

Questions

1. Should communications training be a requirement for undergraduate technical majors?
2. Shouldn't Hank have held a "dress rehearsal" to correct beforehand some of the deficiencies that surfaced in the actual presentation?
3. Critics of Power Point say it "is like alcohol in the hands of a drunk! It is too easy to create slides and takes too much control away from the presenter—it becomes a

replacement for the presenter and the presentation loses the personal appeal of the speaker." Fair statement?

4. A popular criticism of many technical presentations is that the listener wants to know what time it is and the presenter instead tells him how to build a watch! Valid criticism?

Please email your reply, with your full name, affiliation and mailing address, to: mwoff3877@aol.com or mail to The Editor, *Research-Technology Management*, Suite 1102, 2200 Clarendon Blvd., Arlington, VA 22201.

INFORMATION RESOURCES ∞

New Books and Reports For Leaders of Technological Innovation

Making Innovation Work: How to Manage It, Measure It,

And Profit From It; *Tony Davila, Marc Epstein, and Robert Shelton; Wharton School Publishing, Upper Saddle River, NJ; 2006; 334 pp., \$29.99.*

Leading companies create and sustain a robust flow of innovations that provide above-average growth and bedevil the competition. By combining changes to their business model and technology, they create formidable portfolios that include a balance of incremental and breakthrough innovations.

How do leaders make that type of innovation happen? First, they shed the misconceptions surrounding the management of innovation. The book's opening sentence states: "Much that is held as common wisdom regarding how successful innovation is managed is wrong." According to the authors, innovation does not require a companywide revolution, a focus on gee-whiz technology, or the currently popular infatuation with building a creative culture. Rather, a successful innovation program requires specific management tools, rules, discipline, the right measurements and incentives, and the ability to integrate business model innovation and technology innovation. That's what separates the winners from the losers.

The book makes it clear that innovation is similar to other business functions in

that it has to be managed to be effective and efficient. Think of the long list of companies that have had near-death experiences because meaningful innovation decreased and they fell prey to what the authors call "rampant incrementalism," citing IBM, Apple Computer (in the 1990s), Coca-Cola, Xerox, P&G, Polaroid, Wang, and General Motors. Companies that recover—such as IBM and Apple—aggressively manage innovation to drive top- and bottom-line growth; those that don't become history.

Using real-world examples from a broad range of product and service companies, Davila, Epstein and Shelton identify seven rules of innovation:

- Exert strong leadership on the innovation strategy and portfolio decisions; leaders don't wait for innovations to come to them—they pursue and capture them.
- Integrate innovation into the company's basic business mentality; don't make it the function of an elite group.
- Align the amount and type of innovation to the company's business

goals; otherwise, innovation efforts will waste valuable resources and sap productivity.

- Manage the natural tension between creativity and value capture; it's natural for a company to do one or the other better, so the key is to manage resources to get the right balance.
- Neutralize organizational "antibodies"; drop the idea that good ideas will be recognized and adopted by your organization—really powerful ideas threaten the status quo and generate strong resistance, and management needs to prevent that from happening.
- Recognize that the basic unit of innovation is a network that includes people and knowledge, both inside and outside the organization; innovation is a team sport that should include internal and a large amount of external resources.
- Create the right metrics and rewards for innovation; they turbo-charge the innovation management system and create the behavior that is the foundation of successful innovation.

This book shows that the companies that are creating the best innovation engines—think Toyota, Apple, GE, and Google—make it happen with management techniques, not magic. According to the authors, "The truth is that there is not much that is truly new about innovation. The basics have not changed for centuries. However, we have become smarter about managing innovation."

This is a refreshing challenge: Success is hiding in plain sight if your

management team can step up to the challenge. “Innovation, like many [other] business functions, is a management process that requires specific tools, rules and discipline—it is not mysterious.” The book dedicates most of its highly informative content to providing the pragmatic tools and frameworks to develop and implement the appropriate management systems.

An enlightening observation comes early in the book: “Companies can use innovation to redefine an industry by employing combinations of business model innovation and technology innovation.” Many companies tend to be good at one or the other, but few have captured the value that comes from solid integration of both. A few years ago, Apple wrapped its business model innovation, iTunes, around its technology innovation, iPod, to grab over 70 percent market share and dominate the competitive landscape. GE has historically been a master at this sort of combined innovation, beginning with its wild success with Power by the Hour, which combined services—long-term operations and maintenance contracts and financing—with its turbine products.

In the chapter, “Illuminating the Pathway: How to Measure Innovation,” the authors point out a stark challenge for managers: “Measurement is one of the most significant factors in successful innovation. Ironically, in many organizations, it is one of the least attended to.”

The problem is not measuring innovation at the project or portfolio level—it’s measuring innovation at the senior management level. The challenge is ensuring measurement is balanced. Excess is not a substitute for a balanced measurement system, and in fact can get in the way of good management decisions. The authors describe how to develop a Balanced Scorecard that is usable and effective. They go on to describe the design and implementation of innovation measurement systems. They also address the issue of how to overcome the barriers to effective performance measurements.

“Incentives and rewards are some of the most powerful management tools available.” So begins an eye-opening chapter, “Rewarding Innovation: How

to Design Incentives to Support Innovation.” The message from the authors is that academic research and company experience clearly demonstrate the powerful effect of incentives on behavior. If you want to motivate people to boost innovation (including increasing the quantity and quality of ideas and commercializing more breakthrough innovations), you had better look carefully at your incentive system.

Measuring and motivating innovation go hand-in-hand. “Innovation requires measurement and rewards to deliver sustained, high yield.” A discussion on motivation is followed by a description of how to design incentive systems to reinforce a company’s innovation strategy. The design and integration of goal-setting, incentive contracts and performance evaluation are also covered.

Culture gets its fair attention. “[Innovation] can be a vital source of competitive energy as well as an energizing force for the people in the company.” However, according to the authors, the biggest threat to innovation is success, which can result in complacency and dogma. They continue with a discussion about the organizational levers of an innovative culture, differences in country cultures that breed innovation cultures, and the critical role of senior management on innovation—with special responsibilities for the CEO described in detail.

This book has an authoritative tone, born from the broad experience of its trio of authors. Davila is a professor at Stanford’s Graduate School of Business and at IESE; Epstein was a visiting scholar at Harvard Business School and is a distinguished research professor at Rice University’s Jones Graduate School of Management; Shelton is a Director at PRTM Management Consultants and a leader in its worldwide innovation practice. Together, the three provide unique insights through their combination of original research, extraction of the most important learning from the existing business and academic literature, and

splendid marshalling of company examples.

This book on innovation deserves a spot on your bookshelf where you can reach it easily and refer to it often.

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Dragons at Your Door: How Chinese Cost Innovation is Disrupting Global Competition;

Ming Zeng and Peter Williamson; Harvard Business School Press, Boston, MA; 2007; 204 pp., \$29.95.

Professors Zeng and Williamson explore the power of the cost advantage that China has in manufactured goods, and the way China is leveraging this to become a global competitor in the 21st century. We are accustomed to the fact that American and European companies are off-shoring much of their production to companies in Asia. This has allowed electronics, textile, plastic, and a host of other goods to be offered to consumers at significantly lower prices in recent years. It has also created a very large trade imbalance with Asia. All of this is foundation material which the authors use to explore the position of China in future international business.

Zeng is a professor of strategy at Cheung Kong Graduate School of Business, in Beijing, and Williamson is professor of international management and Asian business at the INSEAD business school in Fontainebleau and Singapore. They suggest that this cost advantage is a disruptive innovation of the type introduced by Clayton Christensen in *Innovator’s Dilemma*. Chinese companies are outgrowing their role as the world’s manufacturing facility and are extending their reach to the distribution, retailing, services, R&D, and branding of products.

These moves have already begun in a number of global industries, but have just begun to extend into the U.S. retail sector where they are evident to the average consumer. Companies like China International Marine Container Group (CIMC) and Haier are becoming true international companies, supplying both their native country and the rest of

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