naked**innovation**

*uncovering a shared approach
for creating value*

Zachary Jean Paradis
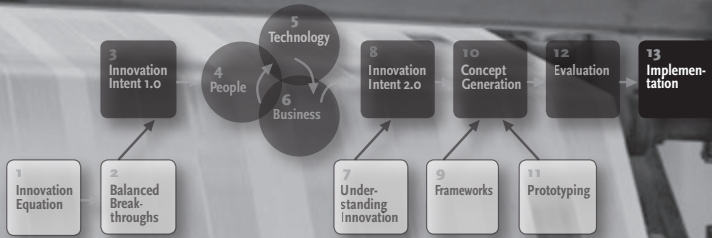
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13 Implementation
Making Innovation Real

Culture eats strategy for breakfast.

TODD MCCULLOUGH, DOBLIN INC.

ON NOVEMBER 3, 1983, General Motors' Chairman Roger B. Smith and President F. James McDonald announced a bold new concept they called Saturn. Its motto proclaimed Saturn was to be not only "a different kind of car" but also "a different kind of company." Free from the bureaucracy, labor issues, and other dysfunctions of its parent, the independent firm's first 99 employees were challenged to beat the Japanese at their own game, to innovate, and ultimately to infect General Motors with effective new management techniques. Saturn was America's new hope in a sagging national automobile industry and was lavished with attention and positive press.

Saturn's vision was an appealing one that still resonates: to make simple but high quality cars sold by approachable no-haggle dealers to customers who are fundamentally enthusiastic about the product. The company went on to realize much of this vision and set new standards for buyer satisfaction. The

so-called "Saturn experience" began with the sale at a dealer and ran through the entire life of the car—and was the talk of the auto industry for years. A recent survey even ranked Saturn as the only economy carmaker in the top five in customer satisfaction.

Unfortunately, as good as this all sounds, the hard reality is that Saturn *never* made a profit and in 2004 was turned into just another division of GM—exactly the opposite of what its founders had intended. By October 2009, production was shut down entirely. So what went wrong?

Well, there is a whole book's worth of material in examining the unique Saturn experiment, but the most important factor contributing to its failure was the ever present **Culture** of General Motors. Though it was Saturn that was supposed to lead GM to new ways of handling corporate governance and employee relations—a new way of doing things—the company just could not escape its parent's shadow. The proverbial apple had not fallen far enough from the tree and could not fulfill its promise. Regardless of how good a strategy is, regardless of how smart employees are, regardless of how many resources are thrown at an opportunity, delivering on some identified opportunity simply cannot be achieved without a culture aligned to it. Innovation is not just about new offerings we introduce but how firms embrace a new way of looking at, and organize themselves within, the world. Failure to adequately address the road to change can undo a local restaurateur's new idea for new menus just as they undid Saturn's promise to be a new type of car company.

Have you ever known a company that had a brilliant vision, and the people and resources to invent anything, but which still could not seem to connect the pieces? Its problem was surely one of culture—"the way we do things around here." A
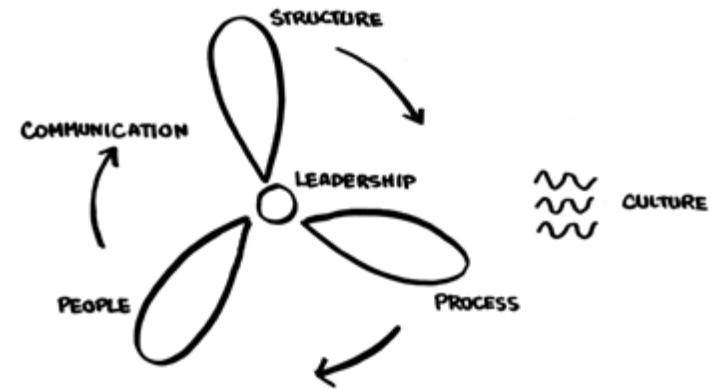
PROPELLER MODEL OF ORGANIZATIONAL DYNAMICS

firm's culture is the sum of all past successes, failures, structures, processes, and most importantly, people. It is a powerful force which can propel little organizations to greatness or crumble large decades old corporations regardless of their means. It is the most difficult aspect to address in proposing big innovations because it cannot be directly managed. Fortunately, there are useful ways to think about how to work within or to align your team or a firm's culture to pave the way for some innovation's success.

Two of the most useful tools to help understand a firm's culture and readiness to change are the Propeller and Change Readiness (AVBP) models of organizational dynamics created by Roger Mader while working at the management consulting firm VIA International. While there are many ways to organize one's thoughts around the dynamics of culture, the power of these models are their simple elegance and completeness. They allow one to quickly consider many organizational factors to address in a roadmap to roll out some new innovation. Wheth-

er you are in a position to pull all the levers within the models or not, it is always helpful to know the lay of the land.

Diagnosing Culture

The *Propeller Model* is comprised of six main components that contribute to a firm's culture: leadership, structure, process, people, and communication. When an organization is properly tuned, its Propeller turns freely with a culture aligned to its strategy and new innovations. When not well tuned, the very people who charged with creating and delivering value to customers may work against it. While one cannot directly change culture, these components act as levers one can manipulate to indirectly affect *"the way we do things around here."* This "way" can pave the road to the success or failure of new ideas and projects—it is the essence of a firm's culture. Let's examine each component of the Propeller model in detail.

Leadership. It is hard to create anything really new and special without having great leadership. Individual leaders and their teams have to provide a compelling perspective *for why an organization exists* and *where it is going*. As such, both a firm's mission and vision should support and be supported by the projects we work on as contributors. A few choice words from a charismatic leader can have a dramatic effect on employee behavior. Leadership is the arrow that guides and aligns employees at a high level. Work that is inconsistent with leadership or visa versa will rarely produce fruitful results.

Structure. A firm's physical and organizational structures are well considered by management but are also underestimated in terms of importance. How work groups are formed, how roles are defined, existing technological platforms, plants and equipment, and more generally the infrastructure around *what makes an organization work*, play pivotal

roles in determining the success or failure of some innovation project. A simple example of how structures might not support work is the physical location of team members. If critical decisions of some project need to be explored and shared by people from different disciplines who are also physically located far away, it will be more difficult for them to build a consensual point of view than if they were working near each other. We're not suggesting that everyone work side-by-side, but that managers and contributors on

Why Innovations Fail

At the heart of many innovation miscues lie misaligned incentives. Even when you give high performance teams great resources and time to do their work, they still will not be successful if they are rewarded for producing something other than innovative offerings. IIT Institute of Design's Jeremy Alexis suggests caution when you see one or more of these incentives coming in to play on your team or firm:

› **Short Termism.** Reputations are built on (and bonuses are granted for) short-term improvements, rather than long-term growth.

› **Entrenchment.** Organizations build measurements on past performance, galvanizing existing behaviors instead of fostering breakthrough innovations.

› **Silos.** Rewards based on individual performance, or on business unit profit and loss, rather than on overall benefit to the company.

› **High Price of Failure.** Failures are easy to identify and remember, people and projects become scapegoats—who would take risks in that context?

innovation projects take a moment to consider how structures around them effects their work.

Process. The more mature an organization becomes, the more fully detailed their processes generally are. *How an organization provides value* to its customers are often made official through documented development processes, performance measures, operational systems, marketing communications, delivery flows, and customer relationship management protocols. These are important to understand because they largely determine the scope of how some new innovation project will come into being and then touch a customer. Process enables and constrains how people work so it is essential to provide the right level of flexibility.

Equally, if not more, important to documented processes are those which are undocumented. Knowing how decisions *really* get made and who makes them can empower innovators to pre-sell concepts to the right group or individuals and not waste important time and resources.

People. When it comes right down to it, making innovation happen is about getting people to adopt a new way of looking at the world—first *in* an organization and then *outside* it. Employees and team members need to easily be able to answer the questions *Who am I?* and *Why should I care?* in relation to their work. Commitments, rewards, beliefs, internal training and education, human resources, and recruiting should serve strategic and innovation goals of a firm. Measuring an individual or team strictly on short-term performance will drive them to deliver in the short term—sometimes at cost to the future. Asking an engineer to act as a product manager with no additional training or support will result in highly technical and "engineered" products that may not meet the needs of the market. Hu-

man capital truly is *the* most valuable resource—take pains to align them to your innovation intent.

Communication. Communications is the glue that binds teams and companies together. Considering many of us work in multi-national firms and on teams distributed around the world, great communication is more important than ever. Formal communications (and the systems for creating and distributing them) from leaders about a firm's mission and vision, the documentation of process, and status updates should echo strategic goals and convey incentives clearly. We all have been a part of delivering work or receiving it where there was a clearly a disconnect between what was expected and what was delivered—it is an unsatisfying experience and a quick way to destroy a lot of value.

While this may all sound quite complex, the Propeller model is really quite simple and scales well. At a strategic level, it can be used to organize your understanding of a firm. It forces you to examine how leadership acts, what structures are in place, what process are people expected to use (and what they are actually doing), who is on your team, and how people communicate. These are ultimately the building blocks of first how to identify, design, operationalize, then deliver value to customers. Senior managers of large companies can study their own company to understand it better. The model can also be used to outline change. If you've always worked with big enterprise, but now you've decided to attack the mid-market, we bet your company is going to have some issues until you tune the culture to adapt to the change. The Propeller model can help you consider what levers to pull.

More tactically, the model can be used as a "back of the envelope" way to consider team dynamics. Are the right people on the team? Are their physical and virtual structures built to sup-

port them? Is leadership sending the right message? How can communication protocols be set to increase a project's chance of success? Overall, the Propeller is simple but fantastically powerful when used.

Assessing Readiness for Change

The second tool we use in understanding a company's culture, particularly in the context of innovation, is the ***Change Readiness (AVBP) Model***: Angst, Vision, Belief, and Plan. Underlying this model is Mader's understanding of one simple observation: *it is nearly impossible to change team or employee behavior unless it is viewed as necessary by those who need to change.* From the outside, it can seem to be clear how and why some individual or organization should act in new ways to address a changing ecosystem. From the inside, especially at organizations that have had considerable past success—think Microsoft and SAP, the two goliaths of consumer and enterprise software—accepting change for people can be akin to admitting failure. On a smaller scale, but no less important, a local business has to change to survive the arrival of Wal-Mart. Mader suggests that the alignment of Angst, Vision, Belief, and Plan is the key to successfully introducing a new strategy or innovation within an organization.

Angst. People in a firm must feel some unease about the current situation to be ready to change. This Angst can take many forms: new competitors, a changing ecosystem, being left behind, or something more primal like a fear of failure. Both team and managerial leaders must not hesitate to make it clear they see a new way of doing things as essential to survival. When Bill Ford, Jr. publicly said, "It's change or die," to the press, he wasn't really talking to them but instead to Ford employees. We're not suggesting you be so dire when presenting a call to arms. (We also hope your situation won't be as dire as Ford's is now.)

Vision. While those (especially in big successful companies) may need Angst to be motivated to change, more importantly, they need a brilliant Vision of the future. Big new strategies and innovations can be complicated, many times involving the active retirement of people and systems. The Vision is sort of like an elevator pitch everyone can understand and rally around. While John F. Kennedy gave many fine orations, we especially like his famous 1961 call to "put a man on the moon and return him safely by the end of the decade." Embedded in this short statement is a considerable amount of information, direction, and emotion. Whether you are a senior manager or a team contributor, presenting a Vision of a future state people can invest in is worth time considering. Sometimes you only have one shot to sell your version of the future: a new business pitch, an internal product or engineering review, maybe an all-hands meeting—we suggest you make the best of it. To that end, we highly recommend Chip Heath and Dan Heath's book, *Made to Stick,*[1] and hope you apply their principles to communicating your Vision.

Belief. Incentive to change and a picture of the future are necessary but both mean little if your team has no Belief. We could say we're going to start a new software company to go make a better computer operating system than Microsoft or Apple, but few joining us would really believe this is possible. One of us worked for a technology start-up called that went through a rollercoaster of success and failure over its few years of existence. In the company's final months, senior management presented a series of possible strategies for the company to continue, each more outlandish than the last. Ultimately, our leadership's Vision became just too far from reality for contributors to do their jobs well. Next time

[1] Chip Heath and Dan Heath, *Made to Stick* (New York: Random House, 2007).

you create an innovation, use the Angst in the situation, create a Vision, but make sure they Believe!

Plan. A big part of building Belief is presenting a Plan that outlines the roadmap to success. This doesn't necessarily mean you have to have each step figured out. Honestly, we all know that things do not always go "as planned." This is especially true when rolling out new offerings—technology, customers, and competitors always seem to have a reaction! Instead, the Vision and the first few steps to achieving it must be clear and then immediately acted on. In this way, Angst begets Vision begets Belief begets Plan, and so on—a new innovation implemented and unleashed!

So what form should this plan take? We like creating a ***Roadmap*** that places organizational changes in line with the introduction of new innovations. A roadmap is less specific than a Microsoft project plan but more specific than bulleted goals. It allows us to match changes in our organization or client's makeup with the introduction of new offering. You can create these relatively easily in Excel by creating a four column layout. Label the first column Beachhead and the next three Phase 1 through 3. A Beachhead is the first public introduction you have for some new offering. It is up for you to decide how long each phase will take but we often use periods like six months for the first phase, one year for the next, two to three years, and five years. We then create rows for products, services, people, processes, structures, and communications. The first two rows document the offerings you plan on delivering while the four others are the important parts of the Propeller model that must be addressed to support them. Take the current project you are working on and create a quick roadmap to see how you can plan for success.

Implementation Over the Long Term

We don't intend for this short chapter to prepare you as a change management consultant—it's hard work and there are some really great firms and people trained to do it! We have hope that roadmaps, the Propeller model, and the Change Readiness model will help prepare you to understand what it actually may take to get an innovation to be successful. This is especially true if the idea you are proposing will fundamentally change the way your organization or company delivers value to current customers. It's not just about the idea—it's about the people who have to make it real.

Before You Go On...

If you remember anything from implementing innovation, let it be these three keys:

> › Getting any new innovation or strategy to be successful is really all about changing *people*—how both employees and customers act.

> › The *culture* of an organization or team (the way they act) *cannot be directly manipulated.* But the elements within the *Propeller model* can be used to examine and then indirectly affect it.

> › People will only be ready to change if they have *Angst* about their current situation, have a clear *Vision* to drive them, have *Belief* in leadership and the *Plan* put into action.

RESOURCES FOR IMPLEMENTATION

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Thompson, Jr., Arthur; Strickland, III, A. J.; and Gamble, John E. *Crafting and Executing Strategy*. New York: McGraw-Hill/Irwin, 2006.