



Some Observations from a Front-Row Seat on Innovation

Harold E. Krivan
Sawgrass Solutions

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Discussion Outline

1. Introductory Remarks
2. Observations
3. Concluding Comments



Introductory Remarks

- An honor to represent PACE
- Source of observations
 - Reading
 - Doing
 - Judging



Innovation Is Everywhere

- **New DuPont President:** “Key challenge facing the company was fostering innovation while continuing productivity gains”
- **GE ad:** “Innovation you don’t have to wait for”
- **Annenberg Foundation:** Empowering innovative minds and groundbreaking approaches



Innovation Is Everywhere

- **McCain and Obama:** Innovation in platforms
- **Myron Scholes:** “Through innovation and creativity, the 20th Century became the American Century; will the 21st be so or will it become the Global Century?”
- **Janet Rae-Dupree:** “This is no time to forget about innovation”



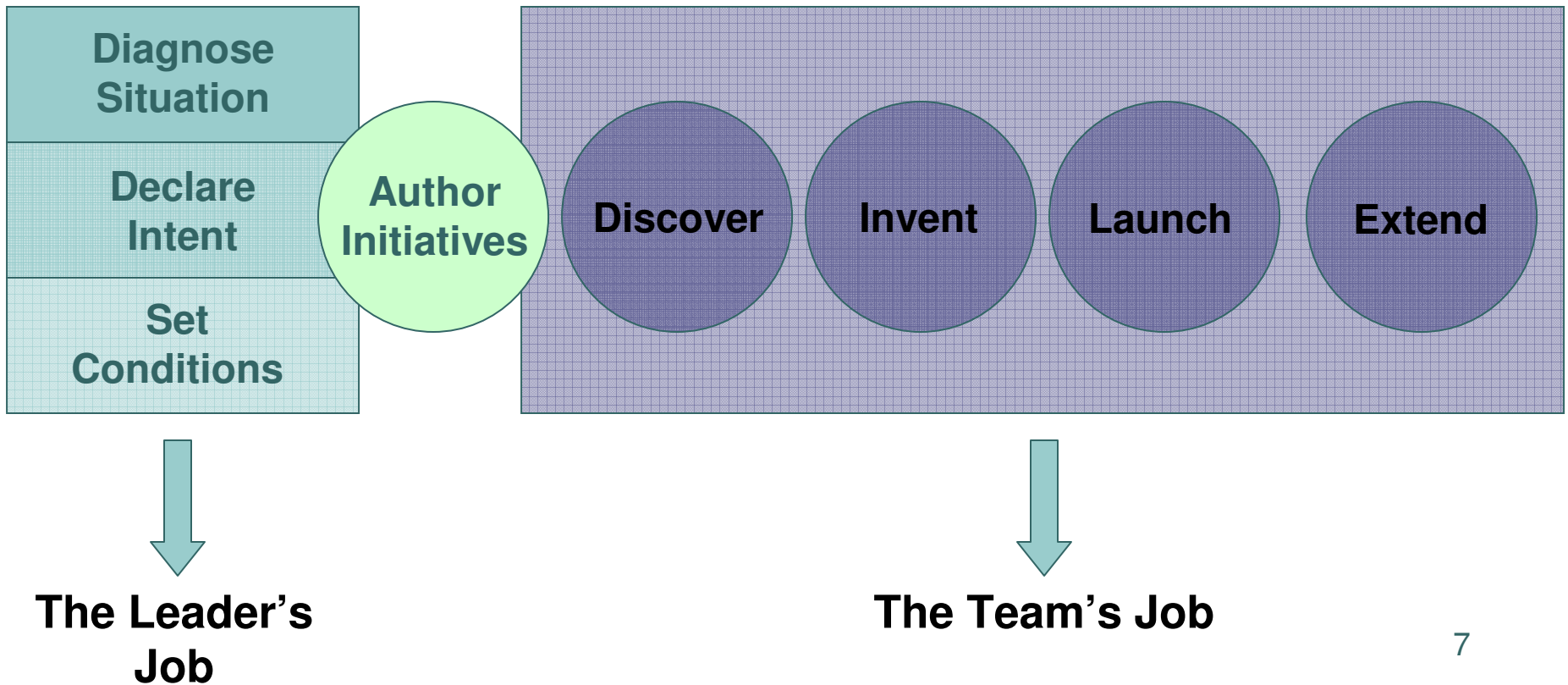
The Challenge of Innovation

- Stipulate: The “what” of the need to innovate is a given
- The challenge is the “how”
 - To institutionalize it
 - To do it cost effectively
 - To maximize the number of successes and their size
- Some observations on the “how”...



Observation: Innovation Is a Process – a Team Sport

- Doblin Group



Observation: Innovation Is a Process (continued)

- Inovo (Ann Arbor)



- Methodological approach designed to:
 - Compress Time
 - Increase yield
 - Speed adoption
 - Increase adoption



PACE Awards Observations: What Innovative Companies Do

- **Number One:** Transform innovative product(s) into innovative business system(s)
 - Product → System solution → System integrator
 - *Scalable* to multiple platforms and solutions
- **Key Point:** Pick your opportunities carefully / rigorously



PACE Awards Observations: What Innovative Companies Do

- **Number Two:** Embrace environmental and safety concerns as fertile fields for innovation
 - Addresses growing pressure for environmentally friendly processes
 - Lowers product's harmful impact on people/planet
 - Meets regulatory requirements and positions company as environmentally and occupant friendly
- **Key Point:** Environment / safety sell and differentiate



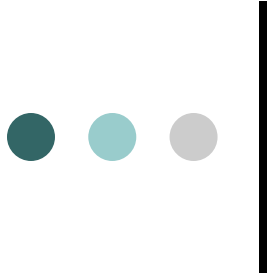
PACE Awards Observations: What Innovative Companies Do

- **Number Three:** Focus on basic science in a variety of fields to solve customers' problems
 - Reach outside normal disciplines
 - Go outside and co-evolve
- **Key Point:** Taking good ideas wherever they come from is a competency to nurture
 - Improves efficiency
 - Increases speed
 - Lowers cost



PACE Awards Observations: What Innovative Companies Do

- **Number Four:** Master management of complexity in delivering systems to OEMs that are user-friendly to automotive consumers
 - Solutions increasingly involve multiple systems
 - Challenge to manage supply chain
 - System integrator opportunities
 - Simplify life for end customer
- **Key Point:** Higher risk, higher rewards



PACE Awards Observations: What Innovative Companies Do

- **Number Five:** Take extreme steps to understand customers' needs
 - 65% of PACE finalists jointly develop with OEM customers *on a regular basis*, insuring involvement from the beginning
 - Strive to fully understand ultimate end-user needs → improves partnership development
- **Key Point:** Outside-in perspective increases chances for success



Concluding Remarks About Innovation

- Not if, but *how*
- Many benefits
 - Top line
 - Profit
 - “Go-to guys”



Concluding Remarks About Innovation

- “Stall Points” (Corporate Executive Board)
 - Stalls controllable (88%) vs. uncontrollable (12%)
 - “Innovation management breakdown” (13%) is second-most contributing controllable factor
 - <http://stallpoints.executiveboard.com/>



Concluding Remarks About Innovation

- Everyone must play the game, especially leaders
- “None of us is as smart as all of us”