# LIVING IN THE INNOVATION AGE

## HERE ARE FIVE GUIDING PRINCIPLES FOR PROSPERING IN THIS NEW ERA.

BY TARAK MODI

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**WHY ARE SOME COMPANIES, SUCH AS GOOGLE** and Apple, successful at innovation while others aren't? The simple answer is that these thriving companies have mastered the principles of innovation. They are not afraid to venture into new, uncharted waters; on the contrary, they embrace innovation.

In his 1985 book, *Innovation and Entrepreneurship,* management guru Peter Drucker described innovation as "the specific instrument of entrepreneurship and the act that endows resources with a new capacity to create wealth." In *Managing Creativity and Innovation,* authors Richard Luecke and Ralph Katz defined innovation as "the successful introduction of a new thing or method and the embodiment, combination, or synthesis of knowledge in original, relevant, valued new products, processes or services."

**Equation 1:**
**Innovation = Function (Invention, Commercialization)**

Innovation, then, is something "new" that consumers are willing to buy and that results in a profit for the innovating organization. Equation 1, above, shows that innovation is a function of invention and commercialization, in which the combination of the invention's practicality and the ability to commercialize it is a measure of its value. This concept of "value" is what distinguishes innovation from invention.

In his 2011 State of the Union address, President Barack Obama challenged the United States to win the future by "out-innovating" the rest of the world. "Out-innovating" is the essence of what the Innovation Age is all about. So how does an organization thrive in this new era? Here are five principles that can help you prosper in this fundamentally unique era.

### PRINCIPLE 1: Innovation is one percent ideation and 99 percent implementation.

Successful innovation is not just a brilliant idea. Rather, as noted in Equation 1, executing a successful innovation requires both an invention and successful commercialization. In *The Other Side of Innovation,* authors Vijay Govindarajan and Chris Trimble noted that turning ideas into breakthrough products, services and process improvements requires a trust-based partnership with the performance engine of the organization.

This partnership is essential because an idea by itself is just an abstraction. To be useful, the idea must be implemented in the form of a demonstration, prototype or product.

### PRINCIPLE 2: Innovation is a journey, not a destination.

Innovation is an iterative process requiring continuous refinement that builds on previous successes and failures. In fact, Art Fry, the co-creator of Post-it Notes, describes innovation as a "numbers game in which you might have to go through 5,000 to 6,000 raw ideas to find one successful business."

Companies that are successful at innovation realize this. For example, Google's philosophy of "innovation, not instant perfection" is what allows it to explore ideas by launching

them early, iteratively learning what the market wants and gradually taking the idea from being good to being great.

**PRINCIPLE 3: Innovation is "where no one has gone before."**
Most executives would give almost anything to "fix" their innovation process. It seems intuitive that if the company is not innovating enough, there must be something wrong with its innovation process. However, as Adam Richardson, a creative director at global innovation and design consultancy Frog Design, points out in his book *Innovation X*, "The problem is not innovation; the problem is the problem."

Richardson contends that efforts to innovate are thwarted by "X-problems," a new class of 21st century challenges posed by an increasingly global, competitive economy that defies conventional planning. Dealing with such problems requires out-of-the-box thinking and a willingness to face tough—sometimes uncomfortable—questions that challenge the status quo.

In a recent article in the *Harvard Business Review,* Bhaskar Chakravorty, a partner at McKinsey & Co. and a faculty member of the Harvard Business School, explained that constraining factors can be the impetus for innovation. For example, Cadbury India, now a subsidy of Kraft Foods, wanted to sell chocolate in a market where temperatures are routinely above the 100 degrees Fahrenheit. This motivated Cadbury to develop Cadbury Bytes and Chocki, which have melted chocolate in a casing of caramel that is not vulnerable to heat. These products are now "hot" sellers around the globe.

Innovation can be spurred by imposing constraints where none currently exist. Indian industrialist Ratan Tata, chairman of Tata Motors, challenged his engineers to design a car to retail for the equivalent of $2,000-$2,500, making it affordable for moderate-income families in India. The result was the Tata Nano, a model for affordable, no-frills cars worldwide.

**PRINCIPLE 4: Innovation seeks to be free.**
"Information seeks to be free," said author and futurist Stewart Brand at the first Hacker's Conference in 1984. Since information is the lifeblood of innovation, it can be presumed that innovation also seeks to be free.

The Open Government Directive issued by the Obama Administration provides a framework that can help define what freedom means in the context of innovation. To be free, innovation needs to be open, transparent and participatory.

One such innovation trend is crowdsourcing, a term coined by author and contributing editor at *Wired* magazine Jeff Howe. Crowdsourcing is the act of outsourcing tasks traditionally performed by an employee or contractor to an undefined, large group of people or community (the crowd) through an open call.

A model for this is what Vivek Kundra did while serving as CTO of Washington, D.C. He wanted to make the district's revolutionary Data Catalog, DC.gov, more useful to the public. So he launched a contest, Apps for Democracy, which cost D.C. only $50,000 and resulted in 47 iPhone, Facebook and Web applications that have an estimated value in excess of $2,600,000. The $10,000 final prize winner is an innovative app that enables iPhone and Facebook access to the district's 311 city service site, allowing users to submit and view service requests by category and location on an interactive map.

Another form of unconstrained innovation is "open innovation," a term coined by author Henry Chesbrough in his book *Open Innovation.* This concept encourages organizations to use external ideas in addition to internal ideas.

Dell and Starbucks have used open innovation successfully since 2008 and have implemented hundreds of ideas from their customers. Dell's thin notebook is the result of the idea "thin is in," generated on Dell's IdeaStorm open innovation platform.

**PRINCIPLE 5: Innovation takes many forms.**
Clayton Christensen, an author and professor of business administration at the Harvard Business School, coined the term "disruptive innovation" in his book *The Innovator's Solution* to describe an innovation that creates a new and unexpected market by applying a different set of values. Examples of disruptive innovation include the steam engine, automobiles, phones, plastics, personal computers and digital photography.

Unfortunately, Christensen's success in popularizing this term has, in a way, been a disservice to the field of innovation, for it is the only perception of innovation most people have. The reality is that there is much more to innovation than disruption. In fact, Christensen discussed another type of innovation, called "sustaining innovation," which is not as radical.

In *Dealing with Darwin,* author Geoffrey Moore identified a complete taxonomy of 15 innovation types based on a product's or service's life-cycle maturity. In this taxonomy, disruptive innovation is most useful in growing markets, but it's much less useful in mature and declining markets.

Innovative organizations realize that innovation comes in many forms. Therefore, rather than worrying about the disruptiveness of an idea, they focus on whether the idea can be effectively "sold" to a targeted market by adding value or meeting unmet customer needs.

Innovation must be a continuous activity, so organizational leaders need to reevaluate how they think about and approach innovation. They must realize that continuous innovation that can drive sustainable competitive advantage is much broader than disruptive "eureka" moments. Creating an organizational culture that embraces a philosophy of continuous innovation requires leaders to invest, nurture and sustain an open, collaborative environment in which innovation is viewed as a long-term journey that goes "where no one has gone before." ◀

*Tarak Modi is vice president and chief technology officer at CALIBRE Systems. This article is based on a book he is writing, titled* Living in the Innovation Age, *due out at the end of this year.*

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