

The way we work is our most important innovation ©

Creating an Innovative Enterprise

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Main Messages

Question: how do you change a failing company's "culture"?

Answer: change the way employees work

Tip: never mention the word "culture"



"The purpose of business is to create a customer. The enterprise has two – and only two – basic functions: *marketing and innovation*. Marketing and innovation produce results; all the rest are costs."

SRI in 1998

- Famous R&D laboratory in Silicon Valley
- In serious trouble
 - Steady decline for ~20 years
 - Deeply in debt, selling land
- Causes
 - Obsolete business model
 - No value-creation playbook
 - No trust in senior management
 - Little staff collaboration; many grudges



Overall: a scarcity mindset

Major Turnaround

- Tripled revenue to \$550M and 2,300 staff
 - 5 new innovation centers across America
 - New innovations worth \$Bs
- David Ladd, Mayfield Ventures, “SRI is now the world’s most productive R&D center”
- Our value-creation process is used worldwide: US, Japan, Chile, Taiwan, Singapore, Finland, ...

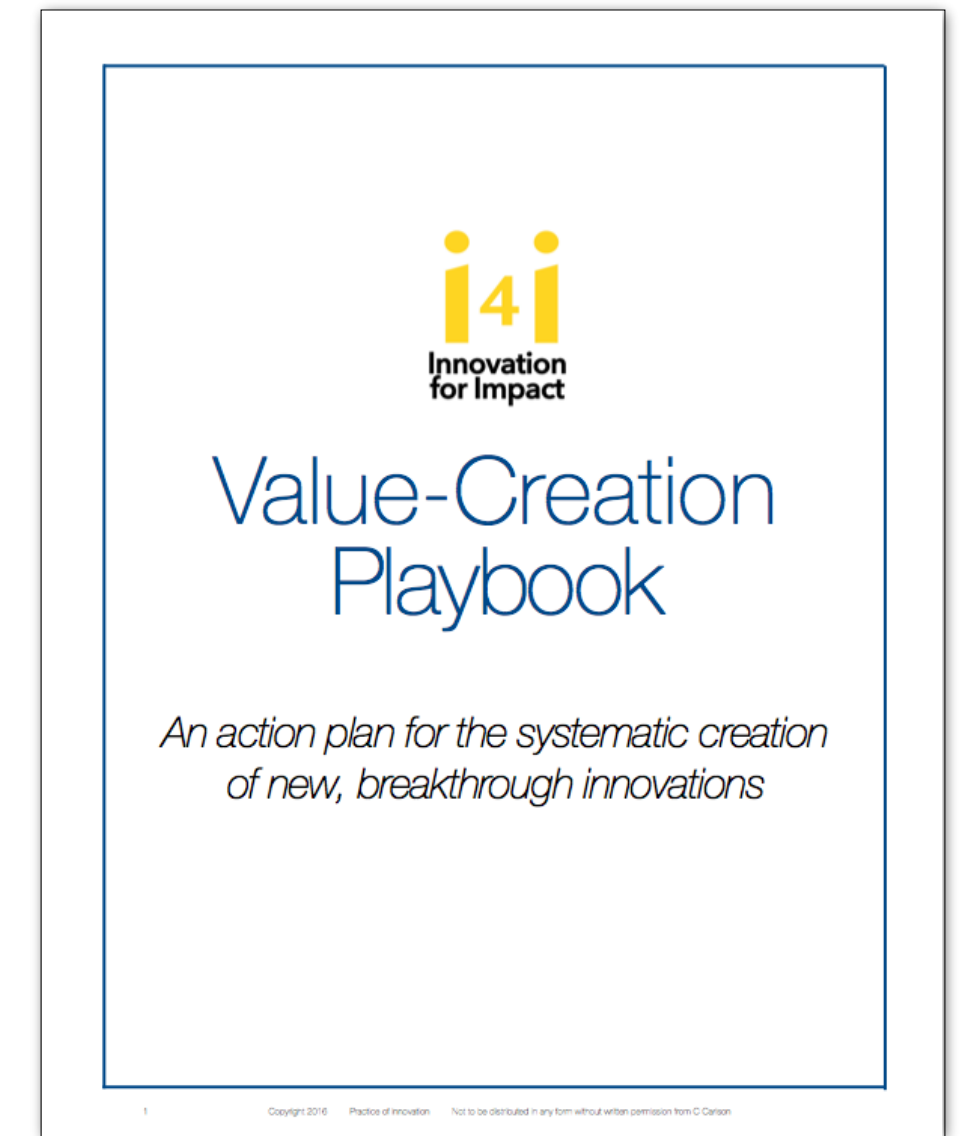
Siri



Overall: an abundance mindset

Today's Topics

- Culture flows out of the way we work
 - Work practices are the responsibility of management
 - Everyone must be focused on the customer and creating customer value
- Three keys to success
 - Important customer and market needs
 - Value-creation playbook, including NABC value propositions
 - Ongoing value-creation forums to rapidly get the answers needed



Question

Percent of staff in your enterprise that
can describe your innovation process

5 = 100%

4 = 80%

3 = 60%

2 = 40%

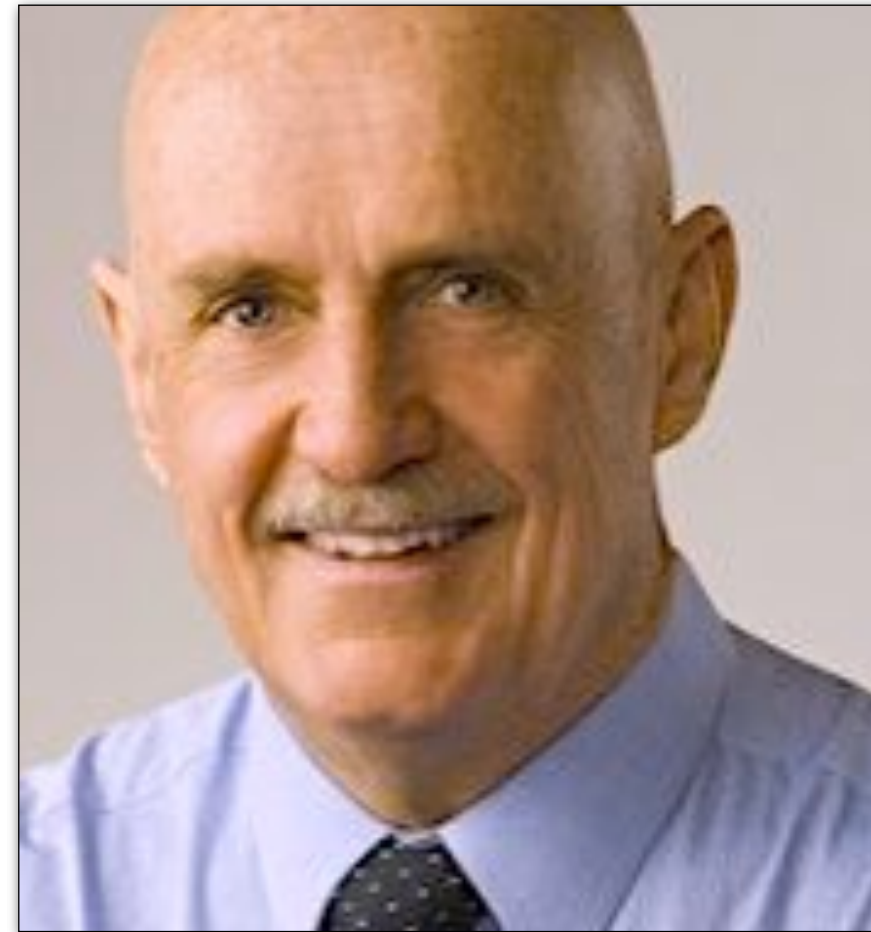
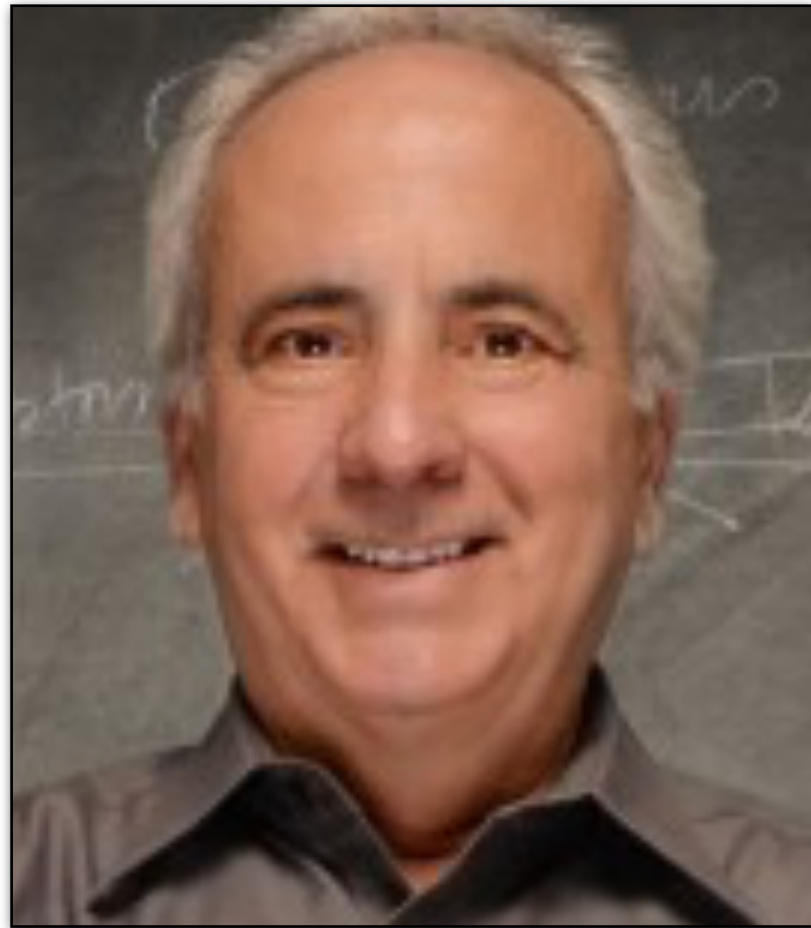
1 = 20%

0 = 0%

What is the percentage of staff in your enterprise who can describe your innovation process?



Superb Partners



Norman Winarsky Alice Resnick
Innovation Communications

Bill Wilmot
People

Len Polizzotto
Best practices

Herman Gyr
Organization

First Steps

- Conducted a staff survey before I came
 - Issues to be addressed: cynicism about management, lose-lose attitude about collaborating, fear, blaming others, ...
 - Strengths to be leveraged: achievement, customer focus, integrity, love of SRI, pride, ...
- Wrote a response, held all-hands, met with all groups
- Lunched with staff!

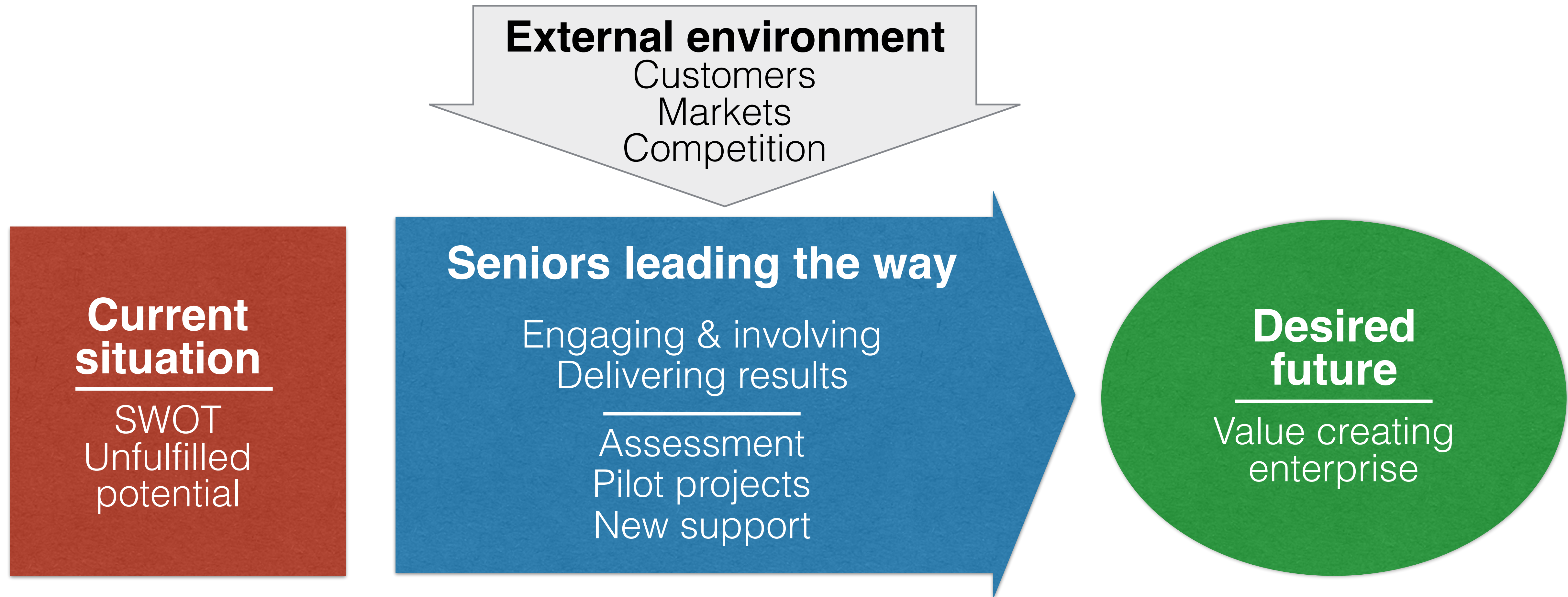


Alignment: Created the SRI Card

- Change = need, vision, action plan
- Early cynicism
 - Management de jour
 - Not serious about achievement
- Goal was to get alignment
 - SRI-wide forums
 - Iterated over the web
 - Continued until broad consensus



Establishing the Need, Vision, & Plan



Goal: make the systematic creation of high-value innovations inevitable

Vision and Plan

- Vision: “The leading independent source of high-value innovations”
- Plan
 - Focus on important customer and market needs
 - Business model: world-changing R&D and proactive commercialization
 - Comprehensively use of the value-creation playbook
 - Everyone a champion
 - Enviably human values
 - Continuous improvement

Staff and Management

- Status
 - Staff was terrific
 - Many senior managers didn't want to work collaboratively
 - But no money for a major management overhaul
- One after the other the disgruntled VPs left
 - I was an acting VP for three years
 - I made mistakes but eventually we hired superb VPs who wanted to work collaboratively

Innovation's 5 Disciplines

1. Important customer and market needs

X

2. Value creation process

X

3. Innovation champions

X

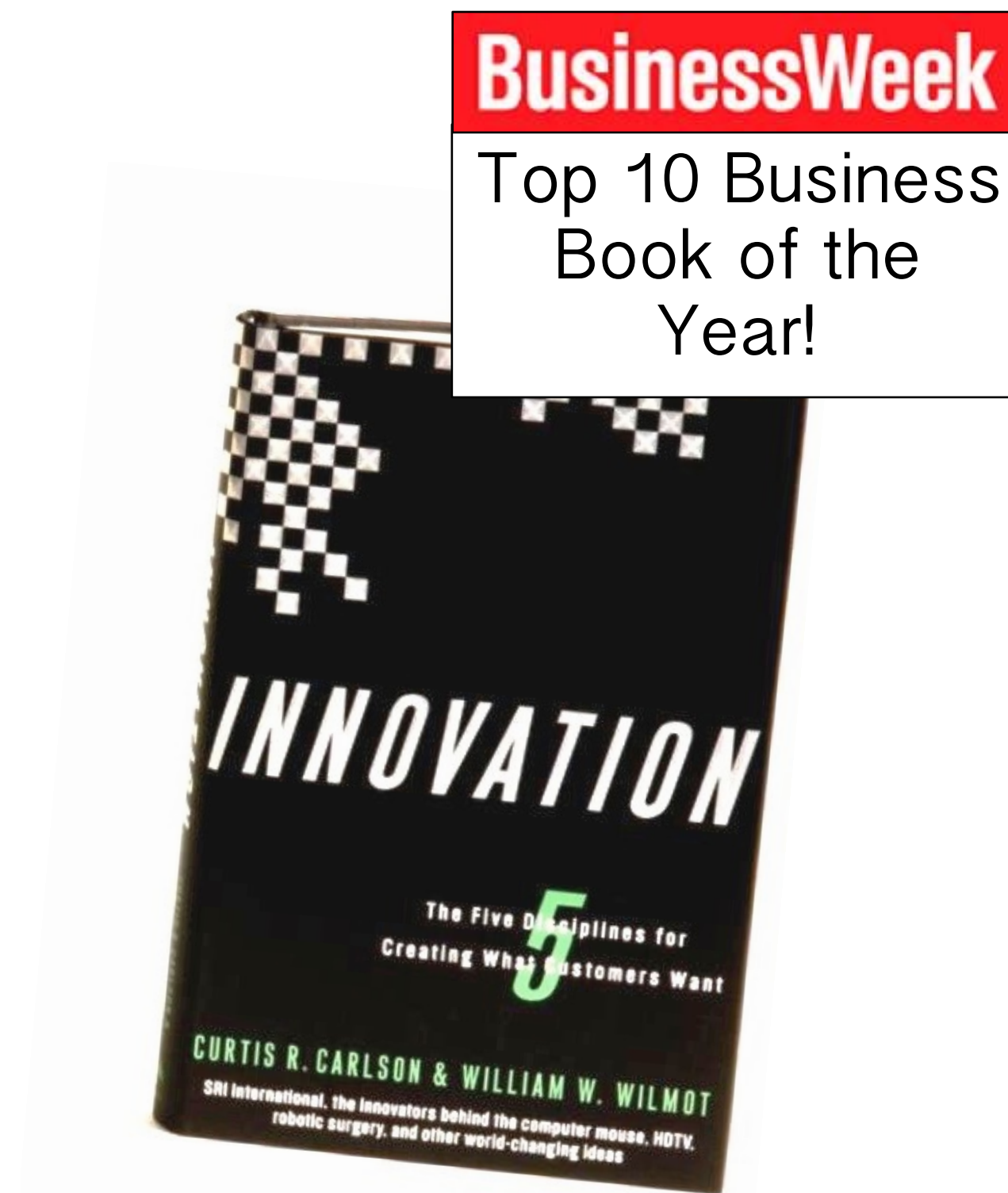
4. Innovation teams

X

5. Organizational alignment

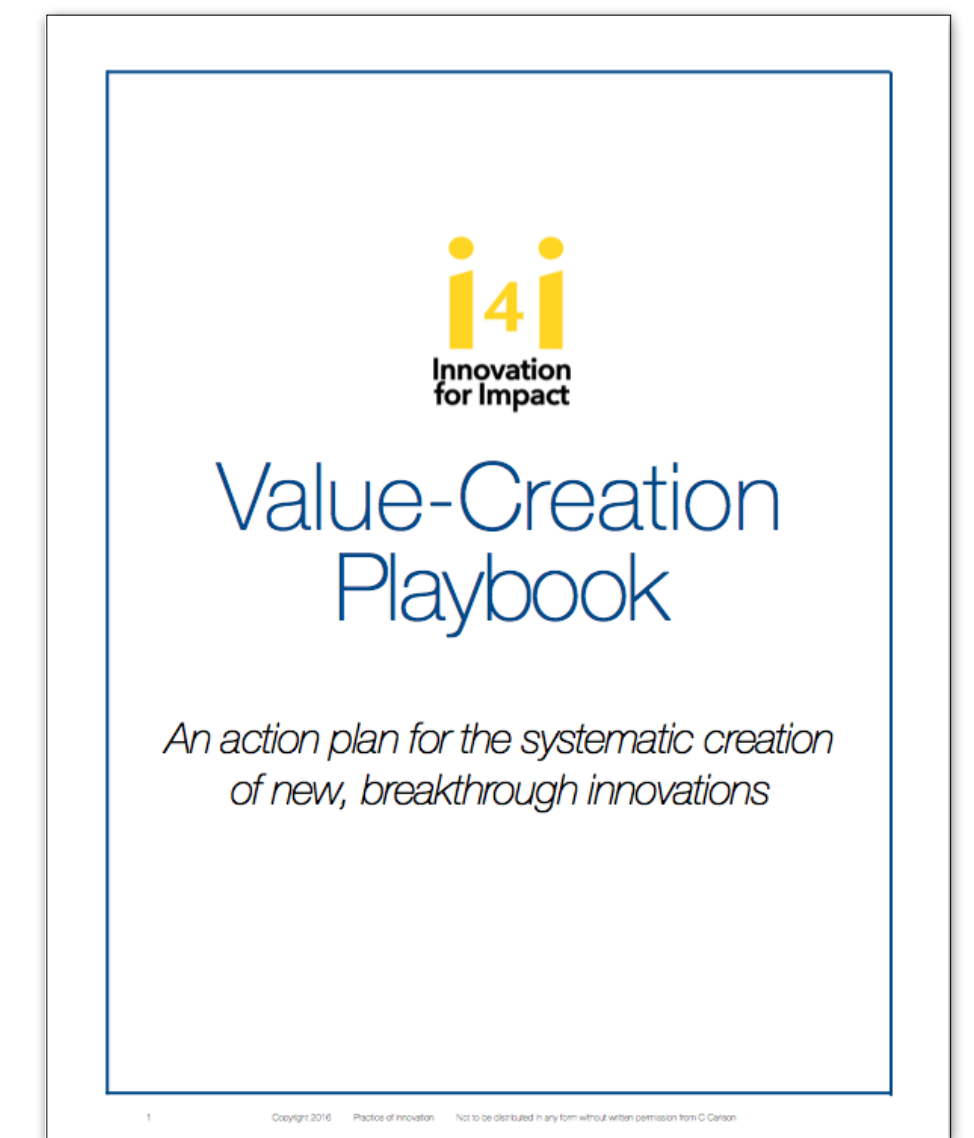
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Market success



Critical Role of the Value-Creation Playbook

- Best practices – a “playbook” for staff
 - Focus on customers, both internal and external
 - Common language and tools for value creation
 - Processes to rapidly learn and create
- Major competitive advantage
- Important to staff
- Concepts seem easy — they are not!



“Important” Versus “Interesting”

- Important, growing opportunity in the “white space”
 - Metric driven: e.g., \$100Ms for new ventures
 - 2-10X better
 - Defensible solution *and* business model
 - Beach-head market that could be “owned”
- Customer really cares
 - Pain killer; not a vitamin
 - High priority — urgent
- We really care



Things I Didn't Say and Did Say—Repeatedly

- Avoided
 - Culture change — no, work smarter through value creation
 - Fail fast to succeed early — no, learn fast
 - Take risks — no, mitigate risks
 - Management or leader — no champions
- Always
 - Achievement—change the world—make an impact
 - Abundance of important customer and societal needs
 - Intense collaboration and iteration
 - Great human values

Question

Percent of meetings in your enterprise that start off with the customer's needs

$$5 = 100\%$$

$$4 = 80\%$$

$$3 = 60\%$$

$$2 = 40\%$$

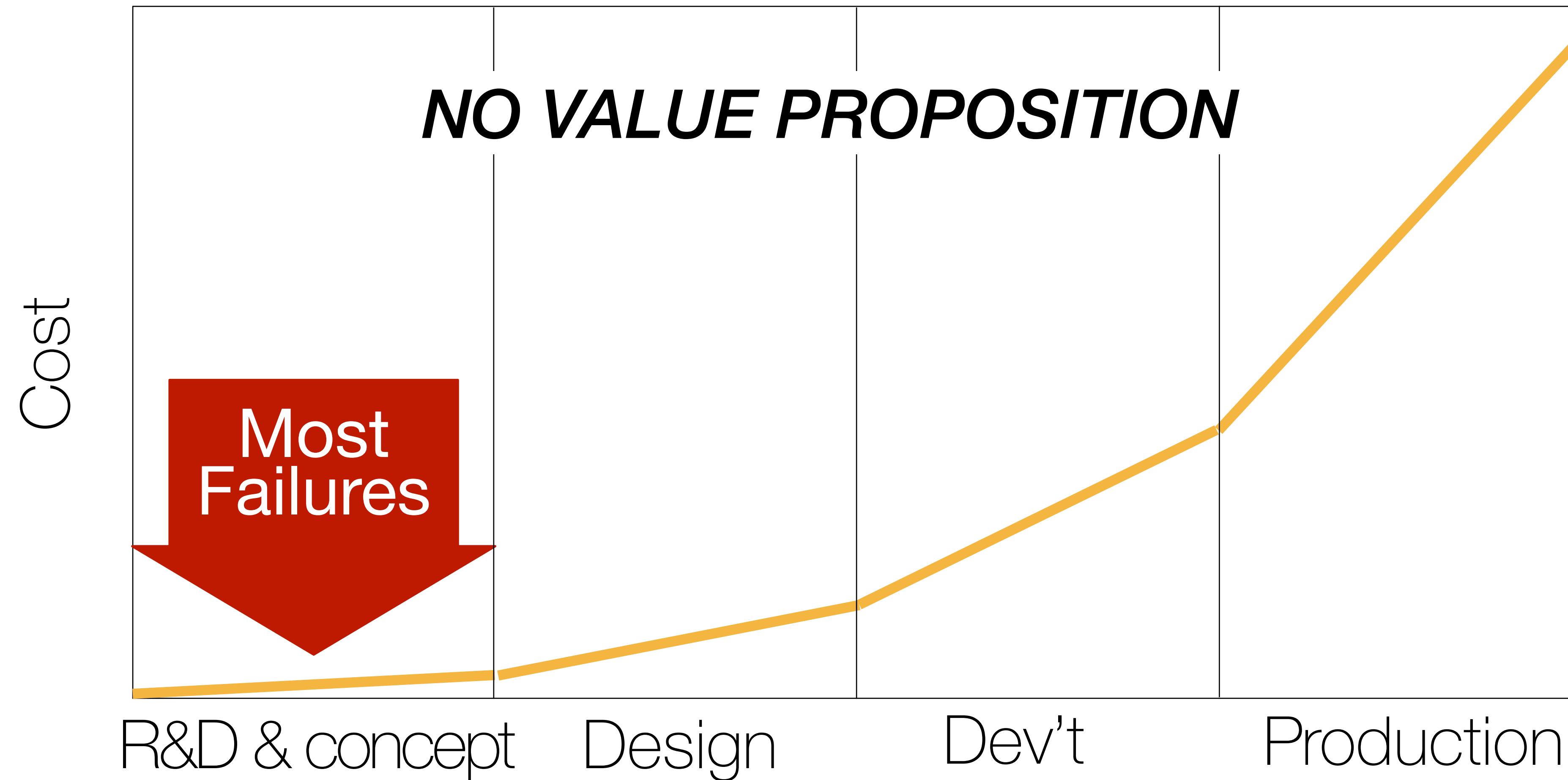
$$1 = 20\%$$

$$0 = 0\%$$

What percent of meetings in your enterprise start with the customers' needs?



Most Failures Start at the Start



< 20% of R&D has any value for stakeholders

NABC Value Propositions[©]

Need

Approach

Benefits/costs

Competition or alternatives

The Objective

Address an important customer and market

Need with a new, compelling, and defensible

Approach, including a business model to provide superior

Benefits/costs when compared to the

Competition and alternatives

Successful value propositions are:

- Quantitative: bigger, better, faster don't cut it
- Easy to understand and remember

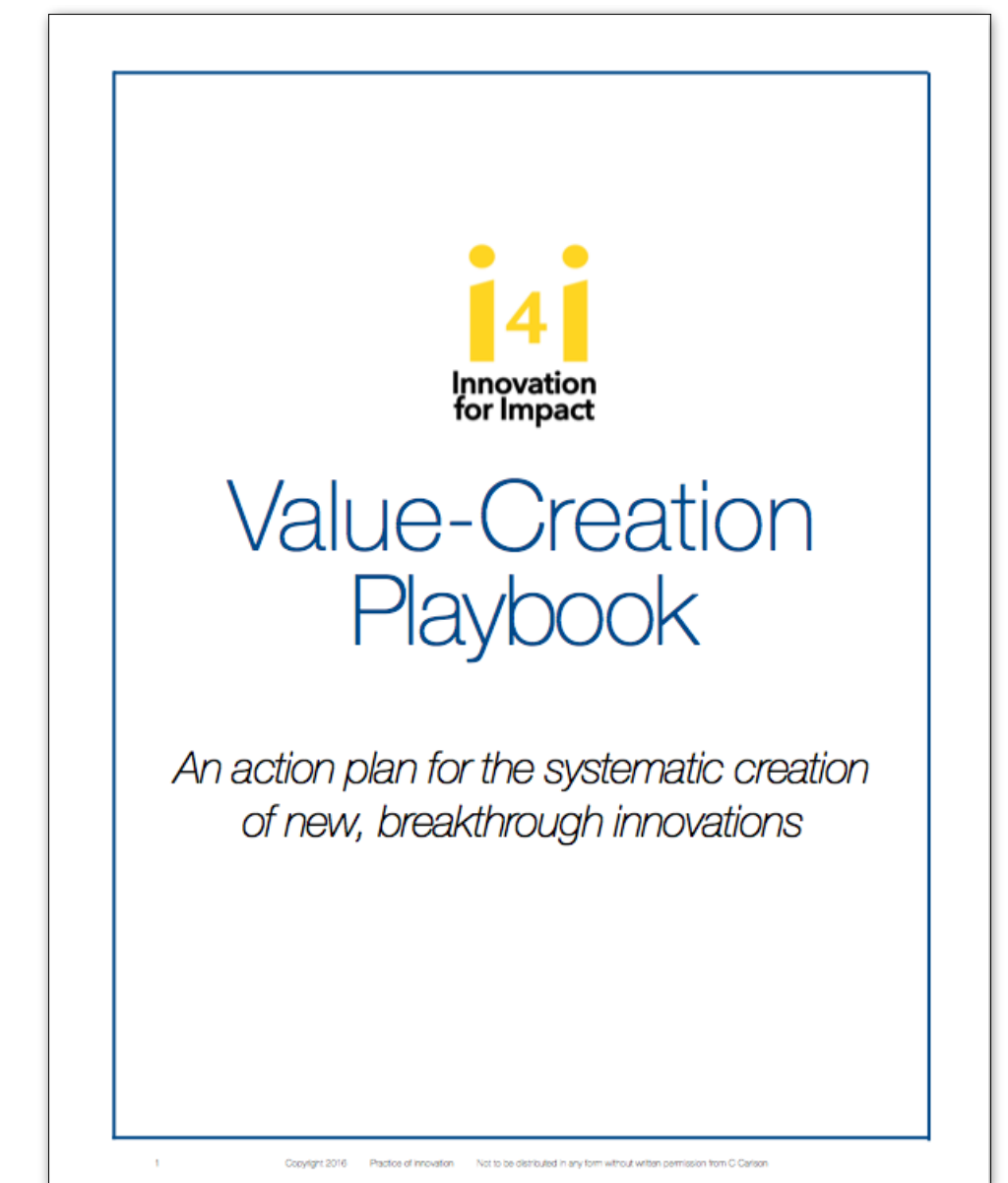
The Most Common Failure

N A B/\$C

>95% of presentations are like this

Critical Importance of NABC

- Focuses everyone on the customer and creating customer value
- Applies to every position in the company
- Simple
- Fundamental
- Effective and efficient

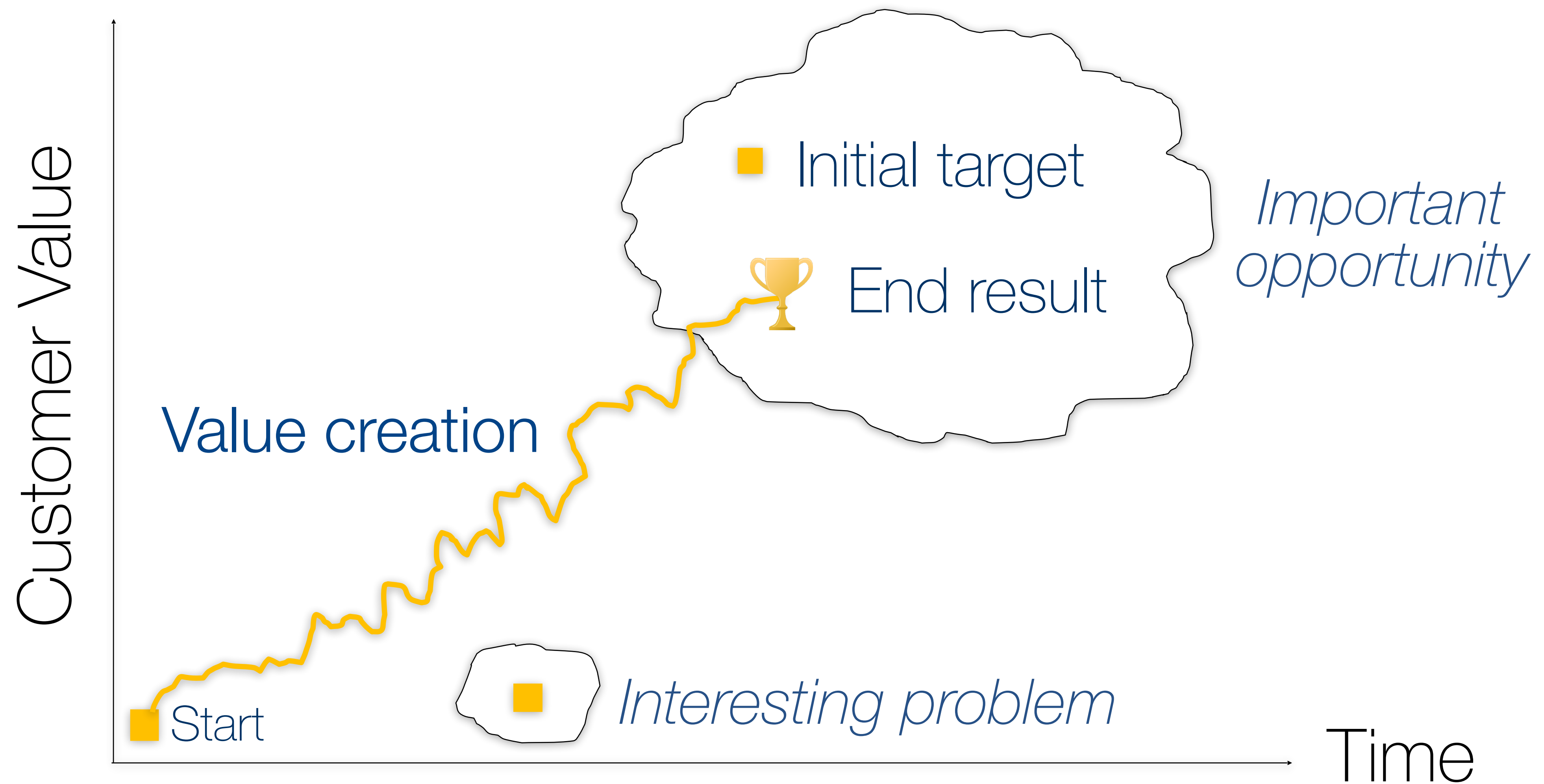


Value-Creation Forums[©]

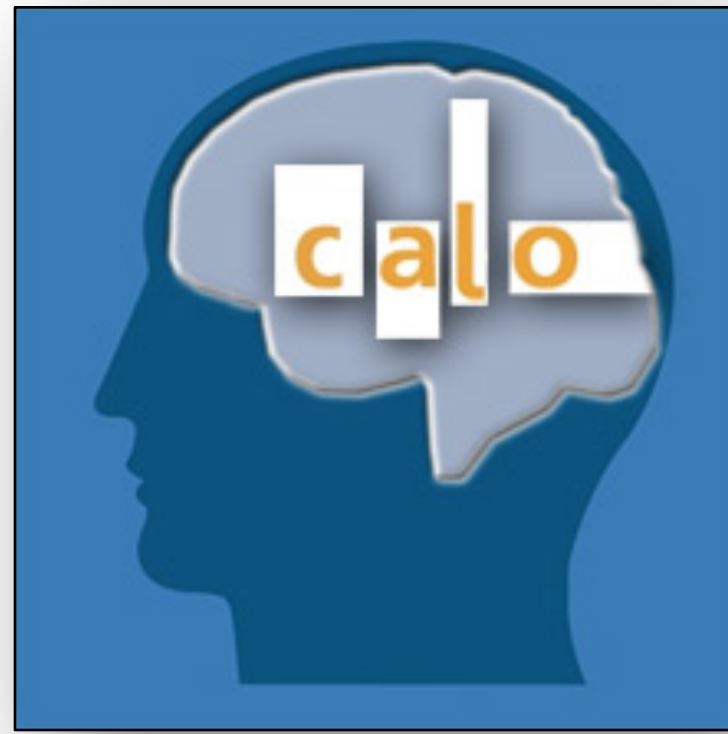


- Recurring, multidisciplinary, and facilitated meetings
- 3-5 teams, 2-10 minute NABCs with feedback
- Risk-reduction, golden nuggets, “bring-it-to-life”
- Resources are metric driven

How High-Value Innovations Develop



Development of Siri



CALO R&D
project

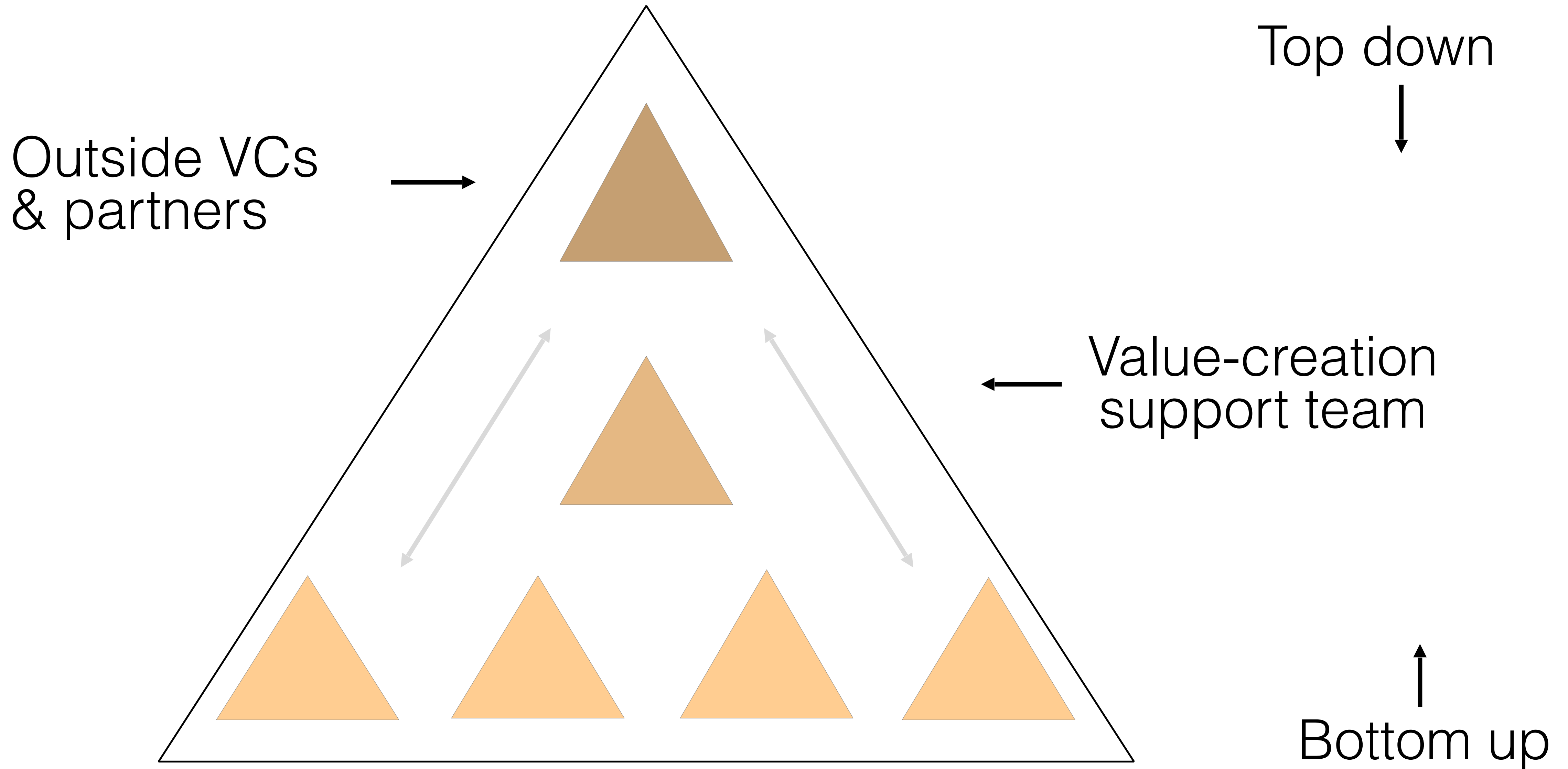
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NABC Value Propositions



Organizational Architecture



Example: Augmented Mobility

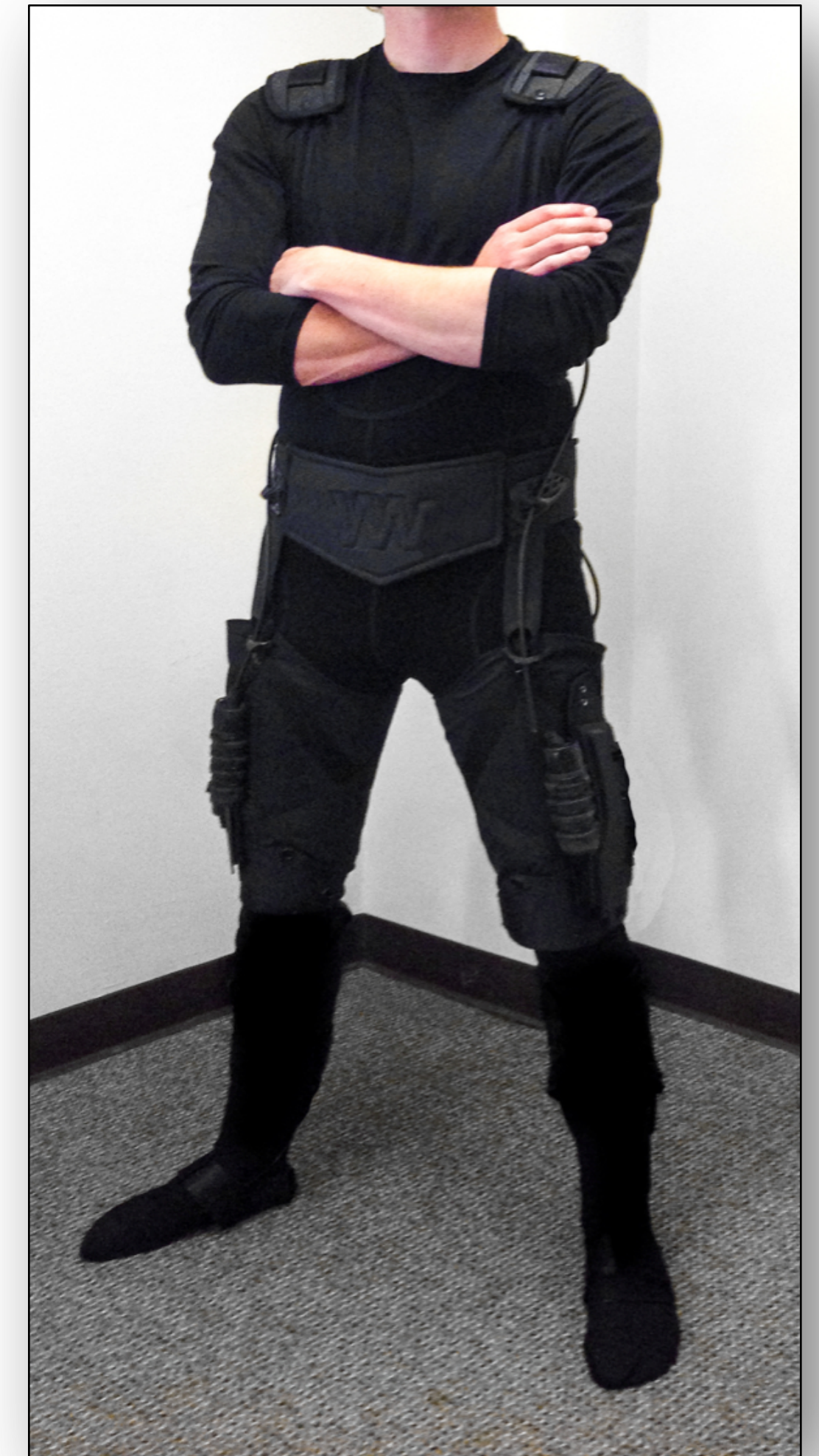
1. Important need



2. Key insight: exoskeletons are heavy, restraining, and power hungry



4. Solution: wearable pants



3. Working hypothesis



Champions Drive Value Creation

- There must be a champion
- Selects an important need
- Builds and inspires a great team
- Organizationally responsible
- Has/acquires needed value creation skills
- Perseveres, no excuses

No champion
No project
No exception

Rules for Assembling the Best Teams

Collaboration

- Shared vision
- Unique, complementary roles
- Shared rewards

Motivation

- Achievement
- Involvement
- Empowerment

Human values

- Respect
- Integrity
- Generosity of spirit



Management's Role

- Champions for the process and their own initiatives
 - Active participation — model practices and behaviors
 - MBWA — lunch with staff, “tell me your value proposition”
 - Hire, identify, and develop champions for all projects
 - Allocate resources
- Remove barriers and waste (MUDA)
 - You can talk to anyone at SRI
 - Continuous improvement
- Promote staff development
 - Staff value-creation training
 - Incentives — celebrate success
 - Avoid: “boss is always right”

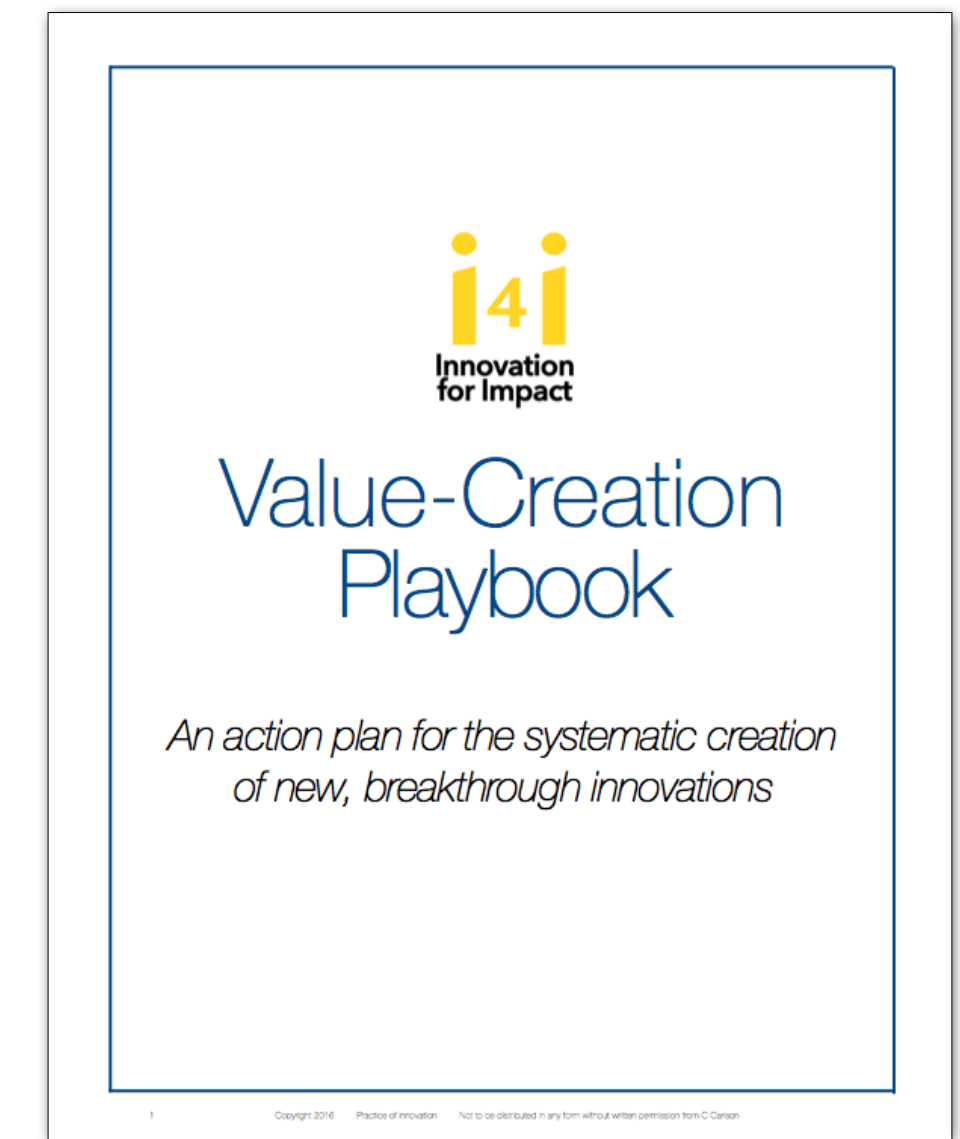


Lessons Learned

- Top management must be “champions”
- Success takes time
 - Even modest success creates great returns
 - Being an innovation enterprise is a 3-year project
 - Progress is slow at first but builds: you won’t go back
- Make funding contingent on using best practices
- Build through early adopters
 - “Lead with the best to pull the rest”
 - Leverage and publicize their success
 - Involve all strategically: deeply involving everyone is impossible
 - Go from strength to strength—firm but steady—marathon, not a sprint

Conclusions

- Culture flows out of the way we work
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What are the important ideas you learned today? (Please select all that apply.)



Discussion

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