

Changing Tomorrow Today (Part 2)

Changing Tomorrow Today: Innovating Change – An Unending Quest

“Leading change involves knowing what to change and what not to change.”

Navigating change involves selecting and developing change leaders.

How can we be effective change leaders?

There are two key aspects of being a change leader: Innovating change and Implementing the innovation.

Innovating change is shaping new opportunities for growth. Leading change involves knowing what to change and what not to change. It involves having the courage to abandon what’s not working as well as creating innovative products, services and processes.

Implementing the innovation involves driving a plan for change, creating ownership for the change, motivating staff to embrace and implement the change and having the courage to evaluate and modify the game plan if necessary.

Too often, visionary leaders who inspire and lead the change suffer from the ‘marathon’ effect, whereby leaders are way ahead of the troop while the foot soldiers are still limbering and stretching, and not even at the starting line-up.

Only when these two elements are executed will the change become a success.

Innovating Change – An Unending Quest

If we want to survive, we have to lead change. Managing change is insufficient. The role of the new executive must include innovating change: noting and anticipating the changing trends in the pharmaceutical industry, seizing the opportunities and moving forward with the change.

Jay Chang confesses that if anything makes him nervous it’s the lack of innovation, “a new pipeline is critical and also very exciting in the pharmaceutical industry. The thought of not having a new pipeline would make me very nervous.”ⁱ

There are key aspects in the process of innovating change.

- 1. “A Thousand Eggs but One Survivor”: Create, incubate and grow an idea-generating culture.**

“Innovative ideas are like frogs’ eggs: if a thousand hatch, only one or two survive to maturity.”

Peter Drucker writes, “The innovative organization understands that innovation starts with an idea. Ideas are somewhat like babies – they are born small, immature, and shapeless. Never pooh-pooh an idea, no matter how ridiculous. Rather, ask, “What would be needed to make this embryonic, half-baked, foolish idea into something that makes sense, that is feasible, that is an opportunity for us?”

An innovative culture is not a chance event. It is to be modeled by the leadership and organization driven values and embraced by all employees of the organization.

Alan Taylor asserts that “good leaders also need to possess good planning ability and to ‘have the foresight to look outside of the square and to be willing to do things differently.”

He made the most successful private and PBS launches of a prescription drug, Celebrex, that quickly became the largest selling private prescription drug in Australia, achieving over 80% of the dollar market share in just two months.

Removing Barriers

Leaders make the difference in creating this kind of culture. Mark Trudeau, President of Bristol-Myers Squibb, Asia Pacific, is one such leader. He sees that one of his critical roles in leadership is to remove barriers for the people in his team so that they can “let their creative juices flow, particularly in the creation of value for patients, launching new products and bringing new technologies to the market.”ⁱⁱ

Recognizing Efforts

At Eli Lilly, the leadership spearheaded the INNOCENTIVE, a solution-based website where employees post solutions to specific questions or problems that the company faces. For example, “How can we produce fatty acids from oxidation?” – that any of its 10,000 engineers, chemists, and other scientists can tackle. The individual or group that offers the best solutions gets a \$20,000 reward.

Reconstituting Cross-Functional Teams

One of the best ways to foster an idea-generating culture is to build an internal cross-functional collaboration network. Singapore Airlines started the FUSION program, a cross functional team to facilitate the collaborative efforts of different units to meet demands and to solve common problems affecting their various departments. They have been successful in designing and implementing an integrative service to serve customers better.

P & G has also been very successful in many cross-fertilized products and business creations. Their Olay Daily Facials is a face cream that is an excellent cleanser and moisturizer. Experts from P & G’s skin care, tissue and paper towel, and detergents and fabric softeners groups joined together, and their combined knowledge about surfactants, substrates, and fragrances helped P & G create and launch the highly successful new product.

Today, they have developed 30 communities of practice: each comprises volunteers from different parts of the organization and is built around an area of expertise (such as fragrance, bleach, analytical chemistry, or skin and hair science).

In short, leaders take innovation seriously.

2. **“Grass is greener on the other side”: Go outside the industry**

“Many changes that have transformed enterprises have originated outside the specific industries of those enterprises. The technologies that are likely to have the greatest impact on a company and an industry are technologies outside its own field.”

Innovative ideas do not just come from the R & D departments. There must be an innovative culture: gathering feedback from customers and competitors, working with universities and scientists, creating cross-unit collaboration, and scouring for independent entrepreneurs. Today, there are more innovative ideas coming from independent entrepreneurs than ever before.

ⁱⁱⁱProctor & Gamble has the Connect+Develop, in which the company uses online R & D marketplaces and other intermediaries to identify and acquire ideas and technologies from independent inventors; or Intel its Capital, through which the chip maker invests in technology start-ups and spurs innovation; or Nokia its Concept Lounge to find and acquire innovative and futuristic product concepts directly from independent designers.

When SIA wanted to take the lead in service, they had to go outside their industry to learn from the best practices of companies like Citibank, Disneyland, Nordstrom, and Ritz Carlton. They were not afraid to send their executives to other service industries to scour for benchmarks in customer service and learn even better ways of providing ‘legendary service’.

Sometimes, innovative leader companies create scouting networks. This is what Siemens has done in Silicon Valley since 1999. It has sited a 15-person scouting team in Berkeley, California, to hunt for new and fresh ideas. Its job is to cultivate relationships with students, professors, venture capitalists, and entrepreneurs to learn about emerging technologies and business ideas.

In *A Buyer’s Guide to the Innovation Bazaar*, Satish Nambisan and Mohanbir Sawhney provide a very useful framework to evaluate sourcing innovations externally:

- REACH that companies have as they cast about for innovative ideas to assess;
- COST of acquiring and developing those ideas;
- RISK involved in trying to turn them into marketable products;
- SPEED with which the ideas can be brought to market.

They call this the External Sourcing Continuum.

3. **“Hot Air but No Fire”: Measure innovation by value creation**

New ideas are not enough. They must be ideas that will generate value to the customers and therefore create revenue. That is why leaders have the enormous task of selecting the right R & D projects to minimize risks and ensure that their investments go into value-added products, services and processes.

The challenge is 'how to find and fund the best ones and kill the bad ones'. That means being willing to ask their R & D departments: "How certain can you be that all these research will end in winning innovations?"

In other words, it is not just innovating for innovation's sake. It's not just 'let a hundred flowers bloom' but picking the right flowers that customers will value.

Value creation not product innovation is a philosophy embraced by Mark Trudeau. "We are not only a company that focuses on innovative products but also on ensuring those products bring value to our customers and ultimately better health to people in the region."

Peter Drucker is right. "Measure innovations by what they contribute to the market and the customer. The test of innovation is whether it creates value. Innovation means the creation of new value and new satisfaction for the customer."^{iv}

Rodney Unsworth identifies the 'value proposition' as the greatest challenge facing the pharmaceutical industry in the Asia-Pacific region today. The challenge is for the pharmaceutical industry to ensure that governments and communities understand the real value which the industry offers.^v

The value-proposition of an innovation, product, service or process must be clearly and regularly articulated to all the stakeholders.

4. "Not Just Think It but Just Do It": Idea Generation and Execution are two sides of the same coin

Today's leaders must be both visionary and implementer.

Good ideas are not good enough. New ideas not executed are as good as no idea. In 1999, Stewart Davies, CEO of BT Exact and Head of R & D of BT, one the world's leading IT companies, found that the division was not short of ideas, but deficient in idea execution.

According to Morten T. Hansen & Julian Birkinshaw, "Most companies have no shortage of formal systems for managing ideas. The number and diversity of people involved, however can create a risk-averse and bureaucratic process that grinds execution to a halt."^{vi}

As a senior executive of a financial services company once complained, "If I want to get a new idea to market quickly, I take personal control of it, and I steer it through the system. If I want to kill an idea, I send it through the formal process."

“A leader has the task of creating a true whole larger than the sum of its parts. The task of creating a genuine whole also requires that the manager, in every one of his or her acts, consider simultaneously the performance and results of the enterprise as a whole and the diverse activities needed to achieve synchronized performance.” *Management: Tasks, Responsibilities, Practice*

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ⁱ Interview with Jay Chang, Interface, A Newsletter for Clients of IMS, Issue 61, December 2005.

ⁱⁱ Interview with Mark Trudeau, Interface, A Newsletter for Clients of IMS, Issue 63, June 2006.

ⁱⁱⁱ Satish Nambisan & Mohanbir Sawhney, A Buyer's Guide to the Innovation Bazaar. Harvard Business Review, June 2007, Harvard Business School Publishing, Harvard, MA, USA, p 109.

^{iv} Peter Drucker, *Management Challenges for the 21st Century*

^v Interview with Rodney Unsworth, Interface, A Newsletter for Clients of IMS, Issue 60, October, 2005.

^{vi} Morten T. Hansen & Julian Birkinshaw, The Innovation Value Chain. Harvard Business Review, June 2007, Harvard Business School Publishing, Harvard, MA, USA, p 123,127.