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BUSINESS ADVANCEMENT INC.®

The Harper Report:

The Keys to Unlocking **Sustainable** Innovation

Many of the CEOs and senior executives we meet consider innovation to be a critical strategic priority. However, they tell us that despite adopting best practices to increase and streamline innovation, success can often seem serendipitous. The most promising new products and services can have disappointing results in the market, while other products with lower expectations can provide an unexpectedly high return on investment.

Over 50% of executives feel that innovation programs cost too much, take too long, and have an unpredictable return on investment. With so much effort being directed to improving and reaping benefits from innovation, the seemingly erratic distribution of success can be mystifying.

It's easy to see when a new product or service succeeds and when it fails. However, unlocking the secrets to gaining sustainable control and making innovation more predictably successful is considerably more challenging.

The reasons behind success or failure are frequently attributed to "usual suspect" issues such as poor understanding of the marketplace, poor technology or poor communication of benefits. However, other less visible issues that are frequently overlooked, underestimated and unaddressed

can have an even more significant impact on the return on investment.

Broadening perspective to find and address these issues can transform erratic, up-and-down innovation outcomes to a more consistent stream of business performance that can substantially grow and maintain market leadership.

‘Every company has its own unique combination of factors that result in the most effective and efficient way to unlock its innovation potential.’

Categories for Successful Innovation:

The fastest way to identify the success factors that are most important for sustainable innovation in your company is to view them through the lens of four distinct categories:

Aligned leadership:

As companies go through inevitable ups and downs to accommodate shifts in the economic environment, it's easy for executives to become focused on their own area of accountability at the expense of the

organization as a whole. This can result in excessive conflict and uneven productivity, as one function moves forward only to be blocked by another function that has competing priorities.

To increase alignment across the organization, many strategy meetings include all levels of leadership, and allow substantial time for relationship building. Broadening participation in meetings is especially important if there is an “us-them” dynamic between different levels of leadership, which creates a strong barrier to alignment. We’ve found that frequently, the source of a conflict can be traced back to mistaken assumptions about roles and accountabilities, competing priorities, different perspectives, or miscommunication.

We recall one company that was facing a crisis generated by significant economic and technological shifts that were severely eroding their current market. One of the most significant obstacles to their ability to adapt to these changes were severe differences among the board of directors, the CEO, and other members of the executive team on the nature of the crisis and the best path forward. It was only when they were able to meet face-to-face and candidly lay out and deal with their conflicts that they were able to sort through all the different points of view and move towards consensus and alignment. This series of conversations led to new decisions and a bold and innovative change in market direction that resulted in a tripling of revenues and profitability over the subsequent three years.

When all levels of leadership are aligned on their commitments to long term performance objectives, values, definition of innovation, acceptable levels of risk, and other critical strategic issues, they can respond far more quickly and effectively to the rapidly changing business conditions and customer needs that give birth to successful new products and services.

This nimbleness is evident in PepsiCo’s highly publicized strategy to improve the nutritional content of its snack food offerings, based upon a growing market of health conscious consumers. Their aggressive plans to open a research facility in New Haven, Connecticut devoted to developing nutritious snacks demonstrates the power that a common focus provides for seizing opportunities.

Undeniably, an aligned leadership team is essential in order to make decisions, allocate resources, and execute plans. However, this category is only one of essential keys to unlocking innovation on a sustainable basis.

“Leadership aligned on critical strategic issues can respond more quickly and effectively to changing business conditions.”

Market -focused strategy:

Unprecedented changes in technology, political climate, disasters, and other reasons are resulting in a series of profound changes in market needs. It can seem like these market shifts come “out of nowhere.” However, we’ve found that when strategy is developed with input from employees, customers, outsource providers, alliance partners, and other relevant external stakeholders, there are a number of signs that enable our clients to gain new insights about the strategic direction that’s **most** likely to lead to successful long term performance.

For example, the executive team of a technology company looked at a number of signs in their external business environment, such as buying patterns, new regulations, and other factors, and concluded that the market for their products was eroding. As we took

them through the process of strategic thinking and planning, they decided to shift directions to focus on emerging markets. This not only increased the need for their existing products, but triggered innovation to satisfy the additional needs of these new markets.

Even when your company is in the right market for your current business environment, it can be a struggle to identify new products and services that stand out in the crowd. We've observed that the process of new product development often falls into the path of least resistance – brainstorming on concepts within the company based upon what customers tell them they like or dislike about existing products. The challenge is correlating what consumers say with whether they'll actually buy the product once it's launched.

This obstacle can be overcome by making sure that your market research includes gaining insight on both consumer attitudes and their behaviors to tap into unrealized or unvoiced customer needs. Gaining these types of insights has led to developing such popular products as the BlackBerry, which was conceptualized when Mike Lazaridis, founder of Research in Motion, observed the daily behaviors of executives on the job and imagined how much they would value immediate access to their email when they were away from their offices.

Auditing your company's approach to gathering customer insight can insure that ideating moves away from "tried and true" territory into ways of generating ideas that will lead to the most profitable innovation on both a short-term and long-term basis.

High performance organization:

The most innovative organizations have the right people with the right competencies and attitude focused on the right things to generate desired results. However, as companies increasingly rely upon outsource providers, alliance partners, suppliers, and other external stakeholders to regularly

perform substantial functions, it's clear that today's organizations consist of more than employees on the payroll.

The "organization without walls" requires an ability to lead and manage through influence rather than authority, often while bridging differences in national cultures. For instance, we worked with a company where one of their global alliance partners was intent on taking a project in a different direction than they had originally specified. Rather than issuing an ultimatum that would have soured the relationship, executives of both companies renegotiated the objectives of the project along with revised timelines that were acceptable to both parties.

"It's essential to recognize that the organization that got your company to where it is today isn't the same one that will get your company where it needs to be tomorrow"

Because the mix of both employees (internal stakeholders) and external stakeholders is constantly changing, it's essential to recognize that the organization that got your company to where it is today isn't the same one that will get your company where it needs to be tomorrow. Just as people change both physically and psychologically over time, so do organizations transform as they go through different stages of growth, gain and lose employees and external stakeholders, and adjust to shifting business conditions.

When you're so close to your organization on a daily basis, it can be difficult to see all of the incremental changes that take place over

time. However, collectively these changes can add up to become quite significant. Consider that Apple grew over many years to become considerably larger and more complex than it was when Steve Jobs and Steve Wozniak founded it in 1976. Maintaining a high performance organization over the long term has required the Apple leadership team to frequently assess the many changes in the business environment along with those of their own organization, and make adjustments accordingly.

One of the most challenging aspects of leading and managing high performance organizations is recognizing the many ways culture is expressed, and how elements intended to advance certain objectives can inadvertently block innovation.

Some cultural elements are promoted through policies, speeches, publications, performance reviews, and other “formal” channels. However, the “informal” and undocumented aspects of organizational culture (what really happens) can sometimes be far more powerful in shaping business performance. The ability to recognize and account for both dimensions of your company’s culture can markedly increase your ability to engage your organization to produce the outcomes you need.

For example, executives of a service company were mystified as to why employees who had been recently trained on collaboration and teamwork to increase innovation were refusing to use their training back on the job. After speaking with employees and managers throughout the organization, we learned that the employees who collaborated with their colleagues were penalized by their managers because these efforts were interfering with the short-term priorities in their departments. When executives started to more consistently reward the collaboration efforts in a variety of informal and formal ways (hero stories, praise, merit increases, promotions, bonuses, etc.),

collaboration picked up along with innovation and productivity.

Ensuring that your organization is set up to succeed in implementing strategies is as critical a component of innovation as having alignment on clear strategic objectives and goals. Credibly communicating a clear focus, understanding the best ways to work with the organization in the context of its formal and informal cultures, and consistent, timely monitoring of outcomes against objectives and the changing business environment will enable your organization to increase its nimbleness and accelerate progress toward your objectives.

“Best Practices... will only work when they are adapted and modified to meet the needs of your organization’s current and changing reality.”

Flexible processes and systems:

The high performance organization is filled with people who can quickly shift and embrace change, focusing on accountabilities and outcomes, rather than being wedded to how it has always been done.

We’ve observed that a quick but comprehensive review of existing systems and processes can reveal surprising opportunities for improvement; we’ve seen companies which have saved significant amounts of precious time and dramatic improvements in top and bottom line growth by redirecting, redistributing, repurposing, and/or adjusting systems already in place in the company.

For instance, one company realized that its consumer relations hotline represented an untapped treasure trove of consumer insight;

when they created a part-time team drawn from consumer relations, marketing, research and development, manufacturing, and logistics they were able to detect patterns in customer complaints, comments, and wishes into at least two successful new product offerings.

A mindset of flexibility can also help a company identify and address gaps or shortcomings in processes and systems to gain significant improvements in cycle time reduction, quality, and cost savings which can have unanticipated wide-ranging benefit throughout the company.

One example is GlaxoSmithKline's comprehensive approach to "open innovation," through which they actively seek outside innovative input from a wide range of external stakeholders. This includes customers, independent researchers, and others who are interested in participating. The success of their efforts is manifest in the fact that ten of their current top eleven brands began as collaborations with innovators outside the company.

Open innovation has worked extremely well for GlaxoSmithKline, and is just one of numerous best practices that can increase a company's flexibility in developing new products and services and improving workflow efficiency and effectiveness. However, it's extremely important to bear in mind that no matter how reasonable and valuable best practices may seem for the companies you benchmark, they will succeed only when they are adapted and modified to meet the needs of your organization's current and evolving reality.

For instance, one manufacturing company spent ten years benchmarking and adopting best practices without success until they realized that they had to extensively modify significant elements of how they rewarded risk taking in order for the best practices to work. This is an example of why it's so important to

fully consider and balance all of the critical success factors that are so important to innovation and business performance.

Finding the Right Combination

Most companies are highly proficient in many of the factors in at least one of the categories presented here. However, those that have been able to identify the right combination of unique factors within *each* of the four categories to unlock innovation in their company are by far the most successful.

Because each of these disciplines nourishes and feeds off the others, balanced attention to factors in all four categories creates synergy that drives sustainable market leadership. How can your company unlock its full potential for innovation?



1. **Start at the top** to align strategy and objectives that are consistent with a commonly embraced vision, mission and set of values.
2. **Shift innovation orientation** from an internally-generated concentration on product development to an orientation that concentrates on changing market conditions, voiced and unvoiced customer needs, and a well-supported focus on constant improvement of both internal and external processes and systems.

3. **Customize the definition of innovation** so that every employee across your organization can approach his/her own job in a way that measurably contributes to that same objective. Moving “innovation” out of the exclusive realm of marketing or research and development, and into the realm of the entire organization exponentially increases business performance.

Innovation For The Long Term

Ultimately, sustainable innovation is about more than creating new products and services. It’s about focusing on new and better ways to deliver value to your market over the long term. This will not only enable your company to dramatically increase market leadership; all of your stakeholders will benefit so that your company can increase growth and profitability regardless of the economic twists and turns ahead.

About the authors:

Pamela S. Harper is the founding partner and CEO of Business Advancement Inc. (BAI), based in Glen Rock, NJ. She is an internationally known business performance expert, author, and professional speaker with over 20 years experience in internal and external consulting to entrepreneurial, middle market, and Fortune 500 companies in a wide range of industries, all going through extraordinary growth and change. Pam is the author of the critically acclaimed book, *Preventing Strategic Gridlock®: Leading Over, Under & Around Organizational Jams to Achieve High Performance Results*. She has published and been quoted in prominent media outlets including: *BusinessWeek*, *Investor’s Business Daily*, *Red Herring*, *Entrepreneur*, and major newspapers around the world.

D. Scott Harper, Ph.D. is Sr. Partner and COO of BAI. He is a globally recognized expert in innovation processes and systems with a unique ability to translate technical insights into desired business results, gained from over 20 years of leadership experience in Johnson & Johnson Consumer Company, Pfizer Consumer Healthcare, and Warner-Lambert Company.

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