

## J. Michael Locke

### Musings

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#### #23: Fostering Innovation April 14, 2020

Go to <https://gilesrichard.com> for past musings.

Every leader wants his or her company to be creative and constantly innovate in today's dynamic world. This is how you gain competitive advantage, hit a market early and succeed. However, there are ways to foster, or kill, innovation in an organization.

**Don't** seek too much specificity too early. Innovation is a process. It starts with an idea that develops and matures as more people contribute and additional data is accumulated. As a leader, if you drill in the way you would on a quarterly operating review of a mature product line, you will kill the innovation. You need to apply a different standard and let the details be unchecked for a while.

**Do** give a forum to employees "at all levels" to present ideas. Of course you can do a suggestions box or email, but I am a bigger fan of an in-person forum with top executives listening (not interrogating like Shark Tank.)

**Don't** immediately say no or express resistance. This will shut the creative personality down out of the gate. Start by agreeing and supporting and then move to more critical feedback later.

**Do** create a separate group with a diverse set of individuals (seniority, functional expertise, personality) to explore the innovative idea.

**Don't** underfund trials. You have to take some money from the "core" business and try some things. (My favorite HBR article of all time is a May 2005 paper called: *Building Breakthrough Businesses Within Established Organizations*. <https://hbr.org/2005/05/building-breakthrough-businesses-within-established-organizations> In this article, the authors describe "CoreCo" and "NewCo" where a leader must establish a small group of people in NewCo and protect them using the power of the position to give them the room to innovate. NewCo must then forget, borrow and learn. The "skunkworks" group must not get caught in the old way of doing things, must leverage what it can from the historical business and must learn as rapidly as possible.)

It is difficult to stay innovative in bigger organizations. Large organizations suffer from the inevitable establishment of bureaucracy. To scale, the organization must establish standard operating procedures. Entrepreneurship and innovation often become evils to the system. A key to success is keeping a "general manager mindset" where individuals think like an owners. If it was your money on the table, it was your business, what would you do? There is a difference between a general manager who thinks across functions and owns a complete P&L and a staff executive who has important responsibilities but not P&L authority (ex. VP of Marketing or HR). To keep this "general manager mindset" as the organization scales, consider breaking down the overall company P&L into smaller components. Like Lego building blocks of P&Ls. This keeps the general manager mindset closer to the

market. It also lets you attract talent. Many talented people want to run a business. By breaking down a larger business into smaller P&Ls, you can attract these types of individuals.

Be safe. Try something new today yourself.

jml

### *Second Thought*

In Musing #11, I wrote about being authentic and personal. Isn't it nice to see TV personalities at home without professional make-up seemingly more normal? I think it is more effective. In Musing #17, I wrote about the value of structure which is lacking in this quarantine world. It is so bad, a Cleveland News station does a quick segment called "What Day is It?" <https://www.youtube.com/watch?v=2bErtwnj6cA>