



# "Anyone here have any bright ideas?"



By Reinhard Ziegler

That's one way to encourage innovation in your workforce. But to be successfully innovative—to find new efficiencies and develop new products and services—organizations need to take a more systematic approach. Here's how to set the best ideas free.

Just how hot a topic is innovation these days? Type the word into your computer and, depending on the browser, you can get more than 2 million hits. Or go to Amazon.com, where you'll find more than 2,300 titles on the subject.

This interest in innovation will come as no surprise to today's CEO, of course. Consider these tantalizing statistics offered up by academic research and the business press.

- Successfully innovative companies are more likely to generate growth rates of 20 percent or more than less innovative ones.
- Companies that generate 80 percent of their revenue from new products consistently double their market capitalization within five years.
- The strongest predictor of investment value is "degree of innovativeness of the company."
- Among high-tech firms, innovation explains an average 23 percent and 15 percent, respectively, of the variance in CEOs' short- and long-term pay.

Other research confirms that CEOs care about how innovative their companies are—and not just because it affects their own salaries. A recent Accenture study indicates that 83 percent of executives worldwide believe that their companies "will become more dependent on innovation." As recently as 1999, William Dunk's Annual Report on Annual Reports noted that "innovation" was the most common theme running through those CEO messages.

But while CEOs clearly understand the importance of innovation, many concede that their companies

generally aren't up to it. According to a survey by Arthur D. Little, only about one in four executives think that their companies are sufficiently innovative to be successful.

Don't expect much help from the mountain of literature on innovation that's out there, however. Most of the wisdom currently being dispensed can be summed up as follows: "Come on, everybody! Let's be innovative!"

An exaggeration? Only a slight one, because it does appear that much of this literature is exhortation masquerading as information. And it also seems that just about everyone tackling the topic trots out the same basic analysis: "Companies are usually built to resist new ideas and innovations. Senior executives exist to perpetuate the old way of doing things. We need a revolution to turn the whole organization on its head. We need to learn how to expect the unexpected."

### Misconceptions

Chances are, you've heard it all before, as part of this management fad or that program du jour. And although there's undoubtedly merit in some of these ideas, they are hardly the basis for transforming your company. Innovation doesn't mean advertising for "a few good ideas." It's about tapping into the existing potential of your organization's people and delivering real benefits: new products and services, new ways of working, new efficiencies that stakeholders really notice and care about. In other words, if innovation is not actually delivered, it's not innovation at all.

What should you do? First, think about innovation a bit differently; there are lots of misconceptions about what organizational innova-



tion looks like. In fact, companies need to approach the innovation issue in precisely the opposite way that they've been approaching it. You don't begin with a massive and expensive (and often clueless) program focused on changing the culture so that eventually you can take on the big business issues. You begin by tackling the issues *first*, by unleashing the innovation that exists in your company right now. This way, not only will you have achieved your goal—finding new efficiencies, coming up with new products and services—but you also will have changed the culture along the way.

Much of the confusion surrounding innovation can be attributed to a handful of myths that have grown up around the subject.

*Myth #1: Innovation is about chance*

If you think that innovation is almost an accidental event, then you're not likely to plan for it, are you? After all, how can you manage serendipity? In fact, weren't a number of well-known inventions and discoveries stumbled upon? For example, most US schoolchildren learn the story of how mold accidentally got into bacteriologist Alexander Fleming's culture plate one day in 1928—leading to the discovery of penicillin.

But do these examples validate chance as the basis for an innovation methodology? If you throw a thousand darts at a world map and three of those locations point you to oil discoveries, does that mean dart throwing should replace systematic on-the-ground oil exploration? (Hint: The answer is no.)

In fact, if innovators had a bumper sticker, it might feature this comment

from Thomas Alva Edison, arguably the most effective innovator of all time: "I never did anything worth doing by accident, nor did any of my inventions come by accident. They came by work." (Okay, so you'd need a big bumper.) Edison should know: His discovery of carbon-thread filament for incandescent light bulbs came only after he and his associates had spent a year doing hundreds of trials using other materials.

*Myth #2: Innovation is rooted in individual revolutionaries*

Do you believe that the problem with innovation starts at the top—hidebound leaders so set in their ways that they wouldn't recognize a good idea if it bit them? Then you're also likely to believe that the solution for engendering innovation lies in a few brave individuals, the revolutionaries, who will dynamite the logjam of organizational inertia and unleash a free flow of bold new ideas.

There is precedent for this approach, of course—like the small unit of AT&T's planning department that, back in the 1990s, was given the task of shaking up the company's thinking. (Give the group's members high marks for a sense of humor; they dubbed themselves ODD, for Opportunity Discovery Department.) Charged, in part, with boldly imagining the unimaginable, they went to one executive committee meeting wearing sandwich boards that read, "What if long distance were free?" Obviously, they were on to something: The failure to predict the demise of long-distance profitability has indeed spelled trouble for most telcos.

But the flaw with the innovator-as-organizational-guerrilla approach is that it forever relegates innovation to the fringes. It presumes that an orga-



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nization is, by nature, dull and slow, and that innovation can only be spurred on by a handful of creative types whose official job is to be innovative. It also lets a whole lot of people off the hook regarding their roles in driving innovation.

*Myth #3: Innovation is about being weird*

This is the corollary to the idea of the innovator as guerrilla: the innovator as eccentric “creative type.” If you embrace innovation, does that mean hiring on more wild-eyed and oddly dressed people who will spice up your meetings with catchy “icebreakers” and transform the next board meeting into something reminiscent of California in the late 1960s?

Part of the problem with this approach is that it can cause real confusion about what behaviors to encourage. A few years ago a group of conference organizers wanted to generate innovative thinking among the participants. So at the close of their meeting they brought in a guest speaker, a “creativity guru.” About 20 minutes into the presentation, he had everyone wadding up bits of paper and throwing them at each other all around the room. Was it fun? Sure. Was it eccentric? You bet. Did it encourage innovation? Um . . . not really.

It’s pretty questionable whether there is even a dotted line connecting eccentricity to innovation (at least on a mass scale). For one thing, the proposition fails the test of elementary logic: “Some innovative people are eccentric. Therefore, if we bring in more eccentricity, we will become innovative.” Doesn’t work, does it? Indeed, we’re right back to the innovation-as-hard-work-not-whimsy point. This doesn’t mean that companies should discourage creativity, which is, generally speaking, a good thing. But bear in mind

that creativity is not coming up with an idea out of nowhere; it’s an act of synthesis, of bringing together several things into a novel combination. Creativity is something in service to innovation; it’s not innovation itself. And again, it’s hard work.

**Field-tested**

One organization at the forefront of companies that have set out to associate their brand with innovation and then put a program in place to make it happen is BP. By following a handful of principles—and not falling prey to common misconceptions—the \$148 billion global energy company is on its way to becoming a highly successful innovator.

*Go where the money is:  
Tackle your biggest challenges*

The full potential of innovation today will not be unleashed by tinkering at the margin. To be effective, organizations in every industry and in every part of the world must use innovation to meet their greatest business challenges. And not 5 or 10 years down the road: Companies need to learn how to be innovative right now so that they can tackle their most pressing, most immediate problems—even, or especially, the problems that sound so mundane that you don’t normally mention them in the same breath as innovation.

One of BP’s business needs was to dramatically increase natural gas production by its North American Mid Continent business unit. When it moved from a cost-containment strategy to one of aggressive growth and improved business performance, BP realized immediately that the company would not be able to hit its new growth targets by continuing to do things the same way.



The company didn't set out on some vague journey to "enable a more innovative culture." To be sure, building such a culture was critical, but it wasn't the end in itself. Reaching an ambitious business goal was the end. As Michelle Judson, Mid Continent's lead innovation champion, put it, "We knew that innovation for its own sake wouldn't get us anywhere. Rather, we needed to unlock the abilities within everyone in the organization to enable them to reach their goals. And we needed to be able to apply systemic and sustainable innovation techniques to meet our day-to-day business challenges."

*Bottoms up: Innovation can come from anyone and everyone*

Does innovation come most often from lower levels in the organization or from higher up? The answer is that innovation most often moves

from the bottom up—but not for the reason you may think. It's not that the working stiffs are any smarter or more creative than the boardroom types. This is strictly a numbers game: On the one hand, you've got a small group of people on your executive team; on the other hand, you've got tens of thousands of people out there working on the front lines every day. Asking for and implementing good ideas coming from the field is just a matter of being smart about playing the odds.

BP built this understanding into its innovation program—a move that paid off big time. One of the program's first features was an initiative called Quick Hits, which focused on bringing immediate improvements to day-to-day operational results and showing the field staff that leadership



was committed to putting the workforce's promising ideas, big and small alike, to work. Given Mid Continent's workload and performance-driven culture, it was critical to deliver quick and measurable results. By doing so, Quick Hits was much more likely to get the necessary support from employees as well as from BP leadership.

The underlying premise of Quick Hits was an appreciation that it is those closest to the actual work—that is, the people in the field—who are best positioned to generate ideas for immediate improvements in day-to-day operations. Quick Hits was a complete idea-development framework—from idea generation right on through to execution. The innovation team interviewed field personnel, asking them to offer ideas for quick fixes (ideas that could be implemented in

## The dimensions of innovation

Organizational innovation isn't just one thing. It consists of a number of characteristics, or dimensions, that together create a culture in which ideas are more likely to arise and then be implemented in a way that moves the organization into new realms.

Think of the following dimensions—which were first identified by Professor Göran Ekvall, professor emeritus of industrial and organizational psychology at the University of Lund in Sweden—in their totality, as you might think of the components of a home audio system. Each needs to be regulated up or down in intensity, depending on the situation, in the same way you would adjust the tone or volume on your stereo, depending on the music. All of them are absolutely essential for innovative companies, but each company will find individual settings appropriate for its market, industry or situation.

**Challenge and involvement:** The degree to which people are involved in the daily operation, long-term goals and visions.

**Conflicts:** The presence of personal and emotional tensions in the organization (in contrast to idea tensions in the debates dimension).

**Debates:** The occurrence of encounters and disagreements between viewpoints, ideas, and differing experiences and knowledge.

**Freedom:** The independence in behavior exerted by the people in the organization.

**Idea support:** The way new ideas are treated.

**Idea time:** The amount of time people can (and do) use for elaborating on new ideas.

**Playfulness and humor:** The spontaneity and ease displayed within the workplace.

**Risk taking:** The tolerance of uncertainty and ambiguity exposed in the workplace.

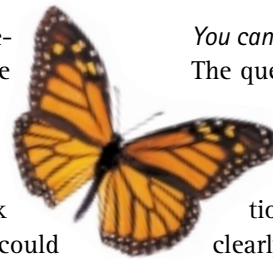
**Trust and openness:** The emotional safety in relationships.

less than 90 days) and inexpensive solutions (usually between \$5 and \$15,000) that would lead to increases in production efficiency.

The submitters agreed to present their suggestions to the business unit's leadership team and, more important, to take ownership of their suggested idea, if it were approved, from implementation to realization. They also had the authority and autonomy to complete an activity and, where appropriate, to change or abort the idea based on its ability to drive business results.

Within just two weeks, approximately 300 ideas were submitted from multiple field locations. Fifty

were approved, via a peer voting process. One idea that had a big impact on one of the business unit's gas production fields was to remove the restrictions on some of the well-heads; these restrictions, which control a well's flow rate, are important early in the life-cycle of a well but may be less important later on. According to foreman Jerry Austin, "If you had asked me before the Quick Hits meeting whether we could remove wellhead restrictions and increase production, I'd have told you that we'd already done all that years ago. Well, that simply wasn't true." This straightforward improvement resulted in an immediate gain



of 5,000 cubic feet per day per well, or 680,000 cubic feet per day for one field. Based on a natural gas price of about \$3/mmbtu that translates into an estimated annual benefit of more than \$750,000.

*You can learn to be innovative*

The question of whether individual innovators are born or bred is probably best left to psychologists. Organizations, on the other hand, can clearly learn to be innovative.

BP is proof of that. In addition to creating short-term value with its Quick Hits program, the company also began to turn the power of innovation toward its most difficult business challenges. In a program that BP calls Action Learning Events, employees take responsibility for solving a natural gas field's long-standing business challenges. Once the problems are solved, these larger and more visible successes help create a pervasive culture of innovation.

The first step in an Action Learning Event is to agree on a suitable, complex business challenge, one that requires careful analysis and diverse perspectives to resolve. Once the opportunity is identified, 10 to 15 employees with cross-functional experiences, each playing different roles (see box), are selected to serve as the Action Learning Team. Company leaders also play an important role at this stage, not only through a strong communications program, but also by figuring out how these employees can be temporarily relieved from their day-to-day activities without affecting the company's productivity.

With the business challenge identified, the team comes up with various approaches through brainstorming and other inventive problem-solving

## Innovation on a role

There's no single job description for innovators. Moreover, being an innovator doesn't mean behaving in just one way. There are different aspects to innovation, and people in an organization can all be innovators by playing different roles.

**The Dreamer.** This is the person with the faraway look in her eyes; sometimes it appears that she isn't thinking at all. What she's actually doing, however, is gazing into the future, connecting a lot of disparate things and asking, "What if . . . ?"

**The Spark Plug.** He's the guy with more energy than he knows what to do with, the idea guy, making new connections in the here and now: "Look, here's how this could be done better, faster, easier."

**The Planner.** The Spark Plug isn't of much use without the Planner. This is the receptive listener, the "fertile soil" on which the seed of an idea falls. She knows how to link ideas and resources ("You should go talk to . . ."). She thinks about a business case; she knows where to find the money and people to make it all happen.

**The Implementer.** Here is your classic sponsor or champion. He takes the plans and makes it happen: builds the house, digs the canal, sells the products and services. He manages a project, measures progress and ensures that the benefits are realized.

The point of thinking about these roles is not to get carried away with only the Spark Plugs . . . or the Dreamers, the Planners or the Implementers. Each role is vital. A company made up of only idea people can never be anything more than potentially innovative.



methods. Once the team agrees on a feasible solution, it creates a business case to support the recommendations and then tests and modifies the proposed solution. Finally, the team presents the formal proposal to the business unit's leadership. When the solution is approved, the team supervises implementation and tracks the results.

Action Learning Events generate innovative solutions that provide long-term, sustainable results. For example, the first such event at BP focused on developing a system to identify and correct the bottlenecks that occurred throughout one gas field's production cycle. The result was the development of an electronic tool that pinpoints production barriers, or "chokes," in the cycle and that enables the team to spot and prioritize necessary improvements. Another Action Learning Event led to a data management solution that reduces the duplication of effort and dramatically increases asset production.

*Sustaining innovation: It's not just the nodes, it's the networks*

The strange truth about innovation—a word that is supposed to just scream out "excitement!"—is that it has to get more boring. That's right: It should be less "aha!" and more "ho-hum"; less like the lightning-strike energy of an advertising firm's culture and more like the methodical energy of Edison's lab.

Here are some of the boring things innovative companies will be talking about.

*Metrics.* (Yawn.) New kinds of measurements need to be developed to determine if innovations are really making a difference. Sony, for example, uses a metric called "mean time to prototype," which measures

how fast a new product can go from idea to mock-up. Microsoft has a measurable goal it calls "one click away"—that is, one mouse-click away from the data or the people needed to move an idea forward.

*Performance management.* (You still awake out there?) You've heard this stuff before: There should be formal and informal rewards for innovation, reward systems aligned with the innovation vision and strategy, reliable feedback loops and real-time performance tracking.

*Collaboration technologies.* If you're going to be innovative, your people have to be able to work together, even if they're not in the same location. Today's workplace technologies allow communication and real-time collaboration among colleagues. This not only speeds up individual problem solving, it puts the often elusive goal of "organizational learning" within reach. These tools can also help cross cultural barriers as well as extend collaboration to include suppliers, alliances and, especially, customers.

This last point reinforces the most important thing companies need to remember as they work to become more innovative: It's not the nodes, it's the networks. It's not the few bright individuals that make the company innovative; it's the connections and the supporting organizational structure. As Jerry Krause, the general manager of the six-time National Basketball Association champion Chicago Bulls, liked to say, "Players do not win championships. Organizations win championships."

Easy for him to say, of course; he had Michael Jordan on his team. But come to think of it, I'll take the innovative organization *and* Michael Jordan. It can't hurt. ■

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