



**Harvard
Business
Review**

ANALYTIC SERVICES

White Paper

THE CEO'S INNOVATION PLAYBOOK

50 Actions to Spark Innovation and Accelerate Growth

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The Sixth Trait

Real-life innovation is a journey, not a destination. There is really no endpoint to it. It's dynamic, complicated, sophisticated, enthralling, and perhaps most important, evolving.

As you read through *Become 2020*, you will see how innovation is now defined. The Business Innovators Index identifies the five traits that guide innovation leaders: speed, data-driven decision making, commitment from the top, entrepreneurial culture, and customer focus. And they are all equally critical.

The one trait I believe overarches all, however, is *diversity*. It's the crucial sixth trait that allows us to harness the collective uniqueness of our people. When they bring forward all that makes them unique—from their backgrounds and ethnicities to their life and work experiences—and then they place those differences alongside each other, we end up with a collective perspective that is both broader and deeper than any one perspective could be on its own, and it sets the business apart and allows us to serve our customers in an unparalleled way.

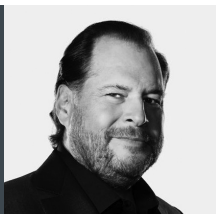
Diversity is so much more than how we look and where we come from. It's about how we think and make decisions. It's about opening our eyes to new ideas and, in accepting them, finding our way to new approaches. This is how we avoid falling victim to the same challenges and blind spots again and again. This is how we move forward, innovate, and evolve in a way that benefits far more than just ourselves.

In this CEO edition of *Become 2020*, you will explore the diverse views of innovation through the experiences of 12 CEOs. Each comes from a different business, representing a mix of industries, and each provides their own perspective on the five core innovation traits. I hope you find that within their collective uniqueness and the diversity of their thoughts lies a true demonstration that diversity is the mother of innovation.



AJAY BANGA
PRESIDENT AND CEO
MASTERCARD

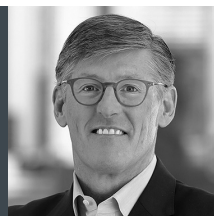
Innovation Leaders



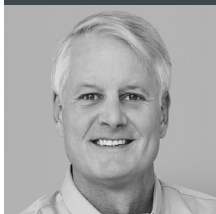
Marc Benioff
Chairman, Co-CEO,
and Founder,
Salesforce



Dr. Ruth Browne
President and CEO,
Ronald McDonald
House New York



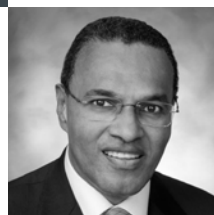
Michael Corbat
CEO, Citigroup Inc.



John Donahoe
President and CEO,
ServiceNow, Inc.



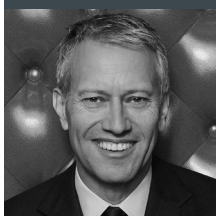
Logan Green
CEO and Co-Founder,
Lyft, Inc.



Dr. Freeman Hrabowski
President,
University of Maryland,
Baltimore County
(UMBC)



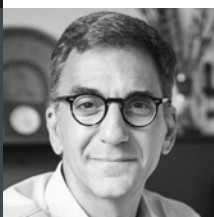
Johnny Morris
CEO and Founder,
Bass Pro Shops



James Quincey
Chairman and CEO,
The Coca-Cola Co.



Ginni Rometty
Chairman, President,
and CEO, International
Business Machines
Corp. (IBM)



Michael Schlein,
President and CEO,
Accion



Dan Schulman
President and CEO,
PayPal Holdings Inc.



Hans Vestberg
CEO, Verizon
Communications Inc.

THE CEO'S INNOVATION PLAYBOOK

50 Actions to Spark Innovation and Accelerate Growth

In “Innovators Become Leaders,” Harvard Business Review Analytic Services surveyed more than 1,000 business executives and found that many of the world’s most innovative organizations share five key traits—speed, data-driven decision making, commitment from the top, an entrepreneurial culture, and a relentless focus on the customer.

To shed further light on these findings, Harvard Business Review Analytic Services interviewed the CEOs of 12 highly innovative organizations. These conversations yielded 50 action items other business leaders can use to drive innovation at their organizations. Interviewees included:

- Marc Benioff, Chairman, Co-CEO, and Founder, Salesforce
- Dr. Ruth Browne, President and CEO, Ronald McDonald House New York
- Michael Corbat, CEO, Citigroup Inc.
- John Donahoe, President and CEO, ServiceNow, Inc.
- Logan Green, CEO and Co-Founder, Lyft, Inc.
- Dr. Freeman Hrabowski, President, University of Maryland, Baltimore County (UMBC)
- Johnny Morris, CEO and Founder, Bass Pro Shops
- James Quincey, Chairman and CEO, The Coca-Cola Co.
- Ginni Rometty, Chairman, President, and CEO, International Business Machines Corp. (IBM)
- Michael Schlein, President and CEO, Accion
- Dan Schulman, President and CEO, PayPal Holdings Inc.
- Hans Vestberg, CEO, Verizon Communications Inc.

HIGHLIGHTS

Innovation leaders share five distinct traits that foster successful innovation:

- Speed
- Data-driven decision making
- Commitment from leadership
- Entrepreneurial culture
- Relentless focus on the customer

The CEO's Innovation Playbook provides actionable insights from 12 leading CEOs on adopting these five traits and inspiring and fueling innovation in today's business climate.

Speed



Speed is important for innovation in part because first-mover advantages can translate to market-share dominance. But in an increasingly digital world, speed isn't merely nice to have, it's an imperative. Companies that can't keep pace with fast-changing technologies and consumer expectations run the risk of falling behind nimble competitors. Forty-five percent of innovation leaders say that increasing speed to market is a significant driver of innovation, versus 28% of followers and only 16% of laggards. (See page 4 for "Leaders, Followers, and Laggards: Methodology.")

Indeed, most of the CEOs interviewed prioritize speed in innovation. Their ideas range from not waiting for a "bolt from the blue" to pursue innovation, to moving at "double time" using a test-and-learn approach that enables quick direction changes, to partnering with other organizations to acquire expertise that might take too long to develop internally. Here they comment on how their organizations are putting those ideas into practice:

Save the customer time.

LOGAN GREEN, LYFT

"Every second we shave off the time it takes to pick up a customer is worth millions of dollars to the business because time is a key determinant of whether they'll complete a ride. So we continually obsess over that. For example, we recently launched a service at airports where, instead of riders waiting 10 minutes for their car to come from the waiting lot, we put a queue of cars on the curb. Riders exchange a code with the driver and just hop in the first available car. Behind the scenes, we're applying machine learning to all the data that comes off our drivers' phones to calculate real-time traffic speeds. Every time we get just a little bit more accurate, it helps us dispatch a closer driver, pick the best route, and ultimately get to our passengers faster. Ninety-plus percent of our energy goes toward under-the-hood innovations that help us continually improve the service we're delivering."

Don't wait for a "bolt from the blue."

HANS VESTBERG, VERIZON

"Real innovation is usually not a 'bolt from the blue' event. The real source of most innovation is iteration—the process of building upon earlier ideas. In fact, I'd say 80% of innovation comes from incremental gains on already begun processes, while 20% comes from wholly new ideas. If you throw away or discount that 80%, you undermine the very foundations of innovation itself."

Lift and shift the best ideas.

JAMES QUINCEY, THE COCA-COLA CO.

"We use a test-and-learn approach that allows us to respond to ever-changing consumer preferences. When we commit to a new product, we quickly move to scale. Our market teams are empowered to innovate based on local preferences, and we work to lift and shift the best ideas across the world."

96%

OF INNOVATION LEADERS SAY THEIR ORGANIZATIONS BRING NEW IDEAS AND SOLUTIONS TO MARKET QUICKLY.

LEADERS, FOLLOWERS, AND LAGGARDS: METHODOLOGY

In “Innovators Become Leaders,” Harvard Business Review Analytic Services asked more than 1,000 executives how their organizations approach innovation across five key pillars of innovation: process, human capital, funding, customer experience, and data and technology. From the findings, Harvard Business Review Analytic Services developed the Business Innovators Index, which scores each survey respondent’s organization on a scale of 0 to 100, with 100 representing the highest possible score, or what might be considered the peak of innovative strategy, frameworks, and behaviors. Using these scores, each organization was segmented into one of three groups based on a cluster analysis of the data: leaders, followers, and laggards.

- **Leaders** had an average index, or mean innovation score, of 88, and accounted for 17% of all organizations. They have the broadest range of innovation capabilities.
- **Followers** had a mean innovation score of 66 and accounted for 42% of all organizations. Followers may have capabilities in some of the innovation pillars, but lack the breadth demonstrated by leaders.
- **Laggards** had a mean innovation score of 37 and accounted for 41% of all organizations. This group lacks a wide range of innovation capabilities.

Move at double time.

HANS VESTBERG, VERIZON

“While there are a lot of upsides to the scale and longevity of a company like Verizon, we recognize the need to move double-time toward the more flexible, less hierarchical cultural model that you see at a startup. The key will be to create this more open culture while also drawing upon the unique advantages that have made our company a sector leader for so long.”

Simplify, simplify.

MICHAEL CORBAT, CITIGROUP

“We have prioritized radical simplification: using technology to improve our clients’ experiences while lowering our cost to serve. We are working to remove friction from our own operations, increase the speed at which we bring new services to market, and deliver more intuitive and convenient self-service platforms.”

If everything’s on track, push harder.

JOHN DONAHOE, SERVICENOW

“We’re constantly examining how we’re doing and focusing on areas that need attention. If everything’s on track, it means we’re not pushing ourselves enough. And innovative companies must push forward knowing not every attempt will succeed.”

Welcome outsiders to accelerate new thinking.

MICHAEL SCHLEIN, ACCION

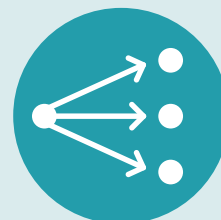
“We have worked hard to become a magnet for innovation from around the world. Our global team finds, supports, and learns from local innovators solving problems that prevent people from realizing their potential. We foster innovation by advising, investing, influencing, and partnering—holistically—to drive progress. We continuously bring on and benefit from new talent who expand and improve our work.”

Prioritize speed—but not by sacrificing security.

MICHAEL CORBAT, CITIGROUP

“In today’s fast-paced environment, moving fast is critical for us. But we must never sacrifice or compromise a relationship by cutting corners. Since we are a bank, our most important asset is the trust our customers and clients place in us, and everything we do must maintain that trust. This critical priority demands that we take a balanced, prudent approach to the pace at which we innovate and compete.”

Data-Driven Decision Making



Companies can go fast but get nowhere if they don't have a roadmap to guide them. For many companies, that roadmap is built on data. Nearly three-quarters of innovation leaders use multiple internal and external data sources and advanced analytics to inform decisions around innovation—versus only 43% of followers and 11% of laggards.

Not surprisingly, the CEOs we interviewed put great stock in using data to drive decisions around their innovation initiatives. Many actively seek to capitalize on the latest technology. They use data to better understand their customers—and to measure results. Yet for all their reliance on data, they remain cognizant of the fact that it's not the only source of innovation insights.

**NEARLY THREE-QUARTERS
OF INNOVATION LEADERS USE
MULTIPLE INTERNAL AND EXTERNAL
DATA SOURCES AND ADVANCED
ANALYTICS TO INFORM DECISIONS
AROUND INNOVATION.**

Kill “zombies.”

JAMES QUINCEY, THE COCA-COLA CO.

“We have a formal stages-and-gates process that helps drive our innovation efforts. We’ve also developed a disciplined approach to innovation that includes a leader-challenger-explorer framework, as well as something I like to call ‘killing zombies.’ Killing zombies means getting rid of stuff that’s not working. We analyzed about 2,000 of our beverage product launches over five years and found that 30% contributed only 1% in volume. In 2018, we killed more than 700 zombie products, which allows us to redeploy resources in areas where we see more growth opportunities.”

Use a diverse range of data.

JOHNNY MORRIS, BASS PRO SHOPS

“We’re living in a remarkable time when it comes to technology and the amount of information available to us to make decisions. We have an analytics team that studies our performance across different categories, and we carefully balance that with our own intuition and direct customer feedback. At the end of the day, we want every decision we make to be the right one for our customers and our team—and that will always require a variety of perspectives and input.”

Pay special attention to the front lines.

DR. RUTH BROWNE, RONALD MCDONALD HOUSE NEW YORK

“The data that is important to me as a leader is the data that comes from our stakeholders about their experience in the service of families, whether that may be the experience of investing in our organization as a donor, volunteering time with the organization as an individual or as a part of a corporate team, or providing services for families through partnerships. And because our employees are our best asset, hearing about how and why they serve families in the ways they do is probably the most important data I get as a leader.”

Take smart risks.

JAMES QUINCEY, THE COCA-COLA CO.

“Our task is to take a 133-year-old company and position it for the digital future. Data is the key to knowing our consumers—their preferences, their behaviors, and how they want to interact with us. The way we engage a consumer in one zip code may be completely different from our approach in the next one. We are using data to take smart risks, accelerate how long it takes us to go to market, and constantly put the customer at the center of everything we do. We must do all this while also being responsible stewards of their data and respecting everyone’s right to privacy.”

Measure before maximizing.

LOGAN GREEN, LYFT

“When we take a shot—when we execute an idea and launch it—we rigorously test it to understand whether it improved the customer experience in the ways we expected. For every single change we make to the system, we have a panel of over 200 metrics we automatically track. We also can add new custom data points if we’re analyzing a new angle of the service. Initially we’ll launch to 0.1% of users. Once we see that things are at least looking good directionally, we’ll scale it up a few more percent, and a few more percent, and so on. And we make sure we get to a point of statistical significance on each of the core metrics that are really critical. It’s only once we have confidence that we’ve had the intended beneficial effect that we scale something up entirely.”

Make analysis easy.

DR. RUTH BROWNE, RONALD MCDONALD HOUSE NEW YORK

“It is important to have the right technology to gather informative data, as well as the business intelligence tools to analyze and interpret data. The tools need to be nimble for the changing dynamics of your environment and user-friendly so that they will truly engage your staff.”

Don’t forget ethics.

MARC BENIOFF, SALESFORCE

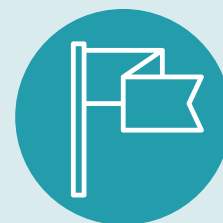
“Preserving trust is a prerequisite for innovation. As we’ve innovated with artificial intelligence (AI), we’ve learned that we must guard against the unintended consequences of deploying powerful technologies—such as introducing bias into AI-powered decisions or products that could be used in harmful ways. We realize that the ethical and humane use of technology, especially within the context of the Fourth Industrial Revolution, must be clearly addressed, not only by us, but by our entire industry. We have to make sure that technology strengthens our societies instead of weakening them, and that technology is applied to improving the human condition. To address this concern, we established the first-ever Office of Ethical and Humane Use of Technology, which merges law, policy, and ethics to develop and implement a strategic framework for the ethical and humane use of technology across Salesforce.”

Remember, the customer isn’t a packet of ones and zeros.

HANS VESTBERG, VERIZON

“Companies can obviously gain a great deal from a data-driven approach to decision making on innovation. We are trying all the time to sharpen our use of data to improve our understandings of the customer. But we must never lose sight of the fact that the customer is a human being, not a packet of ones and zeros. As we improve our mastery of data, it is imperative that we retain our humility about just how much—and how little—data can actually tell us. That may be especially important in an industry like telecommunications, which is so tightly woven into people’s lives. Our products and services influence how people play, work, flirt, learn, mobilize, and seek help. It’s a uniquely human industry in that regard, and while we should always seek to learn from data, we should never let data fully supplant our own human understandings of how best to serve our customers across an ever-evolving range of needs and expectations.”

Commitment from the Top



An explicit commitment to innovation can go a long way toward making it a reality. Among innovation leaders, 87% say they assign a high priority to innovation, versus just 11% of laggards. The payoff? Seventy-five percent of leaders strongly agree that innovation is a contributor to their financial performance, versus 14% of laggards.

CEOs interviewed for this report demonstrate their commitment to innovation in ways that would be hard for their employees to miss, from providing tangible rewards for innovative behaviors to expressly voicing the idea that failure, within boundaries, is not a loss but a learning opportunity.

Lead for today, think for tomorrow.

DR. RUTH BROWNE, RONALD MCDONALD HOUSE NEW YORK

“As chief executives, it’s our job to lead and develop senior staff through a process of thinking about innovation—while also keeping our fingers on the pulse of what’s happening internally and externally. My own approach has been to take stock of, and account for, what is required to keep the organization delivering on its current obligations—while also building and institutionalizing the infrastructure that will allow us to get to next steps. We chalk out the future by asking strategic questions. Where does Ronald McDonald House New York live in the future? And personally as CEO, I am building our vision with an intentional eye to the future—and leveraging the talent and technology that can take us and keep us there.”

Seize on ideas that scale.

GINNI ROMETTY, IBM

“Like many technology companies, IBM has wrestled with finding or creating sufficient skilled workers for in-demand careers. As we approached this challenge, our focus was twofold: Create programs that work and that scale easily. That second part is crucial. There have been many classroom proofs of concept supported by well-known technology companies, but we know from our role as a global innovation company that the efforts with the greatest impact are those that can be replicated at scale.”

Listen to diverse voices.

MARC BENIOFF, SALESFORCE

“We seek innovation everywhere. That means engaging with all of our stakeholders—customers, employees, partners, and communities. We innovate best when working with a broad diversity of people and viewpoints.”

Go further with fewer.

JOHN DONAHOE, SERVICENOW

“As a company that is rooted in innovation, we run the risk of trying to do too much at once. That’s why I push my team to sharpen priorities to focus on what I call the ‘critical few’—and go further with fewer.”

75% OF LEADERS STRONGLY AGREE THAT INNOVATION IS A CONTRIBUTOR TO THEIR FINANCIAL PERFORMANCE.

Think bigger.

LOGAN GREEN, LYFT

“We’re making a series of very long-term investments to be able to deliver outsize value to our customers over the long run. A decade down the road, we see ourselves as a company that’s going to help shift the world from a car ownership ecosystem to transportation as a service. And we think autonomous vehicles are going to unlock that opportunity. In this future view, Lyft will be managing a fleet of millions and millions of autonomous vehicles. And we think, day in and day out, about how we can make the right investments to set us up to deliver the absolute best customer experience in this future world.”

Reward the right behaviors.

JAMES QUINCEY, THE COCA-COLA CO.

“We focus on four distinct growth behaviors: empowerment, curiosity, inclusivity, and an iterative approach. These behaviors help promote strategic thinking and help us avoid a fear of failure. But they aren’t just nice ideas we put up in our office hallways. Last year, we overhauled our financial incentive structure to ensure that every employee is evaluated based on how they live out our growth behaviors. These growth behaviors fuel our innovation efforts and culture, ensuring that our employees feel empowered to act in the best interest of our company and its growth.”

Weave innovation into strategy.

DR. FREEMAN HRABOWSKI, UMBC

“At UMBC, we often talk about culture and the ways it is reflected in the questions we ask, the incentives we create, the priorities we set, and how we invest our money. Our commitment to innovation is at the heart of our strategic planning process, and we are investing substantially in a range of innovative initiatives. We’ve also created a major fund to encourage new approaches to teaching and learning through course redesign and a separate small grant supports the infusion of courses with entrepreneurship or community engagement.”

Fear not New Coke.

JAMES QUINCEY, THE COCA-COLA CO.

“Fear of failure is often the biggest hurdle for innovation in large organizations. I’ve called it the New Coke syndrome, where people are afraid of doing something new. We must learn to celebrate failure. The only true failures are situations in which we fail to learn. This culture starts at the top, as our senior leadership is very open about discussing personal experiences with failure. We’ve even introduced an innovation award that celebrates projects that fail. These celebrations help relieve our fear of failure and focus instead on what we can learn. Learning is never a failure and makes our innovation muscle stronger and sharper.”

Seek audacity.

MICHAEL SCHLEIN, ACCION

“The magnitude of the problem that we’re trying to solve—helping nearly half of the planet left out of or poorly served by the formal financial sector—is immense and humbling. We’re just one organization, and it will take a global effort to create a financially inclusive world. Since the beginning, we’ve attracted people with the audacity to think they can make a difference.”

Invite uncomfortable truths.

GINNI ROMETTY, IBM

“We encourage leaders to foster an environment where they role-model a growth mindset, encourage their teams to speak the uncomfortable truth, co-create with their teams or clients, and seek feedback regularly.”

Entrepreneurial Culture



Culture, the saying goes, trumps strategy. Having a culture that embraces change, diversity of opinion, and risk-taking can go a long way toward facilitating innovation. By contrast, a culture wedded to old ways of doing things and leery of experimentation is almost certain not to excel. In the “Innovators Become Leaders” survey, 84% of innovation leaders say their organizations test a broad pipeline of ideas with the expectation that many will fail, versus 13% of laggards.

CEOs interviewed for this report take culture seriously. They prize diversity in the workforce because they know that looking at challenges from different angles and backgrounds can yield ideas and insights that otherwise might be missed. They encourage continuous learning and the sharing of information, both within the enterprise and with external partners. And they know they can’t let their organizations become so rooted in the past that they miss the future. Among their ideas for cultivating an innovative culture:

Treasure “wild ducks.”

GINNI ROMETTY, IBM

“There’s a saying at IBM: Treasure ‘wild ducks’—the independent thinkers. Half a century ago, Tom Watson Jr., our second CEO and the son of IBM’s founder, said, ‘Every business needs its wild ducks, and at IBM we try not to tame ours.’ It means that we are receptive to new and radical ideas—even if we don’t always agree with them.”

Stay hungry, stay humble.

JOHN DONAHOE, SERVICENOW

“I ask all of our employees to stay hungry and humble, and to think about being open to learning new things and embracing change, fostering collaboration, learning from failure, and creating an environment that celebrates diversity, inclusion, and belonging. The key to innovation is getting everyone, not just leadership, aligned and committed to our purpose.”

Reframe innovation as business as usual.

MICHAEL CORBAT, CITIGROUP

“For Citi, innovation is business as usual, both in the here and now and looking ahead. We make innovation central to every aspect of what we do and how we do it. By looking at technological advances, regulatory changes, and social and behavioral shifts, our goal is to pinpoint the irreversible, accelerating trends that convey the clearest picture of where the market is heading.”

Cultivate a “beginner’s mind.”

MARC BENIOFF, SALESFORCE

“Innovation is a core value at Salesforce. It is deeply embedded in our culture. This starts in the mindset of every person in the company—you must cultivate a beginner’s mind. A beginner’s mind is the practice of looking at the world with fresh, unencumbered eyes, and avoiding inside-out or homogenous thinking that can lead to blind spots and missed opportunities. To encourage this mindset, we have ‘mindfulness zones’ on every floor of our office buildings where employees can put their phones into a basket and clear their minds.”

To innovate, you have to change how work is done.

GINNI ROMETTY, IBM

“Innovation can often be a change management and workflow challenge. To innovate, you have to change how work is done. Once you do, you also achieve the benefits of speed and scale in the outcomes. That’s why we started training our people in agile and design thinking, which prepared IBMers to innovate by beginning every project with great empathy for the end user/client, embracing new ideas around simplicity, taking calculated risk, doing things differently, and collaborating across functions and directly with clients.”

Break rituals.

HANS VESTBERG, VERIZON

“A company as big and successful as ours is inevitably going to build up a lot of habits and rituals and assumptions about what works. Most of those are quite handy. We wouldn’t be a Fortune 20 company if we didn’t have a track record of success and sound practices. But there’s a real risk that such success can make it harder to make the changes we need to make in order to compete in a constantly evolving marketplace. We need to be willing to break rituals, do things differently, and approach our competitive challenges with a mindset that is fundamentally different from what we’ve used in the past.”

Welcome frictions.

MICHAEL SCHLEIN, ACCION

“We are trying to change the world. By definition, the status quo is unacceptable. It’s part of everyone’s job at Accion to think creatively. We’ve built a model that deliberately brings different perspectives together. That can lead to friction—and friction sparks new ideas.”

Create inspirational workspaces.

DAN SCHULMAN, PAYPAL HOLDINGS INC.

“We redesigned our offices with innovation in mind. We developed our workspaces to foster collaboration. Instead of assigned desks, our employees sit in ‘neighborhoods.’ The spaces are designed to create the ideal environment for collaboration, brainstorming, and efficiency, and give our employees the flexibility they need to develop the best products for our customers.”

Cultivate courage.

MICHAEL CORBAT, CITIGROUP

“We make innovation a cultural priority across Citi, from the top down. In terms of attitude, that means cultivating curiosity, passion, and courage in everything we do. We want our colleagues to set bold goals and engage in smart risk-taking. This means upskilling our current workforce and preparing our colleagues for the future of work, seeking true diversity in new talent we bring to the firm, encouraging experimentation and new ways of thinking across our franchise and in all of the markets where we operate, and championing the trailblazers bringing new and innovative solutions to market for our clients. One example of how we do that is through DX10, our internal growth model, which operates as an internal startup incubator, giving Citi colleagues an opportunity to generate, test, and launch new ideas. To date, 2,500 employees have been through the program and there are 100 projects currently in flight, 15 of which are in the pilot-and-launch process.”

Look afar for potential disruptors.

HANS VESTBERG, VERIZON

“The primary competitive challenge Verizon faces is not from any of the other big-name telecom companies. It’s from the next creator of a technology or process that radically upends our entire industry, our entire business model. If you had asked anyone in the publishing, advertising, or media industries 20 years ago to name their main competitive threat, they would have probably named some other company within their own sector. They probably would not have mentioned the prospect of something like a Craigslist, or a Facebook, or a Netflix. If you had asked any major department-store chain or other retailer the same question, they would have given you the same kind of answer—they probably would not have mentioned the threat posed by something like Amazon. It’s not that the executives in these legacy industries were stupid—they were among the smartest people in business at the time. But they were not ready for the massive waves of innovation and disruption that evolving technologies were setting loose. If anything, those waves are becoming stronger and stronger all the time—and our company’s innovation efforts are all about preparing Verizon to ride those waves successfully.”

84% OF INNOVATION LEADERS SAY THEIR ORGANIZATIONS TEST A BROAD PIPELINE OF IDEAS WITH THE EXPECTATION THAT MANY WILL FAIL.

“I PRIORITIZE MENTORSHIP AND CONSTANT LEARNING TO HELP PUSH MY CREATIVE THINKING.” DAN SCHULMAN, PAYPAL HOLDINGS INC.

Don't protect your past.

GINNI ROMETTY, IBM

“IBM is the only technology company to reinvent itself through every era of technology. In 1990, more than 70% of our business was in computer hardware. In the succeeding decades, we created the IT services industry and built one of the world's largest software companies. During my time as CEO, we have transformed yet again, into an enterprise cloud and AI company. We live by the motto “don't protect your past.” These haven't been trivial exercises. Each reinvention has required massive internal changes in how we go to market, our business models, our portfolio, how we work, and our mix of employees' skills.”

Encourage authenticity.

DAN SCHULMAN, PAYPAL HOLDINGS INC.

“Our business performance will only be as good as our people, so we foster a diverse and inclusive environment in which every employee feels encouraged to speak up, share new ideas, and bring their authentic selves and personal experiences to work every day. On a personal note, I prioritize mentorship and constant learning to help push my creative thinking. I stay closely connected with leaders across sectors and innovators on the front lines of trends like quantum computing and AI.”

Smash barriers.

HANS VESTBERG, VERIZON

“Organizations need to be very careful about creating a formal innovation process. A fascination with ‘formal process’ is a big part of what makes innovation such a challenge for so many companies. That's not to say that firms can't have any formal policies for facilitating innovation. But those policies should be far less about adherence to process, and far more about identifying all of your barriers against good ideas—and smashing them to smithereens.”

Look in the mirror.

DR. FREEMAN HRABOWSKI, UMBC

“UMBC has been ranked among the 10 most innovative universities in the country for the past several years. The major reason is that we are known for our willingness to look in the mirror with honesty. We encourage people at all levels to think beyond today and to envision transformational improvement of what we do and the way we do it. We emphasize the importance of taking risks and encourage a culture of experimentation.”

Relentless Focus on the Customer



Is it possible to innovate smartly without knowing what your customers need, want, or expect—or how, when, and where they use your products or services? The answers to these questions are obvious. Many of the world’s most innovative companies obsess over understanding their customers and figuring out new ways to make their lives simpler, easier, or more enjoyable. In fact, 72% of all the executives surveyed agree that consumer insight is a vehicle for innovation.

Maintaining a laser focus on the customer is a common thread among the CEOs interviewed for this report. They seemingly attack the challenge from every conceivable angle—studying customer spending habits, meeting directly with them, and even walking in their shoes.

Avoid formulaic solutions.

DAN SCHULMAN, PAYPAL HOLDINGS INC.

“While consumers around the world expect fast, affordable, and secure services, other needs and expectations vary based on regional regulations, local political uncertainty, or a country’s level of socioeconomic inequality. A formulaic approach would limit opportunity and hamper innovation.”

Task everybody with solving customer pain points.

LOGAN GREEN, LYFT

“The job of every team here is to come up with creative ideas for the best way to solve problems and improve the customer experience. That is essentially almost everybody’s job description. And the teams come up with their best ideas, and then we ruthlessly prioritize, because you can only build so much.”

Put the consumer at the center.

JAMES QUINCEY, THE COCA-COLA CO.

“Ultimately, we must stay curious about the consumer and put them at the center of everything we do. When innovation starts with the consumer, we see the best results. Almost 25% of our revenue is now from new or reformulated products, up from around 15% two years ago.”

Lean on empathy.

DAN SCHULMAN, PAYPAL HOLDINGS INC.

“To design and iterate solutions that address key customer pain points and deliver tangible benefit requires empathy. Our employees participate in ‘financial immersion days’ to gain perspective on how the financially underserved navigate their daily lives. We assign participants a persona and set of tasks to complete with just a cell phone, an ID, a \$50 check—and no bank account. They consistently walk away with new insights into our customers’ needs that they then creatively apply to the customer-focused problem-solving they do every day.”

72% OF ALL THE EXECUTIVES SURVEYED AGREE THAT CONSUMER INSIGHT IS A VEHICLE FOR INNOVATION.

Build trust.

MARC BENIOFF, SALESFORCE

“In the end, fostering customer loyalty is about building trusted relationships. There is nothing more important than the trust you have with your customers, with your employees, with your partners, and with all your key stakeholders.”

Don't let hype get between you and the customer.

DAN SCHULMAN, PAYPAL HOLDINGS INC.

“It can be easy to be tempted by the possibilities of each new technology. And the speed with which technology continues to evolve makes it challenging to avoid the hype and remain focused on real customer needs. While we owe it to our customers to stay on the cutting edge of new technologies, we will only incorporate those that have the potential to lead to significant improvements and positive change. Our customers' needs will always be the most important consideration when we think about how we adopt new technology.”

Get out of the house.

JOHNNY MORRIS, BASS PRO SHOPS

“Sometimes, formal planning and a complicated process can kill innovation. We don't form big committees or bring in lots of consultants. I read letters from customers and talk with our team members, spending as much time as I can visiting our stores and visiting with our people. The best ideas tend to happen when we're closest to our customers and the team members who serve them, not sitting around board rooms.”

Ask customers about *their* priorities.

JOHN DONAHOE, SERVICENOW

“We have a systematic customer engagement process which includes executive briefings and hosting CxO (C-suite) councils and product advisory councils. We partner deeply with customers to collaborate and drive innovation. I have personally met with over 1,000 customers in my nearly three years at ServiceNow. In all my meetings, I ask about their priorities, what we can do to support those priorities, and how we are currently doing to help with those priorities. This open relationship with our customers and the feedback we receive is driving our priorities.”

Go where the problems are.

GINNI ROMETTY, IBM

“Innovation works best when it's undertaken in the context of our clients. That's why we immerse our researchers in our clients' businesses and industries, and why our technical leaders—fellows and distinguished engineers—work hand in hand with our business executives. Context also means going where the problems are. We have research labs all over the world because the world's problems are too large to move.”

Leverage your customer support team.

LOGAN GREEN, LYFT

“Innovation at our company comes from all angles. We have a phenomenal design team that leads our research activities and continually tests ideas with users. Our engineering team also leads on a lot of the innovations, because often it's only when you're in the details of solving a problem that you see opportunities. And we have a great data science team that is continually analyzing data, looking for opportunities, looking for trends, looking for insights that we wouldn't otherwise see. But all these groups maintain a close connection with our support team because it's the support team that's hearing what's important to the customer and what's not working for the customer. That support team does deep-dive immersion sessions with all of our product, engineering, and design teams across the company in which they deeply immerse them in all these customer experiences.”

Embracing the Innovation Imperative

Innovation is challenging—yet often vital to business success. Executing on big ideas requires a willingness to take risks, an ability to beat the competition to the punch, and the courage to embrace failure as a learning tool. Even incremental innovations don't just happen; they spring from an obsessive commitment to improvement and a willingness to test and learn from one experiment to the next. By embracing the five key traits common among innovation leaders—speed to action, data-driven decision making, commitment from the top, an entrepreneurial culture, and a relentless focus on the customer—companies can accelerate their innovation efforts and stay a step ahead of the competition.

CEO Biographies

MARC BENIOFF, CHAIRMAN, CO-CEO, AND FOUNDER, SALESFORCE

Marc Benioff is chairman, co-CEO, and founder of Salesforce and a pioneer of cloud computing. Under Benioff's leadership, Salesforce is the #1 provider of customer relationship management (CRM) software globally. Benioff was named "Innovator of the Decade" by *Forbes* and is recognized as one of the World's 25 Greatest Leaders by *Fortune*. For his leadership on equality, Benioff has been honored by GLAAD, the Billie Jean King Leadership Initiative, and *Variety* magazine with its EmPOWERment Award. A member of the World Economic Forum (WEF) Board of Trustees, Benioff serves as the inaugural chair of WEF's Center for the Fourth Industrial Revolution in San Francisco.

DR. RUTH BROWNE, PRESIDENT AND CEO, RONALD MCDONALD HOUSE NEW YORK

Ruth C. Browne, SD, joined Ronald McDonald House New York in September 2016. Previously, Dr. Browne served for 12 years as CEO of the Arthur Ashe Institute for Urban Health, a best practice harbinger of interventions that advance health and educational equity solutions for culturally diverse populations locally and nationally.

MICHAEL CORBAT, CEO, CITIGROUP INC.

Michael L. Corbat became CEO of Citigroup Inc. in 2012. He has been at Citi and its predecessor companies since his graduation from Harvard University with a bachelor's degree in economics in 1983. Prior to his current role, Corbat was CEO of Europe, Middle East and Africa, overseeing all of Citi's business operations in the region, including consumer banking, corporate and investment banking, securities and trading, and private banking services. Previously, Corbat served as the CEO of Citi Holdings, Citi's portfolio of non-core businesses and assets. He also has served as the CEO of Citi's Global Wealth Management unit and was head of the Global Corporate and Global Commercial Bank at Citi.

JOHN DONAHOE, PRESIDENT AND CEO, SERVICENOW, INC.

John Donahoe has been president and CEO of ServiceNow Inc. since 2017. He also serves as chairman of PayPal Holdings Inc., as chairman of the Business Council, and on the board of Nike Inc. Donahoe was president and CEO of eBay Inc. from 2008 through 2015. From 1982 to 2005, he served in a variety of positions at Bain & Co., including as CEO.

LOGAN GREEN, CEO AND CO-FOUNDER, LYFT, INC.

Logan Green is the co-founder and CEO of Lyft. Green founded Lyft in 2012 with the mission to improve people's lives with the world's best transportation and promote transportation equity through shared rides, bikeshare systems, electric scooters, and public transit partnerships. Now available to 95% of the U.S. population and select cities in Canada, the Lyft community includes 30 million riders, nearly 2 million drivers, and 5,000 employees. Lyft was started with a vision for a world that Green imagined while living in congested Los Angeles—one where cities are built around people instead of cars.

DR. FREEMAN HRABOWSKI, PRESIDENT, UNIVERSITY OF MARYLAND, BALTIMORE COUNTY (UMBC)

Freeman A. Hrabowski III has served as president of UMBC since 1992. His research and publications focus on science and math education, with special emphasis on minority participation and performance. He chaired the National Academies' committee that produced the 2011 report "Expanding Underrepresented Minority Participation: America's Science and Technology Talent at the Crossroads." In 2012, Dr. Hrabowski was named chair of the President's Advisory Commission on Educational Excellence for African Americans by President Obama.

JOHNNY MORRIS, CEO AND FOUNDER, BASS PRO SHOPS

Johnny Morris founded privately held Bass Pro Shops in 1972, selling fishing tackle from his father's liquor store in Springfield, Missouri. Today it operates 200 locations including Cabela's, plus White River Marine Group, a manufacturer of fishing and recreational boats, and Big Cedar Lodge, an award-winning wilderness resort. In 2019, Morris received The Audubon Medal from the National Audubon Society for his commitment to conservation.

JAMES QUINCEY, CHAIRMAN AND CEO, THE COCA-COLA CO.

James Quincey joined The Coca-Cola Co. in 1996 and has served in a variety of leadership positions. He served as president and chief operating officer of the company from 2015 to 2017. He was named CEO in 2017 and was elected chairman of the company's board in 2019. Before joining Coca-Cola, Quincey was a partner in strategy consulting at the Kalchas Group, a spinoff of Bain & Co. and McKinsey. Quincey serves as vice co-chair of The Consumer Goods Forum and is a founding member of the New York Stock Exchange Board Advisory Council.

GINNI ROMETTY, CHAIRMAN, PRESIDENT, AND CEO, INTERNATIONAL BUSINESS MACHINES CORP. (IBM)

Virginia M. "Ginni" Rometty began her career with IBM in 1981, has held a series of leadership positions across the company, and became CEO in January 2012. She serves on the Council on Foreign Relations, the board of trustees of Northwestern University, and the boards of overseers and managers of Memorial Sloan Kettering Cancer Center. She is co-chair of the Aspen Institute's Cyber Group and is a member of the advisory board of Tsinghua University School of Economics and Management.

MICHAEL SCHLEIN, PRESIDENT AND CEO, ACCION

Michael Schlein joined Accion in 2007 as a member of its board of directors, and in 2009 became Accion's president and CEO. Previously, Schlein served as president of Citigroup's International Franchise Management, where he managed the bank's network of 100 chief country officers. Before that, Schlein ran communications, philanthropy, government relations, branding, and human resources for Citigroup. He served as chief of staff at the U.S. Securities and Exchange Commission in the Clinton administration and in New York's City Hall in the Dinkins and Koch administrations. He began his career in investment banking.

DAN SCHULMAN, PRESIDENT AND CEO, PAYPAL HOLDINGS INC.

Dan Schulman was named CEO of PayPal in 2015. He previously served as group president at American Express. Before American Express, Schulman was president of the Prepaid Group at Sprint Nextel Corp. following its acquisition of Virgin Mobile USA Inc., when he led the company as its founding CEO. Earlier in his career, Schulman was president and CEO of Priceline Group Inc. He began his career at AT&T, and was president of the Consumer Markets Division. Schulman is a life member of the Council on Foreign Relations and serves as co-chair of the World Economic Forum's steering committee to promote global financial inclusion. He serves on the board of Verizon Communications Inc. and is the non-executive chairman of Symantec Corp.

HANS VESTBERG, CEO, VERIZON COMMUNICATIONS INC.

Hans Vestberg assumed the role of CEO of Verizon in August 2018 and the role of chairman in March 2019. Vestberg served as Verizon's chief technology officer and president of Global Networks from 2017. Before joining Verizon in April 2017, Vestberg served for six years as president and CEO of Ericsson, a multinational networking and telecommunications equipment and services company headquartered in Sweden.



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