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Focus on Innovation

Focus on Innovation is a monthly electronic newsletter designed to provoke thoughts and ideas on how to bring innovation to life within the organizations in which we work.

For Those on the Run

This month's newsletter shares lessons learned about innovation from two competing innovators - Apple and Microsoft.

Lessons on Innovation from Two Competing Innovators

There are plenty of reasons why Microsoft's record of innovation has been so lackluster and Apple's to be exponential. Bill Gates's researchers placed a bunch of expensive bets on technologies that haven't panned out while Apple continues to develop innovative products that we all want. Apple's success and Microsoft's failures point to seven lessons about innovation we can all learn from.

On Apple

Being Innovative: "You can't ask people what they want if it's around the next corner," says Steve Jobs, Apple's CEO and cofounder. At Apple, new-product development starts in the gut and gets hatched in rolling conversations that go something like this: What do we hate? (Our cell phones) What do we have the technology to make? (A cell phone with a Mac inside) What would we like to own? (You guessed it, an iPhone) "One of the keys to Apple is that we build products that really turn us on," says Jobs.

Staying Focused: "People think focus means saying yes to the thing you've got to focus on. But that's not what it means at all. It means saying no to the hundred other good ideas that there are. You have to pick carefully." "I'm actually as proud of many of the things we haven't done as the things we have done. The clearest example was when we were pressured for years to do a PDA, and I realized one day that 90% of the people who use a PDA only take information out of it on the road. They don't put information into it. Pretty soon cell phones are going to do that, so the PDA market's going to get reduced to a fraction of its current size, and it won't really be sustainable. So we decided not to get into it. If we had gotten into it, we wouldn't have had the resources to do the iPod. We probably wouldn't have seen it coming."

Managing People: "We've got 25,000 people at Apple. About 10,000 of them are in the stores. And my job is to work with sort of the top 100 people, that's what I do. That doesn't mean they're all vice presidents. Some of them are just key individual contributors. So when a good idea comes, you know, part of my job is to move it around, just see what different people think, get people talking about it, argue with people about it, get ideas moving among that group of 100 people, get different people together to

explore different aspects of it quietly, and, you know - just explore things."

Finding talent: "When I hire somebody really senior, competence is the ante. They have to be really smart. But the real issue for me is, are they going to fall in love with Apple? Because if they fall in love with Apple, everything else will take care of itself. They'll want to do what's best for Apple, not what's best for them, what's best for Steve, or anybody else.

On Microsoft

Innovation is hard: Turning ideas into commercially viable products and services is as much about luck and timing as it is about brilliance. It's like "sperm trying to fertilize an egg," observes Gary Hamel, chairman of consulting firm Strategos and an adviser on innovation strategy. "Increasing the number of really strong swimmers doesn't increase your success rate. That's not how biology works. Only one [sperm] gets to fertilize the egg." No surprise that Microsoft has had plenty of R&D duds.

Bigger isn't better: It's simply tougher for a large company to sustain rapid growth through innovation than it is for a smaller rival. Good ideas are scarce, much less ideas that will generate big sales. Google's revolutionary search technology, created with a relatively modest R&D investment of \$233 million over five years, produced a company with \$1.5 billion in revenue in 2003. Even if Microsoft had matched Google's efforts (it hasn't), that business would add just 4% to its top line.

Defence is easier: And for now, it's more profitable. Harvard Business School's Clayton Christensen coined the expression the "innovator's dilemma" to describe what happens when entrenched companies confront new technologies. Good managers instinctively direct people and investment toward "sustaining innovations" that protect established businesses -- and away from new ideas that threaten current profitability. That's why Microsoft spends a lot on Office and Windows.

What's the Bottom line

Innovation may be hard yet passion and really loving the work, the product, the company, making a difference etc. is fundamental to innovation.

Source: This month's newsletter is adapted from Fortune Magazine online article titled *Good Steve, Bad Steve*, March 17, 2008

(<http://money.cnn.com/galleries/2008/fortune/0803/gallery.jobsqna.fortune/2.html>) and Lessons on Innovation From Microsoft, Fast Company, December 19, 2007

(<http://www.fastcompany.com/magazine/89/microsoft-fasttake.html>)



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