PART I

# DEFINING AND CHARACTERIZING INNOVATION LEADERS

CHAPTER 1

# A SPECIAL FORM OF LEADERSHIP FOR INNOVATION?



*Innovation leadership? It is passion; it is learning; it is humility in front of mistakes and errors – understanding that they are necessary elements to learn faster than the others – and it is the target setting . . . yes, stretched targets!*

*Pekka Ala-Pietilä*
*Former President of Nokia*[1]

Many companies claim that innovation is one of their critical values and priorities. Stakeholders are reassured that management is vibrantly committed to innovation as a source of customer value, organic growth and job protection. However, the reality is often less bullish than the intent. R&D may be busier than ever developing new products, but how many can be called truly innovative? Projects are proliferating in most companies, for sure, but which ones will reinvent their category or take the company into a brand new market? Why don't product managers dare to go beyond renewing current products or providing line extensions? Which management teams have successfully crafted an innovation vision and built an effective innovation culture and process within their organizations?

If the innovation testimonials contained in so many annual reports were accurate, we would have thousands of examples of truly innovative companies, and the mystique of who does it well would be of little interest. Yet when we look beyond the message

for the marks of an archetypically innovative company, only a dozen or so really stand out. These iconic companies, often cited by innovation pundits and the media as first in class, become fallible and begin to lose their 'magic innovation touch' when changes occur within the leadership ranks. Some examples:

- 3M struggled to integrate the Six Sigma credo of its former CEO, James McNerney, into its traditional innovation culture.
- Apple experienced a performance roller-coaster before the return of Steve Jobs as CEO.
- Intel struggled to diversify its product line fast enough to face the growing market of mobile devices.
- Procter & Gamble had sluggish organic growth before the appointment of A.G. Lafley as CEO.
- Corning witnessed each of its blockbuster markets flounder and is constantly trying to reinvent itself.
- Dell had to kick-start its growth again after its highly praised direct business model reached a plateau.
- Others like Sony, Pfizer, Nokia and Airbus were put on a pedestal for their innovativeness, and yet have gone through turbulent times in the past few years.

Why does this happen?



## THE LEADERSHIP FACTOR

Some companies surprise the market with one brilliant innovative move – like Pilkington with its float-glass technology – and then fall back into an innovation dormancy. Others may have an innovative surge but are unable to sustain it in the long term. These innovative spells, when not triggered by pure serendipity, generally reflect a high degree of faith and determination on the part of the current executive team: faith in the competitive power of innovation; determination to turn it into a core capability. But CEOs and management teams change, as do market and competitive conditions. New leaders often bring with them new management and change priorities. Newly arrived CEOs may introduce

management philosophies and processes that boost innovation, as A.G. Lafley did at P&G with the 'connect and develop' approach. Sometimes they launch new policies and tools to improve business performance that restrict their staff's traditional innovation freedom, as exemplified by McNerney's controversial introduction of a systematic Six Sigma process at 3M.[2] Unless innovation is deeply ingrained in the genes of the company, in both culture and process, it is liable to become a second-level priority when leadership changes.

## Many Try . . . Few Keep at It!

At some stage, most companies will launch a company- or division-wide innovation improvement campaign. Some zealous management teams attack the problem with a top-down approach, launching a massive innovation change program throughout the company. The Centurion program initiated by Royal Philips Electronics' CEO Jan Timmer in the 1990s fits in this category. These efforts focus on restructuring the company's innovation process and organization. Some companies may gain benefits from a streamlined process, but it is paramount for the company culture to change, or behaviors will remain the same and innovative results will flounder.

By contrast, the majority of management teams approach innovation in a low-key, pragmatic way. They do not engage in a big public change program, but instead look for low-hanging fruits, fixing the deficient parts of their innovation process as they find them, step by step. This may improve performance initially, but without an overall innovation vision and model, company culture and behavior generally do not change, which prevents the full benefit of their efforts being realized.

Fewer companies manage the process well. One that has succeeded is the packaging giant Tetra Pak. The leadership team not only overhauled the company's innovation capabilities, which has improved and streamlined processes, but is also working hard at mobilizing staff. Using its company-wide leadership development and culture change programs, Tetra Pak continuously promotes

the adoption of innovation initiatives. The company has also put in place innovation steering mechanisms that should promote innovation in the long term and safeguard against changes in top management.

Most management teams today do a reasonably good job of streamlining and formalizing their innovation process and adapting it to the imperatives of their industry. The determining factor for *sustained* innovation performance – or lack of it – seems to be the level and consistency of commitment to innovation at the top. Management attitudes to innovation create the 'collective innovation leadership' and this is generally ingrained in the company culture. This is why we propose that there is a *specific and distinctive form of leadership for innovation*, which not all leaders possess and which this book will illustrate.



## Innovation Leadership

There is no shortage of books and articles describing the core characteristics of innovative organizations. Jones and Austin, for example, have compiled a list of five core characteristics of 'innovation leaders':[3]

- in-depth customer insight;
- leading-edge technical awareness;
- inspirational leadership;
- motivational organizational rewards;
- sharing knowledge.

But these 'differentiators of enhanced innovation performance,' as they call them, relate more to the collective management of innovative companies than to specific individuals. To date, there has been no formal attempt to paint a comprehensive portrait of 'innovation leaders' as defined in this book.

Based on empirical research, this book will analyze the profiles and attributes of various innovation leaders. The portrait will be impressionistic to include a great diversity of characters. Each brush stroke will add a dimension to our description of the special forms of leadership that foster innovation.

## *Defining Leadership*

Professor Preston Bottger, who teaches organizational behavior at IMD business school in Lausanne, has coined a simple definition that conveys the full dimension of leadership:

> Leaders do or cause to be done all that must be done and is now not being done to achieve what we say is important! They provide a sense of purpose, direction and focus. They build alignment and get commitment![4]

When it is applied to innovation, this definition has several merits.

First, true leaders are action-oriented change agents; they don't just think and talk, they *'do or cause to be done . . .'* Most companies state that innovation is important, but what do they really do other than invest money in R&D?

Second, this definition highlights three types of fundamental questions raised by most innovation drives:

(1) Leaders provide a *'sense of purpose,'* i.e. Why are we doing it? What are the benefits of a change in innovation? What are the penalties if we don't do it?
(2) They propose a *'sense of direction,'* i.e. Which way should we go? What innovation model should we adopt?
(3) They introduce a *'sense of focus,'* i.e. What are our priorities? Where should we concentrate our efforts?



Third, this definition stresses that if innovation is to become a corporate capability, it cannot be confined to a specialist function or a small group, for example to new business development or R&D. It has to permeate the entire organization, become a priority and then an expectation – with this kind of commitment the motivation will be there to make it happen.

## *Is There a Special Form of Leadership for Innovation?*

I like to ask this question to executives who participate in my innovation courses, forcing them – unfairly, I admit – to give a simple yes or no answer. The answers are usually split. Those who

come from R&D and register specifically for a course dedicated to innovation, tend to vote overwhelmingly 'yes.' Coming from the innovation functions of their business, they may not be able to articulate what innovation leadership entails, but they understand it instinctively. By contrast, executives attending a single session on innovation as part of a general management course seem to be more split in their responses, even though the 'yeses' usually prevail.

Those who answer 'no' typically argue that purpose, direction and focus are needed in all business endeavors, including innovation. Consequently, a true leader should be able to become an innovation leader if and when conditions require it. Executives who do not believe in a special form of leadership for innovation tend to refer intuitively to mental models of what leaders actually *do*. Some of the most popular leadership models support their claim that leadership is a universal trait that embraces innovation (refer to Appendix A for a reference to such models).

By contrast, managers who believe that innovation requires a special form of leadership maintain that if this weren't so, then most business leaders would excel at innovation if they paid attention to it. But as the evidence shows, this is not the case in many companies. Furthermore, few of the leadership icons celebrated by the media for their achievements in shareholder value creation, like Jack Welch at GE, could claim that innovation is their forte. Most would not qualify as innovation leaders and the opposite also seems to be true, i.e. not all innovation leaders are fully fledged business leaders. These arguments convince many managers that since innovation is different from most other business endeavors, it probably requires different attitudes and behaviors.



## FACING THE INNOVATION IMPERATIVES

Before trying to characterize the unique traits of innovation leaders, let's look at some of the essential aspects of innovation, and reflect on the challenge they raise for business leaders. We shall focus on six of these innovation imperatives:

- the urge to do 'new things';
- an obsession with redefining customer value;
- the courage to take risks;
- an ability to manage risk;
- speed in spotting opportunities and in project execution;
- a shift in focus and mindset from business optimization to business creation.

## Innovation Requires an Insatiable Urge to Try New Things

It goes without saying that innovation is about challenging the status quo and introducing new and, one hopes, better products, processes, services or management approaches. Innovation requires curiosity, experimentation and openness to change. Innovation leaders are those who constantly challenge the present state of affairs, encourage wild ideas and instigate trying new things in their companies.

Despite frequent management denials, many companies adopt an 'if-it-ain't-broke-don't-fix-it' stance. Therefore, innovation leaders must have the courage to foster a climate of experimentation and permanent change in their organizations.

It's no surprise that few mavericks and innovation champions exist in most top management teams. Career progression often favors managers who deliver results without making waves, not the revolutionaries. The creators of the 'organized chaos' so dear to innovation scholars[5] often meet obstacles and resistance on their way to the top. To stimulate innovation, however, companies must promote 'challengers,' not just 'fixers.'

## Innovation Requires an Obsession with Redefining Customer Value

Innovation has to do with adding value, and the way to add value is through leadership, argues Nick Shreiber, former CEO of Tetra Pak:

> One can add value in many ways. The most important, perhaps, is through leadership – a very elusive concept! Just like good judgment, good leadership is hard to define, but you know it when you see it! Leadership can inspire an organization to reach goals it had never dreamed of, and will encourage each employee to reach his or her full potential in pursuit of their objectives. Inspired leadership will encourage new ideas through innovation and entrepreneurship and will provide the resources to implement them.[6]

In hindsight, highly successful innovators have generally established new standards of value in their industries. For a long time, value creation came primarily from leading-edge technology-based products or processes. Michelin redefined the notion of value in tires – as expressed in mileage life – with its radial tire technology, and Sony did something similar with its PlayStation game consoles. Nowadays, value creation can come from introducing radically new business models or management methods. It is no longer necessary to be a great technical innovator to qualify as an innovation leader. By radically changing the economics of the PC industry, not the product itself, Michael Dell can arguably be called an innovation leader:

> People look at Dell and they see the customer-facing aspects of the direct-business model, the one-to-one relationships. What is not really understood is that behind these relationships lies the entire value chain: invention, development, design, manufacturing, logistics, service delivery, and sales. The value created for our customers is a function of integrating all those things.[7]



Kim and Mauborgne suggest that redefining value starts with questioning current industry assumptions by asking four probing questions:

- Which of the factors that our industry takes for granted should be eliminated?
- Which factors should be reduced to well below the industry standard?
- Which factors should be raised well above the industry standard?
- Which factors that the industry has never offered should be created?[8]

Consciously or instinctively, innovation leaders challenge industry assumptions in order to unearth opportunities for a quantum jump in customer value. A strong customer orientation often fuels this urge to redefine value. Value creators, typically, have an insatiable curiosity about their customers' needs, empathy with their conscious or subconscious frustrations, and an instinct for what they might need or want in the future. As Akio Morita[9] stressed in his story of Sony's legendary Walkman®, this type of curiosity is not synonymous with a thirst for traditional market information. No market research, he argued, would have indicated a need for the Walkman®. Morita is referring, rather, to the kind of customer intimacy that comes from a deeply ingrained, instinctive curiosity. Sony's past advertising slogan – 'You dreamt it! Sony made it' – reflects the company's view of its innovation mission: To redefine value constantly by correctly guessing the customer's unarticulated desires, and applying its technological expertise to satisfy them.

The challenge for innovation leaders is to encourage this constant reappraisal of value factors despite the fact that, at times, such an attitude may prove highly destabilizing. Challenging the current ways of delivering value in your industry is very difficult when you are an established player and even more so when you are the market leader. As Harvard Business School professor Clayton Christensen convincingly demonstrated, introducing disruptive technologies and defying the status quo is much more natural for new entrants looking for ways to challenge incumbents.[10] This is why many innovations have originated with outsiders who forced their way into the market with radically new concepts.

The highly successful story of the no-frills, low-cost airlines – first pioneered by Southwest Airlines in the US, then by Ryanair and easyJet in Europe[11] – provides a good illustration of this rule. Their founders challenged every single prevailing assumption in the traditional airline industry[12] to come up with a revolutionary business model. This gave them unbeatably low costs and allowed them to redefine the notion of value for budget-conscious air travelers. Arguably, it would have been very difficult for any traditional airline to introduce such radical changes internally.

## Innovation Requires the Courage to Take Risks

One of the most widely recognized drivers of innovation is management's willingness to take risks. It is hotly debated because risk taking is subject to all kinds of interpretations. In its classical definition, *risk taking for innovation* is related to the concept of entrepreneurship – being ready to bet one's resources on a new, and often untested, business proposition.

The challenge for innovation leaders is to live by this principle on a day-to-day basis and make the rest of the organization comply with it as well.[13] Although many companies describe risk taking as one of their core values, they often fail to change their performance review and reward systems accordingly. Managers are rarely penalized for not taking risks, especially if they are meeting their targets. The right to fail comes up invariably in most innovation speeches, but it is not necessarily carried into practice.

Andy Grove,[14] Intel's legendary former CEO, adds two very interesting dimensions to the risk taking imperative. First, he claims that innovation leaders must have the courage to focus, which means identifying unambiguously either the things they will *not* do or the things they will stop doing. Second, Grove believes that innovation leaders must have the courage to 'self-cannibalize,' i.e. to make their own business obsolete before others force obsolescence on them. As we know, it takes courage to kill one's own products before their full potential has been exploited and to replace them with higher-performance – but unproven – ones, as a venture capital partner suggests:

> You have to decide you're going to eat your own business yourself, as opposed to having eToys or Amazon or somebody else doing it for you. This is a very different mindset from most companies that are trying to protect what they've got, as opposed to cannibalizing.[15]

It is this policy, coupled with management's belief in the now famous Moore's 'law'[16] that enabled Intel to stay at the top of its industry for so long. Whereas the willingness to take entrepreneurial risk applies to all managerial echelons, Grove's observations apply only to the highest level of innovation leaders, the CEO and his/her key executives.

## Innovation Requires an Ability to Manage Risk

The debate about acceptable levels of risk in an innovation project often pits risk takers (usually the project champions) against those who shrink from taking risks (typically senior managers). Innovators often complain that the controlling attitude of their top managers hides a fundamental aversion to risk, while the more conservative proponents of risk management accuse risk takers of being irresponsible. This debate is fruitless because both arguments are right. Innovation is as much about good risk management as it is about risk taking.

The challenge for innovation leaders, therefore, is to strike a balance between single-minded, enterprising risk taking and pragmatic, cautious risk management. The first attitude is necessary for pushing ahead and brushing away objections. In a sense, frontline innovation champions should be so determined and persistent that they could be accused of being both blind and stubborn. Innovation leaders, by contrast, carry the burden of ensuring that all the known risk factors have been identified at each stage and properly managed – a precarious balance, as this needs to be done without discouraging innovators and entrepreneurs.



A dilemma arises whenever the CEO or business unit head is simultaneously the champion of a particular project *and* the leader who is supposedly responsible for containing risk. No one will dare oppose his/her hierarchical head by spotlighting dangerous risk factors on the boss's favorite project. The story of Philips' ill-fated CDi[17] illustrates that danger. It was well known within Philips that its determined CEO, Jan Timmer, had adopted the CDi as his pet project, as he had successfully championed the CD-Audio years earlier. Many in the company argue today that the CDi concept had inherent flaws and that its proponents blindly underestimated the competing PC-based technology, CD-ROM. Very few dared to openly challenge the notoriously tough CEO, and finally, after a few years and huge losses, Philips abandoned the project.

A similar story can be told about the energetic pursuit of the market for genetically modified organisms (GMOs) at Monsanto. Its CEO, Robert Shapiro, was consumed by the vision of

Monsanto becoming a life sciences powerhouse on the strength of its genetic engineering technology. And he was convinced that realizing his vision meant betting the company's future on GMOs and promoting them aggressively worldwide. But experts are likely to point out that, after the controversy over the company's commitment to GMOs erupted in the media, Monsanto's top management failed to grasp the power of the arguments of GMOs' detractors. It is hard to be a visionary, risk taking innovation champion, while at the same time being a cautious risk analyzer and container. This balance is the challenge of innovation leaders.



## Innovation Requires Speed in Spotting Opportunities and in Project Execution

Silicon Valley innovators and entrepreneurs have known for a long time that the best idea or the best technology does not necessarily win – the winner is the one that is implemented first.[18] Whoever comes first learns fastest. Success with new products comes from launching first, then learning fast to correct mistakes before others have prepared their response, and relaunching a superior product as competitors start coming in. In the words of Matt Hobart, a 28-year-old Silicon Valley entrepreneur:

> If you have an idea, it's safe to assume that four or five people have the same idea. But it's not the person with the best idea who wins. It's the person who can execute quickly. [19]

That kind of speed requires three unique skills:

(1) the ability to search continuously for opportunities;
(2) management decisiveness at all stages in the process; and
(3) speed in execution, typically achieved through a pragmatic reliance on external and internal resources, and, of course, highly effective teams.[20]

Innovation leaders instinctively create an environment that values the search for opportunities and the generation of ideas to exploit them. They typically encourage people to flag opportunities early

and make their ideas bubble freely upward for discussion. The challenge lies in the decision process. On what grounds should the project go ahead? What criteria should be met at each stage? When and on what basis should the plug be pulled? As the champions of risk taking entrepreneurs, innovation leaders are bound to allow their staff both a fair amount of freedom to experiment and the necessary resources. Finding an acceptable balance is a challenge, and so is the need to decide fast, whatever the decision. In Silicon Valley, innovators usually get the same advice from venture capitalists: If you are going to fail, at least fail fast and fail better!

## Innovation Requires a Shift in Focus and Mindset: From Optimizing Business to Creating Business



Business unit heads are generally responsible for new product development in their fields and innovation is generally pursued to protect and grow the current business, seldom to create new businesses. This is why most companies struggle to exceed the growth rate of their industry. How can Unilever or Nestlé grow in the mature food industry except by creating entirely new, and hence faster-growing, product categories? Now that the second-generation mobile phone market is nearing saturation, the same question applies to Nokia and Motorola. Creating new businesses is completely different from tweaking product lines to introduce extensions.

So, innovation leaders face a double challenge. The first is to strike the right balance between running the current business and growing new businesses, or as Professor Derek Abell puts it, between mastering the present and preempting the future.[21] The sudden shift in what financial markets demand in the way of share performance – from growth potential yesterday to profitability today – makes finding the right balance a tough task. The challenge is for companies to avoid the tyranny of success and learn to 'organize both incremental and disruptive innovative activities.'[22]

The second challenge for innovation leaders is sensing untapped market needs and choosing promising areas to pursue. Here,

innovation leaders must have the ability to shape a vision that will guide them toward new business opportunities.

We have so far talked about innovation and its imperatives in generalities, as if innovation was a uniform process without any 'subspecies.' The reality is more complex and, as we have all observed, there are many different types of innovations. As a consequence, it is legitimate to ask whether different styles of leadership are required to handle the different types of innovation. This is what this book is about. But before attempting to define and characterize various types of innovation leaders, we will first establish a broad typology of innovations.



## DEFINING AND CHARACTERIZING INNOVATION

Even though everyone talks about innovation, there is still confusion as to what the word really means and entails in the business world. 3M distinguishes between research – transformation of money into knowledge – and innovation – transformation of knowledge into money. The Organization for Economic Cooperation and Development (OECD) proposed the following general definition of innovation:

> . . . an iterative process initiated by the perception of a new market and/or new service opportunity for a technology-based invention which leads to development, production and marketing tasks striving for the commercial success of the invention.[23]

Although this definition is slanted toward technology- and product-based inventions – by no means the only types of innovation – it has the merit of considering innovation as a wide-ranging business undertaking.

### Defining the Processes in Innovation

Another way to define innovation is to refer to its processes, grouped around easy-to-remember 'i' words. The following series

can help define what innovation covers: *Innovation* is the combination of two processes – *invention* and *implementation*.

*Invention* is itself the result of *immersion* in the market to identify unmet needs, or immersion in the problem at hand. This is followed by a phase of *imagination* to envision the potential benefits of addressing that opportunity, *ideation* to develop and select attractive new concepts to meet the identified need, and *initiation* of a concrete project or venture.

*Implementation*, in turn, consists of an *incubation* phase to develop and test the new product or service, followed by an *industrialization* process to make it and deliver it in large quantities. This is followed by an *introduction* phase with an initial launch, followed by roll-out and full deployment, complemented at each customer site by a phase of *installation* and *integration* to ensure that the new product or service is adopted and integrated into the customer's organization and processes. This simplified typology will lead us to explore different types and styles of innovation leaders.

Innovation observers and scholars have long pointed to the existence of two very different patterns of innovation generation and diffusion within a company: 'bottom up' and 'top down' (see Figure 1.1). This distinction has a direct bearing on our topic because, as we see in the following chapters, each mode requires a different type of focus on the part of innovation leaders.



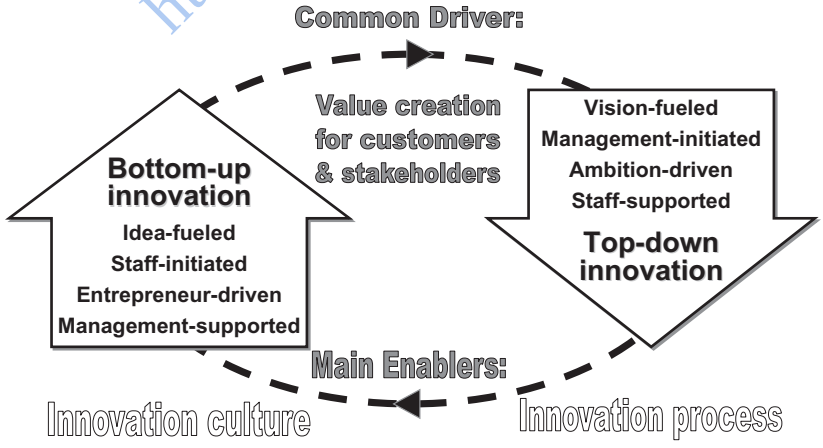


**Figure 1.1** The two modes of innovation

In the *bottom-up* mode, innovative ideas originate spontaneously from people at the operational level, whatever their function. These ideas get developed out in the open and the resulting projects flow upward for management funding and support. This type of innovation is driven by the commitment and dedication of internal entrepreneurs who feel encouraged and empowered by management. The main driver of bottom-up innovation is the entrepreneurial culture of the organization, which encourages individual initiatives, experimentation and risk taking.

*Top-down* innovation, by contrast, is initiated by management in response to an ambition or the vision of an attractive business opportunity. The big idea that generally results from that vision flows downward to the teams that are then mobilized for its implementation. The main driver of top-down innovation is the organized process by which an innovation vision is made 'actionable' by management and ultimately implemented.

In truly innovative companies, both modes can coexist because they are complementary. The most promising ideas from those generated in a bottom-up mode may be appropriated higher up by management and turned into top-down projects with strong management involvement and guidance. Similarly, a top-down initiative may be launched by management, but handed over to the staff with the mandate to generate creative ways to implement it bottom up.

Nevertheless, some companies are known for using one of the two modes as their 'default' innovation pattern. For example, 3M was long qualified as an archetypical bottom-up innovator, at least until the arrival in 2001 of its CEO James McNerney who tried to rebalance its focus toward more top-down innovation. In contrast, Japanese technology companies like Canon are said to be more inclined to innovate in a top-down mode with strong management involvement.

Professor Eric Mankin from Babson College highlights that the two innovation modes differ on at least three criteria:

(1) the number of initiatives;
(2) the way results are generated; and
(3) the level of iteration.

**Table 1.1** Best Buy vs. GE

| *Criteria* | **Bottom up**<br>Best Buy | **Top down**<br>GE |
|---|---|---|
| **Number of initiatives** | Many small bets | A few big bets |
| **Generates results via** | Many successes, building employee commitment | Big successes, building new markets and businesses |
| **Level of iteration** | High, built on experimentation | Low, emphasis on picking the right target |

Reproduced with permission from Eric Mankin, 2005.



Table 1.1 highlights how Mankin contrasts the approaches of retailer Best Buy (a declared bottom-up innovator) and GE (a proponent of top-down innovation) on these three criteria.[24]

But these two innovation modes differ also in their leadership focus and requirements. By nature, bottom-up innovation occurs spontaneously – i.e. without direct management intervention – in the right kind of culture or climate. The main role of leaders in encouraging bottom-up innovation is to proactively develop a highly supportive culture.

Top-down innovation, by contrast, is steered by management. Making the vision a reality is what top-down innovation leaders excel at doing.

## INNOVATION LEADERS: A DIFFERENT BREED?

### Defining Innovation Leaders

In summary, innovation leaders can be defined as those *senior* executives who promote an *innovation agenda* in their company. Whatever their function or position, they instigate, sponsor and steer innovation in their organization. Through personal

conviction or competitive necessity, they are obsessed with providing superior new value to customers. Even in the face of resistance from their top management colleagues, these executives stand up for innovators and challengers of the status quo. They know how to mobilize their staff behind concrete initiatives and they do not hesitate to personally coach innovation project teams.

Many times in innovation literature, they are named 'champions,' 'sponsors' or 'promotors.'[25] Whatever they are called, true innovation leaders tend to share the same determination and are not afraid to risk their credibility with top management in case of failure. Lewis Lehr, the highly charismatic former CEO of 3M, described the behavior of an innovation leader very convincingly when he said, 'We learned to follow the fellows who follow a dream!'[26]



The ideal place for an innovation leader is, obviously, at the head of the company or one of its businesses. The archetype is the CEO of the company he/she has helped create. Famous names spring to mind: Edwin Land at Polaroid, Robert Noyce at Intel, Steve Jobs at Apple and Bill Gates at Microsoft and, more recently, John Chambers at Cisco, Jeff Bezos at Amazon or Larry Page and Sergey Brin at Google. But charismatic entrepreneurs are not the *only* innovation leaders worth considering. Innovation leaders can be found at various management levels in different types of companies. They also come from different parts or functions of the organization, with a particular emphasis on marketing and R&D.[27] With or without top management blessing, they are committed to keeping alive the company's innovation legacy – if it exists – or, more often, restoring it. Depending on their personal orientation, they see themselves as the linchpins of their company's *innovation process* and/or the evangelists of an *innovation and entrepreneurship culture*.

Innovation leaders use a variety of levers to improve their company's innovation process and forge a strong innovation culture. They seem generally to share a number of *distinctive leadership characteristics*, particularly when compared with other excellent but more traditional business leaders.

### The Need for a Network of Innovation Leaders

Marvin Bower, McKinsey's legendary managing partner and leadership guru, maintains that '. . . a business should be run by a network of leaders positioned right through the organization.'[28] This belief probably applies even more to innovation leaders than to any other types. Indeed, innovation is never the result of a single person's efforts, either at the project level or at the sponsoring level. As the well-known saying goes, 'It takes only one "no" coming after nine "yeses" to kill a project.' Innovation is in danger if it lies in the hands of an isolated leader in the top management team, whatever his/her charisma. The first role of an innovation leader is, therefore, to breed or attract others to take on leadership roles, propagate innovation values and support concrete projects.

It is relatively easy for a lone innovation leader to build a team of subordinates sharing similar values and behaviors for two reasons. First, people tend to be attracted to like-minded people. And second, unless they are authoritarian, innovation leaders usually exude a high level of openness and communicate enthusiasm, to say nothing of passion. Working for them is exciting!

The situation is more complex at the top management level. Lone innovation leaders, unless they occupy the top job themselves, may be unable to influence the profile and behavior of their top management colleagues. They need to muster CEO support to be effective. If they show growth and results, they can hope to propagate their values through sheer emulation. When they have established a reputed stable of talent in their organizations, they transfer some of their best and most motivated staff into other divisions, in the hope of initiating a bottom-up movement of contagion.



## MAPPING OUR JOURNEY

### Defining and Characterizing Innovation Leaders

As we have established that there is a special form of leadership needed for innovation, Chapter 2 will further paint the portrait

of innovation leaders by characterizing what differentiates this subset from other types of leaders – behavior, common personality traits, instincts and actions. As there is a broad universe of innovation leaders, Chapter 2 will classify innovation leaders according to their focus on a particular aspect of the innovation process, i.e. the *front end* vs. *the back end* and show that they naturally tend to adopt a preferred mode of innovation, i.e. *bottom up* or *top down*.

Bottom-up innovation and what leaders can do to encourage and sustain it will be the main theme of Chapter 3. Bottom-up innovation is the embodiment of the company's innovation culture, which often reflects the history of the organization and the legacy of its founders or charismatic leaders. This does not mean that bottom-up innovation is limited to companies that have kept their historic innovation heritage intact. In fact, through their attitudes, policies and processes, leaders can exert a strong influence on at least four direct enablers of innovation, i.e. the company's *organizational creativity*; the systematic deployment of *teams of complementary champions*; the encouragement of *customer intimacy practices*; and the promotion of a *'can-do' climate*.

Chapter 4 will explore the characteristics of top-down innovation and highlight how leaders reinvent their business, introduce disruptive technologies or steer their company into new market space. Top-down innovation usually stems from management's realization that changes in the market environment or technology offer big opportunities to disrupt an established industry. Innovation leaders mobilize their organization to seize that opportunity. They make sure that the big initial idea is turned into an *actionable vision*, i.e. one that leads to concrete implementation roadmaps and a *seamless process*.

Chapter 5 will focus on one of the role models for innovation leadership in companies, i.e. the chief technology officer (CTO) or chief research officer (CRO), sometimes called chief innovation officer (CIO). It will also examine the extent to which the role of these technical executives is changing, in terms of *visibility* within the senior management group, and it will highlight the CTO/CIO's new leadership challenges:

(1) instilling a vision and sense of purpose for the role of science and technology;
(2) providing a sense of direction for investments in science and technology;
(3) enforcing a sense of focus on the technologies to be developed vs. those to be outsourced; and
(4) becoming corporate entrepreneurs to turn technology into new businesses.

## The Leadership Imperative of Innovation Strategies

The first part of the book is based, implicitly, on the assumption that innovation is a generic process that proceeds in a fairly similar fashion, whatever the circumstances and the company. Innovation leaders, it implies, display common characteristics and the differences among them pertain mainly to their natural emphasis – on the front end vs. the back end – and their preferred mode of intervention – top down vs. bottom up. The reality is arguably more complex and we all know that innovation takes on the most varied forms. It is therefore safe to assume that different innovation leadership styles may be needed for different types of innovation.

Chapter 6 will outline four different innovation thrusts, based on the development of:

(1) *new/improved products, processes or service offerings*;
(2) *totally new product categories or service offerings*;
(3) *totally new business systems or models*; and
(4) *new/improved customer solutions*.

These four thrusts share one common trait, i.e. an almost obsessive quest for a unique customer value proposition. However, each requires a distinct emphasis in terms of *process, structure, culture and people*. CEOs ought to map whether and how their senior officers meet some of the innovation leadership traits required by their innovation strategy. The following four chapters will illustrate each of these aspects with an example and characterize their specific leadership imperatives.

The incremental development of new/improved products or services is the most prevalent type of innovation axiom, probably accounting for the bulk of R&D expenditures in most companies. The leadership imperatives of this type of thrust will be illustrated in Chapter 7 by the transformation of Medtronic from a renowned but weakening competitor in the industry it created – cardiac pacemakers – to a 'born-again' innovator and market leader. This story features a strong leader willing to confront a lenient but complacent culture and introduce a sense of urgency and a high degree of process discipline. This example also highlights the role of top management in supporting the new culture and its courageous and sometimes unpopular champion.

One can compare the leaders who focus on the incremental development of new/improved products to *tough sports coaches*, very demanding with their team but able to motivate them to give their best to win. Their emphasis is on *challenging, setting goals and measuring*.

The creation of a totally new product category through radical innovation is a less frequently adopted strategy. Few senior management teams feel comfortable taking a very long-term payback perspective and tolerating the uncertainty of moving into a completely new market space. This is nevertheless what Tetra Pak did when it decided to develop a retortable carton alternative to the ubiquitous metal can used for more than a century by the food industry. This example will be outlined in Chapter 8. It highlights the importance of management's initial vision; its persistence through the unavoidable ups and downs of a risky project; its dogged determination to remain faithful to its initial value proposition; and its willingness to steer and run such projects with a strong business focus.

Innovation leaders who concentrate on the development of totally new product categories or service offerings have many of the leadership characteristics of *no-nonsense sponsors*. They tend to be very supportive of their teams, but if they are visionaries, they also know how to keep their feet on the ground. They know how to make their teams confront and systematically address each obstacle in their way, in order to reduce risk. Their emphasis is on *nurturing, challenging and empowering*.

The generally long time frame of these innovation projects and their multi-functional emphasis often make it difficult for a single senior manager to steer such projects from beginning to end. Collective leadership by a team of senior managers is a key requirement. This means that various types of leaders will have to step in and out during the life of the project, while maintaining as much continuity as possible in what can be called an *uninterrupted chain of leadership*.

The creation of a totally new business system, together with selected internal or external partners, will be covered in Chapter 9. Most often it is accompanied by the introduction of a radically new business model, capable of deeply transforming an existing industry or creating a totally new one. TiVo, the iconic US proponent of view-on-demand TV, presents a good example of a 'business system' with its various components: hardware, software and service. The TiVo story highlights the critical importance of specific leadership skills for handling this type of innovation.

The leaders capable of pulling off such system businesses or, more generally, business model innovations, have skills similar to those of *pragmatic architects*. They are capable of devising complex constructions and leading teams of different organizations to implement them, down to the finest details. Their emphasis is on *visioning, partnering and master-planning*.



Chapter 10 will focus on the development of incrementally new products that aim to offer customers a richer experience, because they provide a more comprehensive solution to their problems or needs than traditional products. These new 'solution-products' often consist of different elements, for example a product and the consumables that go with it, or a product and its customized delivery device. They may be provided by complementary partners, working together under different types of arrangements. We will illustrate this phenomenon by looking at what is happening in the home coffee business with the introduction of single-serve systems, notably by Sara Lee and its partner Philips (Senseo).

Leading such developments requires a deep understanding of what makes a good customer experience and the willingness to reach out to complementary partners that will share the same

objective and deliver that experience in a repeatable fashion. This type of innovation thrust shares some of the characteristics of system business innovations, but is a lot less complex to orchestrate. To pull it off, however, leaders must have skills similar to those of *orchestra conductors* with their emphasis on *interpreting, orchestrating and integrating* the necessary input.

## Developing a Cadre of Innovation Leaders

The concept of a 'chain of leadership,' introduced in Chapter 8, stresses the importance of having a number of innovation leaders willing to play complementary roles in the course of an innovation project. As Chapter 11 points out, this will happen only when the company has developed an innovation leadership culture, i.e. a set of management values and behaviors that foster the emergence and empowerment of a cadre of innovation leaders. Few large companies exhibit a visibly strong innovation leadership culture, at least such as the one prevailing in Logitech, the American and Swiss digital accessories company. Logitech has managed to grow profitably while maintaining the innovation spirit of its start-up era. Logitech's culture has developed through the combination of five critical elements:

(1) A strong innovation legacy, rooted in the company's creation history and shaped by its defining moments, innovation achievements and threats.
(2) A deeply competitive industrial and market environment, highlighting the critical importance of innovation as a survival process.
(3) The visibility and influence of its major innovation role models, notably its founder and the CEO he chose to replace him.
(4) The company's embedded values and its current management attitudes, policies and processes.
(5) A great degree of attention to managing innovation as a process mixing creativity and discipline.

To conclude, Chapter 12 will address some of the key concerns of senior managers wishing to build a cadre of innovation leaders.

It will avoid discussing whether leadership is an innate or developed talent, and whether you hire on attitudes and train for skills or the reverse because the answer to the two questions is, obviously: Both. Instead, we shall focus on what leaders of innovative companies do to: (1) assess; (2) attract, select and hire; (3) develop and deploy; and (4) retain talented individuals to lead their innovation efforts.

## ENDNOTES



1. Ala-Pietilä, P. (2001). 'Leadership and Innovation.' Videotaped interview by J.-P. Deschamps, IMD, Lausanne, reproduced with permission. After stepping down as Nokia's president, Pekka Ala-Pietilä co-founded Blyk.com, a new mobile network for 16- to 24-year-olds that is funded by advertising.
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12. They introduced point-to-point connections using low-cost airports, with no possibility of adding connecting flights; direct sales (90% via the internet), bypassing travel agents; sales staff paid on commission; no fixed prices for flights (extensive use of 'yield management methods'); no tickets; one type of aircraft; no business class; no meals; etc. – but high punctuality levels and unbeatable prices.

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