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Innovation management best practices

Envisioning¹; a first step in achieving innovation breakthroughs

Ginni Rometty, IBM's boss, divides the digital age into two phases; the first is run by Silicon Valley ideas and venture capitalists and 'sleepy' industries are eviscerated, ideas dominate, and the new marvels of big data take hold. The next phase is the time for established companies, incumbents, ones willing to adopt new approaches and apply these to their customer base. IBM is, of course, the focus of her vision and still struggling. Rometty envisions two distinct phases; a vision which will, or will not, prove itself in time.



Envisioning is a highly useful talent in this digitally-disruptive era and somewhat a rare trait. Tesla and Bezos stand out but there are also many other examples. What characteristics facilitate this talent? What mind set is required for being effective at 'envisioning'?

Ford fired its boss, Mark Fields, because the Board believed he was complacent about the impact of technology. A conversation with Paul Saffo² illustrates big ideas; which drive the need for 'envisioning'.

Some executives and entrepreneurs are good at envisioning and others are not. Somewhere in a start up or an already-established organization there must be someone or a group that is good at addressing and managing the unknown and ever-evolving future. Envisioning should happen at all levels in an organization, not just at the top and this devolvement is dependant on leadership.

Those corporations which are good at 'envisioning' will survive and grow but those organizations which are handicapped will stick with simpler solutions such as *bolt-on* acquisitions and eventually succumb or, at a minimum, struggle. The role of mavericks, one of the keys to 3M's success³, may be one of the best ideas ever to stimulate envisioning.

Table of contents

- CIO's research
Four of five companies have stuck close to the vision of their founders
- Envisioning; substance and sustainability
CIO's research suggests that sticking close to an early core vision is important
- GE's saga
Distractions from the core
- Lessons from Lands' End
Envisioning gone wrong at the Board level
- What envisioning requires of stakeholders
The mind set, Board, CEO, Employees

¹ To conceive an image of, especially a future possibility. To consider or regard in a certain way. Marginally different from 'visioning' which refers, amongst other definitions, to 'an unusual competence in discernment or perception; intelligent foresight. Nelson Canadian Dictionary of the English Language.

² <https://youtu.be/IYfHRNTlmaQ>

³ See CIO's report on 3M's innovation management practices

CIO – Corporate innovation online

Innovation management best practices

CIO's research

Four of five companies have stuck close to the vision of their founders

CIO's research delves into the reasons organizations have a long and mostly successful history. In-depth research covers Deere, 3M, P&G, Starbucks and GE. With the current, hopefully temporary exception of GE, these companies have been and are leaders in their industries and have survived over decades in part because of their innovation management practices.

The omnipresent digital wave is the most recent force to impact corporations and, along with the use of big data and AI, almost all organizations will be impacted. Clear envisioning is a key to leading an organization through the turmoil.

This paper explores the process of 'envisioning', its components and provides tips on moving ahead.

Bolt-on acquisitions are the standard way that 'incumbents' respond to the threats and opportunities represented by new technology. The typical action is to buy into, or buy out, an organization which seems to have the potential to disrupt, buy several, and hope to be part of the new growth and, at the same time, subsume new technology thinking into the traditional business.

Catching the balance between taking too aggressive an action, with the consequences of out-running the available business or being a laggard and having new entrants cobble away at the traditional business core, requires careful decision making. Envisioning has a part to play.

Envisioning; substance and sustainability

CIO's research suggests that sticking close to an early core vision is important

CIO has researched over thirty company's management practices with a view to identifying the management practices which have contributed to their commercial success, longevity and reputation for creativity. Five companies have been examined in depth by CIO⁴. How far can a company stray from its original vision and still succeed?

- **Starbucks**; coffee roasting prowess combined with a vision of how to capture the pleasure – aroma/atmosphere – at the consumer level globally. Starbucks built its business on an earlier base of poor tasting coffee in the United States. Quality and atmosphere remains mainstays of success to this day.
- **Deere**; the transformation of the agricultural economy from labor to machine-intensive power built on an early ingenuity, craftsmanship and attention to detail which drew customers away from the original blacksmiths approach to manufacturing agricultural

⁴ For the full list of companies researched and for in-depth reports – referred to as IM reports - on each of the five companies noted, please refer to the web site.

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Innovation management best practices

equipment.

- **P&G**; began with the notion to study and improve the ‘making and selling of soap’ supported by then-sophisticated and new marketing research and the introduction of wide-spread profit sharing.
- **3M**; a manufacturing company with a focus on invention itself albeit with attention to a growing number of scientific platforms (adhesives, ceramics, advanced composites, films and non-woven materials) with the early and long presence (60 years) of McKnight instilling a culture of invention which continues to this day.

GE; an American icon currently in some serious difficulty, despite its outstanding reputation over 100 years, is not so easily characterized.

Reverse envisioning can be telling. What could each company least afford to lose?

- Starbucks; high quality roasted coffee serving a global market
- 3M; advanced science and engineering of materials for a global market
- P&G; cleaning products for the home sold into a global consumer market
- Deere; agricultural machinery for the North American market
- GE; power generation machinery and systems serving heavy industry globally

In other words, if each company should lose this core vision of its product/service, there would be little or no substance remaining to sustain the company.

GE’s saga

Distractions from the core

At the root of GE is electricity and power equipment and related systems. Innovation has been and is of utmost importance but while the linkage amongst the platforms of the engine and power business is obvious, health care is less related and other involvements over the last three decades are much less related to the core of the business; i.e. to the original vision.

More significantly, GE has, over the last three decades, veered from its roots with large financial involvements in broadcasting, finance, manufacturing appliances into the consumer markets and most recently into the oil and gas business. These deviations may have distracted GE’s management focus well away from its much earlier vision and the consequences are only now becoming evident.

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Innovation management best practices

Most recently, GE's acquisition of Alstom⁵, while in line with GE's industry know how, took place in a new and difficult geography, i.e. Europe. Unanticipated poor financial performance provided a significant distraction for management and the Board.

GE's Predix, a large investment in the digital realm and, at the outset, an area not well known to GE, has drawn excessive investment with a pay off yet to be realized. A vision yet to be realized.

Lessons from Lands' End

Envisioning gone wrong at the Board level

In 2015 Lands' End Board hired a new CEO, Frederica Marchionni to bring life back into a brand which had, in their view, stagnated. Eighteen months later she 'resigned'. Sales and profit had plummeted.

On leaving, Marchionni had a clear idea of her role; "I am honored to have led this extraordinary company and proud to have succeeded in providing a vision to expand its positioning in the industry with a multi-dimensional strategy,"

After her leaving, comments flowed and were best articulated by Fortune's; Jennifer Reingold, October 6, 2016.



It's the sequel to a movie we've seen before, in which a glamorous outsider takes the reins at a struggling retailer and, with full board support, promises to move it from middle-of-the-road to upscale. Customers and employees rebel, short-term results plummet and the board panics, abandoning the new strategy before it has a chance to fail—or to succeed.

Lands' End is now a case study⁶. Envisioning was a big part of the story. Both the Board and the new CEO were part of that process but what about customers and employees?

The case study draws attention to the plans Marchionni put in place to attempt to bring about this shift in the vision for Lands' End. For those contemplating the process of envisioning for their own organization, there numerous lessons to be learned. Here are a few lessons.

Strategic

- Don't neglect or downplay the importance of an existing loyal customer base, even if it isn't dynamic. Consider starting afresh – best example is Toyota's Lexus division. Often easier to build than to change a mind set!
- If the industry served, in this case, the retailing industry, is in turmoil, expect and be prepared for unpredictable surprises.

⁵ French manufacturer of rail transport. GE acquired the power generation and electrical transmission businesses while GE gave up its railway signalling business.

⁶ Stanford Business Graduate School. The innovation playbook: Lands' End; envisioning the future. July 2016.

Building, sustaining and articulating innovation management best practices

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- Brands are one of the most difficult ‘visions’ to change. Altering a brand requires at least a decade and expect profit troughs in the first few years

Operational

- Envisioning is only the first step in a process of change so do not get so many initiatives underway that they are too numerous to manage effectively; plan, carry out and measure progress.
- Live where you work; the CEO should be rubbing shoulders with the management team. Electronic communication does not cut it.

Leadership

- Board involvement is key; sensing the problem, deciding to change the leadership, hiring the replacement, buying into the vision and the strategy, approving the financial plan.
- Hiring from the outside always comes with the concern that current stakeholders, particularly employees and customers, may not want to hail the new vision.

The message; straying from the core and an original vision draws significant risk.

What envisioning requires of stakeholders

The mind set; Board, CEO, employees

Envisioning should occur at all levels in the organization. Senior management needs to create the environment which encourages the free flow of ideas in the organization. The story of ‘Post-it notes’⁷, where ‘middle and lower-echelon troops acted largely in solitude’, well illustrates the characteristics of persistence and tenacity which is often required within an organization to progress ideas to the point of successful commercialisation.

Often at the top of these organizations, most likely its founder(s), had a vision but also special talents applicable to the business of the day and the future. Musk (Tesla) and Bezos (Amazon) are the Edison (GE) and McKnight (3M) of yesteryear.

| Mind set | | |
|--|---|---|
| A visionary who understands | Tools | An in-depth knowledge of disruptive technologies/ideas such as |
| Longer-term trends and has deep insight into industry dynamics | A viable business model and strategy | <ul style="list-style-type: none"> • AI, big data, Nano • Social media • Individual value systems • Global trends such as climate change • Information availability • Health and well being • Algorithms |
| Risk taking and has a tolerance for failure | A culture which is open for change | |
| In-depth know how about complexity; at both macro and micro levels | Building in technology; limited outsourcing | |
| Inspiration and optimism to share | Stretch goals | |

⁷ Breakthroughs, co-authored by Nayak and Ketteringham of Arthur D Little, Inc. published by Rawson Associates.

CIO – Corporate innovation online

Innovation management best practices

Envisioning leads to experimentation. Witness Dyson’s over 5000 trials of his vacuum system before he was satisfied and not only Bezos’ success but also his or Amazons’ failed experiments.

All ingredients are required. Tesla, the brilliant scientist of Serbian extraction not related to the new electric auto, competed with Edison but lost out to Edison’s commercial abilities. According to James Canton⁸ ‘Leading innovators in life sciences like Craig Venter who mapped the genome, Dr. Rick Smalley the Nobel winner in Nanoscience, Elton Musk of Tesla and Steve Jobs, share a common mindset’.

Perhaps 3M’s innovation management practices make more sense having now examined the characteristics which make for effective ‘envisioning’.

Of all the organizations which CIO has examined, some in-depth and others less so, 3M stands out for its encouragement of ‘mavericks’ and, along with the combination of several other management practices – Factors – makes 3M unique.

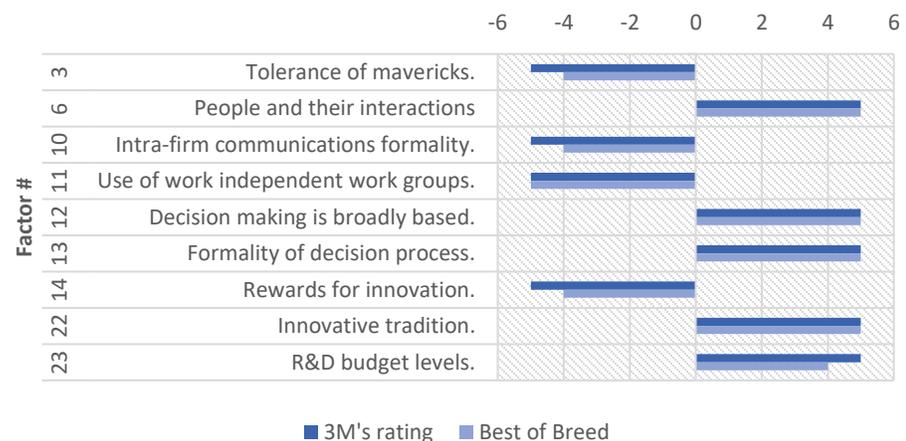
Nine Factors have been identified as of greatest importance to 3M’s culture for innovation. The first of these is their tolerance for mavericks; an understatement since 3M encourages and makes explicit its tolerance for mavericks. Not the whole answer to 3M’s reputation for innovation but certainly a major contributing factor.

Other Factors, as set out in the chart, address either directly or indirectly other ‘envisioning’ characteristics; - collaboration, motivation, research, ease of communication and delegation. Rewards and a consistent approach to funding research and development are also part of the culture, the mind set, which encourages envisioning, invention and innovation to take place.

The importance of ‘delegation’, one of the more important and pervasive of 3M’s management practices, is emerging as a practice at the root of successful organizations.

The 11th pillar in the latest WEC study⁹, which addresses ‘business sophistication’, includes the ‘willingness to delegate’. Respondents to the WEF survey are asked ‘how do you assess the willingness to delegate authority to subordinates. A rating of ‘1’ is to be not willing at all and a

Factors of Greatest Importance to 3M's Innovative Culture. A comparison wth Best of Breed



⁸ The Innovator’s Mindset: Envisioning the Future. Huffpost, October 9, 2016.

⁹ World Economic Forum. The Global Competitiveness Report, 2017-21018.

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rating of ‘7’ means very willing to delegate to ‘business management heads and lower-level positions’.

The U.S. is ranked 9th, Canada 11th. Year after year, Nordic countries are in the top ten. New Zealand slips in at 6th currently and Qatar is 7th. The ‘willingness to delegate’ is but one of nine elements that contribute to a country’s overall ranking for the 11th pillar; ‘business sophistication’.

Why is this characteristic so important?

The lack of, or unwillingness to delegate, pervades several other ‘best practices’ for innovation management such as; organizational decentralization, lack of a hierarchy, and the willingness or otherwise of management to use project teams which have authority.

Most importantly, the willingness to delegate is a proxy for the presence of trust in an organization. One delegates if there is trust. People – managers - are not inclined to delegate if they don’t trust subordinates. The rating can therefore be a bell weather of broader management problems which can inhibit innovation, hobble envisioning or, if identified and corrected, can be a sign of better things to come.

Some help to undertake the process of envisioning, at least at the consumer level, is illustrated though Microsoft’s New Envisioning Center; Live, Work, Play at <http://aka.ms/envision>.