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Funding Growth in an Age of Austerity

Key ideas from the [Harvard Business Review](#) article By Gary Hamel, Gary Getz

The Idea in Brief

You know you can't outgrow your competitors unless you out-innovate them. But in an era of rampant R&D belt-tightening, how can you squeeze more innovation out of every dollar you invest?

First, don't leave innovation to the "experts"; instead, turn all of your employees into innovators. Whirlpool, for instance, trains its 15,000 salaried employees on how to generate innovative ideas. Also, look beyond incremental product or service enhancements for *truly* radical ideas. And conduct small, inexpensive, low-risk experiments to test new ideas' commercial promise. Finally, augment your internal innovation efforts with external resources--such as communities of consumers who are passionate about the same things as your workforce and are dreaming up creative ideas themselves.

The competitive field favors companies that do more with less. Take W.L. Gore. The company's wildly successful signature product, waterproof but breathable Gore-Tex fabric, sprang from a simple experiment conducted during an attempt to create a low-cost plumbers' tape.

The Idea in Practice

Four Ways to Innovate on a Shoestring

Cultivate innovators in your company. Send employees the message that you *expect* them to generate new ideas. Then give them the time, tools, and space needed to exercise their innovation muscles.

Mexican cement maker Cemex devotes nine "innovation days" each year to harvesting employee ideas. One such day generated more than 250 ideas about ready-mix cement, 10 of which had immediate value and could be implemented immediately.

Use outside innovators. Use the Web to find people whose passions match your problems. Many of these zealous souls are willing to work for a pittance. Ask, "Who out there cares about the problems my company cares about? How can we build goodwill in this community? What incentives would engender the volunteers' contributions?"

In its annual Code Jam competition, Google gives developers from around the world the chance to work on its toughest software problems. Cash prizes are modest--the real incentive for contestants is the chance to see their code incorporated into Google's ubiquitous search engine. Google also runs a

public Web site where staffers with zany ideas can post their prototypes and solicit feedback on using or improving them.

Invest in the most radical ideas. For the biggest payoffs, avoid retreads, updates, or add-ons in favor of truly original concepts. "Radical" doesn't have to mean "risky."

The Starbucks debit card was radical: Who'd have dreamed coffee drinkers would pay for their caffeine days or weeks in advance? Yet it wasn't that risky: Debit-card technology was established, and Starbucks could easily test the idea in a few stores first. The payoff? Two months after the card's launch, Starbucks had booked more than \$60 million in prepayments. This innovation now accounts for 10% of Starbucks' sales.

Launch low-cost, under-the-radar experiments. It's not always easy to gauge an idea's potential commercial value. Use "quick and dirty" experimentation to explore a radical idea's possible ramifications--while avoiding expensive risk-taking.

Shell Chemicals talked a major U.K. supermarket chain into letting it install prototype laundry detergent dispensing machines at one location. Frugal U.K. customers liked being able to reuse their containers, and store managers appreciated that the new system saved shelf space. But two additional small-scale experiments uncovered several problems--allowing Shell to avoid the disaster that would have come with an initial large-scale launch.

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Further Reading

Articles

Bringing Silicon Valley Inside

Harvard Business Review

September-October 1999

by Gary Hamel

Hamel offers additional ideas for encouraging everyone in your company to be an innovator. Innovative workforces, he maintains, share several characteristics: 1) No single person in the hierarchy is allowed to kill a potentially great idea. 2) A good idea can come from anyone--including middle- and lower-level employees. 3) If an idea succeeds in the marketplace, the innovator gets rewarded--handsomely and with equity.

Royal Dutch/Shell, for example, developed its GameChanger process to enable unconventional ideas to circumvent the usual approval gauntlet. "Innovation labs" encourage small groups of employees to

brainstorm fresh ideas using examples of radically new thinking from outside their business. "Action labs" help employees develop low-cost, low-risk tests of the best ideas. Approved ideas can receive as much as \$600,000 within eight days.

The Quest for Resilience

Harvard Business Review

September 2003

by Gary Hamel and Liisa Välikangas

This article provides concrete techniques for "quick and dirty" experiments that jump-start radical innovation. For example, test promising ideas through prototypes, computer simulations, and customer interviews. Understand that most experiments will fail--and that it's the performance of your total experimental *portfolio* that really matters. Give everyone who controls a budget the ability to provide seed funding for radical ideas. These "investors" could form syndicates to take on bigger risks or diversify their "portfolios." And reward people for wide-scale experimentation and rapid resource deployment.

Whirlpool's small-scale experimentation yielded a stream of new products--from Gladiator GarageWorks (modular storage units) to the GatorPak (an all-in-one food and entertainment center for tailgate parties).

Building an Innovation Factory

Harvard Business Review

May 2000

by Andrew Hargadon and Robert I. Sutton

The authors describe additional ways to capture innovative ideas from outside your industry and use them as raw materials for new offerings. For example, investigate industries other than your own for proven technologies, products, and processes. Play with these ideas, learning how and why they work and what's good and bad about them. Imagine new uses for existing ideas.

Design Continuum's engineers did this when they spotted the similarity between a child's toy--a battery-powered squirt gun--and an emergency-room tool. The similarity led them to develop an inexpensive, disposable "pulsed lavage" medical product for cleaning surgical wounds.

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