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A Fine-Tuned Innovation Culture

By: Mark Athitakis

People have a habit of misunderstanding innovation, says John Kao. It's not the kind of thing you can outsource or purchase off the shelf. It requires leaders who recognize that their organizations and contacts are themselves deep wells of new ideas—they just need to take a chance and test them out, and encourage stakeholders to come up with more ideas to test. (Even if those ideas don't work out, and they usually don't.)

Kao, a trained jazz musician, former professor at Harvard Business School, and chairman of the Institute for Large Scale Innovation, says an organization is more likely to succeed when it makes innovation part of its everyday culture. It should work to balance "analytical rigor and inspired passion" and look for the moment "when it leaves the sheet music behind for new horizons," as he writes in his 1996 book, *Jamming: The Art and Discipline of Business Creativity*.

In this interview, Kao—who will speak at the Opening General Session of ASAE's Great Ideas Conference next month and lead a two-day Executive Leadership Program on Innovation there—talks about hiring for creativity, building an innovation culture, the role of strategic planning, and why jazz is a useful metaphor for organizations that want to reinvent themselves.

You write in *Jamming* that "creativity often results from redundancy and a reasonable level of sometimes intentional disorganization." That can be a luxury for a lot of organizations in the United States now, given the economy. Can you create that environment of redundancy and intentional disorganization today?

I'm not necessarily suggesting that people sit down with a blueprint and design these environments. I think it's more of a question of whether the culture will tolerate a certain amount of failure, inefficiency, redundancy, et cetera. I think anyone who has worked in a highly innovation-driven environment understands that that's the deal. You cannot be efficient about the innovation process like you can be efficient about Six Sigma.

I think in this particular era of belt tightening, companies have to figure out what they're willing to spend on the innovation process. In many cases, that's segregated from the mainstream [activity of an organization]. Create a "skunkworks," create a parallel organization, so that the new activity—which is by definition pretty countercultural from the mainstream—will have some breathing room, will be able to thrive. Otherwise, you won't have anything.

How have you thought about the role virtual spaces play in generating new ideas? How does crowdsourcing help inspire creativity and innovation? How useful is it pull in outside stakeholders via social media?

Anything that increases the diversity of perspectives and opinion is going to increase the richness of the stock of ideas. I don't think anybody's quite figured out how to translate crowdsourcing into very focused action. By definition, the wisdom and action of crowds is all over the place. But I would look at crowdsourcing— and also social networking more specifically—as being important, new, raw modalities for the innovation process.

If you were running an innovation system in your organization, you'd much rather know what the crowd is thinking than not know. You might want to crowdsource ideas about a new product or include some crowdsourcing component in your marketing. But these are still very fuzzy, early, raw kinds of modalities, despite the fact that there are a lot of people out there that are trying to turn them into businesses. It's the very early days. Nobody's figured out how to really usefully connect the edge and the core through the creative use of technology. That's all going to come, but it's all happening in real time.

Associations are often run by people who wish they had more people to work with and who have to wear a number of hats, so a capacity for creativity is a priority. Can you hire for creativity and innovative potential?

You can, though I wouldn't say that there's some HR test that makes it easy. You have to ask yourself what you're trying to accomplish, because we're talking about a very intimate, human set of capabilities. We're not talking about how much muscle strength somebody has to have to be able to turn a crank, which would make hiring in an industrial era relatively easy. We're talking about talented people who, in the right kind of environment with the right kind of collaborative setup, can come up with remarkable new insights that might lead to some new source of value. How that works is going to vary tremendously from organization to organization.

Organizations can hire in their own image. Sometimes that's a good thing, and sometimes it's not. It is a good thing with well-established creative cultures like Apple Computer, for instance, that now knows what the end hire is going to look like and can express clearly what the expectations are. That would be an example of a culture that's highly functional in terms of bringing the right kind of talent in. But that obviously comes with a lot of trial and error and a lot of effort. There's no test out there that you can give people where you can say, "Oh, OK, you passed the test. You're one of us."

So for associations it's a matter of understanding not just the culture you have, but also the culture that you want to create.

My impression of the association sector is that there are a lot of entrepreneurial people who run the organization. And they have to think a little bit differently from the well-heeled private-sector company, because they don't have the resource banks or the flexibility. If I were staffing an association and I had this sneaking suspicion that we were probably not as innovative as we needed to be—that we were not serving our current and future constituents as well as we would like [and] that we were not creating new ways of doing things that would lead to future sources of value—then I would look at a broad spectrum of resources and possibilities.

I would look to my board. I would look to my advisors. I would look to my network to instruct me as to the inventory of good ideas. And I would try, as much as possible, not to act like a typical efficiency- and staff-oriented organization all the time. A lot of that is necessary because that's the bread and butter, but smart leaders have to understand when they need to shift gears. When do we have to be open to new things? Do we have to go offsite? Do we have to set up a parallel kind of organizational structure so that we can get at these new opportunities without fear that they're going to be killed off by the mainstream?

Is it useful to have a five-year plan, as many associations do, when there's so much pressure to be a more innovative organization that responds quickly to changes in the marketplace?

If you're a Cartesian thinker, then you'll say, "Well, it's either this or that." If you're a more holistic thinker, then you will say, "OK, well, we're going to have a portfolio, and some of it is going to be our five-year planning process, and some of it's going to be our ability to respond to emerging agendas." I don't think there's any contradiction between those two.

You have to do some degree of strategic planning by definition, because you have to decide what you're going to do, what resources you're going to apply, what your expectations are around success, who's going to be responsible, and what the metrics are for returns. But if the strategic plan becomes a prison so that you can't respond to something because you say, "Oh, well, the strategic plan doesn't allow that," then you're in big trouble. Strategic planning, if practiced intelligently, is an essential part of what an organization needs to do. The trick from an innovation perspective is to make sure that the innovation agenda is appropriately represented in the strategic-planning process.

If you're thinking about investing in greenfields activities and return on resources invested in innovation, and then you figure out metrics for innovation and link strategy and innovation so that they're really one—I think that's terrific. On the other hand, if you think of innovation as this little campaign you're going to do because somebody told you it was part of best practices, I'm not too optimistic that that's going to lead to anything valuable.

In *Jamming*, you write that you ought to be free to have bad ideas, because "at least 90 percent of your ideas will be bad if you have enough ideas to have good ideas." How do you send the message to staff and boards that it is OK to fail?

It's hard to reduce it to a methodology. Leaders who point to a failure and explain it to the organization as, in essence, a success because of all the learning involved are contributing to a culture that supports constructive failure. We're not trying to create a culture that condones the kind of failure that comes from not caring, or from stupidity, but noble failure. A lot of things happen where people try very hard, and they have good ideas and it doesn't work out. When Coca-Cola launched New Coke and it was a failure in the marketplace, they actually celebrated it. I went to the 10th anniversary of the launch of New Coke, and they turned it into a victory celebration for their culture, which is a pretty big deal for a company which relies on its reputation in the marketplace and doesn't come out with a new product every week.

You've likened collaboration to jazz improvisation: gathering the right mix of people who can work together almost intuitively. Is there a way to recognize that you simply don't have the right mix of people, or can you always course-correct?

I look at it as being an organization, or a team, or even an individual that has a balance among different attributes. I would never say that intuition is the key resource, because I want organizations to be attentive to the details and the facts as well, not just possibilities. While jazz is about exploring possibilities and hearing

music that doesn't necessarily exist on the page, there's an enormous amount of fact- and sensory-based concrete reality in jazz as well. You can't just go into it. You have to have the left-brain kind of skills as well.

Smart leaders understand how to balance these contradictory perspectives to get the best kind of result. This is partly why I think that jazz is such a terrific metaphor for innovation. A piano, in a sense, becomes a device where you can show the balance between intuition and concrete detail, and between freedom and discipline. You can't fake playing the piano. Either you know how to play the piano, or you don't. It's the same thing with innovation. People who think that innovation is just about talking about it or saying it's important or creating a bumper sticker are kidding themselves. Because that's like saying you can learn how to play the piano by reading the CliffsNotes. You can't do it. You have to practice.

Web Extra: Extended Q&A With John Kao on Innovation

Innovation Nation, **your most recent book, sounded an alarm when it came out in 2007. Have you found anything in the four years since then to ease your concerns about America's ability to compete on the innovation front?**

No, in a word. I feel like although there are many initiatives at the public-sector level, we still don't have a coherent competitive strategy around innovation. The trend lines in terms of education, manufacturing, integrity of the scientific enterprise, et cetera, are not pointing in the right direction, while the rest of the world is upping the level of their game. It's one of these frog-in-boiling-water issues. It's not anything that senior people are putting on the very front burner. If anything, I'm more concerned than I was three years ago.

What are you seeing in China that you think might be motivating in terms of rethinking innovation in the United States?

I think you have a country [China] that has been working hard, saving a lot, and now has money to spend on new things. So, it would be advantageous if you had a well-managed company that had a lot of free cash flow and that could invest in the future, which is not our situation right now. China has announced plans to invest $1.5 trillion in a whole range of new, mostly technology and science-driven innovation arenas. And they cover the waterfront: everything from alternative energy to electric-powered vehicles, next-generation computing, material science, you name it. I think as more and more discovery starts coming from outside of the U.S., and as more companies outside the U.S. are the ones that capture the economic returns from all of

this innovation, it'll make our leaders sit up and take notice. Whether it will be enough to galvanize any kind of meaningful national agenda is an open question.

I think what's really remarkable about China is the scale and the scope of the innovation effort. Of course there are a lot of issues that China has with regard to how to prosecute an innovation agenda. I wouldn't portray them as being the be-all and end-all of a national innovation agenda by any means, but they're quite committed to an agenda in their own image, so to speak.

Are creativity and innovation more truly incubated within the staff of an organization?

Creativity and innovation could happen on the part of an entrepreneur outside the organization, or a citizen, or a customer. Staffed organizations are not necessarily where you find the most edgy people anyway. Whether it's inside or outside an organization, entrepreneurial stuff tends to happen. I forget who said this, but the notion that all progress begins with a monomaniac who has a mission; and that's not the definition of a staff person by any means.