# BEYOND
# INNOVATION
# AS USUAL

Why and How to Redefine
Your Innovation Strategy

20 MIN

# CONTENT

# INTRODUCTION

In the 2010s, the preeminent guitar makers Gibson and Fender faced the same existential crisis—sales of their guitars had plummeted. The confluence of changing music trends—availability of vintage guitars on eBay, the rise of EDM music, and the increased quality of factory-made guitars over handmade ones—all contributed to this drop. For the first time in decades, acoustic guitars began outselling electric guitars.

Neither company ignored the fallout. Gibson's intuition landed them on a diversification path. Observing the current market conditions, they deduced that their survival couldn't hinge solely on guitars, so they ventured into uncharted territories. This led them to acquire several companies, notably a fitness brand named "Trainer by Gibson." They also bet on innovative yet flawed solutions, like the G-Force auto tuner. Despite its unappealing design and frequent malfunctions, they packaged it with every purchase.

Fender, in contrast, embarked on a more introspective journey. Their innovation process unearthed an intriguing relationship between young women and acoustic guitars. Women in general were not considered a target market for guitar makers. However, Fender spotted new trends emerging in the margins. The music world was witnessing a singer-songwriter boom led by stars like Sheryl Crow and Liz Phair, and their influence resonated with many young women. Probing further, Fender discerned that these women weren't chasing the old dream of rock stardom. Their aspirations had shifted toward establishing their identity in a male-dominated space, enjoying the camaraderie of playing with peers, and mastering a new skill.

Aligned with this, Fender focused on the needs of overlooked users, such as first-time guitarists and women. They discovered that novice guitarists typically shelled out $200-$600 on their instruments. Yet, a staggering 90% abandoned their passion within the first year, mostly in the first ninety days. The resilient ones, however, would spend a whopping $10,000 over their lifetime. Another revelation was the ancillary costs these beginners grappled with, like amps and lessons, which often exceeded the guitar's price. Also, women instead of shopping in stores that didn't feel particularly welcoming to them, showed a marked preference for online purchases.

With these insights, Fender devised a dual strategy. They introduced Fender Play, a digital platform to enrich the novice's learning journey, bundled with every purchase. Simultaneously, they amplified their online presence, celebrating everyday people—both women and men—thus fostering a sense of belonging among their audience.

Meanwhile, Gibson—as proof they were totally missing the moment—appointed guitarist Slash from Guns N' Roses as their brand ambassador.

In the final reckoning, Fender's foresight and adaptability paid off. Amidst the confines of the COVID-19 pandemic, they witnessed a 14% surge in sales.[1] What was initially designed for "overlooked users" became an innovative market approach that worked for all. Fender's approach not only deepened their understanding of their customer base but also revitalized global guitar sales. In 2017, Gibson filed for bankruptcy, citing as much as $500 million in debt. Since then, Gibson has gone back to basics and seen a rebound, but at a high cost and with tarnished brand equity.

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[1] Simonnot-Lanciauz, Adrien, and Danilo C. Dantas. "Fender vs. Gibson – Part A, Gibson: Tradition, Innovation, and Diversification," *Harvard Business Publishing Education*, May 11, 2022.

# INNOVATE
## AND THRIVE

"The Battle of the Guitar Makers" has a lesson for a world of massive disruption. We must stop fine-tuning and tweaking what we do and instead seek transformational, paradigm-shifting breakthroughs that address the needs of all stakeholders, starting with the most underserved.

Climate change, artificial intelligence (AI), and the recent global pandemic have disrupted various industries worldwide. Climate change is causing major disruptions to the business world: insurance companies dropping coverage in regions hit with unprecedented devastation, nearly a quarter of energy in the U.S. being generated by renewables, favorite tourist destinations experiencing decline in visitors due to less snow, more floods, and increased heat. Technological advancements have been affecting major sectors, such as transportation through the introduction of autonomous vehicles, healthcare through real-time and more accurate diagnostics, retail through personalized shopping experiences, financial services through robo-advisors, and manufacturing through predictive maintenance. COVID-19's aftermath has forever changed how we work and has disrupted the real estate sector, air travel, hospitality, and many other industries.

Responding to any of these megatrends at the usually satisfactory 10% improvement will not stave off the economic, social, and environmental reckoning for most enterprises, societies, and their stakeholders. This leads us to the urgency of innovation where new solutions must be envisioned. We need innovation everywhere.

Yet, traditional innovation practices (such as SWOT Analysis grids, Six Thinking Hats, Mind Mapping sketches, Rapid Prototyping labs, and Double Diamond brainstorming tools) are not delivering. This is because they tend to be designed or practiced in ways that often inadvertently exclude diverse perspectives, limiting the range of ideas and solutions generated. This exclusionary approach stems from ingrained practices designed to promote convergence, which disincentivizes diversity of thought, expression, experiences, and identity. The outcome? An "innovation as usual" process that can't drive status-quo-disrupting innovation.

To foster true innovation and ensure the development of solutions that cater to a wider audience, it's crucial to integrate inclusion of all and diversity of teams principles into every step of the innovation journey. Embracing and making space for people from different backgrounds, thinking styles, and idiosyncrasies to bring forth their perspectives not only promotes fairness and equality but also leads to greater creative sparks that will generate more comprehensive and effective solutions that benefit everyone. We call this *inclusive innovation*.

The answers to today's dilemmas lie not in the "Masters of the Universe" at the center, but rather in those at the edges who have been the most overlooked by society and organizations. It's time to get out of the strategy room, leave the PowerPoint behind, and start innovating with our employees, customers, and communities to co-create the new future with them.
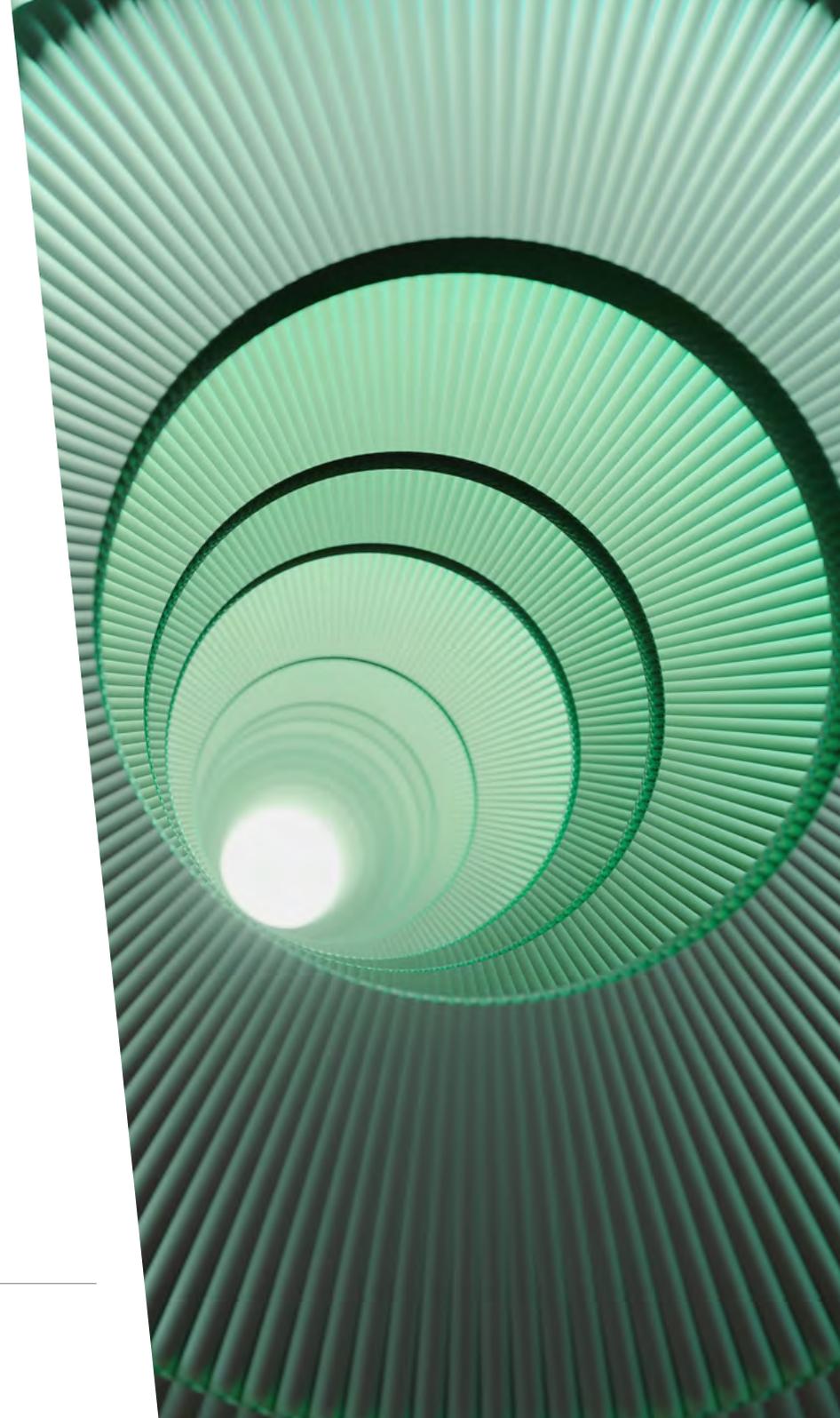
## WHY?

Because those at the edges have been the first ones to experience the vulnerability that comes with climate,[2] societal,[3] and technological disruption.[4] They have already experienced what the future will look like for all. Not only are they paying the heavy price of inequity, they are also not being tapped as the innovation first-responders they could be due to their firsthand experience. Tapping into the needs of the "edge users" is the key to building resilient and sustainable solutions. When this doesn't happen, everyone loses.

Additionally, employees, customers, communities, and investors increasingly hold enterprises accountable for their impact on broader society and the planet. If incumbent organizations fail to weave societal impact into their growth strategies, they risk losing their competitive edge.

We need to tackle these challenges in new, paradigm-shifting ways. Here we offer five success elements of inclusive innovation to guide the new way forward.

[2] "Racial, Ethnic Minorities and Low-Income Groups in U.S. Exposed to Higher Levels of Air Pollution," *Harvard T.H. Chan School of Public Health,* 2023.
[3] Manyika, James, et al. "Jobs Lost, Jobs Gained: What the Future of Work Will Mean for Jobs, Skills, and Wages," *McKinsey,* n.d.
[4] "Digital Development: The World Bank Provides Knowledge and Financing to Help Close the Global Digital Divide, and Make Sure Countries Can Take Full Advantage of the Ongoing Digital Development Revolution," *World Bank,* 2023.

*01*    *Define Intractable Challenges*

*02*    *Include Everyone*

*03*    *Activate Diverse-By-Design, Inclusive Teams*

*04*    *Design from the Edge, Not the Center*

*05*    *Sponsor the Change*

Let's explore each in turn and address how to resolve the paradoxes associated with them.

# 01

## DEFINE
## INTRACTABLE
## CHALLENGES

Owning the need for innovation and driving toward solutions has two major paradoxes. Let's look at the limitations of each and how to address each.

## PARADOX TO RESOLVE: BEING SPECIFIC AND OPEN ABOUT THE CHALLENGES WE FACE CREATES UNEASE IN OUR ORGANIZATIONS.

Companies often hesitate to admit they face seemingly intractable challenges. Not only does it make them fear looking weak as leaders and as an organization, but they also often lack the confidence that the systems creating the current state have the capacity to disrupt it. They worry they will dishearten employees who are heroically working to "make it work" and that stating the challenges explicitly may result in employees questioning their future. For example, that exploring AI automation could result in jobs being lost or that admitting stores have safety issues that need resolving could expose them to liability.

One of those struggles is how to allow for this while keeping the daily operations on track. In response, managers and employees settle for addressing long-standing problems through minor improvements, rather than pursuing transformative solutions. Therefore, they fail to dream big due to becoming mired in the routine of daily operations. So, the challenge is—how can we drive transformative change without jeopardizing the day-to-day operations? To do so without inadvertently causing more harm than good?

The answer lies exactly where we find the resistance—in the managers and employees. When we ask those who are most impacted by the challenge to work on it, it resolves a lot of these dilemmas. For example, if someone in operations is involved in exploring AI to automate their work, they are more likely to view that effort as supportive and career-enabling than as a threat to their livelihood.

Framing challenges effectively can create the same urgency many felt during COVID-19's peak. When we seek input from employees or customers, it's vital to take their contributions seriously.

LEGO's approach exemplifies this principle. Through its LEGO Ideas platform, the company invites fans to design new sets.[5] Successful designs, backed by community votes, are reviewed, and if approved, produced and sold globally. The original creators are credited and receive a sales percentage. One such fan-inspired set is the "Ship in a Bottle," a detailed model that originated from a LEGO enthusiast's idea. Another is the "Apollo Saturn V" set, which accurately recreates the historic NASA rocket. Both sets highlight the vast creative potential that can be unlocked when businesses embrace open innovation, engage with their community, and reward external contributors.

[5] "Home Page," *LEGO IDEAS,* n.d.

**PARADOX TO RESOLVE:** A CALL TO ACTION TO ADDRESS AN INTRACTABLE CHALLENGE REQUIRES DREAMING BIG, BUT ACHIEVING PROGRESS MEANS WORKING SMALL.

Many times, coming up with the ideas is not the challenge—it's bridging the gap between ideas and execution. For this, it's vital that employees have the ability to experiment. One approach is to dream big but work small. When organizations begin to create space for some innovative energy, they tend to force premature convergence, rewarding those who are relying on their intuition about what the future can bring, leading them to make unrealistic promises of outcomes. Employees who strike this bargain must then succeed at all costs and, at worst, will seek to obscure any evidence that contradicts their predictions.

Instead, leaders can provide a bird's-eye view for employees by lifting them out of their daily focus and equipping them to dream big. This includes giving them tools that will help them visualize the complex, adaptive system they participate in through ways that go beyond virtual coffee sessions and lunch 'n' learns. They can encourage them to search in new places, to revisit old decisions, to learn from the past, and to bring the future forward. Most of all, they should give them the authority to dream big.

Then let's insist they work small. There's a difference between risk and uncertainty, but often teams conflate the two. Risk is measurable and is about negative outcomes. Uncertainty, on the other hand, is impossible to measure and could be very good or very bad. We reduce risk by converting uncertainty into knowledge through experimentation—this is why, to reduce the unintended fallout of a risk not paying off, we work small.

02

# INCLUDE
# **EVERYONE**

**PARADOX TO RESOLVE:**
HOW TO QUESTION AND CHANGE THE STATUS QUO BY INVOLVING THE STATUS QUO.

A major flaw in the innovation field is a tendency to do innovation separately by creating distinct organizations for research and development (R&D), favoring acquisitions versus organic growth, or investing in joint ventures. This limits who gets invited to innovate.

This approach is not only elitist, it's guaranteed to throttle innovation by perpetuating the myopic perspective of a limited group of people in the organization that keeps being asked to be the disruptors.

Instead, companies need to distribute, not centralize, innovation. They must stop ignoring our greatest resource for innovation—everyone! Our employees, our consumers, our suppliers, our service providers, our shareholders, and so on.

Adopt the mindset that everyone is an innovator, and every team an innovation hub, and every buyer a demander of innovation.

Let's take just one of these stakeholders to explore this concept—employees. They are the power users of the organization—they know the drawbacks of the firm (and likely have built hacks to work around them), know customers best, and know when products and services delight and when they fall short.

Even when leaders do involve their employees in the innovation process, they often do so in surface ways (focus groups, surveys, and suggestion email boxes) that only reinforce their mindset that employees will come up with surface-level insights that lack business-relevant context. Instead, employee voices need to be heard and their ideas engaged with at the deepest level. Simply transacting with employees is a thing of the past. Teams should be co-designers of the organization's future.

We must instead facilitate employee ability to shift back and forth between day-to-day responsibilities and innovation-mode through a variety of mechanisms, such as:

Incentives that give the freedom to question the status quo without fear of negative consequences.

Incentives that reward employees for collaborating outside of their boundaries and finding better ways to solve problems.

Policies that allow time for exploring new approaches without impacting shorter-term critical targets.

Collaboration tools that allow employees to dynamically network with and learn from each other.

**PARADOX TO RESOLVE:** INNOVATION AND DAY-TO-DAY WORK COMPETE AGAINST EACH OTHER.

There is yet another barrier to innovation—the assumption that it compromises the ability to get the day-to-day work done. While setting up a separate group to innovate makes a clean break between those doing the day-to-day work and those pursuing novel ways to solve problems, it derails the organization's ability to speed up and scale innovation.

# MSCI: In the Best Hands

At MSCI, a leader in providing data-driven decision-making tools for the global investment market, President Baer Pettit personally sponsored an inclusive innovation initiative focused on bringing employees into the innovation process. A pragmatic innovator himself, Pettit eschewed innovation theater—he wanted every employee to know that they should feel enabled and empowered to innovate within their roles. He gave them access to coaches and chartered local innovation groups in every office to serve as communities of practice.

When it came time to develop the Future of Work program, MSCI decided to have the policies and practices led by the "makers" not the "managers." In 2022, after a year of the program being in place, 90%+ of employees said that the Future of Work program was helping them to perform at their very best.

Not separating daily execution from innovative efforts creates the necessary friction required for actionable innovation. While the skills to innovate and those to operate/execute might be perceived as incompatible, they can be complementary. This synergy fosters what's known as a *learning organization*—an entity that continuously adapts and grows by fostering a culture of collective learning and shared knowledge—leading to greater resilience and improved performance.

How to create this? First, let's look at the differences in accountabilities between execution and innovation:

| EXECUTION SAYS... | | WHILE INNOVATION SAYS... |
|---|---|---|
| Follow the Mission | $\longrightarrow$ | Follow the Vision |
| Predictability is the Goal | $\longrightarrow$ | Uncertainty Can Lead to Profit |
| Resolve the Problem | $\longrightarrow$ | Seize the Opportunity |
| Failure Results in a Loss | $\longrightarrow$ | Failure Results in Learning |
| Activities | $\longrightarrow$ | Experiments |
| Answers | $\longrightarrow$ | Questions |
| Process Optimization | $\longrightarrow$ | Process Reimagining |
| Continuos Improvement (10%) | $\longrightarrow$ | Non-Linear Change (10x Change) |
| Compliance | $\longrightarrow$ | Disruption |

To make these contrasting areas of responsibility work in a mutually reinforcing way, teams need clear permission to experiment and learn from failures. Though traditional execution models prioritize detailed planning and value certainty to minimize risks, it's essential to see this from a different angle. By not providing room for mistakes—what is traditionally labelled as "taking risks"—we increase the risk of an enterprise being rendered irrelevant for not adapting to the disruptions around it. After all, experts say that for every breakthrough innovation, 2,000 ideas need to be generated.[6]

When teams operate this way together, they greatly increase the chances of solving intractable challenges, drive growth, and capture new markets. Research shows that organizations that manage both existing and new ventures had a 90% success rate in breakthrough innovation. This compares to a success rate of no more than 25% for non-ambidextrous organizations.[7]

[6] Utley, Jeremy, and Perry Klebahn. *Ideaflow. Portfolio*, 2022.
[7] O'Reilly III, Charles A.,and Michael L. Tushman. "The Ambidextrous Organization," *Harvard Business Review,* April 2004.

# 03

## CREATE
## DIVERSE-
## BY-DESIGN,
## INCLUSIVE
## TEAMS

## DIVERSITY AND INCLUSION ARE ENABLERS FOR GROWTH

**PARADOX TO RESOLVE:** HOMOGENEOUS TEAMS ARE EASIER TO WORK WITH THAN DIVERSE TEAMS.

The innovation field's greatest and most ironic oversight is that in a space that values divergent thinking, it has shown a near lack of awareness that the homogeneity of the field has severely limited the depth and breadth of divergent thinking in the innovation process.

Leaders might unintentionally view diversity as a problem to be solved and not embrace its potential for growth. This can show up as overvaluing predictability, alignment, and detailed plans when trying to collaboratively explore uncertainty. By minimizing variation in these areas, we send a message that any difference is bad. We must become more attuned to recognizing the true value of diversity and how to leverage difference to drive progress.

| "DIVERSITY IS A PROBLEM TO BE SOLVED" | "DIVERSITY AND INCLUSION IS AN ENABLER FOR GROWTH" |
|---|---|
| Alignment | Productive Conflict |
| Prescriptive Ways of Working | Ways of Working that Reflect Preferences and Traditions |
| One-size-Fits-All | One-size-Fits-One |
| Empathy | Co-Creation |
| Output Targets | Outcome Targets |
| Competition – Winners and Losers | Cooperation – Winners or Losers |
| Representation as a Sole Focus (counting the numbers) | Inclusion and Equity (making the numbers count) |
| Plans | Options |
| Local Optimization | System Optimization |
| Smooth off the Edges | Go to the Edges |

Innovation is a team sport, and studies have shown that diverse teams have a higher potential for breakthroughs than homogenous teams. However, it requires deliberate activation of inclusion for a diverse-by-design team to thrive. Left alone, they are more likely to perform worse than a more homogenous team since the greater the number of differences in a team, the greater the potential for conflict. Conversely, an inclusively managed team has an increased chance of productivity when the sparks from the greater friction ignite the fire of unexpected breakthrough. It's how these teams outperform homogenous teams in the quality of their innovations.[8]

There are several reasons why inclusive, diverse-by-design teams have higher potential.

First, team members in a diverse team force each other to revisit their assumptions and to engage in learning. According to Daniel

Kahneman's theory, we operate in two cognitive modes: System 1, our intuitive, quick, and often unexamined mode of thinking; and System 2, our deliberate, analytical, and conscious mode of reasoning.[9]

Homogenous teams often find themselves operating in System 1. Familiarity within the group can inadvertently promote a shared cognitive bias, where decisions are made swiftly, and assumptions are rarely challenged. These environments may breed efficiency, but they risk curtailing creativity, with innovation becoming a casualty of unexamined groupthink.

On the contrary, inclusive, diverse-by-design teams provoke System 2 thinking. Here, varied backgrounds, experiences, and perspectives become a collective asset. Diversity within the team sparks curiosity, encourages scrutiny, and activates our slower, more deliberate System 2. This conscious mode of reasoning

fosters rigorous examination of ideas and preconceptions, facilitating innovative solutions that may remain unexplored in a more homogenous environment.

Therefore, embracing diversity isn't just ethical—it's cognitively beneficial. It nudges us away from unthinking consensus and toward richer, more considered, and innovative problem-solving. All of which, in turn, becomes an enabler to greater commercial success.

Second, inclusive, diverse-by-design teams—given that they represent a broader spectrum of humanity—make it a norm to express unique ideas, challenge the status quo, and learn from failures, all with the upside of greater likelihood of higher performance. This is where co-creation becomes a powerful ally and these teams, then, are more likely to create solutions that work for more people—expanding the market.

[8] DiStefano, Joseph, and Martha Maznevski. "Creating Value with Diverse Teams in Global Management," *Organizational Dynamics*, 2000, 45–63.
[9] Kahneman, Daniel. Thinking, Fast and Slow. New York*, Farrar, Straus and Giroux*, 2013.

# L'Oréal: Many Heads for Hair

In an article in HBR, "L'Oréal Masters Multiculturalism," Hae-Jung Hong and Yves Doz write:

"L'Oréal Paris has about forty product development teams, each working on a different concept. A team consists of three or four people, two of whom may be multicultural. For example, in a team we spoke with that is working on women's hair care products for Latin America, a Lebanese-Spanish-American manager was in charge of hair color, while a French-Irish-Cambodian oversaw hair care. They shared an office so that they could exchange ideas.

"Developing a new product takes at least a year of knowledge exchanges among the product development team, regional subsidiaries, and functional units in France, such as R&D. In addition to interacting with their peers, who may come from different cultures, team managers must discuss their work with top management, formally and informally, as it progresses.

"Once a new product concept is ready, the team presents it at Réunion Internationale, the consumer products division's annual event, held at the Paris headquarters. The teams pitch their launch action plans to regional directors from around the globe, who come looking for ideas that might be ready to hit the market in one or two years."[10]

This is what a diverse-by-design team approach looks like: **intentional, systemic, and successful.**

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[10] Hong, Hae-Jung, and Yves Doz. "L'Oréal Masters Multiculturalism," *Harvard Business Review*, April 29, 2016.

Where to find diversity in organizations? It's everywhere. Even in an organization with less visible diversity, there are people with different ways of thinking, perspectives, and insights. These show up in diversity of personality, specific skills, education, work experiences, those with tenure, and those who are recent hires. This means that organizational groups seeking to create an inclusive, diverse-by-design team must look outside their specialty areas, maybe even beyond the enterprise's org chart boundaries, to seek the people they don't hang out with.

Seeking to bring in the more visible dimensions of diversity tied to race, ethnicity, gender, and many other forms of identity also takes deliberate effort since many organizations don't have much of it, or it's concentrated in areas often far removed from the designated innovators. Tap existing employee resource groups to co-create products and services that reflect vital, and often overlooked, experiences. Consider those places where a greater amount of diversity may exist—in entry-level positions, as well as in areas where this talent has been "tracked," such as in customer service, shop floors, and delivery. But we can't stop there. There are an unprecedented number of women and people of color earning college degrees in all kinds of fields, including in those where they have historically been underrepresented but are no longer.

And once these diverse-by-design teams are assembled, they need to work inclusively. This means they seek to create an environment where the very differences so carefully sought after in constituting the team are now tapped and leveraged. These inclusive teams, rather than seeking to smooth the edges, see those edges as possibilities for something better. (For how teams do this effectively, see the Korn Ferry white paper, "The 5 disciplines of inclusive teams: how diverse teams will drive transformational enterprise change.")

04

# DESIGN
# FROM THE
# EDGE, NOT
# THE CENTER

There are two major paradoxes in traditional innovation practice. What follows are their limitations and how to address each.

**PARADOX TO RESOLVE:**
DESIGNING FOR THE EXCEPTIONS WILL MISS MEETING THE NEEDS OF THE MOST COMMON USE CASES.

The assumption has always been that the only efficient way to innovate is to design for those who are considered the majority. This is flawed at various levels. When designing for the majority, the number of people left out is consequentially large. Not only is it inequitable—on what basis should the needs of those not in the majority not be considered and addressed?! It is also a faulty business decision since the service and product provider is systematically giving up increasing their market share. Despite the vast diversity of users in the world, by focusing on the traditional users, similarly traditional innovators don't identify differences nearly enough. They design over and over for the dominant group, with teams reflective of that very same dominant group. In the process, they not only ignore the ample number of people who are not members of the dominant group, but their efforts only lead to incremental change. Homogenized input leads to homogenized output. The permutations are limited.

In contrast, with heterogenous input, the permutations are quantum. But this is not just about the quality and quantity of the ideas—it's about the comprehensive inclusion of those for whom the innovation is being generated. Meeting the true needs of a vast array of differentiated users is where the growth and the profitability lie.

Even when traditional innovators realize the need to address diversity, design tools often substitute fictional personas for direct interactions with real people. The traditional innovation process has over-relied on fictional personas intended to be stand-ins for the complexity of human diversity in the groups being designed for. While this can be a helpful start, it cannot be a substitute for interactions with real people.

The answer? Inclusive design. Inclusive design, pioneered by Jutta Treviranus, founder and director of the Inclusive Design Research Center (IDRC) at OCAD University in Toronto, rejects the embracing of a one-size-fits-all paradigm and recognizes instead the simple and obvious truth that there is no such thing as a *default person*.[11]

The answer, whether you're designing a workplace, a transport system, or a virtual reality headset, is to address the needs of all potential users, starting with the most marginalized and excluded populations—the users on the edge.

[11] Utley and Klebahn, "Ideaflow."

These edge users are vital since theirs are the needs that are most overlooked in being met with products, services, and procedures. From their perch, they are also the ones with the most powerful perspective of what may be missing. They can peer into the center of the mainstream through a completely different angle that can better reveal the flaws and gaps that those in the center cannot see.

This stems from something simple, yet profound—we're prone to design solutions that work best for ourselves. This inherent bias, while seemingly benign, can severely limit the breadth and inclusivity of the innovations we create.

Just consider the classic case of the design of seats in cars, which for years was predicated on crash test dummies based on the physical characteristics of "The Reference Man"—a standard that mirrored those who were designing it. The result was a product designed for a narrow demographic, leaving others less safe and feeling less comfortable. In fact, while fewer women than men have auto accidents, women are more likely to die since the standard seat in a car—and the safety features around it—was not built with women's physiological differences in mind. This is the same for soccer cleats, astronaut suits, shelf heights, public bathroom designs, default thermostat temperatures, and so on.

## PARADOX TO RESOLVE:
### THE SMARTEST TEAMS AREN'T MADE UP OF THE SMARTEST PEOPLE.

Dr. Anita Woolley and colleagues' research proved that smart teams are not just a collection of smart individuals working together. Smart teams develop their own collective intelligence defined as the ability of a team to collaborate to solve a wide range of problems. Dr. Woolley has shown that collective intelligence is not just a metaphor, but a scientifically proven reality. For instance, a group's ability to perform cognitive tasks, such as problem-solving or decision-making, is more effective than the sum of its individual members' abilities. Collective intelligence enables individuals and teams to make better use of the resources available, to learn faster, and perform well across domains and over time.

Dr. Woolley's research shows that teams whose members are diverse (in gender, race, cognitive styles) have high social perceptiveness, emotional synchrony, more equal airtime, tend to generate greater collective intelligence, and perform better over time compared to other teams. A Korn Ferry collaboration with Dr. Woolley and MSCI also demonstrated that teams led by inclusive leaders (as measured by Korn Ferry's validated psychometric assessment of inclusive leaders) perform more effectively than those with low inclusive leader scores.

Bottom line: The sum of individual intelligence in a group is an incremental innovation equation. In contrast, the harnessing of a group's collective intelligence is an exponential innovation equation.

# 05
## SPONSOR
# THE CHANGE

**PARADOX TO RESOLVE:**
BUILDING ORGANIZATIONAL STRUCTURES AROUND ENABLING EMPLOYEES TO INNOVATE WILL SQUELCH CREATIVITY.

Inspiration and empowerment surely are necessary. But without organizational support, teams will hit crushing roadblocks.

Leadership plays a critical role. It is not enough to merely assemble inclusively managed, diverse teams and expect groundbreaking ideas and breakthrough change to happen. Failing to sponsor time for employees to innovate means it won't happen. Neglecting to reward employees for their innovative efforts will result in disengagement and subpar new ideas. And if you don't equip employees in the process of innovation, their ideas may just remain surface-level and overly simplistic.

Leaders have the power and responsibility to sponsor their teams, helping them to combine their varied experiences and insights. This synthesis can spark the game-changing progress that organizations strive for. It's leaders who infuse the organization with a clear understanding of the context, emphasizing that innovation is not just beneficial but essential for growth, sustainability, and continued relevance. They weave networks, building connections between individuals and teams who might usually operate in silos. Through these networks, ideas cross-pollinate, challenges are viewed from multiple angles, and solutions emerge that might have been otherwise overlooked.

Furthermore, leaders are the architects who build the capability within their teams. They ensure the availability of tools, time, and training, setting the stage for prototypes and mock-ups to be developed by

those who may not necessarily be tech wizards. They're the champions who celebrate and reward both the process and the results of innovation. By focusing on outcomes rather than rigid predictions, they foster a culture of learning and adaptation.

Moreover, leaders don the hat of investors, ensuring that promising ideas don't wither due to a lack of resources. They provide the funding, yes, but also mentorship, guiding fledgling ideas to full-fledged, impactful solutions.

And at the heart of all this, leaders embrace inclusivity. Recognizing that the most impactful innovations emerge from inclusive, diverse-by-design teams, they lead with empathy, curiosity, and an openness to differences. In doing so, they harness the full spectrum of perspectives, experiences, and expertise within their teams, paving the way for groundbreaking innovation.[12]

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[12] For more on how to be an inclusive leader, see Korn Ferry's "The 5 Disciplines of Inclusive Leaders" white paper and book.

**There are five actions every inclusive leader needs to ensure they are doing for their teams:**

## 3 PRIORITIZE IMPACT

For ideas to take root and grow, they need nurturing. Leaders must demonstrate their commitment to innovation by investing in it. This doesn't just mean monetary investments—it's about time, resources, and attention. Recognizing and celebrating those who take calculated risks, even if not always successful, can make a difference. Consider, for example, a leader who dedicates part of the budget for experimental projects or establishes an innovation space where teams can refine their groundbreaking ideas without business constraints.

## 4 CREATE A CENTER OF EXCELLENCE

Leaders can create a movement that extends their impact by forming a Center of Excellence (COE) that helps them execute on these actions. A COE steers the organization toward sustainable, inclusive innovation by scaling best practices, setting clear performance metrics, and facilitating collaborations that break down silos. The COE may create a network of inclusive innovators who coach their teams within the flow of work. They not only champion innovation, but they also put structures in place to manage associated risks. Through its dedicated efforts, the COE ensures that innovation becomes a standard operating procedure, driving both growth and differentiation.

## 1 CLEAR THE WAY

Innovation is often thwarted by barriers both seen and unseen. By proactively identifying and eliminating these obstacles, leaders ensure that their teams can operate freely and creatively. For instance, they might dismantle existing hierarchies that inhibit open dialogue or regularly review and remove bureaucratic barriers or redundant processes that can stifle creativity and slow down innovation.

## 5 LEAD INCLUSIVELY

Leadership that doesn't consider the reality, complexity, challenges, and synergies of diversity is akin to a car driver speeding blindfolded through an obstacle course. Dropping the blindfold means being open to and curious about the implications of all forms of diversity. Seeing and embracing that diversity to ignite innovation requires a versatile set of tools to influence, inspire, and coach team members who have various motivational drivers, life experiences, and cultural values.

## 2 EQUIP THE TEAM

Knowledge is power, and in the world of innovation, context is key. Leaders need to equip their teams with the tools and insights they need to succeed. This could mean connecting teams with external experts who bring fresh viewpoints and specialized knowledge to the table or allowing them to use sandboxes where they can test new technologies.

## Intuit's Intuition

Like the earlier example of Baer Pettit's inclusive innovation at MSCI, Intuit has sought to enable their employees to innovate in the flow of work. Intuit's founder, Scott Cook, recognized the need for innovation over a decade ago, prompting a deep dive into design thinking. With initial efforts like the "Design for Delight (D4D)" program, Intuit sought to involve every employee in the innovation process. But the real magic happened when they shifted from merely educating about design thinking to embedding it in everyday work.

The formation of the "Innovation Catalysts" team played a pivotal role. These individuals, selected for their passion for design thinking, collaborated with various departments to foster a creative, problem-solving approach. Even employees not typically associated with "creative roles"—such as accountants—became vital contributors, emphasizing that innovation isn't about job titles but about perspective and collaboration.

The results? When a team, exploring how to improve sales of a product, questioned a long-standing sales policy of selling their software in bundles, their quick, customer-centric prototype tests led to a staggering $10 million increase in sales in the first year. Similarly, by simply enhancing communication with customers around updating credit card details, Intuit recovered an estimated $8 million annually in revenue.

Furthermore, to immerse every layer of the company in this innovative ethos, leaders were encouraged to directly interact with customers to gather insights. This customer-driven approach not only changed how they viewed problems but also resulted in more informed, empathetic decisions.

By 2016, Intuit had seen an impressive growth in design-driven executive roles—from just six in 2006 to thirty-five. Intuit's dedication to design thinking, today headed by the Innovation Capabilities Team reporting directly to the president's office, signifies not just a trend but a cultural shift. It exemplifies the company's conviction that inclusive innovation and a design-centric approach can drive both growth and customer satisfaction.[13]

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[13] Lockwood, Thomas, and Edgar Papke. "How Intuit Used Design Thinking To Boost Sales By $10M In A Year," *Harvard Business Review*, June 2013.

# PULLING IT
## ALL TOGETHER

The pulse oximeter is a life-saving medical device to treat and monitor COVID-19 patients. But there is a serious problem—it doesn't work as well on darker-skinned patients. This is due to the absorption of light by the clip-on devices used to measure the amount of oxygenated blood in a person's finger not being calibrated accurately to account for greater amounts of melanin in skin, leading to misreadings. For those with darker skin, these misreadings masked possibly dangerously low oxygen levels, leading to those patients being less likely to receive needed supplemental oxygen compared to their White peers. Worse yet—this has been known for a long time.

It's taken Black physicians exemplifying the five inclusive innovation principles from above to achieve breakthrough. Working in different hospitals with different teams and acting as inclusive leaders, they made it a priority to solve this seemingly intractable problem. In the process, they created inclusive, diverse-by-design teams focused on solving the intractable challenge for the edge users.

They discovered it was a light-reading issue not unlike what photographers must address in adjusting lighting for different contexts, including different skin tones, contrasting lighting, low light, etc., or what makeup manufacturers must address in creating makeup for every skin tone. With the problem identified, they are close to creating the technological solution.[14]

Then there is the FlyEase, a shoe without laces that you can step in and out of without the use of hands. As told on the World Economic Forum website:[15]

> In 2012 US teenager Matthew Walzer contacted Nike…Walzer has cerebral palsy, with limited mobility in one of his hands, and while the condition hasn't held him back, it does mean that shoelaces are a problem. "My dream is to go to the college of my choice without having to worry about someone coming to tie my shoes every day," Walzer wrote in his letter to Nike. "I've worn Nike basketball shoes all my life. I can only wear this type of shoe, because I need ankle support to walk. At 16 years old, I am able to completely dress myself, but my parents still have to tie my shoes. As a teenager who is striving to become totally self-sufficient, I find this extremely frustrating and, at times, embarrassing." The letter spurred a team of designers into action and led to the creation of a shoe with a hinged sole that allows for ease of ingress and egress, with a high-tension band helping retain the shoe's structural integrity

[14] Bose, Tulika. "Meet the Medical Student Challenging Racial Bias with TikTok," *Scientific American*, n.d.
[15] "Nike Has Made Hands-Free Shoe for People withDisabilities," *World Economic Forum*, November 8, 2022.

With as many as one billion people worldwide experiencing some form of disability,[16] this one inclusive innovation solution is not even about the few. It's about the many.

There's an added wonder and benefit of designing for the edge user. When we create teams that truly represent the full spectrum of our target audience—in terms of gender identity, race, age, disability status, and beyond—our innovations inherently become more inclusive. These teams, rich in their collective experiences, perspectives, and intelligence, craft solutions that don't merely serve a homogeneous group, but resonate with a broad, diverse market. By mirroring the world we're designing for, we create more effective, appealing products and services that meet never-before-met needs, thereby unlocking new market segments and opportunities that homogenous teams have been overlooking.

This way of designing shoes without laces does not just help those who have a disability like Matthew. Who doesn't want lace-less shoes? It helps little kids, older people, and people who simply want to slip on their shoes and go. You can also thank designing solutions for the visually-impaired for that Kindle you can read in bright sunlight on the beach, or solutions for the hearing-impaired benefiting viewers who can now read what the TV newscaster is saying at a crowded airport gate.

It's a win-win. Through designing from the edge, we address needs from the edge to the middle and back, thereby expanding our reach.

[16] "Disability," *World Health Organization*, March 7, 2023.

# CONCLUSION

To thrive in the age of AI, shifting political climates, and a power-aware workforce, businesses need to transform—not just in surface-level ways, but by shattering traditions deep within their cultural DNA. And to achieve disruptive innovation, we must first disrupt the field of innovation itself.

We do this through inclusive innovation, which calls for our five principles of defining intractable problems, including everyone, sponsoring diverse-by-design, inclusive teams, designing from the edge, not the center, and sponsoring the change.

It's time to embrace disruption. Let's go together and co-create our future.

| INCLUSIVE DESIGN PRINCIPLE | IN PRACTICE |
|---|---|
| **Define Intractable Challenges** | Define and communicate the breakthrough opportunities, and then provide teams with a system and network to allow them to iteratively discover and prototype. |
| **Include Everyone** | Bring all into the innovation process and leverage their unique experiences and insights to generate new thinking and to execute for impact. |
| **Sponsor Diverse-By-Design, Inclusive Teams** | Sponsor teams to tackle breakthrough opportunities by intentionally putting together a group of people who have different lived experiences that have resulted in diverse perspectives and interpretations. Take the time to help them to become an inclusive team. |
| **Design from the Edge, Not the Center** | Equip the team with practices to solve problems steeped in inclusive design, which creates solutions that work for everyone by starting with those who are currently unable to benefit from the current state. |
| **Sponsor the Change** | Develop leadership that recognizes that diversity is not a problem to be solved, but a driver of change and impact. Create psychologically safe spaces for teams to operate in so that they can question the status quo without fear of being "held accountable" for failure. Architect organizations that allow for day-to-day operation and innovation. |

## THE NEUROSCIENCE OF COLLECTIVE INTELLIGENCE

In Dr. Hannah Critchlow's book, Joined-Up Thinking: The Science of Collective Intelligence and Its Power to Change our Lives, she describes collective intelligence as being fueled by our brains' neurotransmitters (among them, serotonin, oxytocin, dopamine, and endorphins). In it, Dr. Critchlow elaborates on two powerful concepts.

First, that our personal performance and decision-making is enhanced by having the four different lobes of our brains (the parietal, occipital, temporal, and frontal) and the various sensory cortexes (among them, auditory, visual, sensory)

collaborating with each other more than they usually do by default in interpreting the billions of inputs we receive every second through our five senses.

Second, this brain-parts synergies phenomenon within our own individual brains replicates and scales when a collection of brains engage each other in the context of a team. It's what Critchlow calls "joined-up thinking." When this happens, it exponentially improves the group's ability to do divergent thinking and, with that, be more innovative and have greater impact in its outcomes.

## THE POWER OF "HOW MIGHT WE" TO INNOVATE

With these five mindsets in play, it's time to get tactical.

It all starts with an intractable problem. What is the challenge, that if solved, would result in breakthrough improvement for the firm? This can be a customer product challenge—like providing the same service at half the price.

Or, for example, what Spotify had to resolve—how to allow free streaming without falling afoul of copyright infringement? Their innovation? Subsidizing the free access to music for anyone who wanted it to captivate millions of users who would be enticed to pay a subscription fee for an ad-free experience that allowed them to preserve their carefully curated playlists.

It can also be about an internal capability, such as improving quality control or operational excellence. A current one still

begging for a breakthrough answer—how to allow for work from anywhere while not losing organizational cohesion?

There are various ways to design a series of innovation sessions to tackle the intractable problem, using a variety of tools and techniques. One of the simplest, yet most powerful, is the question, "How Might We?" It's a construct that helps with reframing by breaking the grip that the current state tends to have on all of us.

- The "How..." invites exploration.

- The "Might..." allows us to explore without committing to any one solution.

- The "We..." acknowledges that collaboration (both amongst each other and with external stakeholders) is critical.

For each part of this statement, we want to consider human needs. What are our customers' challenges? What are they trying to achieve? What is really holding them back from the best experience?

The result of this reframing can be transformational. Back to the Fender story, they accompanied their guitars with a new product called Fender Play that was packaged with every new purchase and given equal billing to the guitars themselves on the website. The product helped new guitarists to learn how to play in a fun, interactive way that eliminated the need for every new guitarist to purchase lessons. They redesigned the

website to remove the emphasis on Rock Gods (who, by and large, are men) and instead featured people who looked like their customers.

The value of problem framing is to find breakthrough opportunities. How we see problems determines how hard those problems are to solve. When the problem for Gibson and Fender was "how to sell more guitars" it was intractable—so much so that Gibson didn't see the potential. But by asking "How Might We?", Fender was able to reframe the challenge from "selling more guitars" into solving a human need—"making friends."

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