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## Innovation is red hot – like dot-com’s heyday

By Michael Krauss, November 1, 2006

Everybody’s talking about innovation again. Why didn’t Procter & Gamble’s Folgers become Starbucks? Why didn’t CBS invent CNN? Couldn’t Microsoft have birthed Google? What went wrong with the city of Detroit and right with the city of Barcelona?

Those are the questions being pondered by business executives and even mayors. Whenever they arise the answer is innovation. The second Internet era is here. Social media companies are selling for big bucks. New York-based News Corp. bought Santa Monica, Calif.-based MySpace.com for \$770 million last July. In a recent cover story, Fortune Magazine--which may itself be an artifact of a bygone media era--suggests Google’s chaotic management approach, which stimulates innovation, could be the cure in an era in which Ford and GM are beaten behemoths.

Everywhere on the rubber chicken circuit, innovation gurus like Jeneanne Rae of Peer Insight LLC, based in Alexandria, Va., and Larry Keeley of Doblin Inc. in Chicago are earning fees, providing answers and selling books. BusinessWeek raves about Rae, calling her the “doyenne of service innovation.”

IDEO Inc.’s general manager Tom Kelley’s latest tome, *The Ten Faces of Innovation* is a 266-page commercial for the legendary San Francisco-based product innovation firm. It’s a great read (though terribly self-serving) but symbolic of today’s innovation industry.

In Chicago, innovation is red-hot. Tom Kuczumski, founder of longtime innovation consultancy Kuczumski & Associates, and the Chicago Sun-Times have more than 226 entries in their fifth annual citywide Chicago Innovation Awards competition. The Sun-Times recently published the names of the nominee companies across a full page of the paper.

Funny thing: The nominees are outstanding and their innovations range from Internet-based RSS feed management firm Feedburner Inc. to project management software developer 37signals LLC to new TV shows such as *Check, Please!*, in which real people do the restaurant reviews. Innovation is booming in the Windy City.

Innovation talk isn't limited to corporate executives. Public sector leaders are listening, too. At last month's CEOs for Cities and the Mayors Hemispheric Forum meeting, Miami Mayor Manny Diaz hosted mayors and business leaders from across the Western Hemisphere.

The meeting highlight was a speech by innovative urban design observer and author Charles Landry, who launched the creative cities movement and recently published *The Art of City Making*. Listeners were spellbound as Landry presented a photo essay illustrating how old urban spaces can be transformed into amazing, livable places with some attention to innovation.

As if on cue, Mayor Diaz followed Landry by stewarding the group on a tour of Miami's new \$446 million Carnival Center for the Performing Arts. The graceful new 570,000 square foot music center designed by architect Cesar Pelli is a creative marvel that adds to Miami's already innovative urban landscape.

"Shades of 1999" I thought as I toured the new Miami concert hall. Sitting next to Landry, I asked quietly, "What happens to innovation when the economy cools and budgets tighten?" Landry didn't answer. The head of the Performing Arts Center chose that moment to begin his lecture about the new facility and let him off the hook. Still, my question lingered.

Innovation is as hot today as it was in the dot-com era when lavish conferences sponsored by *The Industry Standard*--a start-up Internet era publication run by John Battelle--beckoned brightly and introduced us to the most expensive hotel venues in North America and Europe.

All this talk about innovation is enough to make dot-com era veterans think it's time to buy stock in companies that prosper in times of bust and bankruptcy. But don't do that--at least not yet. Yes, the cacophony of pundits pronouncing innovation's virtues is immense. It may signal the market has peaked, but there's lots of power in their ideas.

Consider Peer Insight's Rae. She's one of the hottest tickets on the innovation lecture circuit. Rae's an alum of IDEO Inc. and the Harvard Business School. She went to Wall Street after graduation but found herself drawn to exploring why right-brain pursuits were failing in America's business sector.

"Innovation is not Six Sigma," Rae cautions. She's right; companies fail at innovation because they think it's just another process to install. They forget that innovation requires comfort with right-brain emotion and soft concepts such as the search for the corporate soul.

Rae's on a mission to analyze and assess the effectiveness of services companies in delivering innovation. So far she has studied 67 companies and has formulated a framework to help services companies get more innovative.

The cornerstones of Rae's thinking to achieve more innovation are embodied in three principles:

- \* Senior leadership engagement--To achieve innovation success, senior leadership engagement in the innovation process is crucial. Rae cites GE CEO Jeff Immelt's role as an example.

- \* Customer experience design--More attention to customer experience-based product and service design is mandatory. She urges companies to map out the entire experience customers have and identify "pain points."

- \* Change management--Rae believes there's no innovation where there's no change in management and corporate culture. "There's no way to have innovation without change management," Rae says.

Then there's Doblin Inc.'s Keeley, who agrees with Rae about not thinking of innovation like Six Sigma. Says Keeley, "The idea of controlling innovation is the wrong place to start." Keeley's a clever communicator, and his 10-step innovation methodology might actually answer the question of why Folgers never became Starbucks. The only problem with Keeley is he's so glib on the lecture circuit, you never really learn much about his new methodology.

Keeley's also a tad disrespectful of his forebears. At the recent Institute for the Study of Business Markets conference, Keeley knocked Robert Coopers' 20-year-old Stage-Gate new product development process model. Rather than signaling that his own work stands on the shoulders of giants, Keeley put down Stage-Gate as passé. I guess Keeley has to sell Doblin's services. Praising older innovation methods doesn't pay the bills.

On the other hand, isn't that kind of narrow-mindedness the reason CBS never became CNN? Just asking. These innovation gurus are well worth your time, and the innovation economy still has some steam. Just don't forget that cost-cutting is coming back.

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