

Leading Differentiated Innovation

The role of the CEO in leading meaningfully differentiated innovation is becoming more challenging. In addition to the traditional concerns of EBITDA, sales, and product flow, the next generation of CEOs need to take into account the rapid acceleration of technology, environmental and social concerns, and the retention of young talent. Doing this requires a keener awareness of the internal and external environment, a daring team, and a culture of execution.

CASE STUDY

Connect the dots

After running large enterprises, Fred pioneered a family startup. In 2014, Fred's company launched a pharmaceutically engineered and patented product called IBgard for abdominal pain. It deployed peppermint oil in the small intestine to calm the pain with no side effects.

IBgard was purchased by Nestlé and continues to grow at about 30% per year.

Fred originally heard about the use of peppermint oil from an **advertising agency** in 1984 who referenced a 1979 medical journal from the United Kingdom.

It was Fred's awareness of an environment beyond that of his own company that ultimately led to the multi-million dollar product.

01 Develop 360-sensing

To effectively lead innovation, you must understand and be in tune with your customers, your competitors, the economy, related industries, and the technology trends that affect them all. Doing this requires a 360-degree view of your environment.

"Look at the stuff that you are working on and be a monomaniac but keep good peripheral vision."

- Fred Hassan

Look beyond your industry

Innovation often arises from the opportunistic application of ideas that occur elsewhere. Leverage technological advancements in other industries and apply them to the pain point you are trying to solve.

Listen to customers

Observe customers to understand what they are doing, what could be better, and how you could bring a solution to their challenges. Asking them may not be enough to get the insights you are looking for. Observe with a very open mind. Take time to understand the technical aspects of challenges and possible solutions.

Create customer advocacy by inviting them to talk at town halls or directly to your board. Ask customers to tell stories of their individual journeys. Build them into your daily thinking. Customers often interact with the products in unexpected ways and if observed correctly, can lead to new ideas, products, services, or business models.

02 INSPIRE PEOPLE TO BE BOLD

PERSONAL REFLECTION

1. In what instances do you turn down new ideas?
2. Do you have a consistent criteria for doing so?
3. Are there any barriers to people communicating new ideas that you could remove?

Innovation requires an environment where people feel comfortable to have and communicate large ideas. A team that is obedient is easier and more comfortable for the leader, but it will jeopardize the scope for innovation.

“The next gen CEOs will be more emotionally intelligent, better attuned to the environment, and much more aware of shareholders and stakeholders.”

- Fred Hassan

Create a safe environment

Create an atmosphere where people feel safe to bring ideas forward. Encourage people to speak up and debate. Ask people what they think. Allow them to try different things and once a decision is made, come together and execute as an aligned and purposeful team.

Distinguish healthy disruptors – those who challenge the status quo – from unhealthy disruptors – those who create unproductive friction among teams. Be careful not to penalize healthy disruptors as other associates will observe carefully how you react to bold thinking.

“When you ask people in the larger companies, if it feels safe to speak up, the number is usually about 50%. If you take the same question to the smaller companies, it might be 80%. I think that's one reason why many people actually like to work in smaller companies.”

- Fred Hassan

CASE STUDY

Courageous discovery

Cyclosporine is a multi-billion dollar immunosuppressive drug.

It was discovered by Novartis while doing soil samples in Norway to uncover antibiotics. Thanks to the courage of Dr. Borel and his team, they noticed that this sample had immunosuppressive effects and they pioneered the opening up of the transplantation industry out of white space.

Harness the power of diverse thinking

Bring together people with different sets of experiences, exposures, and mental models. Prepare them to constructively manage disagreement and jointly develop better solutions.. Encourage associates to build bridges with people who are not in their own function.

Reach out to people different to you and your teams and ask for help. Ideas or the inspiration for them often comes from outside your immediate environment.

“Pharma was very internally focused 20 years ago. Now, I would say about half of the ideas in the product and project portfolios are really coming in from elsewhere. Diversity of thought is a power.”

- Fred Hassan

Get business into the room

Link idea generation, product development, and commercial execution to bring differentiated innovations to market. Include business development leaders in the top teams of innovation so that R&D teams do not operate in a silo, unaware of the commercial implications of their work or of the competitive landscape.

Include business leaders as part of the approval process for each critical decision of the project. Hold them accountable for having a commercialization plan in place before the project is allowed to advance to the next stage.

“More than 50% of pharma projects fail due to efficacy, about 20% due to safety, and the rest due to commercial reasons.”

- Fred Hassan

TEAM EXERCISE

Bring discipline to new project proposals by asking teams two fundamental questions:

1. What is your validating experiment to show us that you are on the right track?
2. Is there a killer experiment that you can tell us about so that we can kill this thing if it is no good?

Appeal to younger people

The shift to a younger workforce has sped up, posing new challenges to the attraction and retention of talent. Appeal to the hearts and minds of the younger demographic. Reach out multiple levels below your direct reports and instill a sense of purpose among your associates. Re-recruit your workforce every year by keeping the value proposition front of mind.

“The CEO has to be the Chief Talent Officer to younger people.”

- Fred Hassan

03 EXECUTE

With the right information and people in place, innovation depends on your ability to follow through. Act purposefully, make the midcourse corrections, and show passion, courage, and tenacity.

Know what to pursue

Keep an open mind to all ideas and possibilities. Have an open funnel for ideas and then narrow it down very quickly to five or six that you will pursue. Dedicate fully to those “fewer, better, bigger” ideas. Understand the pain points that you are trying to solve and pursue those that will make the biggest difference to the customer.

Know when to stop

While tenacity can lead to breakthroughs, it can also lead to severe losses if people don't know when to let go. Identify dead ends by fostering an environment of open communication and transparency. Invite perspectives from the discovery, production, and commercialization stages to identify potential problems early.

CASE STUDY

The Product Flow System

Fred and a committee run by the head of R&D and different functional heads met 10 times a year to evaluate new and ongoing projects.

Project leaders and the project management group were asked to defend their projects by presenting:

1. Progress since the last meeting
2. Projections for the future
3. Details on the competition
4. Emerging technology trends

It allowed for groups rather than individuals to evaluate the projects and brought a faster, more objective method to deciding whether to support or discontinue any given project.

It also allowed for the clear designation of 4 or 5 priority projects, which would then be assigned a dedicated project leader and which would be reviewed at every meeting regardless of whether a gating decision was involved.

Be conscious of the questions you ask and how you act on negative responses. Leading questions or overly harsh reactions may prompt teams to give answers that they feel management wants to hear rather than communicating the full scope of the problem.

“Sometimes you may do a lot of work in discovery development, but then find out that you have got a problem with the production. That should be done in parallel, all the way through.”

- Fred Hassan

Build partnerships

The pace of technological advances is accelerating. Learn to work with partners to understand and harness the right technologies. Encourage R&D departments to seek outside help and to partner, where appropriate.

“The number of medical papers in the last two years is equal to the entire number of medical papers in the prior history of mankind. That's the pace of evolution that's occurring.”

- Fred Hassan

04 PROTECT INVESTMENT - MEMBER TACTICS

Create a portfolio of innovation projects

Divide innovation into three categories:

1. Simple, quick wins
2. Innovation that can transform the industry, and
3. Everything in between.

Simple, quick wins create excitement in the market and position your company as active and relevant. Transformative innovation positions you as a market leader and supports profitable and sustainable business.

To remain attractive to investors over both the short- and long-term, create a portfolio of innovation that includes projects for both quick wins and industry transformation. Apportion carefully the time or resources on anything in the middle.

Set funding aside for risk

Set aside a specific fund for highly uncertain, innovative ideas. Ensure that it is large enough to have critical mass.

Guarantee the fund's continuity so that innovation is not distracted by the need to compete for investment and attention.

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