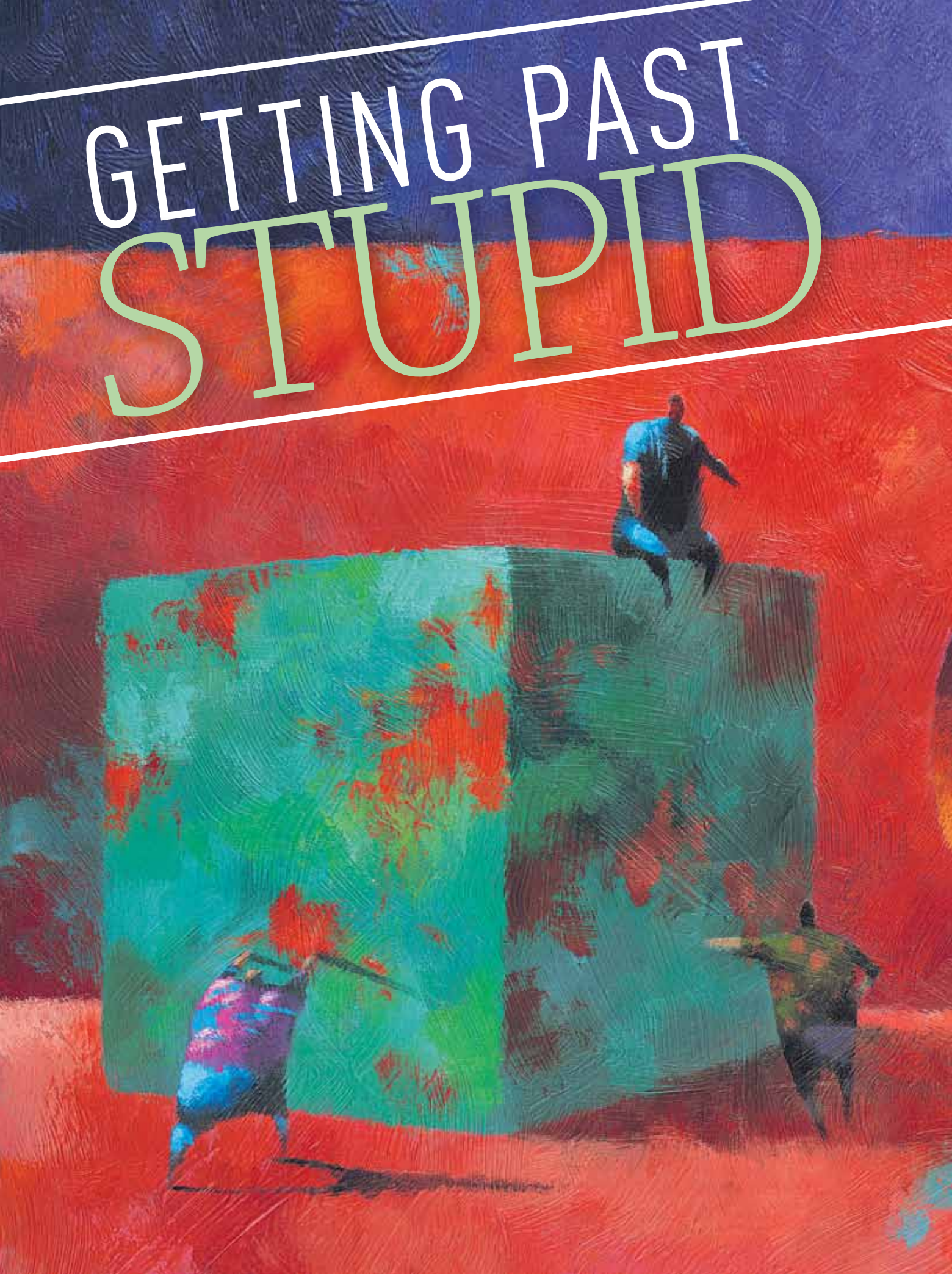


GETTING PAST STUPID



STEPHEN SHAPIRO
EXPLAINS WHY
EFFORTS TO STAY
AHEAD **WILL OFTEN**
LEAVE YOU BEHIND.

BY VADIM LIBERMAN

HERE'S HOW TO GUARANTEE YOUR COMPANY'S SUCCESS:

Look at what other leading businesses are doing right, implement their processes at your organization, and then—wow!—watch your stock price and market share grow. If only it were that easy.

In fact, imitation may be the sincerest form of inanity. “Best practices are not universally applicable, because every company is different,” explains Stephen Shapiro. “Even if you wanted to replicate what someone else is doing in order to differentiate your own company, you’re really just following in the footsteps of others. Doing that is not a source of differentiation or a means to stay competitive.”

In his new book, *Best Practices Are Stupid: 40 Ways to Out-Innovate the Competition* (Portfolio/Penguin), Shapiro, 47, argues that most of the things that companies do in the name of innovation actually destroy it. In fact, not looking to best practices is often itself the best practice. Shapiro, chief innovation officer at InnoCentive, a crowdsourcing consultancy, spoke from his Quincy, Mass., home office about where and how to look for ideas and why innovating is all about asking the right question the right way of the right people.



YOU LIST FORTY TIPS TO HELP ORGANIZATIONS INNOVATE. AREN'T THESE ESSENTIALLY BEST PRACTICES? IN OTHER WORDS, COULD YOUR BOOK HAVE BEEN CALLED BEST PRACTICES ARE STUPID UNLESS RECOMMENDED BY STEPHEN M. SHAPIRO?

I don't know about that, because I'm not saying that *all* best practices are stupid. I am just against using them as your innovation strategy to differentiate your company. For example, best practices can actually be useful in financial or human-resources management because you don't need to reinvent those wheels. But if you believe that doing what another company is doing will help you catch up to or beat competitors, it won't. Innovation is about staying ahead of the competition, not about new products, new processes, new services, new business models, or even new ideas.

BUT ISN'T DEVELOPING SOMETHING NEW HOW A COMPANY STAYS AHEAD?

When I look at the most successful companies staying ahead of their competition, they don't actually develop really sexy things—they find great ways to commercialize old products in new ways.

EXACTLY! YOU JUST SAID IT: "NEW WAYS."

I guess what I'm really saying is that we get so enamored with thinking that innovation is about the new product or new idea that we develop something new for the sake of developing something new. But it's easy to develop a sexy product the market doesn't want or that you can't sell at a reasonable cost. In reality, it's the combination of many factors that must come together to take a challenge or problem or opportunity and convert it into something that creates value. Yet we get stuck in the middle of the innovation process,

which is, *Hey, let's develop new ideas!* Companies hold brainstorming sessions, create flip charts, and write Post-It notes, creating a series of events. *Let's go sit in a room and develop a concept.* That's destructive for a lot of organizations, because what most people come up with tends not to be relevant or strategic or implementable for a variety of reasons. You end up wasting a lot of resources without creating value.

IN FACT, YOU SAY THAT ASKING FOR A LOT OF IDEAS IS ITSELF A BAD IDEA.

When you ask crowds for general ideas, which are essentially variations on suggestions and opinions, you end up with too wide a variety. For example, a large European retail bank that was suffering from eroding market share decided to get input from all its employees on ways to improve and grow the business. The company received thousands of ideas. In the end, none were implemented.

If you ever go onto the "My Starbucks Idea" webpage, where the company asks customers what they think, you're going to find that some people want more foam, less foam, larger cups, smaller cups, hotter or colder. Everyone has an opinion. When you ask many people for their suggestions, you're going to get fluffiness, noise, and uselessness. The ideas tend to be impractical and of low value. I can tell you—based on a number of companies I've worked with that went down this path—that the ratio of good ideas to bad ideas is often one to one thousand.

ISN'T IT WORTH IT TO GET THAT ONE GOOD IDEA?

No—it's a waste of resources. If a company had an unlimited amount of time and money, I would say, *Go for it!* But innovation is always constrained by finances and time. There are more efficient ways to get that good idea: Ask very pointed questions rather than for general input. Einstein said if that if

he had an hour to save the world, he'd spend fifty-nine minutes defining the problem and one minute finding the solution. The reality is that people spend sixty minutes running around finding solutions to problems that don't matter or that were never defined properly.

FAIR ENOUGH, BUT YOU SAY THAT EVEN ASKING EMPLOYEES TO THINK OF WAYS TO INCREASE REVENUE ISN'T SPECIFIC ENOUGH.

Raising revenue is a lofty goal, but posing this type of challenge usually results in fluffy solutions. Instead of asking people for broad ideas on how to raise revenue, you're better off defining very specific challenges: Are there specific markets that you have not penetrated? Are you missing out on customer segments that present a greater opportunity?

A poor example of crowdsourcing is the BP oil spill, where the company asked a really broad question: How do we solve the oil-spill problem? They got 123,000 solutions, and very few were useful. Had

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they taken the time to deconstruct the problem to come up with a more specific question, they probably would've had more valuable solutions earlier.

WHAT SHOULD THE COMPANY HAVE ASKED?

I'm not an expert in this particular discipline, but they could have narrowed the problem like Exxon did after the *Valdez* spill. Exxon asked about one specific issue, something about the density of oil in cold water—a very pointed question about fluid dynamics—which led to a solution from someone who worked with cement and understood how dense liquids operate.

YOU WRITE THAT RATHER THAN FINDING NEW IDEAS, CROWDS ARE BETTER AT ELIMINATING BAD ONES.

That's true. When developing titles for my new book, we used crowdsourcing. What we found was that there was no convergence on which titles they liked. The input from the crowd created more

confusion. However, when we asked the crowd to tell us which titles they did *not* like, there was a high level of agreement. We were able to quickly eliminate a large percentage of the titles.

WHEN SHOULD AN ORGANIZATION CONSULT EXPERTS?

As I say in my book, expertise is the enemy of innovation. But it depends on the problem that needs to be solved. Many problems can be solved by experts, like if you're a chemist and working on a chemistry problem. Other times, the problem needs to be solved by some fundamentally new perspective, so you'll have to go beyond the usual experts. Again, it's all about framing the question properly.

BUT DOESN'T WIDENING THE POOL BEYOND EXPERTS RISK THE PITFALL YOU DESCRIBED OF GETTING A LOT OF "NOISE"?

Sure, you're going to get some noise, but if you define the problem properly and

narrowly, the question becomes a self-vetting process, especially if you add evaluation criteria in the challenge. You create an environment where people will stop themselves from contributing ideas that aren't valuable.

AND THEN THERE ARE SITUATIONS IN WHICH PEOPLE WILL COMPETE TO PRODUCE THE BEST IDEAS.

One way is through innovation tournaments, where the winner is the one who comes up with the best idea. Other times, organizations will take a bounty-hunting approach, where a company will define the challenge as specifically as possible, so there may not be a winner if no one develops the right solution. For example, in the case of the Netflix Prize, the company paid only the team that ultimately improved the recommendation engine by 10 percent.

Bounties are ideal when you know what you are looking for. When you can clearly identify the evaluation criteria, a bounty will focus the solvers and also ensure you are only paying for results. But sometimes you don't know exactly what you need or want. Therefore, you need to do something more exploratory. In these situations, tournaments are good since they provide a wider range of input.

SPEAKING OF REWARDING PEOPLE, WHY DO YOU INSTRUCT COMPANIES TO STOP REWARDING PEOPLE FOR DOING THEIR JOBS?

When you hire people to work for you, it should be expected that they have a basic level of competence. When you simply recognize people for doing what they are hired to do, it reinforces a culture where the status quo is good enough. If the company is so risk-averse that people aren't willing to try anything new, while all you do is reward people for doing what they've always done, all you'll get is more of the same.



IF YOU'RE HIRING ONLY PEOPLE WHO FIT THE MOLD, YOU PERPETUATE THE CULTURE, AND CULTURE IS A CULT, AND CULTS ARE EFFICIENT, BUT THERE TENDS TO BE NO DIVERSE THINKING IN CULTS.

BEFORE ANYONE TRIES SOMETHING NEW, THEY HAVE TO THINK OF TRYING SOMETHING NEW. COMPANIES LIKE GOOGLE AND 3M ARE WELL-KNOWN FOR GIVING THEIR EMPLOYEES AMPLE TIME TO THINK, BUT YOU—

I have a problem with the way some organizations approach this, like by letting employees use 20 percent of their time to develop new ideas as Google does, or 15 percent as 3M does. These companies basically say you have a certain percentage of your time to think about what is of interest to you, but allowing employees to dedicate a percent of their time to innovation efforts of their choosing is akin to the infinite-monkey theorem: If you give an infinite number of monkeys an infinite number of typewriters, they will eventually write *War and Peace*. The belief is that if you give employees enough time to tinker around and develop enough harebrained ideas, they will eventually find the next big innovation. Although this might yield new ideas, it's hardly an efficient way to innovate. I'd rather have people reflect on which problems, if we solve them right now, would produce value for the organization.

INTERESTINGLY, YOU RECOMMEND HIRING PEOPLE YOU DON'T LIKE.

It is human psychology for us to want to surround ourselves, particularly in

the business world, with people who are like us, who have similar beliefs and personalities. As a result, we end up with efficiency—when we have a bunch of people who think the same way, act the same way, and talk the same way, we can agree quickly and get things done quickly. But efficiency doesn't generate creativity or innovation. If you're hiring only people who fit the mold, you perpetuate the culture, and culture is a cult, and cults are efficient, but there tends to be no diverse thinking in cults.

For instance, my natural tendency is to be highly creative, not to be boxed in to anything. The people I typically avoid are the really anal-retentive planners. What I've learned is that I can't be successful without these people. So I hire in pairs—workers who are opposites of each other—to build this type of tension into the organization and then manage it properly.

BUT ISN'T HIRING PEOPLE WHO ARE UNLIKE YOU DIFFERENT THAN HIRING PEOPLE YOU DON'T LIKE?

A lot of times, the reason certain people annoy us is because they think differently than we do, so it's usually the same thing, even if we don't realize it.

I had a conversation just the other day with a client, who told me about a job candidate who was very argumentative in the interview. The interviewer went to his boss and said that this guy

is really good, but he's just not a fit for the company. And the boss said, "That's why we need to hire him." The new employee took a little getting used to, but he added divergent thinking and value to the organization.

WHEN IT COMES TO CREATIVITY, WHY DO YOU INSIST THAT MEASURING IT ONLY ENDS UP STIFLING IT?

There's definitely a place for measuring creativity, and the reality is that organizations have to measure it like they do many other things. The question is: Are we measuring the right things? So it's not measuring creativity but how companies are doing it that's the problem. A lot of organizations measure it based on the number of ideas someone suggests.

I THINK WE ALL KNOW SOMEONE AT WORK WHO ALWAYS HAS AN IDEA FOR EVERYTHING.

Right, and how often are those ideas actually implemented? It's easy to suggest an idea. What's difficult is to suggest a real solution to an important problem. It's not about the quantity of contributions but about the quality, but because numbers are an easy way to measure, we go by very objective measures that focus on quantity. This gives us very misleading results. If I am to be measured by how quickly I can do something or the quantity of ideas I generate, we've done nothing to say whether I am actually valuable. ■

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