

Chapter 1

Drivers of Change

Executive Summary: The world is changing rapidly and organizations need to adapt to survive. Transformation is an essential and inevitable process of business evolution, requiring hard decisions about the allocation of limited resources. Assembling the right team of people is primary to success; the technology is secondary.

Thanks to Clayton Christensen, we're all familiar with the concept of disruption. In his classic bestseller, *The Innovator's Dilemma*, Christensen describes the fate of major companies that don't foresee the impact of disruption on their business models.

The disrupted companies were not run by fools. For the most part, their executives were intelligent, skilled, and experienced business leaders. With the luxury of 20-20 hindsight, it's easy for us to shake our heads and wonder why they missed the signals that foretold their demise.

We cannot change the past. But we can influence the future. My advice to everyone reading this book is to dust off your copy of *The Innovator's Dilemma* and read it again. This time, ask yourself if your organization is a likely target for disruption.

Here's a quick pass-fail test to determine if your organization is a candidate for disruption:

- Have you digitized all of your business processes?
- Are you collecting data from all your business processes?
- Are you analyzing the data you collect?
- Are you optimizing your processes based on insights generated by your analysis of the data?

If you answered “no” to any of the questions above, you must consider your organization a candidate for disruption.

Here's the plain unvarnished truth: if your organization is not on a path to having working digital version of every critical process it performs, your organization will be disrupted and in all likelihood will fail.

Today, every business-to-consumer (B2C) organization understands that simple fact. It's digital or die. That's why B2C companies are racing to provide their customers with the best possible digital experiences.

The smarter business-to-business (B2B) firms also understand this, but you would be surprised how many are lagging. The bad news for them: the digital laggards will fail or at the very least fall behind those who have indeed threaded that needle.

They will be unable to compete in a world in which the majority of their potential customers want to interact with your website before they talk with anyone from your sales team.

“Millennials don't want to have a conversation with your sales team, they want to have a conversation with your website,” says Adam Morris, CEO of Redstage, a strategy and design consulting firm specializing in B2B ecommerce.

It's easy to pick on millennials, and the demographic is mischaracterized in almost every conversation. I've heard countless complaints about how this demographic doesn't want to communicate. That's unfounded rhetoric. Millennials definitely want to communicate using their medium of their choice. They're constantly communicating via text and social media. They are avid users of collaboration platforms like Slack, RingCentral Glip, Snapchat, Instagram, Fuze, ChatBlazer, Workplace by Facebook, and Skype.

If your organization still relies primarily on phone and email, you've missed the boat. Even if the majority of your customers aren't millennials, it's fair to say the majority of your customers are influenced by them. According to a Pew Research Center analysis of U.S. Census Bureau data, millennials are already the largest generation in the workforce. Can you really afford to write off their influence?

I have business acquaintances who tell me their best customers are “an older demographic” who don't text, won't use a

collaboration platform, and don't care about their user interface. They tell me they won't invest in mobile apps and better UIs because “young people” aren't interested in buying their products and services, so why bother?

Complaints of that nature are self-destructive and self-fulfilling. Any organization that ignores the habits and preferences of an entire generation of potential customers is writing its own epitaph.

In later chapters of this book, I write about the imperative for enabling collaboration and communication across the modern enterprise. A global business in the twenty-first century bears little resemblance to businesses of the past. Back in the day, everything was about command and control. Power and influence were highly concentrated. Information was shared on a strictly “need-to-know” basis.

Today's business climate favors decentralized and distributed operations. Nowadays, we understand that information is an asset that grows in value when shared. There is nothing more useless than so-called “dark data,” which is a term for data that is collected and never put to work.

Moreover, there is a high probability that a significant portion of your workforce works remotely or outside of traditional business hours. If you're not making it easy for them to communicate and exchange information, their value to the organization is greatly reduced.

Brass Ring or Black Hole?

After you've finished reading *The Innovator's Dilemma*, take up Geoffrey Moore's book *Zone to Win: Organizing to Compete in an Age of Disruption*. I'm sure that most of you have read Moore's first book, *Crossing the Chasm*. By now, the book's basic message is well known. It feels familiar and comfortable.

Zone to Win will reawaken your sense of urgency. It will make you feel uncomfortable again, which is precisely how you should feel if you want your digital transformation strategy to succeed.

Remember, the majority of transformation projects fail to meet expectations. A landmark McKinsey survey revealed that only 26% of respondents said their transformational efforts were “very or completely” successful. That failure rate represents “a \$900 billion hole in enterprise strategy” according to a recent Forbes post.

My back-of-the-envelope explanation for why most transformations fail is simple: the failed projects focused on fuzzy long-term objectives when they should have focused on precise short- and medium-term objectives. Their vision exceeded their grasp and strategy certainly exceeds their ability to execute.

The irony is that short-term victories can lead to long-term advantages, especially in turbulent markets and uncertain economic conditions. There's a good reason for not losing a view of the larger strategic picture while also focusing on the now; with any luck, it will sustain you long enough to beat back your fiercest competitors.

Digital transformation can be the brass ring that keeps you riding merrily on the carousel. Or it can be a black hole that drains your resources and ends your career.

In my case, I've had the good fortune of transformation initiatives helping my career. That's because I approached every transformation with a sharp sense of trepidation and a deep reservoir of humility. I'm not embarrassed to admit when I am skittish about a plan. In many instances, fear can be a strong motivator. Fear reminds us to proceed with care and caution.

I've found it beneficial to be a hands-on' executive. I work closely with our internal teams. I work directly with our vendor partners and solution providers. I am familiar with the technologies that we develop and deploy in our transformational projects. And the buck always stops with me.

The amazing success and longevity of Chuck Yeager, one of the world's greatest test pilots, is attributed partly to his superlative flying skills and partly to his hands-on mechanical understanding of the aircraft he flew. Yeager took the time to

become familiar with the parts and pieces of the airplanes that carried him aloft.

When something went wrong or didn't feel quite right, Yeager knew how to handle it. His deep technical knowledge and keen understanding of aviation systems were absolutely fundamental to his achievements, and he is a role model personally for me and for all of us who labor in the trenches of digital transformation.

Mechanics of Transformation

One of the lessons we learn from Chuck Yeager's career is the importance of understanding the fundamental mechanics of a solution. Gaining this level of understanding requires getting in the weeds and getting your hands dirty. You cannot manage a transformation from afar. You need to be right there, in close touch with the teams who are making it happen.

Additionally, you must be prepared to answer questions—dozens and perhaps hundreds of questions from internal and external stakeholders at every level who are affected by your transformation projects. Inevitably, people will ask, “Why are we doing this? Why are we transforming these processes and disrupting our traditional ways of operating? Why are we changing?”

When these types of question arise, this book will help you provide reasonable answers. It's written for the purpose of helping you navigate through the multiple nuances of transformation and cope effectively with the shocks and surprises that will occur as you move forward toward your goal.

Here's something I learned from my experiences as an agent of transformation: although change is natural, it doesn't feel natural. Some people are exhilarated by change, but most people find it upsetting. As a leader, you need to accept this fact. You have been chosen to lead a transformation initiative because you are the outlier – the person who actually enjoys change! No matter what anyone tells you, they do not share your degree of enthusiasm. They are not optimistic. They are fearful.

One of your primary responsibilities is managing their fears and allaying their suspicions that your transformational effort will make their lives more difficult or result in the elimination of their jobs.

These are not idle worries. They will prey on the minds of the people you lead, and you must address these concerns forthrightly and without equivocation. As Franklin Delano Roosevelt famously said, “The only thing we have to fear is fear itself.”

One of the most successful techniques used by NASA to prepare astronauts for the challenges of space missions is

familiarization through continual training and simulation. NASA prepares its astronauts so thoroughly for their missions that by the time they go into space, they've already practiced the mission hundreds of times on Earth. NASA takes exquisite care to make sure that its astronauts are ready for anything that could possibly happen.

I urge you to adopt similar practices. Prepare your people for transformation. Walk them slowly and carefully through the steps. Encourage them to ask questions. Reward them for offering ideas and suggestions for making the transformation process go more smoothly and efficiently.

Whenever possible, turn your transformation projects into team activities so they feel more like games than work. I'm sure I don't have to explain to you the importance of gamification. If there's an aspect of a transformation project that can be gamified, by all means, gamify it!

Levels of Transformation

Reading *Zone to Win* reminded me that transformation can occur at three different levels. At the first level, transformation focuses on upgrading and streamlining foundational technologies and infrastructure. At the second level, transformation improves the efficiency and throughput of standard business operations and processes. At the third level,

however, transformation helps the organization create and enable new business models.

Some people might argue that newly minted organizations with no legacy infrastructure can safely ignore the first two levels of transformation, but I would counter by arguing that infrastructure and operations will always require close attention, even when they're delivered as services in the cloud.

Organizations encounter obstacles and frustrations at each level of transformation. Ask any organization with poor foundational infrastructure how their transformation is going and you will receive feedback in no uncertain terms. However, the critical challenges fall into two broad categories: people and processes.

Let's tackle the “people challenge” first, since it invariably poses the greatest danger to any transformation initiative. “People are afraid of change,” says Atle Skjekkeland, president of the Digital Value Institute. Appealing to their emotions probably won't work, since their fears are likely to overwhelm the “rational” explanations you offer to prove that change is necessary.

Fortunately, “you don't need the majority of people to be on your side, only a handful of key individuals who see the value in your transformation project,” Skjekkeland says.

The idea of “key individuals” surfaced repeatedly in the interviews I conducted when researching and writing this book. My own experience has taught me that transformation is not a popularity contest. You don't require a majority to succeed—you need the support of top executives, key influencers, and a hand-picked team of “transformers” to carry out the project. “We put our best people on the project, and they're committed for the duration,” says Steven Sterin, a Fortune 100 CFO and senior executive with decades of experience. “You want the best people, working full-time on the project.”

Processes are the next challenge. Installing new technology is pointless unless it's accompanied by new processes enabling people to use it easily and effectively. Remember, the success or failure of any transformation project is judged by its adoption rate. People need methods that will allow them to get the most out of the new tech investment.

Human beings have instinctive abilities to judge value, and they'll know immediately if a transformational project has made their lives better or worse. If a new method makes their lives easier, they'll use it readily. If it makes their lives harder, they'll find ways to avoid using it. The long tail of any transformation is adoption by your target audience.

It's also important to remember that transformational projects have costs. That might seem obvious, but it's a simple truth that is often forgotten in the heat of battle. In *Zone to Win*, Moore writes primarily about disruption, yet his basic message

also applies to transformation. He notes that “to disrupt someone else's business, you have to add a net new line of business to your own portfolio.”

Since neither your portfolio nor your budget is infinitely expandable, you are forced to make hard choices. Do you shift resources from an existing line of business to fund a new line of business? How do you explain and rationalize that shift of resources? Are you willing to sacrifice short-term returns in favor of long-term goals?

Transformational leaders face the same questions and are forced to make similarly difficult choices. Let's say you're planning to move an application into the cloud and significantly reduce your budget. Moving infrastructure into the cloud isn't free; whichever cloud provider you choose—whether it's AWS, Microsoft Azure, Google, IBM, or another company—will charge you a substantial fee for the privilege of using their platforms.

But that's only the financial side of the picture. At some point soon after making your decision, you'll need to have the difficult conversation with your technology staff about structural changes to support the new model.

We talk and write frequently about people, process, and technology being the essential components of transformation. I would add a fourth component: executive leadership. You need more than just technical acumen to lead a transformation. You

need courage, empathy, foresight, patience, self-discipline, and enthusiasm. Yes, those are “soft skills.” Over the long game, however, they are the critical skills you need to succeed as a transformational leader.

“Having driven—and reacted to—many disruptive market shifts in media in both startups and major media corporations, I have found that true digital transformation only comes from persistent and consistent leadership toward a new model of people, product and business drivers. This type of transformation is not a single big bang project,” says Phil Wiser, chief technology officer of the CBS Corporation.

On the Ground and in the Trenches

I couldn't agree more with Mr. Wiser; my experience leads me to believe that digital transformation is only the starting point for an extended series of processes. Transformation is a long game—that is indisputable.

Transformation usually begins in the back office, yet its true impact is felt across the organization. A genuinely successful transformation strategy will have ripple effects spreading far beyond the traditional boundaries of your company. Even small or highly specialized projects can have global effects.

At a recent gathering of design thinkers for a company that makes jet engines, I was pleasantly surprised to find that

portions of the engine design were developed through crowdsourcing platforms. Design thinking has the potential to create entirely new dimensions of innovation. From my perspective, it's a form of transformation.

I foresee enormous transformational power in the emerging DARQ stack. *DARQ* is the acronym for distributed ledger technology (DLT), artificial intelligence (AI), extended reality (XR), and quantum computing (QC). Even if the acronym fades from usage, the underlying technologies will be with us for a quite a while, transforming a wide variety of services in multiple industries. DARQ will lead to a new generation of services in areas such as predictive maintenance, real-time payments, just-in-time manufacturing, multi-modal transportation, education, public safety, healthcare and biotechnology.

The Internet of Things (IoT) has similar transformational potential, especially in terms of enabling the rapid development of smart homes, smart schools, smart power grids, smart roads, smart towns, smart cities, smart regions, and even smart nations.

I conclude this chapter with a counterintuitive notion suggested by my friend Tiger Tyagarajan, the visionary CEO of Genpact. Tiger is an industry leader who pioneered a new global business model and transformed a division of GE (formerly GE Capital International Services) into Genpact, a remarkably successful global professional services firm focused

on delivering digital transformation for its clients. Here is his observation:

When something is running well, that's often the best time to change it. It seems so counterintuitive, but the notion of always finding a better way to do something is at the core of our cultural ethos.

NET TAKEAWAYS

1. Transformation is not optional; it's an imperative driven by factors and conditions beyond your control. Ultimately, transformation brings you to a better place, but the journey is difficult.
2. Transformation is not a popularity contest. You don't require a majority to succeed—you need the support of top executives, key influencers, and a hand-picked team of your best people to carry out the project.
3. Leading a successful transformation requires more than technical know-how; it requires a blend of “soft skills,” including empathy, patience, and self-discipline.
4. Transformation isn't limited by traditional corporate boundaries; there are ripple effects that spread widely across multiple industries and economic sectors.

Chapter 2

Focus and Discipline

Executive Summary: In this chapter, we examine the importance of a focused mindset, thorough training, clarity of purpose, and quick responses. We also introduce a helpful technique for demystifying leadership decisions and sharing priorities.

All of us, no matter who we are or where we come from, face adversity in our lives. Adversity can be a great teacher.

I was raised in a small fishing village on the outskirts of Mumbai, one of India's largest and most populated cities. Our home was tiny, about 100 square feet. There were seven of us: my parents and grandmother, me, and three siblings. We had no running water. Every morning at 4:30 a.m., before he went to work, my father would bring four empty buckets to the community tap, fill them with water, and bring them back home. Three buckets were for washing, cleaning, cooking, and other daily chores. The fourth bucket was for drinking. Since we had no refrigerator, we poured our drinking water into an earthen pot. That's how we kept it cool during the day.

I'm sharing this story because it taught me several valuable lessons. I learned from an early age that resources are precious

and must be managed carefully. I learned that when you have limited choices, you can devise workarounds and alternatives that will serve your purposes.

I also learned that I did not wish to spend the rest of my life in poverty. My father worked for a company that printed labels on tubes of toothpaste. As a child, I found the process of printing colorful labels on shiny metal tubes absolutely fascinating. By village standards, my father had a good job at a solid company. But I had a strong desire to explore opportunities beyond the village, to attend a different school or travel to another country—a goal that seemed so elusive at that young age and in those surroundings.

I often say my first financial advisor was my grandmother. When I was seven, she took me to our local bank and opened an account in my name. She deposited 20 rupees, the equivalent of about 10 cents, into the account. Opening an account made me feel very special and I vividly remember the exhilarating feeling of walking into the “big” bank building with many ceiling fans and glass counters. I didn't realize that I was at the beginning of a long journey that would eventually take me far from home.

In addition to being a wise financial counselor, my grandmother was a great typist. She worked for our local church, typing up notes, sermons, and announcements. She had a Remington typewriter, a manual machine with mechanical keys and ribbon spools. She was fast and accurate—

80 words per minute, never a mistake. I remember her clacking away at the keys, slamming the carriage return lever and feeding fresh sheets of paper into the roller. I marveled at her skill and dexterity.

But what I remember most was her discipline. She sat down at her typewriter and stayed there until she completed her task. That's what really impressed me. She always finished what she started. Her focus was unshakeable.

I didn't know it at the time, but my grandmother was teaching me important lessons. Discipline and focus are essential for success. Always finish what you start, whether you're typing up a newsletter or deploying an enterprise technology platform. Nothing will kill your chances for success faster than quitting before the job is done. The subtle lesson from my grandmother was: don't quit. Keep striving until you reach your goals.

Brace for Impact

Discipline and focus are key ingredients of success. But you also need training, knowledge, and experience to make the most of your opportunities when they arise. In my case, this was especially true.

In early 2009, I was promoted to my first global leadership role as a CIO. It was during the depths of the Great Recession. The stock market had already fallen precipitously and was still

heading down. The world was struggling and there was no light at the end of the tunnel.

I felt particularly beleaguered. There I was, in a new job at a multinational company where I was expected to oversee large investments and implement major changes. Instead, the collapse of the global economy had pulled the rug out from under me. Like many other people at that time, I was uncertain about the future. Despite the turmoil around us, my superiors had high hopes and great expectations. But how could I deliver on their expectations in a shrinking economy? From my perspective, the future looked grim.

Then a miraculous event occurred. On January 15, 2009, US Airways Flight 1549 struck a flock of geese and lost power in both engines shortly after takeoff from LaGuardia Airport in New York City. Minutes after losing power, the plane touched down safely in the Hudson River. There were a few injuries, but everyone on the plane survived. The emergency water landing was hailed as the most successful ditching of an airplane in aviation history.

So much has been written about the “Miracle on the Hudson” that I don't feel it's necessary to recount the details. Suffice it to say the swift and effective responses of pilots Chesley “Sully” Sullenberger and Jeffrey Skiles turned a potential tragedy into a galvanizing moment.

Unexpectedly, the world experienced a sudden jolt of optimism. It was like someone had turned on a light. In a flash, we saw that even our most our difficult problems were manageable. We felt inspired and reinvigorated.

As an aviation enthusiast, I wanted to know how Sully had saved the day. After watching the news reports on television and reading dozens of articles, I came to believe the miracle could be encapsulated in three words spoken by Sully to his crew: “Brace for impact.”

For the crew of Flight 1549, those three simple words lit the fuse. All their years of practice and training kicked into high gear. They knew exactly what they needed to do, and they did it. Moreover, Sully knew the crewmembers would perform their duties, leaving him free to fly the aircraft to a safe landing in the river.

There are many lessons we can learn from Flight 1549. For me, the main takeaway is that you need a combination of personal skills and a well-trained team supporting you. When you've properly trained your team, they know their duties and responsibilities. You don't have to micromanage them. You have the freedom to focus on what lies ahead. That's what true leadership is all about. Leaders guide their teams and their organizations into the future.

Like many people, I was moved and inspired by the safe landing of Flight 1549. I felt new confidence, and I resolved to

move ahead decisively with my plans for transforming and improving our global operations. The rest, as they say, is history.

Our mission was successful. Over the following years, we brought many new technologies into our portfolio and deployed numerous systems. We executed our duties with tremendous focus, raised the bar with every small success, fulfilled our responsibilities, and created opportunities for greater success down the road.

During this period of time, I developed my own version of the matrix used by President Dwight Eisenhower and later adapted by Dr Stephen Covey to prioritize decisions. The matrix is invaluable to IT leaders for two critical reasons:

1. It becomes a visual tool for prioritizing projects.
2. It clarifies your intentions to the team.

The first reason is largely self-explanatory. It's almost always easier to grasp complex plans when they are displayed visually. That's a simple fact of human nature.

The second reason is more complex. When you are leading a digital transformation, your intentions must be absolutely crystal clear to everyone on the team. The people you're depending on to get the job done must know what's happening and why. They need to know what's on your mind. They need to know where they fit in the larger picture.

The matrix is a useful tool for conveying your priorities at a glance. I've found that it's the key to achieving alignment of purpose. All it takes is one quick look at the matrix to know immediately where you stand.

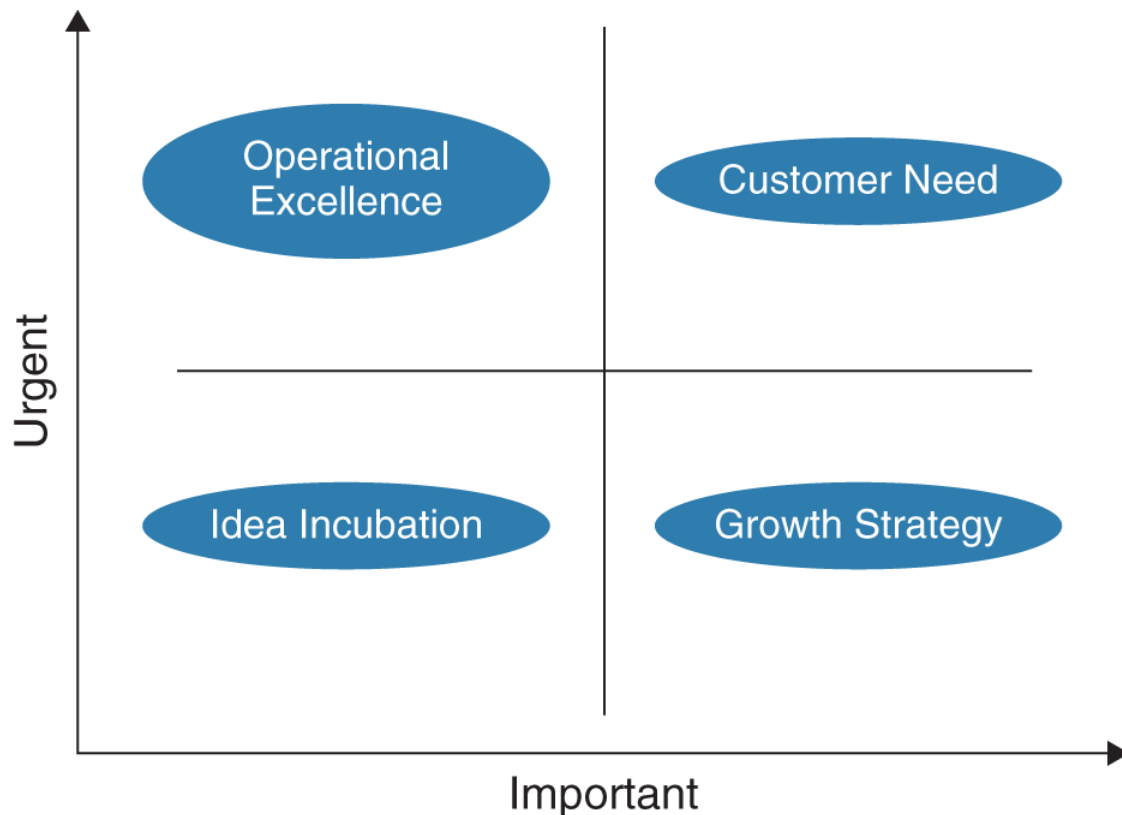


Figure 2.1 Urgent vs. Important matrix.

My version of the matrix is shown in [Figure 2.1](#). Please take a moment to consider how it would apply in your situation.

Now let's drill down into the matrix and look at each of the quadrants. I use some variant of the matrix in all of my presentations, and I find it resonates with audiences in every part of the world.

In the example in the figure, the matrix is drawn from the CIO's perspective. Different executive functions would have different labels on the quadrants, but the basic structure of the matrix would be the same across the C-suite.

In the top-right quadrant we have customer and client needs. In all but a few exceptional circumstances, those needs take priority over everything else. Client engagement teams, with oversight from the CIO, handle activities in the top-right quadrant.

In the top-left quadrant we have the activities related to operational excellence, such as managing operational technology, networks, cloud computing, finance and accounting. This quadrant is mainly the domain of operations managers, and quite naturally, they will be happy to explain at length why it is the most important of all the quadrants. Unquestionably, operational excellence is critical, but it rarely takes priority over meeting customer needs.

In the bottom-right quadrant we have activities related to strategy development. This is mostly the domain of business strategists, but the CIO and other senior leaders will be closely involved. This is where new opportunities are identified and new techniques for business growth are developed.

Finally, in the bottom-left quadrant we have incubation, which in many ways is the most necessary of all the business functions. But for practical purposes it takes a backseat to the

other quadrants. It would be easy to overlook or downplay the incubation function, but a good leader will make sure it gets the attention it needs. Incubation is where the next great ideas come from. It's the domain of visionary thinking, continuous improvement, invention, and innovation that will take the enterprise to the next level. That's why you cannot ignore the role of incubation.

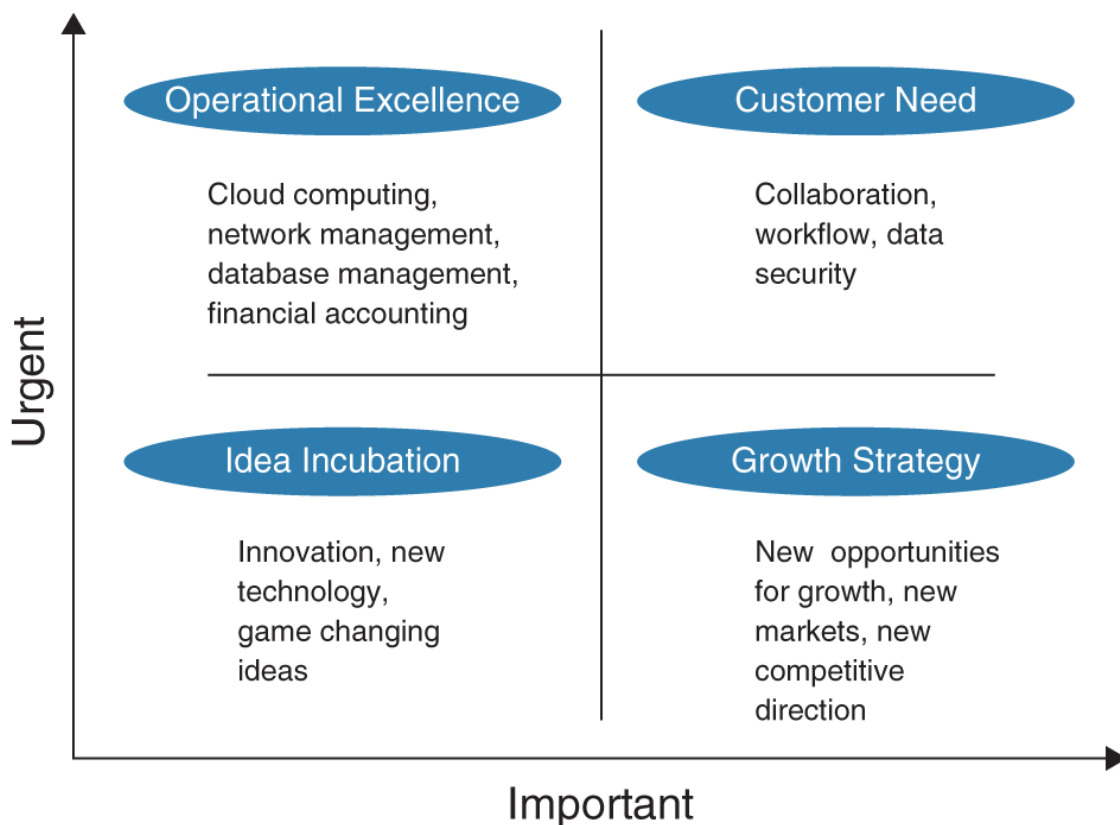


Figure 2.2 Urgent vs. Important matrix with examples.

Figure 2.2 is a version of the matrix with the activities of each quadrant filled in. Remember, this is a hypothetical/generic matrix. Every organization's matrix will look slightly different. But the purpose of the matrix remains unchanged, no matter

where it's applied. Think of it as your North Star, a fixed point in the sky guiding your journey.

The matrix is a useful tool for setting priorities and allocating resources. But I also see it as a technique for demystifying and clarifying the department's duties and responsibilities. It engenders a sense of discipline and makes it easier for your team to focus on what's truly important. The matrix should be incorporated into training processes so the team can respond effectively and without hesitation when problems or emergencies occur.

Hopefully, you won't ever have to say, "Brace for impact." But if you do find yourself in a perilous situation, you'll want your team to perform like Sully's crew—quickly and flawlessly.

NET TAKEAWAYS

1. Success requires a combination of excellent personal skills and a well-trained team supporting you.
2. Use a visual tool such as the urgent/important matrix to clarify and demystify your goals and intentions.
3. When your team is properly trained and motivated, you don't have to micromanage them. You have the freedom to focus on the path forward. That's what true leadership is all about—looking ahead and seeking the next challenge.

Chapter 3

Idea Incubation

Executive Summary: In this chapter, we look at the granular details of an incubation process and outline the steps of a practical framework for innovation in the modern enterprise.

It is natural for high-performing organizations to focus on operational excellence. If you can't manage the basics, no one will take you seriously.

At the same time, maintaining the status quo is never enough. We don't wake up in the morning and say, "Today, I want to do exactly what I did yesterday." As social human beings, we know variety is the spice of life. We don't want the same old thing; we long for the excitement of new frontiers and fresh challenges.

In today's hypercompetitive and continually evolving markets, innovation is essential for success. Innovation is more than a frill or a luxury; it's absolutely imperative. Consumers and users expect to see new products and services unveiled at frequent intervals. When they don't see innovation, they suspect something is wrong.

But here's the hard truth: when you're running at full-speed and firing on all cylinders, you don't have time to be innovative.

Your first and primary concern is getting the job done as quickly and as effectively as possible. That's the way modern industry works—your pay is based on your performance and your performance is typically judged by operational parameters.

Superstars such as Beyoncé, the singer-songwriter-performer, and Jony Ive, the former chief design officer of Apple, are compensated largely on the basis of their innate creativity. Most of us, however, are paid according to how well we perform our jobs. While the focus on performance is totally understandable from a purely operational perspective, it creates serious challenges for companies that want to be innovative.

Overcoming the Natural Inclination to Avoid Risk

It is also natural for organizations to strive relentlessly for greater efficiency and higher productivity, even when it means sacrificing creativity and originality. In many organizations, the fear of failure outweighs the desire for success. Corporations are intrinsically risk averse; it goes with the territory.

Innovation, however, requires taking risks. Being innovative means exploring new ground, going where no one has gone before, pushing the envelope, and leaping into the unknown.

“Innovation is like parenting,” says Nikhil Jhingan, a serial innovator who has developed many new products and solutions. “A new idea is like a child,” he says. “To the outside world, the child might not seem particularly useful. But the parents of the child see its potential. They nurture and protect the child. With their help, the child blossoms into a magnificent human being, accomplishes wonderful things, and changes the world.”

Like children, no two ideas are exactly alike; each must be treated differently. As a result, there is no ironclad procedure for innovating and no single path to perfection. Each idea requires a unique approach.

For example, devising a solution to address a commonly recognized problem can be handled by a committee because there's a strong likelihood that everyone is seeking the same result. Even if you don't know exactly what the solution will look like, there is already agreement over its purpose.

However, developing a truly visionary solution to address a highly complex problem will probably require a strong internal champion to clear a path and protect the idea in its nascent stages. “When an idea is really visionary, you need an empowered champion at a high level of the organization to make it happen,” Jhingan says.

In any case, innovation rarely proceeds in a straight line. “It's more of a rollercoaster,” he says. “There are ups and downs. It

can be scary and unnerving. For every success, you experience many failures.”

You Can't Just Wing It

Because there is an inherent conflict between the day-to-day operational goals of the organization and the need for innovation, formal processes are necessary to make certain that innovation is encouraged, cultivated, nurtured, and protected.

When I speak to smaller groups at professional conferences, I often conduct a nonscientific poll by asking members of the audience to raise their hands if their organizations have formal innovation processes. At a typical conference, very few people raise their hands. I often follow up by asking if they believe that innovation processes can be formalized or structured. Again, only a few respond affirmatively.

The lack of affirmative responses goes a long way toward explaining why so many companies struggle with innovation. From my point of view, there are no legitimate reasons for not developing and implementing processes for supporting and promoting continuous innovation.

It is myopic to assume that you cannot put frameworks, guardrails, and guidelines around creativity. Processes are necessary, even when you're thinking creatively, because they

don't affect the idea itself but provide a method to convert the idea into a product or service.

For example, the incubator process we developed has become fundamental to our ability to innovate continuously. Our incubator methodology is both rigorous and flexible.

Why are rigor and flexibility both important? Rigor is necessary to keep the process on track, moving forward and generating practical solutions at a steady pace. Flexibility is required to accommodate sudden or unexpected shifts (internally or externally) demanding quick responses. Since the overarching goal is driving and enabling innovation, the processes cannot be overly fixed or rigid—they must be adjustable and adaptable.

Inside the Incubator

Let's take a look at how the incubation process works. This isn't something that was developed overnight—it required years of experimentation and many mistakes before we got it right.

We knew from the start that our mission would be developing products and services that would make a substantive difference to the enterprise. In addition to being effective and impactful, the timing had to be right. We weren't looking for pie in the sky; we focused on creating solutions with tangible and timely benefits. The solutions we created also needed to be easily and

readily scalable, since our firm operated in 168 locations around the world. Additionally, we knew that if a solution proved successful and was adopted widely, we would need to provide versions in at least seven different languages.

Initially, we held two working sessions per year. Each meeting lasted two days. We invited eight to twelve technology leaders with global or regional responsibilities. Sometimes we invited marketing leaders to join the conversation. We had an agenda and predefined topics to cover, based on our perceptions of what kinds of innovation the company would need in the near-term future.

We also had three simple rules for the meetings:

1. Disconnect from operational world.
2. Come with ideas and be ready to speak up.
3. All ideas, big and small, are welcome.

We purposely created a very fast-paced environment, using a whiteboard to capture ideas as they flowed. Maintaining a high level of intensity was important for two reasons. The first reason was that most of the attendees had just flown in from different time zones and invariably many were experiencing jet lag. So we had to keep them focused and energized!

The second reason was engagement—we discovered that setting a quick tempo with rapid-fire dialogue would keep us involved and engaged in the process. We strove to keep the

conversations lively, stimulating, and exciting. We wanted everyone's synapses firing continuously!

We also set expectations. We welcomed outlandish ideas—as long as they were relevant to our business goals and offered the potential for creating efficiencies or competitive advantages in our markets. In other words, we weren't looking for moonshots. The ideas had to solve problems that were specific to our business.

Even with those guardrails in place, we still had many raucous debates and constructive arguments. To an outsider, the first morning session would have seemed chaotic. There would be open challenges and counterchallenges before we started to streamline the debate. Eventually, we would agree on two or three ideas worth pursuing. Then in the afternoon session, we would settle down and focus on turning at least one of those ideas into a practical solution.

Any ideas that survived the first-morning session became part of our incubator portfolio. The portfolio served as an “idea bank” we could dip into at any time. Over the years, the idea bank has proven extremely useful, providing us with a virtually inexhaustible supply of “seed ideas” we could bring to fruition when the timing was right.

The second day was dedicated to moving quickly from ideation to creation. This is when we shifted from right-brain thinking to left-brain thinking. We allowed our “inner engineers” to

emerge. We worked together as a closely knit team to devise a solution that was viable, sustainable, and scalable.

We pressed ahead briskly, racing against our self-imposed 5 p.m. deadline. Our breaks were short and the caffeine and pizza was plentiful. Our diet wasn't ideal, but our minds were fully engaged on solving the problem at hand.

Over time, the incubator sessions became popular hackathons. Being selected to attend a session was considered a privilege. For a while, we held them on a quarterly basis before expanding to regional centers as well.

Most important, however, is that we succeeded in developing and implementing a process for generating a steady stream of fresh ideas and new solutions that helped the company achieve its business objectives.

The QRate Template

Our incubation process is supportive and nurturing. It encourages ideation in a collaborative environment. We want our teams to know their ideas are both valuable and valued.

That said, I would never describe our incubation process as warm and fuzzy. Projects are not allowed to drag on ad infinitum; there are boundaries and timelines. No proposals

are sacrosanct; each idea must sink or swim based on its own merit.

There are limits to how much you can brainstorm before you need to begin testing your assumptions. Setting a cadence, establishing momentum, and generating observable outcomes are critical. Realizing the need for structure, we created a template with discrete steps and distinct phases. We call it the QRate Model, and it outlines a process for rating the queue of ideas in our incubator. [Figure 3.1](#) is a diagram of the full model.

Now let's break it down into its component parts and see how it works in practice.

The model incorporates three basic phases:

1. Create
2. Validate
3. Build

Each phase has two subphases:

1. Create
 1. Ideate
 2. Test concept
2. Validate

1. Pilot

2. Validate results

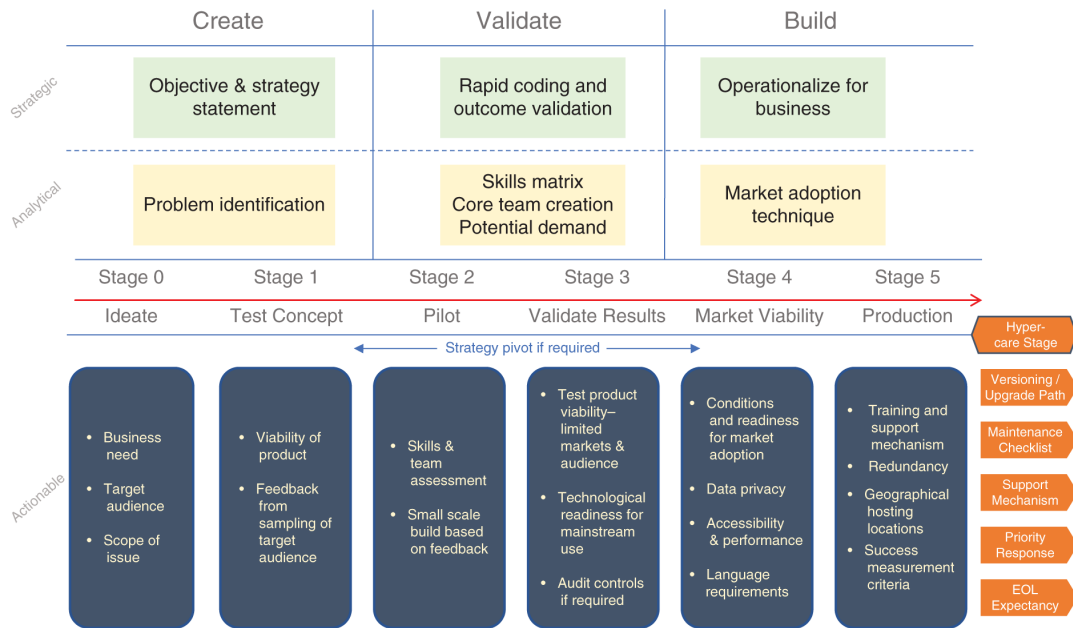


Figure 3.1 The QRate Model.

3. Build

1. Market viability

2. Production

Each subphase has two or more action steps:

- Ideate
 - Business need
 - Target audience

- Scope of issue
- Test Concept
 - Viability of product
 - Feedback from sampling target audience
- Pilot
 - Skills and team assessment
 - Small-scale build based on assessment
 - Pivot if necessary
- Validate Results
 - Test product viability in limited markets and audiences
 - Technological readiness for mainstream use
 - Audit controls if required
- Market Viability
 - Conditions and readiness for market adoption
 - Data privacy

- Accessibility and performance
- Language requirements
- Production
 - Training and support mechanism
 - Redundancy
 - Geographical hosting locations
 - Success measurement criteria

When you're leading or guiding an incubator process, it's important to remember that you always have at least two audiences.

- Strategic audience: C-level, board, and senior executives
- Analytic audience: Directors, managers, and developers

You will need to communicate differently with each of these two audiences, since each has its own interests and priorities. The strategic audience doesn't necessarily need to hear all the details, but it needs to see the big picture and understand the overall financial impact of your project. Its buy-in is essential for a variety of reasons, including financial support and dealing with potential obstacles that could slow down or derail the project.

The analytic audience, which includes users, needs to know the details, since they are the key to adoption once the solution is rolled out. Without their buy-in, it would be hard to achieve the adoption rates necessary for a successful deployment.

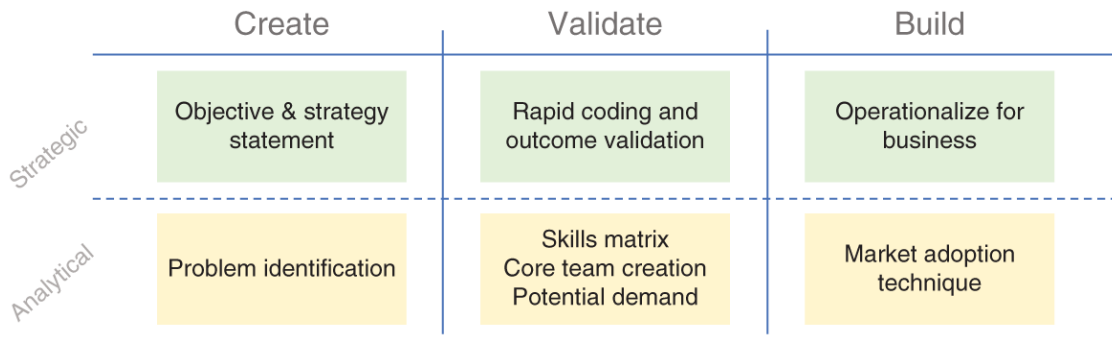


Figure 3.2 Actions by audience segmentation.

Figure 3.2 shows a closer view of audience differentiation subprocess.

The template also includes a “Hypercare” stage to manage the solution after it's released (Figure 3.3). Since the ultimate gauge of success is adoption, it's imperative to maintain a close watch on products after they're rolled out and to respond quickly when usage issues arise.

We've used the QRate template to incubate and develop dozens of new solutions over the years. Although every project presents its own unique problems and challenges, the template has proven flexible enough to handle a wide range of ideas. Having a standard process really makes a difference, and it contributes meaningfully to our ability as a company to innovate rapidly and continuously.

The process also serves as a baseline, enabling us to contrast and compare projects over time. Following the template has become a discipline, and it's taught us many valuable lessons.

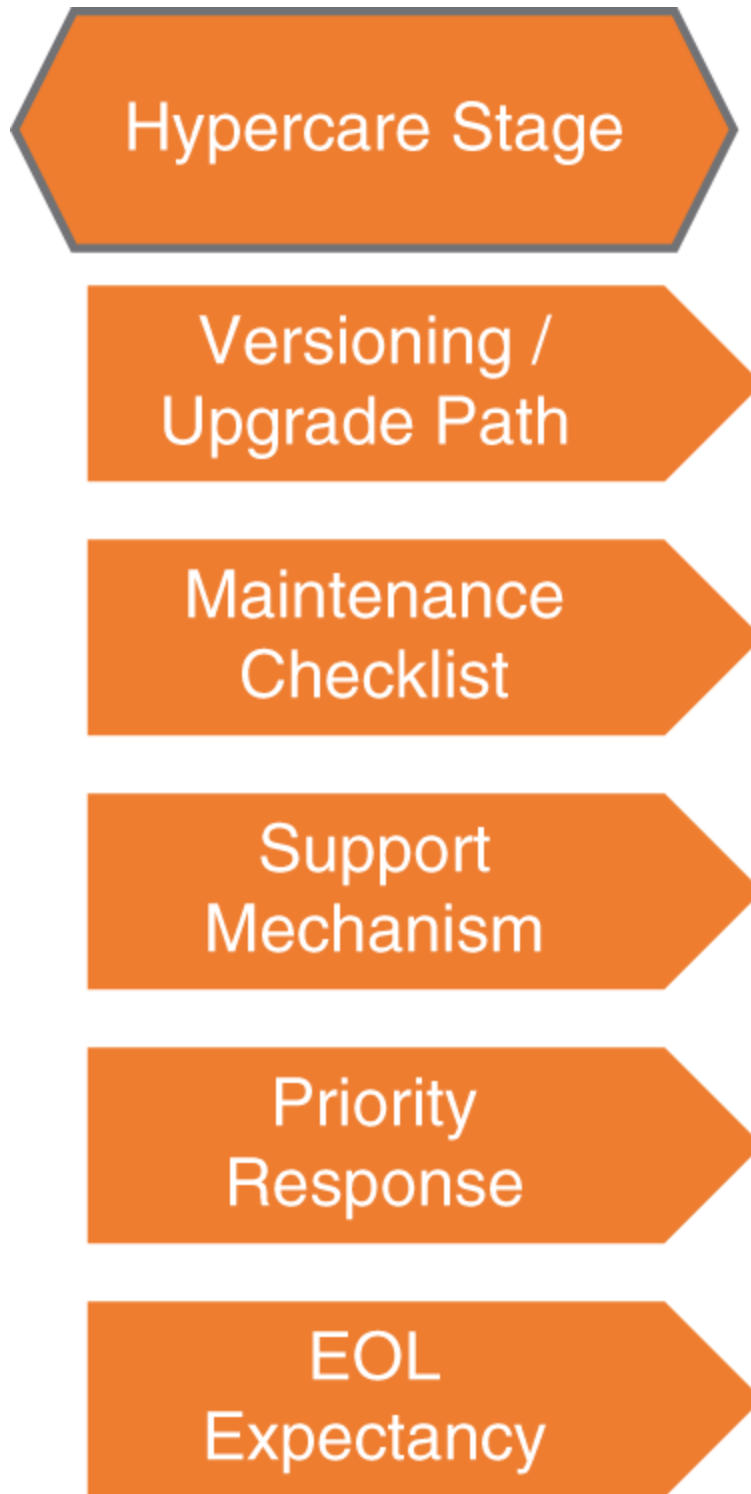


Figure 3.3 Managing adoption rates through better issue resolution.

Here are five critical lessons we learned from our incubation process:

1. Strive for simplicity. The most successful solutions are usually the simplest and most straightforward.
2. Test, test, test. And make sure to conduct your tests with real people, not just with scripts or bots.
3. Seek feedback from as many sources as possible. Objective, unemotional feedback is unadulterated rocket fuel for your initiative.
4. Include project management experts in the process from its earliest stages. Do not fear the project management office (PMO); work closely with the PMO and leverage its strengths and knowledge as you progress through the phases of the incubation process.
5. Make absolutely certain you have a user experience (UX) expert involved at the inception of any software development process. Always remember that adoption is the metric of success; if users don't see the value in a solution, they won't use it.

Lessons from the Field

The incubation process wasn't theoretical—we used it to generate many practical and usable solutions. Two successful solutions that spring to mind are Brandwave and Express. Here are brief descriptions of each.

Brandwave was a solution for generating deeper levels of customer engagement and learning more about what customers wanted from a brand. We began developing it in the early 2000s, relying on available technology and systems. Basically, Brandwave enabled customers to snap photos of ads they saw on billboards or buses, send the photos to a database, and in return, receive coupons for the products in the ads.

For example, let's say you were the parent of newborn infant and you saw an ad for diapers on a passing bus. You would take a photo of the ad with your phone and send it to us in a text message. We would then arrange for the ad's sponsor to incentivize you with a discount coupon.

Nowadays, that might not seem like a big deal. But at the time, the cameras in mobile phones had low resolution and there were relatively few databases capable of handling the type of data we needed to collect, store, and analyze to create value for the sponsor.

Nevertheless, we incubated and developed a usable solution. By misfortune, another company had been developing a similar solution and beat us to the patent office. If not for that stroke of bad luck, I am convinced that Brandwave would have become a global standard for raising levels of customer engagement.

Express was born from our need to move very large digital files for advertising campaigns around the globe, quickly and

efficiently. There were multiple drivers and reasons for creating Express, ranging from cost savings to client satisfaction.

On the cost side, we were spending millions annually to ship physical versions of the files by next-day air. We were certain that it would be much less expensive to send the files digitally, and our assumption was proven correct.

There were also problems with shipping highly time-sensitive materials by air. In many instances, “next-day” delivery can take three or four days, since shipping is highly dependent on time zones, weather, and other circumstances beyond your control. If a package misses its connection, it can sit in an airport until the next scheduled flight.

When time-sensitive materials are late, clients become unhappy and dissatisfied. Competition in the business is intense, and you always have to meet the client's deadlines.

So we were highly motivated to create a practical digital alternative that would lower overhead costs and keep our clients happy. In this case, we realized that we didn't have the resources or expertise to develop a solution internally. So we partnered with Accellion, a company with deep experience in developing tools for sharing and collaboration. That's when I met Nikhil Jhingan, who was Accellion's co-founder and chief technology officer.

Working closely with the Accellion team, we created a robust solution that met our technical needs, sharply reduced shipping costs, and improved relationships with our clients around the world.

The path to success, however, was bumpy and filled with unexpected challenges. We quickly discovered that the quality of Internet service varied greatly as you moved from one region of the world to another. In some markets, we had to develop and deploy additional hardware to make the system work properly. We also had to create versions of the solution in seven languages. In addition to technical challenges, we ran into cultural obstacles.

Eventually, we overcame the challenges and launched Express —only to encounter another unintended consequence. Express became popular more quickly than we had expected, and soon we had more users than we could accommodate. Initially, we struggled to keep up with usage.

After a slow start, the adoption rate was exponential within six months of the launch, which made us both proud and anxious. Fortunately, we were prepared to scale the solution, and we kept up with the high levels of demand.

The experience taught us an extremely important lesson: You can never just walk away from a new solution after launching it. You are responsible for the success of a solution even after you've deployed it. Like the original ideas from the incubator,

the completed solutions you launch are indeed still very much like children—they require attention and hand-holding.

NET TAKEAWAYS

1. Continuous innovation requires formal processes; you cannot simply leave innovation to happenstance, or assume that it will occur naturally without encouragement and support.
2. Make sure to include the project management office (PMO) and user experience (UX) specialists in your incubation/innovation processes. Their participation is essential for creating solutions people will use.
3. Adoption is the key metric of success. Be prepared to manage problems and issues after a new solution is deployed; expect the unexpected and be ready to deal with unanticipated challenges.