The Other Side Of Innovation

Presented by:
- Chris Trimble
- Professor, Tuck School of Business at Dartmouth
Innovation and ongoing operations are always and inevitably in conflict.
INNOVATION STORIES, INNOVATION SCIENCE

By: Chris Trimble
What is innovation?

Sustaining
Disruptive
Incremental
Radical
Reverse
Strategic
Architectural
Modular
Competence Enhancing
Competence Destroying
Definition of Innovation:
Any project that is new to you and has an uncertain outcome.
Innovation Spectrum

Easier ➔ Harder

Model 1

Model 2

Model 3
Models for Innovation

1. Innovation = Ideas + Motivation

Encourage all employees to pursue innovation on their own initiative.
Innovation Spectrum

Limitations of Individual Slack Time

Easier

Harder

Model 1
Models for Innovation

1. Innovation = Ideas + Motivation

2. Innovation = Ideas + Process

*Treat innovation like any other business process. Script it. Make it efficient. Make it routine.*
Innovation Spectrum

Limitations of Individual Slack Time

Limitations of Repeatable Innovation

Easier

Model 1

Model 2

Harder

We Need a Third Model!
“That’s the news from Lake Wobegon ... 

... where all of the women are strong... 

... all of the men are good looking...

... and all of the children are above average.”
The LAKE WOBEGON effect.

Cognitive psychologists call it “Illusory Superiority.”
Is there an ANTI LAKE WOBEGBON effect?
YES!

Ability to learn to juggle.
Ability to learn to ride a unicycle.
Ability to have mind-blowing sex.
GUY SEX CONFESSIONS

37 Things He Doesn’t Have the Balls to Tell You

The Touch That Calms Him During a Fight

Untamed Va-jay-jays
Guess What Sexy Style Is Back

Seduce Him!
This Sexy Move Works From 20 Feet Away

10 Songs Proven to Boost Happiness

PLUS
Slim Your Thighs in 6 Minutes a Day
YES!

Ability to learn to juggle.
Ability to learn to ride a unicycle.
Ability to have mind-blowing sex.
Your company’s ability to innovate.
Innovation Spectrum

Limitations of Individual Slack Time

Limitations of Repeatable Innovation

Easier

Model 1

Model 2

Harder

We Need a Third Model!
Towards a Better Innovation Story

Creativity → Execution

Individual Achievement → Organizational Excellence
Business Organizations Are Designed to be Performance Engines

Ongoing Operations

Performance Engine

• Today’s Customers
• Today’s Competitors
• Efficiency
• Accountability
• On-Spec
• On-Budget
• On-Time
• Profitable
### Fundamental Incompatibilities

<table>
<thead>
<tr>
<th>Method of the Performance Engine</th>
<th>Repeatability</th>
<th>Predictability</th>
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<th>Realities of Innovation</th>
<th>Non-Routine</th>
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Does this mean...

“BREAK ALL OF THE RULES!”

Should be the

Innovator’s Mantra?
“Break all of the rules” does not work

1. Innovators *need* the Performance Engine.
2. Sounds like “Break the Performance Engine”
3. Sounds like “No Rules”
Strive for Mutual Respect

*Innovation Leaders, Remember:*

Conflict with the Performance Engine is *normal.*

*Performance Engine Leaders, Remember:*

No Performance Engine lasts forever.
## Fundamental Incompatibilities

<table>
<thead>
<tr>
<th>Objectives of Ongoing Operations</th>
<th>Repeatability</th>
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<tr>
<td>Realities of Innovation</td>
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<tr>
<td>Can Lead to Challenges in</td>
<td>Organizing</td>
<td>Planning</td>
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Innovation: The Missing Link

Ongoing Operations

- Strategy
- Organizing and Planning
- Execution

Innovation

- Committing to An Innovative Idea
- Organizing and Planning
- Making Innovation Happen
The Third Model

1. Innovation = Ideas + Motivation

2. Innovation = Ideas + Process

3. Innovation = Ideas + Leaders + Team + Plan
Models 1 and 2 Put Innovation Inside of the Performance Engine
Model 3 is Different.

It always involves creating a Dedicated Team.
Build the Team

Shared Staff

Dedicated Team

PARTNER-SHIP
Management Structure

Senior Leader

Performance Engine
- General Manager
  - Functional Heads
- All Other Performance Engine Staff

Shared Staff

Project Leader

Partnership

Dedicated Team

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INNOVATION STORIES, INNOVATION SCIENCE

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<table>
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<th>Newspaper vs. Website</th>
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<tr>
<td>Daily news cycle</td>
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<tr>
<td>Premium price</td>
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<tr>
<td>Journalism expertise</td>
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<tr>
<td>Broad-based brand building</td>
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<tr>
<td>Text and Pictures</td>
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</table>
CEO looks to outside search firm to fill a very senior position
Early NYTD Structure

General Manager

Editor

Martin Nisenholtz

New York Times Experienced Staff
Budget increases from $10M to $35M by 1998

Scorecard

Don’t lose too much
Don’t damage brand
Don’t cause trouble
Build the Team

Shared Staff

PARTNER-SHIP

Dedicated Team
A Common Error

Shared Staff

PARTNER-SHIP

LPE
CEO chooses to reconstitute NYTD as a “separate” business unit
Restructured NYTD

Corporate President

General Manager

Editor

New York Times Staff

Martin Nisenholtz

New York Times Digital Staff

Existing New York Times Staff

Externally-hired Staff
Additional Changes:

- New Compensation Plan
- New Senior Support Staff
- New Titles and Job Descriptions
- Redesigned Prod. Dev. Process
- New Location
- New Culture
- New IT Infrastructure
Rapid expansion of features. Well beyond “newspaper.com.”

Rapid revenue growth, well beyond expectations.
Restructured NYTD
Despite beyond-expectations top-line growth, lost $60M in 2000.
Company considers reintegration of NYTD
CEO names sr. exec task forces focused on improving relationships between the two units.
New York Times Digital’s Evolution

- **1995**: Cautious Growth - Integrated Organization
- **1997**: Cautious Growth - Separate Organization
- **1999**: Rapid Growth - Separate Organization
- **2001**: Profitable Growth - Carefully Managed Partnership
- **2003**: Profitable Growth - Carefully Managed Partnership
The Third Model

1. Innovation = Ideas + Motivation

2. Innovation = Ideas + Process

3. Innovation = Ideas + Leaders + Team + Plan
Innovation is experimentation
Running an experiment is easy.

Running a *disciplined* experiment is hard.
The Payoff:

If you run a disciplined experiment, you *learn* as quickly as possible.
Learning is a process of making predictions and then improving them.
Learning is Making Better Predictions

- Wild Guesses
- Informed Estimates
- Reliable Forecasts

Accuracy of Predictions

Years

Learning
Better Predictions lead to Better Decisions which in turn lead to Better Results
Disciplined Experimentation

State a Hypothesis and Plan the Experiment

Predict Outcomes; Document Supporting Logic and Assumptions

Execute Experiment, Measure Results, Document Observations

Compare Predictions and Outcomes; Assess Lessons Learned
A Special Kind of Plan

1. Each experiment needs a custom plan.
2. Discuss results in a separate forum.
3. Meet frequently.
4. Focus on what you don’t know.
5. Try to spend a little, learn a lot.
The Biggest Challenge:

How do you evaluate an innovation leader?
Three Forms of Accountability

1. Results
   
   *Did you hit your targets?*

2. Actions
   
   *Did you do what we agreed that you would do?*

3. Learning
   
   *Did you run a disciplined experiment?*
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