

The

INVISIBLE ADVANTAGE

HOW TO CREATE A CULTURE OF INNOVATION

S O R E N K A P L A N , P h D

AN EXCERPT FROM

The

INVISIBLE
ADVANTAGE

HOW TO CREATE A CULTURE OF INNOVATION

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INTRODUCTION

Most of my clients want disruption—not *of* their business, but *for* their business. They want the revolutionary products, services, and business models that will transform both their organizations and their industries. Today, sustainable competitive advantage no longer exists. Products, services, technologies, and even business models come and go. They become commodities at an ever-faster pace. So what can we do?

The only defensible competitive advantage resides underneath the products, services, business processes, technologies, and business models we deliver to the world. It's generally invisible to your competitors, your partners, and even your own employees. It's your culture.

People have been talking about organizational culture for years. But most discussions haven't explicitly linked culture directly to innovation and business

growth. Even fewer focus on the specific levers that directly influence innovation. This book does exactly that, revealing how your innovation culture can become your ultimate source of competitive advantage—your *invisible advantage*.

Culture is the collection of unwritten rules, norms, and values that influence people's behavior. When it comes to innovation, especially *disruptive innovation*, an organization's culture can be either the rocket fuel or death knell of an organization's ability to grow and thrive.

This book is about how to create a *culture of innovation*—*an environment that promotes freethinking, an entrepreneurial spirit, and sustainable value creation at all levels across all functions of an organization*.

The Invisible Advantage springboards off my award-winning book, *Leapfrogging*, by giving busy businesspeople exactly what they need—a strategic yet practical resource that's short and sweet. It's based on my more than twenty years of working across industries with CEOs of Fortune 500 companies, health-care organizations, and nonprofits. It taps into the extensive research and interviews I conducted in the course of writing *Leapfrogging*. And it addresses one of the most frequent questions my clients ask: How do you create a culture of innovation?

Here are today's realities that *The Invisible Advantage* tackles:

- **Competitive advantage is temporary.** Products, services, and even business models become commodities over time. If organizations do not

continually invent and reinvent their competitive advantage, they risk being disrupted into obsolescence.

- **Culture is the only sustainable competitive advantage.** It's the invisible secret sauce that drives employee engagement, innovation, business growth, and continuous reinvention.
- **Every organization must unlock its innovation culture in its own unique way.** What works for Google and Apple might actually kill innovation in other companies. Effective best practices must be artfully adapted to the unique personality of your organization.

I often hear clients say, “We have plenty of ideas, but we just can't get traction with any of them.” They're stuck, and here's the reason: Their company cultures stifle innovation.

The good news is that many leaders and organizations have finally recognized that real innovation and business growth don't result from just creating finely tuned processes, two-by-two matrices, or rigid business-planning templates.

The soft stuff is the hard stuff. That's why many companies overengineer the innovation process. They believe they need to squeeze out all aspects of uncertainty. What they don't realize is that uncertainty is one of the most essential ingredients of innovation. The trick is to avoid overstructuring what should be an organic process while also providing enough structure to consistently get organic

results. The goal is to give just enough structure to help people navigate ambiguity and tap into the creative process without stifling it.

Organizations must also take a conscious look at the interplay of the other key factors that can stifle or support innovation. These include formal and informal leadership behaviors, organizational structure and processes, people's skills and talents, and formal and informal rewards and recognition.

This is what this book is about—revealing the specific success factors that must come together to promote real innovation. When the right variables align, great things can happen.

CHAPTER 1

SO YOU WANT TO BE A DISRUPTIVE INNOVATOR?

Be careful what you ask for. You might actually get it!

In today's buzzword-laden business world, we're enamored with the language *du jour*. Words and catchphrases like *lean in*, *enable*, *platform*, and, of course, *disruption* are all the rage. Given this book is about how to create a culture of innovation, I felt it necessary to dispel a few assumptions about disruptive innovation specifically, right out of the gate. These assumptions can impede our understanding of innovation itself—and how to shape culture around it—unless we put them into a broader context.

Why are so many of us looking for disruptive innovation? It's simple. Because we want the type of breakthroughs that transform industries, create new business

models, and drive growth. Nothing wrong with that! But do we really want everyone in our organizations to be disruptive? No way.

Here's the issue: Although disruptive innovation is important, it isn't the only type of innovation that's necessary to survive, thrive, and win in today's rapidly changing world. Other types of innovation are equally essential. And you need everyone doing them.

The problem is that most companies either go for only the big bets or get stuck in a single-minded focus on the small stuff. If we only swing for the fences, we'll miss the opportunity to score on singles, doubles, or triples as well. And if we only go for the singles, we'll never win the Home Run Derby. The challenge is that we need a balanced approach, one that's focused on all types of innovation.

Disruptive Innovation's Dirty Secret

I believe it's important to understand the context of buzzwords, so we can fully appreciate both their value and their limitations. Let's start with a little story that goes back to the very source of disruptive innovation itself to understand today's state of innovation—and how we can rise above the buzz to create a true culture of innovation.

In 1998, when I was running the strategy group at Hewlett-Packard (HP), we invited Clayton Christensen, the iconic Harvard professor who wrote *The*

Innovator's Dilemma and coined the term disruptive innovation, to come speak to us.

We asked him a simple question, “How do you do disruptive innovation?”

Christensen shared compelling examples. He argued that companies, and entire industries, can be “disrupted” by unforeseen competitors—new entrants that offer up products or technologies at a fraction of the cost yet with equal or greater benefits compared to current options. The result? Customers abandon the old way and move to the new. Industry-leading companies die. New leaders arise. Wealth is destroyed and created all in the same breath. Disruption occurs.

Although I left HP a few years after that, Christensen’s words stuck with me. Fast-forward to today—disruptive innovation is business’s biggest paradigm. Just about everyone wants it or thinks they need it.

Disruptive innovation is an easily graspable concept, mostly because we’ve seen the recent casualties of disruption: Kodak, Blockbuster, Borders, BlackBerry. And most of us want to avoid a similar fate or, better yet, reap the benefits associated with being the disruptor, as Netflix, Amazon, and Apple have. Disruptive innovation—or avoiding its consequences—is now a widely embraced business imperative.

What most people don’t realize is that there’s a dirty little secret behind the concept, and that today’s disruption frenzy has started to undermine the balanced approach that’s needed to create a culture of innovation.

Old Idea, New Language

Few people know that the fundamental concept of disruptive innovation wasn't new when Christensen introduced it. In 1942 economist Joseph Schumpeter described the dynamics of "creative destruction," essentially the same thing as disruptive innovation.

Jump forward to 1994. The Massachusetts Institute of Technology's James Utterback published a groundbreaking book, *Mastering the Dynamics of Innovation*, which described how the ice-harvesting industry was displaced by "ice boxes" (a.k.a. refrigerators), how manual typewriters were stamped out by IBM's Selectric electric typewriter, and how something called electronic-imaging technology could pose a big threat to film-based photography in general and to Kodak in particular (it did).

All this was years before *The Innovator's Dilemma* made it onto the scene. What this previous research didn't have, however, was a catchy term like *disruptive* to tag onto the word *innovation*. The rest is history. Disruption is our lens.

Most people familiar with the research on innovation also know about paradigms. Paradigms are mental models that contain unquestioned assumptions about how things work. The world is flat. The sun revolves around the earth. These assumptions are accepted as truths, until they're turned upside down and replaced with an alternative paradigm. Paradigms have always existed, and they always will.

Just as *quality* and *reengineering* were the business world's lenses in the 1980s and 1990s, *disruptive innovation* is one of today's biggest paradigms.

While I'm in full agreement that disruptive innovation is a natural part of the evolution of organizations and industries, the "movement" has created a big problem for business. Here's the issue: *If we're overly concerned with disrupting or being disrupted, we neglect other types of innovation, innovation that can actually lead to disruption!* That's why we need everyone innovating—but doing it in a way that makes sense for their job function, which may mean simply focusing on process improvements, tweaks to current products, enhancing the customer experience, or anything else that may support today's business.

If Steve Jobs Didn't Try to Do It, Why Should You?

The reality is that most "disruptions" don't start out that way. Steve Jobs, arguably one of the greatest disruptive innovators of all time, said the same thing. "When we created the iTunes Music Store, we did that because we thought it would be great to be able to buy music electronically, not because we had plans to redefine the music industry."

Looking back, it's probably not too strong of a statement to say that Apple disrupted the music industry. But did Jobs know that's what he was doing at the

time? No. Was it part of Apple's strategy? No. Apple created iTunes because it felt like the right thing to do to add value to customers and the world. Simple as that.

Take two other modern-day disruptors. Larry Page and Sergey Brin didn't start Google (now renamed Alphabet) with the intention of transforming the Internet, buying YouTube, or launching Android. Their very first step—and what kicked off their journey—was finding a way to more effectively prioritize library searches for academic research papers online. Yes, *library searches*. From there, they realized they could also index web pages. And, at first, they resisted including advertisements next to the search results. Good thing for them (and Alphabet shareholders), they changed their minds.

When we set our sights on creating a disruptive innovation, we can place unrealistic expectations on our organizations, employees, and ourselves. We lose sight of the realities that are inherent in the innovation process. It's like seeking fame for fame's sake versus simply having a great talent that leads to great performances, which then results in fame. It clouds our sense of what we're really doing.

If You Only Swing for the Fences, You Won't Score on Singles, Doubles, or Triples

The theory of disruptive innovation can indeed be helpful for understanding how technology has played a disruptive role in shaping the business and competitive

landscape. But when this is your dominant lens and you're obsessed with hitting home runs (or being homered upon), you miss a lot of other opportunities to score. Just take Kodak, for example. About ten years before filing for bankruptcy in 2003, the company hired the head of HP's ink-jet printer business. This move was a "big bet" intended to help Kodak jump into the printer business as a response to rapidly falling 35-millimeter camera and film sales. The company took a single swing for the fences by trying to enter a billion-dollar industry and become the low-cost provider of both printers and ink—the classic disruptive-innovation strategy. It missed. Goodbye, Kodak.

Unlike disruptive innovations, incremental innovations are minor tweaks to existing products or services. Such innovations are fairly quick and easy to do; examples include new colors, flavors, features, benefits, or aspects of the customer experience. The principle behind *incremental innovation* is much more strategic and goes much deeper than the term suggests. Small tweaks, jelled with the right mindset and approach, oftentimes add up to bigger breakthroughs.

Dave Levin and Mike Feinberg, two former teachers with the Teach for America program, founded KIPP and created a network of a hundred inner-city charter schools with more than 27,000 students, and the schools are producing off-the-charts results. Just as Steve Jobs had wanted to do something *basic yet great* (i.e., to sell music electronically), so did Levin and Feinberg. They set out to create a school that truly works, and they built it through incremental innovation, one tweak at a time.

These two ex-teachers paint a simple slogan in the hallways of their schools: *There are no shortcuts*. School starts at 7:30 a.m. and ends at 5:00 p.m. Homework is usually about two hours per night. Teachers vow to make themselves available to any student at any time of day or night, and most students don't hesitate to call teachers at home for help, since teachers freely dole out their personal numbers. Kids attend school two Saturdays a month and the KIPP school year extends three weeks into the traditional summer break.

Nearly every KIPP school in the country is located in an inner-city neighborhood. More than nine out of ten KIPP students are Hispanic or African-American. Seven out of ten of them live below the poverty line. Most enter the program performing well below grade level. Typically, less than ten percent of children with such backgrounds go on to finish college. KIPP students boast a ninety percent graduation rate—not from high school, *from college*. All this through hard work, determination, and incremental innovation.

Between incremental and disruptive innovation lies sustaining innovation. Sustaining innovations aren't necessarily about big bets. But they're not about little tweaks either. Sustaining innovations involve trying something that feels like a bit of a stretch and then seeing what happens. If they work, they can "sustain" the business (and ideally grow it) into the long term. Sometimes they flop. But, now and then, they go big. When they do, sometimes the storytellers look back and call them disruptive.

Taco Bell's Doritos Locos Taco is a taco with a giant Dorito tortilla chip as its shell. Sound crazy? In the taco's first ten weeks on the market, Taco Bell sold a hundred million of them. To date, Taco Bell has sold more than half a billion, generated more than \$1 billion in sales, and has had its new product called the most successful fast-food menu item of all time. The Doritos Locos Taco wasn't meant to "disrupt" the traditional taco. And it didn't involve just an incremental tweak, such as adding a new spice to the taco meat either. It was a decent-sized experiment that took a great deal of effort and that expanded the definition of *taco* for the world. And like most things that, in retrospect, look a lot like disruptive innovations (especially to McDonald's and Burger King), its success surprised even the person at Taco Bell who developed and introduced it, Steve Gomez, who admitted, "I was blown away with how immediately popular Doritos Locos Tacos became."

Another company that has steered clear of disruptive innovation by going after modest-sized opportunities is Fujifilm. Fifteen years ago, the company stood at the same starting line as Kodak. Today, Kodak is bankrupt while Fujifilm has a \$20 billion market cap. We don't think about Fujifilm as a disruptive innovator. It isn't. But by most measures of success, it has weathered the storm and come out the other end quite successfully. The company has continued the march toward adapting to the digital world by getting into 3-D photography. They've entered dozens of new businesses, ranging from television cameras to medical products

to thin-film packaging for candy. Disruptive innovations? No. Sustaining innovation was the savior—and the company's growth engine.

In today's innovation-obsessed world, disruption encapsulates the holy grail. Incremental and sustaining innovations are the all-too-often overlooked steps that lead you to the grail. The original theory of disruptive innovation is fundamentally about technologies and products. The real world rewards those who build new business models, extend brands, create new channels, find new markets, redesign customer experiences, reinvent business processes, and do the other work that most seasoned innovators know truly shapes the future.

And that's what creating a culture of innovation is all about. Yes, such a culture can lead to the disruptive stuff, but it can also foster other types of innovation—which are equally necessary for improving today's business and adding value in everything you do, all while you're trying to transform the future.

Innovation culture is the
new competitive advantage—
or your Achilles heel.

CHAPTER 2

THE INVISIBLE ADVANTAGE

The soft stuff is the hardest stuff for competitors to copy.

Most people become intimately familiar with the concept of culture when they travel abroad. They experience unfamiliar customs, food, music, art, language, and attitudes. If you've ever been to Paris and ended up waiting forever for the check in a French restaurant, you may know what I mean—the unwritten rule is that you have to proactively ask for the check at the end of a meal, otherwise you'll never get it! Why? There's a shared value in French culture that meals should be enjoyed and contribute to one's *joie de vivre*. Even the stereotypically snippy French waiters respect this norm, so it's up to you to decide when you're finished and ready to turn over your table to the next guest (quite the opposite of customers' experience at many bustling American restaurants).

Just as countries have cultures, so do geographic regions, organizations, and subgroups and teams within organizations. When I work with my clients, I often find that starting with a slightly bigger picture of culture can help clarify what many people see as an ambiguous concept.

Silicon Valley's Innovation Culture

Let's start with Silicon Valley—a place where I've both lived and worked—as an example of innovation culture. Mark Zuckerberg moved Facebook from his Harvard dorm room to “the Valley.” Steve Jobs grew up there. The stereotypical image of the entrepreneurial garage comes from the real one in Palo Alto that housed HP.

Other regions and countries have tried to replicate it. But Silicon Valley's unique culture makes it a global innovation powerhouse that can't be copied over to other eager cities, states, or countries. What's happening in the Valley provides a great example of how norms, values, and behavior all merge to reinforce innovation.

Smart people stream into the Valley from Stanford, the University of California at Berkeley, and other Bay Area universities. Venture capitalists sprinkle funding across the most promising start-ups. Companies collaborate while competing. Experienced employees remain on the never-ending lookout for their next big opportunity—and frequently jump jobs across industries and markets, even to

competitors. Silicon Valley's fertile ground—which literally started out as farmland—has become the ultimate fertilizer for growing some of the most innovative companies in the world.

In a recent discussion I had with a senior executive at Netflix, for example, I asked if the company had an innovation strategy. He gave me a little puzzled expression and said that Netflix itself is a disruptive innovation. Innovation is so embedded in the company's culture that it doesn't need a specific strategy to make it happen. It *is* innovation.

As a result of the region's inherently innovative environment, entrepreneurs make the pilgrimage to set up shop in the Valley. Established companies like Comcast and Wal-Mart plunk down their new ventures here. Even the governments of countries like Denmark, Finland, and Ireland have established incubators to help their compatriots from home tap into the secrets of Silicon Valley culture.

On any given day, one can find dozens of networking breakfasts, lunchtime speakers, and after-work cocktail parties, creating a way for people to connect. Many Silicon Valley companies use similar principles to promote this kind of environment internally. They know that cubicles create barriers, so they quite literally tear down the walls. Facebook, for example, frequently reorganizes its office space to mix up people and teams. And Google even provides office space within its buildings to start-ups it believes possess big potential.

Hung all around its offices, Facebook's pervasive and provocative posters, for

example, promote the fact that “done is better than perfect” and that everyone should “move fast and break things.” Like Facebook, most Silicon Valley companies value trial and error, realizing it’s better to put ideas forward in their infancy than wait until they’re fully baked. The goal is to quickly learn what works, what doesn’t, and go from there. It’s better to sacrifice saving face and instead save time and money.

Many Silicon Valley–based companies formulate innovation strategies to support their business strategies. Others, like Netflix, view their entire business as the disruptive innovation. Whatever the approach, these companies have big visions focused on making the biggest possible difference for their customers.

Many established companies create “innovation departments” to incubate the next big idea. That can help, but creating a culture of innovation comes from building a broader environment in which all employees clearly see their role in adding real value. One of the most telling anecdotes illustrating why this is so critically important comes from a quote from Tim Cook, Apple’s CEO, addressing how the company goes about innovating: “There’s no formula,” Cook exclaimed. “If there was a formula, a lot of companies would have bought their ability to innovate.” Cook’s quote is actually quite stunning. Apple, arguably one of the most innovative companies in the world, says there’s no formula for the innovation process!

The Invisible Advantage

In actuality, Apple does have a formula of sorts. And so do many other companies that know how to drive innovation and competitive differentiation. The formula is to promote and foster a work environment where everyone knows his or her unique role in “changing the game” for the better, no matter what the individual’s job role or function is.

There’s a lot going on in Silicon Valley that flies under the radar of most people’s awareness. It’s not much different from the proverbial question about whether fish know they live in water (my hunch is that they don’t). It’s really not that difficult to decipher your innovation culture by looking at leadership behavior, organizational structure, business processes, metrics and incentives, rewards and recognition, and the stories and symbols that reinforce (or inhibit) innovation. By understanding the things that shape norms, values, and behavior, it becomes possible to influence them—*and to create a culture of innovation.*

Savvy leaders both inside and outside Silicon Valley shape the cultures of their companies to drive innovation. They know that culture—the values, norms, unconscious messages, and subtle behaviors of leaders and employees—often limits performance. These invisible forces are responsible for the fact that seventy percent of all organizational change efforts fail. The trick? Design the interplay between the company’s explicit strategies with the way you want people to relate to one another and to the organization.

Just as Apple's Tim Cook inferred, there's no formula, and there really are an unlimited number of ways to create a culture of innovation. But the good news is that there are some key principles and practices. The next five chapters provide specific strategies for influencing the soft stuff to promote innovation and business growth. What you'll see is that successful innovation cultures overcome the pervasive risk-avoidance that plagues many organizations. The leaders who have fostered these cultures know that the *safe* bet is actually the *unsafe* bet.

As counterintuitive as it may seem, promoting innovation is not the same as promoting risk taking! With a true culture of innovation, people don't feel like innovation results from taking risks per se, but rather from creativity and learning. Many of my clients ask me how they can promote risk taking. What they don't realize is that they're asking the wrong question. The goal is to eliminate the feeling of risk altogether.

The rest of this book shows you how.

Frame the way you want
to change the world,
and make your intentions
about the customer.

CHAPTER 3

BE INTENTIONAL WITH YOUR INNOVATION INTENT

Define what you want. Then (re)shape assumptions around it.

Most corporate visions and missions sound alarmingly alike: Become the number one provider of blah, blah, blah. These generic, broad-based goals might rev up sales teams, but they do little to spark ingenuity. Perhaps the worst thing a company can do is give “innovation marching orders” without any guideposts. That’s when the focus gets lost, teams spin their wheels, and innovation culture gets crushed.

Create Your Innovation Intent

Here’s the goal: *Frame the way you want to change the world, and make it about the customer.* For example, the software company Intuit—the developer of Quicken,

QuickBooks, and TurboTax—makes its mission abundantly clear: “To improve our customers’ financial lives so profoundly they can’t imagine going back to the old way.” The public television and radio station in San Francisco, KQED, describes its innovation intent a bit more broadly: “Doing the right thing for our audience, the community, our staff, and our organization by continually assessing, prioritizing, and improving what we do and how we do it.” KQED anchors its innovation intent in a set of “innovation operating principles” that operationalize its definition of innovation. Hung around the building in the form of posters, KQED’s innovation intent and operating principles provide a reminder of what’s important when it comes to innovation, each and every day.

I recently had the opportunity to meet with the executive team of a leading energy company in Australia. I shared the ideas behind having an innovation intent. After I finished, one of the executives scratched his head and said, “We have an innovation intent, but it’s about how we exist to create shareholder value.” He went on to conclude, “I guess we should focus a bit more on the customer.”

Heck yeah was all I could think (though I didn’t say exactly that in response to him). I did respond by saying that few people are truly motivated to get up in the morning to help shareholders increase value. Increasing shareholder value might be the *result* of innovation, but it’s not what motivates most people to give it their all over the long term.



Innovation at KQED
Doing the right thing for our audience, the community, supporters, our staff, and our organization by continually assessing, prioritizing, and improving what we do and how we do it.

KQED

INNOVATION
Operating Principles

Make strategic decisions | Connect our actions to the strategic plan and organizational priorities

Continually assess how we work | Find new ways to allocate and focus resources to maximize capacity

Build efficient processes | Apply methods and processes that are not single person-dependent

Apply technology | Leverage technology to improve what we do and how we do it, and to eliminate as much paper wherever possible

Focus on speed | Move quickly with intention and without compromising quality

An innovation intent should focus on making a big difference for those you serve. Trying to create positive change in the world for your customers, each and every day, is a much better motivator.

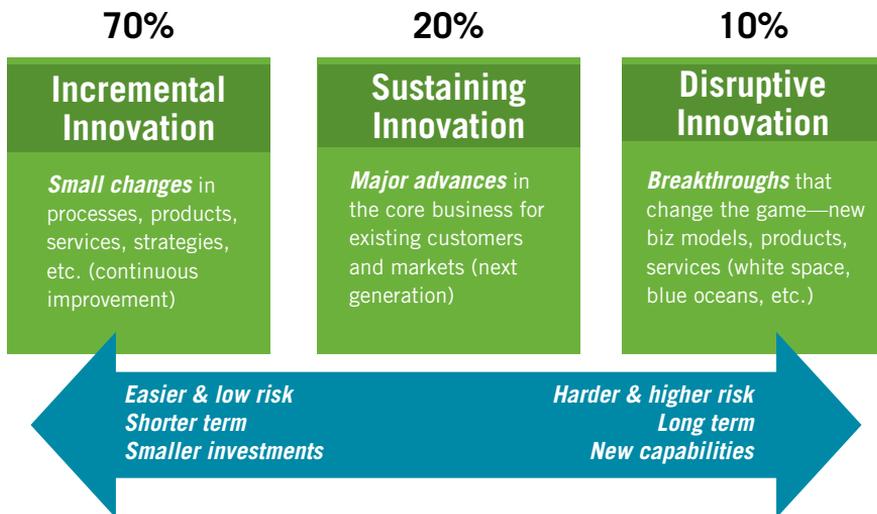
Having an innovation intent is critically important for gaining focus. Without a grounding in your specific business, the definition of innovation for the organization remains too open to broad interpretation. It's one thing to tell people to "go innovate." It's another to tell people you want specific types of innovation that deliver measurable results.

Define and Communicate Your Innovation Portfolio Strategy

The CSAA Insurance Group, one of the insurance companies associated with the American Automobile Association, uses three types of innovation to help its 3,800 employees understand their role in fostering a culture of insight and innovation. The model includes distinctions between incremental, sustaining, and disruptive innovation, just as I previously described. Leaders at the CSAA Insurance Group are also quite realistic in that they expect the vast majority of the company's innovation to be incremental. It's perfectly OK that most people focus on smaller tweaks and improvements to business processes, the company website, or how seamlessly customers can file and receive payments for claims. All of that is the company's core business, and having the majority of people striving to improve

the core business every day is indeed recognized as a culture of innovation. But the organization's model also includes next-generation sustaining innovation and the even bigger disruptive possibility that it may need to consider reinventing its core auto insurance business in the longer term. Fewer overall resources are focused on these bigger efforts than running the core business and that's also OK, since the company is funding the future from current operations and taking a portfolio approach to innovation.

Here's a simple model that any organization can apply to tee up its definition of *innovation* and take a portfolio approach to allocating its time and effort:



Connecting your innovation intent to all three types of innovation helps link innovation to both the current and future direction of the organization. It demystifies the whole concept of innovation, which can be fairly amorphous for those outside the executive suite (and sometimes even within the executive suite), molding the idea into something concrete.

Every Function Should Have Its Own Definition of Innovation

An innovation intent isn't limited to just the company. Each and every business function can also have its own innovation intent. This is critically important, since not everyone interacts with external customers. Some groups might support internal customers—other functions or groups in the organization. Innovating how to serve internal customers is just as important, because making those groups more effective can ultimately have a positive impact on the external customer.

I hear similar statements from executives within internal support functions that sound like this: “My company says that innovation is a strategic imperative, but I'm in HR and I have no idea what that means for me.” I could easily substitute “HR” with “IT” or “Legal” or “Finance.” These shared support functions often struggle to translate their company's innovation imperatives—which they assume are always oriented toward new product or service development for customers. With an innovation intent at the functional level, it becomes possible to rally an

entire department around creating new forms of value. Here are some examples of innovation intent statements that can do just that:

- **Finance:** To deliver financial insight that drives strategic business decisions, new market opportunities, and the innovation process
- **HR:** To recruit and grow top talent that shapes the future of our company and that transforms the industry
- **IT:** To provide tools and services that deliver insight for employees and that accelerate innovation and optimize the customer experience

An intentional, specific innovation intent helps people see how innovation connects to what they do and how they do it. For some, innovation may result from incremental process improvements. For others, it may involve designing the next generation of products and services. There's no one right answer, but everyone should view the importance and relevance of innovation through a unique, individual lens.

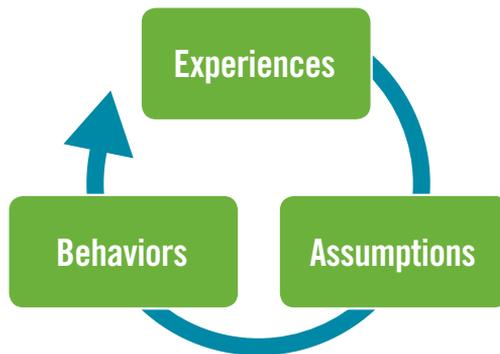
How Innovation Intent Shapes Culture

Without the focus an innovation intent provides, people tend to think innovation belongs to someone else (such as Research and Development) and assume it isn't

part of their job. Lack of a thoughtfully defined innovation intent also makes it difficult for leaders to create specific programs, processes, metrics, and rewards that shape values and behavior, because specific expectations and measures of success usually aren't clear beyond the call for "more ideas."

And it gets worse. Sometimes leadership says it wants a culture of innovation and then makes innovation a business imperative but leaves results open to happenstance. Vague directives of this kind can actually have the opposite effect on the company's culture. There's nothing worse than saying the organization has an imperative for innovation and then doing nothing to back it up. Innovation then becomes lip service, since people's experiences don't change one bit, which embeds *innovation passivity* into the culture—exactly the opposite of what you want.

Here's a simple model that outlines why people and organizations get stuck and what leaders need to do to unstick things.



Here's how this plays out in real life at a very basic level. When I was seven years old, two big German shepherds knocked me to the ground as I was walking to school. The experience scared the daylights out of me. I went running home in tears. From then on, anytime I saw a big dog, I would become overwhelmed with fear and would do everything I could to avoid it no matter where I was—on the street, in the park, or at a friend's home. My unfortunate experience led to an assumption about all dogs (that they were dangerous), which in turn shaped my fear-based “irrational” behavior (running away in terror). It wasn't until I was in my teens and my family adopted our first dog that I was able to break this long-standing assumption-belief-behavior cycle. The new experience of pet ownership started to chip away at my assumptions and beliefs. *Hey, this dog is nice. It's not knocking me over! It's not scaring me!* Eventually I overcame my visceral fear and started behaving differently. Today, I no longer cower in the corner when visiting friends with big dogs!

The same dynamics exist in organizations. They might not be as obvious (and physically scary) as a big, slobbery German shepherd, but they can create just as much havoc. Leaders do things, consciously or unconsciously, that shape the experiences of those around them. Those experiences drive assumptions, which influence behavior.

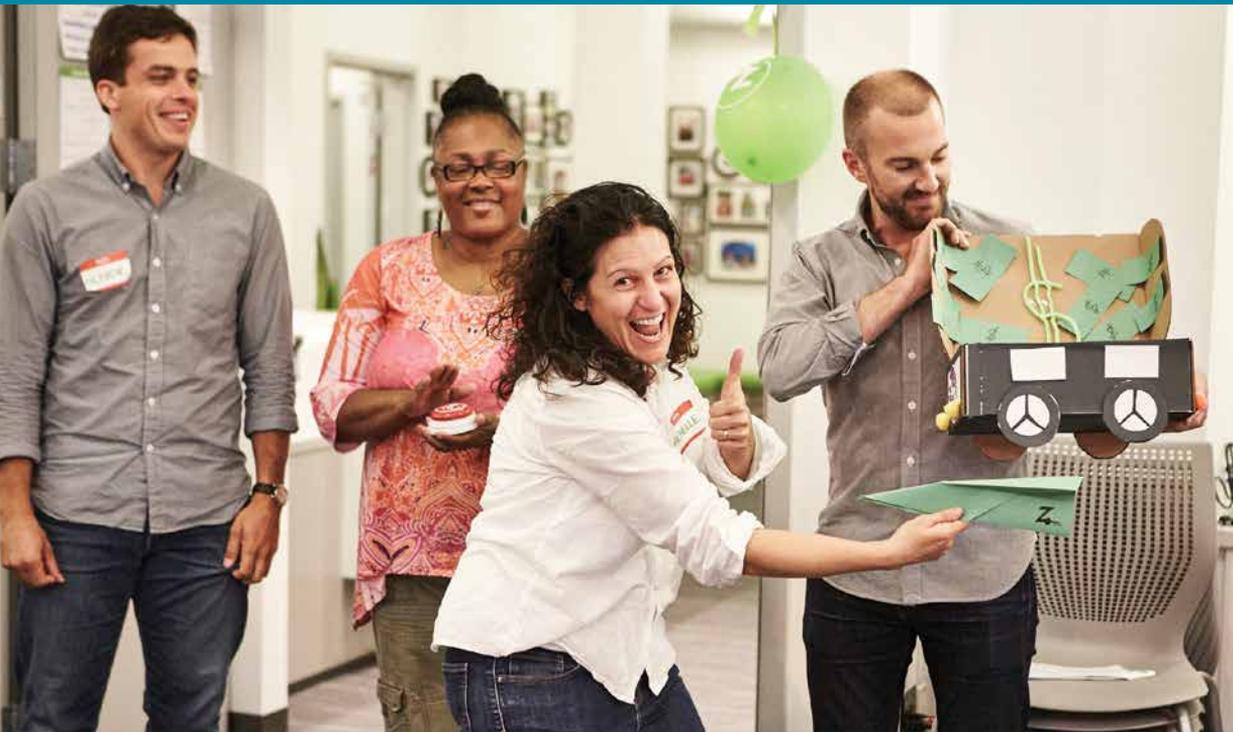
Want new behavior that leads to innovation? First, put a stake in the ground regarding your innovation intent. Leaders at Intuit did just that when they said

they wanted to “improve our customers’ financial lives so profoundly they can’t imagine going back to the old way.” But Intuit went one step further, to the second step, and reinforced its innovation intent with some very specific employee experiences. For example, the company physically brings customers into its offices to mix things up. Intuit’s monthly “customer office hours” provide all employees, from the software engineer to the HR manager to the financial analyst, with the opportunity to see, hear, and talk to real live customers. The focus is on bringing customers—including their needs, desires, and pain points—directly into the organization. There’s no formal agenda. Some employees just listen. Others test assumptions and ideas for new products and services. Intuit is a great example of a company that designs employee experiences that are directly connected to its innovation intent.

Another example is *Sequence*, a digital brand and product agency in San Francisco. Every month, the company surprises employees with “boomerang passes,” named after an Australian airline promotion for dirt-cheap, same-day round-trip flights to surprise destinations. The company randomly gives the boomerang pass to one lucky employee each month. Upon arriving in the office, the recipient is whisked away on a one-day adventure. Past excursions have included Segway tours of redwood forests, horseback riding, flower-arranging classes, trapeze lessons, and a trip to Las Vegas for a tour of Zappos. Sequence recognizes that inspiration and growth come from stretching oneself through new experiences. Employees

return to share insights about how seemingly unrelated adventures inform—and could potentially transform—the business. These employee experiences reinforce the company’s belief that in a world of growing commoditization, it’s the quality of the customer experience that creates differentiation, something *Sequence* strives to bring to everything it does.

These are just a few of the numerous examples that show how specific structures, processes, and tools create new experiences for people—experiences focused on challenging the status quo, trying new things, and adding value. In the following chapters, you’ll get more practical examples of what you can do to create and inspire others through delivering different types of experiences that foster a culture of innovation.



Awesome Example!

Zipcar

Orchestrating Experiences to Remake Assumptions

I recently had the opportunity to do a little work with Andrew Daley, the vice president of Member Acquisition for Zipcar. Zipcar's unique approach to creating a membership model for car sharing almost single-handedly established the "sharing economy" in the United States and paved the way for business models like those of Uber and Airbnb.

Zipcar members aren't like the rest of the crowd—most are under thirty-five years old (also known as the millennial generation) and view car ownership a bit differently from the mainstream. Faced with high student-loan bills and diminished opportunities to land high-paying jobs, many millennials believe cars are too expensive for them to own, especially after taking into account the costs of insurance, gas, and parking.

Zipcar's low-cost annual membership gives its 900,000 members access to its fleet of vehicles stationed across numerous locations around 470 cities. Unlike traditional rental car companies, members can take cars out for an hour or a day, and gas and insurance are included. Simple.

But even a business model innovator like Zipcar must eventually respond to a changing world. Modern day millennials are radically different from those of ten years ago, when Zipcar revved up its start-up engine. Today's millennials, for example, live and die by their mobile phones. In fact, according to Zipcar's research, almost half of all millennials believe that losing their phone would be a bigger hardship than losing access to a car! And the majority believes losing their phone would be a greater tragedy (so to speak) than losing access to a desktop computer, laptop, or a TV.

So, here's the stark reality that recently crept up on Zipcar: It had designed its entire customer experience as an online experience and didn't have a way to sign up, service, and help members manage their memberships from their phones. The world had changed and Zipcar needed to change its operating model along with it. This wouldn't necessarily require a big shift in customers' behavior, since they were already mobile savvy. It would, however, require a big shift in employee mindsets and behavior, and Zipcar needed to move fast.

Zipcar did two things to jump-start its new mobile model. First, the company brought the new breed of customer to its office to give employees a taste of the twenty-first century's mobile reality. Zipcar's "member roundtables" occur on Saturdays and include about a dozen customers who share their needs, experiences, wishes, and feedback directly with the Zipcar staff. Roundtables are undeniable experiences—it's hard to disregard customer needs after a face-to-face conversation. These types of direct interactions with customers, whether at Zipcar or elsewhere, are powerful ways to shift employee mindsets and create the impetus for change.

Zipcar also orchestrated a different type of employee experience, one that would immediately become a symbol of its new "mobile first" strategic mindset. Employees were invited to a meeting where leadership discussed its new mobile business imperative. To help drive home the point, people were given sledgehammers so they could personally take up arms against the "old view" by taking turns pounding on two old desktop computers. Smashing the old to bring in the new (literally and figuratively) created a poignant experience and instantly wrote corporate folklore that could be passed on as a symbol of exactly what's needed for the future.

Carving out time for
innovation doesn't have to
mean radically remaking the
corporate time clock.



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SOREN KAPLAN is the author of the best-selling and award-winning book *Leapfrogging*, an affiliated professor at the Center for Effective Organizations at USC's Marshall School of Business, a contributing writer for *Fast Company*, a leading keynote speaker, and the founder of InnovationPoint. As a leading expert in disruptive innovation, innovation culture, and strategic change, he works with Disney, NBCUniversal, Kimberly-Clark, Colgate-Palmolive, Hershey, Red Bull, Medtronic, Roche, Philips, Cisco, Visa, Ascension Health, Kaiser Permanente,

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