

A Culture for Relentless Innovation

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Major Changes in Recent Decades

- Manufacturing has gone to China
 - Services are going to India
 - Agriculture is going to Brazil
 - What will be US' distinctive competence?
 - Experts: Innovation
 - Obama: we will out-innovate the world?
- *Culture for relentless innovation*

Two Major Studies

- Track the evolution of 66 markets from inception to maturity/decline, over 100 years
- Survey over 770 firms, across 17 nations, 9 languages, over 2 yrs

What Is Culture for Innovation?

Three corporate traits

1. Cannibalize Successful Products
2. Focus on Future
3. Embrace Risk

Three corporate practices

1. Empower Product Champions
2. Incentives for Enterprise
3. Internal Markets

Applies to corporations, organizations, nations

1. Willing to Cannibalize Successful Products

- Corporations nurture and sustain their most successful products
- Innovations are threat to that success
- Examples
 - Who introduced Walkman?
 - Who introduced iPod?

2. Focus on Future

- Firms focus on current mass markets; all encompassing
- Today's niche markets are likely to be tomorrow's mass markets
- Must focus on future mass markets
- Examples:
 - HP
 - Kodak

3. Embracing Risk

- Innovations have a high failure rate
- Success requires embracing failure
- “The fastest way to succeed is to double your failure rate” Thomas Watson, IBM
- “For us innovation means willing to bet hundreds of millions of dollars on a new drug, labor to bring it out over a decade, fail, and then be willing to try all over again” CEO Amgen

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1. Incentives for Enterprise
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3. Empower Product Champions

1. Incentives for Enterprise

- Incentives for seniority, age, retirement, stimulate loyalty but kill innovation
- In many firms, failure is a shame
- Incentives for innovation must be asymmetric
 - Strong rewards for success
 - Weak penalties for failure
- Examples
 - J&J
 - Sony
 - Silicon valley

2. Internal Competition

- Employees love job security
- Innovators love adventure
- Bring the market within
 - Idea fairs
 - Crowdsourcing new ideas
 - Funding contests
 - Competing divisions
 - Spinoffs and buyouts

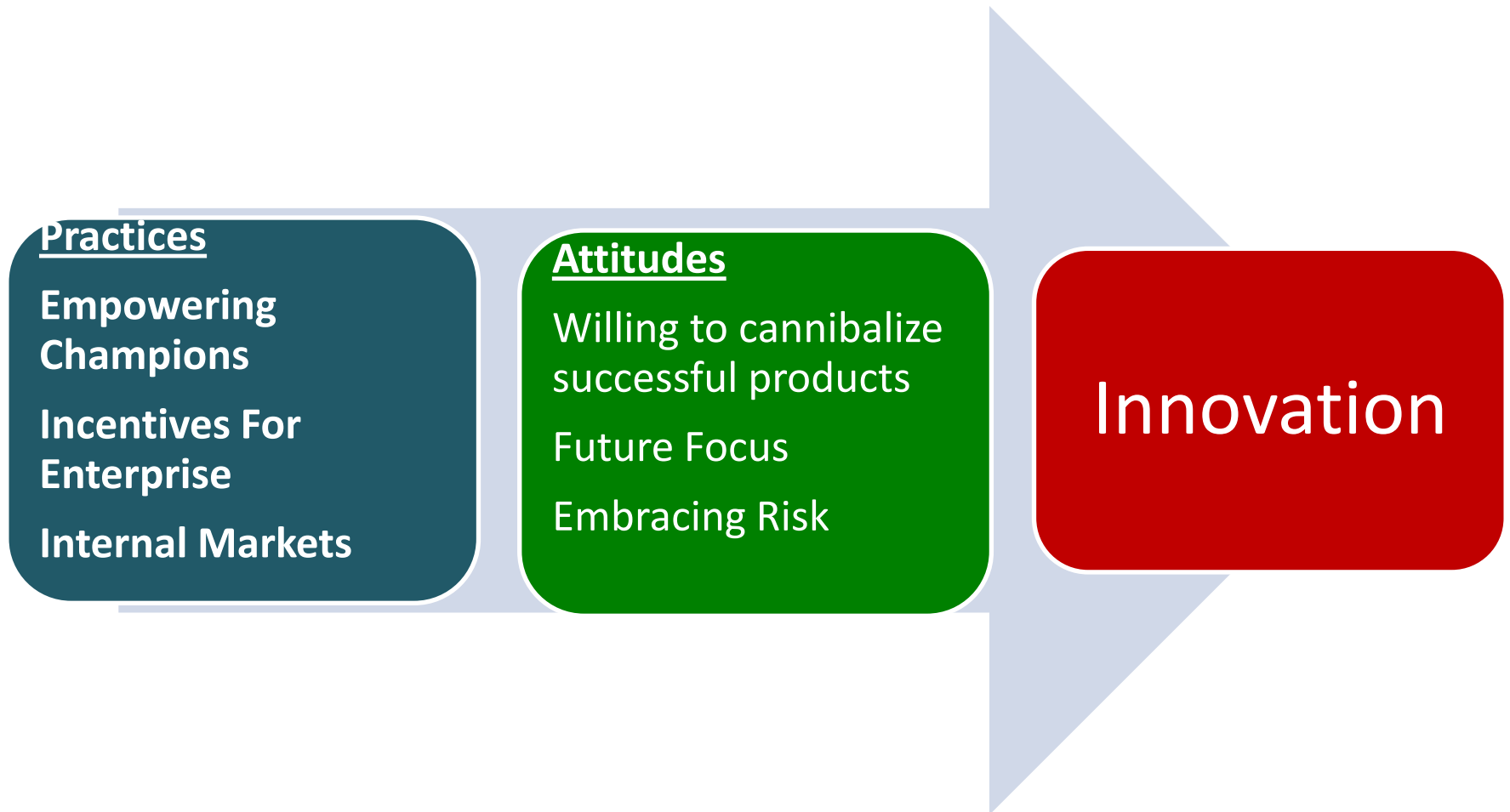
3. Empowering Innovation Champions

- USC survey: 80% want to be entrepreneurs
- Every employee can be an innovator
 - Freedom to innovate
 - Resources to support
- Bottom-up vs top-down innovation
Google (20% time) vs Apple (single CEO)

The Incumbents Curse

- Innovations should lead to wealth and still further innovations
- Yet the firm on top for one technology rarely survives change. Why?
- Success leads to complacency, arrogance, and lack of innovation
- Antidote: a culture for relentless innovation

Culture for Relentless Innovation



Summary

- Innovate or die

Thank you!
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