



LEADING TRANSFORMATIONAL INNOVATION

We are in a VUCA world: volatile, uncertain, complex, and ambiguous. Where transformation used to be a one-time event in the careers of CEOs – or episodic, at most – deep change is now continuous. How do executives lead innovation in this context? How do they overcome challenges unique to this environment? Through clear strategy, expansive leadership and consistency of purpose.

TEAM CHALLENGE

When P&G sold 8 of its 18 businesses and let go of over 100 brands, they started with a transformation plan detailed in only one page. Have your team develop a one-page transformation plan including:

1. The changes that need to be made
2. Who will be responsible for each change
3. The sequence of implementation
4. How the results of each change will be measured

01 SEEK CONSISTENCY OF PURPOSE

There are numerous strategy questions and choices to make when trying to affect transformation and innovate. However, few companies have innovation or related terms in their stated business strategy. Provide consistency of purpose - defined as the path to a goal that is embraced broadly - to your teams and external stakeholders. Such consistency translates into a clarity in the organization to unleash value creation, even in a VUCA environment where continuous transformation is absolutely required.

"I'm talking about sustainable growth and value creation. Which means you're moving your top line, you're moving your margin and your profit lines, and you're moving your cash productivity and free cash flow. Because that's the only kind of value creation that's sustainable. "

- A.G. Lafley

02 ACHIEVE CLARITY OR RISK WASTEFUL WANDERING

Once strategy choices are made to enable consistency of purpose across the organization they need to be prioritized and translated into clear goals. Clarity is essential to preventing common pitfalls among leaders - for example, chasing growth for the sake of growth or pursuing innovation without a plan on how to use it to create value.

Without clarity you will soon be denied the resources to continue.

“Your resources come down to your talent, your people, and the people that you can access.”

- A.G. Lafley

TEAM CHALLENGE

Compare your business strategy and culture statements.

1. Identify where they mesh well and where they don't
2. Discuss how the overlaps and gaps have augmented or diluted engagement

03 FOCUS ON CULTURE

Leadership is essential to both the culture you create and to the culture you sustain in your teams. And culture is ultimately defined by the how leaders behave - people listen to their leaders, but observe with an even keener eye what leaders do.

A framework that integrates and coordinates the firm's choices is powerful and simple. It works not only for large corporations, but also for companies as diverse as early-stage startups, not-for-profit organizations and even public/private partnerships. Merging your strategic choices seamlessly with your culture has two benefits:

- To make the purpose of value creation become part of the overall goal; the North Star.
- To drive engagement.

“A wise Japanese leader I got to know said that your employees watch your behavior. They listen to what you say, maybe. But they intently watch what you do, and what you do is the culture of your company.”

- A.G. Lafley

“Engagement is key. If your people embrace the purpose and your values, you've got a much better chance of achieving your goals and taking a run at transformation.”

- A.G. Lafley

QUESTIONS FOR YOUR TEAM

1. What businesses, technologies, consumers and markets do we really understand?
2. Where do we think innovation will provide the most leverage?

04 PROTECT SIMPLICITY TO ENABLE INNOVATION

It is often believed that complexity is unavoidable, yet it is a leader's responsibility to keep things simple. A few select core competencies are all that is needed in a great leader to win and to create value.

Large organizations and teams inherently drive complexity. Complexity multiplies exponentially when adding products or markets. It is an essential rule of leadership to minimize complexity in the journey to successful innovation.

“Whether working towards product innovation, technology innovation, business model innovation, organizational innovation or process innovation, keeping things relatively simple is key”

- A.G. Lafley

05 SCALE INNOVATION BY RELINQUISHING CONTROL

QUESTIONS FOR YOUR TEAM

1. What innovations have failed to spread across the businesses in your portfolio?
2. Discuss the main culprits for each failure - can you trace any of them back to an attempt to exert control?
3. Identify those that could have been successful. How can you prevent missing such opportunities in the future?

In large corporate settings it is challenging to translate successful innovations from one business unit to another - pointing out a success story and calling on all other business leaders to replicate it does not work.

“At P&G, when business A would innovate, it took us 10 years to get business units B, C, D, E, F, G to follow. Unless the business CEOs embraced it, it wasn't going to get executed with excellence.”

- A.G. Lafley

This can be visualized leveraging Covey's Circle of Influence - the broader Circle of Concern (things you care about) and Circle of Influence (things you care about and can affect) remain as traditionally depicted. However, the Circle of Control (things you care about, can affect and can directly do something about) is smaller than traditionally represented - only your customers have real control. Influence on the CEOs of each of the businesses is the only effective mechanism to drive scaled innovation from a corporate leadership position.

“Forget your Circle of Control; it's the circle of influence that you have to figure out a way to work in. I have not found a way to get people to change, unless they can learn about it and see it, try it themselves, and apply it, and see that it works. If you can get them through that cycle, then you have a chance.”

- A.G. Lafley

QUESTION FOR YOUR TEAM

Can you brainstorm co-innovation partnerships in your industry? And beyond?

CASE STUDY

A.G. Lafley was leading P&G at a turning point for the billion dollar brand Glad. P&G had invented well-known wrap technologies such as Press'n Seal, ForceFlex or Gladware and was initially considering acquiring companies in that space or starting from the ground up. However, in a bold move in the industry, Glad decided to partner with fierce competitor Clorox.

06 PICK THE RIGHT PARTNER TO CO-INNOVATE

Innovating with a new product, in a new market or in a new category is typically assessed side by side with the alternative to acquire innovation via startup purchases. Co-innovation is revolutionary yet sensible. Connecting, collaborating and co-commercializing with external partners are valid formulas to de-risk innovation. They can provide access to new markets, a missing piece of proprietary technology or a new material.

Co-innovation carries a specific risk - picking the right partner is critical. Developing a complementary relationship with your partner is achieved through making sure there is clarity in the wins for both parties and through building trust.

“If your partner can see how much value they create on their side and on your side, and they feel like it's a square deal, it's a fair deal.”

- A.G. Lafley

07 MEMBER INSIGHT: ALIGN & TRACK

Develop a common factbase for all company leaders, so that everyone sees where the business is and where the challenges lie.

Build full alignment across the leadership team in strategy-setting sessions, focusing on what the path forward looks like.

Implement a rigorous set of KPIs and reporting to frequently check on progress and compare that progress against the value you set out to achieve.

CNEXT is a Community of Leaders Advancing Leaders.

CNEXT creates Virtual Leaders Forums, consisting of high-potential senior executives supported by former successful public company CEOs.

Members participate in virtual meetings to gain insights, approaches, and tools to tackle their most pressing leadership and business challenges, while also developing valuable peer networks for the future - all to accelerate organizational performance and achieve their business objectives and professional aspirations.

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