INVESTOR'S BUSINESS DAILY

MONDAY JULY 24, 2006

MANAGING FOR SUCESS

Thinking Outside Box Can Be Inside Job

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Bosses often stifle new business ideas. When chemist Felix Hoffman invented the painkiller aspirin in 1897, his supervisor at the German drug maker **Bayer** (BAY) wrote back: "This is typical Berlin hot air. The product is worthless." Bayer's chairman had to intercede to bring the product to market.

Many companies wouldn't let great product ideas like this slip between the cracks. But coming up with a hands-on approach in managing innovation inside companies can be elusive. Most managers understand that fresh thinking is needed to stay ahead of the curve. Yet all too often, they lack clear policies to catch new ideas as they appear and to transform them into profits.

Such failure in nurturing innovation is a common blunder, says Jane Linder, director of research at the **Accenture** (ACN) Institute for High Performance Business, a "think and act tank" in Wellesley, Mass. She says regular brainstorming sessions by corporate committees provide only part of the answer. Promoting corporate creativity takes constant oversight and structure, says Linder. She compares it to a "Goldilocks problem" — a balancing act between two extremes.

"You want to pick the right areas and balance new ideas with practicing what you already know how to do well," she said. Many people view innovation as simply coming up with new product releases. Innovation can also mean trying out creative customer services, inventing new employee incentives or forging outside partnerships that lead to different markets.

In short, business innovation can be defined as the process of implementing a new idea that leads to greater worth for the company, Linder says. In other words, the idea isn't the goal or end in itself. "What you're really after is the value that innovation creates, which is profitable growth," she said.

For instance, **Apple Computer** (AAPL) was struggling with sales of its Macintosh line when it introduced the iPod in 2001. The device soon took the music world by storm, becoming a product breakthrough that re-energized Apple. Meanwhile, **UPS** (UPS) innovated around its existing services. The package delivery giant transferred its expertise from shipping into a new line of business. Now UPS delivers spare parts for manufacturers — a natural fit for its core strengths and assets. **Starbucks** (SBUX) and **JetBlue** (JBLU) innovated by updating old ideas with new frills. Starbucks turned a simple cup of coffee into a cultural experience. JetBlue made flying more pleasant by giving passengers luxury seats and TVs.

Such coups happen all the time. But lots of good business ideas get killed off before they even make it to the drawing board, warns Rich Trombetta, president of The Innovation Co., a business consulting firm in Acton, Mass.

The natural enemies of workplace innovation are narrow-minded people who shoot down the ideas of colleagues before they've had a chance to gel, says Trombetta. Some folks can't wait to challenge any notion that rocks the status quo. Others relish arguing for argument's sake without really listening or trying to understand the other side.

The negative feedback then stifles other co-workers, who suppress their own thoughts for fear of similar reprisals. The resulting silence puts a gag on further innovation. Such "blocker" types who repeatedly muzzle new ideas should be taken off group projects, says Linder.

"If you get rid of the blockers, move them out of the way, especially at the senior level, you can change the culture overnight," she said. Managers also can improve the workplace dynamic by promoting a climate of tolerance for new views, says Trombetta. "Everyone has to be on board with respect for other people to express their ideas," he said. In his new book, "Mustard Doesn't Go on Corn," Trombetta argues that innovation is easy when people just let go of preconceived notions. The book's title refers to a schoolchild who was scolded for his unusual choice of condiments.

The point is not whether mustard belongs on corn. The point is that such novel ideas deserve an open forum, not snap judgments based on the way things have always been done, says Trombetta. At the same time, Trombetta says he's not arguing for some touchy-feely groupthink. Rather, he's encouraging a culture of openness in the workplace. "You definitely want some critics to raise questions," he said. "But it doesn't have to be a strong negative critique within a split second."

A company's size also bears on its innovation strategy. Most small startup firms are wholly based on innovation. Their biggest problem is adding business rigor to harness creativity. In many ways, midsize companies have it the hardest. They must constantly innovate like the little guys while competing against the big boys, only with smaller budgets and staffs, says Linder. "Midsize companies are like motorcycle riders — close to the ground with the wind in their hair, feeling every bump on the road," she said. "They can't afford to be wrong by spending money on the wrong ideas."

Big lumbering global companies face a different problem, which is staying relevant in a fast-changing world. "In order to do something new at a large company, you have to break eggs a bit," Linder said. One leading tech innovator, **Google**, (GOOG) pushes its top engineers to spend one day each week dreaming up new ideas, says Paul Gladen, president of Muzeview, a research and consulting firm.

Some big companies tap a chief innovation officer or other top executive to lead the innovation charge. Such a role isn't always needed, but it can help by streamlining staff efforts, says Gladen.

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Offerings can be judged by the revenue they add to the top line. Moneymakers should get added funds and attention, while losers should be dropped, says Linder. "The idea is to let things percolate and then push resources to where things are working," she said.

