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a newsletter on practical strategic thinking and action
issue #30: lessons from america's chief innovation officers

editor's message

Earlier this year, we received an inquiry from the Chief Innovation Officer of a large multinational. Until that point, we had never met anyone in corporate America with this title. But we were intrigued. This person was responsible for growth and innovation, a challenge shared by almost every company in the country. It's not an easy task because innovation is different than a lot of management work. You can't order people to innovate—you can't tell them where to find the next opportunity. So how do C-level managers help their companies become more innovative? We couldn't resist. We saw CIO's (innovation, not information officers) as a great resource for learning about the real-life experience of managers facing this challenge. So we decided to perform a survey of these trailblazers. A white paper based on our survey is being released today (see below for more details).

The results of the survey are the topic of this month's Trekking. In Strategic Thinking we share the major finding of the study: that CIO's are working at the cusp of the industrial and knowledge eras. In Strategic Action, we talk about what that means to us all with regard to managing our own companies and nurturing growth and innovation. In Industry Spotlight we share more details about the survey findings, and our Reading List reviews *Smartsourcing* by Thomas Koulopoulos.

strategic thinking

The Innovation Ecosystem

CIO's, like all of us, live in industrial era organizations but are trying to do the work of the knowledge era. What do I mean by that?

Most organizations are still set up with a strict hierarchy. Most of us could easily draw an organization chart for every company with which we have been involved. This type of organization reflects the nature of work in factories where the boss knows more than his or her subordinates. In this traditional setting, orders generally came from the top.

Today, the opportunities for innovation and improvement many times cannot be seen from the top. Workers are often the drivers of improvement to processes and products. This is especially true for knowledge and service-based businesses. In today's organizations, innovation and ideas come from deep inside an organization.

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This speaks directly to the challenge of leading innovation initiatives. A leader at the top of the organization can't order people to innovate. The job of a leader is, rather, to set the stage for innovation by getting the right intellectual capital in place and asking questions such as:

- **Human Capital:** Do we have the right combination of people with the right competencies and culture to be innovative? Do we have the right management skills? Are we developing new skills? Where are we at risk?
- **Structural Capital:** Do we have the right knowledge set and right processes (including an innovation process) to deliver on innovation opportunities? Are we developing new knowledge? Where are we at risk?
- **Relationship Capital:** Are we reaching the right customers? Are we cultivating the right external network? Is our brand supporting or hindering our efforts? Where are we at risk?

Leadership in the knowledge era implies creating the right ecosystem for innovation that will yield a continuous stream of useful ideas. How healthy is your company's innovation ecosystem?

-Mary Adams (adams@trekconsulting.com)

strategic action

Making Innovation Happen

Don't worry. Although Mary is right that the nature of leadership has changed, there is still an important role for a leader in knowledge era enterprises. How can you be a more effective innovation leader in your own organization? You should start with the following self-examination:

- **Measure where you are today.** Determine whether innovation is a necessary component to your success. If it is, you should create an environment that encourages innovation. Examples of a nurturing environment would include having the intellectual capital resources you need, understanding your level of risk tolerance, attitude toward failure, support for innovation such as access to appropriate research tools, and a financial framework that encourages development.
- **Understand what you need to do going forward.** Take the pulse of your company and work to deliver an organization that nurtures innovation. The new structure should be a combination of top-down (deliberate strategy where management directs the process) and emergent (where the people closer to the process have greater input). Innovation efforts also need structured processes to shepherd innovations from concept to closed sales.



- **Measure your progress.** Don't just rely on financial metrics (revenue and profit or units sold), but find intermediate metrics that show your progress toward delivering growth. You want to be able to monitor progress in both creating your innovation ecosystem and also in your innovation process—waiting for revenue numbers is way too late. Tangible and intangible measures should be considered to evaluate progress.

- Michael Oleksak (oleksak@trekconsulting.com)

industry snapshot

Cultivating Innovation

Some of the specific findings of the survey include:

- Most CIO's are the first person in this role in their companies
- Most made an internal move
- Half work alone and half head up a department
- Most initiatives are targeting a specific goal (such as creating new products)
- Information needs are split between process and organizational
- CIO's are relying heavily on financial measures to demonstrate success, rather than identifying leading indicators for more proactive measurement and management
- The greatest challenges facing these CIO's have to do with people and culture (and these challenges are not being addressed directly).

This last finding is the key finding from our perspective. It leads to the view, described in Strategic Thinking, that innovation is not just a process, it is about creating an organization where innovation is part of the core competencies and culture.

For more details and discussion of the implications of these findings, read the full white paper, "Cultivating Innovation: Lessons from America's Chief Innovation Officers" (www.icknowledgecenter.com/WhitePapers/CultivatingInnovation.pdf).

reading list

Smartsourcing

By Thomas M. Koulopoulos and Tom Roloff

We did some work with Tom Koulopoulos many years ago and have followed his work ever since. His expertise has always been in technology, but it is interesting how his high-level view is leading him more and more toward strategic and innovation topics.



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This sounds like a book that should help people outsource more effectively. But you will get much, much more than that. The authors help show that our current experience with “outsourcing” is just the tip of the iceberg, the first hint of the globally networked, or as they call it, ‘federated’ business models of the knowledge era. They do a great job of outlining this greater context and tying outsourcing to the eclipse of the value chain (see our view on this in Trekking 25 “The Exploding Business Model” - www.trekconsulting.com/Publications/Newsletter/Issue25/Issue25.html).

There is a lot of practical thinking here that you can use today. Their thesis is that an outsourcing exercise needs to start with a strong understanding of your company’s core competencies and the strength of your current performance in those competencies. Only then can you begin to know how and what to outsource. They also do a good job of identifying the success factors that need to be mastered for outsourcing to yield benefits.

There is a lot here that is well worth your time. For more information, visit Tom’s blog on Smartsourcing (tlb.typepad.com/ss/).

announcements

Mary Adams was recently featured in a discussion of “Benchmarking Do’s and Don’ts” on the website of the Society for Human Resource Management:

Determining the metrics most relevant to a client requires a thorough understanding of the company’s strategic objectives and goals. In considering the organization’s strategic direction, Mary Adams of Trek Consulting LLC in Winchester, Mass., stresses a forward-looking approach. Adams is founder of the IC Knowledge Center and works with companies to establish key performance indicators and benchmarks for effectively managing their operations. Consultants “need to broaden their thinking beyond ‘what are we doing today?’ to ‘what are we capable of doing?’ ” she says.

SHRM Consultants Focus Area (www.shrm.org/consultants).

In next month’s issue, we will look at the the surest way to reach your goals.



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about trek consulting

Trek Consulting LLC helps companies to face the challenges of growth, building value and dealing with change. Since 1999, we have been a valued partner to business owners and leaders on their arduous journey to business success. We know that we cannot make this journey for our clients, but we can make it easier and more successful. We focus on getting you the best information available, facilitating sound planning and decision-making, making sure you have the right skills and resources to face your challenge, and coaching you through the roadblocks that invariably arise along the way.

Our clients report improved market focus, greater revenues, better margins and increased profits. To learn more about Trek Consulting and how we can help you improve your company's results, visit us on the web at www.trekconsulting.com or call us at 781-729-1008.