



THE NINE SECRETS OF BREAKTHROUGH INNOVATION

They're not rational, logical or linear - in fact, they're even counter-intuitive - but [Ken Hudson](#) reckons these tips work.

ACCORDING TO the latest research, growing a business through innovation is one of the top three leadership priorities. Yet this stated ambition by leaders often exceeds their ability to deliver it. This has given rise to an entire innovation advice industry. From ex-advertising executives, researchers and academics to journalists and management consultants, all are spouting their version of how to improve your innovation results. It is a complicated and hazardous journey to select the useful from the damaging. Ironically however, most of this advice simply misses the mark. In a Business Week/Boston Consulting survey, for example, less than half of senior executives said they were satisfied with their return on innovation spending (Business Week, 4/5/07).

Leaders are caught in a bind. They want to innovate but have to sort through the cacophony of innovation advice, most of which, it seems, does not work. We believe this downward cycle is attributable not to the advice the innovation or management consultants give you but paradoxically what they will not. Who, for example, wants to tell a leader, hungry for results, that they will fail with innovation more than they will succeed? Or that they will have to introduce some chaos into an otherwise efficient process.

The following nine secrets are what we have learned about the nature of breakthrough innovation. These are challenging and run counter to the dominant paradigm of management theory and practice. The left brain, analytical type thinking might work when you are planning the incremental, continuous improvement type innovation but it simply does not work when you are trying to create the game-changing type of innovation that can make a dramatic difference to your business and career.

But this is the point. A breakthrough product, process or customer experience can only be created

by departing from the usual, the comfortable and the incremental. Or as the noted English author Charles Handy suggests, “discontinuous change requires discontinuous upside-down thinking to deal with it, even if both thinkers and thoughts appear absurd at first sight” (The Age of Unreason, 1990, p5).

These nine secrets of breakthrough innovation are set out below.

1. It is more imagination than reason

What is the one company that was part of the original Dow Jones industrial average in 1896 and is still going strong? Hint: It was named this year by Fortune Magazine as America’s most admired

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company. It is, of course, General Electric-GE. And what is GE’s tag line: Imagination at Work. On its website it proclaims: “We’re determined to solve the world’s biggest problems.” There is nothing safe and incremental here. Do the leaders at GE know something that we do not? Perhaps they have realised that a sustainable business more than ever relies on imagination.

To be sure, innovation needs to be grounded in logic and analysis. It is an irony, however, that many business leaders have adopted many of the facets of the so-called scientific approach that calls for the use of measurement, hypothesis, rigor and reliability but have forgotten perhaps the most important – the ability to imagine. As Einstein stated: “Imagination is more important than knowledge.” Imagination

is needed to transform existing information into new concepts and solutions. If something can be imagined it can be built. And in a world where everything can be copied it is the individual and collective ability of the imagination that is the most important company asset. It is simply survival of the fittest imagination.

When we work with leaders of some of the largest businesses in a particular industry, what is their single, biggest fear? It is this. They hate competing against smaller brands with speed, passion and imagination. They dread brands that don’t play by the same rules as everyone else (think: Apple, Google, MySpace, Amazon, Virgin etc). These leaders know that harnessing the imagination of all employees is their most difficult task, yet it is impossible to copy.

To generate a breakthrough means that our imagination should lead the research process, not the other way round. The iPod, for example, was ridiculed when it was first launched but the people at Apple had a belief that a beautiful, functional product would eventually create its own market. Research can only tell you what exists at the moment, not what could exist. The ideal consumer response is now “What a good idea”. We are becoming idea rather than consumer led.

The reverse is also true. We believe that a ‘failure of imagination’ is the single biggest short coming of leaders today. Leaders can analyse a situation to death. You can ask them to quote you everything that has happened to their brand or business or what their current market share is and they can drown you with figures. Yet ask a leadership team which brands they might compete with in three to five years time or who they might partner with or where their new sources of revenue may come from or how they can double their business in three years and there is a blank stare. Our proposition is that imagination, grounded in analysis, with a big dollop of courage will lead to breakthrough business results.

2. It is more failure than success

To innovate means to create and try new things. It could be a new product, process or strategy. But this involves the risk of failure. It involves the possibility that everything may not work according to the best laid plans. And for a breakthrough innovation the risks tend to be even higher. A breakthrough by definition means an even greater departure from the usual, comfortable or what everyone else is doing. This represents a dilemma

afraid of – to go out there and push myself to the limit. And if I failed, so what? I always had them to pick me up.” The lesson, leaders have to lead by example and create a culture of risk taking.

The second strategy is to adopt a testing or experimental mindset. By this we mean that leaders have to find ways to test a new action quickly, easily and cheaply. It might be building a rough prototype and putting it in potential customers’ hands or doing some quick research. The mindset

breakthrough is often predicated on a new question or insight at the same time as an organisation is set up to reinforce existing patterns.

The answer to this paradox is this. Leaders have to deliberately and systematically disrupt the existing patterns in their business. The existing patterns are in place to provide efficiency not difference. Leaders have to regularly introduce chaos into the system. For example, by asking these types of questions; how can we introduce this product in half the time, or let’s develop a proposition for the segment of the population that does not purchase our product, or what would happen if we scrapped this process altogether?

The message is simple but uncomfortable to leaders. By following the existing patterns (ie structure, systems, strategy) you may grow incrementally but you are unlikely to develop a breakthrough. In our workshops with leaders we often start by saying that the purpose of this session is to make you feel uncomfortable. In essence, you have to deliberately disrupt your patterns of thinking. But this is often difficult for many leaders, so that is why more and more organisational leaders are looking outside the business for real innovation and/or setting up satellite or separate business units so they can escape the confines of the patterns of the existing business.

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for most leaders. They have based their career on success, whether it is at university, business school or in their working life. Now, perhaps for the first time, they have to deliberately and knowingly consider an action that may not work.

This possibility of personal failure is never talked about by the innovation experts. To be sure, they talk about organisational failure but ultimately someone will be asked to explain what went wrong. No wonder there is a lack of hands when the CEO wants his leaders to offer up a big, new idea. A colleague of mine reflected this feeling perfectly when he confided to me that “I have kids in expensive schools and don’t want to jeopardise their education and besides it is difficult to get another high-paying job in your 40s. I might take a risk next year.” This is an understandable personal reaction but from the business point of view, next year never arrives. There is an inbuilt resistance to risking failure. This is where the comparison with the scientist breaks down. The scientist might try many experiments, all of which may fail. Other than risking his own and the laboratory’s time, effort and money, he/she will not lose their job. The business leader knows that in most organisations one failure can be tolerated, two is difficult, but three and you’re out.

The leader has three options to deal with this situation. One is to lead by example. It is our experience that leaders like to tell everyone else that they need to try new things and risk failure. But when we ask them (quietly) what they are doing in this regard there is usually a nervous twitching. Perhaps the best example of leading by example in taking risks is the reaction of Tiger Woods just after his daughter was born. In highlighting the influence of his parents he mentioned, “My parents always told me every night they loved me, every time we said goodbye. That was something that I was never

is the same. You are trying to get into the habit of taking risks on a smaller scale which will make it easier to take on the big ones. One of our favorite questions is to ask leaders what three things they are testing right now.

The third course of action is to reframe failure as an opportunity to learn and grow. Simply using the word failure will turn people off, but helping people see that to risk failure is to grow as a business person and the reverse is also true. Not to take a risk is to stagnate and whither.

3. It is more chaos than order

What is the next number in the sequence? 5, 11, 18, 26, 35? It is not too difficult to work out the pattern (the difference between the numbers increases by one). Or think of another example. What is your favourite car? What is your favourite food? What is your favourite drink? What is your least favourite colour? Most people, when they do this exercise, will automatically say their favourite colour, but we actually asked something different (least favourite). This is because our life is dominated by patterns. It is the insight that Edward De Bono (for one) has given us that we tend to think in relatively stable patterns. This gives us order, efficiency and allows us to process information quickly.

In a similar vein, we believe that any business or organisation is a pattern-making and reinforcing system. Think of all the patterns in a business, eg organisational structure, processes, policies and procedures. Add to this list your own patterns, eg habits, comfort zones, routines etc. All these patterns (like our thinking patterns) give a business a sense of order and efficiency. But they come at a price. It is the price of novelty and originality. This is why breakthrough innovation is so difficult. Leaders have to confront the paradox that a

4. It is more emergent than planned

The next secret is an extension of the previous one. Leaders who want breakthrough innovation need to introduce some chaos into the existing patterns of a business. However, they must be careful not to introduce too much chaos. The challenge is to establish a dynamic zone at the edge of chaos. Ideally this is a space and place where there is not too much order nor too much confusion. One way for a leader to bring this about is to establish the ‘what’ (the end goal) that has to be achieved by the team but leave the ‘how’ to the various players.

But this is the crunch. At the edge of chaos you cannot predict what might happen in advance. Interactions, ideas and emotions spontaneously interact and when this happens new ideas often emerge. But this runs counter to managers’ need to plan and predict. In our experience it takes a confident leader to say to a group, “I have a rough idea what I want to achieve, so I am placing you all in a room and let’s see what happens.” As opposed to the traditional approach which is to have a tightly controlled meeting with a fixed agenda and any conversation that is off agenda is quickly squashed.

The message is this. Leaders cannot force a breakthrough. They cannot control it nor order it. It might emerge if the right environment is created

where a diverse group of people are encouraged to interact in spontaneous ways. This is why in our workshops our golden rule is to go where the energy goes. We have a semi-structured sense of how the day might unfold but if the group is fully engaged with a new idea, insight or possible direction then we stay with it. Part of this energy is the sense of fun and play. The outcome is serious but the process in trying to create a breakthrough is not.

This means that leaders have to let go of the notion that a breakthrough will happen in a disciplined, formal, fixed, serious, rational manner. If a group is having fun, laughter abounds, ideas are being stretched and the collective imagination is soaring then there is a chance of a breakthrough. In short, in terms of a mood for a breakthrough session think barbeque rather than classroom.

5. It is more focused than scattered

This secret is another one the innovation advice industry does not tell anyone. The prevailing view is that there is no such thing as a bad idea and that leaders should encourage ideas from anyone, on any subject. This type of thinking led an insurance company to set as a goal to have every one of their employees to contribute three ideas in a 12 month period. When we queried how the program was going, the leaders indicated that of the 1000 employees, 800 had put forward an idea. Sheepishly, they then commented that they had no process in place to handle the 2400 ideas and that everyone was frustrated. This included both the employees, who had in good faith submitted an idea, and the leaders who could not handle the number of ideas and the enormous variation in the value of the ideas (from let's buy the building next door because it has a better view to why don't we use pink toilet paper).

This is our insight. Not all ideas are created equal. If you are looking for a breakthrough idea then the leadership team should make that explicit. It is much better to say that "We are looking for a range of breakthrough ideas around dramatically improving our customer service that we can test in the next three months." In this way, the leaders have provided a focus for the ideas; they want a big idea, to enhance customer service that can be tested within three months. This is more helpful for the people submitting ideas because they also have a guide to direct their creativity. Note the paradox however. The more focused you are, the more creative you have to be.

We have found exactly the same situation with our Big Elephant Boot Camps. This is where we focus on an important issue, opportunity or problem and we lead a cross-functional group. The magic however is that we concentrate on this

big elephant for 30 days with each participant contributing up to 20 per cent of their time. At the end of the 30 days the group has to present a solution. The 'big elephant' nature of the project gives it visibility and group members can engage their energy for this length of time knowing that they have to present a recommendation on a project which previous attempts to solve have not succeeded. By definition you cannot solve these types of problems with a business-as-usual approach. The other advantage is that for the leadership team they can see a result or possible new course of action in a short period of time. There is no management-type six month consulting timeframe here.

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6. It is more mindset than the marketplace

The conventional approach to designing a breakthrough is to look at the marketplace for an emerging trend or competitive gap. This suggests that the big opportunity is 'out there'; it is just a matter of finding it. There are two problems with this approach. The first assumes that you will uncover an unmet consumer need, want or expectation using a conventional research approach when all other competitors are searching for the same thing from the same set of consumers. Consumer trends are now freely available over the internet for all to see. The magic is not the trend itself but what you do with it that counts.

The second reason why this conventional approach does not work is that we believe that it is the individual and collective mindset that is the biggest barrier to success. Our own beliefs, assumptions and values limit what we see and what we attend to. So even if you uncover something in the market that is unusual, you can discount it if it does not fit with your existing mindset. Let's give an example of what we mean.

A few years ago we worked with one of the major garbage bag brands that was suffering a downturn in sales. One of the first things we did with the leadership team was to make what we call their mindset box explicit. If you want to create an out of the box idea you need to know what the box is. The box in this case was their collective mindset about garbage bags. Leader after leader confidently told us that, "Garbage bags, as everyone knows,

are a low interest/low involvement category." This belief meant that the only way they believed to engage a consumer was to offer a price deal which then eroded their margins and were quickly copied. What if, we suggested, garbage bags were exciting and engaging? What would they look like? This type of thinking led to the development of deodorising garbage bags which have taken the category by storm.

To continue the example, what is the biggest assumption about garbage bags? Answer: you place garbage in them. But who has ever used a garbage bag for any other purpose? Everyone has. Enter the house-moving bag or the house-storage bag.

The uncomfortable truth for leaders is this. Their own mindset is a bigger barrier to growth than any advantages or disadvantages in the market-place. Or put another way, unlocking what exists between a leader's ears is the path to success rather than any form of SWOT or industry-type analysis.

7. It is more people than process

Leaders love process. And to achieve an efficient, replicable result this makes perfect sense. But as we have argued, to create a breakthrough requires a departure from the norm or a challenging of the status quo. Sometimes leaders have to accept that to build an innovation process may deliver an incremental improvement but will rarely produce a quantum leap. Why? Because of the very nature of an organisational process. Any process is a series of logical, linear steps where the aim is efficiency at every stage. A true breakthrough, by comparison, often requires an imaginative leap or a spontaneous comment or something that might not have worked suddenly being a huge success in a new context.

We suggest to leaders that creating a breakthrough is more about the people than the process. It is about building a culture where left-field ideas are produced, valued, and explored. Most importantly it is about building an environment about openness to new ideas. There is nothing worse than asking for big, new ideas and finding that the leaders close these down at the earliest opportunity.

A more innovative culture is typically comfortable with creative paradoxes. For example, if you want people to take risks they must feel safe, you must compete with others and yourself and you people to be independent of thought at the same time as being interdependent on others. These sorts of tensions in a creative culture are the norm rather than the exception. But in a pure rational, logical approach any form of ambiguity or chaos has to be quickly stamped out.

To design a breakthrough also requires a different way of thinking. Breakthroughs rarely emerge from cause and effect analysis. You must see the

entire picture as well as the details. We often talk to leaders about giving them different idea tools and that they can choose to work from front to back or from back to front. We call this right-to-left thinking rather than left-to-right. In other-words you start with the opportunity and work back to the company rather than forward using a step-by-step value chain for example.

The marketing team of a health insurance company that we worked with followed this way of thinking when they decided to develop a product for the fit and healthy. After identifying this opportunity, we then asked them to develop the perfect health insurance, and then to compare the perfect proposition with their current one. This way of thinking identified numerous gaps which they could then action including a realisation that their company had all sorts of information on the prevalence of injury and sickness in society but had precious little on healthy people. This led to a significant research study on finding out what are the needs of a fit and healthy person. A question they had never asked themselves before.

The point is this: it is motivated and passionate people that make the difference. The process (particularly with this type of adventure) flows from the objective. Think outcome then process. Most importantly, it is reasonable and sometimes desirable to design a unique process for a unique opportunity or project.

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8. It is more maverick than team

Breakthroughs are all about getting the 'right' people together for the 'right' time with the 'right' focus with the 'right' funding. But this begs the question, who are these 'right' people? It is our experience that breakthroughs require some challenging of the orthodoxy or convention. It is when someone can make an unexpected connection between two disparate pieces of information. This ability often resides with the 3-5 per cent of the population that we call 'out of the box' thinkers. These people are usually spread throughout the organisation and can just as easily be found in marketing, HR or accounts receivable. They are of no particular role nor level. What distinguishes these people is that they do not quite fit in the classic organisational mindset. In short, they see what others do not.

Viewed from another angle, this group of people

are often called mavericks, stirrers and worst of all, non-team players. But can you see, in a world of uniformity you want people with imagination who have the courage of their ideas.

How do you find these mavericks in your organisation? We have used two methods with our clients. The first is a peer referral. We simply ask: "Who, in your opinion, consistently comes up with unexpected or surprising ideas?" In a medium-sized firm of architects, one person (a model builder) was nominated 28 times, the next highest was seven. Clearly this person had a special gift that was recognised by his peers. We used to rely on this method solely but found that it was slightly biased towards people who were extroverted and have been there for some time.

The second way we use to identify the 'out of the box' thinkers is by asking everyone to complete a short original thinking quiz we have developed. A question from this quiz is as follows: your firm has a car parking problem (ie too many cars and not enough spots) and the leaders are looking for a fresh solution. Use the word 'spoon' to create at least three new solutions. At first glance car parking and spoon have nothing in common. But that is the point – you cannot solve this problem using logic. You have to use your imagination. For example, a spoon is used for stirring, so you could offer five free car parking spots for people who stir up the organisation through a new idea or challenging question.

Identifying and harnessing the so-called mavericks in an organisation is (we believe) a key leadership task and is essential to creating a flow of breakthrough new products and services. It is also consistent with another key finding from our work. You need to work from the individual up to the group, not the reverse. Someone, somewhere, somehow has to put up their hand and create a new idea or a better way of doing something. The individual provides the creative spark but it then needs to be fanned so that it can become a raging fire of creativity and change.

9. It is more open than closed

For a few firms, this secret is already out. Companies like Procter & Gamble, for example, have an entire open innovation business strategy called Connect & Develop which, in essence, is finding best-in-class solutions outside the P&G

world. Why? because they realised two things. Firstly, from a revenue point of view, the leaders realised that they did not have the resources nor the capability to create the incremental growth needed to sustain the company. And secondly, they realised that in a web-based, collaborative world, there were a hell of a lot of people who were smart and inventive outside of the P&G walls. The Connect & Develop program has led to the development of breakthrough products like Bounce, the world's first dryer-added softener after P&G acquired the technology from an independent inventor.

Or consider another example of open innovation. In 2006 IBM launched its InnovationJam, which was an online event inviting employees, partners and customers to contribute ideas. Out of this process the CEO, Samuel J Palmisano, funded the ten best ideas.

These examples are not to say that developing your own homegrown ideas is not important – clearly it is. But having a network of people that is available to you to create new ideas or provide access to a new technology is becoming a rich source of competitive advantage. It also seems to have a positive impact on the bottom line. The 2006 Global CEO Study conducted by IBM Business Services reported that companies that used significant external sources of innovation reported higher revenue growth than slower growing companies.

Following a more open than closed innovation practice is a very good example of the new thinking that is needed to create a breakthrough in a world where everything incremental can be copied easily and quickly.

These nine secrets of breakthrough innovation will not be found in textbooks at your favourite business school. These secrets are not logical, rational or linear. In fact, many are counter-intuitive, but they work. We have tried to argue that the very foundations of management thought and practice builds efficiency not breakthroughs. We have challenged the notion that you can create breakthrough innovation using the current mindset, practices and behaviour of management.

Most of all we need a new language. One that inspires and imagines, that welcomes chaos and experimentation and views failure as the price of competing. We need new concepts to explain and discover. We need the courage to try and occasionally fail.

Are you ready to play in this new world? ★

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