

Innovation routine. How managers can stimulate repeated innovation

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Summary

In this study for the Stichting Management Studies we researched 22 organisations that have repeatedly experienced success with their innovations. In line with the main objective of this Foundation we wished to establish what especially managers can do to stimulate innovation success. Is this actually possible? Our research shows that it is, but for this it is essential to leave behind several traditional preconceptions concerning innovation.

Innovation is often surrounded by the image of uncontrollable, coincidentally managed processes and fundamental technological breakthroughs, or new products invented by people in white lab coats. Even authors writing about innovation who perceive this typification as an outdated caricature and who have more of an eye for market-driven innovations find it difficult to free themselves from the premises that lie at the foundation of this caricature: they mostly concentrate on innovation in technologically-driven industries and their examples are mostly relate to ground-breaking innovations. As a consequence, in discussions on the issue whether a country or a company innovates successfully, there is a one-sided focus on indicators developed for the high-tech industry, such as the relative level of investment in R&D and the share of patents.

By looking at innovation in a broader sense – by also taking into consideration small and non-technical innovations – an totally different image emerges. The ultimate conclusion is that innovation is quite manageable. Furthermore, the differences between the separate sectors are of minor importance. The largest distinction emerges between organisations with and without a separate innovation or development department, whether laboratories in the high-tech sector or design departments in the fashion industry. Further on we will label the first group from our sample as the black group and the second group as the green one. However, regardless of whether a separate innovation department does or does not exist, it is essential that innovation forms a part of the organisation routine.

In order to present a broad spectrum of small to large technical and non-technical innovations, we define innovation as something new that has been realised, hopefully with an added value. We say 'hopefully' as success forms no part of the definition.

Mental obstacles

In order for innovation to be successful, it is essential to leave behind a few traditional preconceptions. In our study, we stumbled across three mental obstacles that have to be dealt with.

- *Mental obstacle 1: absolutisation of innovation.*

Only the more radical innovation is then considered to be 'real' innovation. Emphasis is also often placed on technical product innovation which means that the many possibilities for the further development of successes (new versions, improvements, new styling) are under threat of not being completely exploited. Such 'incremental innovation' comprises the lion's share of innovation. More radical innovation is obviously important, but on the one hand it is rare, and on the other hand it does often follow the course of a series of smaller steps. In this sense, we are dealing with 'ambidextrous' organisations – organisations 'with two right hands' – that embrace both forms of innovation.
- *Mental obstacle 2: innovation and routine are considered to be incompatible.*

All the organisations that we researched possess some sort of innovation routine, but only a few of them were actually aware of this. During the interviews, the realisation of this often gave sudden insights that also led to new ideas. Inspired by Mintzberg and Chesbrough, we did not hesitate in postulating that becoming 'open professional bureaucracy' is the challenge faced by the majority of innovative organisations: organisations that manage to combine an open, creative learning and collaborative culture with the smoothly-running management of a rapid succession of innovative projects within a clear organisational structure. This structure provides the strategic framework, a focused personnel policy and a flexible working 'bureaucracy' that among other things delivers reliable figures which support and focus the essential learning processes.
- *Mental obstacle 3: innovation is dependent on leadership.*

Innovation is sometimes seen as something mythical that is often associated with visionary leaders. We actually did meet some passionate leaders who really sped up innovation. Repeating their past success is, however, problematic as long as innovation remains dependent on them. Visionary leaders are important for inducing an innovative culture, but they must ensure that this culture is structurally anchored within the organisation and that it therefore does not remain dependent on them.

Our general message is one of continuous learning underpinning incremental innovation on a daily basis and more radical innovation every now and then. Do not be misled into believing that a small product change or style innovation does not count. This does in fact count as does the feedback that you receive for this from the market. You are constantly watching the market and its broader environment. You try to predict the future. You anticipate. What are the important trends and what do they mean for your organisation?

Small improvements do not represent low levels of ambition as you do not get anywhere with limited ambition. Correction: with limited ambition you may well remain the happiest baker that there is, with a faithful group of nearly-as-happy customers. In this study, however, it goes further than this. Then you belong to the group that wants to conquer the world or be the best in the world, starting with your own country. In every stage of the development, realistic but ambitious objectives are formulated. You will become champion of the class, of your school, of your province, your country, the world. You maintain a meticulous eye on your progression through as precise figures as possible, ensuring that you know where you need to work the hardest.

You also examine these figures critically. You call a setback a setback. You do not sweep these under the carpet nor do you allow your employees to do this. You want to face the hard facts head on and learn from them. You therefore also want strong employees that actively think along with you and that are as critical as you are in laying the facts on the table and analysing them. If an innovation project runs into a dead end, then you stop there. However, you are just as likely to keep pursuing a project if there is still something in it, even when faced with setbacks. The stickler wins, not the hopeless stalker. As a good entrepreneur, you take risks, you dare to take the plunge. But at the same time, you also limit the risks. You examine the feasibility of each step as much as possible.

The three preceding paragraphs form the essence of what we have learned. They break through the first two obstacles faced by managers. The third obstacle directly affects managers. We have researched some fascinating organisations and met some interesting people – often stimulating personalities, but if we may be permitted to say: no geniuses, no Einsteins or Picassos, but driven people who knew how to motivate others.

We saw initiating leaders who reduced their own stake in the innovation and emphasised structures and processes: by ensuring that innovation was systematically placed on the agenda in the treadmills of the organisation, by introducing focused management information systems and by setting up breeding grounds for innovation.

Innovation management has many points of contact with entrepreneurship. However, there is also a difference. It appears that in innovation management, the content share of the manager involved is less important, while the content share of an entrepreneur is crucial. There are nevertheless those who stand out in both innovation as well as entrepreneurship, which serves to fuel myth 3.

The ten disciplines of the innovation decathlon

The most important conclusion from our research is that ‘innovation routine’ is a combination of ten disciplines within which organisations must excel in order to succeed in innovation. Surpassing the initial expectations that we had at the beginning of our study, we arrived at a kind of success formula. For this we employ the metaphor of the decathlon: ten disciplines in which one *must* excel. If you are successful in doing so, success is as good as guaranteed! Innovation success is therefore much more achievable than most people think. It is indeed possible to score somewhat less on one of the disciplines, but this relative weakness must then be compensated by exceptional strengths in the others.

These are the ten disciplines. We have formulated them as ten new commandments.

1. Your point of departure should be a *strategic concept*, built on a strong *business model*. It is very important that innovation is an essential part of your strategy and that your strategy is not realisable without continuous innovation. Innovate, therefore, mainly in the areas in which you are good and in which you see further growth potential, and not in your weaker areas. Understand well where your reputation lies and why people come to you. And also understand your value chain well: where do you actually earn your money? If you can reinforce your concept with a powerful logo, do this and also persist in doing so. It is here that we meet an important nuance: also regularly explore new territories or at the very least the adjacent areas. Otherwise you are going to become bored and in time, so will your public. This brings us to the following point.
2. Be *socially-oriented*. Keep an eye on what is happening in the world. Travel, surf the internet, invite crazy trend watchers, look at developments outside your sector and take advantage of them. Society is becoming increasingly more dynamic and as a result, more insecure. The question is ultimately one of who can handle this the best. Therefore, try to anticipate.
3. Be *customer-oriented*. Something closer to home and to today than the previous point: learn from your customers, also especially about what bothers them in your area. Visit them. Go to places where your products are sold and look at how people react to them. Put yourself in the shoes of your customers and try to look at your own range through their eyes. Keep an ear open for any possible criticism that they may have, especially if this is being voiced loudly, but also if it comes across more hesitatingly. Do not formulate solutions before you know what the questions are.
4. Be *ambitious* and *daring*. Go from Main Street to High street to Fifth Avenue. Formulate your next step realistically, but ambitiously so that your entourage understands that half measures are not enough. Do not rest until you get

- there. Take risks, but obviously not unnecessary ones. Whoever is ambitious mostly invests very frugally and accurately.
5. *Develop and 'milk' your product lines.* There is nothing wrong with limited 'incremental' improvement. Many ground-breaking innovations that have radically changed people's lives started out small. Do not treat innovation as being something that is absolute. On the contrary, there is no contradiction between large ambition and taking small steps. Consider innovations in areas of overlap between those areas in which you are already strong.
 6. Learn from *real figures*. In Mintzberg's terms we view the most important challenge as being innovative organisations developing into 'professional bureaucracies': organisations that combine continuous innovation with clear agreements. Therefore, develop a good management information system with which project leaders and managers can accurately follow the progress of your innovation projects. Analyse any possible setbacks that you face on the basis of this. Also develop a set of indicators (for example, using a *Balanced Scorecard*) at a high level within your organisation that enables you to analyse your progress as an organisation as accurately as possible and really learn from this. Do not shy away from your weak points. On the contrary, dissect them with an open mind and learn from them.
 7. Look for the *best people*. The majority of us are average people with average capabilities. The more we want, the more we need to surround ourselves with the best, smartest and most enterprising people. The most strategic decision that you will ever make is in hiring people. Therefore, make sure that you do this carefully. Check references thoroughly. Present applicants with a complicated problem that you are actually struggling with yourself instead of just carrying out an obligatory introductory interview. Look for bringing together the best team combination for each innovation project, possibly also with people outside your own organisation. Also ensure that you have very adept *gatekeepers* who keep an eye on the social and technical developments that are critical to your organisation.
 8. Create *ambiance, an open culture*. Stimulate open communication about what goes well and less well in projects. Ensure that there is a climate of trust that allows difficult issues to be discussed; even better: get annoyed with people if they do not do this. Keep the atmosphere fun, but also keep people focused: agreements are agreements.
 9. Build *strong networks*, within and outside your own organisation. Whatever you want to achieve is difficult to do alone. Therefore, be strategic in maintaining strong links with the your most interesting networks.
 10. Sharpen your *focus and commitment*. Keep your eye on the ball. Ensure as much as possible that the milestones are reached by the agreed times. Timing is even more important in innovation as the competition does not stand still. This does not mean that you should not be prepared to take your

foot off the accelerator if things look like they are going off course. And do not put a stop to a project at the first setback.

We presume that you are familiar with most of these points. The danger is therefore if you say: we are largely already doing this; that is going well... or maybe: we are already doing this, so why are we not experiencing more success? Our answer would then be: Examine what you are doing not so well. You will not qualify for the Olympic Decathlon with seven strong disciplines. You must therefore first work on the three disciplines in which you are not yet strong enough. Our success formula may perhaps be simple, but it is by no means easy.

Do not reduce the decathlon any further

There are strong links between the different disciplines:

- Social orientation relates to both learning culture as well as to (the external side of) strategy.
- Incremental innovation and a strategic profile/business model are closely linked.
- Finding the best people and building strong networks flow from strategy, but they are also directly related with implementing innovation projects and maintaining an open learning culture.
- Learning from real figures fuels your strategic profile, helps with developing innovations and the business model and is also fuelled by being customer-focused. It is therefore an essential component of the learning culture and in building open professional bureaucracy.
- The ambiance and open learning culture help to ensure that the innovation routine of the open professional bureaucracy does not degenerate into a rigid, inflexible machine bureaucracy.

Strong disciplines therefore work in a way that integrates the basic components of the successfully innovating company. We can imagine that this might result in the temptation to try to reduce the ten disciplines down to less, maybe even three or two. There could seem to be a number of central disciplines, that when well met, comprise the others.

- The *strategy* offers the leading concept, fuelled from a real understanding of the organisation's strengths and business model that are constantly innovated in new skills and products. Ambition leads to strong strategic objectives in terms of innovation, but the confrontation with the real figures protects the organisation against reckless risk-taking. Learning to be strategic also comes

down to outside-in thinking and therefore to the extent of the possible an anticipatory social orientation.

- Nothing is as strategic as selecting the best people. When everything goes well, they know how to maintain the ambiance and the open culture, whilst also being prepared to continually learn from the real figures. This confrontation with the hard facts helps them to strengthen their customer focus, to understand and improve the business model and to also monitor innovation projects.
- Continuously learning from the hard figures also filters through to several of the other disciplines: customer focus, understanding the business model and therefore the strategy, knowing where to develop innovations, monitoring innovation projects well and using this to make responsible decisions about whether to continue or to bring the project to a close.

So, a number of 'core disciplines' may emerge as candidates for reducing the model. A very old principle in science and philosophy is 'Occam's Razor' which states that you should try to keep a theory or a model as simple as possible. If several explanations can be given for a particular phenomenon, then the most simple, complete explanation should take preference. Everything that is not strictly essential should be eliminated. However, is it actually possible to use Occam's Razor to reduce the ten disciplines to less?

We do not think that this is possible. Obviously, if several core disciplines are being well met, it is *possible* that the others are covered. The point is nevertheless that this does not usually occur, also not to the many more successful innovators, and this can actually weaken their position. If we were only to be concerned with core disciplines, then our account would offer little concrete support as it would only set open doors a little wider. Nowadays, every organisation has a strategy, but not always based on knowledge of its own strengths and business model. And is there a direct link between this strategy and working continuously on innovation? How many organisations work systematically on continuous learning and incremental innovation?, How many actually put customer focus and social orientation centre stage? It is only to the extent that these last disciplines are developed, that the organisation is able to open a way to successful, repeated innovation. As a consequence those disciplines that are not so readily considered as core are more easily neglected. People are all too quick to think about the core disciplines. We therefore reiterate the fact that the fastest profit is realised by concentrating on your greatest weaknesses in the most precise way possible.

This is also shown by the overview table in the following section, in which all cases are scored on the basis of the disciplines, a bit like how consumer organisations conduct their reviews.

The scores of the organisations that we examined

The total scores for our cases are presented in the table below. Not surprisingly the majority of the scores are high or very high. This was to be expected, given the way in which the cases have been selected. However, all organisations have their relative weaknesses. There is no champion indicated here with a maximum decathlon score.

Just like the consumer organisations, we work with a simple system of crosses: + good, ++ very good, +++ almost no improvement possible. To be sure, these are not objective, but subjective scores. The scores are less unambiguous than in a real decathlon, where the tape measure and the stopwatch serve as accurate judges. With the innovation decathlon, it is much closer to judging an all-around gymnastics competition.

We can imagine that it is not particularly pleasant for organisations to appear relatively low down in the table, but in answer to this point, we wish to reiterate the original Olympic notion as the present day standards for taking part in the Olympic Games are very high. There is no shame in being the last in an Olympic final.

As our scores are not being determined using exact measurements, the ranking only provides a relative indication. The competitive dynamic places increased pressure on innovation and on certain disciplines in several sectors, which is comparable to natural aptitude in sport; the starting conditions are not exactly the same for anyone. We have used ordinal ranking in the table, as this helps us to make certain conclusions clearer.

To start with, it is noticeable that those companies listed in black – organisations with a longer tradition of innovation and a medium-sized innovation department – score on average, higher than those organisations listed in green – organisations with a recent tradition of innovation and/or without a large innovation department. This definitely applies to the manufacturing companies, where this tradition goes back to the first generations of technology management. However, outside the industrial sector 'black' companies with their own substantial innovation department also score relatively high. It seems that on this point, *no* structural difference exists between companies with a technical or non-technical emphasis. ASML or Stage Entertainment, Philips or HEMA all operate in different environments, but we see little difference in repeated innovation success. And where differences emerge, they are not significant - rather like a photo finish.

How the top innovators scored in the decathlon

Cases	1. strategy/ business model	2. social- orientation	3. customer- orientation	4. ambition, daring	5. continuous incre- mental innovation	6. learning from real figures	7. the best people	8. ambiance, open culture	9. strong networks	10. focus and commitment
ASML	+++	++	+++	+++	+++	+++	+++	++	+++	+++
Philips	+++	+++	+++	++	+++	+++	+++	++	+++	++
Stage Entertain.	+++	+++	+++	+++	+++	+++	++	+	++	+++
HEMA	+++	+++	+++	++	+++	++	++	++	++	+++
DSM	+++	++	++	++	+++	+++	++	++	+++	+++
MEXX	+++	+++	+++	++	+++	+++	++	++	++	++
Albert Heijn	++	+++	+++	++	++	+++	++	+	+++	+++
KesselsKramer	+++	+++	++	+++	+	+	+++	+++	++	+++
Efteling	+++	++	++	++	+++	++	++	+++	+	+++
Intervet	+++	+	+++	++	++	+++	++	++	++	+++
Shell	+++	+++	+	++	++	++	+++	++	++	+++
Unilever	+++	+++	++	+	+++	++	+++	++	++	++
Koning en Hartm.	++	++	+++	++	+++	++	++	++	++	++
Effectory	++	+	+++	+	+++	++	++	++	++	++
Siemens NL	+	++	+++	++	++	++	++	++	++	++
TenCate	++	++	++	++	++	++	++	++	++	++
Gron. Museum	++	++	++	++	++	+	++	++	++	++
Kunsthall	++	++	++	++	+	++	++	++	++	++
Achmea	++	++	++	++	+	++	++	+	+	++
Rabobank	++	++	++	+	++	++	++	+	++	+
Amsterdam	+	+	++	+	+	+	++	++	++	+
Dordrecht	+	++	++	++	+	+	++	+	+	+

Lessons can also be learned from the differences between the upper and lower halves of the list. The leading group is distinguished by outspoken and numerically-based, hard-made ambitions, such as with ASML and Stage Entertainment who go for growth and market share. The bottom of the table consists of municipalities, where despite all the efforts, innovation is slowed down through being embedded in a political culture that is often strongly aligned to managing costs and risks. This actually means that in the public sector, a different competition is played than in the market sector. This is why we have added a separation line to the table between the municipalities and the other organisations.

We can imagine that people who know a certain company to be a front runner in innovation, will be surprised to see such an organisation in the lower echelons of the table. To begin with, we repeat here that these companies are all leaders in our eyes. After all, it takes a lot to become a finalist.

So, let us now take a look at the final. Take, for example, Rabobank, which is often a trendsetter, now for example with Rabomobiel. This surely signals ambition and daring and also a social orientation that goes further than the following financial year, isn't it? Of course, and that is why the score for these components is also high, but compared with the other finalists, not the top-ranking score. With respect to social orientation, Shell goes much further with its scenarios and HEMA with its trend watchers. In terms of ambition and daring, ASML really does go a step further with extending its share in the world market from 65% to 70% and daring to take on two parallel development lines leading to a 100 million € write off in an innovation project before it is even ready for production. This final point is definitely on a world class level.

To be honest, we were also surprised when we first compared all the scores with each other. We have obviously looked for innovation champions from a wide range of sectors, but we were also surprised to see that the innovation management at Stage Entertainment and HEMA was so deeply rooted. This leads us to the conclusion that the exclusive association of the topic of innovation with the industrial domain is really a thing of the past - or even better - must be relegated to the past, as the majority of the books and reports that we see still place the emphasis on manufacturing industries, when it comes to this point.

Attention to innovation and management of innovation outside the manufacturing sectors is relatively recent. Innovation networks now exist in many organisations with specially appointed innovation managers, but these are relatively recent initiatives. The fact that they are doing well despite this short tradition is also an important statement. It shows that notable results can be achieved quickly with a sharp innovation focus and strong anchoring.

How does your company score?

The decathlon can help you to determine how well you score in comparison with your competitors. When it comes to recruiting personnel, are you at the top of the list for school-leavers and people who wish to take a new step in their carrier? Do you know a lot of people at networking events and do they know you? Do you work together with other companies and with intermediaries? What do you know about your customer satisfaction levels? Furthermore, how do you score in comparison with your competitors?

The metaphor of the decathlon is widely applicable, but obviously the exact same decathlon is not held everywhere. In many respects each sector possesses its own rules of the game. Is emphasis placed on technical innovation or rather on the non-technical aspects? Does it concern a B2B (business-to-business) or B2C (business-to-consumers) market? Is there an accent on product or process innovation or is it mainly concerned with transactional innovation or combinations of these? Is the market global, national or rather more local? These are all relevant distinctions if you are competing within your sector, but the striking fact is that they really do not suffice if we are looking for the rules of repeated innovation success. From the initial comments that we received for this book, it seems that this conclusion is anything but obvious. Do the same rules for repeated innovation success really apply everywhere?

Not completely. Let us take the simplest example: we can imagine that in B2B sectors - those that are aligned to business customers - the pressure on discipline 2 - social orientation - is less extensive. This can also be deduced from several of the scores in the overview table. But do be careful on this point. If you innovate, then do not just focus on your direct customer, but also on your customer's customer. Companies that make yarn and material and supply to the clothing industry also follow the fashion trends or try to influence them. A company such as Philips has realised to its great cost that it can better concern itself relatively more with *lifestyles* than with technologies. The lesson is therefore rather that the dynamic and competitive pressure in a specific sector increases the pressure to pay relatively more attention to certain disciplines. But ultimately they are all important to the continued success of innovation.

More innovative companies are strongly aware of this, which allows them to be inspired by what is happening in other sectors. This sometimes leads to surprising collaborations. As a consequence we want to encourage people not to revert to the reaction of "maybe true elsewhere, but not with us". Competitors need to keep an eye on each other, but they must also allow themselves to be inspired by innovative practices elsewhere. Therefore, try not to look for reasons for not taking part in the decathlon. In doing so, you will only be helping your competitors.