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Recession or no recession, deep recession or not, the challenge to add more and more value grows, and the importance of innovation, and a culture of innovation, grows exponentially. A "culture of innovation" covers "everything." There is no half way. There of course are "first principles." Or are there? I started a list of "stuff" that's imperative to creating an innovative enterprise. The list of 10 or so grew to 25, then 45, and at the moment includes no less than 121 "tactics." Of course you can't do all of them. Or must you? Well, you can't do all 121, or maybe even half that number, or less, but the absence of any one or two or three or six weakens and perhaps even imperils the entire structure; that is, we are talking overall about an abiding "culture of innovation," and it takes a thousand signals roughly aligned to establish it and, especially, keep it in place.

## **Innovate or Die: The Innovation121**

### **A Menu of [Essential] Innovation Tactics**

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*Use what follows as you will.*

#### **Trying Stuff.**

#### **Screwing Stuff Up.**

#### **Fast.**

**1. Tries. Darwin rules. More stuff goin' on, more interesting-good stuff happenin'. Innovation is to a large extent a "numbers game": He-she who tries the most stuff wins. (Astonishingly true.)**

**2. Culture of "Try it! Now!" Culture! Culture! Attitude! Attitude! Mindset! Mindset! "The way we do things around here." "Around here, we try things first, fix 'em fast, try again, talk about it later, when we've got something to talk about."**

**3. Philosophy/F.A. Hayek/"spontaneous discovery process." Firm as market economy. New stuff emerges "spontaneously" from lots of trials and lots of errors. The innovator's life is life on the run, zigging here and zagging there—but always hustling.**

4. Failures encouraged/celebrated/cherished. Failure is the key to success. Period. Fast failure is the key to fast success. And so on. This must be “cultural” to the core.

5. Transparency. All info on all these tries and cock-ups available to all to inspire, to chew over, to add to, to attract adherents and champions, etc.

6. Connection/Ubiquitous. No barriers! Across-the-wall communication is as normal as breathing!

***“Around here, we try things first, fix ’em fast, try again, talk about it later, when we’ve got something to talk about.”***

7. MBWA/Managing By Wandering Around. An informal, in touch, high-camaraderie, on the move atmosphere underlies the “try it”-“screw it up”-“learn from it”-“fast” “culture.”

8. Fail to share yields “death penalty.” Sharing-transparency are the innovation organization’s lubricant; therefore those who hoard must get the boot.

9. Fast prototyping/Serious play. Prototyping skills-attitude are more central than almost anyone can imagine. Entire organization as “playpen” with “playmates” gathering spontaneously to try stuff. Quickly. Quickly.

10. Tempo/OODA Loop mastery/RFA. “Ready. Fire. Aim.” is the premier cultural trait. Try it-learn from it-try it again-spread the news-recruit adherents-etc. The organization has a high metabolic rate (“metabolic management”), a rapid tempo. The Observe-Orient-Decide-Act cycle, invented by military strategist John Boyd, is quick and the quickness per se confuses one’s competitors.

11. FFFF/Find a Fellow Freak Faraway/“The Sri Lanka Strategy.” Try cool-scary-risky stuff out in the boondocks, well away from HQ and typical HQ stuffiness. Find a playmate in “Sri Lanka” ready to give your idea a whirl; eventually, the network of Champions-from-the-boondocks becomes the premier carrier of the innovation.

12. Demos/Heroes/Stories. Tries and screw-ups and sagas of bold champions become the “stories” that animate the organization—and induce everyone to climb aboard, play with vigor, or lose out.

***Failure is the key to success. Period.***

13. Social Networks. The emerging social networking tools become the accelerator for the process described and implied in these first dozen ideas. Nothing automatic about this—must

be thought through, overseen (but also loose-as-a-oose, not judgmental). Emergent leadership from hither, thither, and yon becomes the de facto “leadership for innovation” in the organization.

**Discipline.**

**Accountability.**

**Execution.**

14. Department of Sanity/“Dreamers with Deadlines”/Fiscal responsibility/Budget skills. Warren Bennis called hot groups of innovators “dreamers with deadlines.” Innovation is not pie-in-the-sky, “let’s all have a blast, yo my man, cool, eh?” in nature. There is a compelling and disciplined “execution” thread that is central to the innovating organization. The innovating organization is focused on “new stuff,” “cool stuff”—but is pragmatic to a fault. The project “budget and milestones guru” is as honored as the true believer-dreamer-champion.

15. Department of Sanity/Accountability. Screwing up, for instance, is essential to innovating. But there is as much accountability around screwing up as there is around inventory management in a traditional outfit; that is, the innovator takes responsibility for the screw-up and for insuring rapid learning and dissemination of lessons learned and for mounting the follow-up experiment posthaste.

16. Department of Sanity/Implementation training. Execution and Implementation are paramount skills, highly rewarded and cherished. Bunkmates to the end.

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**We Are What We Eat.**

**(And Who We Hang Out With.)**

17. Hang out/“We are what we eat” We are what we eat/We are who we co-habit with, and variants thereof are of infinite importance to the effective innovator. Managing “the hang out factor” is of the utmost strategic importance—and usually an under-tended lever.

18. Hang out/Basic axiom. Hang out with weird—get more weird. Hang out with dull—get more dull.

19. Hang out/Customer portfolio. Consider one's customer portfolio. Perhaps a few giant customers account for 85% of one's revenues. One must listen to them, but the odds are that these giants are relatively conservative. Hence one must purposefully and urgently recruit oddball-on the frontier customers. Their revenue stream may be limited, but these folks force you to play with novel products and services to meet their peculiar needs. Hence care construction of the total customer portfolio is an essential practice.

20. Hang out/Customers everywhere. Customers at various staff meetings, on various teams, etc.

21. Hang out/Non-industry benchmarking. Benchmarking is fine—as long as it's against intriguing parallels, not industry leaders.

22. Hang out/Our folks at customer sites. Imbedded staff at lead customer locations. The success watchword is “intermingle.”

23. Hang out/Vendors/Outsourcing Partners Portfolio. Instead of a few “strategic suppliers,” as important as they may be, one needs “far out” vendors and outsourcing partners whose innovations force you into an innovation mode. I.e., repeat #19 and #20 and #21 for vendors.

24. Hang out/Locale (Hotbed). Company or unit HQ location is important beyond measure. Working in a “hotbed” (e.g., Cambridge MA and biotech) is an immeasurable spur to innovation. (Beware: Hotbeds eventually become look-alike and-or complacent—think Detroit, 1920 vs. 1980–2008.)

25. Hang out/Team placement. An offsite team in an innovation hotbed often takes on the attributes of a gang of on-the-make pirates. A team near a plant takes plant-derived considerations particularly seriously. Etc. Want weird? Start with consideration of locale.

26. Hang out/Space management. Space management is arguably the singlemost important strategic lever. Designer moved next to the CEO? Design vaults up the importance scale. Etc.

***Hang out with weird—get more weird. Hang out with dull—get more dull.***

27. Hang out/Consultants Portfolio. Types of consultants brought in influences who we talk to-live with, how we approach problems. There are “hot” consultants, and “not-so-hot” consultants. Again, purposefully and strategically manage the portfolio.

28. Hang out/Crowdsourcing. Crowdsourcing stands a good chance of radically changing the world of innovation! You simply must experiment vigorously. The tool is powerful, but the

**process is not automatic—it needs lots of thought and oversight. (And it applies to every nook and every cranny of the enterprise—and to small enterprises.)**

**29. Hang out/Clubs, learning networks, etc. Electronic, physical, any and all formats. Turning the enterprise into a de facto university, with learning and growing honored and ubiquitous and fast and furious and fun, is the point here.**

**30. Hang out/Staff. Where staffers live relative to their line customers is critical. A finance person imbedded in the logistics department, for example, changes both perspectives.**

**31. Hang out/Lunchmates. Never waste a lunch!!!! Lunch is 5 opportunities per week, 220 opportunities per year to get to know interesting outsiders, folks from other functions, customers, vendors, frontline staffers. This is remarkably important. “Lunch management,” a “lunch culture” is not an amusing aside.**

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**32. Hang out/Meeting Attendees.** We spend enormous amounts of time in meetings. Never waste a meeting. Invite interesting outsiders, folks from other functions, etc. (See #30 immediately above.)

### **Diversity Per Se. Sine Qua Non.**

**33. Diversity/Every flavor/Management & Measurement.** Diversity with a lower-case “d.” Black, white, brown, purple ... tall, short ... North American, Asian ... public school, private school, no school ... etc ... etc. (Etc.) Decisionmaking of every sort is far, far better with diverse views of any flavor. Period. I have come to view this as a gamechanger—for a 6-person project team, a 20-person company, a huge enterprise.

**34. Diversity/Hiring.** Search every oddball corner of the world for interesting people. Hire dull, get dull results. (Duh.) (This holds across the board—and irrespective of the size of the enterprise.)

**35. Diversity/OD on youth!** (Young = Tomorrow. Old = Yesterday. Are there exceptions to the rule? Sure. But not many!!) Dig deeeep for key promotions!

**36. Diversity/Women.** Often, women purchase more than half of our consumer our commercial products. Hence, women should account for the majority of your exec team—and perhaps your board. Yup, like it or not, it’s a numbers game, not for reasons of “social responsibility,” but for reasons of profitability. Product development, whatever: Men to not understand women; that’s a deadly serious assertion, not a cute throwaway line.

**37. Diversity/Freak Acquisitions.** I’m an enemy of 99% of mega-mergers, and a vigorous ally of small acquisitions which allow skipping steps in obtaining interesting new pieces of the puzzle for an enterprise. This can be the purchase of an intriguing 2-person accountancy by a 15-person accountancy, as well as a small-acquisition overall strategy by the likes of Cisco Systems.

**38. Diversity/Everything is a measurable portfolio—e.g., a department’s roster and project slate.** Hence all bosses are Venture Capitalists managing portfolios.

# *Decisionmaking of every sort is far, far better with diverse views of any flavor. Period.*

**39. Diversity/Promoting.** Diversity of every stripe at every level, achieved by design. Remember, diversity-qua-diversity works.

**100% Enthusiasts.**

**100% Innovators.**

**HR = Supercool.**

**40. “What do you think?”** Innovation-an innovation culture engages one and all. (All = All.) Getting everyone to think about improvements small and large comes from, de facto, constantly asking “What do you think?”—perhaps the 4 most important words in the innovator’s vocabulary. Treating every voice as valued yields more value from every voice.

**41. Hire enthusiasts.** Innovation is about active engagement. The more enthusiasts, the more people want to “opt in” and fully engage. Enthusiasts are innovators almost by definition. (Or, at the least, non-enthusiasts are guaranteed non-innovators.)

**42. OD on youth!** (Young = Tomorrow. Old = Yesterday. Are there exceptions to the rule? Sure. But not many!!) Dig deeeep for key promotions!

**43. Promote enthusiasts.** Enthusiasts are important in all roles. Enthusiasts as bosses is a “no option” imperative—if you want to create an “innovation machine” in organizations of any size.

**44. Insist that everyone measure their work against the Wow Projects Standard—100% of the time.**

**45. Innovative behavior is the best predictor of innovative behavior.** Want to discover an innovator? Best test: a history as an innovator, apparent at the latest by, perhaps, 10 or 12 or 14.

**46. Re-invent HR to be a Center of Innovative People.** It’s not that HR has to “support” a culture of innovation. HR must *be* a chief carrier of the culture of innovation, must model innovative behavior 100% of the time. An “innovation culture” in HR is arguably more important than an innovation culture in marketing and new product development. (Think about it.) (Alas, this is ever so rare.)

***HR must be a chief carrier of the culture of innovation, must model innovative behavior 100% of the time.***

47. Get the incentives right! Profitability, quarter by quarter, is essential—in organizations of all sizes. But a commitment to innovation as evidenced by the likes of share of revenue from products introduced in the last 24 months needs to be a major component of discretionary compensation. Equivalent measures must be developed for logistics, purchasing, HR, IT, etc. Incentive schemes must “speak” innovation.

48. Get the evaluations right! Per #44 immediately above, the evaluation process must focus on risktaking, innovations launched, “excellent failures” as one exec puts it. Department bosses might be evaluated by comparative innovativeness at similar departments in peer-competitor firms. Etc. Innovation-in-evaluation is a 100% affair.

### **Celebration!**

49. Celebrate! Innovative organizations are places where people enjoy their peers’ work, good tries, good screw-ups, milestones reached, etc. Celebrating these events, large and small and very small, is a fullscale part of the “innovation culture.”

50. Celebrate failures. This peculiar form of celebration deserves particular mention. “Fast failure” is innovation’s bedrock. Hence the encouragement thereof, rather than the stigmatization thereof, is of paramount importance. Hence, the hearty celebration of the quick try run amok is of *strategic* importance.

***Innovative organizations are places where people enjoy their peers’ work, good tries, good screw-ups, milestones reached, etc.***

**R&D, Ubiquity of.**

**“Staff Department” R&D Paramount.**

51. R&D spending/Overall. This is a “boring” staple of innovation, but obviously of great importance. Aggressiveness is called for. In addition to the firm itself, having, say, a set of vendors, most or all of whom are top-quartile in R&D spending in their industry, is also of great importance.

52. R&D/Big Co, Small Co. Aggressive R&D is not just the provenance of the big company. In fact, it is more important to the 2-person Professional Services Firm than the lumbering giant—talk about “Innovate or die”!

53. R&D spending/Small projects. Make sure the R&D portfolio includes many one off, short term projects. (Quite often, these little fellas grow to become the biggest of the big.)

54. R&D/100% Staff Departments. Aggressive R&D is as important in Finance and Purchasing as in IT or New Product Development!!!

55. R&D/Systems! Innovative systems are as important as innovative products (witness Dell’s 2-decade systems-driven run which changed the world). Manage the hell out of this!

56. R&D/Practice “Nudgery.” Small system nudges can cause grand behavior changes. Become a “nudge aficionado.” Teach Nudgery.

57. “R&D” Play Money/Ubiquitous. The ability for virtually anyone to get their hands on a few bucks (and a mentor) to play around (right term) with a new idea is essential.

***Innovative systems are as important as innovative products.***

58. Venture Funds/All levels. This can run to billions of \$\$ at Intel to much smaller sums, but the idea is casting a wide, speculative net.

59. University support. Research universities are among America’s most vital competitive advantages, and are likely to be so for decades. Associations, large and small, with universities are an important part of the innovative enterprise.

60. “Sell by” date, consideration of. Peddling old stalwart parts of enterprises when they become commoditized may help free the spirit of the enterprise to move toward a new playing field. (On the other hand, oldie goldies can surprisingly often become hotbeds of new innovation under inspired leadership.)

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61. R&D/good times and bad times. R&D may have to take its lumps in tough times like the present. But beware of cutting too much muscle. Moreover, bad times can be the perfect time

to get the jump on competitors with innovations if at all possible. Tough times are also ideal for little R&D projects that might just grow legs.

## **The Essential Role of Lead Customers.**

### **Tin Ears.**

### **Loving Angry Customers.**

62. **Lead customer portfolio.** Innovation is not natural in the best of circumstances. Stasis is comfortable. Hence, we must force ourselves into uncomfortable circumstances. (I accept speeches to groups where I have no expertise.) Customers who are far from our norm are front-line change agents. We must formally create a portfolio of lead customers—and then commit to joint product development and connection in general. Again, this must be managed and not left to chance.

63. **Customers on all teams.** Customers must pervade our electronic and physical halls. They must especially be part of all innovation teams.

64. **New network forms.** Constantly experiment with new forms of networking with customers of all sizes and shapes.

## ***No group is more valuable than pissed off customers!!***

65. **Pissed-off Customers Association.** No group is more valuable than pissed off customers!! (Even, or especially, irrationally pissed of customers.) Make them part of the family. Shower them with love. Reward them for their contributions. Bring them into electronic and physical networks.

66. **The “tin ear strategy.”** But: You must lead your customers from time to time, in fact a lot of the time—slavish listening is a no-no.

## **XFX/Cross-Functional Excellence.**

### **No Option.**

67. **XF Obsession.** Implemented innovations generally (100% of the time?) include and are significantly shaped by contributions from all departments. Lousy cross-functional (XF) communication-cooperation-synergy-esprit is often Problem #1 in enterprises of all sizes. Thus a culture of innovation is dependant on constant-strategic-executive attention to XF effectiveness.

68. **XF Innovators.** The heart of an innovation which goes in a wonderfully unpredicted direction is very likely to have come from a contribution by a “secondary”-to-the-project functional expert.

***Lousy cross-functional (XF) communication-cooperation-synergy-esprit is often Problem #1 in enterprises of all sizes.***

69. XF Programs. Formalize numerous programs and nudges, small more important than large, to specifically and measurably attack-enhance-vivify XF effectiveness.

70. XF Friendships (measurement thereof). It is this simple: *Friendships across boundaries are the best lubricant there is.* Foster them! Formally!

71. XF-centrism in evaluations. Repeated XF obfuscation is a firing offense. XFX (cross-functional excellence) is cause for early promotion, hefty bonuses, etc. This part of the evaluation must have sharp teeth.

72. XF/All teams. Foster cooperative XF involvement in activities of all sizes and shapes by all sorts of folks, even, or especially, when the need is not obvious.

73. XF assignment as requisite career step. Promotion to relatively senior positions or above is dependent on at least one full XF assignment—e.g., a year or so tour of duty.

***Friendships across boundaries are the best lubricant there is.***

74. XF/Finance. Get as many managers as possible to spend non-trivial time in finance, to develop a “business” perspective on their work—this is especially important regarding innovation activities.

**Project Team Primacy.  
Project Managers Rule.**

75. Project team as basic organizational unit. The largely independent project team, the coherent entity of 2, 21, or 212, is the basic building block of the innovating enterprise. This comes as no surprise, but must be underscored anyway. Innovation work is rarely accomplished via a routine grouping that follows the conventional org chart and involves members from various functions who remain under the jurisdiction of their traditional bosses. Obvious or not, innovating organizations are collections of energized project teams—with functional affiliations secondary.

76. The excellent project manager is the Superstar of the innovation-centric enterprise. These are the small numbers of superstars who must be retained at almost any cost. And they do stand out as superstars.

77. The development and care and feeding of your cadre of project managers is human resources Job #1. Effective project management is a peculiar discipline requiring a raft of skills, from the very hard to the very soft. Understanding the discipline and carefully developing project management skills is paramount to creating and maintaining a culture of innovation.

*The excellent project manager is the Superstar of the innovation-centric enterprise.*

78. Project manager cadre diversity is imperative. Period.

79. Entire talent pool available to project managers. Creating a process, preferably Web-driven, for project managers to cobble teams together for the long haul or for a 48-hour project is essential. But remember to take into account the “soft stuff,” and not over-mechanize the process.

**Adhocracy.**

**Love It or Leave It.**

80. Projects “emerge.” Recall “spontaneous discovery process,” our item #3. Most projects invent themselves, rather than being the product of a formal planning process; and their growth into something big is also mostly organic. An effective culture of innovation is largely ad hoc—which drives many senior managers crazy. If they can’t “get it,” then they don’t belong.

*If your organization chart “makes sense,” then you probably don’t have an innovative enterprise. Adhocracy requires letting go of linearity assumptions.*

81. Leadership is on the fly. Things change rapidly. Teams are born and teams die. Yesterday’s leader is today’s follower—and vice versa. Developing “on the fly” leadership skills is no walk in the park. First, it must be perceived as a describable and learnable skill. (Hint: Women are better at this than men. Arguably, much better.)

**82. Plan-less-ness.** If your organization chart “makes sense,” then you probably don’t have an innovative enterprise. Adhocracy requires letting go of linearity assumptions.

## **Skunkworks.**

### **Creating Parallel Universes.**

### **Invisible/Shadow Organizations.**

**83. Parallel Universe/Unit within unit (School within a school).** Big firms win in part through focus—which eventually means blinders that destroy them. The best way to innovate is often to create a Parallel Universe. It’s effectively a “shadow company” with its own staffing, its own culture in fact. As business schools saw the 2-year resident MBA decline, for instance, they sensed a rise in demand for executive education. But professors often balked. Smart schools set up schools within schools using new assets to experiment with and deliver exec ed. In many cases, the school-within-a-school was eventually re-integrated, but only after it had enough muscle to resist the regnant culture; in some cases the “shadow organization” eclipsed the traditional organization.

**84. Skunkworks at all levels.** Lockheed invented the term “Skunk Works”; the Lockheed Skunk Works was a small unit, in Burbank CA, that used a totally unconventional approach to developing essential military aircraft in record time with an astonishingly small group of astonishingly motivated people. The generic “skunkworks idea” is a variation on #79 above. That is, a “band of brothers and sisters” who are contrarian in nature, determined to go their own way and do it their own way, and who stink-up-the-central-culture as they pursue what they believe is an earth-shattering dream. For example, Apple boss Steve Jobs “left” his own company and set up a Skunkworks, complete with pirate flag proudly flying, to develop the first Mac—it took dead aim at the heart of the company’s current (successful) product line.

**85. All Units/One-off projects.** All units of all sizes should mount at least one-off “sorta Skunkworks,” that is separated bands pursuing no-fit, low-fit projects. Such a “band” may be one person in a 6-person department.

**86. Centers of Excellence.** A more formal approach to important innovations is setting up “centers of excellence.” For example, GlaxoSmithKline created 7 CEDDs, Centers of Excellence for Drug Discovery. Previously, GSK had used a huge functional organization to do its development work; now these CEDDs became self-sufficient units led by powerful project managers.

**87. Center of Excellence/Design.** Design, writ large, is increasingly the route to product or service differentiation. Many companies are now beyond lip service, but a long way from fully incorporating design and experience creation into the heart of the company culture. One effective approach is a center of excellence with the avowed goal of nothing less than becoming a “hotbed” of global excellence—for example, Samsung followed this path and is giving Sony a run for its money.

**88. Center of Excellence/Women’s market.** Tom rant. Creating products and services tailored to women’s desires is obvious as the end of one’s nose—and still honored in the breach.

Especially when the magnitude of the effort adds up to strategic repositioning of the enterprise as a whole. My advice: Don't mess around, get serious, win big.

*The generic “skunkworks” is, a “band of brothers and sisters” who are contrarian in nature, determined to go their own way and do it their own way, and who stink-up-the-central-culture as they pursue what they believe is an earth-shattering dream.*

89. Center of Excellence/Boomer-Geezer market. Equivalent to #84 above. Market potential enormous. Will dominate for next quarter century. Many “trying a few things.” But strategic re-alignment more aptly suits the magnitude of the opportunity. My advice: Don't mess around, get serious, win big.

90. Acknowledgement. This section is about acknowledging the limits of change in the regnant culture. Hence, creation of parallel, shadow, etc organizations-within-the-organization becomes part of the “way we [necessarily must] do things around here.” There are no guarantees of success—but the ideas are worthy of serious consideration in small organizations as well as large ones.

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**Decentralization.**

**First Among Equals.**

91. Decentralize. #1 innovation strategy. Big company. Pretty small company.

92. Keep decentralizing.

93. Decentralize “before it makes sense.”

## ***Form a cadre of formal “centralization fighters” with muscle.***

94. There is “decentralization,” and then there is Decentralization. Beware the difference between “sorta” decentralization—and the real deal, à la GE or Johnson & Johnson or PepsiCo. Decentralization is an attitude as much as the shape of an org chart.

95. Form a cadre of formal “centralization fighters” with muscle. Beware ICD, Inherent Centralization Drift. (This is a top management task.)

## **The Team at the Top. Diverse or Dead. Cherish & Demand Disrespect.**

96. Top team risk profile. You are what you eat. You are where you’ve been. A successful commitment to innovation will only come when the top team, in every function, has a l-o-n-g history of unflinching commitment to innovation.

97. Top team CQ/Curiosity Quotient. Innovators are unhappy if new ideas are not the currency of their everyday affairs. While execution is paramount, catholic interests must be permanently in evidence. Curiosity may well have killed the cat, but the lack thereof is the bane of successful longterm organizational vitality and indeed survival.

98. Board composition/Innovation experience. Boards must ooze with experience in and commitment to innovation. (Most don’t.)

99. Diversity. Diversity. Diversity. (Rare in top teams! Fix it! Fast! It works! Especially when innovation is the topic!)

100. Top team/Innovation coaches and mentors. Top team members in innovative enterprises take innovation personally—from the top to the bottom of the organization. Among other things, they act as mentors for innovation projects, including small ones three or four levels down in the organization.

101. Women as leaders in project organizations. Women do better at adhocracy than men. Women do better with minimal hierarchy than men. Women do better with diversity than men. Women do better with shifting leadership that disobeys traditional ideas of power distribution than men.

***A successful commitment to innovation will only come when the top team, in every function, has a l-o-n-g history of unflinching commitment to innovation.***

**102. Top Team Calendar management.** If you are an Innovation Obsessive, it will show up in unmistakable fashion on your Calendar. Calendars never lie. They are 100% accurate and visible indicators of your priorities. Micromanage them accordingly. Make your Innovation Obsession scream from your calendar! (There are few more powerful change levers.)

**103. Chief Forgetting Officer.** Learning is a cakewalk. Forgetting is hell—particularly for “seasoned” successful executives. Therefore the idea of “forgetting” per se is of perpetual strategic importance. Perhaps it should be formalized in the shape of a Chief Forgetting Officer?

**104. Bonfire of your vanities: Burn your press clippings!**

**105. Language matters! Hot language spurs innovation.** E.g., Steve Jobs says every new product must pass the “Insanely great” standard.

**106. Forward look.** Beware offices (especially that of the Big Boss) and hallways and cafeterias awash in tributes to the past—even terrific ones like a Baldrige Award or a “product of the year award” from 1993, or even 2003; also dump the photos of you and famous “people of the past.” When Steve Jobs re-arrived at Apple he tossed out all the models of yesterday’s great “industry changing” computers—and replaced them with prototypes “from” tomorrow. Such “mere” “look and feel” stuff is potent medicine.

***Learning is a cakewalk. Forgetting is hell—particularly for “seasoned” successful executives.***

**107. Irreverence.** Innovation is about changing course before it’s absolutely necessary. Hence excessive reverence for the past and the track records of today’s bosses is Public Enemy #1. Establishing a thoroughgoing “culture of irreverence” at the top is far easier said than done. But done it must be. The watchwords: constant vigilance!

**Commitment to Excellence in Innovation.  
Or Bust.**

108. Innovation is fun.

109. Innovation is a glorious way of life.

110. Innovation is scary. (But what is life without risk? Living death!)

111. Innovation is enthusiasm.

112. Innovation is passion.

113. Innovation is a matchless source of pride.

114. Innovation is life at the speed of light.

*Innovation is an iPod.*

*Innovation is a Tuf-E-Nuf hammer.*

*Innovation is a simple paper checklist developed at Johns Hopkins that saves hundreds of lives in ICUs.*

115. Innovation is an “all hands” game.

116. Innovation is big.

117. Innovation is small.

118. Innovation is an iPod.

119. Innovation is a Tuf-E-Nuf hammer.

120. Innovation is a paper checklist developed at Johns Hopkins that saves hundreds of lives in ICUs.

121. Excellence in innovation.

We can't all be Apple or Cirque du Soleil or Basement Systems Inc.

But we can damn well die trying.

## Appendix One

### Eighty-seven of My Favorite Quotes on Innovation

“To grow, companies need to break out of a vicious cycle of competitive benchmarking and imitation.” —W. Chan Kim & Renée Mauborgne, “Think for Yourself —Stop Copying a Rival,” *Financial Times*

“ ‘Good management’ was the most powerful reason [leading firms] failed to stay atop their industries. Precisely because these firms listened to their customers, invested aggressively in technologies that would provide their customers more and better products of the sort they wanted, and because they carefully studied market trends and systematically allocated investment capital to innovations that promised the best returns, they lost their positions of leadership.” —Clayton Christensen, *The Innovator’s Dilemma*

“Recently I asked several corporate executives what decisions they had made in the last year that would not have been made were it not for their corporate plans. All had difficulty identifying one such decision. Since all of the plans are marked ‘secret’ or ‘confidential,’ I asked them how their competitors might benefit from possession of their plans. Each answered with embarrassment that

their competitors would not benefit.” —Russell Ackoff (from Henry Mintzberg, *The Rise and Fall of Strategic Planning*)

“Containerization is a remarkable achievement. No one foresaw how the box would transform everything it touched—from ships and ports to patterns of global trade. Containerization is a monument to the most powerful law in economics, that of unanticipated consequences. .. This history ought to be humbling to fans of modern management methods. Careful planning and thorough analysis, those business school basics, may have their place, but they provide little guidance in the face of disruptive changes that alter an industry’s very fundamentals.” —Marc Levinson, *Financial Times*, (author of *The Box: How the Shipping Container Made the World Smaller and the World Economy Bigger*)

***“A pattern emphasized in the case studies in this book is the degree to which powerful competitors not only resist innovative threats, but actually resist all efforts to understand them, preferring to further their positions in older products. This results in a surge of productivity and performance that may take the old technology to unheard of heights. But in most cases this is a sign of impending death.” —Jim Utterback, Mastering the Dynamics of Innovation***

“This book is about luck disguised and perceived as non-luck (that is, skills) and more generally randomness disguised and perceived as non-randomness. It manifests itself in the shape of the lucky fool, defined as a person who benefited from a disproportionate share of luck but attributed his success to some other, generally precise reason.” —Nassim Nicholas Taleb, *Foiled by Randomness: The Hidden Role of Chance in Life and the Markets*

“We underestimate the share of randomness in just about everything, a point that might not merit a book—except when it is the specialist who is the fool of all fools.” —Nassim Nicholas Taleb, *Foiled by Randomness: The Hidden Role of Chance in Life and the Markets*

“Mild success can be explainable by skills and labor. Wild success is attributable to variance.” —Nassim Nicholas Taleb, *Foiled by Randomness: The Hidden Role of Chance in Life and the Markets*

“I am often asked by would-be entrepreneurs seeking escape from life within huge corporate structures, ‘How do I build a small firm for myself?’ The answer seems obvious: Buy a very large one and just wait.” —Paul Ormerod, *Why Most Things Fail: Evolution, Extinction and Economics*

“You don’t get better by being bigger. You get worse.” —Dick Kovacevich, former CEO, Wells Fargo

“Not a single company that qualified as having made a sustained transformation ignited its leap with a big acquisition or merger. Moreover, comparison companies—those that failed to make a leap or, if they did, failed to sustain it—often tried to make themselves great with a big acquisition or merger. They failed to grasp the simple truth that while you can buy your way to growth, you cannot buy your way to greatness.” —Jim Collins, *Time*

“When asked to name just one big merger that had lived up to expectations, Leon Cooperman, former cochairman of Goldman Sachs’ Investment Policy Committee, answered: I’m sure there are success stories out there, but at this moment I draw a blank.” —Mark Sirower, *The Synergy Trap*

“Almost every personal friend I have in the world works on Wall Street. You can buy and sell the same company six times and everybody makes money, but I’m not sure we’re actually innovating. .. Our challenge is to take nanotechnology into the future, to do personalized medicine ..” —Jeff Immelt/GE

“Acquisitions are about buying market share. Our challenge is to create markets. There is a big difference.” —Peter Job, former CEO, Reuters

“We bought a company that complements our product line in a fast growing market in which SAP is not a market leader. We believe in complementary deals. We’re not interested in a classic consolidating of markets.” —Henning Kagermann, CEO, SAP, 1015.07, to the *Financial Times* on the occasion of Oracle’s \$7 billion offer for BEA Systems

***“Companies have defined so much ‘best practice’ that they are now more or less identical.” —Jesper Kunde, Unique Now ...  
or Never***

“It is not the strongest of the species that survives, nor the most intelligent, but the one most responsive to change.” —Charles Darwin

“Future-defining customers may account for only 2% to 3% of your total, but they represent a crucial window on the future.”—Adrian Slywotzky, Mercer Consultants

“The best swordsman in the world doesn’t need to fear the second best swordsman in the world; no, the person for him to be afraid of is some ignorant antagonist who has never had a sword in his hand before; he doesn’t do the thing he ought to do, and so the expert isn’t prepared for him; he does the thing he ought not to do and often it catches the expert out and ends him on the spot.” —Mark Twain

***“How do dominant companies lose their position? Two-thirds of the time, they pick the wrong competitor to worry about.” —Don Listwin, CEO, Openwave Systems***

“Diverse groups of problem solvers—groups of people with diverse tools—consistently outperformed groups of the best and the brightest. If I formed two groups, one random (and therefore diverse) and one consisting of the best individual performers, the first group almost always did better. Diversity trumped ability.” —Scott Page, *The Difference: How the Power of Diversity Creates Better Groups, Firms, Schools, and Societies Diversity*

“The only people for me are the mad ones, the ones who are mad to live, mad to talk, mad to be saved, desirous of everything at the same time, the ones who never yawn.” —Jack Kerouac

“You’re either going to be a millionaire or going to jail.” —Richard Branson’s Headmaster\* (\* “He did both.”—*New Yorker*)

***“The Bottleneck Is at the Top of the Bottle. Where are you likely to find people with the least diversity of experience, the largest investment in the past, and the greatest reverence for industry dogma: At the top!”— Gary Hamel/Harvard Business Review***

“What drove Trippe? A fury that the future was always being hijacked by people with smaller ideas —by his first partners who did not want to expand airmail routes; by nations that protected flag carriers with subsidies; by the elitists who regarded flight, like luxury liners, as a privilege that could only be enjoyed by the few; by the cartel operators who rigged prices. The democratization he effected was as real as Henry Ford’s.”

—Harold Evans on Juan Trippe, the PanAm boss who brought the B747 to life

“The Billion-man Research Team: Companies offering work to online communities are reaping the benefits of ‘crowdsourcing.’” —Headline, *Financial Times*, 0110.07

“There’s a fundamental shift in power happening. Everywhere, people are getting together and, using the Internet, disrupting whatever activities they’re involved in.” —Pierre Omidyar, founder, eBay

“Somewhere in your organization, groups of people are already doing things differently and better. To create lasting change, find these areas of positive deviance and fan the flames.” —Richard Pascale & Jerry Sternin, “Your Company’s Secret Change Agents,” *Harvard Business Review*

“Some people look for things that went wrong and try to fix them. I look for things that went right, and try to build off them.” —Bob Stone (“Mr ReGo,” re-inventing government guru)

***“Never doubt that a small group of committed people can change the world. Indeed it is the only thing that ever has.”***

—*Margaret Mead*

“In the end, management doesn’t change culture. Management invites the workforce itself to change the culture.” —Lou Gerstner

“Groups become great only when everyone in them, leaders and members alike, is free to do his or her absolute best. The best thing a leader can do for a Great Group is to allow its members to discover their greatness.” —Warren Bennis and Patricia Ward Biederman, *Organizing Genius*

***“The role of the Director is to create a space where the actors and actresses can become more than they’ve ever been before, more than they’ve dreamed of being.”*** —*Robert Altman, Oscar acceptance speech*

“[CEO A.G.] Lafley has shifted P&G’s focus on inventing all its own products to developing others’ inventions at least half the time. One successful example Mr. Clean Magic Eraser, based on a product found in an Osaka market.” —*Fortune*, 12.18.06

***“The secret of fast progress is inefficiency, fast and furious and numerous failures.”*** —*Kevin Kelly*

“Active mutators in placid times tend to die off. They are selected against. Reluctant mutators in quickly changing times are also selected against.” —Carl Sagan & Ann Druyan, *Shadows of Forgotten Ancestors*

“If things seem under control, you’re just not going fast enough.” —Mario Andretti

“If it works, it’s obsolete.” —Marshall McLuhan

“We have a ‘strategic plan.’ It’s called doing things.” —Herb Kelleher

“This is so simple it sounds stupid, but it is amazing how few oil people really understand that you only find oil if you drill wells. You may think you’re finding it when you’re drawing maps and studying logs, but you have to drill.” —John Masters, Canadian oil and gas wildcatter, *The Hunters*  
“We made mistakes, of course. Most of them were omissions we didn’t think of when we initially wrote the software. We fixed them by doing it over and over, again and again. We do the same today. While our competitors are still sucking their thumbs trying to make the design perfect, we’re already on prototype version #5. By the time our rivals are ready with wires and screws, we are on version #10. It gets back to planning versus acting: We act from day one; others plan how to plan—for months.” —Mike Bloomberg, *Bloomberg by Bloomberg*

“Experiment fearlessly” —*BusinessWeek*, Tactic #1 of top innovators

“I think it is very important for you to do two things: act on your temporary conviction as if it was a real conviction; and when you realize that you are wrong, correct course very quickly.” —Andy Grove

***“Only the paranoid survive.”—Andy Grove***

“Effective prototyping may be the most valuable core competence an innovative organization can hope to have.” —Michael Schrage

“You can’t be a serious innovator unless and until you are ready, willing and able to seriously play. ‘Serious play’ is not an oxymoron; it is the essence of innovation.”

—Michael Schrage, *Serious Play*

“Nothing is more dangerous in war than theoreticians.” —Marshall Petain (John Mosier, *The Blitzkrieg Myth, “War as Pseudoscience: 1920-1939”*)

***“Learn not to be careful.”—Photographer Diane Arbus to her students***

“Natural selection is death. ... Without huge amounts of death, organisms do not change over time. ... Death is the mother of structure. ... It took four billion years of death ... to invent the human mind ...” — *The Cobra Event*

“Fail, fail again. fail better.” —Samuel Beckett

“Fail . Forward. Fast.”—High Tech CEO, Pennsylvania

“Fail faster. Succeed Sooner.”—David Kelley/IDEO

“In business, you reward people for taking risks. When it doesn’t work out you promote them because they were willing to try new things. If people tell me they skied all day and never fell down, I tell them to try a different mountain.” —Michael Bloomberg

*Whoever Makes the Most Mistakes Wins: The Paradox of Innovation* —Richard Farson & Ralph Keyes

“The Silicon Valley of today is built less atop the spires of earlier triumphs than upon the rubble of earlier debacles.”—Paul Saffo

“Intelligent people can always come up with intelligent reasons to do nothing.” —Scott Simon

“Andrew Higgins, who built landing craft in WWII, refused to hire graduates of engineering schools. He believed that they only teach you what you can’t do in engineering school. He started off with 20 employees, and by the middle of the war had 30,000 working for him. He turned out 20,000 landing craft. D.D. Eisenhower told me, ‘Andrew Higgins won the war for us. He did it without engineers.’ ” —Stephen Ambrose

“The Milken model, in a nutshell, is to stimulate research by drastically cutting the waiting time for grant money, to flood the field with fast cash, to fund therapy-driven ideas rather than basic

science, to hold researchers he funds accountable for results, and to demand collaboration across disciplines and among institutions, private industry, and academia.” —*Fortune*, “The Man Who Changed Medicine”

“All Strategy Is Local: True competitive advantages are harder to find and maintain than people realize. The odds are best in tightly drawn markets, not big, sprawling ones” —article title, Bruce Greenwald & Judd Kahn, *Harvard Business Review*

“Spokane, like Minneapolis-St Paul, refuses to bet the economy on one or two industries. Rather, it practices what one city booster calls ‘Ichironomics.’ Like the Seattle Mariners’ center fielder, Ichiro Suzuki, we try to hit singles and doubles. We want to improve the overall conditions for small businesses, not chase the large employer.” —Rich Karlgaard, *Forbes*

***“Reward excellent failures. Punish mediocre successes.”***

**—Phil Daniels, Sydney exec**

“You do not merely want to be the best of the best. You want to be considered the only ones who do what you do.” —Jerry Garcia

“‘Decentralization’ is not a piece of paper. It’s not me. It’s either in your heart, or not.”

—Brian Joffe/BIDvest

“If it feels painful and scary—that’s real delegation” —Caspian Woods, small biz owner

“... almost inhuman disinterestedness in .. strategy” —Josiah Bunting on U.S. Grant (from *Ulysses S. Grant*)

“Crazy Times Call for Crazy Organizations” —Subtitle, *The Tom Peters Seminar*

“America is probably the best culture in the world at failing. We’re willing to navigate in a fog and keep moving forward. Our competitive advantage tends to be at the fuzzy front end of things when you’re still finding your way. Once the way has been found, we’re back at a disadvantage.” —Geoff Moore, Mohr Davidow Ventures, on the importance of investing in innovation (*New York Times*, 0104.09)

“We normally shoot a few takes, even if the first one is terrific, because what I’m really hoping for is a ‘mistake.’ I think that most of the really great moments in my films were not planned. They were things that naturally occurred and we said, ‘Wow, look at that—that’s something we want to keep.’ That’s when you hit the truth button with the audience.” —Robert Altman, on his Academy Award winning “Gosford Park”

“Cisco, [CEO John] Chambers argues, is the best possible model for how a global business can operate: as a distributed idea engine where leadership emerges organically, unfettered by a central command.” —“Revolution in San Jose,” *Fast Company*, Dec-Jan 08-09 (Chambers: “We now have a whole pool of talent who can lead these working groups—like mini CEOs and COOs.”) (Top blog: engineering director 5 levels down)

“If you want to build a ship, don’t gather people together to collect wood ,and don’t assign them tasks and work, but instead teach them to long for the sea.” —Antoine de Saint-Exupery (*The Little Prince*)

“The secret to having good ideas is to have a lot of ideas, then throw the bad ones away.”

—Linus Pauling

“I want a ‘sandbox partner,’ someone who will openly say, ‘This is not the last word; we don’t know exactly where we’re going.” —Elliott Masie, eLearning guru, on desirable innovation partners

“Don’t ever use that word ‘synergy.’ It’s a hideous word. The only thing that works is natural law. Given enough time, natural relationships will develop between our businesses.” —Barry Diller, responding to a student question, address at the Harvard Business School (from Marshall Goldsmith, *What Got You Here Won’t Get You There*)

“Insanely great”—Steve Jobs’ new product standard

“Radically Thrilling”—BMW ad for new model

“Make something great.”—Nintendo CEO to his top game designer who had asked the CEO what kind of new product he wanted

“If I had said ‘yes’ to all the projects I turned down and ‘no’ to all the ones I took, it would have worked out about the same.” —Hollywood studio senior exec to William Goldman (from *The Drunkards Walk: How Randomness Rules Our Lives*, by Leonard Mlodinow)

“the wildest chimera of a moonstruck mind” —*The Federalist* on Thomas Jefferson’s Louisiana Purchase

“Nothing is so contagious as enthusiasm.” —Samuel Taylor Coleridge

***“Whenever anything is being accomplished, I have learned, it is being done by a monomaniac with a mission.” —Peter Drucker***

“Passion was what drove these people, passion for their product, passion for their cause. If you care enough, you will find out what you need to know. Or you will experiment and not worry if the experiment goes wrong. Passion as the secret to learning is an odd secret to propose, but I believe that it works at all levels and at all ages. Sadly, passion is not a word often heard in the elephant organizations, nor in schools, where it can seem disruptive.” —Charles Handy, *Alchemists*

“How do I know what I think until I see what I say.” —C.K. Chesterton

“My only goal is to have no goals. The goal, every time, is that film, that very moment.”  
—Bernardo Bertolucci

The greatest danger For most of us Is not that our aim is Too high And we miss it, But that it is Too low And we reach it. Michelangelo

***“You miss 100% of the shots you never take.”***  
**—Wayne Gretzky**

## **Appendix Two**

### **The Limits of Formal “Systems Thinking,” a Personal Tale: Surprise, Transformation, Excellence And the Creation of a Whole New World Through Spontaneous Discovery**

By Tom Peters

*“By indirections find directions out.”* —Hamlet, II. i

This summer [2007] was the summer of brush clearing.  
And, it turned out, much more.

It started as simple exercise. After a day or two, scratches from head to toe, and enjoyment, I set myself a goal of clearing a little space to get a better view of one of the farm ponds. That revealed something else .. to my surprise.

At a casual dinner, I sat next to a landscaper, and we got to talking about our farm and my skills with clipper, saw, etc. In particular, she suggested that I do some clearing around a few of our big boulders. Intrigued, I set about clearing, on our main trail, around a couple of said boulders. I was again amazed at the result.

That in turn led to attacking some dense brush and brambles around some barely visible rocks that had always intrigued me—which led to “finding,” in effect, a great place for a more or less “Zen garden,” as we’ve taken to calling it.

Which led to .. more and more. And more.

(Especially a rock wall, a hundred or so yards long, that is a massive wonder—next year I’ll move up the hill behind it—I can already begin to imagine what I’ll discover, though my hunch will be mostly “wrong,” and end up leading me somewhere else.)

To make a long story short:

I now have a new hobby, and maybe, ye gads, my life’s work for years to come. This winter I’ll do a little, but I also plan to read up on outdoor spaces, Zen gardens, etc; visit some rock gardens—spaces close by or amidst my travels; and, indeed, concoct a more or less plan (rough sketches) for next spring’s activities—though I’m sure that what I do will move forward mostly by what I discover as I move forward. (what discovers itself may actually be a better way to put it—there’s a “hidden hand” here.) As I’m beginning to see it, this is at least a 10-year project—maybe even a multi-generation project.

*I proceeded by trial and error and instinct, and each experiment led to/suggested another experiment (or 2 or 10) and to a greater understanding of potential—the “plan,” though there was none, made itself. And it was far, far better (more ambitious, more interesting, more satisfying) than I would have imagined. In fact, the result to date bears little or no relationship to what I was thinking about at the start—a trivial self-designed chore may become the engine of my next decade; the “brushcutting project” is now leading Susan and me to view our entire property, and what it might represent, in a new light.*

I was able to do much more than I’d dreamed—overall, and project by project.

“Systems thinking”? It would have killed the whole thing.

Is “everything connected to every thin else”? Well, duh. But I had no idea how everything was connected to everything else until I began (thank you, Michael Schrage) “serious play.”

Note (more of the same): Last year I got a pacemaker for Christmas (13 December, actually); the #1 no-no is using a chain saw. (The magnetic field is fearsome.) Taking that warning a step farther, I decided to do this project entirely with hand tools. Of course that means more exercise—a good thing. But the “great wonder,” again unexpected, is that the resultant slowness and quiet is the de

**facto engine of my entire spontaneous discovery process. Note: Some of you will have discovered my implicit debt to the economist-of-freedom, F.A. Hayek. His stunningly clear view of market capitalism as a “spontaneous discovery process” is my intellectual bedrock, my “context” for three decades in Silicon Valley, and now even for my recreational pursuits (which are, as noted, becoming so much more than that).**