

William A. Fischer

**New Generation
Innovation**



*Innovation is a managerial
phenomenon that can almost
always be done more effectively.*

IEDC

Bied School of
Management

A School with a View

Introductory word

We are happy to present you with the 21st IEDC Book of the Year. This time it contains a lecture by the internationally-known professor of Technology Management at IMD Lausanne, Dr. William Fischer, who was a keynote speaker at the IEDC Annual Presidents' Forum on October 17, 2008.

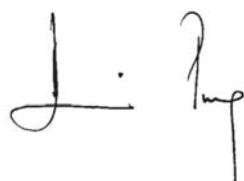
On this special day our new Centre for Innovative Learning was solemnly opened by the President of the Republic of Slovenia Dr. Danilo Türk. Close to 170 guests from 15 countries listened to his address and the address of Dr. Erhard Busek, the IEDC Supervisory Board President.

We hope that the Centre for Innovative Learning with its state-of-the-art information technologies will become the new centre of excellence in the field of innovations and the new main business/government/NGO meeting place in the Region.

We are extremely grateful to the whole business community of Slovenia for helping us make this big project come true. We thank our partners and sponsors, as well as the Municipality of Bled, for their continuous support.

Like our main building, the Centre for Innovative Learning has been designed as an art gallery, and I hope that you will visit us soon in order to enjoy some of the beautiful paintings and become inspired for the challenges of the future.

[01]



Prof. Danica Purg
President

Welcome Address by Prof. Danica Purg, President, IEDC-Bled School of Management

Welcome to the new Centre for Innovative Learning at the IEDC-Bled School of Management!

In 2008, IEDC–Bled School of Management celebrates 22 years of existence. During this time, we have had 45,000 participants from 60 countries on our programs and the IEDC has become the leading international business school in Central and Eastern Europe.

Looking back on our achievements, we believe it is time to take a step further in our development. The IEDC should become a recognized innovator in leadership development and a truly international business school, focused on emerging economies, which continues to be an agent of change for a better world.

During the last 10 to 15 years, many artist communities and management educators have been actively engaged in the process of rethinking the traditional logic-rational paradigm that presently frames much of management education. Meanwhile, attempts have also been made to show what we can learn from science in management and leadership development. Thus, for example, quantum physics teaches that “relationship is everything”. Neural networks show us how to recognize patterns and respond to them. From systems theory we learn about the holistic and integrative perspective where we must look at the entire system to unlock its meaning.

[02]

In today’s world, characterized by enormous and quick changes and a lack of truly responsible leadership, the organizations that provide management and leadership development have to find new methods of education and talent development for business and society. This means that the classic way of educating business leaders and other participants in functional courses does not respond to the need to see business as an integral part of society. It also means that narrowly focusing on knowledge and skills does no longer answer the imperative of developing creative and innovative leaders with open minds, capable of developing a vision that can inspire others, and ultimately result in business success and better quality of life for all.

Twenty years ago we did not give much thought to the question of how art can influence management and leadership. Nevertheless there was some inkling of it. The famous professor Edgar Schein puts it this way: art can help us see more, hear more, and feel more. In fact, already back then we believed that art could help people to become more reflective.

Observing the success of learning from music metaphors, we started to involve the violinist Miha Pogačnik and other artists from the music world (such as conductors Marko Letonja from Slovenia and Peter Hanke from Denmark), in all IEDC leadership development programs, including our MBA. Later we also involved a well-known violinist Paul Robertson from the United Kingdom and film director Haris Pašović from Bosnia and Herzegovina. Initially, we used art to make our participants feel good and learn from comparisons and parallels between art and leadership. Then we took a huge step forward into reflection and a certain transformation, where drawing parallels is still very important, but challenge, inspiration and changing mindsets are even more so. We learned from our experience that art can open mental doors to more creativity and that reflection and aesthetic experiences are the tools to use for the acquisition of traditional management and leadership knowledge in a more creative way.

At the IEDC, we continue to pay significant attention (especially in general management programs such as MBA studies) to the basics of management, such as finance, accounting, marketing, operations, etc. However, we are very pleased to see that the professors in all these subjects, stimulated and inspired by the innovative learning methods in leadership, have also started to explore new ways of learning in their subjects. There is a lot of integration going on among the subjects. There is always space for reflection and context! After being a valuable accessory, art has become the dominant pedagogy of management education at the IEDC, and in fact permeates all learning processes.

[03]

Dear guests, I wish you a beautiful and inspirational day in our new Centre for Innovative Learning!

Opening Address by the President of the Republic of Slovenia Dr. Danilo Türk

First of all, I would like to add my own congratulations to those that we have heard already. The establishment of this new education center is a remarkable achievement. I believe that this endeavor is going to yield brilliant results.

When I became President of the Republic of Slovenia less than a year ago, I decided to take part in two events. One of them was the annual session of the United Nations. The other was the Presidents' Forum at Bled. However, after half an hour on these premises, I am beginning to be a little apprehensive. I saw many presidents at the session of the United Nations but here I see even more. You are capable of surpassing the United Nations not only in terms of number of presidents but also in terms of creative thinking. You have that possibility and you will probably avail yourselves of it very soon.

I have been asked to talk about education and innovative management. From my viewpoint as a representative of the public sector who knows less about business it is clear that there are some fundamental truths that characterize both sectors. On the other hand, some issues are clearly in the domain of the state's responsibilities.

[04]

It is clear that development requires entrepreneurship and good results. That is what Slovenia needs most of all if its present development is to continue in the future. There is no doubt that we must become a knowledge society. This applies to all of Europe and has become a favorite buzzword. The question is whether we know what a knowledge society actually is, what it implies, and how we are to achieve it.

Of course, as far as a business company is concerned, these dilemmas have a practical dimension. Companies have to grapple with the question of what type of innovation they need in order to achieve growth. Are we talking about something new from the viewpoint of the company, or about a novelty from the viewpoint of the market in the European Union or the world at large? In any event, education is essential for novelty to break through. This Center is going to play an important role in that respect.

I would like to dwell on some other issues at the beginning of today's forum. What I have in mind is a change of the cultural patterns of work. This is required by the structural changes that companies are experiencing. The relative importance of teamwork is increasing. So is the importance of risk-taking. The ability to spot opportunities is also becoming critical. We often hear that a crisis can be a problem and an

opportunity. However, the opportunity may not be visible. You have to be able to see it and avail yourself of it. This requires knowledge and education.

It is not easy to achieve this type of change and implement it in a company that values order and stability. Doing so requires a climate that is conducive to innovation. That climate will help attract and retain innovators, and determine priorities for innovation.

Naturally, it is not easy to define a leadership style that will facilitate this. I am sure that you know much more about this than I do. The objectives are clear to see, but how to achieve them is a far more difficult task. I believe that the presentations at this forum will be devoted to this issue.

I would like to say a few words about the public sector. It is clear that when individuals embark on a professional career in a company or in the state administration they need to have access to what can be called an existing knowledge fund. Everything starts there. Everybody must have access to that fund and develop his talent from that starting point. The world is globalizing and so is knowledge. The existing knowledge fund is also global. Therefore, all educational systems - be they public or private - are facing one and the same challenge: how to develop that existing knowledge fund and make it more accessible so that we can address the challenges of the contemporary world. It is important that this fund be sufficiently large and free of obsolete elements. Also, its nature should be such that it can facilitate independent growth and development.

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Of course, there are a lot of discussions about this in Europe. There are various ideas concerning paths to progress. One of these is for Europe to become a common intellectual space. I could speak about global developments but I prefer to focus on Europe instead. The discussion regarding European intellectual space is quite intense. This is not the first time that such a space has existed. In the 16th and 17th centuries, European intellectuals moved freely from one university to another without any administrative obstacles or other barriers. Nowadays, we have nation-states and we still feel the consequences of past ideological differences. Because of the existing impediments, the establishment of a common intellectual space is a desirable objective.

The European Union has adopted a so-called Fifth Freedom: the free movement of knowledge. This happened last March, during the Slovene presidency of the European Union. We are proud of the declaration of that principle. Nevertheless, its implementation will be a long process.

It is impossible to have good knowledge and a common European intellectual space without high-quality, intensive research. For that

reason, we have to devote significant attention to facilitating research activities in order to expand the existing knowledge fund and to achieve innovation. Unfortunately, we see that Europe does not have enough researchers. Research activities are not valued sufficiently. Sometimes they are not remunerated properly. They deal with tough challenges but on the other hand they do not deliver the fast results that have been expected in the period of rapid economic development that we have witnessed lately. Therefore, research must obtain higher recognition and status.

The European Union is only now beginning to create the right conditions for research to obtain the place that it must occupy if we want to see Europe as a knowledge space and create a common intellectual space. A European Charter for Researchers has been drawn up by the European Union, as well as a Code of Conduct for the Recruitment of Researchers. The charter has been signed by 20 states and endorsed by some 800 institutions. This is an important start but it is just a start. The new rules and methods of cooperation mean that researchers need to have social security as well as good prospects for the advancement of their careers. They also need to be able to move easily from one state to another because that will enhance their potential.

[06] *At the same time, it is necessary to develop new ways to finance research. It is increasingly financed on a competitive basis. Research budgets are shrinking, whereas competitions for research projects are becoming increasingly common. This is another domain where we need a thorough analysis and fundamental change because many research institutions are not prepared to compete for funds. I think that we need some innovation so that Europe's research potential can develop successfully, so that the existing knowledge fund will expand and companies will have a source of innovation and success.*

It is clear that this cannot occur unless the state exercises its regulatory and political functions. The state is not a distant and irrelevant actor on this stage. The state is a partner. It must find ways to stimulate research. Its regulations should help researchers have adequate security. The state's policy should ensure adequate remuneration of research, as well as adequate respect and prestige.

In addition, educational systems should involve more research. Education should be more focused on solving problems, not just on collecting knowledge and information.

I have shared these thoughts with you here in order to explain how I view the importance of innovation with respect to the tasks that the public sector is facing. I think that it is only appropriate that the President of the

Republic should speak of the public sector. I also believe that quite a few specific things need to be done in that context. I will not go into detail because there will be many other opportunities for that in the years to come. We are going to have a new government and these topics will be high on its agenda.

Today we are talking about innovative thinking. That requires investment. Our friend Danica Purg told us today how one can invest in an initiative that yields innovative knowledge, and explained quite well why that is important. Naturally, this is important for IEDC-Bled School of Management as well as for business companies. But this importance should also be appreciated by the state. At the level of the state, especially here in Slovenia, we must ensure, by means of normative acts, that the quality of education and research reflects international standards. The percentage of the gross domestic product that is invested in research should also accord with international practice.

As we speak of the future with respect to innovation, it is important to realize a basic principle: we, in Slovenia, will not progress without spending a substantial amount of our public funds on focused research. We must be prepared for that even in crises when we can expect a reduction in public spending. As far as investment in research and science is concerned, we must maintain the level of our financial contribution.

[07]

If the state provides assistance for that purpose, our development will be faster. I am convinced that we will continue to develop. If nothing else, IEDC-Bled School of Management will help us do it!

Thank you very much.

Address by Dr. Erhard Busek, President of the IEDC Supervisory Board

First of all, I must congratulate you on this impressive building. It certainly serves the purpose of this school very well. I would also like to congratulate you for the idea of developing your activities in this way. One of the basic principles of business is that unless you grow, you die. By growing in such an impressive way, this school is tracing the future.

I come from a family with a long tradition in construction and architecture. Knowing Central and Eastern Europe, where things are often delayed, I must say that the fact that this school was finished on time is a real miracle. I am convinced that Danica Purg's effective management of this process has been the key to its success.

I know that this is an expensive project. Therefore, I must also congratulate its sponsors, both those that have already contributed funds and those that will do so in the future.

In her address, Danica thanked a lot of people. But I think we should admit that without her efforts, we would not be standing here today and this school would not exist.

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The building is certainly nice, and it is beautifully decorated with modern art. But that is not enough. The school also needs life. This is what I would like to talk about.

I think the starting conditions are excellent. The IEDC-Bled School of Management is not only a Slovenian success. It is also extremely important for the whole region. That is why it is so difficult to turn Danica down when she approaches you with a request. That is why I have accepted the invitation to act as a chairman of the school's supervisory board

I think that this school has an excellent opportunity to be a real bridge, not only across the countries in this region but also across the Atlantic. It also extends to the emerging markets in other parts of the world. I do not think it makes much sense for a Central and Eastern European school to compete with institutions such as Harvard, INSEAD or IMD and try to beat them at their own game. I think, instead, that this school should maintain a specific focus on Central and Eastern Europe. We have to make Bled a synonym for high-quality management education in our region. This is a very important goal and I think that we can achieve it. Good management education is extremely important and we need a lot of effort and inspiration in this respect. Emerging markets need not only skills and vocational training. They also need information and better networking.

Danica mentioned that Coca-Cola is sponsoring a chair at the IEDC. We have had a Turkish representative on the Business Advisory Council for South East Europe who was a top executive with Efes Pilsen. At present, he is President of the Coca-Cola Company in Atlanta. It is he who helped set up the Coca-Cola chair. You see why you need international connections. If you drop in on somebody in Atlanta and ask for help for Bled, it will not work. This ability to create effective networks may be the special weapon of Bled.

I had an opportunity to attend the latest meeting of the Central and Eastern European Management Development Association in Tirana a few weeks ago. The chairman of the conference was a professor from Singapore. That country is not close to either Tirana or Bled. I think that it is extremely important to have this type of connection. Strengthening and expanding them is going to be a quite challenging job.

Now I would like to formulate some of the aims of the school. First of all, we need quality. It is an absolute precondition. Without it, there is nothing else. Second, we need competition. That means we must not think that we are the only ones in the world. We have to look at our competitors and try to learn something from them. Third, we have to adopt an overarching approach. This is often mentioned with respect to the arts. However, it is sometimes forgotten. I was minister of science and research for quite some time. I also hold a chair at the University of Vienna and I am the rector of another university. I must say that sometimes people forget that the word "university" is close to "universal". It should not only provide specializations but also show the connections and interdependencies between various phenomena. Specializing too much in a particular area can lead to knowing more and more about something until we know everything about nothing. It is extremely important to study such connections in management education because everything is interdependent. The current financial crisis, for example, cannot be ascribed to a single factor. There is certainly a lack of global legislation but there are other determinants as well. It is also a psychological problem. If you look at all the reports from the stock exchange about the downfall of all the indices, you can see the various impacts on the situation.

[09]

I also think Bled ought to be a center of excellence in fields that are relevant to Central and Eastern Europe. This is a specific development that has already started here.

Last but not least, we have to be a meeting point. Sometimes it is necessary to stop and think where you are. That can be your best

investment. You may have to give priority to this rather than be rushed around by your calendar, e-mail and cell phone. Every now and then, you need to stop and think and figure out how things might turn out.

I hope that we will develop what I would call a “Spirit of Bled”. What does that mean? To learn how to be successful and to learn how to compete with each other. We also need to learn how to cooperate. This means finding the right language. That is not just a problem of translation; it is a problem of understanding each other. We talk a lot but do we understand each other? Are we using the right language? If you have to present a product or a service, you have to do so in the right language.

We also need to learn how to lead in the right way. To do that, we have to believe in the future. We need a vision but it should be coupled with pragmatism.

These are my wishes on behalf of the supervisory board. I can assure you that under my chairmanship the board will pursue the goals that I have outlined.

Lessons of Innovation

It is somewhat incongruous to speak of innovation in the presence of Danica Purg, who is “innovation personified”! What she and her colleagues have achieved at the IEDC-Bled School of Management, is amazing. It is both impressive and innovative, and it deserves our admiration. I am sure that there are many lessons regarding innovation to be found here.

I would like to share with you the results of some innovation-related activities that I have been involved in at IMD Lausanne. In their opening comments regarding the creation of the Centre for Innovative Learning at the IEDC, both Danica and Dr Busek spoke about the importance of: “relationships, tradition, the ability to reflect, the need for a focal meeting point, and the need for a spirit of community”. In many ways, these images also essentially sum up my comments as well. What I am going to speak about is just a little more specific as it is set in an institutional context.

To begin with, there is one overriding observation that has come out of every innovation-related activity that we’ve been involved in, and that is: “In every organization, no matter what sector of the economy it is in, we need to get more people to innovate!” This conclusion is so pervasive that it bears emphasizing right at the beginning. We have to dismiss the notion that innovation is the special province of [11] only a few. Make no mistake, Research and Development is important, and is rightly the domain of special groups, but on a much broader front we can truly move the world, as well, by unleashing under-realized innovative energies that are dormant throughout our organizations.

In a casual and non-scientific manner, we have asked participants in our programs to estimate the percentage of their relevant, personal talent that their organizations are currently receiving: “At the end of the day, when you are on your way home, have you shared the last good idea that you have? Or are you still full of good ideas that have not been received?” While this may be highly dubious research from a scientific viewpoint, it is certainly provocative in terms of the responses we’ve received. The results lead me to believe that the real energy crisis of our time is not petroleum-based; it is organization-based.

The distributions of “talent utilization” that we’ve derived from these conversations are well below what would be considered acceptable if we were to ask factory managers about the capacity utilization they’ve achieved with their machinery. Why is it that a level of asset utilization that would be considered unacceptable for a machine, is tolerated when it comes to human talent? The explanations that we typically receive include such considerations as: many people feel

that in their organizations, only a few people are allowed to think; they feel that they are too busy because of routine activities; many feel that they spend too much time fighting their own organization. While familiar, these are real barriers to unleashing the innovative power of the people who work in our organizations.

If we could increase the levels of talent utilization by just a little bit, we would probably be able to change the world. Even if we did not achieve that, we would certainly be able to change the organizational climate in which we work, and make each day more fulfilling for our clients, our stakeholders, and ourselves. In fact, we often hear debates concerning what we have to do to encourage innovation. Should we build some kind of organizational machine that pumps out great ideas [as in “Edison’s invention factory”]? Should we hire some bright people who will act as independent geniuses? Should we simply build great teams? Or do we need creative attitudes, or the right culture? The answer, of course, is all of these things. All of them, at the same time; not just one. As you will hopefully see, this is, in fact, possible.

Learning from Observing Innovation

[12] The study of innovation is no longer new, and by now we have more than fifty years of solid research which argues conclusively that the causes of innovative failure are almost always attributable more to failures of management, than failures of technology. It is more likely the environment in which the technology is used; the relationship between the organization and the customer; the leadership that fails to inspire. These are the things which make the difference between innovative success or failure. It is far more often a management issue than a science or technology issue. The fact that a center for innovative learning is located in a business school – the IEDC – is entirely appropriate!

The question now is how to create real learning, which is one of IMD’s real slogans. We think we have some ideas. It starts with several simple lessons:

- 1. Everything begins with the customer.** The first observation is that everything begins with the customer. For successful commercial innovation, start not with the creative thinker, but with the person for whom the innovation is ultimately intended; the one who will have to pay their own money to purchase the new idea. In fact, knowing the customers so well that you can get them to help you make the product suit their needs, even better, is a sure means for innovative success. As experts in their own lives, they know more than you’ll ever know as a creator of a device.

One important word of caution that comes out of our work on *Virtuoso Teams*¹ is to not accept the established industry-stereotypes about “the customer”. Such stereotypes exist in every industry and we share them when we sit over coffee in the morning or over a drink in the evening. Most often those stereotypes are diminishing. Inevitably they lead us to giving the customers less and leaving them unfulfilled. Great innovative experiences are almost always associated with perceptions of the customer that are enlarging and ennobling. Seeing the customer as more complex, and more interesting, more sophisticated and willing to spend more as well, as long as it solves their needs, is a better way to begin any innovative project.

We all talk a lot about listening to customers, but frankly speaking nobody likes to do this. We tend to think that we know our customers. But each time our participants do take the time to talk with their customers in an open-ended fashion, they discover complexities that they had not been aware of. It turns out that customers are willing to pay for things that we did not suspect. If we stretch the customer before we can stretch ourselves, and then stretch ourselves in response, we will have a winning solution.

2. Inclusiveness matters; more minds are better than fewer.

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Complex situations require complex solutions; not unnecessarily complex, but with sufficient complexity to meet the requirements of the situation. Almost inevitably, that means we need more minds, more ideas, more insights, than any one person can provide. Opening-up the solution space to a larger number of contributors is key to gaining better innovations. This is not easy, however. It requires an ability to attract great people, and then the leadership self-confidence to allow them to be great. Sadly, we see too little of these characteristics.

Every year, human resource managers that I work with tell me that they have hired another bunch of great people. I meet them and I find that they are curious and energetic and ambitious. Then, we look at the results that they produce, whether it be at the corporate level, or the business unit level, or the project team level, and the results are almost always the same: pretty much average. Some are better than others, but they are not remarkable. If you write this in an equation form, then it would look something like: "great people in, average results out". Naturally, that is not the way it ought to be. We would not be here today if we thought that the role of business schools was to diminish talent rather than boost it.

¹ Andy Boynton and Bill Fischer, *Virtuoso Teams*, London: Financial Times, 2005.

In the past few years we have been thinking why this happens and how we can reverse it. There are examples, from both the business world and outside, showing that the equation can be changed. Some organizations have, in fact, hired great people and gotten great results out of them. They do it by not compromising. They know what they want, and why they want it, and they then go about creating the conditions from which great results have a higher probability of being obtained. A lot of what follows here reports on what these organizations have done, but a bottom-line message out of all of this is that innovation is not about unnecessary or premature compromise. If you do not want to pursue excellence, then your alternative is to hire average people. If you are going to get average results anyway, why take the time and trouble to hire great people?

3. Hire for skills, not attitudes. If you go to any bookstore and buy a book on management, the odds are that it will give you a simple message: “hire for attitude and train for skills.” Why? Because as managers we have to live with these people and their attitudes, and good attitudes make life a lot easier. The problem is that this formula will not increase the probability that you will gain truly innovative new ideas from your happy team. If you want truly new ideas, you have to hire for skills, at least occasionally, and then deal with the attitudes that come along with them.

4. Shape conversational environments for more effective innovation. The basic building block of innovation is the “conversation.” Whereas industrial engineers for most of the 20th century studied work by focusing on “tasks,” the IEs of the future will be reengineering knowledge-intensive organizations by reconfiguring conversational environments. We believe that conversational environments can be shaped. At the end of the day, innovation is conversation. It is getting an idea and moving it to someone who can use it, or improve it. Getting an idea and not moving it is not innovation. An important element of successful innovation is creating conversational environments where ideas can move easily, and to the right people.

Former Nokia CEO [and still Chairman], Jorma Ollila used to spend three months in Silicon Valley each year, searching for new ideas. He said that was an important part of his role as the chief executive officer. He also observed that very few of his visits there ever got beyond the cafeteria of the firm he was visiting. It was natural for people to sit around a table, in comfortable surroundings, and start discussing an idea. As a result, the new Nokia headquarters, near Helsinki, was built around two atriums, one of which contained a cafeteria, with all

of the adjoining offices having glass walls, in an effort to invite as many people into the conversation as possible. This is all about designing more effective conversational environments for better innovation.

5. Design organizations as you would a city. Some years ago, there was a very insightful book about the power of metaphors in thinking about organizational design, which encouraged the reader to think of organizations, and their design, as if the organization was: a machine; an organism; a brain; a culture; a political system; a psychic prison; and the like². More recently, Gary Hamel has employed the urbanologist Jane Jacobs' work to describe organizational design.³ We agree with Hamel, and think that you should facilitate innovation within organizations by thinking of their design very much as you would design a city. Think about what the traffic of ideas looks like; and where it happens. Think where the cool neighborhoods are. Think where the smart people hang out. Think how you can increase idea-blending so that we have a mainstreet interaction. Think also how we can build diversity into this so that we can get an edge. In fact, we believe that if we want to build great innovating organizations, we can get guidance from studying great cosmopolitan centers⁴.

6. Take bigger risks, with smaller chances. Risk-taking is an essential part of innovation; so is failing. We think that you innovate by trying things out, failing, and learning. The people at IDEO, the design firm headquartered in Palo Alto, California, calls this prototyping, and we have become such ardent prototypers that it now a philosophy of life, rather than merely a tool. We prototype everything, and I believe that our innovations are better as a result. Why? Better conversation! The tangibility and immediacy of prototypes provides better feedback and quicker response.

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7. Polite teams get polite results. Again, this is all about better conversations. We think that polite teams get polite results. This does not mean that you have to be rude. But, we need to put people together in situations where they have a chance to be better as a result of learning and even competition rather than being diminished.

Doris Kearns Goodwin wrote a book called *Teams of Rivals: The Political Genius of Abraham Lincoln*⁵ that speaks directly to this

² Gareth Morgan, *Images of Organization*, Beverly Hills, CA: SAGE, 1986.

³ Gary Hamel & Bill Breen, *The Future of Management*, Cambridge, MA: Harvard Business School Press, 2007.

⁴ Richard Florida, *Who's Your City?*, New York: Basic Books, 2008.

⁵ Doris Kearns Goodwin, *Team of Rivals: The Political Genius of Abraham Lincoln*, New York: Simon & Schuster, 2005.

point. When the American Civil War was being fought, Lincoln realized that he needed the best ideas he could get, no matter where they came from. As a result, he brought together in his cabinet people from all positions of the political spectrum, some of whom disliked each other intensely, and then he put them into close contact with each other. What did he get? The best out of all of them rather than a modest compromise, or a biased perspective. It was not easy to manage, but it was amazingly effective in terms of getting the best ideas.

A week ago, in the midst of the financial crisis that we are all going through, my good friend Andy Boynton, Dean of Boston College's Carroll School of Management, wrote in *The Boston Globe* that: "If you are going to rethink the whole financial system, you want the smartest people in the world around your table. You do not want the nicest people. In this case, polite conversations are not welcome. On the contrary, these people will have to sit close together, feel uncomfortable, and work fast. Inevitably, there will be ruffled feathers. That is fine if that is what it takes to get us out of this mess."⁶ When you're facing the need for big, innovative change, we believe that you should stack the odds in your favor; skills raise the probability of getting you there, attitudes don't.

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8. Develop processes for better idea flow. In your organization, you probably have a process for managing inventory, and for managing receivables, and for cash flow and the like. But do you have a process for managing your company's flow of ideas so that you can reliably build your future on them? Most organizations do not.

To succeed at innovation, we need a dependable flow of ideas. But do we have any sense of where they come from, and how they travel through our organization? We would never ask such a question regarding materials flow; we know that perfectly. In fact, this is the result of our all being beneficiaries of two hundred and fifty years of unparalleled wealth creation, called the Industrial Revolution, which focused upon the efficiency of the ways in which we transformed materials and labor into products. The Industrial Revolution was characterized by a focus upon variance-reducing processes that made mass production and mass consumption possible, but which have not made innovation necessarily probable. Innovation requires processes, as well, so that we know how best to acquire ideas, move them around our organizations so as to add value, and then release them. In idea work, flows are most definitely preferred over

⁶ Andy Boynton, as quoted in Robert Weisman, "Economic All-Stars", *The Boston Globe*, October 12, 2008.

stocks, and we need to understand what we can do to make this better. This is all about processes, only this time we're transforming ideas, not materials, and the basic building-blocks of work are conversations, not ideas. Furthermore, in a bit of a twist, these processes for ideas need to increase variance, rather than decrease it, at least as far as innovation is hoped for. The DeepDive™ is just such a process⁷.

9. Looking outside the organization is becoming more important than looking inside. It used to be that when we held courses on “innovation,” we were really focusing on doing “commercialization” better; in other words, moving ideas quicker and more effectively from the moment that they entered our organization until commercialization. Today, instead, we think that looking further ahead, and outside of the organization, has become more important than managing the commercialization process inside the firm. That means spending more time on thinking where the new ideas are coming from and figuring out who the people right now are that are doing those things. In many cases, they are probably never going to be your customers but they are doing things that you need to know about if you are to be a successful innovator in the future.⁸

Many of you are familiar with the “commercialization funnel.”⁹ [17] That used to be what we talked about when we discussed innovation. Today we are talking about moving ideas upstream and downstream. It is the value chain, not the firm, that you should be thinking about.¹⁰ It is a different way of perceiving the world, but one that is yet again built around better conversations as a way to move ideas more effectively.

10. Strong leadership and discipline are essential for innovation. Finally, we think very strongly that creativity flourishes with discipline; and that the two are not contradictory. Others are not so convinced, and argue for a more bottom-up, “thousand points of light” approach to innovation. We disagree. We look at Thomas Edison and Steve Jobs, and a multitude of great innovative leaders between, and argue that strong leadership is more important to achieving effective innovation than is bottom-up. Without strong leadership we will never get to the bottom-up. If I can cite Virtuoso Teams once again, the optimal

⁷ An introduction to the DeepDive™ [TM Deloitte Consulting LLP] can be found in Boynton & Fischer, *Virtuoso Teams*, *ibid.*, chapter 9.

⁸ This is the lead-user phenomenon that Eric von Hippel speaks about in *Democratizing Innovation*, Cambridge, MA: MIT Press, 2006.

⁹ Kim B. Clark and Steven C. Wheelright, *The Product Development Challenge: Competing Through Speed, Quality, and Creativity*, Cambridge, MA: Harvard Business School Press, 1995.

¹⁰ Charles Fine, *Clockspeed: Winning Industry Control in the Age of Temporary Advantage*, New York: Basic Books, 1999.

situation is for everyone in the organization to believe that they have absolute freedom to innovate, and for top management to believe that it retains complete control. Interestingly, it can be done. When it is achieved, it becomes a recipe for great success.

Comment from the audience

Our discussion group consisted of a banker, an executive in the oil business, and an entrepreneur. We all feel that we have experienced the power of innovation. What we have in common is that we engaged people in a process and we created the right environment for their ideas to come through easily. Then, we supported those that made sense for the company.

William Fischer

That is wonderful. You engage people and their ideas come out. If we can get more people to participate, we raise the probability of getting good ideas. Can we have another example?

Peter Kraljić

I was once involved in a job-creation project. The topic was how to cut unemployment by half in a German city where it had reached 18 percent. The problem in this case is how to create more jobs. How do you do that? By accelerating economic growth. That is what we discussed. The real success factor was the power of the team. We had a team consisting of small and big corporations, the city council, the country where the city was, and the trade unions. The result was that five years later, unemployment had fallen to seven percent, which was basically what the objective was. The region became one of the fast-growing regions in Germany. This means that it can be done. But you have to use the power of the team and even include people that you would not normally consider, such as representatives of the trade unions.

[18]

William Fischer

This is inclusiveness: everybody was there and they did it together. Everybody knew what was going on. That clarity of purpose is essential. If you do not have that right at the start, I can guarantee you that your team will underperform. The reason for this is that if things are left implicit, we have to check-up to make sure that the others understand. As soon as we start checking, we will almost surely be perceived as controlling, even if we do not want that to happen. And, inevitably, people will feel diminished.

Peter said that the trade union people do not normally participate in such projects. But they are so close to the action. Why should they be left out? The more minds, the better!

Comment from the audience

What we discussed in our group was the importance of innovation in the public sector. Despite its importance, any kind of innovation in the

bureaucratic system is strongly resisted. We agreed that we need to make greater efforts to convince the public sector to accept change.

William Fischer

There is resistance to change not just in the public sector, but everywhere. Innovation requires not only great ideas but also execution. Otherwise, it is just a dream, not innovation. One of the important things to discuss is how to overcome the inevitable points of resistance.

Derek Abell

In 1990, when Central and Eastern Europe was beginning to change, I was in Paris, making a speech. I said that it is important to have boards to support the privatized companies. Two people came up to me in the coffee break. One of them, an Irishman, said that the idea was great: "We can provide five million dollars if you elaborate on it". The second one was a bank chairman. He said, "That is an interesting idea and I would definitely be interested in doing it". This banker stepped down from his position and became leader of a project called The Turnaround Management Project. At one time it employed 300 people at the European Bank for Reconstruction and Development. The lesson is that what I had was just an idea, but this guy turned it into something. He implemented the idea within a month. It grew and we ended up with some 30 or 40 boards, some of which were in Slovenia as a matter of fact. This was an interim operation; we were just helping companies for about a year and a half.

[19]

So, the idea was good and the implementation was fast. As it happened, the three key players were there: the one with the money, the banker, and me with the idea. The lesson that I would draw from this is that you need to get the right people together fast.

Leadership and Innovation

You heard me say that leadership is important and that leadership is a contact sport. You do not need people writing e-mails, congratulating people on their innovation. You need face-to-face interaction.

Very often great innovation happens unconsciously, providing the barriers of resistance are down. I would like to talk about how you can make that process conscious and reliable. We know what it takes to be an innovator. It is not the technology. We have a lot of evidence about this: it is people and organization.

I like to think about the outcomes of our work in terms of a distribution of managerial performance. Some days we do better, on other days we do worse. The focus in the management literature is on improving the mean performance of this distribution, and reducing its variance. But, let's remember that for the moments when innovation and big change are required, we are normally

talking about something outside our traditional distribution curve.

I told you earlier about this survey that I do, asking people what percentage of their total talent is used by their companies. I wonder whether you think that the numbers that I mentioned are fair estimates [general agreement from the audience]. If you agree with my numbers, the question is: what can we do to move away from such depressing distributions?

The bankers that I surveyed told me that they allowed only some people to think in their organizations, or at least that's the way that they felt. They have rules and hierarchies that get in the way. This is not unusual. I have done this survey with people all over the world. It is pretty much the same everywhere - in China, Europe, and North America. I recently spoke with a group of 35 young high-potential Asians who work for a multinational fast-moving consumer goods company. They said almost the same thing. They told me that their ideas were indiscriminately killed. Everything in their companies depends on their leader. "It all depends on the leader. I cannot do anything. My hands are tied. It is up to the guys above us". Similarly, a group of very senior executives in a large European firm, with only a level or two above them, said exactly the same thing. Can you relate?

[20] It's pretty clear from our results, both in these surveys and in the work on Virtuoso Teams, that leadership is a key ingredient in successful innovation. I like to think that we should consider an essential element of the role of the leader as a talent multiplier. One of the responsibilities of leadership in complex organizations is the ability to create the social architecture capable of generating intellectual capital. It sounds nice, but what does it mean? I would like to put it into a context where it makes sense. This is going to be about organizations that value ideas and are trying to make knowing things as important as making things.

I am interested in organizations that do this for real. And, I think that that starts with the people that they assemble in their innovative efforts. We will begin with an old McKinsey view of the world. One of the things that we have to think about is: what sort of people do we have? How broad is their intellectual bandwidth? How broad do we want it to be? McKinsey has long argued that you need both "Is", and "Ts". Is are people with deep knowledge about a particular field of expertise; who know more and more about less and less. They are the original source of many of our solution ideas, and if you are talking about research and development, you are talking about investing in just such people. They are critical for creating the new ideas that will ultimately move us into the future. But they are not sufficient, by themselves, for successful innovation. We also need people who have less depth, and broader bandwidths – Ts. This does not mean that

they are dumb, but rather that they have different skills and interests. Typically, they have an easier time forging social relationships. It may very well mean that they also have different career paths within the firm. They have a broadband view of the world, and they may be critical if they are close to the customers, but also because they make ideas move faster.

Why is this important? The broadband people are quicker to understand why what you are doing is interesting to somebody else, and they often know who that other person is, as well. They can make those links which we need to move ideas. When you have broadband people, the conversation moves faster. Talking about resistance, there is less of a need to convince them. Why? Just because they are broader. They know different things; who rather than what, for example. That is how ideas move: from person to person. Building "know-who" can become as important as "know-how".

Becoming a Better Knowledge Professional

I think it is sobering to stop once in a while and think, "Where am I in this whole thing? And what can I do that will make me better?" I say that because I believe that every person who is reading this, by virtue of simply taking the time to do this rather than something else, is what we would call a knowledge professional. What I mean by that is somebody who adds value to his/her organization by virtue of the ideas that she or he is associated with; their ideas or the ideas of others. It's certainly not only about your own ideas alone, but there are the ideas of other people that you can put into play as well. I tell this to the groups of people I talk to and everybody nods and says, "Yes, I am one of those people".

[21]

But here is my question. I live in Lausanne. That is where the Olympic Committee is. If you walk along the lake in the morning, you will see famous athletes. Every national Olympic committee that comes to Lausanne has some famous athlete on it, by definition. Now, these people are out in the morning, stretching and exercising. The reason is that this is how they make their living. They do that by being faster and stronger than the rest of us. We make our living by means of our ideas. We spot them earlier, bring them into the organization and unleash them. So, my question is, "What exercises did you do this morning?"

I had a Norwegian engineer in class once who said to me, "I am very irritated that every year I am required to show 12 percent improvement on the physical assets I am associated with but nobody ever asks me about my mind." The question is how to make this shift. What are the exercises that we need to do? The individual matters, and we are that individual!

One of the other things that we know is that if you are trying to put together a creative group, bigger is not always better. There is a

certain minimum that you need in order to be a creative group. You need enough people for a robust conversation. Economies of scale matter, but there are also diseconomies to avoid. The fact is that too many can simply be: too many. Why? Because, you can get a dysfunctional idea flow unless you have processes in place to protect and facilitate ideas. This is not about smart people or about technology or science. It is about putting those people in a context where they can win. What we need to think about is how ideas move around in an organization.

Our research into idea flow within an organization shows that the networks which spread ideas typically look nothing like the company's organizational chart at all. What you see, instead, is that there are a relatively small number of people who hold these conversational environments together and, all too often, nobody in management knows about them because they themselves (the senior executives, that is) do not directly participate in these idea flows. These relationships are all about access, broadbandedness, and trust. It is about things that organizations do not measure in performance reviews. It is about openness to ideas. It is about having the time to spend with colleagues. It is about being broad and saying, "Hey this person is working on something interesting. You should check on him." It is all those things that do not show up in any formal measure.

[22]

If you believe that ideas are important to your organizations, these are the people that you need to be looking at.

So, conversations are the basic building blocks of work, and we have to focus on the individual because that is what we have to work with. Talent starts with individuals, one at a time. We need to think how we find those people and put them in a position where they grow and fulfill their destiny and how we put them together so that they multiply.

Sonny Rollins is one of the greatest saxophonists of the 20th century. He once said, "My life is devoted to the achievement of an important breakthrough and I will die disappointed if I cannot reach it. I want to live up to my promise, not just for me but for my music." You can substitute "profession" for "music" in this statement. I think that we need people who have a burning desire to make a difference, not just for themselves but for their profession or community, and then put them in a position where they can do it. I think that we all have something in common with Sonny Rollins. It does not matter who we are. We all should have the same objective. This means taking these individuals and developing them beyond what is typical. We do not need to do that in a manipulative, exploitative sense but in a sense that ennobles them and makes them better.

A Jazz Group as a Metaphor for an Innovative Team

One of the hallmarks of managerial education at the IEDC has been a willingness to embrace the arts for the insights that they offer into leadership and organization. In this spirit, I am going to use a jazz band as a metaphor for a modern project team. It does not matter if it is an advertising team or a human resource management team or something else. The metaphor illustrates the importance of improvisation. It is a great metaphor because jazz is a conversation, not only with the audience but also between the participants, and conversations are the basic blocks of knowledge work. Jazz is also a business because jazzmen try to make a living. They try to outperform others. And, by any definition, jazz involves innovation. It is different from classical music. It is very much about innovation as you go. So, it is a useful metaphor for innovation.

The person that I am most interested in in this regard is a gentleman called Miles Davis, who was one of the greatest trumpeters of the 20th century. You can think of jazz as a product offering that is brought to the market place. That is what it is, in a way. We have waves of different product offerings that have been brought to the market over the years in this field. Think about the evolution of jazz. There was swing and then the music changed profoundly over and over again. There was bebop and cool. You do not even need to know much about music. You can almost hear the sounds from these names. There was fusion, which brought rock and roll and jazz together. These were big revolutions that changed everything. They changed the music for the market as well as the way that people reacted to the music. They also changed the organization of work in the groups that played this music, and the way that the players within these groups conversed with each other. In a swing group, the saxophonists would all get up at the same time, play the same notes and sit down at the same time. In bebop nobody knew what was going on. It is a very different organization of the way in which work took place. As a result, individual roles changed. The role of the leader was also different. [23]

Miles Davis led four of these revolutions. As a result, I believe that he had to know something about innovation. He launched cool, modal, hard bop, and fusion, and was instrumental in bebop. He did that with four different bands. I think that he was a man who knew something about innovation. Miles Davis was a catalyst for innovation; individuals matter! After all, all innovation starts with somebody's dream. If you do not have people who are capable of dreaming, you have a problem getting started.

It also helped that Davis was good at what he did. He was capable of taking differences and weaving them together. He was seriously

broadbanded. He also was the consummate talent scout. Despite being an outspoken advocate for the power of black culture, his groups were consistently marked by the inclusion of talented white musicians. There was even a time [The Birth of the Cool group] when most of the people on his team were white, and he was severely criticized in the black community because that was a time when black musicians needed work. In fact, what he was looking for were people who could deliver the best performance. When Miles Davis was criticized for not hiring blacks he said that he would gladly hire one if he could play as well as the other people in his group. One of the conclusions that we arrive at is that you want to hire the best people obtainable, not the best people available. There is a difference between the two. The best people available may be available simply because nobody can figure out what to do with them.

Earlier, I talked about organizations as cities. In its heyday in the 1950s, the center of innovation in the jazz world was New York – 52nd Street, to be precise. It was an environment that generated new ideas. The city was alive, and Miles Davis took part in unceasing, freewheeling, energizing conversations about the power of ideas. This was not a bunch of junkie jazz musicians hanging around, but a group of professionals who were deeply interested in advancing their profession. What could make it better? What was not there at the moment? What was missing?

[24]

The arranger Gil Evan's apartment was the conversational center. The door was always open, and there were always a dozen people in there. It did not matter what time you came in, ideas were everywhere. What these guys were playing was stretching the boundaries of classical music and they were bringing it into jazz. They were full-time professionals, 24 hours a day. It was impossible to be in that room with them without being intoxicated by the idea of change. They were ambitious and they were smart. They wanted to create change and leave a mark on their field.

Davis was inclusive. It was not about a single person but about "us". He was the catalyst who had the dream but he needed to bring people in. He also wanted to do new things. This meant he needed an organization that had more rather than fewer ideas.

Davis said that he was happy if he could play one new idea each night. If he could achieve this, then by the end of the year everything he played would be fundamentally different. In this way, he was a knowledge professional who was never content with where he was, or what was available, at any particular moment.

Another thing that I think is really important is that he never had a weak group. He always picked the best people. One of the things that we discovered in our research is that when you go out and talk to great teams, you discover that their leaders spend a lot of time trying

to find the next new talent. Miles Davis would go out almost every night, listening to other musicians who did things he could not do. Then he tried to hire them because he needed new ideas. Great innovation requires that you have to recognize that the next great idea is probably outside your organization rather than inside. A leader needs to spend some time to identify the people who have those ideas. Another benefit of that is that as you bring in new talent, the people who work for you can show what they are capable of doing without you being in the way.

I was recently with a multinational company that turned around its Middle Eastern activities. I asked them what were the things that they had learned, and among the lessons that they cited was that “it is better to have an empty position and figure out how to deal with that situation, than put the wrong person in it.”

Davis was said to have the capacity to turn his group from musicians into magicians. I think that this is the right metaphor for innovative groups. We need to turn our “musicians”, no matter what their profession, into magicians.

This means that we need to start with the best people, position by position. If we do not have them, it is better to do what we can without them, rather than compromise on our dream. There are big risks associated with this, but nothing that has to do with innovation can be risk-free. People who worked with Davis said that the job always involved risks but it was always a pleasure. They were not afraid of the unknown. They cherished it. The great pianist Herbie Hancock has even said that they enjoyed getting lost – you can do this if you have magicians!

[25]

In fact, Davis always surrounded himself with people who were different and hopefully better than he was. Once, Wynton Kelly, one of his original pianists, showed up at the recording studio to cut the Kind of Blue album, only to discover that there was somebody else at the piano - Bill Evans. Kelly played the first piece; then Evans did the rest. This was a tough call for Davis, as Kelly had been around for a while, but Davis felt that he needed Evan’s sound. Think about what it takes to be a real leader - an ability to build a team around somebody else and a drive to be great in terms of what the team can do.

Selecting the right people, and then developing them, is not often easy. A case in point is when Davis hired saxophonist John Coltrane. He had enormous promise, but he was also a very troubled guy. The question was how to unlock that promise. Davis had to change the way that he interacted with him. Coltrane would ask Davis how he wanted him to play a particular piece. Davis would say that he was a trumpet-player and not a saxophonist, and so he really couldn’t tell him how to play his instrument. In fact, he had hired him because

Coltrane was the world's best saxophone player, and so it would not be a wise idea to tell him how to play. However, Coltrane needed guidance. Davis eventually developed ways to provide the necessary guidance, but without telling Coltrane exactly what to do because if he did that it would have defeated the whole purpose. He wanted to give him an idea of what he expected without intruding on Coltrane's creative capability. Davis never told anybody what to play. He only told them what not to play. As long as they agreed on some parameters, that was enough. He was always there, in the very middle of the group, however, and leadership was very definitely a contact sport for him. Despite the conflict and confrontation, he never lost touch with a group. He did not abdicate his responsibility as the leader. His philosophy of leadership, however, was clear: He set the parameters of the challenge. What was inside these parameters was theirs, and what was outside was his. In that way, he had complete control and they had absolute freedom. If we can achieve this sort of relationship, perhaps we can get more out of our talented teams rather than less.

[26] After working with Miles Davis, Coltrane's career took off like a rocket, revealing him as one of the most innovative saxophonists ever. Pianist and team-member Bill Evans had the opinion that it would never have happened had it not been for Davis. Davis created the "crucible"¹¹ from which John Coltrane superstar emerged. Even with Coltrane, Davis had two saxophonists in the group: Coltrane and Cannonball Adderley. Nobody else had two saxophonists; and certainly no one else had two anywhere near as talented as these two! Davis would go to Adderley and say: "Listen to Coltrane! He's got great sound." Then he would go over to Coltrane and say, "Adderley is amazing at what he is doing." Neither of those fellows wanted to be second best. Adderley's brother Nat said that it was like turning up the heat in a pressure cooker, but you can listen to their conversations during their recording sessions, and they are never diminishing. You never hear anything like, "I wish I had a different saxophone player", or "You are not the right guy." Instead, it was always, "How can we make a great performance?" It was always about the team. There were a lot of sharp critical comments, but they were always about achieving the objectives, rather than criticizing the individuals. Individuals were never diminished. Davis deliberately engendered competition between Adderley and Coltrane to enhance the quality of the performance, not to damage an individual.

Wayne Shorter was another all-star saxophonist who eventually joined a Miles Davis band. Once, however, while in the audience

¹¹ Warren G. Bennis and Robert J. Thomas, *Geeks and Geezers: How Era, Values and Defining Moments Shape Leaders*, Cambridge, MA: Harvard Business School Press, 2002.

where he went to hear what kind of music Davis's people played, he thought that the music “transformed the audience and took them to places that they did not normally go.” I believe that if we thought about customer experiences in this way, it would be really interesting.

Innovation and Your Leadership Legacy

Wayne Shorter also said that in listening to Davis' band he had felt the power of individuals in a team context. Rather than taking great people and averaging them down, Davis took great people and put them in a position where they were as good as they promised to be when he hired them. Then, he tried to figure out how to weave this all into an overall team context. He saw people as individuals and tried to put them in the right place in the team. He went out and got them by name because of the things that they could do individually, and he did not want to lose that strength. Then, he created a team context that could take all of these individuals to where he wanted. If you want to change the world, hire for skills and figure out what to do with the attitudes!

I think that we lack this in the groups that I see. We have gone too far toward the group context and have reduced the individual. Reliable, successful innovation is about making people be the best that they can be as individuals within a team context.

[27]

Take Michael Henderson, for example. He was a rock musician, and Davis hired him because he realized that the jazz business was changing and rock was taking his customers away. Davis felt that he needed to learn new things and he saw Henderson as one way to do that. Davis told Henderson that he needed his new ideas. However, Henderson started playing the old Miles Davis “hits” and made Davis angry. He had not hired him for that. He needed him for the stuff that his band could not do in the future, not for the things that they had done so well in the past. Think about that from a leadership perspective. Think, also, about what this says about Miles Davis' self-confidence as a leader.

In turn, looking back at his own career, Henderson said this about Davis: "He gave me myself. When I came to play with him, I became me." Wouldn't we all love people to say that about our legacy as a leader?

Many of his players compared what they had learned from Davis as if they had been to a university. Some said they had learned more in one day than in their whole lives. Davis was an incredible teacher. Part of this is not just being an innovator but also preparing the next generation. We have seen how Coltrane hated not being told how to play. He wanted more instructions; he felt that he needed more direction. When he became the leader of his own band, however, he

was overheard telling people that he could only play his own instrument; they had to figure out how to play theirs.

The whole idea of leadership legacy, and what yours is going to be, is an important one. Along with being inclusive, we believe that leadership should be regarded as an opportunity, not a burden. For a brief while, your orbit and those of the people who work for you has intersected; what are you going to do with that opportunity? How will you be remembered? Five months ago, there was a great example of the power of leadership legacy. It took place in an unlikely place: Pyongyang, North Korea. It was the first time that an American orchestra – the New York Philharmonic – was playing in that country, directed by Lorin Maazel, and it was watched on television by millions of people around the world.

Maazel is a self-assured, confident man, and this performance was probably one of the greatest moments in his career. The program for the orchestra came to a point that evening when they played music from the Broadway play *Candide*; based on Voltaire, but written by Leonard Bernstein. Bernstein had been the director of New York's Philharmonic Orchestra and had been a great leader. In tribute to Bernstein's leadership legacy, at the very moment of one of his greatest triumphs, Maazel turned to the audience and explained that they all were indebted to Bernstein. Then, in tribute, he stepped off the stage, and asked Bernstein, who had been dead for 19 years, to take control of the orchestra. The orchestra then played leaderless for about ten minutes in homage to Bernstein.

[28]

Think what it takes for a leader to earn that sort of respect? When you talk to people who knew Davis and Bernstein, one and the same thing comes up over and over again: they were not just leaders of innovative groups; they prepared the next generation of leaders as well. This is their true leadership legacy, more than the individual successes of the multiple innovations that their teams produced.

Summary thoughts

Let me summarize. We need more innovation rather than less, and more people involved rather than the paltry few who today feel that innovation is their special territory.

When great innovation is in mind, there should be no compromise about either the people or the mission. This is not about modesty but about making change that really leaves a mark.

Polite teams obtain polite results. This is not about being rudely aggressive, but rather about being constructively confrontational. Frequently time is of the essence and we do not want to waste time. It means, as a result, prototyping and taking bigger risks. It means getting the right people on the team, and then getting the organization out of their way. And, it means rewarding them

properly. Interestingly, many organizations fail to do all of these things.

What does all this mean for leaders? First of all, they need to listen to the talent that they have assembled. For great leaders, that is their first inclination. Part of the reason for this is that if they have surrounded themselves with great individuals, listening is a good way to start. The second key is moving ideas rather than holding on to them. Understanding how ideas flow, and then reinforcing that flow, is something that innovative leaders do. Then, you need to challenge ideas but not the people who put them forward, and create an environment where conversations occur naturally and regularly.

We believe that successful innovation involves creating team contexts that allow individuals to remain individuals. This is not about averaging-out great talent into a mediocre “we-ness” for the sake of organizational harmony. This has considerable implications for team members as well as leaders. Team members have obligations, too. They have an obligation to keep up. They have to continue to learn and grow. They cannot just join a team and stay put. They have an obligation to have opinions; and more opinions are better than fewer – not merely ideas, mind you, but real, thoughtful opinions. And, they have an obligation to listen to others and be open-minded, as well as to disagree. Another obligation that they have is to be ambitious, to energize others, and not to compromise easily. [29]

If there is to truly be strength in diversity, it is by making more, rather than less, out of our differences. One of the important lessons that I learned in China when I ran a business school there is that the success of a joint venture does not depend on us being more Chinese and them being more European. Neither of those things would have ever happened. It was about them being as good at being Chinese as they could possibly be, and us being as good at being Europeans as we could possibly be. Then, we had to figure out how to build on these different strengths. This is better than providing an average Sino-European experience. It is really about trying to build strength from differences rather than making the differences go away. This is the basis for innovation.

Here is my last thought, and it is about the iPod, which is truly a spectacular innovation in both its functionality, its impact on our lives, and the way that it disrupted the value-chains of which it was a part. The iPod began with a team of real experts who were hired for the most part explicitly for this project. It was not envisioned as a lasting relationship. Some of the most key players were given short-term contracts. The idea was to put together a team of people who were really great and do something with them very quickly. They were allowed to be as great as they could be. Steve Jobs, who is so often defiled as a leader, acted exactly as we would have hoped,

giving the team the task and then letting them to get on with it. You have to trust people when you do not have the experience to do it yourself. Jobs was the sponsor and the cheerleader of the group. His task was not to do the job for them but to focus them. He saw the prototype the night before the official launch of iPod in Las Vegas, put on the earplugs, and said, "This feels like crap. These headphones have to be replaced by tomorrow. Figure out how to do it." What is inside the box is yours, what is outside is mine. These iPods are not going to work and that is outside of the box – that is my domain. Figure out how to fix them; that is inside the box, and is your domain.

Finally, think in terms of systems, not just pieces. How do the pieces fit together and what does the entire experience mean to the customer? Do not compromise. Do not be modest when you want great change. And do not diminish the customers. Recognize them for what they are: complex human beings who are more interesting than we typically give them credit for. Stretch them and then we'll stretch ourselves.

With innovation, all too often the problem is that the enemy is us. We build organizations that get in the way of what we could dare to achieve. We settle for average when we can have great. We average-out great talent when we have it. In the words of the one of the most highly innovative companies in the world, with respect to managing innovation: *Think different!*

[30]

William A. Fischer

Prof. William Fischer is Professor of Technology Management at IMD, Lausanne, Switzerland. Professor Fischer has been actively involved in technology-related activities his entire professional career. He was a development engineer in the American steel industry; an officer in the US Army Corps of Engineers; and has also consulted on R&D and technology issues in industries such as: pharmaceuticals, telecommunications, textiles and apparel, and packaging. Additionally, he has served as a consultant to a number of government and international-aid agencies on issues relating to the management of science and technology.

Professor Fischer worked with the World Health Organization for more than fifteen years, in strengthening research and development institutes in developing countries in Asia, Africa, the Middle East and Latin America.

During 1998 and 1999, he was the Executive President and Dean of the leading business school in China - China Europe International Business School (CEIBS), in Shanghai, a joint venture supported by the European Union. Between 1976 and 1996, William Fischer was on the faculty at the Kenan-Flagler Business School at the University of North Carolina, at Chapel Hill, where he was the Dalton L. McMichael Sr. Professor of Business Administration. [31]

In 1980, he participated in a joint US government-Chinese government venture, in Dalian, which provided managerial training to senior-level Chinese officials. He has since remained consistently involved in the Chinese reform experience, including consulting for a variety of multinational corporations, government agencies (both US and Chinese), and international aid agencies. He has written extensively on the Chinese economic reforms.

Professor Fischer has written extensively on manufacturing, R&D, and technology transfer. His most recent publications include *Virtuoso teams: lessons from teams that changed worlds* (FT/Prentice Hall, 2005). He has won several awards for teaching excellence from the American Institute of Decision Sciences, and in case-writing from the European Foundation for Management Development.

IEDC “Books of the Year”

- 2008** William A. Fischer, *New Generation Innovation*
- 2007** Jean-François Manzoni, *How to Avoid the Set-Up-To-Fail Syndrome*
- 2006** Ichak Adizes, *What is a Leader?* (a video lecture)
- 2005** Peter Drucker, *Manage Yourself and Then Your Company: Set an Example*
- 2004** Manfred Kets de Vries, *The Bright and Dark Sides of Leadership*
- 2003** Fons Trompenaars, *The Challenge of Leadership - Visions, Values, Cultures*
- 2002** Milan Kučan, Jean-Philippe Deschamps, William George, *Leadership for Innovation*
- 2001** Milan Kučan, Peter Kraljič, Peter J. Rohleder, *Competitiveness of Companies in Central and Eastern Europe*
- 2000** Paul Strebel, *Focusing on Breakthrough Options*
- 1999** John M. Stopford, *Harnessing Organizational Knowledge for Strategic Innovation*
- 1998** Pedro Nueno, *Maintaining Your Personal Value*
- 1997** Lecture by Peter F. Drucker on the occasion of the 10th IEDC Anniversary: “*Manage Yourself and Then Your Company: Set an Example*”
- 1996** 10 years of IEDC
- 1995** George Taucher, *How to Succeed with Strategic Alliances*
- 1994** William A. Fischer, *The New Faces of Manufacturing*
- 1993** The European Presidents’ Challenge; Beyond Restructuring
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- 1991** Thomas J. Peters, *The American Way of Managing – A Model for the Whole World?*
- 1990** Arnolfo C. Hax, *Redesigning of Strategic Concepts and Processes*
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[35]

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