

Annual Report of the Practice

by Lanny Vincent

Looking back on what turned out to be a very full year—our best year ever!—we feel a deep sense of gratitude and humility for the confidence that you place in us. We are grateful for the opportunity to provide advice, counsel and facilitative support to you and your innovation and invention efforts. It is a privilege and joy to work with so many committed and experienced innovators. Thank you.

Our sixteenth year in business saw a 25% growth from the previous year, coming as a result of engagements with 16 different companies—one of which was a new client. With the help of seven subscribing client companies, we completed the third year of the annual Innovation Practitioners Network (previously called the Mavericks Roundtable) and most of these companies have re-subscribed for the 2007 network.

Consistent with the previous 15 years, over 85% of our revenues came from clients who have previously engaged our services,

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Highlights of Lessons Learned in 2006: A Return to Fundamentals

by Lanny Vincent

Legendary amateur golfer Bobby Jones reputedly said if your average score is over 90, you are probably not practicing the fundamentals enough. If your average score is under 80, you are probably neglecting your family, work or both! The lessons learned in 2006 were many and varied, and took us back to the importance and value of practicing the fundamentals of innovation and its management.

In 2005 we learned that innovations require **parenting** more than simply managing; that **collaboration** may be as important to innovation as competition; and that sufficient **play** is necessary for healthy development—for innovation and innovator alike.

These lessons were no less valid in 2006. But as we reflect upon what turned out to be a very full and busy year, we are reminded how crucial the fundamentals still are. Any workable set of fundamentals needs to be short as well as basic to qualify as fundamentals, without oversimplifying. In golf, a common list of

fundamentals is alignment, balance and posture. In the challenges of parenting innovation we offer this short list: context, causal connections and adaptation.

Context: Any innovation by definition is both new and valuable, and as our associate Jim O'Shaughnessy reminds us: "all value is contextual." For example, water in the Phoenix, Arizona, is valued differently than water in Traverse City, Michigan. In both locations it is H₂O, but because the contexts are so different, water is more precious in Phoenix than Traverse City. The same can be said for novelty. Novelty is also contextual. "Newness," as observed by Mihaly Csikszentmihalyi, is defined socially. What is "wow" new for one group may be considered old hat by another. For example, the iPod was made from well known technologies—old hat to some, but new and "wow" to others, especially in context of iTunes and 99¢ songs.

If innovation is so innately contextual, then shouldn't we be paying close attention to the context as well as the text—the conditions and situation that provide the *sitz en Lieben* (or situation in life) within which the innovation has meaning and value, as well as the innovation itself?

Peter Drucker recognized this truth about context in his book *Innovation and Entrepreneurship* where he boldly named seven sources of innovation and listed them in order of reliability. The most predictable ones rely on contextual understanding. This more than a coincidence. Drucker's top two sources are (1) surprise failure or unexpected success and (2) incongruities between the way things are and the way things should be.

Using context plays out even in addressing the classic "hand-off" challenge as well. Much of the tacit (i.e., contextual) knowledge required for a successful hand-off of

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several for over ten years. Twenty-six different assignments were distributed across our four practice areas: strategic invention (50%), opportunity foresight (10%), entrepreneurial planning efforts (20%), and the balance of our efforts being devoted to the health and development of innovator networks in our subscriber companies (20%).

Half of our engagements (51%) were sponsored by the CTO or R&D side of our client companies, while the remaining half were sponsored by intellectual property leadership (30%) and the chief executive office, strategic market or corporate development (19%).

Every year the mix of industry sectors represented in our client assignments shifts and 2006 was no exception. The variety of industry sectors in which we found ourselves included semiconductor related clients (28%), the household appliance sector (27%), and consumer and industrial electronics (15%).

As we begin 2007, we look forward to collaborating with you again and remain deeply grateful for each assignment. We appreciate your continued confidence in the value we can bring to your innovation and renewal efforts. Thank you for another great year, full of learning, growth and innovations that work®. □

R. S. V. P.

Please send us your thoughts on this issue of *Innovating Perspectives*.

We appreciate your ideas and enjoy hearing from you.

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Highlights of Lessons Learned in 2006

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an innovation from development to launch resides with operating personnel—those currently involved in making the operating portions of the core business successful. When a transfer or hand-off is ready to happen, some of these people need to be refocused for varying periods of time.

Some companies develop and use a template that enables a phase in/out of these people so as to forecast the temporary shift of their focus and responsibilities and minimize the negative impact on the core operations. One of the most penetrating assignments this year engaged us to help a client to develop just such a template. Geoffrey Moore, in his book *Dealing with Darwin*, points out that these people—the ones with appropriate contextual knowledge—can and should be counter-rotated within organizations for more sustainable innovation streams.

Causal connections: Innovations emerge and develop because of the connections between seemingly unrelated people, ideas and know-how. When innovators see and understand the causality behind the connection, innovations can be born.

One of these causal connections is the people-to-people connection. Relationships are at the heart of any entrepreneurial activity. The misleading caricature of the lone entrepreneur stems in part from the Horatio Alger stories of success and individualism. But if you look more closely, you will see a relationship, most often between two people, sometimes three, from which significant enterprises were born.

Hewlett-Packard started with Bill and Dave, even before they had their first product in mind. Apple Inc.'s Jobs and Wozniak. Even in renewals of great companies like Disney's Michael Eisner and Frank Wells. Nothing happens except out of relationships. This is not only true for the entrepreneurial origins of companies. It is true for the later intrapreneurial efforts as well, as in relationships between mavericks or champions and their

sponsors and mentors (or "midwives").

Causal connections are not limited to the interpersonal. They occur as mental connections that well-prepared minds, conducting both actual and thought experiments together, can create to form new knowledge, find new applications of old knowledge and both invent and discover.

We see inventors making connections all the time in the innovation workshops we facilitate. However, it is the causal connections that make the biggest contribution. What differentiates the causal connection from the ordinary connection is the knowledge—often science-based knowledge—of the connection-makers. Often what looks like serendipity results from these causal connections, reflecting Louis Pasteur's observation that chance favors the prepared mind.

Adaptation: When a word makes it to Madison Avenue, you and I know that it is probably time to become a bit wary about how it is being used. This has certainly happened, disappointingly, with the word "innovation." Sometimes it is difficult to know how it is being used. Sometimes the word is just plain abused—a reminder that our language itself is constantly morphing—mutations producing variety, some of which are selected (hopefully naturally), before being retained and hopefully contributing to something we could call evolutionary progress.

So as the word "innovation" is starting to morph with all the twists and turns of the media and PR campaigns, **adaptation** may be a more trustworthy substitute, at least for the time being. From Clif Bar's Gary Erickson to the former chairman of Toyota, the mantra of **act, pay attention** to what happens, and then **adapt**, seems to sum up what is at the heart of innovation.

While we may have left off a fundamental or two (and we welcome your thoughts on the fundamentals), this might be a place to start—to get aligned with the "needed" new, stay in balance and use our posture to sustain those innovations that work®. □

