

Soren Kaplan

How Innovation Culture is the only sustainable competitive advantage

Speakers:

Nick Skillicorn – Innovation and Creativity Expert and Host of Innovation & Creativity Summit

Soren Kaplan

Expert Interview transcript:

Nick Skillicorn: Hello everyone and welcome to have a special interview at the innovation and creativity summit 2017 very happy to have Soren Kaplan with us today Soren is an affiliated professor at the U.S.C. Center for Effective organization he's the author of the Invisible advantage and he's the founder of innovation point and we're going to be talking about innovation culture with us between us today Soren and it's wonderful having.

Soren Kaplan: Great to be here Nick

Nick Skillicorn: So for people who don't know who you are and what you do, can you just give us an insight into how you got started in innovation.

Soren Kaplan: I got started in the early 1990's working at a small innovation consulting firm before innovation was on the cover of every book and magazine and worked with a lot of big companies like P and G, 3M, Siemens in Germany Toyota then went to H.P. and I ran an internal strategy and innovation consulting group that Hewlett Packard and Silicon Valley and then started my consulting firm and do a lot of teaching executive education for mostly global one thousand type companies and also have written a couple books on innovation and innovation culture.

Nick Skillicorn: And the one that we're going to talk about today is your newest one the invisible advantage what do you mean by the invisible advantage?

Soren Kaplan: Well today products services business models become obsolete in the blink of an eye, there's disruptive change everywhere the only sustainable or semi sustainable competitive advantage is what I believe is innovation culture and innovation culture basically is your ability to have a culture that supports innovation on a continuous basis both incremental evolutionary and even disruptive.

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Nick Skillicorn: And just very quickly what do you mean by innovation when you talk about it then?

Soren Kaplan: Well you know if you look at it's a buzzword these days and so if you just think about innovation as anyone in an organization having a mindset that they can improve something that's the incremental view, improve products improve services, improve processes and then of course the bigger stuff where you actually need kind of a more formal structure to innovate more of the sustaining or disruptive innovations but an innovation culture to me means the norms and behaviors that drive innovation.

Nick Skillicorn: Ok so let's get into the topic of what's actually happening within companies that prevents this culture from fulfilling its potential, what have you found actually happens in companies that harms innovation.

Soren Kaplan: Well I mean it's people are talking about this all over the place but basically fear of taking risks, lack of systemic approaches to promote kind of entrepreneurial spirit. So it's one thing to have an annual Innovation award, it's another to have processes metrics, give people time, create toolkits provide leadership development, employee development, focused on value creation.

So a lot of companies do one off kind of things and then but there's a systemic approach and then the other thing I'd say is there's a lot of stuff that flies in that the radar, I mean think about if you drive up to your corporate office and you have special parking spots for executives, what does that communicate, it communicates that executives are more important potentially than everybody else and maybe they have better ideas it shows hierarchy.

In today's world pretty an innovation culture means breaking down the hierarchy. So there are a lot of things that fly under the radar that executives and leaders do that actually stifle innovation. Critic culture of innovation is looking at the positive sort of things you can focus on to get everyone in the spirit of value creation.

Nick Skillicorn: And that's exactly what I hope we're going to talk about today some of those strategies and methodology and just insights that help innovation become more of a foundation of corporate culture. So why don't you tell us how you approach the writing of this book and the sort of insights that form the basis of it

Soren Kaplan: I've been working in the field of innovation for twenty plus years I talk to a lot of clients from N.B.C universal to triple A insurance to some health care companies to even some public television and radio. I assembled a lot of interviews that I had done from my previous book leap frogging and basically create it in a very simple model and book, it's less than two hundred pages it's readable and the audio book is in, you know you can listen to it in two hours it's basically a tool kit to drive innovation culture. It's even less of a book it's more of a tool kit, so on these days' people don't have time to read so I created something that I thought would just you know as a diagnostic survey in it, that has an interview guide in it and it's really meant for the practitioner.

Nick Skillicorn: OK, so let's start at the very top of companies structure at the executive leadership level, what's the role of leadership in innovation and what are they doing wrong when it comes to companies that aren't doing it that well, what are the companies that aren't doing it really well doing to make it succeed.

Nick Skillicorn: Let me just focus on kind of the essence of what leadership needs to do, leadership needs to set the context and the environment both strategically and then operationally in terms of promoting a culture of innovation so when you talk about strategically taking a portfolio view of what you want and being explicit about it, so a lot of companies have a focus on incremental innovation, the small improvements that can be made and continuous improvements, fewer companies really take a portfolio view of the evolutionary innovations, the really step changes that you need to take to improve your core business as well as in the disruptive innovation and a lot of companies now have adopted this kind of the seventy twenty ten model that Google had once proposed whether it's seventy twenty ten it doesn't matter what matters is that leadership says all types of innovation are important, the small stuff and the big stuff and different types of innovation are important. So triple A insurance for example, the California state Insurance Association and certain insurance groups, I've done work with their executive team they basically have created different models for providing every employee with the tool kit so that they can work on incremental innovation and they have literally are currently in the process of training all thirty eight hundred employees on the design thinking process using a tool kit. So that's helping everyone understand what their role is in value creation but they've also created separate organizations to focus on the sustaining innovation or the evolutionary innovation and then also the disruptive stuff which they separated out from the core business entirely, that's leadership taking a stand on the kind of innovation they want as well as the kind of organizational models that will then get you there.

Nick Skillicorn: so they're providing the people with tool kits and resources to learn how to do things but more importantly are they actually giving people the resources, time and permission to go and make this stuff happen.

Soren Kaplan: That's super important it's one thing to throw a tool kit out there it's another to actually have people have time and focus to use it so. for example one of the things that my firm help them do is essentially look at the open source tool kits that were up there and anyone can go out there, here's a great tip you can go out there do a search on the intuit catalyst tool kit, intuit catalyst tool kit is freely available it's from intuit and it's a great I think it's five or six pages its own design thinking. Stanford has one called the boot camp bootleg, so just search on that there's a ton of free tool kits out there, triple A insurance actually created a tool kit modeled on that but then also open sourced it as well, so they've made their toolkit available to the world now it's one thing to make a tool kit available but what they've also done is they've connected it to giving everyone training, half a day training on how to use a tool kit so they work crew comes in and uses the tool kit

and comes up with ideas using the tool kit through a rapid design thinking process, those ideas are actually real ideas that will improve their own department, doesn't have to be the next breakthrough product it can be incremental that's fine and then they're taking the objectives of that manager's department and connecting it to an end of the end of innovation objectives for the year, those ideas are feeding those objectives for the year. So they're tying objectives metrics training and a toolkit all together under one roof, to really drive a kind of behavior change in mindset that's in action that really will change culture.

Nick Skillicorn: I'd like to go back to something you just touched on there, which is the innovation ambition and the innovation strategy, not exactly the word you used there but it seems like this company has quite a clear vision on what they want to achieve for that year and I'd like to get your views on how leadership sets the tone for what sort of innovation should be happening in companies.

Soren Kaplan: Leadership needs to get comfortable with being uncomfortable when it comes to the bigger innovation, so yes you can have goals for a year in terms of innovation deliverables but as you get to the bigger innovations the evolutionary or sustaining innovation those can take more than a year and then the disruptive stuff can take multi years even a decade. Leadership needs a tolerance for kind of a whole spectrum that's why we talked about having a portfolio view of innovation, so that's a really important starting point for leadership but leadership needs to do other things too they need to demonstrate role model and invest in people. Here's an example, one of my clients and also in my book is a whole profile NBC universal, NBC universal has what they call a talent lab, so this is you run by their V.P. of talent and it's all about growing their top level executives so that they can run the company in the future but it's not just about leadership development as we might think about it today, it's actually an incubator for new business opportunities. So they give these executives a business challenge they basically identify some of the biggest challenges to their world which is entertainment media which is going to be completely disrupted and the whole face of it is changing and so they give him a challenge and then they give them a six month program where they understand business model innovation the shifting new S. curves, how do you lead a culture of innovation, they bring him to silicon valley and the result is a leadership development program that build skills in Innovation for the next generation of the business and even next generation of a whole new business models driving entertainment media.

So they're connecting in an investment in people to recognizing that's really what's going to drive the future of their business and it's their innovation culture at the same time it's all integrated and so that's what leadership needs to do, is take an integrated view it's not just about creating an incubator and can see what happens.

Nick Skillicorn: So one question I have falling off from that is a lot of companies if you were to suggest they have this talent or innovation lab or a hub or whatever they might call it, people in the decision making level want to see a return on their investment and if you're investing into these ideas that might go nowhere then you're going to have a couple of ideas that end up going nowhere

and fail, what do you say can be done to alleviate this culture of risk aversion where people don't know about return on investment.

Soren Kaplan: Again it ties to leadership and systemic approach so if you have a portfolio view just like venture capitalists do, venture capitalists don't think every startup is going to succeed, it's a portfolio view you know that the vast majority ninety percent are going to fail but that's okay because if you have a portfolio view it means that, that ninety percent is about learning and learning what works and what doesn't so that you can improve and improve and adjust and iterate so that the ten percent does work. So leadership got to start with that portfolio view, if you if you're in an organization and you're in the middle of it and leadership does not have a portfolio view it doesn't mean that you can't innovate it just means that you need to do some certain things differently. Here's another example from my first book leap frogging, There was a guy his name is Steve Powjerk and he worked at Kimberly Clark and he was an innovation manager but he was an executive team he was you know kind of in the middle, upper middle of the organization and he wanted to come up with kind of a new concept around open innovation and essentially how you are looking at the fact that Kimberly Clark sells Huggies and diapers and clean X and things like that but moms are one of the key customers segments of Kimberly Clark and so he decided he wanted to create a program where it would be a Web site that basically would solicit ideas from moms to promote the brand Huggies but also to solicit ideas that then could be sourced and basically used by Kimberly Clark to innovate, because who has the best ideas rather than innovating for a market where they thought you let the market because there's a lot of moms who are entrepreneurs, they call mompreneur have them present their ideas to Kimberly Clark and then they'll support those. So he had this idea to do this which is kind of an awful idea for a big Fortune five hundred company seven or eight years ago and so what they what he decided to do is he created a one page document that basically communicated the idea and then he went to the manager at Huggies and then he went to the legal department and then he went to marketing and each place he got a little resistance but he also got people buying in to, you know if you were able to change this then it might work for us and as he shopped around his idea his one pager he talked to ten or twelve key stakeholders, and by the end of it everyone felt like they own the idea. So he used a bottom up approach and but by the end of maybe five six months he had validated the idea internally as well as externally in terms of moms and even some thought leaders who were promoting this idea and they launched this idea called Huggies mom inspired and it was about a five year program they did and it went global and in the first launch of it they had fifty million Web impressions because moms talked to moms and it went viral and it was really a kind of a boon to Kimberly Clarks brand Huggies as well as their Open Innovation Program and they source a number of ideas through that. So that's another example of you don't have to go top down you can also go bottom up.

Nick Skillicorn: let's take it to another level then which is about managing and checking progress on innovation, a lot of companies really don't know how you are meant to check performance for innovation programs because if you look at it and it's not complete it looks like it's going nowhere quite often.

Soren Kaplan: Well I mean again it's the short mid and long term view so I think a lot of companies if you look at innovation and tie it to product development you have a stage gate and you can pretty much see what's going through your stage gate and you can measure that and look at projects success within a year. The bigger stuff needs a multi-year view typically and it's harder to measure, so that's again being able to tolerate a view that ROY may take longer than an annual plan and that's a mindset that some leaders and some organizations have difficulty with, but you can also look at how some companies I was just last week this is a great website if you want to check out is called Plug and Play and the plug in play technology center in Silicon Valley has hundreds of startups going through it with I think there's a few hundred that corporations, fortune five hundred type companies who have been part of this accelerator and essentially have office space in this incubator and are partnering up, investing, collaborating with these startups, most of those know that they're not going to get an ROY in a year but that's an external innovation approach through looking at and partnering with an accelerator to get exposure to startups and kind of look at the disrupters that are out there in Silicon Valley that are literally in across industries from materials to food and beverage to cloud to IOT to a number of other industries these companies are taking a long term view with some of their bets and that's one way to do it beyond just the incremental stuff that might happen day to day.

Nick Skillicorn: Are there any key performance which you have used with your clients though.

Soren Kaplan: Well so you get into innovation metrics there's a whole field of that. There's a lot of research on that and articles I've written a few for vast Company that I'll highlight a couple of these, at an enterprise level if you kind of start really big, what you can look at is are things like metrics around revenue, percent of revenue from new products or services introduced in the last X number of years, two years, three years, so what that does is it looks at how you're generating revenue from innovation, you could look at percent of revenue coming from new markets that you're getting into, so that starts to drive behavior around exploring new market spaces or adjacencies that's kind of the on the revenue side, I look at that as something called an output metric because the output of it is the revenue, input metric is something like and if you're creating a culture of innovation you can look at things like number of people trained in the design thinking process or you can look at percent of executives time spent looking at the future and disruptive innovation versus putting out fires and the incremental daily stuff.

So there are various things you can look at or around people around and training and leadership as well as revenue so those would be the things I would highlight.

Nick Skillicorn: And then before we actually started the interview another thing that you and I talked about was how you actually reward and publicly show progress on innovation because I know that when it comes down to it, people of the source of not only the ideas but the effort that goes behind these innovation projects if you've got some examples of good rewards and also some examples of bad rewards that actually don't work as people expect.

Soren Kaplan: That's great question, so the what the catch phrase I like are worthless rewards are the most valuable rewards and so what does that mean worthless, worthless meaning financially worthless. So here's an example I've been working with a small nonprofit organization they are called K.Q.E.D. in San Francisco, K.Q.E.D. is the public television and media and radio and media station. In San Francisco in the San Francisco Bay area it's part of the public broadcasting system in the United States and they wanted a culture of innovation. So they did a kind of a assessment they try to figure out kind of what the enablers and barriers were, they ended up creating what they're calling the Q version team that's the name of it and the Q version team, if you think about their name K.Q.E.D, Q version is a branded name for basically a group that's trying to foster a culture of innovation on an ongoing basis. So what they've done is they've branded the team that's going to drive innovation tied to their identity and then what they've done is they've created the Q award and it's literally a trophy with a Q, a letter Q on top of it and they give it away on a regular basis depending on what the innovation is, quarterly or biannually and they're giving it to people who are demonstrating the kind of innovation values and behavior that they believe is important for their own culture of innovation. So they're giving a trophy away is totally worthless but that trophy has a lot of symbolism, it sits on your desk at the end of getting the trophy and people can see it and it becomes a symbol that you are innovative and then you can tell your story about what that innovation was in those stories demonstrate the values and behavior that are important for the organization that you then want more of. So it's kind of this very subtle infectious reward that has a lot of impact even though it's a simple trophy. And I got another one for you Colgate Palmolive their technology group in Piscataway New Jersey a thousand people, couple of their project managers at the end of a project they had a meeting and they gave away a few wooden nickels as a kind of a joke kind of a joke, a wooden nickel is a symbol of something being valueless and so they gave away some wooden nickels as a thank you to their team who really worked across organizationally and globally to demonstrate that they were appreciative of the kind of collaboration this team had, those wooden nickels became a symbol of that kind of behavior and kind what happened was the people who got those wooden nickels when they had meetings they would give away their wooden nickels that they received and what happened is other people bought wooden nickels and they've created what I call a recognition economy because people were giving away wooden nickels as thank you's to reinforce the kind of behavior of teamwork and across business collaboration and those are totally valueless literally but they were reinforcing the values and behavior that Colgate Palmolive would wants to see and that was driving innovation. So that's just another example of something really valueless but has a huge impact on culture.

Nick Skillicorn: But the question then becomes if having something valueless shown reward seem so effective wouldn't be one hundred times more effective if you gave people something of value.

Soren Kaplan: It's counterintuitive that those valueless rewards would be the most valuable but when you look at innovation, If you really care about money you're probably not going to work in a big company you're probably going to do a start up and try to go out on your own and you know make your billions. Most entrepreneur and companies and you can look at some of the research Dan

Pinkston research there's other research that basically says financial rewards actually are de motivators. Innovators there are some research that intuitive in the Silicon Valley intuitive software company and they looked at what is the most motivating thing, the number one thing that's most motivating for corporate Entrepreneurs, what do you think it was

Nick Skillicorn: Well some people probably say extra money or bonus or maybe I don't know like time off.

Soren Kaplan: So it actually is time but not time off, it's time to work on your innovative idea that's the number one motivating thing because we're all running around and we're kind of doing our day jobs and entrepreneur who wants to make a difference for their for customers and in a new organization wants time to work on something of meaning and value to them. So it's not necessarily the money, it's not necessarily time off to go to the beach, it's time to work on your project and so if you're fostering innovation that's why you know Google and others they give people time to innovate well into it, what they do is that if you actually win the innovation award at the end of the year they'll give people up to six months off to work on their own idea to benefit the company. So time is actually one of the most valuable awards and it's not financial necessarily, it's actually just the freedom to innovate that's what a culture of innovation is about having time to actually do it.

Nick Skillicorn: It's not just the freedom it's also I guess the public recognition that someone says your idea is actually worth you spend your time on instead of business as usual and that's the trap that companies usually get into. They think that there's a set amount of time you give to innovation in form of a brainstorming session and then after the people just get back to what they should be doing day to day.

Soren Kaplan: I think one of the reasons why innovation feels hard to people is they because, a lot of companies want to make it a formal process and very kind of structured and analytical at the end of the day people are people, people want to feel validated, they want to feel important, they want to feel understood, they want to feel like they're making a contribution, those are the very soft things that leaders need to understand that can be implemented through metrics and awards or rewards but those subtle things a lot of times in kind of the structured hierarchical analytical business environment just don't get the kind of attention they need.

Nick Skillicorn: Soren it's been wonderful chatting with you so far, we're coming up to the end of the interview but one thing I'd like to ask all of the experts is if you've got one tip or one actionable insight that people can try out this afternoon or this week what would you recommend they do to actually help build this culture of innovation.

Soren Kaplan: I think what I'd suggest is get the free stuff that's easily available and out there so for example I mentioned a couple tool kits go out and get the intuit innovation catalyst tool kit, go out and get the Adobe kick box tool kit, go out and get this Stanford business School boot camp bootleg tool kit, I've got a tool kit in my book the Invisible advantage freely available as well with a whole diagnostic and a model and a poster for work groups to use, there is so much stuff available that's just free and you can use off the shelf to just get going you've got to just get going and then that helps you create that culture of innovation that you want.

Nick Skillicorn: Soren, it's been wonderful chatting with you we're going to get links down to your resources below the video, but can you let people know what they'll find when they get there.

Soren Kaplan: So if you go to innovation-point.com, what you're going to find is information about my latest book The Invisible advantage, you can get the free tool kit that I mentioned, there's a whole bunch of articles based on all the things we've just talked about that I've written for Harvard business review for fast company Inc thinkers fifty, did an interview for them so there's a lot of resources there that kind of expand then provide additional tools for all the things that we just talked about.

Nick Skillicorn: Perfect, it I highly recommend everyone watching and listening go and check them out because it's really good stuff and Soren it's been wonderful having you here thanks so much for being part of the summit and I look forward to speaking again with you soon.

Soren Kaplan: Thanks Nick.