The 7 Common Myths of Innovation

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Innovation is by far the hottest management issue today; so, no doubt like many others, your organization will be abuzz with the rhetoric of innovation. But here's a question: Is your organization, like so many others, suffering from a massive rhetoric–reality gap? Does the reality of what is actually happening to drive innovative growth match the well-parsed rhetoric of the communications department?

If you are thinking right now: "Hell no!" then it's likely your organization is blinded by one or more of the seven deadly myths of innovation. Read on and judge for yourself:

Myth #1: Innovation can't be taught.

Let's face it: few of us were born with the genetic material to think and boldly act like entrepreneurs Richard Branson, Steve Jobs or Howard Schultz. But too many managers take this fact and extend it too far, declaring "you either can or can't innovate." And that's just plain wrong. Becoming more innovative isn't a search for "natural innovators" inside the company and pinning your hopes on them. Rather, it's about leaders intentionally and proactively building new skills throughout their teams.

One domain of skills is around developing new perspectives: about customers, the industry, and the company. These include identifying and challenging industry orthodoxies, extracting the unmet and unarticulated customer needs, envisioning industry and market discontinuous changes, and understanding the company's core competences. Another domain of skills centers on conducting structured idea generation, performing disciplined concept elaboration, and defining low-cost learning experiments.

Remember, though, that skills alone can't change behaviors. Knowing how to do something doesn't necessarily make the person want to do it. If you want your employees to act more innovatively, you'll also have to work hard at creating the right system of leadership, culture, organization structure, incentives, and key processes that embolden experimentation and motivate people to achieve new results.

Whirlpool, General Electric, and Crayola are examples of companies that have made long-term commitments and then succeeded in building innovation skills. They deployed a systematic approach that included employee and leadership training, skill assessment and development planning, and mentoring processes, and they have made innovation an explicit element in leadership and employee performance evaluation.

Myth #2: Breakthrough innovation occurs only through a "stroke of genius" from a visionary leader.

Those big bold breakthroughs that we hear so much about – you could be mistaken for thinking that they came about through a moment of brilliance from a visionary, and very visible, leader such is the tendency nowadays for them to be launched via a global media platform by highly visible executives.

While there are memorable stories of corporate heroes inventing revolutionary products, innovation, and especially breakthrough innovation, is not about the ‘eureka moment’ where a brilliant and industry transforming idea suddenly emerges. Instead, successful innovators take a systematic perspective around creating an innovative organization, including installing motivating leaders and enabling employees at every level to contribute.

The key is to manage the divergence and convergence cycle and know precisely where you are at all times. Innovators diverge first by seeking out new perspectives and creating a broad set of options, and they converge quickly on the most attractive themes and then move on to action.

Take Whirlpool’s Gladiator Gargework line of appliances and organizing system for garages as an example. It’s now the fastest growing brand within Whirlpool, but it wasn’t the brainchild of any one person. Whirlpool started by recognizing that they and the industry had been ignoring men; so, they explicitly looked for men’s unmet and possibly unarticulated needs. This research effort brought them to the garage, one of the few areas in the house men could claim ownership, and when they visited these men-caves, they consistently saw disorganized mess and used appliances.

Whirlpool took these observations along with the knowledge of its core competences and other insights to a structured idea generation workshop. There, a participant suggested hardened dry-wet vacuum cleaners for the garage, and other participants added complementary ideas to the portfolio. Then, through a couple days of elaboration, the high level concept for the product line emerged. After a series of experimentations and refinement, Whirlpool bought Gladiator to the market and created a whole new category in the home improvement market.

Myth #3: Innovation is solely the job of R&D.

Whilst R&D is clearly very important, it is not the only piece in the innovation puzzle! and we would suggest that it should not even be the “owner” of innovation – that is the job of the business unit leaders!

Successful innovators embed the accountability for innovation right into the heart of the business. They cascade innovation goals, they involve a broad range of specialists in their teams, each of which plays a crucial role in driving innovation, and they manage across the innovation lifecycle from stimulus and insight through to market launch. And of course with the recent movement to more open innovation structures and eco-systems, they actively look to source technologies from outside of the organization and not necessarily from internal R&D departments!

For example, at Gore, employees are granted ½ day-a-week to work on self-directed projects – as long as they are fulfilling their primary commitments. During his “dabbles”, Dave Myers, whose regular real job was cardiac implants, came up with the idea of producing guitar strings and then tracked down R&D to help to work on his project. Today Gore is the market share leader for acoustic guitar strings.

Companies need to reach outside their boundaries as well, and involve outsiders in their innovation process. The concept of open innovation is well articulated in Henry Chesbrough’s writings[i] and successfully practiced by companies like Procter and Gamble[ii] and IBM[iii]. For example, a P&G partner helped the firm master the technology of printing trivia game questions directly on Pringles potato chips, and P&G partnered with competitor Clorox to develop the Glad Press’n Seal product.

Myth #4: Innovation is risky.

Want to start a conversation? Next time you hear a manager say a particularly innovative idea “is too risky,” try asking “What’s the knowledge gap?” Too many organizations perceive “knowledge gap” as “real risk.” Real risk has to do with uncontrollable factors such as geopolitical uncertainty, weather and commodity price fluctuations, and even those can be hedged!

The knowledge gap, by contrast, has to do with facts you don't yet know, like: "Will customers embrace my new concept? Can I create and market the concept in a way that is good for and because of me? And can I make money?" These things can all be determined and decisions taken based upon hard facts!

Being innovative is not about having perfect foresight in anticipating where the market is headed and then getting there first. It's about quickly and creatively reducing uncertainty through rapid experimentation. If you can break down the overall decision into a set of incremental investments that allow you to learn your way into the new space, each step is not risky at all.

McDonald's took this "experiment and iterate" approach in developing its Redbox business. Specifically, Redbox was originally envisioned as a self-service vending machine in the parking lots of McDonald's, offering a variety of goods similar to the ones found in a typical convenience store. McDonald's initial experiment uncovered multiple operational issues, such as securing the permit for connecting power to a free-standing device in the parking lot, but most importantly it learned that among the 150 or so products offered, ranging from batteries to razor blades and milk, DVDs really drove sales. So McDonald's morphed the concept from a general-purpose convenience store to a DVD rental kiosk. They then conducted additional experiments that tested pricing, assortment, and various operational issues. They also realized that the concept could expand beyond the physical locations of its restaurants. Now, 9 years since that initial parking lot experiment, RedBox is the largest DVD rental kiosk operator in the US, with 25000 locations and rented its billionth DVD in Sept 2010[iv].

Myth #5 Innovation is about commercializing cutting-edge technologies.

For many, innovation is all about new, exciting products. And with good reason – there is a multitude of extremely well-designed products launched every day that provide a fantastic user experience. But innovation is not all about product!

While successful innovators are often associated with great tangible products, and technologies, their successes often come from redefining the business model.

While the iPod is a greatly admired product, Apple's genius was around assimilating small gems into a breakthrough business concept, integrating existing technologies together for the physical product, networking an ecosystem of suppliers and partners, and linking incremental generational improvements into a dominant platform. Likewise, while Dell is known for making personal computers that are tailored to individual specifications, it is actually their finely-tuned business model and supply chain core competence that drives their success.

Likewise in the area of great service innovation it is the business model behind them which drive industry dominance - Google's Page Rank algorithm powered an improved search product past rival offerings, but it has been Google's ability to continually develop its business model to grow the market for online advertising that's driven its incredibly rapid growth. And eBay's rise to be one of the world's largest businesses was due to its unique business model, based upon a sophisticated auction process, which allowed both buyers and sellers to create value.

Myth #6: Innovation is expensive.

Our colleague Gary Hamel once quipped: "Know why companies spend so much money on growth? Because they can!" While it's easy to laugh at others for investing too much, the concern with high cost rests on two mistakes: wrong question and wrong answer. The wrong question problem is caused by not breaking down the investment decision into a set of learning experiments and also not having a sufficient number of concepts flowing through the pipeline. They cause the company to throw a lot of money after just a few opportunities. The wrong answer partly comes from the fact that most companies don't know how to measure innovation outcomes, and in the absence of appropriate accounting of the results, any expenditure will appear high.

Myth #7: Innovation is disruptive and dilutes focus.

Well, duh. Of course the outcome of great innovation can be disruptive. If you are Sony competing with Apple, disrupting the status quo is probably a good thing. But it does not need to, nor should it, dilute or distract the company from its focus.

All companies have a core business that they look to protect and grow, and great companies like Nestle, P&G and General Electric look to grow and innovate that core whilst at the same time looking for breakthroughs in targeted parts of their portfolio. How do they do that?

Well, they carefully consider and then set targets for innovation-led growth e.g. 65% of growth will come from incremental innovation, 25% will come from developing new platforms and 10% will come from big, bold breakthrough innovations. With a clear target in mind, budgets can be established, teams can be formed and that aspiration can drive a formal process of breakthrough innovation.

So, even the “disruptive”, far-out breakthrough type of innovation need not be “problematic“ and can be designed and managed in a systematic way.

De-bunking the Myths

While innovation is the topic on all CEOs agendas and many companies are motivated to act, only a few companies have demonstrated success.

Learning about how other companies have achieved success and then building a clear understanding of how to implement in your organization will ensure that you don’t fall prey to the Myths of Innovation.

References

[i] See for example: Henry Chesbrough: *Open Innovation: The New Imperative for Creating and Profiting from Technology*, Harvard Business School Press, 2003

[ii] See for example: Larry Huston and Nabib Sakkab: ‘‘Connect and develop, inside Procter & Gamble’s new model for innovation,’’ *Harvard Business Review*, March 2006.

[iii] See for example: ‘‘Big blue brainstorm,’’ *Business Week*, August 7, 2006 and https://www.collaborationjam.com/

[iv] McDonald’s sold a partial interest in Redbox to Coinstar in 2007 and the remaining interest in 2009.

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