Beyond Usual:
How Leading Firms Diverge from Business as Usual

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Ofer Mintz and Eric Knight draw on their interdisciplinary academic backgrounds and on what they learned as delegates on an innovation mission to Silicon Valley, CA and Seattle, WA to propose six principles firms should use to create industry-changing innovations.

In a university commencement speech, Steve Jobs once said, "innovation distinguishes between a leader and a follower."[1] Yet over the course of history, only a small handful of firms created breakthrough innovations to become industry leaders, offering substantial benefits to customers through entirely new products, like the first iPhone.[2] Even fewer of those firms remained industry leaders after that one dramatic innovation. Indeed, three-quarters of firms that develop such products do not see them adopted by the mainstream market.[3] Even fewer firms manage to supplement their original breakthrough with incremental innovations, like a new iPhone version, which sustain them as industry leaders in the long term.[4]

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To better understand the best innovation practices of leading firms, we joined an Australian Sustainable Innovation Mission, a delegation of business leaders, representatives of government agencies, and educators to visit the US innovation hubs of Silicon Valley, CA and Seattle, WA.[5] Our busy week-long agenda included visits to Amazon, Apple, Boeing, Facebook, Future Ventures, Instacart, Planet Labs, Salesforce, Starbucks, Tesla, Visa, and more. We enjoyed a unique opportunity to observe, learn, and converse with executives from two dozen firms

that have created industry-changing products, continued to innovate, and sustained their success. We benefited enormously from visiting these firms back-to-back over a short period while continuously discussing what we were learning with other members of the Australian delegation.

Our qualitative observations were informed by our multidisciplinary backgrounds in marketing, management, and innovation. We also did further research on subjects including entrepreneurship,[6] finance,[7] innovation,[8] marketing,[9] and management.[10] We combined these insights from our tour and our review of the academic literature to propose six principles that inform the organizational culture of leading firms, allowing them to innovate continually. Figure 1 shows the six principles and how they form an interdependent structure. A foundation, the customer focused organization, supports four pillars, appetite for risk, avoiding the status quo, establishing an uplifting mission, and encouraging diverse leadership, which in turn hold up the ceiling of innovation fueled by the aspirations of the firm.

> Leading firms imagine and clearly articulate the world they and their customers want to live in, and then strive to make that world exist.

Imagine the World You and Your Customers Want to Live In.

Leading firms are singularly focused on how their customers want to see the world. Competition is inevitable, and existing technology will always be important. But these firms imagine and clearly articulate the world they and their customers want to
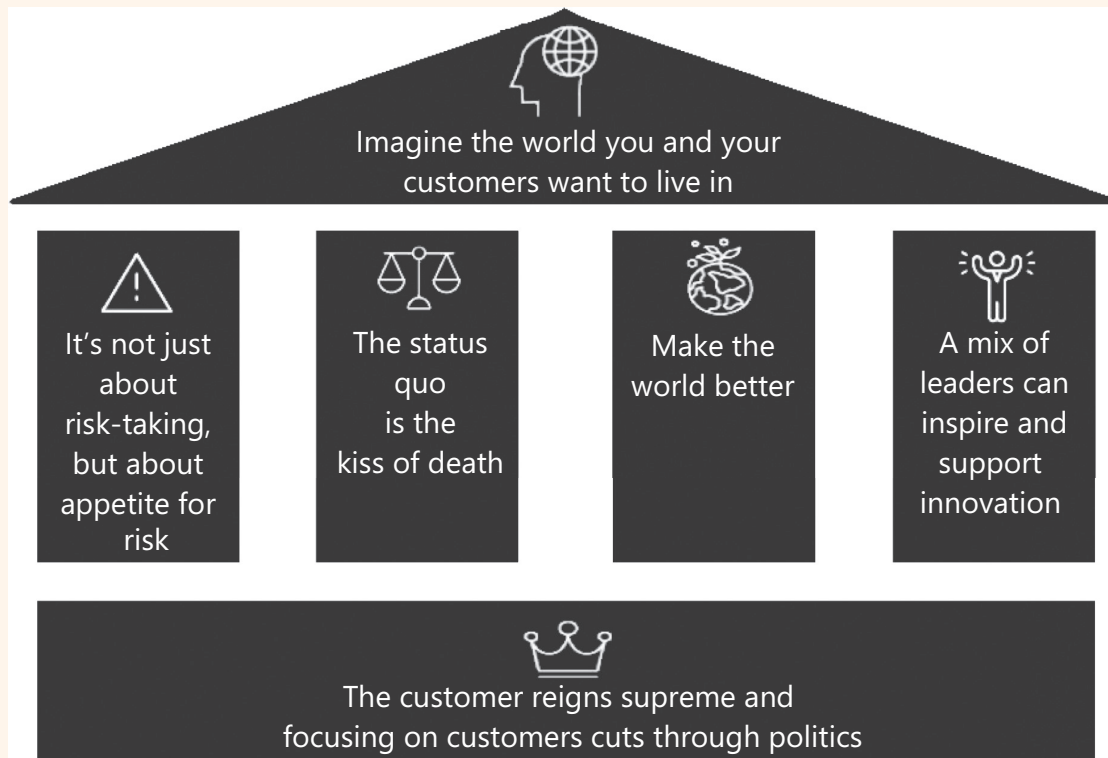
live in, and then strive to make that world exist.

Academic research has found that, in order to make people's roles clear and enact strategy, firms should ensure that all their stakeholders, including employees and customers, clearly understand their broader goals and their vision for the future.[11] Many of the executives we met on our trip stated that this focus on end results was critical to the development and success of their products. Planet Labs, for example, operates with a single-minded drive to build satellites that photograph all corners of the Earth daily, documenting what happens on the planet for the benefit of governments, emergency workers, and environmentalists. Impossible Foods, likewise, worked from an intense determination to create a plant-based food indistinguishable in taste and appearance from meat, which it saw as a necessary response to climate change.

Just as important as having a mission, however, is articulating that vision clearly, which generates greater enthusiasm and devotion from both employees and customers.[12] The firm can then draw the devotion of new employees and customers by word of mouth; even the most advanced innovative product will not succeed without that.[13] Tesla understands that its customers demand electric cars that are, at minimum, equal in quality to luxury, non-electric cars, and has shown unwavering dedication to that goal. As a result, the company has achieved remarkable financial success, in large part because it has some of the most devoted customers and employees in the world.

The Customer Reigns Supreme and Focusing on Customers Cuts Through Politics.

We heard again and again on our trip that the lifeblood of a firm is

Figure 1. The Culture Leading Firms Build to Produce and Sustain Transformative Innovations

Imagine the world you and your customers want to live in

It's not just about risk-taking, but about appetite for risk

The status quo is the kiss of death

Make the world better

A mix of leaders can inspire and support innovation

The customer reigns supreme and focusing on customers cuts through politics

its customers. A firm thrives by fostering interactions and relationships between its employees and its customers. The result is a focus on customers which ensures that the firm prioritizes their interests above all else.[14] Numerous academic studies have established that this focus allows firms to achieve greater financial results, employee productivity, and long-term relationships with its customers.[15]

Executives from Amazon, Impossible Foods, Instacart, Planet Labs, Salesforce, and Tesla all agreed that focusing on customers is critical to creating industry-changing products and sustaining their success. Indeed, such achievements require firms to understand what customers see as the current limitations of their products,[16] track the evolution of their wants and needs,[17] and devise product development strategies that overcome those limita-

> **Focusing on customers is not just good business, it is also good politics.**

tions to fulfill those future wants and needs.[18]

And focusing on customers is not just good business, it is also good politics. Firms that start with multiple founders, like Salesforce, have lost visionary founders, like Apple, or have experienced exponential growth in a short time, like Instacart, may be vulnerable to the destabilizing influence of competing agendas and perspectives. By emphasizing that the customer's point of view rules, these firms can cut through the politics. At Amazon, for example, we learned how, before they can receive approval for development, employees are asked to write mock press releases and FAQs

about how their proposed product or service innovations would solve a problem for their customers. This method ensures that Amazon's employees think about how their innovations will affect customers above all other considerations.

> **Leading firms considered an appetite for risk to be essential to continuous innovation and improvement of customers' experiences, even in the face of current norms.**

It's Not Just About Risk-Taking, but About Appetite for Risk.
We all know that firms must take risks to produce industry-changing innovations. We also know that

tolerating short-term failure and rewarding long-term risk-taking are effective strategies for encouraging such innovations.[19]

But leading firms go one step further. They consider an appetite for risk to be essential to continuous innovation and improvement of customers' experiences, even in the face of current norms. These leading firms actively encourage their employees to take risks. Apple managers, for example, described how their performance evaluations include evaluating employees on their level of innovation. Managers at Salesforce, Planet Labs, Amazon, Tesla, and Starbucks described learning from failure as key to their employees' and firms' education and development. These firms have a strong appetite for risk, actually encouraging their employees innovation failures rather than punishing them. And academic research has found general support of this approach, with one study from the *Journal of Finance* finding that rewarding short-term failure was more conducive to producing innovations than punishing or remaining neutral on such failures.[20]

Saying anything like "this is the way it has always been done" was considered a derogatory statement. Those who uttered such scandalous remarks were quickly punished.

Leading firms also use data analysis, which allows them to track evolving customer trends to identify opportunities. It also empowers employees to take risks and to confirm their gut instincts by empirically verifying that their innovations solved customers' problems.[21] Unity

Labs executives told us how their use of a data + employee instinct process allowed the firm to expand from video game development to augmented reality (AR), all the while confirming that its innovations were solving problems which had previously gone unaddressed.[22]

The Status-Quo is the Kiss of Death.

Leading firms are restless places where the status quo is never good enough. In fact, we observed on our trip that saying anything like "this is the way it has always been done" was considered a derogatory statement. Those who uttered such scandalous remarks were quickly punished because these firms had procedures in place to report their offences.

Indeed, the cultures of these leading firms heavily emphasize the need to move beyond the status quo, using experimentation to continually improve their products and customer experiences, and to test new offerings.[23] Executives at Facebook told us that the company conducts thousands of weekly experiments with an eye to improving continually. Experimentation is also a vital tool for learning which innovations are likely to fulfill customers' future wants and needs and whether customers will willingly adopt those innovations.[24] Starbucks, therefore, houses a taste center in its corporate headquarters so that its managers can directly gauge customer responses to its ever-expanding assortment of new flavors and products.

It is critical to understand, however, that leading firms often employ low-cost experimentation, limiting the damage that failures can do to their bottom line. Keeping the cost of experiments low also allows leading firms to move beyond the status quo by testing, learning, and creating faster so they can better implement their

innovations.[25] Planet Lab's engineers credited the firm's ability to experiment with the relatively low cost of its industry-changing satellites as enabling the firm to continually improve them with incremental innovations that fulfill customers' current needs.

Managers at the firms we visited also described using an adaptable approach, rather than relying on the status quo, as essential to the organizational emphasis on experimentation. Instacart and Salesforce both described their adaptability and continual innovation as necessary to meeting their customers' and employees' evolving needs in relatively new and rapidly expanding industries. Without encouraging and facilitating adaptably, firms cannot challenge the status quo. Unadaptable firms, by contrast, fail to invest the necessary resources to ensure that the findings from their experiments are successfully put to use.[26]

Leading firms' uplifting and positive missions give them an authentic and coherent sense of purpose, a guiding philosophy, with which potential and current employees and customers can identify.

Make the World Better.

We have mentioned that leading firms know the world they want to create. They also have a mission to make that world better. These firms' uplifting and positive missions give them an authentic and coherent sense of purpose, a guiding philosophy, with which potential and current employees and customers can identify.[27]

When employees and customers identify with a product's purpose, their devotion to the firm increases. Furthermore, firms which create industry-changing innovations often have to cross the chasm between niche and mainstream products before their masterpiece is widely adopted.[28] Impossible Foods' mission is "to make our global food system truly sustainable." Tesla's vision is "to accelerate the advent of sustainable transport by bringing compelling mass market electric cars to market as soon as possible." We have seen how these missions inspire intense devotion and motivation in many customers and most employees of these firms. For these firms, their mission to make the world better is far more than lip-service; it is strongly advocated and reinforced from the top-down until it becomes reality.

Yet not every organization strives to change the world. In firms with less lofty goals, we observed that leaders made directly helping customers their uplifting mission, reinforcing the message through both internal and external actions.[29] Amazon's mission is "to be earth's most customer-centric company; to build a place where people can come to find and discover anything they might want to buy online." The company emphasized the importance of this mission with a one-page summary of Amazon's defining characteristics and then ensuring that their employees would frequently refer to this summary in organizational settings such as meetings and communication with customers. Starbucks' mission "to inspire and nurture the human spirit – one person, one cup, and one neighborhood at a time" is painted on the walls of their headquarters where the organizational culture values and rewards employees for interacting with customers in ways that build devotion. Research has demonstrated that establishing a positive and uplifting mission, and making sure it is well known, is vital to firms which create and sustain industry-changing innovations. It helps them to attract top talent and inspire enthusiasm for the company in both employees and customers.[30]

Firms should thus be careful to put together a leadership team with diverse personalities and styles, who can inspire employees in different ways.

A Mix of Leaders Can Inspire and Support Innovation.

The top executives of these innovative firms, from Jeff Bezos to Elon Musk to Mark Zuckerberg, are not known to be terribly humble. Indeed, humility is not often the quality that inspires the customers and employees of innovative firms, or clearly articulates their vision. A total absence of humility, however, may create an environment which is not sufficiently supportive for employees to feel comfortable with the risks of developing innovative products. It may also blind these supremely confident executives to the need to change course or the danger of changing course unnecessarily.[31]

So leading firms also rely on more supportive and personable executives who focus on encouraging and helping employees. These executives act as counterweights to their more famous and (presumably) egotistical leaders.[32] On our tour, we observed firsthand the respect employees feel for leaders with humble and supportive personalities, and the power they wield. Both white- and blue-collar employees of Tesla, for example, show genuine enthusiasm and respect for Robyn Denholm, the company's chairwoman, valuing her kind personality, strong leadership, and ability to ask incisive questions in a supportive and encouraging way, and without being overbearing.

And the genuine enthusiasm of top executives matters. We saw Darryl Havens, VP and Distinguished Engineer at Amazon, exhibit such enthusiasm about implementing cutting-edge technologies to improve warehouse efficiency that he cut right through the apparently immovable barriers between the company's departments and functions. Leader enthusiasm has been shown to inspire commitment in employees, prompting them to go the extra mile to achieve the firm's primary objectives.[33] Firms should thus be careful to put together a leadership team with diverse personalities and styles, who can inspire employees in different ways.

We noticed a dearth of suits and ties in both Silicon Valley and Seattle. Leading innovative firms don't want to emphasize a rigid hierarchy. They know that the next great idea might come from a recent graduate who just joined the company and who is far more likely to speak up if they are inspired by a mix of humble, enthusiastic, and gregarious leaders.

Firms will not reach their goal of producing innovative products to fulfill customers' needs without first creating a fertile and supportive organizational culture.

How These Principles Interact

These six principles enable leading firms to create an organizational culture that prioritizes innovation

in the service of fulfilling the needs and wants of customers. The interactions between these principles form the foundation of an innovative organizational culture. The base of this culture is that the customer reigns supreme and the firms' vital quest is to meet their evolving wants and needs. A clear, articulated vision of the world customers want to live in forms the ceiling overhead and fuels the employee and customer enthusiasm required for innovation. This overarching aspiration is supported on its base by appetite for risk, avoidance of the status quo, an uplifting mission, and diversity of leadership. Simply put, firms will not reach their goal of producing innovative products to fulfill customers' needs without first creating a fertile and supportive organizational culture.

While not all firms will enact all six principles, those that don't will find it difficult, if not impossible, to produce world-changing innovations. Without one or more of the four pillars, firms may still manage to build an innovative structure, but it will be less stable and less likely to sustain industry-changing innovations through subsequent incremental innovations. Firms are most likely to succeed by using all six principles together.

Next Steps: How to Improve Your Firm's Innovative Culture

To scrutinize whether your firm is already supporting an innovative organizational culture, consider the checklist below. These questions constitute an informal means of evaluating your firm's culture in terms of the six principles we have described. They are not intended to be exhaustive. Instead, they are designed to prompt the further questions that will allow you to better understand if and how your firm is applying the principles of a truly innovative organizational culture. They also constitute a pathway in the right direction. ■

Principle	Checklist questions
Imagine the world you and your customers want to live in.	• Does your strategy focus on customers? • Do you have short, medium, and long-term strategic plans? • Do these constitute a meaningful progression toward your vision evolving benefits for your customers?
The customer is sovereign and focusing on customers cuts through politics.	• Do you have a clear knowledge of your customers? Do you routinely collect and analyze data to understand your customers' needs and desires? • Do your marketing and product management teams work together to create meaningful experiences for your customers? • How are conflicts between marketing, sales, and product development decisions managed? Are their resolutions guided by customer insights?
It's not just about risk-taking, but about appetite for risk.	• Where and how do teams talk about rewarding customers with innovation vs. risk concerns to the firm in the context of the organization's culture? • What structures and processes support appropriate risk taking and appetite for risk? • How is appropriate risk measured and reviewed?
The status quo is the kiss of death.	• How do you foster and support your teams' experimentation? • How is the success of experiments measured? What indicates success? • How are experiments scaled up into projects?
Make the world better.	• Do your employees know and embrace the company's mission statement? • Do members of the firm regularly discuss the meaning of the mission statement to themselves and their customers? Do they discuss how to fulfill the mission?
A mix of leaders that can inspire and support innovation.	• Does your leadership team exhibit a diversity of skills and attributes? • How do you ensure an appropriate mix of leaders? • How do you ensure that your senior leaders are inspiring and supporting change and exploration in their teams?

Author Bios

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