

INNOVATION FROM WITHIN

Program Summary



JANUARY 18 | HOUSTON

Many companies compete in the day-to-day, week-to-week, cyclic race of *who can innovate the fastest*. There's a hype around it. But what is innovation, really? **How can companies kick-start innovation from within?** Where should they innovate? How do they know if they're doing it well?

Our panelists—including Nora Denzel, director of AMD, Ericsson Inc., and Talend Software, and Denis Browne, VP and head of SAP SuccessFactors and Imagineering—came together with the NACD Texas TriCities Chapter program on January 18 to discuss Innovation from Within, moderated by Peter Bryant, managing director at Clareo. In their discussion, they thoroughly addressed and answered these relevant questions from the perspectives of the company, board, and management.

WHAT IS INNOVATION?

Innovation is a change that creates a new level of performance and value creation in the business.

It's also important to understand what innovation is not: It is not the creation of new ideas. Of course, idea generation is part of innovation but not all of it. Innovation is also not just about technology. Sometimes people think innovation is a technological advance stemming from centers like Austin or the Silicon Valley, but it is not. Even business models can be innovated, and sometimes those innovations are more important than a technology innovation.

What innovation *is* about is a change that results in value creation inside an organization. Innovation is a change made for the genuine good of the company and shareholders. In the end, a change in a value proposition or positive shift in corporate culture are more valuable than a single change or advancement in technology—like the next big smartphone or product that makes smartphones obsolete. After all, if a company elevates performance and seeks to deliver productive and effective value creation, advancements in technology will come as a byproduct to that company's enhanced culture.

THE HOW

So, how exactly do we go about innovating? According to Ms. Denzel, there's a general set of questions board members need to ask about their company.

How can we most effectively allocate our resources to the best of our ability?

How can we take what we currently have and create and produce it more effectively?

Based on our current philosophy, where is the revenue and profit going to flow from in the short, mid, and *most importantly*, the long term? After all, in the long run, any short-term failure isn't actually a failure; it's a step toward advancement and progress.

Elaborating upon her view of innovation in the three time horizons, Ms. Denzel stated, "For short-term revenue, companies need leaders who have skill sets that can optimize current revenue streams. Optimizing the business will free up resources to be spent in the mid and longer terms. For meaningful revenue predicted in the mid- or 3- to 5-year time frame, leaders need to be adept at scaling new businesses inside the current business. For longer-term revenue, you'll need leaders who are more like 'deep sea divers' who will dive for treasure dozens and dozens of times but don't consider it a failure when they come up empty handed before finding treasure. It's the board's role to ensure that the capital allocation model inside the company doesn't inadvertently kill innovation by not investing properly to ensure the firm's long-term viability."

Mr. Browne echoed that sentiment: "You have to [be willing to] invite in crazy people to your company." He described a situation he was once involved with in which the research team was so disconnected with the side of the company generating "real revenue, keeping the lights on," that that branch of the company was deemed a "black hole." Mr. Browne's role was to "be a positive, disruptive force within the company," so he bridged the two branches together, bringing in "a very unusual and eclectic group of people," who made up the Imagineering team.

The very first object of focus was the demand of the customer. Mr. Browne spent 9 months requesting permission from the legal department to “talk to customers.” He decided that, if the company is to innovate—to reorient itself and positively disrupt itself—it should find out what *precisely* is being demanded.

In addition to stressing the investment in “crazy people,” he stated the importance of *communication* within branches of the company and with other companies. It’s important to not have everyone working in silos. Colgate-Palmolive was one such company: Within numerous Walmart stores across North America, the two companies worked together, creating a technology that could conduct image processing in real time along toothpaste aisles, indicating which products were missing, too abundant, or too sparse and whether or not they were in the back of the store, ready to be shelved. This 1% improvement in availability on the shelf translated to about \$6 million in additional point-of-sales revenue in each and every Walmart store across North America.

WHERE DO BOARDS GO WRONG?

When prompted by Mr. Bryant, Ms. Denzel once again referenced “**horizon planning**,” in which one accounts for the short, mid, and long terms, but this time, she introduced the concept of “**a measurement system**” for the short, mid, and long terms. As she says, “**the right question at the wrong time is the wrong question.**” The board/company “needs to have a case on why they’re innovating, and then understand what processes are in place to scale [the innovation].” And finally, Ms. Denzel emphasized avoiding “innovation theater,” in which a company, out of a sense of panic and urgency to innovate, invests heavily in an innovation advisory board, innovation centers, hiring the “crazies,” etc., but never takes the time to actually evaluate and change their processes to adapt to the innovation.

Expanding on the prior discussions, Mr. Bryant proffered that a board *must* not neglect the speed at which they operate. He described a session with multiple companies discussing “the accelerating of electrification around transportation,” and at one point in the conversation, the man from Tesla expressed his criticism of “just how slow” everyone else was; they liked to do things in “90-day sprints” and actually *get things done*. That wasn’t the kicker though. Obviously, Tesla is going to move fast, but what sent the message to the audience that these companies were *truly* moving too slow was when the man from Ford pitched in, *and that man agreed*. *Cue laughing* The point is...boards and directors **must act efficiently**.

Describing one of his innovation experiences with a prominent client, Mr. Browne emphasized the need for patience and perspective when innovating in the long term. When he was looking to innovate in the company while simultaneously trying to satisfy the needs of the board, Mr. Browne found a conflict: The board was dissatisfied with the lack of immediate short-term payoff. They failed to recognize that innovation can take up to years to get traction. Mr. Browne was struggling to get support from the sales team, which he likened to sales representatives being “slot machines:” put a coin in them and they’ll support your product, but no payment and don’t expect much. He had to look elsewhere, taking advantage of the resources around him, to market his product to consumers.

THE BIGGER PICTURE

If Ms. Denzel’s and Mr. Browne’s stances on innovation had to be summarized in one sentence, it would read like so:

Ms. Denzel, with a boardroom perspective, is emphatic on the short-, mid-, and long-term *cultural* innovations made within a company with the purpose of positively disrupting the company’s performance environment, while keeping within perspective and not falling into the trap of “innovation theater.”

From a management perspective, Mr. Browne likes to focus on what is actually being *demanded* by the customer and innovating the company to adjust to those needs in the long term, remaining unafraid to bring in “crazy” or differently minded people, while communicating with other branches of one’s own company and even other companies.

In his closing comments for directors, Mr. Browne suggested to the audience, “Avoid taking a ‘wait-and-see’ approach to threat and opportunity assessment. As it relates to innovation from within, be curious, and when confronted by new ideas, concepts, or competitive threats, suspend disbelief and develop a habit for saying ‘Yes, and what if...’ instead of the more familiar response of ‘No, and here’s why...’”

PANEL

Peter Bryant, Managing Director, Clareo, The World Innovation Network, Development Partner Institute

Denis Browne, VP and Head of SAP SuccessFactors and Imagineering

Nora Denzel, Director, Ericsson, Advanced Micro Devices, Talend Software, NACD Northern California Chapter

SPEAKER RECOMMENDED READING

“Lean Startup” and “the Startup Way”, by Eric Ries

“Zone to Win” (Horizon planning explained), by Geoffrey Moore

“Machine Platform Crowd”, by Andrew McAfee and Erik Brynjolfsson (disruption book – a great read per Nora Denzel)

“Why Not?: How to Use Everyday Ingenuity to Solve Problems Big And Small” by Barry Nalebuff and Ian Ayres

“How to Fly a Horse: The Secret History of Creation, Invention, and Discovery” by Kevin Ashton

“The Misfit Economy: Lessons in Creativity from Pirates, Hackers, Gangsters and Other Informal Entrepreneurs” by Alexa Clay and Kyra Maya Phillips

Program Summary By: Gabriel Mount, NACD Texas TriCities Chapter, Intern