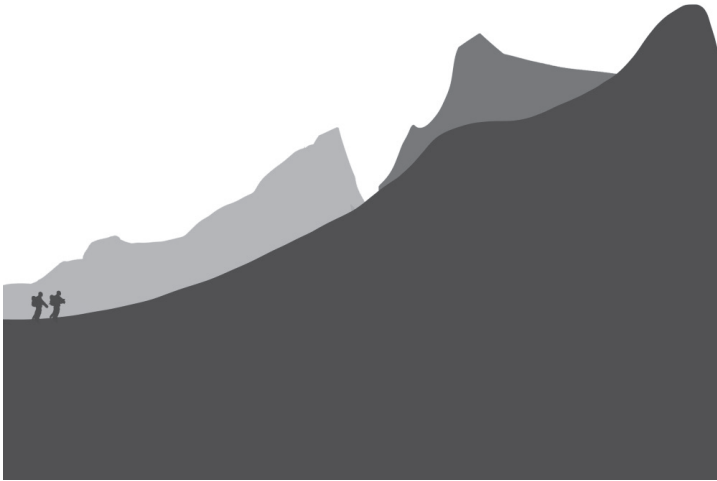


Chapter 1

Two Young Managers



Week 1

It was a cold winter morning in Amsterdam, and the office building in Leedsplein was quieter than normal. The temperature had dropped suddenly as it had snowed all night. Many employees had called in sick or opted to work from home that day. However, the main conference hall was bustling with activity as the induction programme for new recruits was underway. During the mid-morning break, the newcomers chatted in the cafeteria, and some smoked cigarettes in the open area of the foyer. Jiao, one of the new recruits, was about to join her colleagues at the corner table in the cafeteria when she received an e-mail from Paul. Excusing herself from the group, she moved to another unoccupied table to write her reply to him. She sipped a hot cappuccino and excitedly typed on her smartphone; she knew she could pour her heart out to Paul as he was a good friend, a former classmate and currently in a similar career situation to her own. In her usual blunt style, she complained about her first week at work. 'I am going through a dreary induction programme at our company—remember that first-term stuff we studied on Mission, Vision and Values? The programme feels so redundant . . . it just seems to go on and on.'

Paul echoed a similar sentiment. 'I am tired of listening to their detailed explanations. I don't know why they take so much time to get on with the main work. I thought they would do a quick induction for lateral hires like us.'

A mechanical engineer with experience in consumer durables in China, Jiao was a smart, young, Harvard Business School graduate who had just finished her MBA and managed to land herself her dream job. As a manager in the Chief Innovation Officer's team at a behemoth in the financial

services sector in Europe, she was required to promote and enable innovation within the company.

Paul, also a freshly minted MBA graduate from Harvard, had just accepted an offer to work directly with the product head of Dowpon, a specialty chemicals company located in Chicago. His role was to lead a team of scientists in the firm's Innovation Centre, which was responsible for developing technological solutions for new products. Paul was well-qualified for the job, as he also had a PhD in nanotechnology and had worked for several years at a start-up in Europe before enrolling in Harvard for his MBA.

During their business school days, Paul and Jiao shared a common interest in the subject of innovation and had patterned their MBA projects around the subject. As active members of social network groups on innovation, creativity, invention and strategy, they often took initiative in extra-curricular discussions of these topics. Upon graduation, they were both keen to find work in the domain of innovation. So, when they got their dream jobs, Paul and Jiao were jubilant. Both had joined their companies with the mission to undertake remarkable work on innovation and pursue a PhD programme on the subject after a few years. But for now, as recent MBA graduates, they were simply eager to make their mark in their new companies.

Another week was coming to a close, and both Paul and Jiao were itching to get started on their actual assignments that would follow their induction programmes.

Week 3

Thrilled by what she had just seen on her mobile phone, Jiao wrote to Paul from the train, 'We had a webcast with our

CEO yesterday. They streamed it all over the world, and it's so popular that people are even watching it on their mobile phones. I actually saw it on the train too. I think our people have developed some very cool apps that allow employees to immediately form teams and send in their views and suggestions during the webcast. This helps a lot in two-way communications and also enables employee participation to be faster and better.'

Paul, who had not heard from Jiao in a while, replied immediately. 'Sounds great! Is your induction already over?'

'Yes, it only lasted two weeks. Actually, the last day of the induction was fantastic,' recollected Jiao with enthusiasm. 'In his speech, our CEO talked about how innovation is important for our company and how all of us should think about it. He cited examples of some revolutionary pioneering from companies like Apple, Samsung and Google in the last few years.'

'That sounds inspiring. I guess his speech would have brought your team into focus and maybe raised some expectations as well,' said Paul, as he thought about the implications of the CEO's remarks.

Jiao replied, 'Yes, that's absolutely correct . . . And how are things for you?'

Paul responded, 'Days are tough. Even while the economy has started to show some signs of recovery, downsizing is always a point of discussion. At least your CEO's keenness towards innovation is a good sign for your job security—for a few months at least.'

In instant agreement, Jiao continued, 'My colleagues told me that in the past, the innovation team was downsized, and so we're really glad to get this special mention from our CEO.'

Paul replied, 'You're very lucky. I am not sure how much interest my CEO has in innovation. I am on the product team here, and this thought worries me at times.'

To this Jiao said, 'Paul, you are still in your induction programme. I am sure your CEO is a firm believer in innovation. Why else would the company have a dedicated Innovation Centre and spend money to hire people like you?'

Week 4

Jiao's excitement at work was peaking as she became busy planning roadshows to encourage employees to take up innovation projects. She wrote to Paul about it. 'We have decided to show our CEO's speech in the roadshows.'

Paul, who was thrilled with Jiao's initiative, replied: 'I have an idea. You could intersperse your CEO's speech with relevant speeches made by other famous experts and industry leaders on innovation. It will add more context and another layer of inspiration.'

Paul's helpful tip caught Jiao's interest, and she wanted to know what names he had in mind.

'People like Professor Clayton Christensen, Professor Vijay Govindarajan, Frans Johannson, Professor Jeff Dyer, Professor Jean-Philippe Deschamps and Professors C.K. Prahalad, among others. I have a few speeches that I downloaded for a project in our third year,' responded Paul.

'That would be great! Could you send me the links?'

'Sure, right away. And do send me your final film. I'd like to use it to inspire some of our senior leaders to support the innovation programme at my company as well. We have our next open house meeting coming up soon.'

Week 6

Anxious about the short corporate inspiration film she had just completed, Jiao uploaded the file to Dropbox so that she could share it with Paul for his feedback. She waited eagerly for his reply; she had to make the presentation at a senior leadership team meeting in less than two hours.

Paul was delayed in his response, but he wrote back eventually, 'I just saw it. It is quite good. Although most of the film has been made using pre-recorded video clips, you've done a great job of weaving them into a story. But I had assumed your CEO would have personally spoken much more about innovation and how he envisions his people should drive it.'

Jiao saw Paul's e-mail only after she had delivered her film presentation, which incidentally had been well received. Slightly peeved at Paul's message, she replied, 'No, Paul. How would that be possible? Like others, our CEO is very busy. They face pressure from so many departments and people for support. I think we're lucky that he touched on the subject of innovation as much as he did in his address—the credit for that goes to our CIO, who is one of our CEO's right-hand men. Everyone at the senior leadership meeting here seemed to like it very much. But thanks again for all your help.'

Paul was happy for Jiao's success and congratulated her on her participation at a leadership meeting. Jiao was quick to respond that this was the only time she had participated in a strategy meeting, as she had been the CIO's special invitee. In fact, just before Jiao's film was screened at the meeting, the CIO had declared that the company's immediate goal was to emerge as one of the most innovative companies in the world. He cited some statistics and trends on innovation, R&D expenditure and patents, which Jiao had collated for him.

She wrote on, 'He introduced me at the end, and now people tell me that I have made the most impactful entry into the company. Some of my colleagues even call me "Miss Manager 2015". My CIO has asked for some more data and statistics, and so I'm busy collecting that information for him.'

Later in the evening, after Paul had finished packing to leave for the long weekend, he replied to Jiao. He congratulated her again on a job well done, but also cautioned her. 'That's great Jiao, but do be careful. Don't become famous as everyone's favourite "Googler". It could be a growth-stopper in the long-run. Senior executives always like to lean on such resourceful people in their offices, even while they have the caliber to be just as resourceful themselves.'

This time around, Jiao was comforted by Paul's friendly words of wisdom because after all, he was just watching out for her. Jiao typed a quick one-line response to thank him and to assure him that she will keep his advice in mind.

Week 7

When her CIO informed Jiao that their company's CEO wanted to show the film to all employees, she was elated. The CEO was clearly trying his best to evangelize his employees and make them understand the importance of innovation for the firm. To execute the CEO's intent, the CIO planned to show the film to employees in every training programme organized by the company.

When Jiao told Paul about this development, he raised more concerns, 'How will people understand and connect with such a film in training programmes? I can understand the film being screened at innovation-specific training programmes

but for all other subjects, won't you need to have some context for showing the film?'

Jiao had not thought about this. Immediately she scurried around the cubicles of other team members to discuss this issue. But she returned home that evening still not completely satisfied with the brainstorming session she had with her colleagues. She would have to burn the midnight oil to work out a solution to the concern Paul had raised. When she picked up her phone to order dinner, she found a chat-message from Paul.

'I've been thinking about it ever since I e-mailed you earlier, and I have an idea for you. Have your CIO record—or better yet do it yourself—a brief clip that broadly addresses and sets the context for *any* training programme and show it as a preview to your film.'

'Thanks Paul! That is a very good idea. I'll speak to my CIO about it immediately. How are things going on your end?'

'I am still moving around the company in our induction programme. Ours is a very systematic company, and the induction programme lasts ten weeks. We have nine new people who joined on the same day. We will also be going on an industrial tour to see a few places and factories as part of the orientation.'

'How comprehensive!' remarked Jiao.

Week 9

During the industrial tour as a part of his induction, Paul and eight of his other colleagues were also shown a video detailing what they could expect from the tour, and he was instantly reminded of Jiao's film and messaged her, 'Hey Jiao. Did you

decide to go with the pre-recording?’ Jiao saw his message while in a meeting with the CIO. She replied as soon as she came out.

‘No. Our CIO is just so difficult. He wants me to do a lot more research and write his script too. In fact, he made me write three versions of the script. I changed the content and style for each, but he didn’t like any of them. He wants something that is offbeat and will strike a personal chord, but he hasn’t given me any further direction or ideas.’

Amused at her frustration, Paul advised, ‘I have an offbeat idea for such people. I learned this in my previous company. You need to do two things. First, tell your HR team to send a reminder e-mail to you asking for the context for the film, lest they should go ahead and show the innovation film without the pre-recording. Second, mix and match the three scripts you have made so far and use the combined version as the final.’

‘I think such pressure tactics could work. I know a guy in HR who joined at the same time as I did. He is assisting the Learning and Development (L&D) chief. He was very happy with the film and also loved the idea of it being included in all training programmes. But enough about me, tell me about you! How is your office? How are the people in your department?’

‘You know, Jiao, my department doesn’t feature in the induction schedule. I checked with HR, and they said it doesn’t make sense to include my department simply because they don’t do a good job of inspiring the new recruits. One young, rather friendly HR guy told me that the induction programme is critical for creating a positive image of the company’s brand since this first impression helps set the tone of employee expectations. He used some data to prove that

one of the variables that increases stickiness in the company is a very inspirational orientation.'

'These HR folk are unduly obsessed with making a new recruit's first few days the perfect honeymoon period,' wrote Jiao. 'Paul, why don't you plan a session for your HR people to tell them about the work that your Innovation Centre does? I am sure this will change the image of your department.'

'Yes, I am determined to have our Innovation Centre included in the induction programme starting next year,' replied Paul.

Week 11

Enjoying a lazy Saturday brunch, Paul asked Jiao how her film was doing.

Jiao wrote happily, 'We did a lovely three-minute context for the film and appended it to the beginning.'

Paul immediately responded, 'That's great, but don't you think three minutes is a bit long for a five-minute film?'

'Well, maybe . . . yes. I prepared so much for the shoot that even three minutes seemed too little. But I think it has come out very well. I have been present at most of the training programmes and I've noticed that the participants ask a lot of questions and we have good interactions after they watch the film.'

Paul could see Jiao's growing passion about this subject and said, 'I hope this film of yours inspires many people to take up innovation projects.'

Jiao could not contain her excitement and replied, 'I hope so too! I am very proud of it. People who have spent a few years in our company already refer to me as "www" (woman with wisdom!). My CIO is also delighted with how this initiative

has panned out. He has even asked me to run-through and discuss the film with some of our existing employees. In fact, my annual performance document that got finalized last week states that a large part of my confirmation bonus will depend on the number of people who get covered by the film screenings. So I am keeping a close watch on the numbers.'

'All this will definitely keep me busy,' continued Jiao. 'The questions that I receive from participants force me to constantly keep up with research being published on innovation. In one of the senior-level review meetings at our headquarters, people were asked to declare if they had received any feedback from people who had attended the training programme and had seen the film. I was present, and actually saw quite a few hands go up—but all this is only at HQ. I am worried about the people who are scattered all over the country and elsewhere.'

'Don't worry, Jiao. I suggest you co-opt your HR friend into your team—he should be of immense help.'

Week 12

Two weeks had passed since Paul's induction programme had finished, and he was relieved to move into his office in the Innovation Centre, which had quite a few laboratories. He shared this new development with Jiao: 'Finally in my own office! I have met several people, and now I am undergoing a department-specific induction.'

'Another induction? I think it is perhaps because your department was not part of the first induction.'

Paul clarified, 'Exactly. The first induction gave me a big picture view of all the business processes in my company; this particular one will give me a comprehensive view of my

own function. It's quite valuable because I get to see a host of interesting innovation projects in the pipeline.'

Jiao wrote, 'That's great! I'm eager to hear more about your work.'

Week 13

Paul had spent some time looking at his company's current research projects and found that most of them had been initiated to address customer complaints or to meet their demand and expectations. Some of the innovation projects were also targeted at production processes, to reduce cycle time, bottlenecks, defects and waste. He thought to himself, 'Well, these projects are also for customers, just *internal* customers.' He was proud to see that his company placed so much importance on customers, and wrote to Jiao to give her an account of his findings.

His insights caught Jiao's interest, and she remarked, 'I am eager to hear how you track the progress of these projects and how you measure the impact they intend to create on your company's performance.'

Paul agreed to share the details, but told her that it would take time, as he first needed to develop a more comprehensive understanding of everything that was done in his department.

Week 14

Paul had just attended a talk on 'How to Motivate Employees to Innovate'. This reminded him of Jiao's project regarding employee coverage so he wrote to her asking about its progress.

Jiao said, 'We are moving rather steadily now, and have included the video in the training schedule. But after many

weeks of implementation, the only improvement in our process is that by default, it is shown on the first day of all training programmes, immediately after the safety and admin announcements.' As she shared these developments with Paul, Jiao got a call from the CIO's executive secretary telling her the entire team was waiting for her to join them to celebrate the success of the training programmes.

Unimpressed by the positioning of the video, Paul replied, 'I am not sure if showing the video on the morning of the first day is that appropriate. But regardless I am sure this will confirm a good bonus for you.'

Jiao agreed to his point but couldn't think of a better alternative. Paul asked, 'Well, what's in store for you next?'

Jiao told Paul about the IT system that had been launched at her company last year to simplify the sharing of new ideas. 'I came to know about this IT system during one of our review meetings last week, and I immediately started researching it. It seems it's been designed akin to many popular social networking websites. So through this website, we can receive ideas directly from our people working in sales and operations. Unfortunately, at the meeting, I found that people were not happy with the way this system was being used. Our CIO has asked us to drive its usage by incorporating some incentives and rewards. He gave us examples of a few other companies where similar systems work very well. In particular, he mentioned the IBM Jams that periodically capture ideas from a large number of employees.'

Intrigued, Paul asked her if he was right in his understanding that such a system allows people to share ideas, collaborate and work on them with their colleagues across all departments.

Jiao, energized by the interest Paul was taking in the subject, replied, 'Yes. We are also in the process of making

it smartphone-enabled through apps because we feel that sales and service people are quite busy in the field most of the time. They are only ever on their laptops to create reports or presentations for their bosses.’

‘Incidentally,’ Paul said, ‘we have also been debating whether to implement an idea management system in our company. I have seen product demonstrations from three software companies, one of which was jaw-droppingly suited to us. It had a very simple interface but rich analytics, and overall was very strong in gaming to involve employees in an enthusiastic manner. It was very strong in tracking progress on the execution of ideas.’

Week 17

Paul got busy with his work, and so did Jiao. Their e-mail exchange had slowed down for a while, until one day while looking at his company’s annual report, Paul found out that his company has been using innovation metrics. In a rush of eagerness, he wrote to Jiao: ‘Jiao, do you remember that in one of the case studies at school, we learned about a company that drove innovation through specific metrics? I am happy to tell you that we also have a few measures in place to track and promote innovations in a similar manner.’

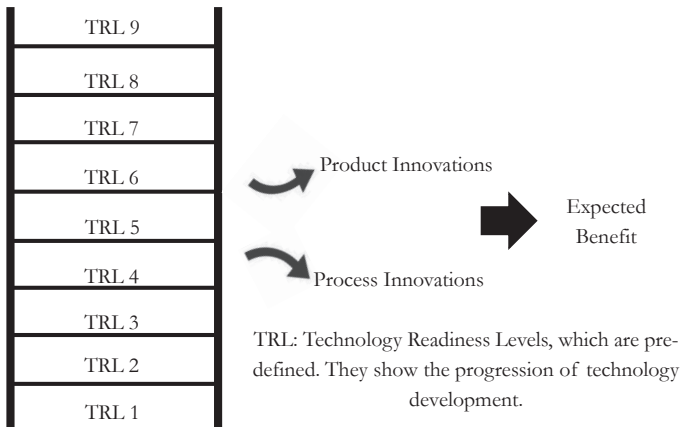
In between her back-to-back meetings, Jiao managed to check her mobile and saw the e-mail from Paul. She replied, ‘That’s great! Can you give me some examples?’

Paul explained, ‘Like any other Innovation Centre, we are also responsible for registering patents for our company. However, not all our projects necessarily produce patents. We look at all our Innovation Centre projects through the following lenses: (1) *progress*—technology readiness levels;

(2) *affect*—what these projects feed into, i.e. process or product innovation; and (3) *impact*—the anticipated impact from the project. These three lenses are used to track and analyse our research efforts. Here is a quick sketch (figure 1-1) to explain this.’

FIGURE 1 - 1

Progress of R&D Projects and Their Likely Impact on Process and Product Innovations



Walking into her house, Jiao saw the illustrative e-mail from Paul. She collapsed onto her futon to unwind after a long day; but still read through his e-mail and responded thoughtfully, ‘These mechanisms seem very robust. But I am not sure if I quite understand the concept of Technology Readiness Levels (TRL). Does it indicate the progress your research projects have already made?’

Paul was online so responded quickly, 'Yes, that's right. In addition, at the organization level, we have another measure to track innovation, which is the revenue we make from new products.'

Jiao furthered the dialogue. 'But what about the profits from innovations and new products? Do you also measure the difficulty and associated risks in making progress in these projects? But more importantly, how have you defined "new products"?'

After some pondering, Paul said, 'I am not sure if we have a company-wide definition for "new products". But we track and report the degree of difficulty and the associated risks for every project at every stage. It is not possible, or wise, to calculate and report the profits from *all* innovations. Let us take the case of a pizza company. Most innovations in this company would typically be around the toppings, pricing the ingredients and the method of preparing the pizza base. All these pose issues in measuring the increase in revenues resulting from innovations. A general reduction in unit cost due to innovation is easy to measure and can be attributed to profit. Many innovations in fact help *avoid* a cost that a firm was likely to incur in the first place. Therefore, if we have to measure profits from innovation, it becomes complex because of the unclear increase in revenues or issues around the loading of costs, and we end up spending more time on measurement than on actually doing the innovation.'

'I actually received some of these difficult questions about measuring the RoI on innovation from participants in the training programmes,' wrote Jiao, 'I think it's important to distinguish whether the revenue is gross or net. The net revenue here will take into account the loss of revenue that may occur when the new product replaces an earlier product

in the market; as I've learned when we debate the issue of ROI from innovations in our company. But I have one more question for you: Do you think these three measures drive innovation only in new products or in functions like HR or manufacturing as well? Or in other words, do innovations done in other areas and functions aside from new product development favourably impact any of the three measures?'

As Jiao queried, and Paul contemplated, they both realized that these were not questions that could be answered instantly, but had to be pondered on further.

Week 21

Jiao's CIO received a good deal of appreciation for the awareness and excitement that had been generated through the session that they had been running in the training programmes. Jiao, however, was worried because the needle had not moved in terms of the quality of ideas. Since Paul had now become her career confidante of sorts, she wrote to him again. 'The sessions are going well, but we're running out of out-of-the-box ideas. Fortunately the CEO wants to leverage the excitement the training video has created and take some next steps. He has asked us to find a well-known innovation expert to deliver the keynote speech at our upcoming annual leadership conference, which is ten weeks away.'

Paul was pleased at the substantial investments of time and money Jiao's company was willing to make on innovation. 'It will be a huge learning opportunity for all concerned, Jiao, and if this person is from the academic world, one can discuss the trends and opportunities related to obtaining a PhD in the field. Have you decided whom you will invite?'

Jiao proposed some well-known names after looking through YouTube videos and online literature, but the CIO did not like any of her suggestions. In the meantime, the CEO had asked them to plan a panel discussion immediately after the innovation session, so that some actionable answers could be generated as well.

Paul noted that the time frame for the conference was short, and suggested that she ask her boss to confirm a speaker soon, as popular experts are usually booked for speaking engagements well in advance. At the same time, he did not want to create panic at Jiao's end. 'I know your company is big in the industry, and speakers will find it very difficult to forgo such an opportunity, but procrastination might complicate the matter.'

Week 23

Flustered by the delay in getting more details about the innovation measurement system at his company, Paul called on his subordinates and asked them to expedite the process. He wrote to Jiao explaining the delay.

Jiao responded, 'That's OK. We are both new to our companies, and sometimes such information is not easy to dig up. I have another question for you, Paul. You told me that you measure the number of new patents generated as a direct outcome of your team's efforts. Since you are part of the product team, your company's measure of revenue from new products could surely be attributed to your team, but how about the other functions that also come into play? I believe that for new products to be successful, sometimes other processes also need to change or innovate to support the success of the new product. I am referring to processes

like manufacturing, HR, IT, logistics and after-sales support. I want to know how these efforts are measured and whether these people get acknowledged when new products do well in the market. I want to identify a measure that can be used to drive innovation in all parts of our company, not just in the product team.'

'This is a very probing question,' said Paul, 'I would need to study all our past and current innovation projects to see if I can find the answers. Unfortunately, I have less time nowadays for such work because there is a lot of pressure from manufacturing and sales to address a few critical product quality issues.'

Jiao apologized for inadvertently pressuring Paul, and said, 'I also wanted to update you that we have finalized the name of the speaker for our conference. I want to do my best to ensure that the innovation session is impactful and memorable.'

Paul wished Jiao good luck and said he too was looking forward to her innovation session.

Week 25

After the long weekend break, Paul wrote Jiao, 'I have finally been able to study all our innovation projects and have completed the first round of analysis.'

He continued, 'I will not be able to share specifics, but there are three key insights you might be interested in. Firstly, most of our researchers are working on projects that our customers have clearly asked for. This is good news for us. Second, and unfortunately, we are not able to devote as much time to long-term breakthrough projects, which is bad news for us. Third, in most projects, I struggled to find

a direct connection between our project objectives and the organization's measure of "revenue from new products". This could also be bad news.'

'Breakthrough projects are those that are very innovative? Something no one has tried before, right?' Jiao clarified.

'Yes. All these projects appear in our department's long-term strategy.'

Jiao replied, 'I am sure breakthrough projects have a long gestation period. It is usually difficult to commit time to something that is only likely to yield results after a long time. It is natural to dedicate many resources to putting out fires, but ring-fencing a few people for such projects is equally critical.'

Paul agreed. 'We need to find some solution to balance short-term "screams" and long-term "desires".'

'Yes, but your last point baffles me. Why would supervisors allow their people to work—and why would people work themselves—on projects that don't help achieve the organization's goal? I am sure we're missing some crucial point here,' said Jiao.

'Good inference. Let me check with the corporate strategy team. I will also speak to senior researchers and some other people who are working on similar projects,' Paul responded.

Week 27

Paul was ready with some answers to Jiao's earlier queries and wrote to her. 'I have a lot to share with you today. You had asked me a couple of times whether our measures promote innovations in functions other than in mine. I have come to the conclusion that our measures are not good for driving an all-round innovative mindset, which I internally refer to as

“360-degree innovation”. While the word “innovation” is used by many employees, only the product teams, such as mine, are measured and held responsible for it. Most other functions are expected to carry out improvements and keep benchmarking themselves against their peers. I now feel that ours is a rather restrictive way of defining and driving innovation.’

Jiao was engrossed reading Paul’s e-mail. She replied, ‘I like your use of the phrase “360-degree innovation”. I am happy that your company has made your team the pioneers in driving innovation in the company.’

Paul continued ‘When I was doing my analysis of past projects, I found a few new products that were excellent, but failed because they were not supported by other functions. There was one product that failed because of our old distribution system. We had wanted a different distribution system, but it didn’t materialize at the time. Then there was another case in which we didn’t launch the new product because it needed a new kind of after-sales support, which we didn’t want to invest in.’

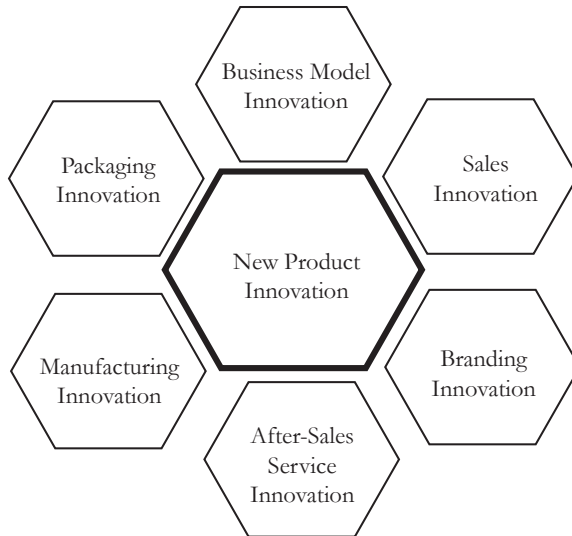
‘So, if I understand correctly,’ said Jiao, ‘you’re saying that for product innovations to be successful, innovation will be necessary in other areas as well? In my view, this could be true only for a few big or breakthrough innovations.’

Paul endorsed her opinion. ‘I made a sketch (figure 1-2) to drive home this same point at the Innovation Centre. Before I presented it, I thought it wouldn’t get through to them, but surprisingly everyone liked it. Have a look.’

‘These are great insights, Paul. I think we always focus on new products but never discuss the role of other functions to make these new products successful in the marketplace. How do you plan to address this issue now that you’ve identified it?’

FIGURE 1 - 2

360 Degrees of Innovation: Importance of Support Functions in Big Innovations



To this point, Paul shared his ideas for an integrated new product plan that encompasses and clearly lists the role of all functions in executing product launches. He knew this analysis had the potential to trigger meaningful discussions and decisions at the CEO level. However, he was also aware that he needed to understand the organizational processes much better before he could make any such recommendation. He somehow had a sense that the issues he had identified would lead to the discovery of many more constraints, and that it would be imprudent to hastily jump in and solve the first problem that he had understood.

Week 29

Having managed to catch up with his work, Paul thought it was time to catch up with Jiao and wrote to her to inquire what was happening with the leadership conference. 'I hope your innovation speaker is coming. What is his area of expertise?'

Jiao sounded cheerful when she said, 'The conference is just a few days away and preparations are in full swing. My CIO and I feel this will be the second big deliverable for me this year, the training programme film being the first. We are planning to webcast this session to all our employees. I looked at the speaker's profile. He is an expert on innovation, leadership and strategy. He has written a few bestsellers on innovation, highlighting why large companies miss innovation opportunities that are ultimately grabbed onto by startups.'

Paul was excited as he thought it would be an invigorating session. He asked Jiao, 'Are you asking him to speak on any of the issues you are grappling with? Has he interacted with your CEO?'

Jiao wrote, 'I am not sure. The CEO has left everything to my boss, who has talked with the speaker only once before. After that, I have been in touch with the speaker and, in the interim, have shared the work we have done so far on innovation. In fact, I proposed that we share all our issues with him as well, and asked if he would be willing to respond to some of them during the session.'

'Great idea!' exclaimed Paul, 'What issues did you share?'

'But one of the senior executives snubbed me and said it is the speaker who should decide what he wants to speak about,' continued Jiao. 'I would have agreed to this, provided we had selected the speaker after ensuring that his expertise and our issues matched. In fact, we don't even have a unified view on

the issues that we are facing pertaining to innovation. In fact, the extent of analysis you're doing to understand your issues better is something we should do as well.'

Paul encouraged Jiao to carry out an analysis along the lines that he had devised, and Jiao, though hesitant, agreed. She knew that even if she tried such an analysis, most of the senior executives at her company would not listen to what a young, inexperienced manager had to say.

Week 32

Seeing how Jiao was building a body of knowledge through external experts and was also inspiring her employees as per her CEO's appeal, Paul decided to look into those processes and systems that support innovation in his own company. He found that his company had a system in place for innovation awards, some of which were given by the CEO. These awards were coming up next month, and Paul was part of the core team that decided the winners.

Jiao was very impressed. 'Congratulations! It is such a great opportunity to be a juror. Does your company have some framework or criteria to decide these awards?'

Paul, who had only just found out about his involvement the previous day, was not sure what the framework was yet.

Jiao spontaneously voiced her own concerns, 'As I mentioned, in our company, we don't have an all-encompassing definition of innovation, which creates some problems for me as a facilitator for innovation-related business practices. The other day, the conference speaker asked me to send him some company literature on our take on innovation, and I didn't know what to send. Do you have any documentation that could be a helpful guide for me?'

Paul confessed he did not know how to help her out off-the-top of his head, but said, 'I hope we *do* have some unified understanding of innovation, or else how will we be able to decide on the awards? I need to get to work. Another simple but probing question from you, Jiao.'

Week 35

Recollecting that Jiao's conference had been held last week, Paul decided to follow up with her.

Jiao took some time to reply to Paul, as the atmosphere in her office was a little tense. The CEO was in an awful mood because they were not doing very well with respect to their financial targets. On returning from her coffee break, where also the topic of discussion was the CEO's fury and the company's financial performance, Jiao replied to Paul's e-mail, 'Overall, the conference was excellent. It was a two-day event, and we covered a lot of topics. Unfortunately, since we are far behind our committed targets, we spent a lot of time reviewing our progress towards our vision and the annual goal.' Then she told him about the prevailing mood in the office.

'I am sure you didn't have to face the heat since your session went well,' replied Paul.

Jiao sounded sombre, 'But it does affect the overall mood. The speaker on innovation was good, and he spoke about the role of the CEO and senior leadership in driving innovations. He gave some examples of companies that are famous for innovation, like P&G, 3M and Nestlé.'

Paul replied, 'Have you recorded the session? Can I see it? I am sure you got a lot of action points from the session and will also get more profound support from your CEO.'

Jiao confessed, 'Unfortunately, my boss and the CEO couldn't participate because they had to attend an important meeting at the same time to prepare a note for the chairman detailing the reasons targets were missed. We had to call off the panel discussion as well. In their absence, somehow we couldn't derive substantial action points from the session. Still, the delivery was fabulous, and the speaker was witty and poignant, which kept the audience engaged. I can show you the video when we meet next.'

'Bad luck . . . or maybe just bad timing,' mused Paul.

Jiao said, 'I personally feel that we were not ready for such a session. We didn't gain anything, and that is not because of the speaker.'

Paul understood Jiao's concerns, but he was curious to know if the audience too felt the same way. Jiao replied, 'Like in most innovation talks, the audience is happy listening to enigmatic speakers and their well-developed case studies, but they become so overwhelmed and engrossed with data and information that they aren't able to catch any concrete actionable points for themselves. In our case too, the feedback from the audience was actually excellent. People praised the speaker for his relevance and engagement and also our CIO for finding him. I also received several compliments. Did you see my Facebook or Twitter timeline?'

'No, I haven't been very regular these days on Facebook or on Twitter.'

'I think that as we are learning more about innovation, we are also stumbling onto more questions that remain unanswered,' Jiao observed. 'That said, we are more than six months into our jobs now. Do you know of any comprehensive book on innovation, maybe an innovation guide that explains some of these principles—at least the basics?'

Paul, who had also been mulling over such questions himself, decided it was indeed time to get back to the basics. However, he was not aware of a single book that covered the A to Z's of what one might want to know about organizational innovation. But he still suggested that there were hundreds of books written on different *aspects* of innovation, which they could read and exchange notes over in the coming weeks.

Week 39

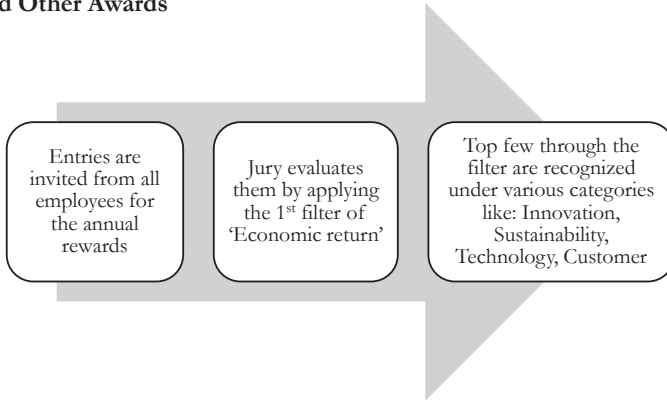
Paul was busy reading and analysing the innovation projects for the upcoming awards and found that his company, like Jiao's, did not have a clear-cut definition of innovation. While going through the projects, he discovered that all the innovations that were submitted for the awards were related to either products or technologies. No innovations from HR, supply chain management, IT, logistics, finance or manufacturing had been submitted. He wrote to Jiao to highlight the situation, 'This re-iterates that *not* everyone can relate to our measures for innovation—i.e. "revenue from new products". You were spot-on with that guess.'

'It is best that people in all functions are able to contribute to innovations. Since you already have innovation awards in your company, you could use this platform to bring other functions into your fold. Maybe you could solve this problem by creating categories in your awards. What criteria did you use to decide the awards?' said Jiao.

Paul replied, 'There are still no comprehensive criteria for deciding these awards. I found that the awards were primarily based on business benefits. Let me attach the simple process (figure 1-3) that we follow.'

FIGURE 1 - 3

The Jury Process Followed in Paul's Company for Innovation and Other Awards



He continued, 'The projects that came out on top after the application of this economic filter are recognized under various categories, including innovation. Some of the other categories are the "Customer Delight Award", the "Technological Excellence Award" and the "Sustainability Award". I felt that due to absence of distinct criteria for innovation awards, the selected projects were not necessarily the most innovative. In fact, I felt that some projects selected in other categories were more innovative.'

'Your problems seem quite similar to mine, but unlike my company, your company seems to be attempting to solve those. It appears that your awards selection process is designed more for convenience than rigour, which is a matter of concern. What will you say in your citations for your innovation awards? People will not be able to see the reasoning behind the awards,' Jiao remarked.

‘We have an agency that prepares citations every year. I was looking at the citations of last year’s innovation awards, and they sounded very pompous but did not explain the innovations at all. The citations were centred on the benefits they brought to our company or to our customers, which is good, but did not necessarily emphasize the core of innovation,’ replied Paul, all-the-while thinking of how this could be done better.

Jiao comforted Paul, ‘I understand. It’s neither a good practice nor a damaging one. I am sure the awards generate tremendous excitement among the recipients, and that no one would be interested in dissecting the reasons for the awards. I liked your award categories, which cover many constituencies of your company.’

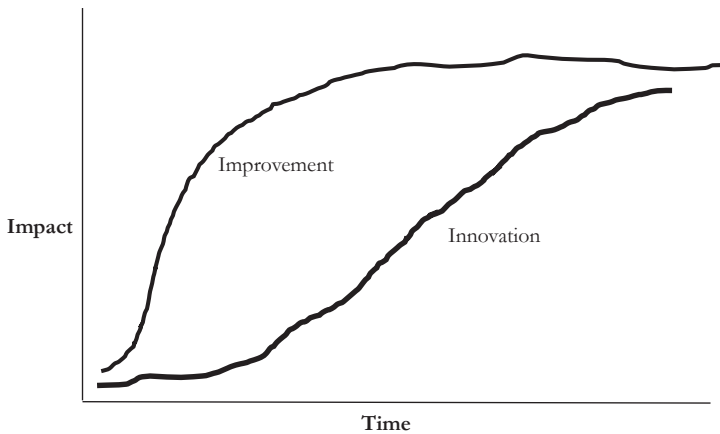
Paul sounded determined, ‘I will attempt to recommend a more refined process for innovation awards starting next year. And I will try to develop a definition and criteria that will encourage all functions to participate. While going through the projects, I found that there were a few that were more innovative but couldn’t prove their benefits, and therefore did not make it past the filter. I have analysed this too and have concluded that all this happened for two reasons: (1) we don’t have an accepted definition for innovation and separate criteria for the innovation awards; and (2) improvement projects show very high benefits immediately after their completion. This is not true for many innovations, whose benefits usually take a much longer time to be realized. Look at this sketch Jiao (figure 1-4).’

Jiao was full of praise for it: ‘Excellent insight! This means that one should not compare all innovations and improvements on the same economic and time scale to decide awards. I am sure that this comprehensive analysis of yours

will help convince your leadership to agree to your proposed changes. But why do you think the returns from innovation are slower to come? Is it always true?’

FIGURE 1 - 4

Problem of Comparing Improvements and Innovations on the ‘Impact’ Attribute for Deciding Awards



‘Not in all cases, Jiao,’ clarified Paul. ‘It happens with some innovations either because of their slow acceptance in the market or some initial “teething issues” leading to inconsistency in product attributes, which itself could be due to unstable manufacturing processes or changes in technology.’

Jiao understood his point. She asked him what was next on his agenda.

At the request of the company’s CEO, Paul’s boss had asked him to develop a framework to award the most innovative business unit (BU) in the company. Now in the habit of keeping

Jiao abridged, he wrote to her with this news: 'I discussed this task internally with a few people, and I got to hear three viewpoints on how to decide the awards: (1) based on the assessment of innovation processes of BUs; (2) based on the innovation outcomes of BUs; and (3) based on people's perceptions.'

'Hmm, that break-down sounds challenging. I feel there are positives and negatives to all three views, but I also believe that such awards should be instituted by companies. It is an opportunity for you to design the selection criteria in a manner that is not biased toward specific BUs that have better opportunities to develop new products. The criteria should be equally exciting for all BUs and functions,' recommended Jiao. Paul found her suggestion to be valid.

Week 43

Paul took Jiao's input seriously and dove deep into his work. While doing so, he wanted to check with her about her experience of working with someone at the CXO level. He wrote to Jiao, 'You seem to be working closely with your CIO. Tell me, how do your CEO, CIO and others drive innovation? I would like to pick up some tips from you.'

'Happy to help!' Jiao responded immediately, 'My CIO's role is to enable innovation. The focus this year was to create awareness and excitement about the subject. I think we have done a fairly good job on that so far.'

Paul inquired, 'You told me that you have an "idea management" system in your company to receive ideas freely from employees of all functions and across levels, though your management wasn't all that happy with its performance. What happened to it?'

‘Yes, that’s right. Now the management of that system is moving to HR,’ said Jiao, a bit sadly. Before Paul could ask her the reason, she explained why. ‘Because the analysis showed that most of the ideas received in the system were related to HR and were taking too much time to get implemented. Our team was not able to do much, so it was decided to hand over the management of this system to the HR department, which could find ways to leverage it even better.’

However, Paul felt differently about this and wrote back, ‘I don’t think it is a good idea to use such an interesting system to solve only HR issues. It sounds like your senior line managers and senior functional managers didn’t really engage with it enough to channelize employee ideas, and simply concluded that it was dominated by HR-related concerns. I learned this when I saw demos of similar products from a few suppliers.’

‘So what do you think we should do?’ Jiao asked.

‘I don’t know, Jiao. I don’t have any answer to this and many of the other questions you and I have been discussing over the last few months,’ he replied.

Week 48

Bothered that he was not able to find answers to all his questions, one evening, Paul decided to challenge the basic premise everyone employed in their pursuit for innovation. He wrote to Jiao, ‘Is innovation equally important for all industries?’

Jiao was certain of the importance of innovation for all industries, and wondered why Paul would doubt it. Paul clarified that he wanted to know if the role of innovation varies depending on the industry and on the strategy of the company.

Jiao confessed, 'I never thought about it like that. In that case, I am sure it will vary. For example, innovation-led strategy will be more significant in your company than in mine, which is in financial services. In my industry, most innovations have a very short life cycle because we cannot protect them with patents.'

'Yes, I agree. Unfortunately, even in my company, where it should be more important, we don't put enough effort in innovation. Most of the time, we remain busy grappling with product and process problems. I used to be very proud of how much time we spent on customers, but the sad part is that our projects are overwhelmingly driven by customers. As a result, we are not able to focus on innovation projects, which may help us in expanding our market share in the future. We are not able to ring-fence our people.'

'Many such questions are bothering me too,' said Jiao.

Both Paul and Jiao were contemplating the numerous unanswered questions in their heads and decided it was time to take matters into their own hands. Given the complexity of the subject, they mutually agreed to read a few books on innovation to get more clarity on the subject.

Paul also proposed that they pursue their PhDs right away since they were planning on delving deep into the subject anyway. Jiao was a little taken aback by the suggestion, however, and said she needed some time to think it through.

Week 52

Over the next few days, Jiao thought about what Paul said and wondered how his suggestion about a PhD would impact her career. To work through her thoughts, she wrote to him, 'We have more than seven years of work experience now.'

We read a few case studies on innovation in our last year at school. We had Googled a lot to prepare our project report that we had to submit on a specific aspect of innovation. I remember mine was “the culture of innovation” and yours was on “crowd-sourcing and prediction markets”. But we still haven’t read enough literature on innovation, which might be the reason for our limited understanding of this subject.’

‘True,’ said Paul, ‘the innovation case studies and articles we read in school always made me feel that it would be easy to foster innovations in a company. But case studies are always written *ex post facto*, *after* the innovation has been successful or has failed. No wonder they encapsulate specific lessons in theory, but I think one needs to know much more to drive innovation in the real world. It has been a year since we joined our companies entrusted with the key responsibility of driving innovation, and yet we are still so unclear about this subject. It makes me very uncomfortable.’

Jiao too felt the same way but tried to drum up hope, ‘Unlike many other areas of business, there are no standardized ways for driving innovation. It is a nebulous and complex subject to comprehend. I have already started reading a book, *The Innovation Master Plan*.¹ I am finding it very helpful because it has lessons about the “why”, “what”, “how”, “where” and “who” of innovation, which is something I need at this stage. I have already compiled a list of books to read for a comprehensive understanding of the subject.’

Paul offered to help, ‘If you could send me the list that you have compiled, I will add to it by seeking input from a few professors. Comprehensive books will make our conversation more focused, and we might finally stumble on some solutions to the issues we are facing at work.’

Jiao replied, 'I have just sent you the list—have a look. I plan to spend the next six months studying as much as I can, and after that, in December, I am planning to take a short holiday to India.'

Paul quickly responded, 'India? Oh yes, I remember that you were always very interested in history and were also keen on studying different ideologies and cultures.'

Paul had also been thinking of taking a break in December, and a visit to India sounded exciting to him. He asked Jiao if he could join her. Jiao liked the idea and encouraged Paul to come along.

Paul also felt the timing of their visit to India would be perfect. He wrote, 'By that time, we would have completed a large part of our reading, and it will provide us with the opportunity to exchange notes and continue our discussions face to face.'

Jiao was pleased to hear this, as she felt this proposition would pressure her in a positive way to find time after office hours to prepare for the discussion over the holidays.

While she had been preparing for her visit to India, she wrote to Paul with an update: 'I have come across quite a few books and articles on "frugal innovations" and "reverse innovations" that have originated from India. Surprisingly, many Indians themselves don't refer to their innovative work as "innovations" at all; they call it *Jugaad*.'²

Paul appreciated Jiao's meticulous preparation and asked if she had already planned most of the trip. Jiao responded, 'I recommend we spend some time visiting a few historical towns in India, which will give us a first-hand feel of its rich heritage. We'll also have the opportunity to enjoy authentic Indian cuisine. I was also thinking of spending a day or two in the serene countryside of Himachal Pradesh in northern

India. I understand that there are still a few isolated tribes in these areas. Wouldn't it be fascinating if we could interact with some of these people?'

Paul liked the plan. 'I suggest we do this towards the end of our trip. Who knows? It might even further our dialogue on innovation.'



Points to Ponder

Most managers and many senior leaders who are responsible for driving innovation, struggle with how to actualize the process in order to transform their companies into highly innovative organizations. Companies usually spend plenty of resources—time, money, personnel—on creating awareness about innovation in hopes of evangelizing and inspiring their employees to strive for innovation. Unfortunately, they do not define innovation and the vision or goals for it, leaving the matter to employees to interpret themselves, which leads to miscommunication. The lack of an agreed-upon set of measurements for assessing innovation intensity makes efforts toward innovation suffer. The debate over using measures such as 'number of patents' and 'revenue from new products and services' is never ending at most companies, because the former does not guarantee improved business performance and the latter sparks the debate of 'what is new'. Moreover, such measures, if adopted, often alienate parts of the organization and are restricting when it comes to engaging employees at large.

Despite companies' best intentions to work on innovation projects, it is very common to see resources directed away from these programmes and towards addressing the urgent needs of the organization. These urgent issues primarily pertain to product and service defects, customer complaints, changes in the external

environment, surprises from competition and profit drivers (e.g., increasing efficiencies, reducing wastes and costs).

Take stock of your company by asking how many of the following statements apply. It is likely that not all of them will ring true, which conveys that your situation may not very different from that of Paul's and Jiao's:

- ◆ *We have a well-understood definition of innovation.*
- ◆ *We have measures to track the intensity of innovations.*
- ◆ *A large part of the organization actively participates in innovation.*
- ◆ *We have defined processes, platforms and steps for innovation (other than simply sharing ideas).*
- ◆ *Our leaders do a lot more to drive innovation, and not just evangelize employees themselves or through experts.*
- ◆ *We have a well-defined roadmap for innovations.*
- ◆ *Our success rate in churning out innovations in accordance with our own plan is high.*
- ◆ *All relevant functions in the organization wholeheartedly support our innovation projects.*
- ◆ *Our innovations achieve their full potential in terms of projected returns.*
- ◆ *We celebrate our innovations regularly using a clearly defined system.*
- ◆ *We have corporate fables about innovations and the people behind those innovations.*

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