

# How Global Companies Innovate

BY ELIZABETH BRINK

**Innovation is a particular** challenge for global companies. To get traction, they need to question their structure, look critically at their own “orthodoxies”—and find places to create their future.

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**Dr. Jens Maier** was Gensler’s client for Zurich Development Center, a ground-breaking project for the Zurich Group that serves its top leadership as a “lab for business prototyping” where they can work together to put new strategies in place. He now consults with global companies to help them address issues of innovation and organizational learning.

**As the economy recovers how are these issues changing, and what other challenges are global companies facing?**

**JM:** After the Internet bubble burst, all we saw was cost cutting and more cost cutting in large organizations. Ideas around innovation were hardly considered. With business improving, the strategic agenda of many of these companies has moved straight back into “How do we create internal growth engines?” Stock markets will always look for dependable profit performance, and cutting costs was one way to do it. Now that’s run out of steam, “We’ve squeezed the lemon hard enough,” as we’ve heard from a number of CEOs recently. Acquisition is another path to growth, but stock markets are wary now of companies trying to buy themselves out of trouble. So that leaves innovation as the way that companies can create internal growth.

After two-and-a-half years of cost cutting, a lot of companies have “unlearned” how to innovate. The real question with innovation is, what will set you apart? You can’t ignore your competition, but you have to focus on renewal, and that may require a new business model. Michael Dell is one of the few to have done this. Instead of mass-producing PCs like everybody else, he said, “Let’s wait until someone orders one and tells us what she needs. Then we’ll build it.” That was new.

Most people think about innovation in terms of product performance. They're looking at their existing core competence rather than focusing the innovation on customer experience. To reap the biggest rewards, you have to challenge your orthodoxies. This means that at the same time you're building a learning organization, you have to create its mirror image—a forgetting organization. You have to be able to identify and selectively bust through the orthodoxies that are getting in the way. This is organizational renewal. The companies that are truly innovative are the ones that are explicitly taking on their own or their industry's orthodoxies.

### What are some examples of “orthodoxies”?

**JM:** In supermarkets, there's always an express checkout line—“12 items or less.” How on earth did they create a business model that penalizes the most valued customers? In other words, where's the line that says, “\$200 or more”? Shouldn't those people get an express lane, too?

Or take hotels. Check-in time is three p.m., and you have to check out at eleven a.m., so the hotel has a customer-free period of four hours. Why? The need to clean the rooms is the orthodoxy, but what does this four-hour gap say about customer service? That's an opportunity for innovation.

Or take car insurance. We pay for it in time increments—by the year, the quarter, or the month. Now that so many cars have GPS, why not base the insurance on actual use—when and where you're driving the car—and make it pay-as-you-go?

### What else gets in the way of innovation?

**JM:** The sheer diversity of global organizations is an obstacle. As they expand, they find themselves dealing with different business models, functions, geographies—diversity is not just a question of race or ethnicity. It's a major challenge for a domestic company to become a more horizontally integrated, global one. It puts huge pressure on the individuals involved.

To create maximum value from that diversity, the organization has to foster understanding, so there's more need than ever for people to meet in spaces that are actually conducive to that. At the beginning, a lot of that stuff can only happen when people meet face-to-face, have the chance to engage and see each other's reactions. Those initial meetings give people some emotional capital to draw on. The “shareds”—shared experience, a shared agenda, a shared commitment or buy-in—help create widespread credibility within an organization.

Diversity often requires global companies to rethink how they're structured. Rather than focusing on the different countries

where they're located, they may need to globally address the needs of certain customer groups, so they can create value that's meaningful to them. It elevates the whole thing to a new platform, a new way of operating, so they can compete and innovate at that level.

### Does organizational renewal need its own physical settings?

**JM:** When you look at recent trends, you might not think so. A number of large companies have closed down their innovation centers, one after another. Add to that picture the whole notion of coaching—over the last three or four years, everyone has been talking about it. Coaching is a learning vehicle, and it's almost space-independent—it can take place anytime, anywhere. So it offers organizations a lot of flexibility.

We worked recently with a coaching task force that some large European companies set up. They're finding that conventional settings like training centers and meeting rooms are fine for coaching. Yet people still need space away from day-to-day work where they can create the future together—space that's conducive to innovation. When they're developing new business concepts, they need stimulating environments with technology at their fingertips, so they can quickly research their ideas. The whole environment should support creativity in a rigorous way.

Zurich Development Center, which we built with Gensler's help, serves as a bridge between the individual development needs of executives and the organizational development needs of the company and its business units. Organizational renewal requires an atmosphere of intimacy and confidentiality, along with a shared spirit that's willing to challenge the orthodoxies.

### Did Zurich Development Center live up to your expectations?

**JM:** It was part of a strategy for moving the Zurich Group from insurance to diversified financial services, and contending with tremendous growth—it was operating in about 70 countries. The idea was to create two or three new business concepts a year that would add value to the company. Pharmaceutical companies build R&D centers, and Zurich Development Center was their equivalent, really.

We used it first for “activation”—a series of workshops involving more than 750 people that enabled them to develop a shared agenda, mindset, and language. Then we shifted to innovation, which grew out of the first workshops, actually—people saying, “We can't just talk about innovation, we need to do it.” The second round, a dozen workshops, produced 71 new business concepts, of which nine were implemented. All of this effort moved the company's stock from hold to buy. Two years after

the Center opened, the company presented more than a dozen new business concepts to the investor community, four of which were rooted in our workshops, and the stock went up by 10 percent—about \$4 billion in shareholder value. If 20 percent or so of that can be attributed to Zurich Development Center, then yes, it lived up to our expectations.

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