

A PURPLE PAPER

The Innovation Equation

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Many companies, both large and small, speak to being innovation-driven. However, in reality most aren't. In fact, they take comfort in staying within the boundaries that got them to where they are but prevent them from going any further.

Innovation is not easy. Intellectually, pushing toward becoming an innovation-driven organization can be rationalized. Emotionally, however, it requires changes that many organizations find very challenging. It's that change thing...human nature kicks in and rational intentions become emotional quandaries.

There are, nonetheless, some organizational factors that influence innovation that appear to be fundamental and worth stating:

- **Organizational Structure.** Traditional organizational structures were not created with a focus toward innovation. Historically these structures were led by a focus on replication and efficiency; adoption of Six Sigma as a control and efficiency process provides a reasonable example of this. Moreover, highly-talented individuals are less likely to thrive in traditional organizational hierarchies, as they may feel "boxed in."
- **Change Management.** Most of us are not comfortable with change nor are we very good at it. Typically organizations will change most dramatically as a result of a negative event – or other factor that forces change to happen. Yet, when change is managed well it can make innovation much easier.
- **Culture.** An organization's culture is the most important variable in the innovation equation. An organization designed toward innovation will not be successful if senior leaders have not established a culture which aggressively promotes innovation and all that goes with it. Typically the proof point is an organization's ability to effectively promote and manage risk as a necessary part of innovation. This is what separates organizations that successfully innovate from those that don't.
- **Process.** A deliberate and consistent "discovery" process is required to become an innovation driven organization. Many of the largest companies still lack a process that integrates innovation throughout the organization.

Home Runs or Singles

Take baseball for example. Ostensibly, four singles and a home run would both net a single run (assuming the third-batter runner stays and doesn't go for home). Which is better? Some would argue in favor of the singles, claiming singles are easier to come by (less costly). They contend, why should you spend the resources "swinging away" when you could simply focus on singles and doubles?

Here's why. In reality, home runs *do* score more than just a single run. Not surprisingly evidence shows that sales growth from breakthrough innovations (a.k.a. game changers) far outweigh those from line extensions or marginal innovations. While continuous incremental improvement must be a part of any organization, they will not catapult an organization to new levels. Additionally, home runs can have enormous impact on other facets of the organization.

- **Brand.** Innovative companies create innovative brands. Innovative brands increase in relevance and in value.
- **Employee Advocacy.** Success breeds organizational pride which translates to loyalty and work quality.
- **Talent Acquisition.** People want to play for “winning teams.”
- **Stock Value.** Home runs may provide a positive halo to a company’s reputation and management.

Where to Start

The energy an organization applies to innovation begins at the top. Senior management must integrate innovation into the everyday operation of their business. It must consistently be a top priority.

Creating an innovation-driven organization first starts with a critical review of the values of the organization. Integrating innovation into an organization’s values, overtly demonstrates that it has chosen to take this path.

Next, companies must honestly assess their culture. Is it just okay to take calculated risks...or are employees pushed to this? Is senior management willing to allow for the disruption that may need to occur to transform the organization?

Cultural Shift

| From | To |
|---------------------|---------------------|
| Bureaucratic | Entrepreneurial |
| Silos | Cross Functional |
| Risk Averse | Measured Risk |
| Focus on Stability | Focus on Innovation |
| Inside Out | Outside In |
| Line Extension | Category Creation |
| Conventional Wisdom | Uncommon Insights |

Organizations must also take a critical look at their current competencies relative to innovation. Such an assessment may require organizational redesign and possibly bringing in individuals who are proven change agents.

Lastly a formalized process needs to be embedded into the day-to-day business. While there are a wide variety of innovation processes, many share similar attributes, which can be integrated into everyday business.

Often we find that organizations may be challenged in articulating their “innovation process” (assuming they have one), due to the density of the collective components which make up the process. Clarity is critical. Clarity in design, clarity in roles and clarity in expected outcomes.

ABOUT THE PERT GROUP

Our goal is simple: to help our clients grow their businesses and their brands. How? By establishing business decision clarity.

We are The Pert Group, a top research-based consulting firm for business leaders who require straightforward, meaningful results that lead to clear, significant decision making.

We begin with fact-based evidence integrating attitudinal and behavioral research, which allows us to create clear strategies for business growth based on fact-based insights, and our team of **market-focused experts** works closely with our clients to consistently relate our work back to their goals and strategies.

Using a balance of creativity, forward thinking and pragmatism, we **completely immerse** ourselves in our clients' businesses and apply strategic methods to help them increase business and brand performance, differentiate their companies from the competition and take advantage of all opportunities in the market space.

The result? Clarity established.