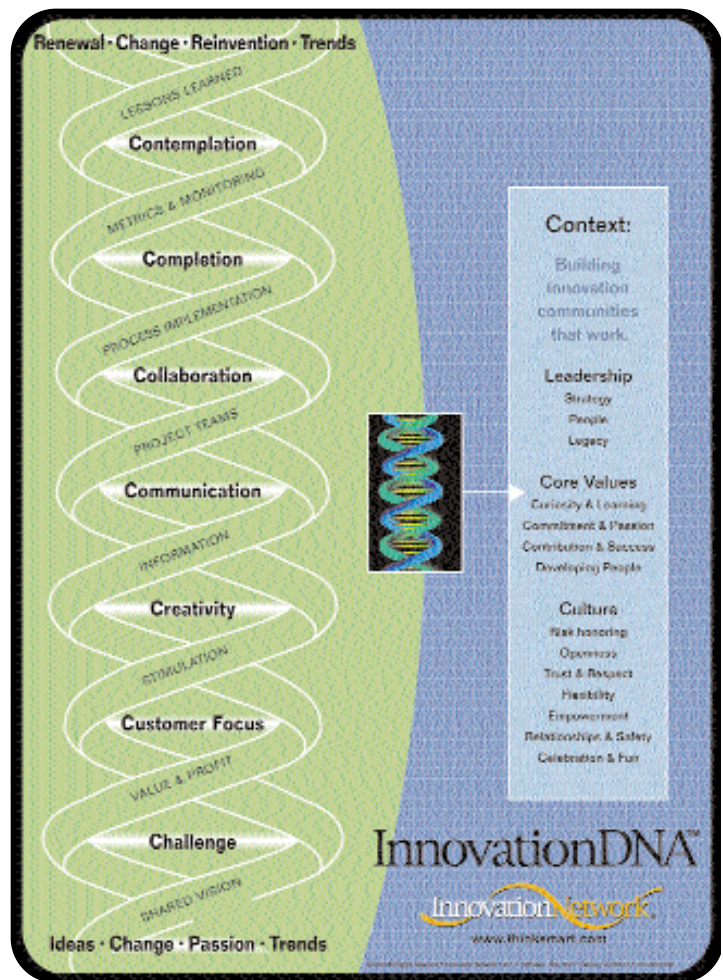
Russ's partner in innovation Chris Goodrich says, "We think of it as a beaver pond. The most diversity, the most activity, happens at the edge of the pond. We're trying to make the edge bigger."

**Creativity.** Everything starts from an idea, and innovative organizations understand that ideas can come from anywhere. Rather than focus on owning ideas, innovative organizations want to own the results.

Dave Bonner, global director with Rohm and Haas, a specialty chemical company, is trying to break the "not invented here" syndrome.

"We're trying to use chemical technology as the engine for an innovation process that drives much greater growth and creates new businesses. We have people who are constantly scouting for new technology at universities, government labs, and other places. We're trying to create a roadmap of technology and markets so that we can identify the gaps, the places where we can innovate effectively."

**Communication.** Open communication of information, ideas, and feelings is the lifeblood of innovation. Both



infrastructure and advocacy must exist in an organizational system to promote the free flow of information.

When Sarah Palmer and Marie Hejka joined the Innovation University Fellowship program, they knew they wanted to do something to promote innovation in their company, Enron, the Houston-based energy giant. Little did they know they would be launching a major intranet program that would wind up winning four Silver Quill awards for communication excellence. Says Palmer, manager of internal communications, "The program known as *eThink* is designed to get everyone in the company into one virtual room so that we can share information, ideas, and experiences. Our culture is gradually changing to a more open, communicative style."

**Collaboration.** Innovation is a group process that feeds on interaction, information, and the power of

teams. It's stifled by restrictive structures and policies, as well as incentive systems that reward only individual efforts.

Jeffrey Hyman, founder and director of The Innovation eXchange, the internal consultancy for Britain's Rank Hovis McDougall group of food industry companies, has pushed collaboration out of the realm of employees-only to include new-product development excursions with real customers.

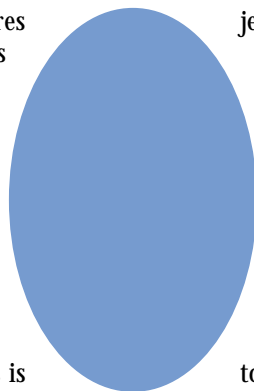
Says Hyman, "One of our programs is called Same-Day NPD (new product development) as a proven way of finding out what our customers really want. We sit with them in a classroom environment and thrash out what they want and need. Then we develop concept after concept. In the evening, the concepts are presented and the customers sit as a ruthless jury. At the end of the day, we have 10 to 20 customer-evaluated concepts."

**Completion.** New innovations are projects that are successfully realized through superior, defined processes and strong implementation skills: decision making, delegating, scheduling, monitoring, and feedback. Innovative organizations also know that celebration is an important part of completing a project, regardless of its level of success.

Bristol-Myers Squibb's McArthur has been focusing specifically on building an effective process for evaluating ideas. "Part of our process is an Ideathon," she says, "in which groups of 30 to 60 people spend two hours reviewing and extracting the value from ideas that have already been generated. That massive review of ideas is designed to winnow the top 100; a second round comes up with the top 10.

"We decided to change our decision process after a study was done by a group of Fordham M.B.A. students. They looked at ideas that had been adopted in the past year and found that we could be more rigorous in our selection criteria."

**Contemplation.** It's essential to make objective assessments of the outcomes, benefits, and costs of new pro-



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jects. Gleaning the lessons learned from both fruitful and failed projects builds a wisdom base that creates an upward cycle of success. Documenting and evaluating projects are critical steps that help perpetuate innovation. Yet, we find that most organizations avoid those steps in their rush to get on with the next project.

The innovation team at Pillsbury (recently acquired by General Mills) launched a process of doing learning histories after the completion of each project.

Learning histories are Pillsbury's creative solution for making sure the lessons from each project are captured and shared. Nancy Eicher, director of innovation, says, "Innovation isn't just a front-end activity; we need creative solutions all along the process."

"The more things change, the more they stay the same." In its outward manifestation, innovation has changed dramatically over the past decade. But the basics, the genetic elements of innovation, haven't changed nor will they. Innovation is a people process. It happens when people work together on a challenge that energizes them in an open environment of trust and respect, in which mistakes are considered learning events and everyone understands what value is being created and for whom.

Innovation is more of a mindset, an attitude, than a set of processes or techniques. It can be enhanced by complex tools, but it will always require a mysterious mix of the human mind, motivation, and timing. We can plow the field and sow the seeds, but the final harvest will depend on the whims of nature. If we don't plow and sow, there will be no harvest. Now more than ever, we need to create cultures of innovation—cultures that will be able to deal with any change that comes our way in the future. TD

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