

Transform Your Company and Rethink Innovation

HYPE Innovation White Paper

by Stefan Lindegaard



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Stefan Lindegaard is an author, speaker, and strategic advisor. His focus on corporate transformation based on exponential growth, disruption, digitalization, and innovation has propelled him into being a trusted source of inspiration to many large corporations, government organizations, and smaller companies. He believes business today requires an open and global perspective and he has given talks and worked with companies in Europe, North America, South America, Africa and Asia.

Stefan Lindegaard is a widely respected thought leader and he has written several books and white papers. You can follow his work on [LinkedIn Pulse](#).

You can also join his [Transform – or Die!](#) movement here. This is for the people who own the future.

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Introduction

Over the past two decades, the use of the word “innovation” has grown to be so ubiquitous in the business world that it is now virtually meaningless. Nowadays, practically every company talks about having an innovative culture, and the smallest of product changes are lauded as “innovative”. When a word is so commonplace and used so often to overstate progress, it becomes nothing more than hollow corporatespeak.

Scott Berkun, a best-selling author on creativity and innovation, started to advise that we should stop using the word “innovation” years ago. In a post from 2008, entitled [Stop Saying Innovation – Here’s Why](#), he said:

“If you must use the word, here is the best definition: Innovation is significant positive change. It’s a result. It’s an outcome. It’s something you work towards achieving on a project. If you are successful at solving important problems, peers you respect will call your work innovative and you an innovator. Let them choose the word.”

The need for the “significant positive change” that Scott refers to - the need to actually be innovative - has never been greater than in today’s highly competitive global economy. So, true, innovation is still relevant, but we need to stop devaluing the word as we do now when we apply it to the minutest of advancements.

We need to rethink our approaches to innovation management, so that we’re searching for real transformation and not just a continuous stream of incremental change. And perhaps most importantly, we should stop all the talk about having an innovation culture, because innovation cultures cannot exist when most companies and organizations are not even able to develop a shared understanding of what innovation means and how it works. Nor do they have a common language to communicate this shared understanding. Replacing “innovate” with “transform” may just be replacing one buzzword with another, but I believe this is a good substitution and a move in the right direction. When markets change as fast as they do today, companies and organizations must be able to transform themselves. Into what is often an open question, but if you do not develop the capability to transform in general, you don’t get the chance to find out. You just die.

A Case Study of Transformation

If you're looking for a good example of a company that has thrived on transformation, look no further than Hewlett-Packard (HP), which has made at least five major transformations over its lifespan. HP is currently living through its latest transformation, which has split it into two companies: Hewlett-Packard Enterprise for business-focused hardware and solutions and Hewlett-Packard Inc. for consumer PCs and printers.

HP has been struggling for a while and we do not yet know how well the latest transformation of this storied company will work. However, I do find some comfort in the transformational capabilities of the company. That is something many companies – and their executives – can learn from HP for the coming years and even decades, where we will see much disruption and change. HP's long history of product development and transformation includes:

- **Oscillators:** After its start in 1939, HP's first financially successful product was a precision audio oscillator. An early customer was Walt Disney, who used the oscillator for surround sound systems.
- **Mini-computers:** HP experimented with semi-conductors and digital equipment in the 1960s. In 1966, it launched its first successful mini-computer, which stayed in the market for 20 years.
- **Calculators:** Actually, HP launched what was called the first personal computer in 1968, but HP called it a desktop calculator, because, as Bill Hewlett said, "If we had called it a computer, it would have been rejected by our customers' computer gurus, because it didn't look like an IBM. We therefore decided to call it a calculator, and all such nonsense disappeared." Good move.
- **Printers and scanners:** These came along in 1984 and were a huge success. Seen from an open innovation perspective, some of the key technologies came from Canon, which in turn used technology developed by Xerox.
- **Agilent spin-off:** In 1999, all of the businesses not related to computers, storage, and imaging were spun off from HP to form Agilent Technologies. Agilent's spin-off was the largest initial public offering in the history of Silicon Valley. The spin-off created an \$8 billion company with about 30,000 employees, manufacturing scientific instruments, semiconductors, optical networking devices, and electronic test equipment for telecom and wireless R&D and production.

- Buying spree: Just prior to and in the first decade of the 2000s, HP took over several other companies (DEC, EDS, 3Com, Compaq and Palm). HP got in big trouble as the acquisitions did not work out as planned.

There are many lessons to be learned from the HP history, but the one I would like to point out is that there is no way that you will become a huge, successful company and continue to stay so if you do not have the ability to transform yourself. HP did this with great success for many decades. Then it went the wrong way.

Yes, transformation is risky and difficult, but do we really have a choice?

Transformational Elements

In the near future, executives who fail to transform their companies will quickly be replaced. Those who succeed at transformation will need to master many elements, but I see four of them as being more critical than others:

1) The understanding of exponential growth

I recently visited Singularity University, the mission of which is to educate, inspire, and empower leaders to apply exponential technologies to address humanity's grand challenges. It was mind-blowing to get a first-hand feel of the power of exponential growth and to understand how close the future is. Well, the future is actually already here and in particular in the bubble called "Silicon Valley".

Check out the Singularity program here: [Exponential Technologies Executive Program](#)

2) The impact of digitalization on their companies, their industries, and their customers

When you look at digital development and thus digital transformation from the perspective of exponential growth, it becomes fascinating as well as scary. The opportunities and threats are everywhere on a societal, corporate, and individual level. The key element here is that data power and what is being driven by data power has an exponential, not a linear growth.

My current favorite quote by Bud Caddell is dead on: "There is no digital strategy. Just strategy in a digital world." Some people think of this as being more or less the same thing. The people who understand what is happening in our world right now, however, fully grasp the impact of the small, subtle difference in the two sentences. They know the difference is profound. Either you get this or you will have to learn more about digitalization fast in the coming years.

During my Silicon Valley visits, I enjoy seeing how companies like SAP and Intel approach digitalization:

Check out [Intel's approach to wearables](#) and how [SAP works with the IoT](#).

3) The offensive and defensive nature of disruption

Disruption is a broad topic and it is open for discussion and definition. However, it is important to know that it happens in two ways. You either disrupt the markets – or you get disrupted. There is no longer a middle way as any industry will change due to exponential growth and the impact of digitalization. Not so long ago, many companies could do well – or at least survive – just based on their past actions and thus current assets. They need to be much more proactive today.

Executives can only create the right frameworks and conditions such as arms-length structures for disruptive efforts and processes for matching the right people with the right projects to be able to get their companies in a position to bring out disruption. They can't plan for it. This makes it important to not only focus on the market, but also on internal issues that are often the biggest barriers for being disruptive.

By internal issues, I mean that some executives will be tempted to favor the use of current people, equipment or sales channels over hiring new people, buying special equipment needed for the specific task or developing new processes. This is just easier to do. Yes, you might lose a few things on the original idea or concept, but you save time and money today and that is also important. This kind of thinking makes sense for many executives who do not really understand the nature of disruption. However, this kind of thinking also ignores that the few things you lose on the original idea or concept might be precisely what makes the whole difference in the eye of the market. Thus, you saved time and money early on, but you lost the opportunity to win the market.

4) The capability for working with different kinds of techniques and concepts for innovation management

Innovation will become a required skill for those who seek to lead and manage based on the above changes. The thing about innovation is that it requires many different approaches, frameworks and concepts of which some of the important ones are open innovation, business model innovation, design thinking and disruptive innovation. Too often, executives simply do not know enough about innovation management and this has to change.

Mastering innovation – and thus also transformation – will require the addition of new skills and a new mindset, both at the individual level and throughout the organization as a whole. Here it is important to understand that it is no longer enough just to have the “right people”. Leaders will need to know how to put the right people with the right skills and mindset, into the right context of an organizational structure that must be more open, transparent and fluid. Silos will have to be eliminated and experimentation will need to be encouraged as a daily way of thinking and working.

While those were the 4 most important areas from my perspective, there are other areas that will be crucial for companies to rethink:

People and organizational structures:

Strong companies and organizations do four things very well: They listen, adapt, experiment, and execute better than their competitors. We need to upgrade the mindset and toolbox of the people who can make this happen, and we need to experiment with our organizational structures in order to attract the best talent and get the best out of everyone involved – internally as well as externally.

In too many organizations, the HR department is largely absent from any discussion of innovation management and to some extent even when it comes to organizational transformation. Luckily, there is evidence that this may be changing as more HR people have added “organizational transformation” or similar terms to their social media profiles.

Some key elements here are:

- Training of the C-suite, middle managers, and employees
- Coaching on how organizations can mitigate risks when experimenting and capture learnings from experimentation
- Developing KPIs for entrepreneurial and experimental behavior instead of measuring people in charge of innovation against cost effectiveness and ROI

Open innovation and external collaboration:

I try not to define innovation let alone open innovation but this is what I believe it should be about "...a philosophy or a mindset that they should embrace within their organization. This mindset should enable their organization to work with external input to the business processes just as naturally as it does with internal input."

Open innovation is no longer a question of why, but how. It is interesting to see how the companies and organizations that understand this have begun to develop strong transformational capabilities besides "just" open innovation and external collaboration capabilities.

Communicate in a new way:

Communication today is more than PR, branding, and traditional media. It should be broader and also cover stakeholder management, networking, and social media. Furthermore, communication today has to go beyond products, services and technologies that we bring to the markets. In this era of collaboration and ecosystems, it is critical for business success to display corporate, as well as team and personal, innovation capabilities.

Transformation Demands New Leaders

In many cases, transformation will require a change of guard. In the next three to seven years, the old generation of executives, senior vice presidents and other top leaders are on their way out, and we will now see the rise of a younger generation of leaders who bring a new mindset, toolbox, and skill-set that enable them to guide organizations through transformation. Yes, some of today's leaders will be able to adapt, but I believe that even more of them won't be able to embrace the need for transformation.

Here's the situation in many companies that will drive this generational change: The companies are doing okay, but if you look closely, you'll see that they aren't doing as well as they could be. Something is a little off, and there are early signs that things are about to get much worse. This is at the core of the classic cases of Kodak, Blockbuster, and Nokia where leaders failed to pick up similar early signs of change such as new – and merging – technologies, new customer behaviors and new competitors (although very small at first). Similarly, many leaders today are not preparing their organizations based on the four key areas driving the need for transformation that I mentioned earlier. They just don't see a burning platform and they do not or maybe they do not even sense the urgent need to attend to these changes. These companies are dying a slow death because they haven't built the capacity to be agile in the face of the inevitable disruption that is coming their way.

When things do start to go bad, the board of directors will begin to ask tough questions of the leadership, who won't have answers because they don't understand the mechanics of disruption. They don't fully embrace new approaches to innovation management either. Yet a growing number of potential leaders in their late 20s and or early 30s not only understand these topics; it is part of their DNA. As they gain more business knowledge and broader leadership experience over the next three to seven years, boards will turn to them to do what many leaders of the previous generation are unable to do: lead transformation. Of course, it is going to be very uncomfortable for a 55-year-old board member to promote a 30-something individual to a top post, but we're also going to see some board members replaced. You could actually argue that board members are missing the boat just as much as top executives and thus they should be replaced, too.

Besides the young candidates for top positions, I see top leadership potential in a fairly small group of people who today are viewed either as specialists or maybe even as outsiders in their companies. “Specialists”, because they are being recognized for the key contributions in specific areas, but they are not yet seen as having leadership potential in the broader sense. “Outsiders”, because organizations just don’t know the full value and potential of these people.

Are you one of these people and are you ready to be part of the new guard that leads transformation? Answering these eight questions will help you know:

- Do you have the ability to listen to internal as well as external stakeholders better than your colleagues? If you can’t listen to the world, you will never be able to adapt fast enough.
- Do you look for talent everywhere? Besides just listening to the world, a strong leader also looks for talent everywhere as this is the era of open innovation, free agents and transparent organizations. Never forget that 99.9 percent of the smartest people in the world do not work for your company or organization.
- Are you open for experimentation in every aspect of your work and – even more importantly – do you have a process to learn from your inevitable failures? The key elements of business in the near future will be based on your corporate abilities to listen, adapt, experiment and execute better than your current and future competitors. So many people trip up on the experimentation part as humans don’t like failures and because we don’t like to talk about our failures, even though we acknowledge that we learn much more from our failures than from our successes.
- Are you mapping out the opportunities and challenges that digitalization brings to your organization? This is not just about the changes brought forth by digitally driven interaction, but also the impact of IoT. You do know what IoT stands for, right?
- Does your communication go beyond traditional tools and channels and include networking, stakeholder management, and social media? The lack of communication skills in a modern sense is what I see most often in want-to-be, but not going-to-be leaders.

- Do you talk less and less about innovation because you realize we need to get back to the basics? Innovation is here to stay and you know how innovation management works, but since the word and the term is over-used and confusing to most people, you are using it less. We need to get back to basics and focus on listening, adapting, experimenting and executing better than every one else.
- Do you have a process for developing yourself regarding topics such as disruption, digitalization and innovation? When I interact with and coach executives and teams, I always ask them if they are prepared to lead their companies towards corporate transformation. This should be a natural thing for you if you agree to most of what I am writing here, but you also need to consider how you stay sharp in this fast-paced and fast-changing environment.
- Can you build and lead a following based on your actions and examples? This sounds simple and straight-forward, but there is a big difference in managing people and leading people. Remember that having a following is not just about internal staff; you need to build a following outside your organization as well.

How you answer these questions will reveal how much personal transformation will be required for you to become the type of leader that businesses need now and will continue to need in the future as they become faster, more agile, and more willing to experiment on many levels in order to succeed.

Transform – or die!

The bottom line message in all of this is that leaders – or potential leaders - currently in place, need to up their game substantially or they will be out. The game plan is being rewritten and the rules are changing. You either get on board or you will be tossed overboard.

As for younger readers, who tend to understand this new business reality better than others, there is great hope just as there is for those more experienced ones having a sound grasp of the new reality. If you keep pushing and expanding your leadership skills into the direction set in this paper, you may find yourself with top jobs in the not too distant future. Even if you are not planning for a top job, you will be in a good position to get the job of your dreams.

[Transform – or Die!](#) is what I call my latest initiative. It is a movement for the people who own the future. There is a reason for the title. If you like my messages in this paper, you should join us.

Appendix: Companies Leading the Way in Transformation

My research on companies that are already undertaking efforts that hold the promise of transformation has led to this list of my favorite organizations to observe and interact with. I truly believe their efforts can inspire you and your colleagues and give your company insights that can help make your company even better.

- GE: They are top of my list because of their [FastWorks program](#) and their push towards digitalization. Big changes in an even bigger organization. This [commercial](#) really sums up the challenge GE has with regards to perception, which is key for any transformation project.
- Koc Holding: Chances are that you have never heard about Koc Holding. But hey, they are just the leading conglomerate in the world's 10th largest economy, Turkey. You will hear more about this group in 2016. Why? They are working on cool programs to become more global (sending top executives to week-long programs in Silicon Valley) and pushing the thinking of the HR role in shaping the future capabilities of Koc Holding. (I am working with Koc Holding on their Silicon Valley trips.)
- Haier: I like the efforts of Haier and [articles like this one](#) speak volumes about why this company is worth paying attention to if you are serious about corporate transformation.
- The City of Dubai: This one is different from the others on the list, but I just have a ton of respect for an organization that can write up a plan for their development towards 2021 without mentioning the word "innovation" even ONCE. Just check this out: [Dubai Plan 2021](#).
- Zappo's: We do not really know what will happen with their [holacracy experiment](#), but it is definitely worth following regardless of the outcome. Heck, we can learn just as much or even more from failure as we can from success. Zappo's is learning as they go along. That puts them well ahead of most of companies.
- Electrolux and P&G: Transformation will only take root when it happens outside the traditional core functions. Electrolux is building strong capabilities in SEI (supplier-enabled innovation), and P&G has a visionary engineering team, trying to bring their Connect & Develop efforts beyond products and technologies.

- Metlife and DBS Bank: Two financial companies in Singapore that I like because of their efforts and willingness to experiment with their innovation and intrapreneurial capabilities and their attempts to become even more digital.
- SAP: This company was in trouble not so long ago. They decided to eat their own dog food and set out on a journey to become a truly digital company. Although I noticed some important glitches in their efforts to convey the image of a large startup during a recent visit, they definitely deserve lots of respect for their digital efforts. It becomes easier to trust the advice of a vendor when they live their own advice.

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The Innovation Upgrade Network by Stefan Lindegaard:

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About HYPE Innovation

HYPE Innovation is a global leader in full-lifecycle innovation management software. HYPE's powerful platform allows organizations to engage thousands of employees in idea generation and collaborative problem solving. We help you focus on measurable business outcomes that can be tracked through to execution. Companies work with HYPE for our flexible products, our deep expertise in innovation management, and our long history of success with some of the largest organizations in the world. Our client community includes global companies such as Siemens, Bosch, RWE, NASA, Bombardier, DHL, Roche, Nokia, Daimler, Airbus, Petronas, Saudi Aramco, UCSD, Merck, and many more.

Visit our website at www.hypeinnovation.com to learn how HYPE enables companies to transform their best assets – employees, customers, partners, and suppliers – into dynamic and engaged innovation communities.

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