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Management ideology: The last bastion of American hegemony

Management thinking remains American dominated. But, Julian Birkinshaw asks, is that set to change?

Here is a tricky question: How many living management gurus can you name who did not learn their trade in North America? I have asked many colleagues this question, and it's pretty hard to come up with a good list. For example, consider the individuals in the 2009 Thinkers50 ranking of management thinkers. Most of the obvious non-American names such as Mohammed Yunus, Ratan Tata, and Manfred Kets de Vries actually studied in the US, so they don't count. By my reckoning, there are only seven who make the cut: Richard Branson (Virgin), Kris Gopalakrishnan (Infosys), Kjell Nordstrom and Jonas Ridderstrale (Stockholm School of Economics), Lynda Gratton, Rob Goffee and Gareth Jones (London Business School). Does this matter? I think it does.

In the years following the Second World War, the United States dominated the global business world completely – it was the major source of capital, the home of advanced manufacturing, and the source of most major technological developments. It provided the best quality management education, and it was the source of all the latest management thinking.

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Today, we live in a more complex, more plural world. The US is now the world's largest debtor nation, and the biggest sources of capital are the large Sovereign Wealth Funds of the Middle East, Russia and China. Leadership in advanced manufacturing is spread across such countries as Japan, Korea, Germany and the US. Technological innovation is dispersed across the world, in countries like India, China, Singapore, Israel, Sweden and the UK, as well as North America. Top-quality business schools exist in every major market.

In short, the rest of the world has caught up. North America no longer holds a clear advantage in any of these fields of accomplishment it used to lead.

With one exception: management ideology.



Mainstream thinking

What do I mean by management ideology? I mean the basic frameworks and assumptions we use to talk about the practice and profession of management; our underlying beliefs about what management is trying to achieve; and how it goes about achieving it.

There is a management ideology in existence today that took shape a hundred years ago, primarily through the ideas and practices of US-based management thinkers, and which continues to dominate the way we think about management. Its key features are:

- Setting and delivering of objectives according to the demands of shareholders
- Coordination of effort and activities through professional bureaucracy
- An emphasis on efficiency and productivity as the key measures of success.

Of course, this ideology is not without its detractors. There is an ongoing debate (among academics) about each one of these principles, and there have been periodic challenges to this way of thinking from other parts of the world (for example the Japanese quality movement in the 1960s, and the European Quality of Working Life movement of the 1970s). But the point is, this ideology is the mainstream – it is the primary way of thinking about, teaching, and executing management. For those studying management, or applying its methods, any nuances to the debate are entirely lost.

American roots

This management ideology, with its North American roots, endures primarily because there is no viable alternative. Consider a few basic facts. At London Business School, one of the top business schools outside North America, more than 90 per cent of the faculty gained their PhDs in North America. The same is essentially true at Insead (France), IESE (Barcelona), the Indian School of Business (Hyderabad), and CEIBS (Shanghai). The top management journals, from *Fortune* to *Harvard Business Review* to *Administrative Science Quarterly*, are all based in North America. The top management consultancies, from McKinsey to BCG, Bain and Booz & Co., all have deep American roots.

Management ideology: The last bastion of American hegemony continued...

“As for the developing world, there is no better way of proving that you are an ambitious, progressive company, than by hiring “professional” managers and advisors that cut their teeth in the North American system.”

One consequence of this dominance is that other perspectives get suppressed. There are strong traditions of management writing in both the French and German languages, but they are being marginalised: the up-and-coming scholars in continental Europe are increasingly writing for English-language journals, and large French and German companies are increasingly bringing in North-American trained consultants and academics to advise them. As for the developing world, there is no better way of proving that you are an ambitious, progressive company, than by hiring “professional” managers and advisors that cut their teeth in the North American system: look at Ambev (Brazil), Infosys (India), Huawei (China), DTEK (Ukraine) or Korea Telecom. The entire business world is seemingly in thrall to the dominant American ideology of management. America may have lost its lead in other areas of business, but it still holds sway in this one, vital area.

Ruling the world

I know what you are thinking: the reason everyone wants to adopt the American model is simply that the American model is better. Well, there is some truth to this argument. An influential set of studies on cross-national management practices conducted by Stanford Professor Nick Bloom and colleagues sought to get to the bottom of things. These studies showed, essentially, that American firms outperformed all others. “Why American Management Rules the World” was the headline on their blog post from June 2011.

I have two responses to this argument. First, the methodology used by Bloom and colleagues, while painstaking and rigorous in its execution, was itself a product of the ideology I described above. In other words, the evaluation of success was based on such metrics as productive efficiency, consistent use of incentives, professional training, and so on. We shouldn't be too surprised to see that American companies score best on the measures of success that they themselves developed.

Second, even if the American model is genuinely better today, why would we assume that it will still be so ten or twenty years from now? Many observers have commented on America's declining influence over the world. And as we know from history, it is often the imperial power's worldview that is the last thing to decline. Wikipedia defines hegemony as “a state of affairs where the dominant class impose their world view as if it were natural, inevitable, and beneficial to every social class.” Management ideology is, in essence, the last bastion of American hegemony. We continue to see the principles of shareholder capitalism, professional bureaucracy and productive efficiency as natural, inevitable and beneficial. But they can – and should – be challenged.



There is an alternative

So how might our thinking about management evolve? There are already plenty of ideas about what an alternative to the traditional American model might look like:

- In terms of objective-setting, why don't we put a greater focus on higher-order purpose or vision, rather than short-term financial returns? And what about giving equal emphasis to multiple stakeholders, rather than focusing singularly on shareholders?
- In terms of coordination, can we imagine putting a greater focus on self-organisation and collective wisdom, rather than bureaucratic rules and procedures, as a way of getting things done?
- In terms of outcomes, should we put a greater emphasis on innovation, creativity and employee engagement, rather than just productivity and efficiency?

Management ideology: The last bastion of American hegemony continued...

Each of these ideas has its own body of adherents – management thinkers pushing a particular point of view, and practising executives experimenting with a different way of working. But there is no coherence to these points of view, and there is not sufficient evidence of success for the established ways of thinking to be challenged.

“India and China have highly distinctive cultures and rich traditions on which their own distinctive management ideologies might be built.”

But here is where I think it gets interesting. Everyone can see that the balance of power in the business world is shifting to the East. We now look to Asia as a source of finance, for advanced manufacturing, for technological innovation and for well-educated workers. Is it likely that we will in future look to Asia as a source of management ideology?

Up to now, most Asian companies have been happy to play catch-up, by incorporating the best of the American model of management into their working environment. But once they are competitive, there is no reason for them to stop there. India and China have highly distinctive cultures and rich traditions on which their own distinctive management ideologies might be built.

Already, there is some evidence of a distinctive Indian model of management emerging. Peter Cappelli and his colleagues recently published a book, *The India Way*. They focus on “holistic engagement with employees”, “improvisation and adaptability” and “broad mission and purpose” as the defining features that make the Indian model different to the American model. These features, they claim, are inspired partly from ancient writings, such as the *Bhagavad Gita*, and partly from the experience Indian executives had growing up in the chaotic post-war years.

And it seems surely just a matter of time before a “China Way” emerges. Chinese companies now have a level of self-assurance and success on the world stage that is allowing them to experiment with their own ways of working, and they are well placed to bring together the best of the American model with the best of their own unique cultural heritage. I don’t know what this will look like, but it is surely coming.

And one final observation to emphasise this point further. Culture is a complex thing, but we do know a few things about how to characterise the cultures of different countries. For example, the Anglo-American world is relatively individualistic and it has a relatively short-term orientation. Most Asian countries, in contrast, have a more collective orientation and a relatively long-term orientation. So if we go back to the elements of the “alternative” model I sketched out above, with its emphasis on purpose and a stakeholder-based approach to capitalism, it seems pretty clear that these elements have a natural affinity with the Asian cultural norms around collectivism and long-term orientation. To the extent that the American management ideology is going to be challenged, Asian companies with Asian values are well placed to be the ones doing the challenging.

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A true measure of leadership

Great leaders inspire, motivate and engage the people around them. We all recognise the truth in this, but could an innovative twist on a well-known marketing metric bring about an improvement in employee engagement? And could that new metric promote continuous improvement on the part of the people being measured? [Julian Birkinshaw](#) reports on a team at Roche in search of a true measure of leadership.



A group at the global healthcare organisation Roche has been undertaking a series of management experiments to address key business challenges. For Jesper Ek, Head of External Affairs for Roche in Sweden, this was an opportunity to put an interesting idea to the test: one that he believed could help to deliver the exceptional performance only achievable with strong line management.

Jesper Ek was familiar with the Net Promoter Score (NPS), a well-known marketing metric for gauging how much your customers are actively promoting your products. It simply asks “How likely is it that you would recommend our company to a friend or colleague?” Responses are divided into promoters (9 or 10 out of 10), neutral (7 or 8 out of 10), and detractors (1 to 6 out of 10). Research has shown that the net promoter score (i.e. promoters less detractors) is a useful measure of customer loyalty, and an important driver of growth.

Jesper had the bright idea of turning the net promoter score inwards, as a way of monitoring the quality of management in a company. The single question would be “Would you recommend your manager to others as a good boss to work for?” And by doing the same calculation (promoters minus detractors), it would be possible to measure the Net Manager Promoter Score (NMPS) for a business unit or organisation.

The neat thing about such a measure, Jesper reasoned, was that it would be simple and easy to use (and repeatable). “I have often filled in pages and pages of questions in 360-degree feedback surveys about people in my organization, and after a while you lose focus. If we could narrow down to a single, meaningful measure, everyone would benefit.”

Getting the right team

Jesper Ek’s team members were Charlotte Kluit, Marketing Manager Pharma Rx, Netherlands; Andy Barnett, Brand Team Leader, Pharma Rx, UK; Susanne Somerville, Senior Director, PTD Planning, Basel; Kin Tang, Senior Research Leader, Formulation Research, pRED, US; Stephan Weiss, Finance Manager, Pharma Rx, South Korea and Alejandra Fernandez, Regional Business Leader for Oncology, LATAM, Brazil.

It was a truly global experiment, drawing on colleagues from multiple geographies, functions and cultures. This was important because it showed how just one simple, standard question could be used across cultures. It offered the potential for an aggregated NMPS score to reflect a global measure of the organisation’s leadership culture. Crucially for the success of the experiment, it also had the backing of two senior sponsors, Carolyn Medley, Vice President for HR in Latin America and Peter Hug, Head of Roche’s Western Europe pharma business. Jesper comments that it was important to identify the right sponsors at the outset; senior players prepared to take an active role in the experiment. For example, Carolyn Medley recommended that for an experiment of this nature, they should involve the HR teams in the countries taking part. This was great advice, as HR became enthused by the results of the experiment and has since sponsored the use of NMPS at a number of levels, as we will see later.

A true measure of leadership continued...



Jesper Ek's team

Susanne Somerville
 Andy Barnett
 Charlotte Kluit
 Kin Tang
 Jesper Ek
 Alejandra Fernandez
 Stephan Weiss

“The experiment team concluded that the current approaches were valuable and well considered, but might not tell the whole story.”

Establishing team basics was another factor. Says Jesper: “We had to trust each other to do what had been agreed so that we didn’t waste time revisiting everything together. Regular schedule updates and temperature checks were critical. And yes, a weekly conference call did mean colleagues in Latin America had to start early and those in Korea had to work late, but nobody missed a call throughout the experiment. That’s the level of enthusiasm we had for it.”

Establishing milestones

Project milestones were set at the outset to keep the four-month experiment on course. While this timetable was knocked off course for a while due to a restructuring within Roche, Jesper believes there is huge value in establishing milestones because it provides a framework for progress. The ‘pause’ in the timetable didn’t go to waste. It gave the team time between an initial pilot and fuller programme rollout to pin down exactly what was needed to make the full experiment a success.

One of the early experiment deliverables was to establish why using the NMPS approach might be beneficial. This was an important consideration for selling NMPS to the wider business. The team looked at current approaches for measuring performance and employee satisfaction. These included employee engagement surveys, multi-source feedback, performance appraisals, talent review discussions and global development plans. They weighed up the benefits, such as the way in which these approaches set specific actions for managers. Then they considered the limitations – or the unmet needs – including a lack of consistency and precision, the irregularity of different approaches with varying levels of response in different countries or business units and the potential for employee feedback on manager performance to be influenced by concerns about what they should or shouldn’t say.

The experiment team concluded that the current approaches were valuable and well considered, but might not tell the whole story. The NMPS would add another level of understanding. It could provide a single snapshot of employee satisfaction with management that could be measured on a regular basis to deduce whether managers were improving. The experiment team asserted that NMPS would offer a simple approach to standardising employee feedback.

Pilot phase

To pilot test their hypothesis, the team focused on itself. Each team member went back to their own business unit with a set of questions that they had jointly agreed. This included the single NMPS question Would you recommend your manager as a good boss to work for? The other questions were drawn from a Gallup-approved employee satisfaction survey with additional questions designed to gain a measure of:

- Employee engagement
- Leadership attributes
- Employee motivation.

The NMPS response was then assessed to see how its result correlated with the findings from the other questions.

The pilot was a great success. The value of effective communication was one of the most important lessons that carried over from the pilot to the ultimate experiment. The team produced a communication package to support the survey. While this and the survey questions were written initially in English, each team member took responsibility for translating them into their local languages. This same approach was then applied to the full experiment rollout.

A true measure of leadership continued...

“The fact that we had time to overcome any potential obstacles, such as a lack of employee engagement and manager buy-in, before go-live was an important success factor.”

Independent assessment

One of the key messages that the team communicated was the use of an external party to assess the survey findings. Says Jesper Ek: “We wanted to reassure survey participants that their feedback would be totally anonymous to anyone at Roche. Funding for this independent resource was secured by one of the experiment team members. It was money well spent and I would recommend it as a way forward for projects of this nature.”

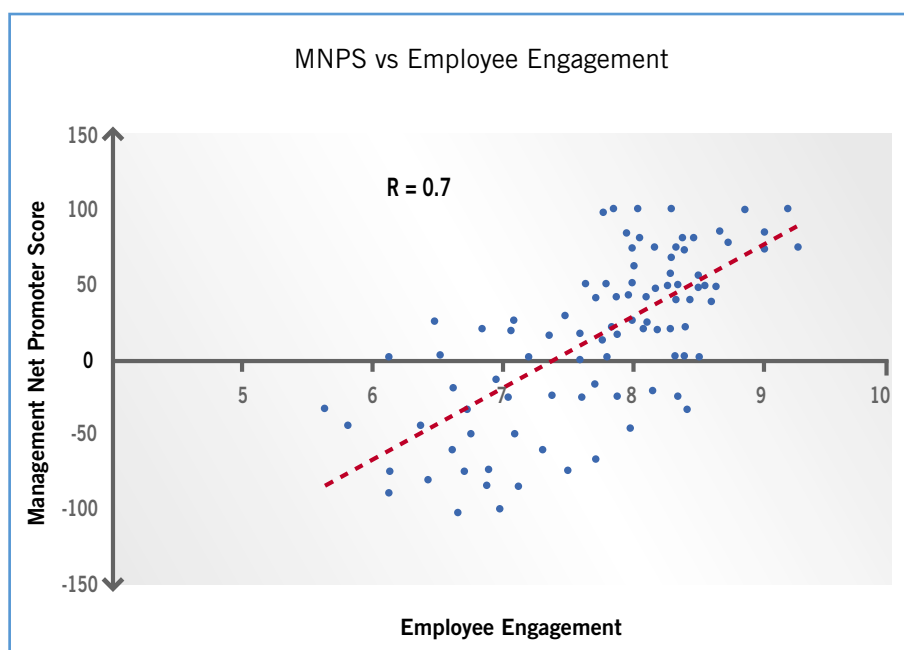
Communication with all the country general managers (GMs) was another facet of this experiment. After all, it would be their direct reports being measured using the NMPS metric and experiment survey. Buy-in of both the GMs and the local HR managers was essential due to the need for speed at implementation stage. Having delayed roll-out of the experiment due to internal re-structuring, the team had only a few weeks to get results out once the go-ahead had been given. Jesper comments: “The fact that we had time to overcome any potential obstacles, such as a lack of employee engagement and manager buy-in, before go-live was an important success factor. With the GMs and local HR teams behind us, those employees asked to participate were more willing to do so than if we didn't have this backing.”

Results with clarity

Out of a participant pool of 1,250 the experiment achieved a 74 per cent response rate: 153 managers agreed to take part, along with 769 employees. Jesper believes this is a testament to the preparation, along with the use of a simple response mechanism (SurveyMonkey) and the promise of anonymity.

The findings were unambiguous. There was a clear correlation between the Manager Net Promoter Score and employee engagement as defined by the Gallup-approved question set – see Figure 1.

Figure 1:



This shows simply that managers with a higher NPS have more engaged employees. This may not seem surprising but, as Jesper observes, there are dozens of factors that potentially affect an employee's level of engagement with his or her work – the nature of the job itself, the physical surroundings, the team of people, the pay. For the immediate manager to be so overwhelmingly important as a predictor of employee engagement is a really important finding.

A true measure of leadership continued...

The team also collected independent data about how managers had been rated by their own boss in their appraisals. As they anticipated, there was a strong correlation between the NMPS and the official performance appraisal.

Managing outcomes

So what does this all mean for Roche? The experiment supports the premise that the quality of line managers is the most critical factor in realising the goal of making Roche a great place to work. The team believes that the NMPS has the potential to add real value to Roche by providing sharp insight into the most important factor in delivering employee engagement – the role of the manager.

Jesper has high hopes for the NMPS and asks whether it could be used more broadly. “I think it could be used to compare the performances of different regions or business units for all manner of purposes. For example you could gain a Net Promoter Score that recruitment could use by asking current employees, “Would you recommend employment in this unit to a friend?”. An improving aggregated score year-on-year would be a great advert for prospective employees. NMPS could even be used as a means of comparing the performance of our own business with that of a competitor. There is huge scope to expand the concept.”

“NMPS could even be used as a means of comparing the performance of our own business with that of a competitor. There is huge scope to expand the concept.”

For the moment, however, he is delighted that NMPS has already been adopted at a smaller scale in two programmes within Roche. Head of the Western Europe pharma business Peter Hug has assessed all the European general managers using just the NMPS question and two additional ones relating to employee engagement. NMPS has also been included in a recent global employee engagement survey where it has given a powerful and easy to assess measure of employee satisfaction with their managers.

Jesper concludes: “We are not promoting NMPS as the only measure of performance but believe it can easily be incorporated into existing mechanisms for seeking employee feedback. An aggregated NMPS score periodically calculated offers a new and potentially valuable approach to realising our goal of making Roche a great place to work.”

Julian Birkinshaw (jbirkinshaw@london.edu) is Professor of Strategy & Entrepreneurship at London Business School, and Senior Fellow of the Advanced Institute of Management Research. His latest book is Reinventing Management (Jossey Bass, 2010).

Beyond talent management: Facts, myths, and implications



From Enron to the more recent banking crises, talent management has conspicuously failed to deliver. Is it time for a new way to release talent? Jonathan Winter gathers the evidence, blows away some myths, and – in collaboration with MLab – proposes a new organisation that will enable leaders (especially HR leaders) to help redesign the way we all work.

Why is it that only a few companies ever become famous for the way they manage people? Many become famous for their products, or for their advertising campaigns. Some – like Enron – sadly become famous for their misdeeds. But despite decades of evidence linking good people-management with good results, only a handful become famous for their management. They include Semco, W.L. Gore, Southwest Airlines, Zappos and more recently HCL and Morning Star.

In search of answers, the Ci (Career Innovation Group) research team has now – with help from many colleagues and research partners around the world – completed more than ten years of research and development. We've worked with some of the world's best-known employers to track emerging trends in work and careers and to shape innovative practices. And we have repeatedly asked: *Why is so much talent wasted and so many people disengaged in their work? What really motivates people? How can next-generation employers truly inspire, engage and create value through people?*

Global partners in this quest have included private companies like GlaxoSmithKline, Unilever, Boeing, UBS and Marriott together with NGOs such as Oxfam. We have published 25 research studies, convened over 40 innovation events, and pioneered research-based practices and tools used by individuals, managers and HR professionals all around the world.

Across all this work, one startling insight stands out:

Most managers rarely if ever sit down with their valued colleagues and ask this simple question: What is it that really engages you at work? What are your hopes and ambitions?

To our surprise, this proved to be true even among the most nurtured 'top talent' groups. We found that on average four in every ten 'talented' employees said there was a topic they wanted to discuss with their manager – a 'conversation gap'. Most of these missing conversations were about the future. Many of them were about their future careers.

The more we've looked at this, the more significant it seems. We've found this single indicator – the conversation gap – predicts with remarkable accuracy people's level of engagement and commitment to an organisation. This simple action – an honest conversation about the person first, then the business – is in many cases the most engaging thing a manager can do.

What's going wrong? And what can be done about it?

Superficially of course the answer is very simple: Managers need to have those conversations. And in some cases, all that's needed is a prompt. One young manager at Microsoft in Seattle read about the research and immediately scheduled time with each of his team for an agenda-free conversation about themselves and their future work. "It wasn't difficult," he said "and I could visibly see their energy levels rising as we talked".

Beyond talent management: Facts, myths, and implications continued...

“The entire infrastructure of management is built on the tension between workers’ objectives and organisational objectives, rather than partnership.”

Unfortunately in most cases we have to do more than simply plead with people to have better conversations. Under pressure from imposed targets and in the context of constant change, managers prefer to avoid topics that might expose their own uncertainty. The very conversations that could engage people get squeezed out. No wonder we’re all stressed.

The conversation gap turns out to be a symptom of a much deeper malaise that is heavily embedded in the culture and practices of management, especially talent management. This malaise has at least three major causes at managerial, organisational and market-wide levels:

- 1. Managers misunderstand what motivates ‘knowledge workers’** who – unlike nineteenth century factory workers – cannot be managed by close supervision, and whose best creative work is not measured by hours in the office or the number of units produced. *We must stop trying to ‘incentivise’ people to do things they don’t want to do, and start partnering with them – like adults – to achieve great results that have mutual benefit.*
- 2. Organisational practices are still assuming a slow-moving environment** in which planning can take place at the top and centre of organisations, and be cascaded down as objectives. Rather, today we almost all experience ‘constant change’. *We therefore need to design management practices that build individual resilience and organisational agility, balancing top-down alignment with bottom-up responsiveness.*
- 3. Business is still ignoring the globalisation of cause-and-effect.** The continued focus on short-term financial return is blinding us to new ways of managing that are needed to produce longer-term returns in a connected world. This in turn undermines individual managers who want to invest time – for example – in understanding and developing their people. *In today’s networked world, we need to act in new ways that create a virtuous cycle of shared value. This builds trust and promotes innovation.*

To put these three things another way: The entire infrastructure of management is built on the tension between workers’ objectives and organisational objectives, rather than partnership. The problem is getting worse, because the pace of change means we can no longer manage things top-down, we have to rely on people to respond quickly to opportunities and threats. And the tension with workers parallels the wider problem business has, in which the goal of short-term profit is set against the needs of society.

What can we really do?

We need to work on the deepest problem – the mindset – if we’re ever going to create real change. That’s an ambitious goal. Newer and smaller organisations may be able to adopt this new talent philosophy immediately and without hesitation. It is intrinsically less bureaucratic, less costly and more engaging than today’s talent management practices.

For large established organisations, the journey will be longer but not impossible. We’re consulting several well-known global organisations (including MLab) about a new ‘Academy’ or ‘Lab’. This will equip a network of HR leaders with the structured tools needed to question assumptions and facilitate experiments in management. Leadership habits need challenging. Basic management assumptions and practices (see box) need re-thinking to create a positive environment in which people can do their best work.

Very quickly these experiments will start to take us beyond talent management and towards a more rewarding, creative, purposeful way to achieve great things together. Then we’ll have built a new generation of organisational communities we really want to be part of.

Jonathan Winter is founder of the Career Innovation group (www.careerinnovation.com).

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A time and a place for innovation

Is it just a coincidence that Archimedes was sitting in his bath when he had his 'eureka' moment, or did it have something to do with the fact that he had time and a place to let his mind relax and inspiration to flourish? [Julian Birkinshaw](#) tests the innovative waters.

Does innovation need to be nurtured? Innovation is seen as a competitive differentiator, yet in a business world where everyone is multi-tasking and working long hours, finding the time to innovate can be a struggle. An experiment conducted by a team at leading Nordic insurance firm If set out to examine whether allocating time and space for innovation could make a difference to the company's innovative output.

Operating in a highly competitive market, If believes innovation is crucial to its long-term success and that creating a culture for innovation is essential. But, as in many organisations, there are blockers to creating this culture. What are these blockers and could a change in behaviour yield a more innovative workplace? This was the premise behind the If Innovation Experiment conducted over a six-week period in the first half of 2011. Team members were Arve Hildebrandt, Per Gogstad, Andris Morozovs, Astrid Holm, Camilla Bredrup, Mihkel Uibopuu, and Ulf Backman.



Identifying a hypothesis

Arve Hildebrandt, Head of Commercial Control for IF P&C Insurance, notes: "One of the problems with innovation is that there are so many factors either contributing to it or standing in its way. Our challenge, therefore, was to whittle down a list of potential blockers to just one or two that we could do something about relatively easily in a short timeframe, bearing in mind that we'd set ourselves just six weeks to conduct this experiment from initiation through to final reporting.

"We opted to focus on what many people see as 'the' innovation blocker – a lack of time. Our experiment set out to test the hypothesis that allocating time specifically for innovation would release the creative juices. We also added space into the mix, giving one group of people a dedicated room to meet and discuss innovation."

As a result, the IF Innovation Experiment ran as three strands:

Group 1: allocated 4 hours a week for innovation;

Group 2: allocated 4 hours a week and given an 'inspiring' room in which to be creative;

Group 3: a reference group provided with none of the above.

Each group had just four weeks during which a group 'owner' collected and analysed the ideas and initiatives and provided feedback from the participants via interviews and weekly reports on the use of their time.

A time and a place for innovation continued...

Use of time

They were encouraged to set their own agenda rather than being told how to use their time. As Arve says: “We wanted them to consider how they could use those four hours either most efficiently, or in the best way for them personally. We didn’t mind if that meant seeking inspiration on the street, by going out and visiting companies, or just taking time out to think. Releasing creative energies might even have been achieved by going to an aerobic class or doing something that would give them energy. Our intention was to avoid being prescriptive.”



Interestingly, at the outset, both Groups 1 and 2 organised themselves fairly formally. They recognised that they would need to ensure that not everyone took time out all at once, or this would have had a negative impact on work levels. Nonetheless, they still scheduled formal meetings at specific times and it wasn’t until a few weeks into the project that this arrangement became looser, with perhaps just one or two people meeting for half an hour here or there. Arve suggests that this less structured approach took time to evolve simply because it wasn’t something people were used to. “They were unfamiliar with ‘how’ they should do this,” he adds.

Another point about the early stages of this experiment was the need to overcome concerns deriving from the company’s recent history. Says Arve: “We had a not too distant memory of a department being closed down. It had shared a corridor with Group 2, the group that had been allocated a room as well as time. They were really upfront about this, asking ‘why should we do this; we might come up with so many good ideas that they make us redundant in a year or so’. This was a very real concern that we had to address and the important point here was that we were able to articulate that the experiment was about identifying and removing a key blocker to innovation, not necessarily the innovation itself.”

Experiment outcomes

Generating ideas – Some 180 ideas were generated by Groups 1 and 2. The reference Group 3 did not generate any ideas in the four-week period, but as Arve points out, “Is this surprising when it wasn’t on their agenda? They were a control group and other than informing the group leader about the experiment, no further changes were imposed on the team.”

Enthusiastic response – Group 2, which had been allocated a dedicated room for creativity, appeared to be more enthusiastic than Group 1, implying (but not necessarily proving) that a place as well as time for innovation is an enabler. Arve comments: “It could be that the allocation of a room somehow implied a commitment on the part of top management; that this was a serious experiment necessitating a dedicated room. Some past turbulence in this department could also have had an impact.”

Leadership – The slightly higher level of enthusiasm in Group 2 may also have been, in part, due to leadership and commitment. Both the group leader and the team really bought into the experiment and pushed to use its innovation time.

A time and a place for innovation continued...

Business as usual – There was no significant negative effect on general performance and on daily KPIs between the teams, but it was felt that this might change if time allocated for an experiment of this nature was longer. However, in retrospect, none of the teams experienced a lowered performance in the period of the experiment.

Time spent – None of the groups felt there was a need to focus as many as four hours a week on innovation. The average preferred time (based on feedback questionnaires) was 2.9 hours. This was enough to yield ideas for business or process improvement.

Type of ideas – there was a mix of ideas, largely split into processes and welfare. Some were more serious than others: someone even suggested, perhaps facetiously, a corporate policy for smiling. Also the type of ideas varied from those that needed to be escalated to those that could be handled locally.

“ We wanted them to consider how they could use those four hours either most efficiently, or in the best way for them personally. We didn't mind if that meant seeking inspiration on the street, by going out and visiting companies, or just taking time out to think.”

Next steps

Arve comments: “We proved our hypothesis that time matters when it comes to innovation. Allocating time to initiatives should be a must, although the amount of time needed might vary from unit to unit. Adding a room to the mix, a place to share innovative ideas and think creatively, contributes still further to the innovation output. A strong team leader and commitment from the team is also essential.”

For the experiment groups, a key question was what to do with the ideas that were brought forward. Half way through the experiment, both teams acknowledged the challenge themselves. Arve notes: “The teams had no process for taking this further. In fact Groups 1 & 2 started to set out their own implementation process during the experiment. We all recognised that implementation knowledge and culture is lacking and is something we need to address. There has to be a way of linking this bottom-up effort to the wider business development process – perhaps that is the next experiment we need to get under way.”

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Gaining advantage through agility

We're all aware that speed to market with new products and services can be a crucial business differentiator. Yet some companies appear to be much better at seizing first-mover advantage than their competitors – why is this? An experiment conducted by a team at leading Nordic insurance firm, If, set out to examine how the business could act faster in the marketplace. Julian Birkinshaw reports.



If is the leading player in the non-life insurance industry in Scandinavia, and like all other market leaders it runs the risk of becoming inert and complacent. So a team of executives from the company decided to confront this challenge head on. They asked: What does it look like to be truly agile in our industry? Could we move as quickly as a start-up company in putting a new offering together? And what sort of obstacles would we face?

The team (consisting of Mans Edsman, Agneta Liljenberg, Poul Steffensen, Line Hestvik, Mats Nordensjold and Anne Ramsby) decided the best approach was to run a simple experiment – to develop and trial a new service offering as quickly as possible, and to monitor both the process and the outcomes carefully. As Head of Corporate Control & Strategy, Mans Edsman points out: “We weren’t trying to do something like start a new bank, but simply to identify a process by which agility could be encouraged and for this we could look at something relatively simple, something that we could sensibly ‘do’ in the experiment timeframe.”

A brainstorm session in January 2011 narrowed down the experiment scope with what Agneta Liljenberg, Head of Corporate Systems, describes as, “a focus on what competitive agility needed to deliver: the ability to gain new and retain existing customers by building on a key strength – our claims handling. Could we differentiate If’s claims handling by not only identifying a new service, but quickly assessing its market potential in a practical pilot test?”

The team also drew up three criteria to evaluate their ideas. The experiment had to be simple (do-able in a five-week project execution phase), relevant (focused on customer value) and practical (drawing on the competence, resources and logistics available to the experiment team).

Liljenberg notes that there is strong industry knowledge and business intelligence within If, and the challenge is how to translate that into decisive action: to close what is sometimes called the knowledge-doing gap. So as well as doing the experiment, members of the team also dug into the outcomes of recent If projects, to understand how quickly they had been put in place, and what their obstacles had been.

Prototyping a new service concept

Using their selection criteria, the team settled quickly on the idea of picking up customers and driving them to their rental vehicle. This was not a new idea by any stretch – indeed, it is one of the key marketing themes of Enterprise Rent-a-Car, the fast-growing US chain. But it was not currently being offered in the Scandinavian market, so it served their purposes nicely. They tailored the Enterprise model slightly, to come up with the concept of If partnering with a number of vehicle repair workshops. The offer to the customer was to deliver the car (after repair) to their home or workplace, cleaned inside and out, in return for which the customer would fill in a questionnaire on their satisfaction with the service.

By design, the experiment involved relatively little investment and only minor IT involvement. The team did not build a business case, nor did they seek broader endorsement for the idea within the company – they decided to “just do it”. Of course they were very aware of the cost side of the equation, but by keeping the pilot small they were able to address the business case later.

[NEXT PAGE](#) 

Gaining advantage through agility continued...



Delivering pace and agility

How quickly could the team design and run the test pilot? Well, they committed to getting it done within eight weeks, and they met this timeline, through enormous amounts of hard work. There was no one key that unlocked this speed, but rather a number of contributory factors including, as follows:

Senior level buy-in – Liljenberg asserts: “If you’re going to design an experiment that will ultimately benefit a specific business unit, you need to involve that business unit from word go and the starting point has to be at the very top. We went to the head of the claims organisation and he confirmed that our experiment was, indeed, do-able. Furthermore, he was prepared to give us both business development and technical people to support the process and, crucially, provide us with the contact we would need with the car workshops who we initially thought we could partner with.”

Define very early in the process all the key activities – A project plan is essential, as Liljenberg explains: “We listed very early on in the process as many of the foreseeable activities as possible to ensure we could get what we wanted in the given timeframe. We would also use this activity list as the basis for follow up and, if needed, for re-planning. We established a common team site on SharePoint and agreed weekly phone meetings, as well as a day-by-day status update between the claims organisation that was in contact with the car workshop company and me as the project leader, so that we could follow the experiment progress.

Agree on defined roles – A strong person at the helm will keep everyone focused on the tasks in hand. The team allocated clear project leaders for both the agility pilot and the benchmark study. Liljenberg says: “We used the core team as a working steering group and we all contributed to the common parts of the experiment, including the preparation and conclusion. The fact that all members of the core team held senior positions in their ‘day jobs’ and were highly competent meant that we had the necessary contacts to help us garner support when we needed it.”

Involve people with specialist subject matter knowledge – The resources made available by the head of claims were crucial to the ultimate shape of the experiment. They took responsibility for clarifying the project plan both in terms of the vehicle repair workshops involved and the customers. Edsman recalls: “We’d gone in with the idea of using several workshops, but the claims people felt this would complicate the pilot. They advised us to choose just one workshop. Not only that, but they knew exactly which company to approach. Their industry knowledge was important for us because it facilitated the speed and agility we were seeking. It allowed us to quickly put in place all the arrangements we needed with the workshop company. It’s a key learning when it comes to running pilots – don’t try and do everything yourself; use the specialist knowledge available to you.”

Keep it simple – The objective of this experiment wasn’t to launch something huge, but to test the processes by which agility is enabled and speed-to-market assured. From the outset, simplicity was identified as a key factor. “The concept we wanted to pilot was fairly simple,” explains Edsman. “We would provide an extra service to 100 customers who were having their cars repaired and this comprised cleaning (inside and outside) and delivery of the car to their home or office. Thus the premise itself was simple and the processes too were kept as straightforward as possible. All the customers had to do was fill in a questionnaire about the service using a basic one to five scoring system and we developed a very simple form of status report, by re-using an existing IT system. Throughout this process, we worked hard to avoid over-complicating things, and this ensured buy-in from all parties.”

Gaining advantage through agility continued...



Pilot execution and benchmarking

Once all the plans were in place, a four-week execution phase began, with cars both cleaned and delivered by the workshop partner in close cooperation with If's claims people. A further week was added to the execution phase during which just the car cleaning service was offered. This process went smoothly, largely as a result of the high level of project planning and good relations between the claims team and workshop operator taking part in the pilot.

As noted earlier, a benchmarking study ran in tandem with the broader agility experiment, after an initial survey of the project group had suggested that the company rated rather low on innovation. "There was clearly an assumption that we weren't especially innovative as an organisation," says Edsman. The benchmarking study looked at seven previous If projects as well as the ongoing agility experiment. The benchmarking criteria included the type and complexity of the project, the number of IT hours spent, whether it was championed, whether project teams were taken out of their day-to-day jobs, what the timeframe was and whether a formal project management tool was used.

Experiment and benchmarking outcome

Was the experiment a success? This project certainly worked in terms of the process by which an idea is developed, piloted and considered for possible commercial adoption, and we'll look at the success factors for this in a moment. Interestingly, the service concept itself had mixed success – which is, after all, the point of running a pilot. Says Edsman: "I would not go forward with the full scope of the service because of the cost. But of course the bulk of the cost is in the delivery of the car, rather than the cleaning, so there is potential for offering the cleaning service as a standalone value-add for the customer (at no extra cost). What we've shown is the value of running a pilot before developing a full service model."

At the time of writing this all is not yet over for the team. A meeting has been scheduled to discuss whether the vehicle cleaning element at least can be pursued as a service differentiator, and a business owner found to take it forward if it is.

As for the benchmark study, the team was surprised to find that there had been quite a few fast rollouts of new product ideas in recent years. Liljenberg asserts: "The earlier assumption that we are not an innovative company is false. We are innovative and we are fast. What we need to do as a company is believe in ourselves as innovators. There needs to be a will to carry out projects alongside our day-to-day work."

The benchmarking study highlighted three common elements of a successful project:

- **Personal interest:** there is a connection between failure and lack of own interest, thus personal engagement with the pilot is a clear success factor.
- **Competence:** a competent project team will get results.
- **Broad mandate:** the project team needs to be given the mandate to shape the pilot as it evolves; to take ownership.

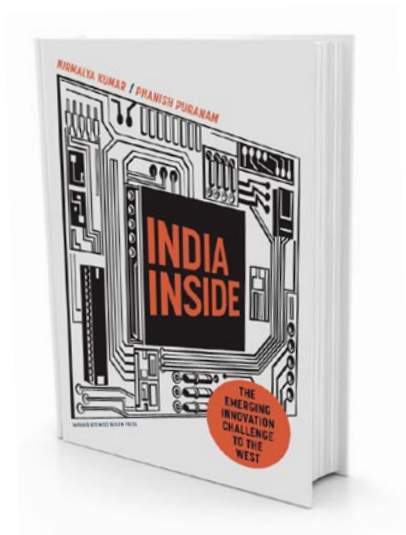
Liljenberg recalls: "The fact that we had the support of the head of claims was also a positive door opener for our experiment. Interestingly, the benchmarking, along with our own experience, also revealed that an advanced governance model doesn't necessarily add any value in small to medium scale projects. In fact, a formal tool could easily prevent creativity in these projects. Another revelation from the benchmarking is that releasing extra time for people involved in the development work is not necessarily a success criterion."

In summary the team members believe that in order to act faster in the marketplace, If must close the knowing-doing gap by translating the company's deep industry knowledge into action. Piloting should be encouraged and a culture of business initiatives should be nurtured, with pilots that improve the customer offer.

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NEXT ARTICLE: [INDIA INSIDE: THE EMERGING INNOVATION CHALLENGE TO THE WEST](#)

India Inside: The emerging innovation challenge to the West



In their new book, *India Inside*, [Nirmalya Kumar](#) and [Phanish Puranam](#) turn an often-asked question on its head. Innovation is alive and well in India, but often invisible.

Over the past two decades, India has achieved a dominant share of offshore work, giving Western populations angst about the loss of white collar jobs. The traditional concern in the West has been about immigrants coming onshore to compete for local jobs; now it seems that the effects of that competition can be felt from distant offshore locations. Yet, many Western elites have argued that this fear is misplaced because the distinctive advantage of the developed world is innovation. For example, Tom Friedman in *The World is Flat* argues that innovation will continue to keep the West economically supreme with the “more sophisticated tasks being done in the developed world and the less sophisticated tasks in the developing world – where each has its comparative advantage.” The more aggressive among this camp offer a powerful retort to the conjecture about India’s ability to transition from services to innovation: “Where are the Indian iPods, Googles and Viagras?”

We spent three years researching whether India could make the transition from being the favoured destination for offshored services to a locus of innovation. We discovered that despite substantial innovation taking place in India, much of it has been ‘invisible’. Take for example, Intel – a company that prides itself on “Inspired Innovation that’s Changing the World.” While Intel ensures consumers know they’re using a personal computer powered by Intel innovation, there isn’t any label on the product showing that the innovation originated in India. Here are four types of innovations originating from India that remain invisible:

“We discovered that despite substantial innovation taking place in India, much of it has been ‘invisible’.”

1. Business-to-Business Products for Global Markets: GE’s John Welch Centre and Intel’s Indian operations in Bangalore have already answered in the affirmative: “Can India be a platform for generating innovation for the global markets?” These companies are seeking to develop B2B products for global markets in their Indian research and development (R&D) centres just as they do in their R&D centres in the West. Intel launched its Xeon 7400 series in 2008, the first chip wholly designed and developed in its Bangalore centre.

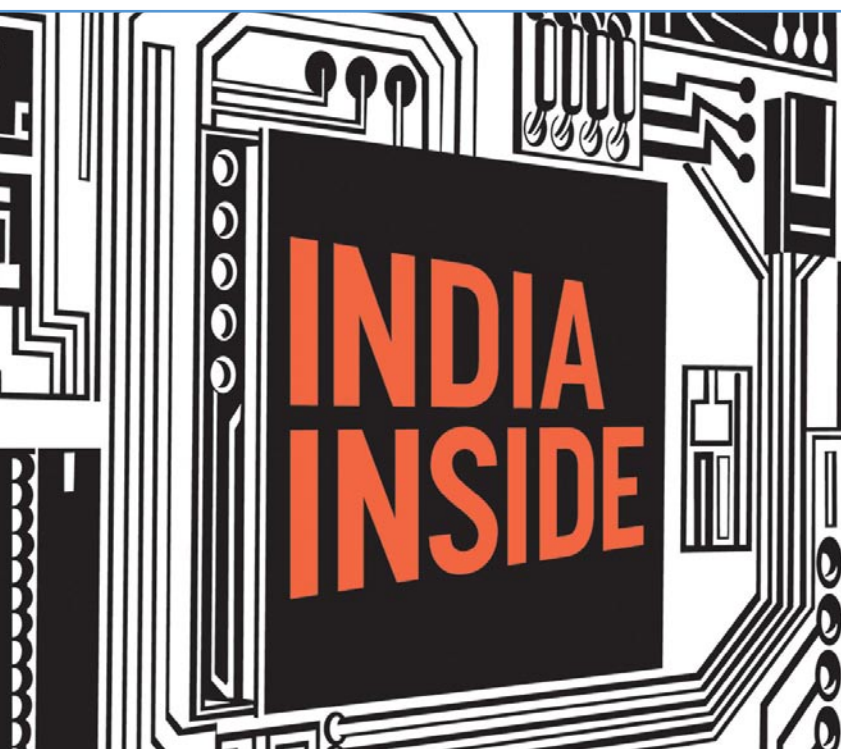
2. Offshoring of Research and Development Services: Companies like Wipro Technologies (Wipro) deliver IT services to clients abroad and Dr. Reddy’s Laboratory (DLR) produce generic drugs for the domestic market. These companies, for example, have slowly convinced major multinationals to outsource parts of their product development and R&D processes. In R&D services offshoring, innovative work is delivered to somebody else’s specification. Yet the level of technical sophistication required to do this is substantial, and sometimes, everything except for the final branding and distribution are taking place in India.

3. Process Innovation: As opposed to product innovation, process innovation is about how a product is made and how new products are developed. Process innovation in India is increasingly surfacing in the outsourcing industry because of a phenomenon we call the “injection of intelligence”. The availability of low-cost, high-skilled labor in India has led to overqualified personnel being assigned to relatively routine jobs. This sometimes results in surprisingly effective process innovations even in what were previously considered “low-tech” settings. Ultimately, some of these process innovations at companies such as 24/7 and Denuosource are embedded in products in the United States and all over the world.

India Inside: The emerging innovation challenge to the West continued...

4. Management Innovation: Perhaps the most invisible of Indian innovations – the global service delivery model – is responsible for the success of the Indian outsourcing industry. It is not a product or a process innovation, but rather a management innovation, a new way of managing globally distributed work. It reconceptualises formerly physically collocated activities by breaking them up into subtasks that can be done in different geographical locations, and it specifies the necessary means for integrating this work back again.

Whether a piece of work can be executed remotely does not critically depend on how simple and standardised it is. Instead, the possibility of remote delivery depends on whether its linkages to other pieces of work are standardised. Further, we found that even when the links between processes are not standardised, some of the masters of the services outsourcing business, such as Infosys and Tata Consulting Services are finding ways to work together out of separate locations as if they were being executed in adjacent rooms.



One step back

If one takes a step back and thinks about the invisible innovation in India, it has some disquieting effects for jobs in the West. As more work moves to China and India, companies in the West are likely to confront what we call the “sinking skill ladder” problem.

What is a skill ladder? The idea that to do highly sophisticated innovative work, you need to have done less sophisticated work at some stage in your career. Imagine being the partner at a consulting firm without having been an associate, an investment banker without having been an analyst or the head of a clinical research team without having done any “bench-work.” The work that the “juniors” do in each of these cases may be fully separable from the work that the “seniors” do; indeed the junior could be somebody sitting in India. However, in each of these cases, the seniors will continue to have a deep understanding of what exactly the juniors do because they have been juniors themselves at an earlier stage of their careers. In fact without such knowledge, arguably the seniors could not do their own jobs, which could include utilising inputs from juniors, effectively.

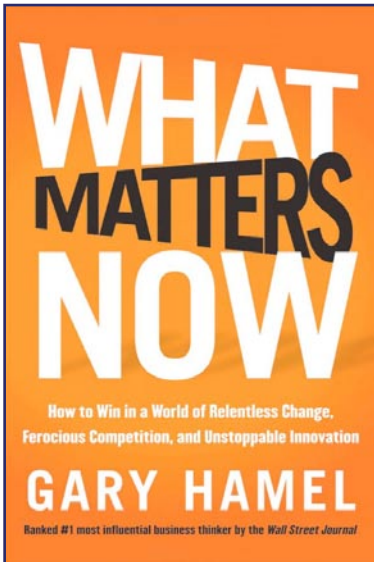
But a problem lies ahead in that Western companies are blocking their talent pipelines from which to promote tomorrow’s senior leaders. Unless they have grappled with this question, it seems facile to say that companies in the West can “move up into higher value added services” and leave the “low end” work to their counterparts in Asia. In some sense, the problem for managers of companies from the developed world is less complicated: they can move the next rung of their R&D, and even their headquarters, to where it can be done more effectively and efficiently. However, disconcerting questions for policy makers in developed countries will remain.

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NEXT ARTICLE: [WHAT MAKES APPLE APPLE](#) 

What makes Apple Apple

In an excerpt from his forthcoming book, *What Matters Now* (published in December 2011 by Jossey-Bass Business), Gary Hamel looks at the core of Apple.



In 1997 I bought an e-tablet from A.T. Cross, the pen company. Codeveloped with IBM, the CrossPad was hailed as a breakthrough product that would open up a whole new category – portable digital notepads. I’m a copious notetaker, so the idea of turning my scribbles into digital files was too good to ignore.

Truth is, I’m not so much an early adopter as an easy mark. Who was I to argue with “Ozzie” Osborne, head of IBM’s Pen and Speech Business Systems business unit, when he declared that the CrossPad would “redefine how users perceive pen and paper?” Yet within a month, the CrossPad was sharing shelf space with all the other “revolutionary” products that had promised to change my life but somehow hadn’t.

Over the years I’ve become a tad less susceptible to the utopian visions of technology’s self-proclaimed prophets. Recently, for example, I walked out of a Sony store without a 3-D television. I’ve learned to my sorrow that a lot of geeky gadgeteers are hucksters not oracles.

Given that, you might have expected me to be at least a teensy bit sceptical of the hype that accompanied the announcement of Apple’s first generation iPad in January 2010 – but I wasn’t. Not that there weren’t doubters. Some questioned the need for an iPhone on steroids, others bemoaned the lack of a stylus, while still others panned the device as an wildly overpriced e-reader. I, though, find it difficult to bet against the pride of Cupertino. Not because I’m a hopeless fan, which I am, but because Apple has innovation embedded more deeply in its DNA than any other company I know.

With hindsight, the scepticism over the iPad appears downright silly. In its first nine months, the shiny tablet generated nearly \$10 billion in revenue – that’s 10 with a “b.” If the iPad were a company, it would have gone from incubator to the middle of the Fortune 500 in less than a year! This is a feat, I think, unprecedented in the annals of business history.

Over the past decade, Apple has produced a mind-boggling parade of accomplishments:

- Having once been dismissed as a footnote in the personal computer industry, it is now the market leader in computers costing \$1,000 or more. Apple’s share of the industry’s most profitable segment is estimated to be a whopping 90 per cent.
- Apple is today the world’s largest music retailer, a milestone reached just six years after the launch of its online music store in 2003. The 10 billionth song sold on iTunes was downloaded on February 24, 2010.
- Though it was a late entrant into the mobile phone business, Apple currently makes more money from its roughly 5 per cent of the global handset market than Nokia makes with its 30-plus share.
- Apple opened its first retail store in 2001. At the time, many retail analysts panned the strategy. Today, though, Apple’s sparse, elegant shops generate four times the revenue per square foot of its big box competitors, and its Fifth Avenue store in New York is rumoured to be the most profitable retail outlet in the world.
- Since the launch of the company’s App Store in 2008, Apple has become the world’s largest software distributor. Thus far, developers have created more than 425,000 applications for the company’s iOS operating system, and consumers have downloaded more than 10 billion apps.

What makes Apple Apple continued...

- As I'm writing, Apple's market value is \$361 billion, making it the most valuable company in the world. To put that in contrast, Hewlett-Packard, a company with twice the revenues of Apple, is valued at only \$54 billion.

All this is more than extraordinary – it's nearly unimaginable. It is the business equivalent of an athlete setting world records in half a dozen different sports.

Jobs' worth

How in the world could one company accomplish all this? How do you build an organisation that is capable of reinventing not just one industry, but five or six – including computing, music, retailing, mobile phones, software and (just maybe) media and publishing as well?

Most companies never reinvent one industry; no other company in history has reinvented a handful.

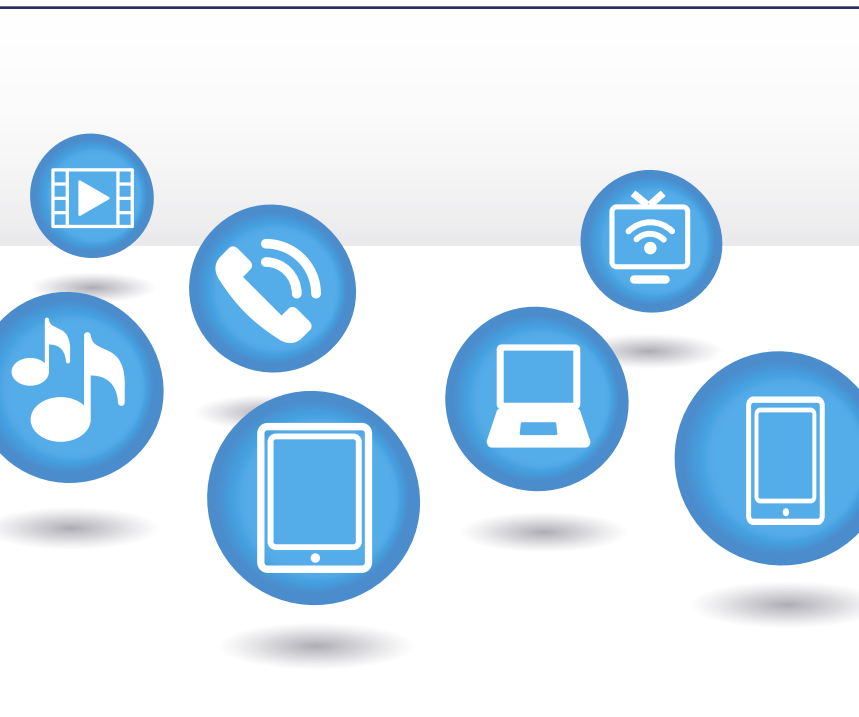
Some would argue you have to start with Steve Jobs, the inspired and uncompromising visionary who led Apple from 1976 to 1985, and then again from 1997 to 2011. In that latter fourteen-year period, Apple's share price increased 110-fold. When Jobs stepped down from his CEO post in August 2011, only two months before he would pass away, he left behind a legacy that is nearly unparalleled in business history. As a business icon, he's in the same pantheon as Henry Ford, Thomas Edison and, well, I can't think of another. Apple would never have existed without Steve Jobs – that's obvious. Equally obvious is the fact that the company's unparalleled accomplishments are the product of more than one fertile mind. Even if Jobs had never slept, he couldn't have spawned all the ingenious ideas that have made Apple the world's most innovative company.

Other observers might credit Apple's unique business model. Ask an analyst or MBA to deconstruct the company's gravity-defying performance and they would probably point to these distinctive elements of Apple's strategy:

- **Redefine the basis for competition.** For years, Apple has differentiated itself through design and ease-of-use. Its competitors, by contrast, have seemed determined to create products that are as homely and non-intuitive as possible.
- **Fuse hardware and software.** While most of Apple's competitors have specialised in either hardware or software, Apple has pursued excellence in both. By tightly integrating hardware and software design, the company has been able to optimise system performance to the benefit, and relief, of its customers.
- **Master a broad array of complementary technologies.** Though it does little of its own manufacturing, Apple's mastery of semiconductor design, advanced materials, batteries, power management, component packaging, application development, and industrial design gives the company a distinct advantage in launching groundbreaking products – and in controlling its own destiny.
- **Lock up customers with velvet hand-cuffs.** Apple has found ways of locking customers in and competitors out – all with the goal of delivering a delicious end-to-end experience (and making boatloads of money). That's why the only place you can buy music for your iPod or apps for your iPad is in Apple's online store.
- **Build a giant network of third-party developers.** The success of the iPhone and iPad has been vastly multiplied by Apple's success in activating a global community of passionate developers.
- **Extend the company's core competencies into new markets.** Apple's self-definition isn't centred on a particular product or market, but on a portfolio of deep competences. It is telling that Jobs once described Apple as the world's large "mobile devices company" (ahead of Nokia, Samsung, and Sony), and not a computer company.

"The success of the iPhone and iPad has been vastly multiplied by Apple's success in activating a global community of passionate developers."

What makes Apple Apple continued...



Value lessons

As logical as this analysis seems, it is unsatisfying. It reveals something of the “how,” but nothing of the “why.” Why has Apple been able to rewrite industry rules again and again? Why does it seem to take such pride in defying conventional wisdom? Why is it able to routinely deliver the exceptional?

I don't think it's a particular strategy or person that makes Apple Apple; rather, it's the company's unstinting devotion to a particular set of ideals. Within the universe of inventors, designers, and artists, these ideals aren't all that unremarkable, but within the universe of Fortune 500 companies, they're as rare as water in the Gobi.

Before going further, I should make it clear that my take on Apple's signature values isn't the product of any in-company research I've conducted. Nevertheless, when you ask yourself, “What sort of values would a company have to venerate if it wanted to duplicate Apple's success?” the answers seem almost intuitive.

First, **Be Passionate**. Great success is the product of a great passion; it arises from the tireless and inventive pursuit of a noble ideal. And for Apple, that virtue is beauty. During his unveiling speech for the iPad, Jobs remarked again and again, “It's just so amazing to hold.” To deliver years of exceptional performance, a company must first dedicate itself to the pursuit of an exceptional ideal.

Lead, Don't Follow. I'm guessing that most of the folks at Apple hate being derivative. Sure, they'll sometimes borrow an idea from Microsoft or Amazon, but what gets them up in the morning is the chance to break new ground. I'm guessing no one at Apple has ever defended the proposition that it's best to be a fast follower.

Aim to Surprise. As a company, Apple seems committed to exceeding expectations – to wringing little gasps of delight from even its most jaded customers. That's why I think the company's penchant for prelaunch secrecy is more than competitive paranoia; it's simply the way you produce the same sort of gee-whiz delight that a parent aims for on Christmas morning. Apple wants to bewitch us. On this point, listen to Jonathan Ive, the company's head of design: “When something exceeds your ability to understand how it works, it sort of becomes magical.” That's the bar Apple has set for itself.

Be Unreasonable. Greatness doesn't come from compromise, from resigning oneself to the trade-offs others so blithely accept. It comes when trade-offs get transcended, when either/or gives way to both/and. Apple gets this, and frequently challenges itself to do the impossible – like producing products that are both gorgeous and functional. Apple proves that a company doesn't have to choose between high value and low cost.

Innovate Incessantly and Pervasively. At Apple, innovation isn't a strategy or a department; instead it's the basic material that goes into everything the company does. From the wafer-thin MacBook Air to the App Store to the Genius Bar, innovation infuses everything Apple does. Apparently there are a lot of people at Apple who realise that innovation – in products, services, and business models – is the only strategy for creating long-term value. If so, they must be relieved that innovation is still a sideshow in so many of their competitors.

“How do you build an organisation that is capable of reinventing not just one industry but five or six?”

What makes Apple Apple continued...

Sweat the Details. Apple is justifiably celebrated for its sense of aesthetics – but great design isn't just about bold strokes, it's about getting all of the tiny things right that conspire together to make a product truly exceptional. In Apple's case, it's the magnetically-attached power cord on every laptop, it's the gorgeous packaging that surrounds every iPod, it's the single billet of aluminium that gives structural integrity to every MacBook – plus a lot more stuff you can't see. "It just works" – that's another thing you often hear from Apple's top executives.

Think Like an Engineer, Feel Like an Artist. A company can't produce beautiful products if bean counters win every argument. That thought occurred to me a few years back when I first visited Apple's Fifth Avenue Store in New York. This is now one of the most photographed landmarks in the city – a giant glass cube with the Apple logo floating in the middle. Now ask yourself, is this the cheapest way to build a store entrance? Obviously not. Can you imagine getting something so extravagant past the CFO in your company? No way. So why does it happen at Apple? Because there are lots of people there whose cranial cavity contains both left and right hemispheres – and they understand their customers are similarly equipped.

The bottom-line: Apple's unique success is a product of its unique values – which are uniquely innovation-friendly and customer-centric.

To be clear, I don't think Apple has it all figured out. There are plenty of people who will tell you that Apple has all the monopolistic tendencies of its competitors, or that its success owes more to hype than to truly outstanding products. And no one would accuse anyone on the top team of being humble. The thing that can't be argued is this: Apple is one of the most successful companies ever.

The bottom-line: Apple's unique success is a product of its unique values – which are uniquely innovation-friendly and customer-centric. That's why I don't think any other company will soon duplicate the kind of run Apple has had over the past decade – whether or not Apple climbs higher still in the post-Jobs era. I hope I'm wrong, and maybe I will be. Imagine if Apple's passions were the norm rather than the exception. What if the world's leading insurance company or publisher or bank or airline or hotel chain was driven by these ideals? What if you encountered them every time you talked to someone at the Internal Revenue Service or had to apply for a building permit? OK, now I'm hallucinating. But I still can't help but dream of a world in which Apple has become a lot less exceptional because its core values have become a lot less exceptional. Apple may have patented a lot of things, but it hasn't patented the values that made it, for a time at least, the world's most successful company. Apple is proof positive that innovation matters now!

Gary Hamel (gh@managementlab.org) is Visiting Professor at London Business School and Director of the Management Lab. You can follow him on Twitter (@profhamel) and track his latest project at www.hackmanagement.com.

MLab review

Founded in 2006, MLab was an initiative led by Gary Hamel, who partnered with Julian Birkinshaw to create the world's first Management Innovation Lab, based at London Business School. Over the last five years, MLab has sought to “accelerate the evolution of management” by challenging the basic assumptions on which our traditional approach to management has been built, and by coming up with new alternatives.

MLab has worked in collaboration with academics, consultants and thought-leaders across the world. And it has worked in partnership with many companies, through practical workshops and experiments with, to put its ideas into practice. Funding for MLab has been provided by UBS, the David and Elaine Potter Charitable Foundation, Terry Neill, the CIPD and AIM Research. As this funding comes to an end, we briefly reflect here on what MLab has achieved to date, and how it will continue its mission into the future.

Thought leadership.

MLab has been highly influential in shaping the conversation about management. The Future of Management conference at Half Moon Bay, CA, in 2008 brought together thirty thought-leaders to share their views. Several books have been published, most notably Gary Hamel's *The Future of Management* and Julian Birkinshaw's *Reinventing Management*. Labnotes has been published 21 times, and its articles and ideas have been syndicated to other blogs and magazines around the world. There has also been a stream of influential articles in practitioner-oriented publications such as *Wall Street Journal*, *Harvard Business Review*, *Sloan Management Review*, *Business Strategy Review*, and *Strategy+Business*.

Academic influence.

The concept of management innovation has gained visibility among the academic community, in large part thanks to the *Academy of Management Review* article “Management Innovation” by Julian Birkinshaw, Gary Hamel and Michael Mol (awarded the best-paper award for 2008). Many researchers around the world are now conducting research in this area. For example, an academic conference in Rotterdam November 2011 on the special theme of management innovation attracted 38 submissions.

Academic research.

In addition to its outputs directly focused on management innovation, MLab has sponsored a large number of studies in related areas conducted by London Business School faculty. For example, Nirmalya Kumar and Phanish Puranam's *India Inside* was supported by MLab, as was part of the research Lynda Gratton conducted preparing her recent book, *The Shift*. Other faculty whose work has been sponsored by MLab include Michael Jacobides, Kevin Boudreau, Rajesh Chandy, Lourdes Sosa, Freek Vermeulen and Bruce Weber. Several articles in peer-reviewed journals have already been published, and there are more in the pipeline.

Influencing practice.

An important part of MLab's work has been to conduct workshops and innovation “jams” with companies, to help them build their own management experiments. Some of this work has taken place directly within MLab, some of it has taken place through the London Business School's executive education activities, and some has been through private consulting work. Companies that have conducted workshops and experiments include UBS, Roche, Rio Tinto, Irdeto, If, Mars and Swiss.



“An important part of MLab’s work has been to conduct workshops and innovation “jams” with companies, to help them build their own management experiments.”



Educating the next generation of leaders.

MLab teaching materials have been used in the classroom at London Business School and elsewhere, through an elective course to the MBAs, an offering to the Sloan Masters students, and through the “Capstone” course to Executive MBAs at the end of their second year.

Events and business outreach.

MLab has put on two or three events per year, typically for a mixed audience of local business people, alumni, students and researchers. Speakers have come from innovative companies such as HCL Technologies, Topcoder, Microsoft, Happy Ltd and Irdeto, and have spoken on such issues as employee engagement, Web 2.0, management experimentation and innovative approaches to risk management.

Seeding further initiatives.

Finally, MLab has been helpful in spawning further initiatives in the area of management innovation. The most important of these is the Management Innovation Exchange (MIX), an online community created by Gary Hamel as a source of information and debate about new ways of working. (see www.managementexchange.com).

The MLab at London Business School is now being repositioned as a centre within the recently-formed Deloitte Institute of Innovation and Entrepreneurship. Our mission to accelerate the evolution of management continues to be as important today as it was when MLab was founded five years ago.

Labnotes

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Find out more about MLab’s events. Visit the website for regular updates at:
www.managementlab.org



If you would like to know more or have general enquiries about any MLab events please visit the MLab website or contact:

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