

How to Develop a New Culture of Innovation

By: Jay Gronlund, Global Partners Principal

When money is tight, as in the current recession, there is a tendency to pull back on initiatives that don't produce an immediate return. Frequently any effort that involves some form of new business assessment or brainstorming session is the first to go. These innovation initiatives are usually viewed as too separate, specialized or nebulous to justify when budgets are reduced, and are probably not considered part of a company's mainstream culture.

However, there are many successful business leaders with a track record of initiating an innovation process during a recession, or just before the recovery starts. Their common talent is an ability to create a balanced collaboration (e.g. creative and practical) and inspire a culture of ongoing innovation – e.g. at Apple, HP, Toyota, Nike, Starbucks or Gucci. What qualities and techniques have made these companies so innovative and successful? Is it people, a special approach, bigger budgets, R&D resources, or simply luck?

An examination of the most successful, innovative companies that have broken the mold and introduced ground-breaking ideas reflects certain attributes in common:

- **Culture of Learning and Innovation** – generating ideas and transforming them into viable commercial businesses does not rely on a one-time hit or even a special “Manhattan-like” project. An open, creative mindset and working in teams with diverse talents are central ingredients in these successful companies.
- **The Customer Experience Dominates** – the best source for creativity is an in-depth understanding of core customer attitudes and usage, especially new insights that can be identified in research. Smart innovation does not focus on any one aspect of customer behavior, but looks holistically at the entire experience from a rational and emotional perspective, with the intent to strengthen the brand and its bond with them.
- **Teamwork** – innovation that works requires both left and right brain thinking – i.e. the pragmatic, analytical and rational qualities (left) stimulated by the intuitive, subjective and imaginative thinking on the right side. Partnerships with these diverse personality types are created at an early stage, and are given the responsibility to work closely and continuously afterwards.
- **The ability to identify and nurture Creative People** – In addition to finding the right balance of diversity, management should seek out team players with these ideal qualities:
 - Keen power of observation
 - Restless curiosity
 - Ability to identify issues/problems others miss

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- Talent for generating many ideas
 - Persistent questioning of the norm
 - Knack for seeing situations in new ways
 - High tolerance for making mistakes and taking risks
- **Finishing – from Concept to Commercialization** - The capability to progress innovations systematically from initial ideas to the marketplace is essential. The entire process must even go beyond a successful introduction, to include diligent monitoring and the flexibility to adjust to all new market dynamics to improve its chances for ultimate success. Innovative leaders such as P&G and Apple are successful because they can effectively combine the ‘art’ of creativity with the discipline of process management for such innovations.

How to Get Started with A New Innovation Effort

Searching for the “Big Idea” should be an ongoing preoccupation in companies, but this does require time and resources. Many companies in the technology and healthcare sectors tend to be extremely product driven, and pay minimum attention to finding an emotional “hook” that will elicit a distinctive appeal to its customers. The ultimate goal should be to find a memorable way to distinguish a company, product or brand – e.g. a new product or line extension, an updated positioning, more innovative packaging, a cause related affiliation, a related, complementary service, a more efficient operational procedure, or some kind of extraordinary twist for all communications.

While the innovation process should ideally be inbred in a company, it is difficult to change a company’s culture and behavior overnight. Often an outside catalyst can help create the right framework for an idea assessment session that will initiate a new discipline in a company. For example, the start of any innovation process should include a comprehensive analysis of a designated market, sometimes a grid showing key customer segments, competitive products/brands and price ranges, and ideally key gaps or opportunities identified to provide initial direction for the creative brainstorming or ideation. Frequent updates on the market situation, capturing recent trends, competitive changes, new positioning opportunities and other important dynamics, are essential for a sustainable innovation discipline.

Here is a typical approach that many companies use for a new ideation session and/or for initiating an ongoing innovation process, whether using an outside professional or an internal specialist to spearhead and moderate the effort:

1. ***Collecting Relevant Data*** – any brainstorming session must focus on the specific objectives and supportive information that will provide prudent direction, yet without creativity-limiting constraints. In light of the massive amount of information available to us in today’s over-cluttered, interconnected world, it is important to screen out irrelevant data and construct a realistic framework that can stimulate new insights and different perspectives. Common sources for this data include:

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- a. **Previous Market Research** - e.g. macro and category trends, competitive analyses, customer needs and usage, market opportunity assessments, all relevant data via the internet, etc.
 - b. **Asset Profile** – based on research findings, an assessment of the customers' perception of the strengths and vulnerabilities of your company or brand vs. the main competition
 - c. **Purchase Situations** – all the dynamics at play when purchasing a product or service – who, primary motivation, where/how (e.g. retail, online, direct order, etc.) and all other influential conditions
 - d. **Usage** – all meaningful behavioral patterns (e.g. at home, at work, at service centers, etc.) that can lead to new insights
 - e. **Learning from Others** – evaluation of competition or similar products/categories in all pertinent markets (including abroad), and even elsewhere within the company.
2. ***Developing Preliminary Hypotheses*** – new ideas do not simply occur when people gather in a meeting; prudent due diligence and preparation are essential for establishing a meaningful framework for positive direction. The information collected and evaluated (above) should be presented to all participants in some form early on, to be used as the main stimulus for stretching one's imagination, identifying new insights and generating a multitude of hypotheses before such the actual ideation session. Each idea should be concise, reflecting a core benefit for the customer, who should be clearly defined to all the participants beforehand.
 3. ***Start with the Big Picture*** – an ideation session must begin with a holistic review of the marketplace, key opportunities, relevant trends, and a competitive assessment. The initial data collection and analysis should provide the primary trigger for thinking out-of-the-box, including all the possible implications and “what if” hypotheses. Another essential ingredient for this brainstorming recipe is an open discussion of key issues, problems and especially new insights identified before the meeting. Since improving one's competitive edge should always be an underlying goal, this upfront review should also include a summary of the competitor's vulnerabilities and an honest appraisal of whether the company has the appropriate strengths, “brand/product assets” or capabilities to capitalize on such opportunities.
 4. ***The Ideation Session Format*** – this will vary significantly depending on the company's objectives and commitment. An experienced facilitator, from the outside or inside the company, is critical for stretching everyone's imagination and keeping the discussion realistic and in sync with expectations. Acting as a catalyst, there is a wide variety of different ideation techniques that can be employed. The ideal outcome for each of these is to succinctly define the primary benefit/promise, plus the main “reasons why” or distinctive attributes that will make the target customer believe this promise. Some common techniques used to trigger one's creative talents include:

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- a. **Role Playing** – someone is asked to represent the brand or a new idea, and convince others to try or adopt it
 - b. **Collages** – selecting pictures from a magazine to create a collage or stimuli for helping people define a core problem (and/or solutions)
 - c. **Benefit Laddering** – build on preliminary hypotheses with the seed of a new idea, but adding new dimensions to make it more compelling and distinctive, especially its emotional appeal
 - d. **Customer Stories** – the group is given open-ended stories, usually pertaining to a key issue or insight, and then asked to complete the story
 - e. **Triggered “Brainwalking”** - the group is broken up into small teams and each one uses a positioning statement format to embellish the core idea (e.g. adding another reason to believe the promise, ways to distinguish it from competition, how to better express the benefit, etc.), and then passes it on to another team for further improvement.
 - f. **Celebrity** – associate the core brand and competitors with known celebrities, and then define the “ideal” qualities that are missing or most desired.
 - g. **Trends** – we live in a dynamic world, so recognizing new trends and diagnosing their implications offers an stimulating platform for creating “trigger concepts” or ideas that could lead to other business development initiatives.
5. ***Sustaining the Innovation Process*** – the main purpose of such a brainstorming session is to generate as many ideas as possible, within the context of the overall innovation program. What follows must be a series of steps to screen out unrealistic or unfeasible ideas and to continue to build on those with potential. Constant testing with the customer is critical, and participants should plan to meet and continue the innovation process frequently. Some useful criteria for this task of screening and prioritizing include:
- **Market Opportunity** – does it address a current or emerging gap in the marketplace?
 - **Corporate Strategy** – is the idea consistent with the company’s mission, values and overall business development strategy?
 - **Feasibility** – can a product or service be realistically developed that will credibly deliver on the benefits/promises of the idea?
 - **Relevance** – is there indeed a compelling need or desire by the target customer for the proposed idea?
 - **Competitive Difference** – will the new product/service really be different from the competition, or at least allow for this perception to be developed?
 - **Financial Attractiveness** – is the market potential sufficient to generate an adequate return and meet other key financial criteria?

Instilling a culture of constructive innovation within a company is essential for profitable growth. It will require time, patience and a change of thinking and behavior of all managers involved in the idea generation/development process.

The best way to initiate this cultural transformation is with a “big bang”, or ideally a comprehensive and professionally conducted ideation session that will make a lasting impression on everyone. As we prepare for the economic recovery, this would be an optimal time to start this transformation too.

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