Strategic Innovation

Embedding Innovation as a Core Competency in Your Organization

Nancy Tennant Snyder
Deborah L. Duarte

Foreword by Gary Hamel

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CONTENTS

Exhibits and Worksheets xi

Foreword xiii

Gary Hamel

Preface xv

Acknowledgments xxii

The Authors xxiii

1 Introduction: Innovation as a Core Competency 1
2 Reinventing the Wheel 23
3 Vision and Goals 42
4 Leader Accountability and Development 59
5 Culture and Values 80
6 Resource Creation: Open Markets for Funds, Ideas, and Talent 100
7 Knowledge Management and Learning Systems: Democratizing Innovation 123
8 Integrating Strategic Communications with Change Management 143
9  Rewards and Recognition: The Informal Embedment Category  162
10  Measurement and Reporting Systems and Systems Alignment  179
Epilogue   199
References  204
Index     206
EXHIBITS AND WORKSHEETS

EXHIBITS

1.1 Whirlpool’s Organization and Players 19
2.1 The Embedment Wheel 26
3.1 Whirlpool’s Enterprise-Wide Vision 43
3.2 Whirlpool’s Enterprise-Wide and Innovation Visions 44
3.3 The Five CFPM Whirlpool Statements 48
3.4 The Goal Trilogy 53
3.5 Measures and Examples of Individual Goals 55
4.1 Summary of Accountabilities 63
5.1 Cultural Descriptions for Whirlpool, Circa 1995 83
5.2 Respect Value Description from the Values Book 84
5.3 Leaders’ Summary of Values Challenge Meeting Results on “Respect” 85
5.4 Cultural Descriptions of Whirlpool Before Innovation Embedment, Circa 1999 87
5.5 Leaders’ Assessment of Cultural Barriers for Innovation Embedment, Circa 2000 88
5.6 Whirlpool’s Enduring Values 96
6.1 Resource Allocation Versus Resource Creation 102
### EXHIBITS AND WORKSHEETS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.2 MyPage Example</td>
<td>112</td>
</tr>
<tr>
<td>7.1 I-Pipe Tally</td>
<td>127</td>
</tr>
<tr>
<td>7.2 Innovation E-Space Home Page</td>
<td>128</td>
</tr>
<tr>
<td>7.3 Innovation E-Space: Introduction to Innovation Page</td>
<td>129</td>
</tr>
<tr>
<td>7.4 MyPage Introduction Page</td>
<td>130</td>
</tr>
<tr>
<td>7.5 Developing Your Business Idea Page</td>
<td>131</td>
</tr>
<tr>
<td>7.6 Knowledge Management Vision and Mission Statement</td>
<td>135</td>
</tr>
<tr>
<td>7.7 Knowledge Management Needs Assessment Interview Protocol</td>
<td>137</td>
</tr>
<tr>
<td>7.8 Home Page of Customer Loyalty Knowledge Management Site</td>
<td>139</td>
</tr>
<tr>
<td>8.1 Change Path Curve</td>
<td>145</td>
</tr>
<tr>
<td>8.2 Cover of <em>Connect!</em></td>
<td>148</td>
</tr>
<tr>
<td>8.3 Page from <em>Innovation Field Journal</em></td>
<td>150</td>
</tr>
<tr>
<td>8.4 The Three Levels of Change and Their Focus</td>
<td>152</td>
</tr>
<tr>
<td>8.5 How Change Management Addresses the Three Outcomes</td>
<td>152</td>
</tr>
<tr>
<td>8.6 Strategic Communications Focus for Each Level of Change Outcome</td>
<td>157</td>
</tr>
<tr>
<td>10.1 Innovation Business Results</td>
<td>186</td>
</tr>
<tr>
<td>10.2 Performance Management Goals</td>
<td>193</td>
</tr>
<tr>
<td>10.3 Performance Management Form</td>
<td>194</td>
</tr>
</tbody>
</table>

### WORKSHEETS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1 Innovation Embedment Baseline Readiness Assessment</td>
<td>40</td>
</tr>
<tr>
<td>3.1 Embedment Vision Development</td>
<td>57</td>
</tr>
<tr>
<td>3.2 Goals Balance</td>
<td>58</td>
</tr>
<tr>
<td>4.1 Leadership Accountability and Development Assessment</td>
<td>79</td>
</tr>
<tr>
<td>5.1 Simple Culture and Values Embedment Description</td>
<td>99</td>
</tr>
<tr>
<td>6.1 Developing a Resource Creation Primer</td>
<td>118</td>
</tr>
<tr>
<td>7.1 Are You Ready for an Effective KM System?</td>
<td>142</td>
</tr>
<tr>
<td>8.1 Creating a Change and Strategic Communications Plan</td>
<td>159</td>
</tr>
<tr>
<td>9.1 Readiness Checklist for Rewards and Recognition at the Organizational Level</td>
<td>176</td>
</tr>
<tr>
<td>9.2 Organizational Rewards and Recognition Alignment</td>
<td>177</td>
</tr>
<tr>
<td>9.3 Individual Rewards Checklist</td>
<td>178</td>
</tr>
<tr>
<td>10.1 Determining Alignment of Measures, Systems, and Processes with Embedment</td>
<td>198</td>
</tr>
</tbody>
</table>
It’s hardly surprising that innovation has become the new mantra of CEOs everywhere. In our suddenly sober world, there are few alternatives to innovation. Most companies have reached the point of diminishing returns in their cost cutting: they are working harder and harder to eke out smaller and smaller efficiencies. After a decade of frantic deal making, industry consolidation has mostly run its course. In any case, investors have learned that a big acquisition is more likely to destroy shareholder value than create it. Fewer and fewer companies are generating consistent and profitable organic growth. And with customers becoming ever more powerful and value conscious, it’s nearly impossible to raise prices.

So yes, innovation is the only alternative. Yet in most companies, innovation is more rhetoric than reality. If you doubt this, go interview a few midlevel employees in your organization and ask them to describe the “corporate innovation system.” Ask them how they have been trained to be more innovative. Ask them where they go with a break-out idea. Ask them what processes and methods have been put in place to support innovation. Ask them how innovation has been baked into the company’s performance evaluation system. Ask them whether they really, truly believe that top management regards every employee as an innovator, potentially capable of shaping corporate direction.

If innovation is more buzzword than core competence, it’s not because top management is disingenuous. Leaders know that above-average performance demands rule-breaking innovation. The problem is that most senior executives
don’t have a highly developed and deeply practical understanding of what innovation looks like as a corporate-wide capability. To them, innovation is largely about new product development rather than across-the-board business innovation. Innovation is the province of R&D boffins, not the work of every employee. Innovation is a risky and only occasionally rewarding diversion from the basic job of improving operational effectiveness. One can hardly blame executives for this truncated view of innovation. Until recently, no company on the planet had succeeded, or even attempted, to make innovation an encompassing capability.

An analogy might be helpful here. Think back to the late 1960s. If you had suggested to the chairman of General Motors or Ford that there might be a payoff to improving vehicle quality, you would have received a polite nod in return. Sure, quality was important to these companies; after all, they employed a legion of inspectors. Yet no American auto industry executive could have told you about statistical process control, Pareto analysis, quality circles, or any of the other methods that would ultimately come to be known as Total Quality Management. Indeed, the notion that “ordinary” employees could and should be responsible for quality would have struck them as absurd. It took a severe drubbing from quality-obsessed Japanese car companies to open their minds to the radical idea that quality could be an intrinsic organizational capability rather than a specialized function. It then took another two decades for America’s carmakers to decode and adapt the disciplines of Total Quality Management to their own organizations.

Today the bleeding edge for organizations is not quality but innovation. But like those long-departed auto executives, most managers today don’t have a detailed model of how to build this new capability. Or rather, they didn’t until Whirlpool committed itself to doing what no other industrial company had ever done: making innovation a corporate-wide core competence. This book is the story of Whirlpool’s innovation journey. It is the story of a company intent on unleashing the imagination of every employee. It is the story of a company that refused to believe that penny-pinching efficiency and edge-of-the-envelope innovation couldn’t coexist in a single organization. It is the story of a company that has demonstrated a willingness to radically reinvent its core management processes in the quest for wealth-creating innovation.

If you want to stoke the fires of innovation in your organization, you’ll find this book to be an invaluable source of inspiration and practical advice. If it doesn’t have all the answers, it has more than you’re likely to find anywhere else.

April 2003

Professor Gary Hamel
Director, Woodside Institute
Chairman, Strategos
This book is a case study focused on one organization—the Whirlpool Corporation—and its journey to embed innovation as a core competency. *Embedment* is a rather new term, so it’s only fitting that we define what we mean. In embedding innovation, we are referring to a wide range of actions that assimilate, incorporate, internalize, and imbue the entire fabric or lifeblood of an organization with the mind-set and skills of innovation. Think of embedment as a cross between embodiment and bedrock. We will shortly explain in much greater detail the nature and purpose of embedment and innovation.

You are probably familiar with Whirlpool and its major North American brands: Whirlpool, KitchenAid, and Roper. It also has a significant partnership with Sears as a supplier of many of the Kenmore appliances along with the Whirlpool and KitchenAid brands. In Latin America, Whirlpool operates under the Brastemp and Consul brands, both leading appliance brands in the region. In Europe, the major brands are Whirlpool and Bauknecht. In Asia, the Whirlpool brand is the major brand for the most rapidly growing appliance market in the world. In all, Whirlpool is the largest appliance company in the world.

Before the innovation initiative described in this book, Whirlpool was a traditional manufacturing company whose core competencies were manufacturing efficiencies and trade partner relationships with the retailers that sell our brands. Whirlpool began as a washing machine company in 1911, selling washers to Sears and Roebuck. Over the next seventy years, it built the leading
market position in North America. During the 1990s, Whirlpool expanded its reach and became the global appliance leader, operating in every major region of the world. In North America, Whirlpool is a well-known brand name with most consumers, enjoying a reputation of quality and durability. It is also known to a large culinary segment because of the iconoclastic reputation of its KitchenAid mixer, so famous for its design that it is found in design museums around the world. The mixer is a prop in the background of nearly every cooking show and upscale kitchen set on television sit-coms.

Inside the company, Whirlpool has a solid and trustworthy reputation for fair dealing and of integrity with its employees, suppliers, and communities in which it operates. Most outsiders visiting a Whirlpool facility comment on the friendliness and unpretentiousness of the people. In short, Whirlpool is good, solid company with a significant track record and global reach.

In this book, we present Whirlpool’s story of embedding innovation in our company between 1999 and 2003. Chapter by chapter, we discuss the origins of our strategy, the steps we took to implement it, what worked and what didn’t, what needed to be redirected, and what we learned. On occasion, we bring in some of the literature and best practices we used to design our innovation embedment approach. For the most part, though, this book relates Whirlpool’s experience in transforming itself from a cost and quality producer of appliances to a customer-focused company that is well underway in its strategic plan to embed innovation throughout the organization.

To make the book as useful as possible, worksheets at the end of each chapter will help you and your organization replicate the journey we have taken. To a large extent, these hands-on activities can serve as a programmatic guide to embedding innovation in any organization. We encourage you to use these worksheets as the foundation for your own efforts.

**A LONG AND WINDING ROAD**

We want to be upfront and honest in admitting that our story is not clean, neat, and pretty. As anyone who has been involved in massive change efforts knows, this is hard work. Such an effort is even more difficult in a large, global enterprise. The change process from here to there is seldom predictable. If you are looking for a precise and well-laid out picture of change, you won’t find it in this book. But if you are in search of a real-life story about challenges and struggles to address change with successful results, you will find value here.

When Whirlpool was compelled by our CEO to establish and embed innovation as a core competency, we were faced with the daunting task of creating a plan and executing it at the same time, learning and adapting as we went.
along. We used targeted expertise in key areas but had no road map showing us the path to transformation. Other companies may have faced the same challenge, but to our knowledge, the stories of how they approached it, what they accomplished, and where they fell short have not been sufficiently told. The lack of such background is one of the primary reasons that we believed it was important to add our story to the business literature.

In the spirit of candor, we also chose not to tell our story as a nice neat, edited parable, such as those found in much of today’s business literature and conference presentations. Parables crisply recited portraying initiatives that always start where they should, progress along without missteps, and end with aplomb have usually incorporated some sort of revisionist history. Instead, we decided to reveal what really happened within Whirlpool as the story unfolded. We call these boxed interruptions you will find in the body of the chapters the “Duct Tape Version.” These honest and sometimes humorous anecdotes reveal a variety of missteps and midcourse corrections we made to keep on track. We are confident that you will see how the end results are, like duct tape, strong and hard to destroy, and, most important, you will see how the corrections worked for us in the long run.

Do not take away from our frankness and occasional mea culpa style of writing that the people who led this effort at Whirlpool bumbled through innovation embedment or mindlessly progressed forward through sheer luck and happenstance. On the contrary, these people were—and are—smart and leading-edge leaders trying to accomplish something unparalleled in any transformation effort in the world, establishing a global system that allows any one of sixty thousand people, at any level, in any job, to become an innovator.

At the time of this writing, Whirlpool has already experienced great successes in innovation, and we expect many more. This book strives to be an honest and down-to-earth account of how the leaders of Whirlpool are progressing in embedding innovation as a core competency.

**WHO “WE” ARE**

The account of innovation embedment at Whirlpool is extraordinary. This book seeks to share this story with as many people as possible. As Deb Duarte and I wrote, it was incredibly difficult to honor all the people who made it possible. As a result, we use the term *we* quite a bit. It is extremely important that everyone who reads this book understand that we are not implying that we, the authors, led the effort or did all the thinking and hard work that it took to embed innovation in Whirlpool. Indeed, there were, and are, many players who contributed greatly to the creation of innovation from everyone and everywhere.
Much of the hard work of innovation embedment was done at the Executive Committee level and through members of the innovation teams. Deb (through her work with me) and I were most often in the role of executors and implementers.

The term *we* therefore refers to all the people in Whirlpool who made embedment possible: the CEO and chairman of the board, Dave Whitwam; the chief operating officer, Jeff Fettig; the Executive Committee (the eight direct reports to the office of the chairman); the Chairman’s Council (the twenty-five officers in the company); my staff; members of the innovation teams; the knowledge management teams; Corporate Communications; Strategos (our consulting firm); and many others. Whenever an action, thought, or idea was attributable to one person, it is spelled out for the reader.

We list all the players in Chapter One, identifying by name and title some of the many people at Whirlpool who worked hard to make innovation embedment possible. Unfortunately, we could not list them all. We also include two organizational charts to help you understand the structure that Whirlpool already had and the positions and boards we added to serve innovation.

In addition, let us tell you something about who we, the authors, are. One of us, Nancy Snyder, is the corporate vice president of strategic competencies and leadership development for Whirlpool Corporation. I was appointed in July 1999 as the global vice president of innovation to help the CEO and Whirlpool embed innovation as a core competency. I work closely with the senior Whirlpool team around the world to design and deploy innovation into every aspect of Whirlpool, from its jobs to its business processes. I led a global team of internal innovation embedment general managers to share best practices around the world and to assist the business leaders in the ramp-up of innovation to play the key role in the customer-centered business strategy that Whirlpool was and is pursuing.

The other one of us, Deb Duarte, is an external consultant with over nine years of in-depth experience with Whirlpool. My role in innovation at Whirlpool was as an adjunct professional to Nancy’s staff, working on many critical projects in innovation embedment. I aimed to bring a unique perspective to this effort because I have had the fortune of being both inside and outside the transformation process. As a result, my observations are sometimes more gracious than hers and at times more critical. My role in creating the content for this book was to ensure that the story was told in an even and balanced manner, honoring and sharing what really worked, including areas that we may have taken for granted but that readers will find useful.

Finally, Deb and I would like to acknowledge that this book is written from our point of view and perspective. There are many other points of view from within Whirlpool that are important and valid. This is ours. We recognize that