

Reinventing Innovation!

The innovation of today
becomes the formula of tomorrow
by Mohit Malik

When you hear the word *innovation*, what is the first thing that comes to mind? New products?

Perhaps another way of creating new growth is by addressing the issues that *surround* your products? By shifting the approach from product innovation to, what Adrian Slywotzky calls, *demand innovation*.

To highlight this, Slywotzky offers the example of Cardinal Health, a drug wholesaler. For Cardinal, demand innovation meant helping hospitals (its customers) effectively manage the three troubling trends dogging them—cost pressures, talent shortages, and poor information management.

So the company began offering logistics management services for hospital pharmacies, and soon, was providing complete pharmacy management services. Cardinal's results say it all— double-digit growth in revenues and operating profits and more than \$25 billion in market value

creation over the past five years.

There are many ways in which a company can innovate. New products and services happen to be just one of them. I can list 12 more, but that would be focusing on what can be done. An equally important issue, one that I often see organisations wrestle with, is *how*. Read ahead to know of the four key organisational practices that can be holding you back from achieving your innovative potential.

Have you hired a Chief Innovation Officer?

Apple Computer tops the list of the Top 20 innovative companies in the world, according to a recent survey (more on the survey later). Who do you think can be called the 'Chief Innovation Officer' (CIO) at Apple? Of course, Steve Jobs himself. Jobs has not delegated the responsibility of 'innovation' to anybody.

As a recent article about Jobs notes, "He is one of the technology world's great innovators but not because he's an engineer or a programmer. He doesn't have an M.B.A. either. He doesn't even have a college degree. (He dropped out of Reed College after one semester.) Jobs has a great native sense of design and a knack for hiring geniuses, *but above all, what he has is a willingness to be a pain in the neck about what matters most to him.*" And what matters the most to Jobs is innovation.

Only one person in the organisation can be that pain. And that is the head honcho. The CEO/chairman is the CIO. If it is anybody else, well, innovation is for the annual reports.

Are you rejecting the winners?

The first thing that most organisations do these days is to set up a committee to evaluate new ideas of employees. Most of these ideas are rejected. But what about the possibility of winners getting buried among these rejects?

New ideas will be chancy. Some will work out. Some will not. As GE's Jeffrey Immelt says, "You are not going to stick around in this place and not take bets." What's the point if a company, in the desire to pick up only winners, loses out on potential blockbusters. Google is an exception. Its credo is: 'We're going to try things, and some aren't going to work. That's okay. If it doesn't work, we'll move on.' But, selection of successful ideas can be done in a fairly structured manner.

Successful entrepreneur and, equally successful, venture capitalist Brad Feld recently noted about his investment in *Feedburner*, a company providing RSS feeds. "One of my premises was that traditional media would rapidly adopt RSS for content distribution and...would aggressively look to outsource part (or all) of the feed management activities."

A potential investor was less convinced and talked to a number of his traditional media friends. The unambiguous reaction was: “No way – we’d never outsource that – what that RSS thing is.” Of course, a year later, it’s a different story. Everybody that this potential investor had talked to, have outsourced their feed management to FeedBurner.

It is very natural, says Feld, to want validation that the product will be adopted. He instead looks for “*analogous situations* in older markets (especially ones that I have experience with), use my instincts, and think hard about how things might play out. *I recognise – a priori – that I could be wrong and I’m willing to take that chance.*”

Innovative ideas are everywhere!

Good ideas can be picked up from everywhere. Jack Welch is a passionate advocate of this approach. So is Tom Peters. As I have written earlier, the myth of focus (that we have been brought up on) prevents us from seeing things. That is, seeing things *other than* the ones we *want* to see.

At Anoova Consulting, we recently helped a client define and develop a new business, which is closely related to the main business of the firm. But more importantly, it feeds into their core business. As much as I would like to claim it to be an

original idea, it wasn’t. We picked up the basic model from another industry, and adapted it to the context of our client’s business. And voila, you have a new line of business, profitable from day one, and contributing to more revenues for the primary business!

It is not about how somebody else is doing something, but how we can use their approach for our own benefit. Good ideas are everywhere, if only we would care to look. And learn.

Potential for innovation exists in everything you do

As I mentioned earlier, other than new product development, there can be 12 ways of innovating. These innovations can be applied in anything that you are doing. Sachetisation of the Indian FMCG market is one example.

Or take another instance. Healthy fast-food was regarded an oxymoron till Subway changed the tack in the late 1990s by highlighting that seven of its subs had six grams (or less) of fat.

In a lucky break in 2000, the chain chose to showcase Jared Fogle, who had shed 245 pounds by eating exclusively at Subway. As a recent Fortune article points out, “This was dumb luck—Fogle came to Subway, not the other way around—and there was internal resistance to the idea.”

The article adds that “Subway went ahead, though, and the result ‘was like lightning striking’. Fogle has become a brand icon, and sales surged from \$5.17 billion in 2001 to \$7.75 billion last year. Wannabe franchisees came running. Between 2001 and August 2005, the number of US Subway shops increased 43 per cent, to more than 19,100 (about 5,000 more than McDonald’s).”

The icing on the cake, “*Harvard even invited Subway’s icon to address a forum on obesity in 2003. When Jared speaks, Harvard listens: Now that’s brand power.*”

Innovation is possible. Everywhere.

How dissatisfied are you?

According to a recent survey among 940 senior executives in 68 countries by The Boston Consulting Group (BCG), almost 74 per cent of the executives surveyed claimed that their companies would increase spending on innovation this year. Only 49 per cent said they were satisfied with the financial returns on their investments to date.

By definition, innovation is about the ‘new’. The ‘new’ too, after a point, becomes old. The innovation of today becomes the formula of tomorrow. In the case of Cardinal Health, Cardinal admits that the formula to reach \$100 billion will not be the same one that got it to \$50 billion. But the most

important issue is that the mantra of innovation, which is often not passed on to executives by its practitioners, is learnt the hard way. It often involves changing habits built over a lifetime of managing and leading. Changing habits of the mind.

Are you also among the 51 per cent dissatisfied with their investments on innovation.

If so, what are you doing about it?

This article can also be accessed online on the website of [Businessworld](#), where it was originally published, in *Wide Angle*, the monthly guest column by Anoova Consulting’s Leadership and Strategy Practice.

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About the Author



A Principal at Anoova Consulting, Mohit Malik heads the Leadership and Strategy Practice. His leadership experience of 17 years, including a stint in the Indian Army, spans across diverse areas, ranging from Strategic Planning, Operations to IT Management. He has consulted for Businesses, Government and Not-for Profit organizations and holds an MBA from Indian Institute of Management (IIM).

About the Leadership and Strategy Practice Mohit says, "We have made every mistake we ask you to avoid and broken every piece of advice we give. Whatever we know about leadership and strategy has been learned the hard way".

He can be reached at mohit.malik@AnoovaConsulting.Biz.

Mohit also offers "Reinventing Innovation" as an insight-packed and engaging talk and is available to speak at your next board meeting, kick-off or off-site.

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Anoova Consulting
Q – 502, Sector 21
NOIDA, 201301
India

Tel: +91 – 120 - 254 0917
Fax: +91 – 120 – 253 2663
Web: <http://AnoovaConsulting.Biz>
[Click here to visit the website](#)