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Innovation Manifesto

Documenting the Rise of “Corporate Communism” & the Need for An Entrepreneurial Revolution

By **Doug Hall** Cartoons by Tom Fishburne
 Based on a presentation given to the UK Marketing Society
 in London on September 12, 2007.

OVERVIEW: *This article outlines why “Corporate Communism” is the primary cause of the 86% decline in US innovation success over the past 20 years. It also suggests a more natural “entrepreneurial” innovation system for corporations that inspires individuals to invent & develop new-to-the-world inventions with less risk.*

The Death of Innovation

Success rates for new products and services introduced by US Companies have plunged over the past 20 years. Today, corporations have a better chance of winning with a Vegas slot machine (32 %) than they do with the average new product or service innovation (5 %). While comparable data is scarce, all generally accepted measures of innovation success point to significant declines.

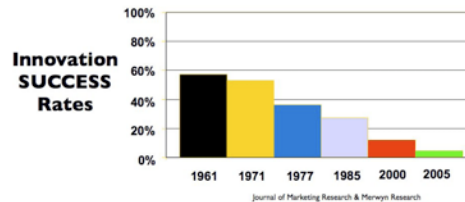
5% Success Rate: Research by the Boston Consulting Group found that only 4.5% of innovations meet or beat targets for return on investment. This is an 86% decline from the 35% innovation success rate reported in 1985.

83% Becoming Commodities: A survey by Copernicus Marketing Consulting found that in 40 of 48 categories consumers perceive the brands as becoming more similar and, in only 3 categories (automobiles, liquor and beer), was brand name considered more important than price.

Only 12% of Growth Initiatives are Innovative to Start: Worst of all, corporate leaders don't even have expectations that their ideas are innovative. A survey by Davis Research found that only 12% of senior marketing leaders consider recently launched products as being differentiated. This finding is confirmed by a Product Development and Management Association national survey that found only

12% of current initiatives are actually innovative – the balance being minor changes or incremental improvements, both of which tend to lose money.

Innovation is DEAD



Why Does Innovation Matter?

Innovation matters because it **DRIVES PROFITS!**

Uniqueness is the single biggest predictor of profitability. One of the first and oldest lessons in business is the power of uniqueness. If your new product or service is the “same old stuff,” it's a commodity with low to no chance of improving your profitability.

Eureka! Ranch research of some 4,000 new products or services finds that **when your new product or service is meaningfully unique, you increase your chances of profitable success by 370%.**

The Rise of “Corporate Communism”

As pressures from China, India, Wal*Mart and Wall Street have increased - management has moved to a game-plan of increased reliance on “Command and Control” or as I call it “Corporate Communism.”

Corporate standardization for global marketing and innovation has replaced the entrepreneurial spirit that used to exist in international operations.

Centralized management of categories has replaced the entrepreneurial “Brand Management” system that P&G pioneered where brands compete inside and outside for resources and customers.

Centralized segmentation of groups of existing consumers to optimize marketing efficiency has replaced BIG IDEAS that excite whole markets and category growth.

Centralized “innovation roadmaps” and “strategic portfolio” declarations restrict resources to those projects that “reinvent the existing” as opposed to the discovery of new-to-the world categories and businesses.

MOST DAMAGING OF ALL - is the innovation management process. Over the past 20 years Command and Control systems have taken over how people think, create, discover and develop innovations.

Command and Control is Corporate Communism. Instead of “bottom up” motivation to create products that change the world – organizations are run from the “top down.” The leadership uses “Gates” to control innovation efforts, claiming their wisdom helps the company make progress toward a higher social order in which success is shared by the employees and shareholders.

Personal Story On Communism

I will never forget a meeting in the former communist country of Yugoslavia with a teen about my age. I asked him what sports he liked to play. His answer, “I used to like basketball, but the government decided I was best at handball so I play that now.”

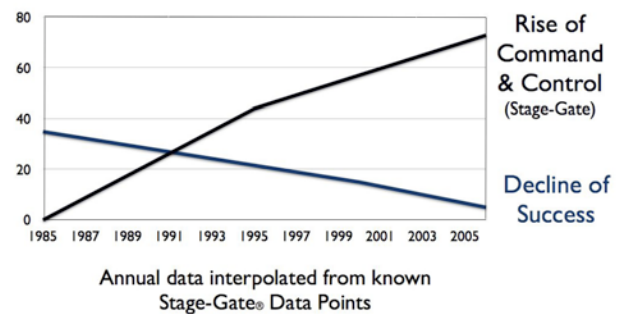
In Yugoslavia they conducted tests of each youth to assess which sport was best for them. Next they made choices based on what would help the country win the most awards in international competitions. It’s likely the tests captured the science of the physical body. However, what the tests missed was the emotional heart, passion and desire that makes the difference between gold, silver or bronze.

Command & Control Doesn’t Work

Command and Control didn’t work in the Soviet Union or Eastern Europe just as it doesn’t work for corporations.

While cause and effect is always hard to prove. Graphing the rise of Stage-Gate®, the world’s most popular Innovation Command and Control innovation system with the decline of innovation success is very telling.

Rise of Command & Control & The Decline of Innovation Success



If you feel the term “Corporate Communism” is too extreme, consider these words from an e-mail I received from business guru Tom Peters from his hotel room in New Deli:

Tom Peters’s *Re-imagine Manifesto*

*They say I’m extreme.
I say I’m a realist.*

*They say, “Sure we need ‘Change.’”
I say we need “REVOLUTION NOW.”*

*They say “Conglomerate & Imitate!”
I say “Create & Innovate!”*

*They say “Globalization is a bumpy road.”
I say India and China and Asia in general are within two decades of running the show: Get ready or get trounced.*

*They say “Install cost controls with teeth.”
I say “Grow the Top Line.”*

*They say “Wait your turn, honor those who have marched these corridors before you.”
I say Get Off Your Butt & Go for the Gold ... TODAY ... or sign the transfer papers willing your job in perpetuity to a Chinese or Indian who Gives a Shit and Gets Up (VERY) Early and works Saturdays & Sundays.*

*They say this is just a Rant.
I say this is just Reality.*

*They say "The man is not nice."
I say "The times are not forgiving."*

Stage-Gate - Gateway - Check Point - and all other variations of Command and Control enable Corporate Communism.

The problem is the SYSTEM. As Dr. W. Edwards Deming, the statistician responsible for the resurgence of Japan after WWII found:

***"94% of problems are due to the system.
6% are due to the worker."***

In the corporate world, there is one innovation management system responsible for more "command and control" than any other. It's called Stage-Gate. It's a service offering of Stage-Gate Inc. It's a virtual monopoly. Some 73% of North American companies manage innovation using it or its variations. It's a system of stages of development and gates of approval as the name suggests.

Stage-Gate is a decedent of the Phased Project Planning Process created by NASA for the space program. The purpose of the NASA system was to "eliminate risk." In the broad sense it's probably done that. However in a number of cases the system itself might have been a contributing factor to catastrophes:

Apollo 1: Issues with wiring were raised by astronauts. The danger of pure oxygen atmosphere and the need for an emergency escape hatch were voiced by the sub-contractor. However the "command and control" NASA system had no mechanism for receiving, assessing or taking action on these issues after the issue had passed the "Phased Project Planning Stages."

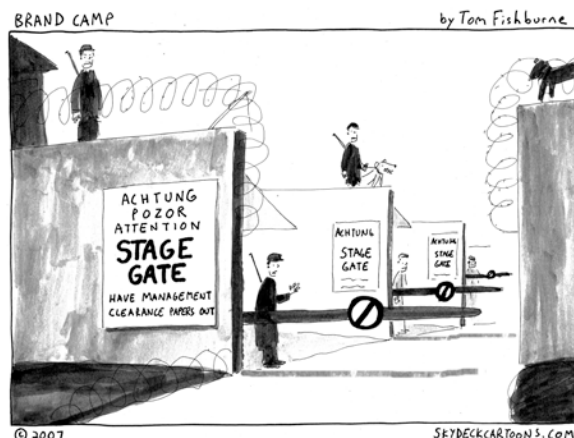
Apollo 13: Sub-contractors, each working in separate "SILOS" made small compromises that individually were probably not fatal - however when combined they caused the disaster. A consequence of the NASA and Stage-Gate systems, as practiced, is reduction in



communication and cooperation between departmental silos.

Space Shuttle Challenger: The presidential investigative committee found that NASA's organizational culture and decision-making processes were a key contributing factor to the accident. NASA Managers had known about the potentially catastrophic flaw in the O-rings for nine years. And, engineers alerted management of the danger of launching in cold weather. However, given that decisions are made "top down" in a Command and Control system - the consequences were not properly considered.

Space Shuttle Columbia: Dr. Sally Ride, who served on both Space Shuttle panels found remarkable similarities between the two tragedies. In both cases the problems were well known. However, the "NASA system" had no mechanism for processing issues after they had been approved by the "Gates." or project planning states. Research found that top management's assessment of "risk" was an order of magnitude overly optimistic versus the front line engineers that built the shuttle.



Stage-Gate Inventor Admits Innovation Failure

Dr. Robert Cooper, creator of Stage-Gate confirms the major decline in USA innovation results. In an article he authored for the Product Development and Management Association he said:

"Attention: Results are Down! Your New Product Development portfolio may be harmful to your business's health! ... New product sales fell from 32.6 percent of total company sales in the mid-1990s to 28 percent in 2004."

In this same 2005 article, he reports that new to the world (true inventions) and new product lines to the company are DOWN more than 70% from 1990 to 2004.

Dr. Cooper defends Stage-Gate by claiming the issue is poor execution of his system and a decision by companies to not pursue true innovations. He goes on to share research documenting how the “best companies” are doing so much better than the rest. I don’t buy this. All he has done is prove that there is a “bell curve” distribution of failure and success.

The real proof of a system is in how it moves the “entire population.” Real systems have robustness that make for success even when you don’t have perfect execution.

When challenged on Stage-Gate effectiveness corporate managers who run the system quickly declare how the version they use is so very different. To the leaders they may seem different. However to those working in the system the differences are not seen as very meaningful. Tom Fishburne, the artist behind the cartoons in this article said this about changes. *“At General Mills, I remember they made a big show of revamping Stage Gate, with a big launch of something called “Gateway”, but the process was exactly the same. They just changed the names for each of the steps.”*

A quote from Taiichi Ohno of Toyota articulates the power of reliable and reproducible systems:

“Brilliant process management is our strategy. We get brilliant results from average people managing brilliant processes. We observe that our competitors often get average (or worse) results from brilliant people managing broken processes.”

Why Command and Control Doesn’t Work

To the best of my knowledge, there is no “theory” to support why any of the phased command and control systems such as NASA’s or Stage-Gate should be motivating to employees and should in fact be effective. There is however real reason to believe why they might NOT be effective.

1. INTRINSIC Pride of INVENTING is replaced with Extrinsic Command and Control

Command and Control sucks the life from innovators. Or as Dr. Deming said, *“Command and Control turns a company into an organizational prison.”*

Instead of the people’s passion driving them to create miracles – they are slaves to the leaders commands. They’re stripped of their ability to think and to turn their dreams into reality.

Research by Teresa Amible, of Harvard Business School documents clearly that for creativity to flourish it must be driven by intrinsic motives.

Extrinsic rewards or approvals rob the worker of the pride of craftsmanship and the motivation to create big innovations. Dr. Deming outlined how Command and Control destroys the the individual.

“Our prevailing system of management has destroyed our people. People are born with intrinsic motivation, self-respect, dignity, curiosity to learn, joy in learning.

The worker in America is under handicaps that are taking a terrific toll in quality, productivity, and competitive position. Barriers and handicaps rob the worker of his birthright, the right to be proud of his work, the right to do a good job.”

With Command and Control you must get approval before you can spend significant time, money or resources on an idea. In effect, you must know the answer to your innovation challenge before you can start work discovering what’s possible.

Unfortunately, Central Command does not have a very good track record with making decisions on innovation projects. And, the workers know it. They know the long-term failure of “central command” to make the right decisions.



Poor decisions on a continuing basis destroy motivation and morale. **Over the last 6 years, our Eureka! Ranch Consulting Group has measured a 17% decline in optimism of innovation success among FORTUNE 500 executives.**

Without intrinsic optimism there is no meaningful innovation. Managers pursue only those ideas that are small, safe and with the lowest level of risk, because these are the ideas that Central Command has a history of approving.

Lack of optimism creates a chain reaction of failure. A study we conducted with corporate leaders found it takes 7.3 brainstorming sessions to get just one idea that is worth working on. Think for a moment – how motivated would you be to create ideas if you knew there was only a 14% chance of success.

2. Gates of Life/Death ignite Fear & Fudging

With Command and Control systems a high percentage of ingenuity is spent on making it through the gates as opposed to focusing on creating a big idea that excites customers and consumers.

Review gates create fear and fear destroys creativity. Eureka! Ranch research of hundreds of teams finds that as fear goes up, the number of meaningfully unique ideas created goes down. **Instead of courageous innovations the focus is on the safest of ideas.**

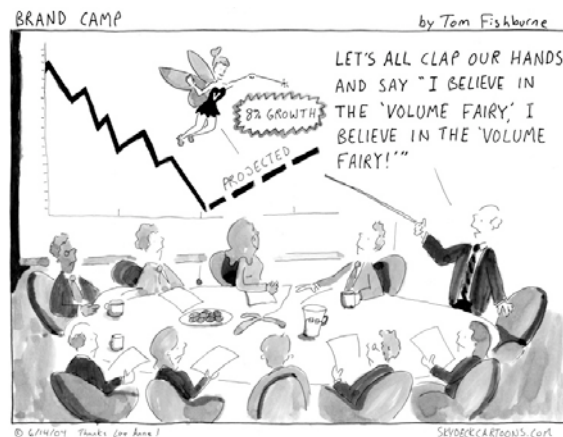
People give up trying because they know their project will be shut down by a committee with a losing track record. And, since these decisions are seemingly arbitrary, people focus on “fudging” or “gaming” the system to get projects approved as opposed to investing that energy in creating unique ideas with the potential to win.



TRUE STORY: A Eureka! Ranch client had three massive new product failures. The three products achieved only 50 to 70% of their sales objective. The CEO asked us to talk to those in charge of each of the initiatives on a confidential basis to learn what really happened. We asked each of the project leaders, two of which had left the company, what they were thinking when they were at the sales meeting for the introduction of the new products.

In each case, the leaders knew the products were going to fail. When asked how they knew, they pointed to very specific pieces of research. When asked why they didn't stop the project they shared that they were so far

along, and the company didn't have many other options, so going forward was thought to be “better than nothing.” In effect, they were “praying” to the “volume fairy” to create a miracle.



Going ahead in the face of certain failure is a consequence of Command and Control's underlying assumption of scarcity of resources. In the entrepreneurial system described later, you'll learn how by changing the methods of research and development a culture of ABUNDANCE is developed in place of SCARCITY.

With abundance, ideas that are not ready to ship – don't ship. They are delayed until they are right – and this doesn't impact the bottom line – as there are an abundance of ideas in the pipeline waiting to be commercialized.

Eureka! Ranch research conducted on behalf of the US Department of Commerce found that those companies with more choices for growth in their pipeline grow 1.5 to 5.8 times faster than those with few choices for growth.

3. Quality is “Inspected In” – Instead of Being “Built Into” The Innovation Process

With Command and Control as practiced, quality is created by expert inspection. In the world of manufacturing products there is no doubt that this approach is inefficient and ineffective. The smart approach when manufacturing products or ideas is to build quality into the development process.

A short review of the Command and Control Gated Development Process, as I've experienced it, exposes the flaws.

In the first stage, most commonly called the “Scoping” or the “Business Case” stage, research is conducted to

discover the ideal offering for customers or consumers. Only a small amount of development resources are utilized, as the purpose of the system is to protect and prevent waste of scarce R&D resources. From this stage, the “ideal” is defined based on listening to the voice of the customer. This process takes three to nine months, and can cost upwards of a million dollars when staff time, concept development suppliers, market research costs and overhead costs are fully accounted for.

With approval to the “ideal,” the innovation group or business development team declares victory and the project moves from the “Marketing silo” to the “Development silo.” In the “Development” silo, energy is devoted to looking at technical, regulatory, finance and production issues. And sadly, here the “ideal” project crashes into reality, and reality wins. The ideal



is usually not feasible.

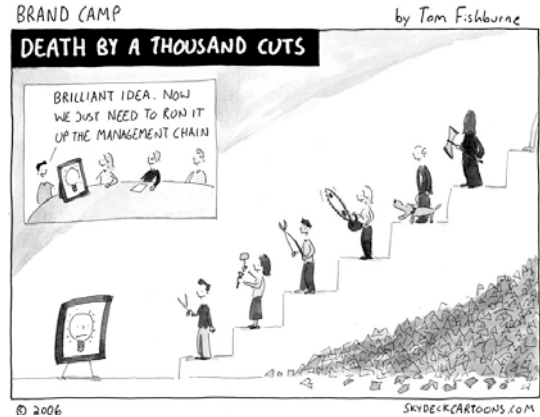
At this point the team from the Marketing Silo points fingers at Development and claim they’re not working hard enough, they’re not team players, and they’re clearly not smart enough to do what they were told to do.

At this point there are two choices for the project:

1. **Do Over.** Stop the project and go back to the start and spend another million dollars and 6 months.
2. **Go Ahead Anyway.** Invest energy and ingenuity in defending why what can be done is same pretty much the same – hardly noticeably different – than what was originally proposed.

The path chosen is most commonly the second. The result is what I call Corporate Cancer. The cuts to innovation originality start small just like cancer cells. Then the cancer cells and cuts to the idea start to multiply. Compromises in the interest of getting to

market faster grow until we end up with our current 95% failure rate.



4. It Destroys Diversity of Thinking

I believe Command and Control systems such as Stage-Gate are liked by corporate leaders as they often map directly onto existing departmental silos. It provides a simple method to determine when innovations move from one department to the next.

With Command and Control each department optimizes based on their departmental purpose:

- Marketing designs against the end user’s ideal needs
- Sales designs against the retailer or distribution user’s ideal needs
- Manufacturing designs against the production department’s ideal needs
- Legal and regulatory designs against the desire for absolutely no risk.

Stage-Gate encourages a relay race system of hand-offs that don’t address the full consequences. And, when cross functional teams are assigned to work a project they are given “token” authority. The true power to make real decisions is retained in the “silo command” groups.

The result. Each silo declares victory and the collective company fails. Given urgency to ship as fast as possible – each silo works to a set level – say 80 or 90% of perfection– so to not hold up the project. However, errors compound. Thus, a 90% quality measure with each stage multiplies out to a cumulative 43% success rate. An 80% quality results in a 17 % success rate. And an average success rate of 50% results in an overall success rate of 0.4%.

Insights	90%	80%	50%
Qualitative	90%	80%	50%
Quantitative	90%	80%	50%
Development	90%	80%	50%
Manufacturing	90%	80%	50%
Advertising	90%	80%	50%
Media	90%	80%	50%
Sales	90%	80%	50%
Success Rate	43%	17%	0.4%

The ENTREPRENEURIAL alternative to Command and Control

A set of principles for transforming your company from Command & Control to an entrepreneurial - system driven by individual initiative.

Organizations innovate only when individuals innovate. Individual innovating does not guarantee organizations innovating. But without it, no organizational innovating occurs.

(paraphrase from *The Fifth Discipline* - Peter M. Senge)

The entrepreneurial alternative is based on the principles used by the most successful innovators in our country – entrepreneurs. The data on entrepreneurial success is clear:

50% Success Rate: The Small Business Administration reports that 50% of all small businesses are still in business after 3 years. (Recall, less than 5% of corporate initiatives survive this long.)

100% of all New Jobs: The Small Business Administration reports that nearly 100% of all new jobs in America have come from small and mid sized companies.

95% of Breakthroughs: Babson College reports that 95% of all breakthroughs since World War II have been discovered and developed by small businesses.

At the Eureka! Ranch we brand our entrepreneurial development approach Trailblazer. The name chosen to evoke a spirit of adventure. This spirit is critical. **Research of participants in Eureka! Sessions finds that**

those with an adventurous spirit are 72% more successful with innovation.

1. Innovation is an Individual, Intrinsic Sport

With the entrepreneurial approach, the individual is the driver, not the department, not the company, not the review committee. It is the individual who drives the project. Ideas are no longer “passed off” from department to department without the owner.

The entrepreneurial process is built around a leader – an owner – who is fully responsible for the design, development and delivery of the innovation. Trust is placed in the power of the individual to discover and develop ideas that are both meaningful and practical.

The project leader’s motivation is fueled by intrinsic passion to innovate in the same manner that an entrepreneur is driven to change the world. Importantly, this passion for making a difference is the natural way. It’s within all people. It’s even available to corporations if they don’t squash it with command and control.

Personal passion cannot be bought. Studies of successful entrepreneurs find that a passion for “financial reward” does NOT correlate with success. Rather, the key to success for entrepreneurs is creativity and ingenuity – traits that come from an intrinsic passion.

If a project is proposed that no one has genuine passion for - then the corporation should not do it. Innovation is an emotional road of ups and downs. There is no amount of money or fame that can drive someone if they don’t fully, intrinsically believe in the mission.

2. Leverage SIMULTANEOUS ENGINEERING

Real world entrepreneurs have broad, renaissance skill sets. Corporations have teams divided into “silos” of responsibility. The entrepreneur holds all wisdom in their head. Entrepreneurs decide, Command and Control delegates. Entrepreneurs get their hands dirty, Command and Control pass off real work to another silo or they outsource and depend on their suppliers to deliver results. Entrepreneurs work the whole solution - rapidly. Command and Control work the pieces - slowly.

The entrepreneurial leader’s purpose is to achieve the end purpose in the best possible way. Instead of a relay race of hand offs, the entrepreneur uses a circular process of testing and learning seeking the best “total solution” as opposed to departmental focused solutions.

Apple Computer calls this total solution approach Simultaneous Engineering. The power of this approach can be seen in the iPod. The magic of the iPod is how the whole works together – the hardware, the design, the software and even the legal agreements with record companies to provide songs for 99 cents.

A higher order sense of purpose drives the process, not personal egos. A higher order purpose sparks an openness to borrowing resources and partnering on development. With corporate silos, “not invented here” syndrome ignites protectionism of existing thinking, resources and systems.

Instead of whining about scarcity of resources, the Trailblazer leader believes in abundance and collaboration. If something can't be done internally, they simply do a Google search, send e-mails and make some phone calls for looking for collaborators that they can borrow expertise or resources from.

The corporate world is recognizing the power of this concept. Procter & Gamble calls it Connect + Develop. It involves sourcing innovations from the inside and the outside of the company. The P&G annual report explains *“Connect + Develop is proving to be an enormous source of innovation and competitive advantage. We're innovating faster, better and more cost effectively as a result of external partnerships. More than half of the new products in our pipeline today include at least one external component.”*

With Trailblazer there is a healthy tension between the customer promise and the product reality. Innovations are optimized based on the WHOLE SOLUTION, not departmental politics. The result is a level of synergy between marketing and product that is rare.

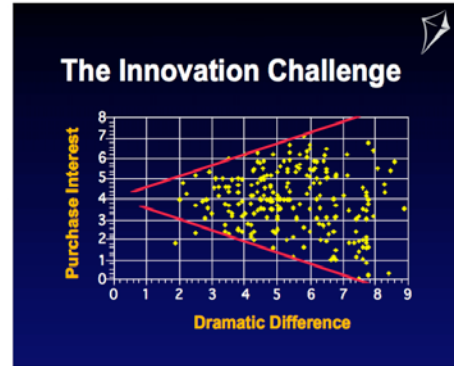
In the 1980's, marketing researcher Wally Marx found that **80% of the time, claims on product packaging didn't match the message in advertising.** The reason for lack of synergy between packaging and advertising is due to varying lead times and lack of clarity by the project team. This is MADNESS!

Today, we believe the situation is even worse. Instead of focusing on the discovery of big ideas that change categories - energy is focused on squeezing greater productivity out of marketing dollars. Again, the operating mantra is scarcity or resources not abundance of innovation opportunities.

3. Reduce Risk via “Fail Fast, Fail Cheap” Cycles of Learning

Innovations are adventures. And adventures, by definition, have risk associated with them. As the data

in the chart below - of real world innovation shows - the greater the innovation (Dramatic Difference), the more likely the idea is to generate very high or very low interest from customers. As ideas become less unique, the odds of massive failure go down and the chance of profits goes down too. Ideas that are not unique are commodities that offer little chance for profits.



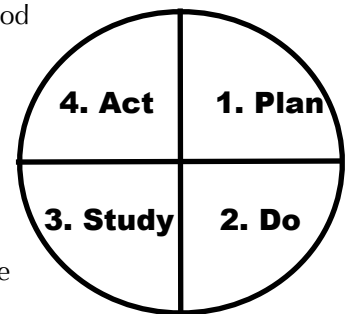
Command and Control systems reduce risk through detailed analysis, research and review. The Entrepreneurial system reduces risk through rapid testing and learning.

Instead of assuming wisdom – the entrepreneur respects the unknown. Risk is reduced by running hundreds of small tests, each test helping the entrepreneur adapt and adjust the idea to increase odds of success.

The entrepreneur gets understanding first hand. He personally make sales calls experimenting with different messages, walks trade shows to assess the competition, and “get's his hands dirty” creating home made prototypes to test the viability of new technologies.

The formal term for this approach to risk reduction is the “scientific method.” The Eureka! Ranch term is “fail fast, fail cheap” cycles of learning. Fail fast, fail cheap is the natural way of innovators. It's about making ideas real. It's about experimentation & continuous learning.

A simple step-by-step method for Fail Fast, Fail Cheap is known as the Deming cycle. It involves four steps: 1) PLAN the test, 2) DO the test, 3) STUDY the results and 4) ACT on the findings – adopt the change or run it through the cycle again.



The fail fast, fail cheap approach to reducing risk is very effective. Not only are entrepreneurs more successful, they are also less likely to lose money. A little known fact is that entrepreneurs rarely go bankrupt. Research

indicates only one in seven entrepreneurs have debt when they close a business.

Addressing death threats is the primary purpose of fail fast, fail cheap cycles of learning. The entrepreneur views death threats as adventures. They see them not as obstacles but rather as creative problems to be solved.

100 DAYS To Make it REAL

The classic Trailblazer - entrepreneurial project is a 100 Day Blitz. The effort focuses on making ideas real as soon as possible.

Key to the entrepreneurial approach is confronting project death threats at the start – when there is still enough time, energy and resources to adapt to the challenges. In contrast, the Command and Control approach divides responsibility of death threats across departments resulting in a lack of ownership and responsibility.

Progress not Perfection – Entrepreneurs believe in getting an innovations 25 to 40% right and getting rapid feedback. It's not uncommon for the entrepreneur to do 10 cycles of learning before the classic command and control system can run one. We've found it's very difficult to get corporate managers to break the habit of pursuing perfection. They "rationally" understand what they need to do. However, emotionally, it conflicts with their sense of self worth and historical reward system.

Most Trailblazer leaders that we've coached start with a 4 week Plan, Do, Check, Act cycle and within about 4 months are down to a 7 day cycle. Half the challenge in reducing cycle time is the Trailblazer's ego and fear of failure. The other half is applying creativity to find ways to create disposable prototypes and gather rapid research feedback.

4. **Free Market "PULL" Drives Investment not PUSH**

The entrepreneurial approach is funded through the PULL of those who seek to make money on the entrepreneurs' courage, creativity, ingenuity and resourcefulness.

The one corporate emotion more powerful than fear is greed. To excite corporate leadership the internal entrepreneur makes their ideas real, quickly and efficiently so to generate positive corporate momentum and the "pull" that comes from management greed.

Real entrepreneurs know there is plenty of money available to invest in ideas that offer a meaningful perceptible difference. They take responsibility for gathering the evidence necessary to excite potential

customers, investors or partners in the virtue of their innovation.

If an entrepreneur can't find a way to generate "pull" from the marketplace or management, they adapt and adjust until they can – or they move on to their next best idea. Giving up one idea for another is seen as part of the adventure not a personal failure it's just another step in the innovation journey.

To help corporate cultures accept the discontinuation of an idea, we encourage project teams to work three ideas simultaneously. Working three ideas simultaneously doesn't take significantly more money than working one if you're using fail fast, fail cheap cycles of learning. It also helps reduce the emotional "roller coaster ride" of ups and downs that occur when developing innovations. As one idea faces challenges or stalls, one of the other ideas will be moving ahead and making progress.

In An Ideal World – A Free Market Economy Drives Investment. Genuine innovations are so bold, and unique they can generate investment pull from outside as well as inside the corporation funding sources. When innovations are patentable, bold and meaningful, they can also tap into secondary funding sources such as joint ventures, licensing or direct sale to other companies.

This approach is popular at General Electric where their net income from partnerships is growing at twice the rate of the base business. Jeffrey Immelt, GE's, CEO says *"we've learned that it's better to partner."*

Under a free market economy, the entrepreneurial leader takes personal responsibility for their success or failure. As opposed to Command and Control where the corporation "owns" the idea, in the entrepreneurial approach the free market determines if an idea is going to market.

Early Reports on Trailblazer are Encouraging

The principles behind Trailblazer, the Eureka! Ranch's form of entrepreneurial development, have a long pedigree, however, their application in the corporate world is relatively new. To skeptics, we offer this encouraging initial evidence:

1. **The Driving Force Behind the P&G Innovation Record:** Before they were articulated with such clarity, they were the instinctive principles I used at Procter and Gamble to develop and ship into market testing nine innovations in twelve months. A study by the finance department comparing the entrepreneurial approach to the classic Procter & Gamble system (for comparable projects) found the

entrepreneurial approach took 16% of the time, 10% of the cost and 10% of the staffing of the corporate approach.

2. Real World Results = 98% Success Rate: Since the formal introduction of the Trailblazer approach in June of 2007, these methods have resulted in success for 41 out of 42 growth projects. Many of these projects are already generating sales, others are on their way to market. A few testimonials bring the success to life:

"What most amazes me is how the process fired up my Technical Team. For the first time ever they are pushing marketing to go faster with a new product."
 Scott Almquist, CMO, Evenflo

"We've gone from a 6 month 'concept creation to test results' cycle to a 7 day cycle."
 John Muldoon, Manager of Innovation, Edrington Group

"Our thinking is the barrier to our future growth. We can talk ourselves out of any idea, but Eureka! teaches you to trust your intuition and explore new ideas. We have been making the same product for over sixty years. This experience gives us the courage to try something new!"
 Mike Stern, CEO, Kreiser Industrial

"One of the toughest challenges is creating and shipping ideas for new categories. The Eureka! Ranch helped us do just that. More importantly – in the process of helping us they also taught us how to do it ourselves."
 Jim Sullivan, VP Mkt & Development, Alliance Data

A Short Story About WHY this is URGENT!

In Little Rock Arkansas, I met the owner of a medium sized business that makes gloves for firefighters. He was looking for help because he had lost half his sales to a company from Pakistan.

OUCH, I could feel his pain. How embarrassing. How could a marketplace as "red-blooded American" as fire departments start buying gloves from a Pakistani company?

I asked, "How much cheaper were their gloves?"

"That's the sad part," the owner replied. "while it's true that they have a lower cost of production – their new glove actually costs more than our glove."

"How can that be?" I asked.

"Their glove is more flexible. It's a new design. It just works better." He answered.

This is why transforming our innovation system from Command and Control to an entrepreneurial approach] is critical. It's one thing to lose to a low cost manufacturer. However imagine what will happen when the low cost markets combine low cost production with creativity, innovation and dramatically different product offerings.

And now you understand why I believe this situation is urgent.

If you have comments on this article please post them at www.BrainBrewCafe.com

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Eureka! Ranch services, including coaching in the Trailblazer system are available direct from the Eureka! Ranch - in Cincinnati, Ohio.

OR - in all 50 States in the USA from the NIST/MEP Network -- see www.EurekaRanch.org for details.

OR - in 18 countries from NIELSEN/ BASES see www.EurekaRanch.com for details.

READING LIST - To learn more about the issues with "Command and Control" and to learn about the power of systemic improvement.

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Special thanks to Tom Fishburne for his outstanding cartoons. The note that he sent in reaction to the draft of this paper outlines our common purpose:

"When I lived in Prague a few years ago, I heard about samzidat (<http://en.wikipedia.org/wiki/Samizdat>), the contraband government-suppressed literature that people would self-publish and pass around to each other with the constant threat of getting arrested. I hope your samzidat article hits the corporate underground and gets forwarded rampantly and tacked on underground cubicle walls across the US!"

To see more of his Brand Camp cartoons visit www.tomfishburne.typepad.com

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