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CHAPTER 1

Foreword

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Sometimes things change... This is the essential starting place for anyone who wants to be an innovation leader. Some people innovate because they cannot stop themselves: after all, we humans are tool builders and tinkerers always looking to make something new and better. But most of us innovate because we must. Something that irritates us can be made less annoying; something that intrigues us can be made compelling. Ultimately when things change in the world we must take action. We improve the known or invent the new because if we don't change we become irrelevant.

Recently leading experts on regional innovation gathered in Madrid to understand the dynamics around innovation in countries ranging from Germany to Israel, Ireland, Singapore, China, India, and Spain. Collectively we explored the conditions that help foster innovation and the role of thoughtful and effective government leaders. The report you hold in your hands provides the insights from their gathering.

Innovation is probably different than you think

Innovation should surprise us. Whether it is the elegant design and pleasure of using an iPod, or the thrilling smoked foam and Parmesan ice cream sandwiches created by Ferran Adrià at el Bulli, true innovation is never obvious, it demands curiosity and rewards courage. But what often comes as a surprise to people trying to master innovation is that the very nature of the field and its practice has fundamentally changed in the last decade or so.

Most of us assume that innovation consists mainly of some hot new product. In fact, the most recent research clearly shows that new products today are swiftly copied in the world and are rarely profitable. Others assume that innovation is fundamentally about creating a proprietary technology. Here again, be prepared for a stunner: all the best technologies today get licensed quickly, in an attempt to make them a global standard.

These are just some of the reasons why it is especially important now to think like a leader when you try to master innovation. Today most great innovations combine many smaller advances into an integral whole that no one has done before. The breakthroughs we all need in healthcare, in transportation, housing, materials sciences, logistics, education, computing, telecommunications, and sustainability across the board are likely to arise when we start to imagine a more coherent and impressive way to live-then pull many known pieces together to make something that provides a startlingly new and better experience.

Notes

Innovation comes in many types

Great innovation is simple to define but hard to achieve: it is a viable new business concept. The key word here is viable: innovation is never a success until it returns all its developmental costs, including the cost of capital. Moreover it must be able to sustain that viability over time (the reason that mere product ideas or technologies are rarely enough in today's global markets). The innovations that we value now tend to integrate several distinct types of change—from the customer experience to the channel and brand strategies, the processes you invent, the customer service, the way you partner with other firms, and the business model that governs how you are paid. If you carefully orchestrate more of these types of innovation the end result is invariably more dramatic, more appealing for people, and much harder to copy by competitors.

The role of governments and leaders in fostering innovation

Once we agree that innovation is necessary, it is helpful to think through how we should pursue it with confidence and courage. Leaders that want to foster innovation should concentrate on three key goals:

- **First, make sure that your colleagues understand innovation fundamentals:** what it is, where it comes from, how it pays off. This means helping people to abandon the many myths of innovation (like that it is about new products, unbridled creativity, brainstorming and playfulness) to instead substitute logic, discipline, diagnostics and metrics.
- **Second, craft a goal for innovation, an "innovation intent".** This gives your teams a clear mission to innovate around and makes it vastly more likely that your innovation efforts will succeed sooner than become cumulatively more valuable over time.
- **Third, set the conditions so many teams and partners participate and succeed.** This demands great processes for innovation, rewards and incentives to foster active participation, plus metrics to know if, when, and to what degree you are succeeding.

In the special case of governments all three of these principles and challenges still apply. At the same time government leaders owe it to their citizens to carefully consider the balance between directing innovation versus setting the conditions so that the private sector innovates. Both are important, of course. For some of the costliest parts of modern life—healthcare, transportation, education, security, computing and telecommunications—the temptation is often to have the state run these actions directly. For most regions the trade off is a painful, and necessarily political, issue. It often seems fairest to have the government provide these services to citizens, but this can lead to slower patterns of change

and innovation than what is normal when the private sector competes to gain business in open and competitive marketplaces.

Some observations about innovation in Spain

The government of Spain is an example of one that has made a deep commitment to providing excellent healthcare, education, and services to citizens. As such, huge sectors of the Spanish economy are dominated by the government. Great business schools are now helping to add leadership skills and building a strong talent pool (and some are increasingly focused directly on innovation). What is most exciting is the profound renewal of key regions (especially Bilbao, Barcelona, and Madrid) and some especially dynamic sectors (restaurants, tourism, hotels and resorts, museums, and healthcare). But there are key challenges too, especially in fostering a robust entrepreneurial culture, fostering more robust venture capital markets, and encouraging more tolerance of failure.

The good news is that these are problems that can be specifically addressed and solved. Some of the fixes are even simple: like fostering a dialogue to select a handful of key innovation themes, creating high profile innovation competitions and awards, and then actively working with schools, financial markets and the press to bring more expertise and attention to innovation in Spain.

Many scientists and historians think we live in the greatest time of change in the history of our species. Certainly in Spain and throughout the EU this is a moment of remarkable transformation. This means that innovation is not an option. If Spain does not innovate, it will fall behind. When Spaniards choose to innovate—as in Bilbao and Barcelona—the whole world notices and celebrates the authentic Spanish triumph that result. Clearly there is no lack of innovation skill in Spain. What is needed most now is a collective will to innovate around a handful of themes the leaders and the people of Spain should select with care, then address with the discipline, persistence and passion that epitomizes Spain at its best.

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