

The Innovation-centric Company

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Innovation Management

The ability to manage innovation successfully is one key to the success of companies like Dell, GE, and Microsoft. In some cases, innovation is synonymous with research. In others, it is the application of existing ideas to new problems. GE's research labs practice innovation when they create new synthetic materials that can become part of medical implants. Microsoft practices innovation when it recognizes the importance of search technology and engineers it into the operating system. In both cases, the companies recognize that the future is not a copy of the past and they must take action to insure that they are a prominent player in the new structure of things.

Every company faces a unique set of challenges when gearing itself up for innovation. These challenges stem from the current position in the market, historical processes, internal capabilities, leadership support, and available budgets.

Specific Management Challenges

To whom should the responsibility for innovation fall? It cannot be the responsibility of everyone in the organization because that would leave no one to handle all of the other operations of the company. But it cannot be treated as an island separated from the rest of the company either. Innovation will involve a new way of thinking for people across the

organization. It is something that must be supported and communicated from the top of the organization to the bottom. Is an executive level necessary? Can corporate innovation be accomplished without the direct support of a corporate executive?

Who does innovation? If everyone will be the recipient of new processes, equipment, and tools, then who is responsible for creating these and identifying the best application? Is a research laboratory the best environment for creating innovation that will be applied within the company? Or are the internal halls of the company the best source of improved ideas?

Must a company choose between innovation and stability? Can a company provide employment, process, and cultural stability to meet the security needs of employees, while at the same time innovating to remain at the head of the industry? Constant change is destabilizing and demoralizing to a large number of people. They seek jobs that are secure, stable, and repetitive. Many people need to be able to master the processes they are responsible for, rather than operating in a changing environment that they will never master or even fully understand.

Must a company be innovative alone? Should innovation be carried out internal to the company and shielded from the eyes of everyone else in the industry? Or can a company form unique partnerships that will share in innovative

changes? In the latter case, the sustaining advantage of innovation comes from the inability of competitors to duplicate the combination of skills and the processes themselves.

Innovation Office

To become masters of innovation, organizations must make some basic changes to their structure of responsibility. The first of these is to establish an Innovation Office. This organization is charged, not with originating all innovations, but with motivating, tracking, managing, and measuring innovation across the company. Intel Corporation has recently created the corporate position of Chief Technology Officer to assist in this process. Patrick Gelsinger, the first corporate-wide CTO, is responsible for overseeing the work of the research and laboratory organizations. He is expected to keep those organizations focused on creating products that are aligned with the company's strategic vision and mission – to become a hub in which computing and communications technologies can merge to create products that are radically more powerful than those that exist today. Gelsinger's organization is not responsible for marketing Pentium chips or pressing into the cellular telephone market. Instead, the CTO office must strive toward a future in which an Intel product is at the center of new devices and capabilities that include both communication and computation. The integrated cell phone and PDA is an early version of these devices, but certainly not the culmination of the vision.

Innovation as Core

Companies have historically considered the product to be the core of their business. This has been followed by “service as core” and “process as core”. A product-centric company may be something like a mid-20th century General Motors Company. The core of their business was focused on the production of the automobile. Everything within the company was structured to insure that the automobile contained the performance, style, quality, and price that met the customer's needs.

A service-centric company has a broader perspective in which it may provide a product, but it also sees itself as meeting larger needs of its customers. A service-centric automobile company would not limit its offerings to the automobile, but would expand these to include more of the customer's needs. An automobile-buying customer requires financing to be able to afford the product and that financing includes a profit margin. Therefore, the late century GM also provided financial services, insurance, title application, license transfer, and any other services that makes it easier for the customer to buy an automobile while also providing additional profits for the company.

A process-centric company may see the customer as a person who has a constant, life-long need for transportation. That person needs to buy an automobile along with the service components. But they also need transportation when the automobile is being repaired. Since repairs can be done at any number of shops, the GM dealer must provide an incentive to bring the customer to the

dealership for repairs. One of those incentives is the loaner car and the shuttle service. These insure that the owner of a GM automobile has a transportation solution at all times during the life of the vehicle. It also builds a relationship that is designed to bring the customer right back to the dealer for the next automobile purchase, preferably a lifetime of purchases.

In an innovation-centric company, the goal is to meet the needs of the customer today and those that have yet to be imagined in the future. A company must demonstrate that their innovation moves them from a customer's current needs to their future needs before the customer gets there. Customers will learn which companies can only satisfy today's problems and which are already imagining and solving the problems they will have in the future. The innovation-centric company is establishing itself as a lifelong partner. GM's OnStar system can be cast in this innovation-centric light. As people find themselves more independent and disconnected from each other, they learn that they can no longer count on other motorists to render assistance. Therefore, OnStar is a GM innovation that meets the needs of a large part of the automobile customer-base before the customer's realize that they need it. Like cell phones, the item moves from luxury to necessity as customers catch up with the innovation that has already been done by GM.

Companies that are serious about innovation must focus themselves around the needs of the future. They must tie the organization to the source of innovation and structure the company such that they are extracting the

maximum value from innovation as quickly as possible.

Flexible Workforce

Thriving and surviving in an innovation-centric company is not something that is natural and easy for many of today's employees. Creating a culture and a workforce that is functional and motivated in such an environment is a major undertaking. Both the company and the employees must build a relationship that grows stronger because they know how to evolve and change together. The company must be able to teach employees to thrive in the new environment and the employees must be willing to trade old behaviors for new. Because this transition is difficult, employees who make the change should be more valuable to the company. Perhaps a relationship based on flexibility, adaptation, and innovation can become the foundation for lifelong employment.

In the 19th and 20th centuries labor struggled to build a foundation for stable employment based on unchanging responsibilities and processes. Someone who could master a specific step in the production process was more valuable as long as that step never changed. In the 21st century that stability may be based on flexibility. The value to the company is not in the person's ability to become a master at one task. But rather they are valuable because they have the ability to flex, grow, and change to master a wide variety of tasks placed before them. Though they may never master one job, they are able to become competent at many successive jobs. People with this flexibility in an innovation-centric company cannot be eliminated because

flexibility coupled with competence is too valuable to waste.

Innovation Partnerships

As described earlier, innovation and the mastery of technology does not respect organizational or international boundaries. An innovation-centric company cannot limit itself to people and processes that reside within a specific region, facility, or company. Leaders in innovation must be able to draw innovation into synergistic relationships from any number of sources around the planet.

Managing innovation will be synonymous with managing multi-company teams that cross geographic and international boundaries. They are not bound together by their physical addresses, community history, or even professional specialty. Instead they are bound together by their faith in a vision of the future and their eagerness to create something that does not yet exist. In such an environment, the issues like “not invented here” are less an issue because everyone is looking at how the invention can be applied or how it leads to something new that will be invented here. When the allegiance is to a vision or ideal, then issues of company origins and physical location are not important as long as the partnership can enable progress better than a single in-house effort.

Innovation-centric companies require innovation-centric people. Innovation management is not about controlling and standardizing people and processes, but about enabling and optimizing them. The responsibility of the manager is to cultivate, train, recruit, and combine

people to continually improve the innovation process of the combined partnership.

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