

Innovation in Organizations in Crisis

by Todd Cherkasky and Adrian Slobin

There is no black-box mystery behind innovation in the corporate world, say Todd Cherkasky and Adrian Slobin. They define it as a disciplined process for generating, realizing, and evolving ideas that improve business and the customer experience. More importantly, they outline the capabilities and catalysts that facilitate the innovation process and, in a case study, demonstrate how these helped revive a company on the verge of collapse.



Innovation. Rarely does a term emerge from so wide a conceptual field. From creativity, invention, and experimentation to method, discipline, and execution, innovation resists definitive application. Theories abound. Those who believe that innovation emerges from creative geniuses who have a knack for tapping into cultural trends likely do not collaborate with advocates of TRIZ and other structured methodologies. Product design firms sell innovation workshops to generate innovative ideas. Conferences, conventions, blogs, newsletters, and magazines prescribe, assume, and debate various theories of innovation. They ask questions like: What makes an idea innovative rather than simply a good idea? Is design the source of innovation? Does realizing "innovation intent" require "intersec-



Todd Cherkasky, Director of Business Consulting, Sapient



Adrian Slobin, Director of Business Consulting, Sapient

ional" thinking? Does discipline in innovation drive out creativity?

While many of these questions tempt us to engage in long-running debates, we do not intend to argue for a theory of innovation. Instead, we aim to elaborate on a management precept common since Peter Drucker's 1985 article that characterized innovation as a discipline.² Following his suggestion that "innovation is work, rather than genius," we aim to describe how that work can be carried out.

1. Larry Keely of Doblin, Inc. presents widely on innovation intent. On intersectional thinking, see Franz Johannson, *The Medici Effect: Breakthrough Insights at the Intersection of Ideas, Concepts, and Cultures* (Boston: Harvard Business School Press, 2004).

2. Peter Drucker, "The discipline of innovation," *Harvard Business Review*. 1985.

First, we suggest that innovation as a discipline can be realized by engaging in repeatable, well-known practices that, while possibly unfamiliar to some organizations, are neither radical nor new. Second, we illustrate the utility of focusing on practices with an example of how innovation takes hold in organizations in crisis. Finally, we outline a framework of innovation that can be useful in catalyzing innovation for such organizations.

Innovation in the practical contexts of design and strategy

While we begin with a practical principle instead of a theoretical standpoint, some conceptual housekeeping is probably helpful, particularly to clarify which contexts and set of practices will be addressed. Instead of adjudicating which process is right or which companies "get" innovation, the following will instead identify practices that catalyze innovation. For the purposes of putting innovation "on the ground" in actual contexts where design and strategy play out, *innovation* will be defined here as simply finding new ways of creating value and bringing them to life.

Design has similarly enjoyed a broad range of definitions and usages, from the carefully explicated (for example, design as a discipline³) to the commonsensical (for example, design as goal-directed practice); from demarcating a set of domains ("the design community") to representing an omnipresent feature of our world ("design is everywhere"). For the purposes of this article, design will be viewed as commonsensical—a set of practices, or a portfolio of capabilities, that is intended to support the goal-directed activity of organizational actors invigorating business through innovation.

Organizations in crisis

When considering the kinds of organizations in which innovation thrives, what may first come to mind is an image of a start-up with twenty-somethings whiteboarding excitedly in a loft office—fresh thoughts flying back and forth, possibilities endless. Underlying this image is a view of innovation as the outcome of an unconstrained flow of ideas. Lock the right creative people in a room, come back in a while—and

innovation will have happened.

This image is deeply misleading. Innovation can come as readily—and more consistently—from a set of simple, structured practices. To illustrate this claim, consider an organization in many ways the antithesis of our free-thinking start-up above—namely, a real Fortune 50 company (for confidentiality, we will refer to it as Widgets, Inc.) that is:

1. Reluctant to embrace change
2. Financially unstable
3. Focused on cost-reduction (job cuts, reduction in IT spend, and so forth)

Let's examine each of these factors.

Having existed for more than 50 years, Widgets, Inc. has a strong corporate culture of "this is how we have always done things." As a result, innovative ideas or approaches face the twin pressures of inertia and fear of change. Innovations, if they occur, tend to involve incremental changes to existing solutions rather than wholesale shifts in approach. Moreover, for internal and market-related reasons, Widgets, Inc. faces the real possibility of bankruptcy—an event that would substantially disrupt the US economy and shake global markets. Corporate leadership recognizes the need to take a new direction, but the pressures and risks associated with innovation are severely amplified by the overall state of the business; in the starkest terms, people are unwilling to try new things for fear of sticking out and possibly losing their jobs as result. Moreover, the budgetary environment at Widgets, Inc. is focused not on investment in new ideas, but on squeezing costs out of its current people, processes, and systems.

*as a discipline can
be realized by
engaging in
repeatable, well-
known practices
that... are neither
radical nor new.*

3. Nigel Cross, "Design as a Discipline," The Inter-disciplinary Design Quandary Conference, February 13, 2002, De Montfort University. Also see R. Buchanan and V. Margolin, eds., *Discovering Design: Explorations in Design Studies* (Chicago: University of Chicago Press, 1995).

The question, then, is this: How do you innovate within an organization in crisis? More specifically, how do you support innovation despite all the stultifying constraints of such an organization? If innovation can occur—and occur consistently—in such an organization, then it must not be the result simply of "creative minds in a creative environment."

The practice of innovation

To get at the constituent components of a repeatable practice of innovation within our chosen context—that of organizations in crisis—we will share stories from our own work with such organizations. These stories will focus on two basic components that jointly make up a practice of innovation: *capabilities* and *catalysts*.

Think of capabilities simply as packaged expertise—services or offerings that may be sold to the marketplace or provided to an internal group. In the case of Widgets, Inc., the capabilities on offer fit broadly with the IT services industry. They include program management, user experience research and design, business application planning, and so on. Catalysts, on the other hand, are assets that increase the likelihood that an innovation will happen. These catalysts can be specific tools that are used to execute work

(for example, a certain way of tracking and sharing new ideas), a culture that encourages certain types of thinking (for example, one that encourages risk-taking), or any resource that in itself will not lead to innovation, but in its absence will make innovation more difficult.

Innovation in practice: One story

To illustrate the utility of thinking about the discipline of innovation in terms of capabilities and catalysts, we'll use an example of an organization precisely positioned not to be creative—like Widgets, Inc. The story starts with the following general business problem: How could Widgets, Inc. become easier to work with in the eyes of its B2B customers? This general problem led to a specific challenge: How could it reduce the

numerous and divergent systems through which its customers were forced to transact with the company? Given Widgets's reluctance to embrace change, the urgency of its financial situation, and its bias against new ways of conducting business, the likelihood of this seemed remote. So, how could innovation occur?

Before we discuss the catalysts that created a viable space for innovation, let's briefly describe the specific capabilities in question, as well as the innovative solution itself. The capabilities in this example were what could broadly be termed *user experience* capabilities, traditionally associated with specialist design firms and rarely employed within companies like Widgets, Inc. The project used in-context ethnography to understand how Widgets, Inc.'s B2B customers carried out their daily work. It also employed visual methods to solicit user input rather than rely on dry, text-based documentation alone—for instance, we used paper prototyping (hand-drawn, low-fidelity design sketches) and high-fidelity prototyping (fully designed HTML pages) to illustrate user requirements. End users and project stakeholders alike iterated collaboratively on requirements using these visual illustrations.

The result was a "workspace" that customers would use to conduct their daily activities: an integrated Web solution that created a seamless, process-based interface to the previously diverse set of systems and tools. Because it was designed from the start with users in mind, it required little to no training. Support calls went down. Customer enthusiasm increased dramatically. Buzz spread among competitors that Widgets had hit on something that could change the industry. The project also changed how Widgets, Inc. conducted systems development, replicating the value of the user experience process throughout the organization. The same project managers who had previously checked boxes to ensure that system architecture diagrams and test cases were complete were now monitoring whether in-context user research and analysis was properly conducted. An innovation had occurred within an organization in crisis.

Repeatable innovation: The catalysts

As unsurprising as the above story may sound to someone trained in user-centered design—and

Think of capabilities simply as packaged expertise—services or offerings that may be sold to the marketplace or provided to an internal group.

this is part of our point—innovation occurred in our example in part because a specific capability was brought to light within the *organization* that unlocked new business value and changed the status quo in the industry and the organization alike. One key point is simply that innovation lay in this capability—as a specific practice, not simply as a great idea. Furthermore, it wasn't merely the capability that led to the innovation. Just as important were the general, repeatable catalysts that enabled the innovation to happen.

Drawing on innovation cases from more than 15 years of consulting work, we have catalogued a number of catalysts—the enablers that increase the likelihood that an innovation will happen—into four categories: focus, culture, tools, and expertise. In our example above, these catalysts allowed the workspace innovation to take hold.

Let's review examples of each of these catalysts.

Focus

Keeping a complex organization aligned to critical, priority objectives requires focus. Creating an organization with focus is an ongoing activity, not a one-time effort. Indeed, focus comes as much from managing objectives as from the compelling nature of the objectives themselves. Regular engagement with the overall purpose of an initiative keeps it alive in the minds of stakeholders—making for real change and not another empty organizational promise. Similarly, having a change agent—someone who is willing to stake his or her career on achieving an initiative's objectives—as part of the project leadership helps a great deal in driving that focus. The key point is that innovation will be more likely to happen when the collective energy of an organization is focused on a consistent target. As obvious as this last point may sound, it stands somewhat in contrast to the divergent thinking of a "creative brainstorm" that, as discussed earlier, often underlies the image of innovation.

With the workspace project, focus was created, in part by assigning a relentless and energetic project sponsor to act as champion. A significant percentage of his time was dedicated to executing a detailed communication plan that anticipated potential sources of stakeholder resistance. To minimize the daily distractions Widgets, Inc.

faced as an organization in crisis—from falling sales to labor troubles to outdated product lines—the project team conducted regular project walkthroughs and shared success stories with a broad range of stakeholders. These walkthroughs not only reminded the organization why the initiative was important, they also invited regular contributions from stakeholders—the idea being that it is easier to focus on something for which you feel a sense of ownership.

Finally, instilling focus opened the organization to trying the unfamiliar ("If we are really committed to meeting these objectives, we should be open to new ways of getting there"). This focus led to the willingness to give user-centered design a try.

Tools

A variety of simple, supporting tools help to catalyze innovation. Tools extend our ability to perform a task. They are communication planning templates, collaboration software, project "dashboards" that track and make visible status, team rooms with wall-to-floor whiteboards, and so on. One such tool that catalyzed innovation for Widgets, Inc. was a project showroom—a space where project objectives, insights, and ideas in progress are visually displayed. Such a showroom not only keeps stakeholders interested; it also allows them the opportunity to comment and add to the work. In today's digital era, this nonvirtual form of a "wiki" has particular potency. Such a project showroom had never existed at Widgets, Inc.—and after it was installed, the effect was remarkable. One would find executives wandering through the room during lunch, pens in hand, commenting on the work they saw. The project champion regularly led tours through the space, showcasing his own association with the project, but also reinforcing that change could be exciting, not frightening, for an organization like Widgets, Inc.

Another, related tool is a conducive physical environment, one in which people are free to interact (not boxed into cubicles). An open workspace promotes organic collaboration

Creating an organization with focus is an ongoing activity, not a one-time effort.

and—like the project showroom—creates the possibility of building upon ideas rather than just dreaming up new ones. Widgets, Inc. is a "cube farm," like many such corporations, but the simple action of commandeering a large conference room for the duration of the project created a collaborative environment that broke down barriers based on roles, types of expertise, work styles, and divergent objectives.

Culture

Although this catalyst is the most complex of the four, one of the characteristics of an innovative culture is clear: It encourages risk within safety. Individuals must feel supported by the organiza-

Individuals must feel supported by the organization when they stray constructively from the normal way of doing things.

tion when they stray constructively from the normal way of doing things. In the case of Widgets, Inc., this catalyst was particularly important, given the precarious nature of employment at an organization in crisis. To combat the tendency to generate "safe" ideas, the project regularly recognized team members who were willing to try out new ideas or new methods of addressing old problems. The point is not that all such ideas are innovative (in our example, most were not), but rather that encouraging people to

explore them without risk allowed for that one breakthrough idea not only to emerge, but to be realized.

Another important aspect of an innovative culture is the encouragement of constructive feedback. As simple as this sounds in theory, the practice can be challenging to implement, especially in an organization in crisis. Mistakes must be openly recognized and addressed in formal and informal processes. A strong culture of feedback is also a precondition for the cultural dimension noted above—supporting risk within safety. Unless people understand that their efforts will be fairly and openly judged, they will be unlikely to venture too far beyond ingrained ways of doing business.

Expertise

Cross-pollination of expertise is, in our experience, a critical enabler for innovation. The two

components here—expertise *and* the exposure of such expertise across traditional functions or disciplines—are equally important. In our example, the project was executed by a fully integrated team of designers, technologists, project managers, and subject-matter experts. In addition to the obvious benefit of having an informed team, fostering such cross-pollination can lead to refreshing insights. For example, having a visual designer provide feedback on a system architecture diagram may not, at first glance, seem to add much value—but in one case, a designer suggested rendering the architecture in such a way that it identified a major opportunity for system integration.

The examples from these four categories of catalysts illustrate that there are concrete enablers to innovation that any organization can initiate, even those least willing to change. These catalysts are not in any way sufficient for innovation to occur—it would be absurd to suggest, for example, that creating a project showroom will guarantee an innovative project. However, in our experience, having such catalysts in place increases the likelihood of innovation. Moreover, they are neither mysterious nor, in many cases, difficult to initiate—and they can bring out innovation in places where one least expects to find it.

Toward an innovation framework

We have described an organization in crisis that managed to overcome cultural, process, and technical constraints to transform its business. Innovation succeeded not because stalwart heroes mastered creativity exercises or because charismatic leaders facilitated ideation work sessions. Rather, the organization benefited from a discipline of innovation.

Discipline, in this sense, simply means establishing clear goals and systematically aligning organizational resources to meet those goals. It means, for example, getting managers in large, stodgy manufacturing organizations, who often cite the "not-invented-here" script, to introduce new capabilities like ethnographic research into their system development process. The discipline we advocate involves not only knowing when to apply innovation capabilities like ethnography but also investing in innovation catalysts that

		Type of Transformation					
		Offering (Product, Service)	Business Process / Operations (Internal How)	Technology (Artifacts, Tools Infrastructure)	Marketing	Business Model (External How)	Organization and Culture
Scale of Transformation	Team						
	Firm						
	Market						
	Industry						

Figure 1. Innovation framework identifying types and scale of innovation.

make those techniques part of the new way of doing business.¹ In other words, don't merely import capabilities known to be useful elsewhere. Choose change agents who are full of energy and willing to take risks. Repeatedly tell the success stories and recite the vision. Make people feel comfortable with the new capabilities until they are embedded in standard processes. In other words Institutionalize innovation.⁵

Building an innovation discipline within an organization is more likely to occur if people clearly define the type of innovation they intend and have readily available a catalog of practices known to enable this type of innovation.

Here, we provide a brief introduction to what such an innovation framework looks like (Figure 1). First, we need to recognize that there are many types of innovation. Innovation doesn't just create new products or services—it also unlocks hidden value in existing ones, thereby reinvigorating a business without necessarily reinventing it. Secondly, innovation occurs at different levels of scale, from teams to an entire firm to a whole market (for instance, insurance) to an entire industry (for instance, financial services.) This framework focuses otherwise unstructured and unbounded conversations and enables people to state the business problem clearly, identify unambiguous metrics for success, and draw upon practices applied previously

to the same class of innovation (in terms of type and scale). In other words, as a knowledge management tool, each cell of the framework can be used to point to a library of capabilities, best practices, and metrics applied to a particular type/scale of innovation.

A refined definition of innovation

A more complete definition of innovation that aptly describes how some organizations in crisis have managed to innovate can now be suggested: Innovation is a disciplined process by which an idea is generated, realized, and evolved, resulting in significant business value and an improved customer experience. As depicted in our innovation framework, innovation happens at different levels of scale. It follows, then, that the measure of "significant business value" is

4. This type of discipline can complement other management disciplines, such as Peter Drucker's recommendation to methodically analyze seven areas of opportunity as a means of innovation (*op. cit.*).

5. As we've implied, the innovative capability need not be completely new. It simply needs to be new and valuable in the context in which it is applied. For example, a research methodology typically associated with creative firms can be innovative when it is newly applied to a traditional requirements documentation process for manufacturing system development. Franz Johansson makes this point when he talks about innovation occurring at the intersection of two disparate areas (Johansson, *op. cit.*).

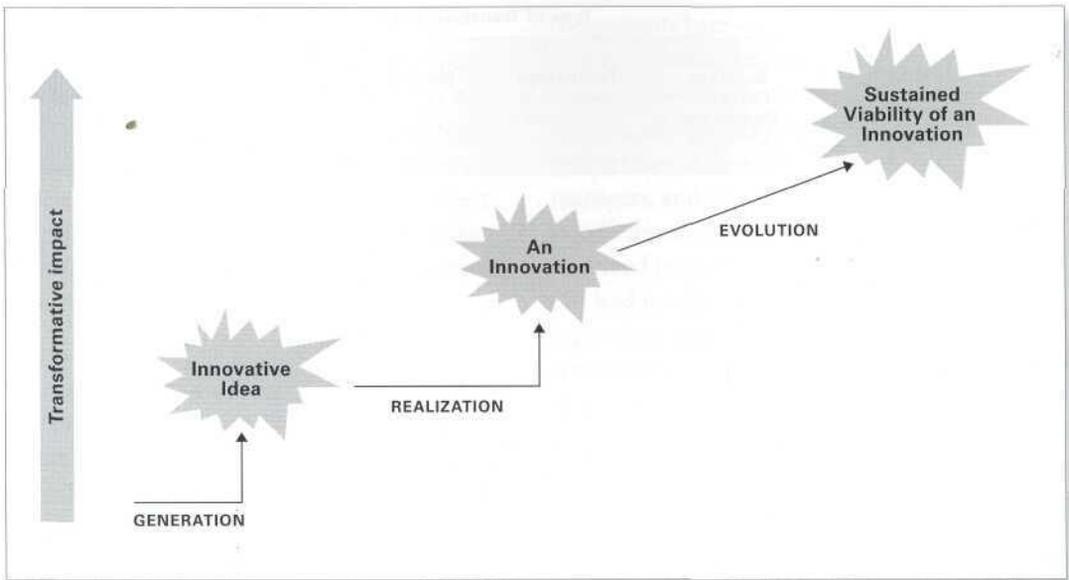


Figure 2. Innovation lifecycle.

commensurate to the scale of innovation.⁶

We have already discussed discipline as the foundation of successful innovation, especially within organizations in crisis. The final element of the definition is the innovation lifecycle (Figure 2), comprising three distinct phases of innovation. Even though innovation has been discussed as a monolithic enterprise, it is actually a three-stage process. The first phase—generation—defines an idea worth realizing through ideation, research, analysis, synthesis, and evaluation. In the Widgets, Inc. example, the workspace idea was generated in the first phase. The second phase—realization—brings an innovative idea to life and realizes the intended value through planning, design, testing, iteration, measurement, and implementation. For Widgets, the realization phase resulted in a process-based workspace that made it easier for customers to do business with the company. In the third phase—evolution—the innovation is continuously improved until it can no longer deliver the intended value through refraining, optimizing, assessing, and extending. Widgets, Inc. evolved the workspace innovation by repli-

6. We require improved (internal or external) customer experience because without it, the business value achieved will not be sustained as customers eventually abandon the offering. The definition of *value innovation* invokes the same customer experience requirement (see W. Chan Kim and Renee Mauborgne, *Blue Ocean Strategy: How to Create Uncontested Market Space and Make Competition Irrelevant* [Boston: Harvard Business School Press, 2005]).

ating it in other areas of the business.

This lifecycle applies not only to our example at Widgets, Inc., but to all types of innovation. For example, consider the iPod as an exemplar of product innovation. In the generation phase, Apple defined an integrated system that supports an entirely new customer experience around sound. In the realization phase, they used their industrial design and user experience expertise to create an aesthetically pleasing artifact seamlessly supported by an intuitive music library. And they didn't stop there. They proceeded through the third phase of innovation to evolve their initial solution, adapting it to retain value against new competitors.

Like the innovation framework, the innovation lifecycle clearly demarcates the type of problem addressed and enables application of the most relevant practices. For now, we have suggested the outlines of an innovation framework and drawn attention to the distinct phases of an innovation lifecycle. At this point, we can only hint at the utility of employing this framework and situating practices with respect to an innovation lifecycle. The key point we wish to leave you with is that the capabilities and catalysts that comprise the disciplined practice of innovation are like a toolkit—similar to a designer's portfolio. You need to select the proper tools for the situation. Selecting such tools can create substantial business value in successful organizations, as well as those in crisis. :'''