



# Innovating In Good Times & In Bad

Lessons from 12 Global Innovators

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In the current economic climate, the discipline of innovation is taking a different form. Leading organizations recognize the importance of investing in their future to be in a stronger competitive position in a post-economic crisis world. But what exactly are companies doing to stay ahead of the curve and how are they building their innovation programs to accomplish this?

To understand the best practices, tactics, and techniques for driving a successful innovation program, futurethink conducted a series of interviews with leaders and practitioners within the field. The interviews offer a unique insider's view into the world of innovation – what makes it work, what holds organizations back, and what critical advice new innovators need to know to be more successful with innovation overall. To gain a holistic understanding of these best practices, we spoke with a cross-section of innovators at both corporations and government organizations, within product- and service- driven industries, and at the leadership and practitioner level, globally.

What's the secret to success? Five main themes from the interviews percolated to the top:

- 1. The importance of defining innovation.** Nearly every innovator with whom we spoke expressed the fundamental need to define what innovation is in the context of one's organization and its goals.
- 2. Embracing 'innovation inside.'** Given the current state of the economy, innovators are increasingly focused on quick, inexpensive, low-risk ways to innovate internally. This type of innovation includes optimizing and streamlining internal processes, defining new customer segments, creating new distribution channels, or communicating both internally and externally in new and different ways.
- 3. Shifting from problem-solvers to problem-definers.** In the past, many organizations simply went after ideas and innovation without first defining the problems these ideas were meant to solve. But now, when resources are tight, organizations are realizing the importance of carefully defining problems first before seeking innovative solutions.
- 4. Role of the innovation team: one size doesn't fit all.** Each organization we spoke with had some sort of formal innovation role built in, but the structure and role of this team varied across the board. Some groups were focused on facilitating and evangelizing innovation across the organization, while other groups focused on building ideas and seeing them all the way through to launch.
- 5. Rewarding is more about 'how' than 'how much.'** When it comes to rewarding and recognizing innovation, there is no single correct method. Depending on a given organization's culture, innovation rewards look very different.

In the following pages, we'll take a closer look at each of these findings. We'll also share some of the advice our leading innovators had to offer to those who are just embarking on the innovation journey.



## 1. The Importance of Defining Innovation

The first key to innovation success in an organization is creating a clear understanding of what constitutes innovation for the organization. Is it a breakthrough idea or does it include incremental product enhancements? Does innovation only refer to R&D and product development or does it include other aspects like process improvement and creating new customer segments? Organizations define innovation in different ways. At Estée Lauder, innovation is tied very closely to new product development; whereas at Sandia National Laboratories, innovation is predominantly about breakthrough, game-changing ideas. A clear understanding of how your organization defines innovation will shape the nature and structure of your innovation efforts.

“Be clear with your definition of innovation and be really clear about the mandate for innovation within your business,” says **Amanda West**, Chief Innovation Officer of Thomson Reuters. She recognizes that defining innovation also includes setting goals for your efforts. What do you want to accomplish with your innovation program? What’s your roadmap for getting from where you are now to where you want to be?

Part of defining innovation involves creating a shared lexicon for everyone within your organization. Unilever’s Global Leader of Innovation Process Development, **Mehmood Khan** stresses the need for “a common language, a common process, and a common system” around innovation. This ensures that everyone clearly understands the mandate for innovation and that they are all moving in the same direction to achieve the same goal.

Ultimately, it’s about building an innovation stewardship program to actively engage employees in the organization’s innovation efforts – sharing examples of past innovations, highlighting successes and failures, and encouraging the involvement of all employees in the idea submission process. This is the first step in building a truly innovation-driven culture.



**“A lot of people call innovation ‘things that create improvements by 5 or 10 percent.’ But, if I employ new to the world, truly disruptive technologies, then I’m changing the paradigm so that I see ‘orders of magnitude’ improvement. That’s a whole different kind of innovation. And I suggest to you that what we have found is that the way you manage those programs, if you are to be successful, is terribly different than the way you manage the evolutionary programs.”**

**SANDY SANZERO, SANDIA NATIONAL LABORATORIES**



## 2. Embracing ‘Innovation Inside’

Within most organizations, the realm of innovation typically reaches beyond just new product development. For instance, **Craig Libby**, SVP of Innovation at Wachovia Bank, thinks about more than just new products and services and considers “new business models, operational innovation, and merger and acquisition innovation critical to success.” These are among some of the different types of innovation that futurethink calls the 8 Angles of Innovation – new product or service, business model, brand experience, strategic partnership, distribution channel, customer segment, communication channel, or business process.

In this uncertain economic climate, companies are mindful of driving growth, but are also paying closer attention to extracting efficiencies and realizing cost savings. In times of tight budgets, savvy companies are looking to these ‘internal’ innovations to streamline their operations and are using these cost savings to fund growth initiatives.

“I’m actually highlighting ‘internal’ innovations more than external innovations because external innovation is what always comes to mind when people use the term innovation,” notes **Daryl Dunbar**, SVP of Innovation at information conglomerate Reed Elsevier. This practice of driving ‘internal innovation’ has many benefits as it extends across functions. For instance, **Barbara Daniele**, SVP and General Counsel for GE Capital Solutions, is constantly “re-examining outmoded ways of providing legal service and outmoded legal models and coming up with a new way to do the same thing faster, cheaper, and easier.” In some cases, innovations result in collateral cost savings. This was the case when Westin Hotels launched their ‘smoke-free’ initiative, converting all their rooms to non-smoking rooms. Westin Hotels SVP of Global Brand Management, **Sue Brush**, explained that “the ‘smoke-free’ initiative (an externally-focused innovation) actually lowered [Westin’s] operating costs by reducing the time it takes to clean a room and the number of times we had to replace curtains, bed sheets, etc. [thus becoming an internal innovation as well].”



**“[Innovating beyond just new products] is key for Procter & Gamble. We continue to drive costs down; that’s one of our key strategies for the company... In turn, we are able to [use these savings to] keep investing in innovation on both the business transformation side and on the product or R&D side.”**

**MARK HAUSFELD, PROCTER & GAMBLE**



### 3. From Problem-Solvers to Problem-Definers

Innovators are typically tasked with generating ideas to solve problems or spur growth for their organization. This process typically starts with generating ideas during a brainstorm and moving those ideas through several refinement stages until it reaches the market. Often, the upfront research component isn't given enough importance in the innovation process, mostly used as inputs to inform brainstorming sessions to solve the problem at hand, rather than in a forward-looking manner to determine the root of the problem to be addressed.

"We've spent too much time on the front-end, the brainstorming," asserts **Craig Libby**. "The problem is that we don't know what we're brainstorming on or the problem we're trying to solve. We should be just as much problem-definers as we are problem-solvers." **Rob Spencer**, Senior Research Fellow for Idea Management & Innovation at Pfizer agrees, stating "The hardest part of my job isn't coming up with new ideas; it's having a laser-focus on identifying and defining valid business problems right from the start." **Sandy Sanzero**, Manager of Robotics, Intelligent Systems and Cybernetics at Sandia National Laboratories, provides an additional perspective examining companies' R&D spending, noting: "you look at large companies and they're spending about 15% on R&D. But is what they're really doing Research or is it Development? [I believe] they're at the Development part, barely reaching down into the Research part. So what they're really spending their money on is Development, and that's not innovation."

These points of view represent an emerging trend among innovators who, in addition to looking for and generating great ideas, are placing an emphasis on asking the right questions to better understand the opportunities that should be explored. As part of this, leading companies are building out the "front end" of the front-end of innovation by gathering more consumer insights and building their strategic foresight capabilities to better inform their innovation process. They are using scanning and scenario planning techniques to anticipate the future and identify growth platforms and opportunity areas for their brands, business units and organization. Armed with a clearer definition of the challenges and opportunities presented, they are then able to develop better ideas to address and capitalize on these opportunities. Procter & Gamble Innovation Manager, **Mark Hausfeld** used the following analogy to describe this process: "We're not going to go out and find a whole bunch of hammers if we don't know what the nail is. We go out and identify what the nails are, and then use the right hammer."



**"Too often, we spend our time focused on getting ideas, but we should first be asking ourselves: what exactly is the problem that we're trying to solve? Only then can we know the real need we're addressing, the real opportunity before us, and the real mechanism for change that adds lasting value – both for the customer and for the company."**

**ROB SPENCER, PFIZER**



#### 4. Role of the Innovation Team: One Size Doesn't Fit All

In speaking with a number of innovators, we found that the role of the innovation team tends to vary across organizations, often based on how new the company is to the discipline. Typically, the team tends to play one of two roles – that of an innovation process ‘Facilitator’ or of an idea ‘Incubator’. However some organizations will adopt a hybrid version. We noticed that, within companies that are new to innovation, the innovation team tended to take on a ‘Facilitator’ model, putting a process in place and providing support to the business units’ innovation efforts by offering tools, resources, and training. **Craig Libby** views his group’s role as “problem-definers, mentors, and facilitators,” noting that “business units are too focused on execution to think and innovate. We have to take a longer-term view to really be innovative.”

Within organizations where a strong culture of innovation has already been established, it appeared that innovation teams were more ‘Incubators’ of long-term innovations and big ideas. **Roland Harwood**, Director of Open Innovation at the National Endowment for Science, Technology and the Arts (NESTA), explained that “innovation groups should be a greenhouse for ideas – protecting young ideas from being killed off before they have a chance. We need to be challengers of the norm. Do-ers. Connectors.” Typically, these organizations are ones where every employee is expected to participate in innovation and the central innovation group collects and refines the ideas from across the organization before introducing them back to the business units.



**“In our current scenario, the central innovation team is a ‘consultancy’ both on the process of innovation and the activities required to run the process. We engage both in embedding innovation into the process of the business and helping run the innovation process to produce and advance ideas. In the end, [the role of the innovation team] is about recognizing what is right for the business and what the culture will accept.”**

**DARYL DUNBAR, REED ELSEVIER**



We also spoke with organizations that operated as a hybrid of these two roles – developing and fleshing out ideas, then working in tandem with the business units to move the ideas forward to market. At Estée Lauder, SVP of Corporate Product Innovation **Anne Carullo** described how her innovation group “works on exploratory concepts, but because [each member of the team] is brand-assigned, they also are responsible for driving day-to-day development.” Similarly, at Procter & Gamble, **Mark Hausfeld** explains that his team is both an “Incubator and Facilitator. Once we take it out of incubation, we hand it over and guide where needed.” Whirlpool Senior Manager of Global Strategy & Business Development, **Randy Voss**, illustrates this hybrid model by drawing a distinction between the ‘innovation office’ and the ‘innovation team’. He describes the innovation office as the “people that can get innovation evangelized and embedded as an organizational competency. They do the training. They do the managing of the processes out in the field.” Versus cross-functional innovation teams embedded within the business units that take the ideas and move them to market.

In addition to the role of the innovation team, we sought to understand what makes someone a good innovator. What are the specific skills and characteristics that these leading innovators have seen lead to innovation success? Most listed the usual suspects: creativity, open-mindedness, curiosity. Everyone agreed that innovation success required both left-brain and right-brain characteristics. **Sandy Sanzero** noted the need for “broad inter-technical competencies, [and being] a strong team player, because you’re going to be on a team. It takes diversity. People who are analytical, people who are creative and people-oriented. You need different social styles.” The broader insight to creating innovation success, though, has less to do with trying to find all these characteristics in one individual, but rather focusing on creating an innovation team that encompassed all the right skills and traits. This point was summed up by **Mehmood Khan** who said, “what you need is basically diversity of mind within the team.” This ‘many minds; one focus’ concept lends itself to a point **Mark Hausfeld** made, that “any person can be a valued contributor to an innovation organization. It’s just a matter of knowing your role within that group.”



THOMSON REUTERS

“[Innovation is] about having the ability to think with both the left and right brain.”

AMANDA WEST, THOMSON REUTERS



## 5. Rewarding is More about 'How' than 'How Much'

When it comes to motivating employees and encouraging them to participate in innovation efforts, recognition is more impactful than one-off monetary rewards. General Electric's **Barbara Daniele** believes that "the most effective reward is recognition. I don't think you have to put money around it. I don't think you have to create plaques. I think recognition is fundamentally the most important tool." **Daryl Dunbar** agrees that "the softer rewards are more powerful." At Reed Elsevier, the innovation group recognizes contributors through "a monthly Honour Roll and the winner each month receives a personal email from the CEO."

In most cases, where innovation is embedded into the culture as an expectation, recognition is all that's expected. However, for companies that are building their innovation programs, there may be a need for financial rewards to motivate employees and drive the culture forward. **Amanda West** explains this philosophy: "early on in the process it's very much about recognition. Again, it depends on the culture of the company and the people involved. But then, once your idea is further developed, I firmly believe that you'll get more from the individual if you pay for results."

Personalizing rewards and recognition makes the largest impact on employee motivation and satisfaction. Additionally, being sensitive to, and understanding, how someone prefers to be rewarded or recognized is often as important as the reward itself. Westin Hotels conducts an in-depth survey to gain a better understanding of what their "employees are passionate about and what really motivates them," explains **Sue Brush**. "We ask how they like to be recognized – publicly or privately." Westin acknowledges that some people are satisfied with being recognized or rewarded without others knowing, whereas others are motivated by the visibility of receiving their reward or recognition through a public forum. This angle of personalization to suit individual preferences motivates everyone to succeed. As Ms. Brush describes it, "it's about just knowing the individual and tailoring the recognition, rather than having a program where, 'if you come up with an idea that saves X, you get the watch. If you come up with this, you get the car.' I don't think that works."



**"There really isn't a financial reward [for innovation] inside our organization, because the way we look at it, it's part of our DNA."**

**RANDY VOSS, WHIRLPOOL CORPORATION**



### Advice on Getting Started

In our conversations with these leading innovators, we asked what advice they would give others in similar roles, or who may have just been placed in a similar role, as they begin to launch innovation efforts within their organizations.

Resoundingly, the number one piece of advice was to ensure support from the top. CEO, or at least C-suite, support is essential. At Procter & Gamble, “corporate sponsorship and leadership around innovation is key. If you don’t make it a priority and you don’t drive that into the culture, I don’t think you’ll have a strong innovation pipeline,” says **Mark Hausfeld**. The level of commitment and type of support from senior management is also crucial to innovation success. Pfizer’s **Rob Spencer** makes a distinction between ‘management endorsement’ and ‘management sponsorship,’ arguing that management endorsement is easy to get, but “serious management sponsorship and engagement is rare and wonderful. Is senior management willing to have a 30 to 60 minute serious conversation about the nature of the problem and the depth of it? If you don’t have time for that, you don’t have a healthy program from the top.”

The second piece of advice was, as Unilever’s **Mehmood Khan** stated, to “assess the situation and figure out exactly what the need for innovation is” for your company. Getting started with innovation requires a clear understanding of where innovation stands within your organization. **Daryl Dunbar** describes a best practice at Reed Elsevier: “assess yourself – reality vs. perception. Take an assessment or have someone else do it – a third party or something that has an objective view.” Leading innovators are using third parties to assess the state of their innovation programs and create a clear roadmap for where they want innovation to take them.

Finally, when embarking on an innovation journey, it’s important to expect failures, and publicize successes. Failure is to be expected with innovation. It’s the nature of the beast. Encouraging a culture that supports experimentation and ‘smart’ risks is essential. NESTA’s **Roland Harwood’s** advice is to “fail fast, often and cheap. The one thing all innovators have in common is they try to discount lots of different approaches along the way.” The important output of failing fast and cheap is the learning that accompanies it afterwards. It’s a best practice that is easier said than done, notes **Daryl Dunbar**, explaining “I think we, like many companies, could do a much better job experimenting and ‘failing early’ – as long as we continue to learn from our failures as well as our successes. The flip side of this is the importance of publicizing successes and learnings from innovation efforts. “Success breeds support,” says **Craig Libby**. At Whirlpool, **Randy Voss** takes a similar stance, suggesting innovators “tell others about the successes and failures. Keep everything out in the front so people see it’s OK to win and lose.”



## Conclusion

While innovation continues to be important, it is beginning to take on a different form in some organizations. Whereas in the past innovation efforts may have focused predominantly on growth, companies are now using innovation tactics to explore ways of streamlining operations and realize cost-savings. Savvy organizations are then taking those cost savings and funneling them back into innovation efforts to fuel future growth and ensure long-term success.

While C-suite support and strategy definition have historically been important and will remain so going forward, other themes emerged that raise thought-provoking questions:

- How is innovation defined within your organization?
- Is your organization actively exploring innovations that result in lowering operating costs and realizing efficiencies?
- How can your team best support innovation within your organization – by incubating ideas, facilitating processes, or both?
- Does your organization have enough of an understanding of its employees to effectively tailor and personalize rewards and recognition around innovation?
- Do you have a clear understanding of the current state of your innovation program?

The biggest shift is the focus on the new “front end” of the front-end of innovation. Innovators are taking on the role as ‘problem definers’ in addition to being ‘problem solvers’. In doing so, they are uncovering deeper consumer insights, building alternate scenarios of the future, and identifying the optimal hunting grounds in which to innovate. As a result of this shift, organizations are looking at ways to further develop these capabilities within their workforce. How is your organization building the necessary skills that enable employees to better identify and capitalize on opportunities for your business?



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