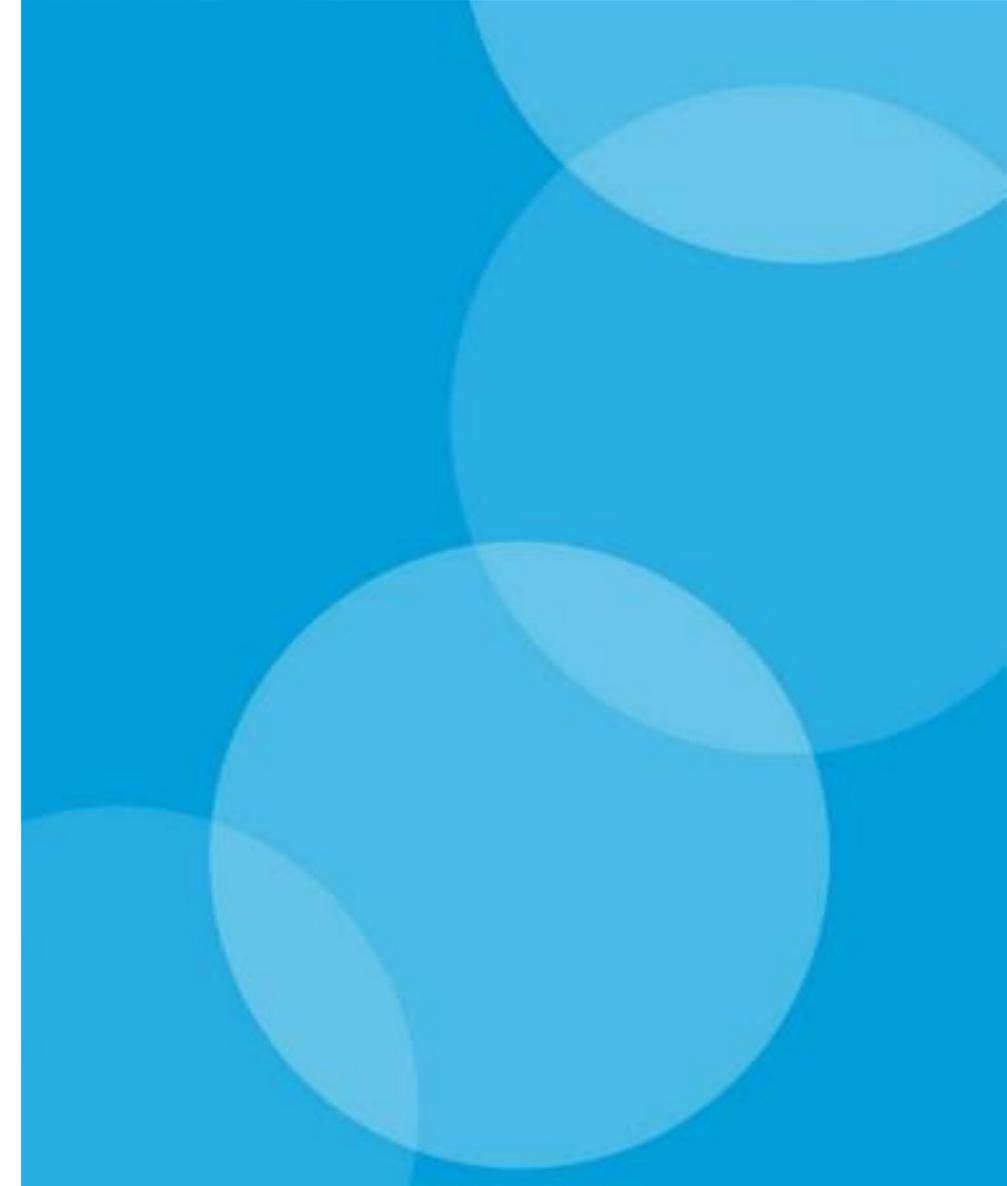




How to Change an Organizational Culture

Curt Carlson

May 23, 2016

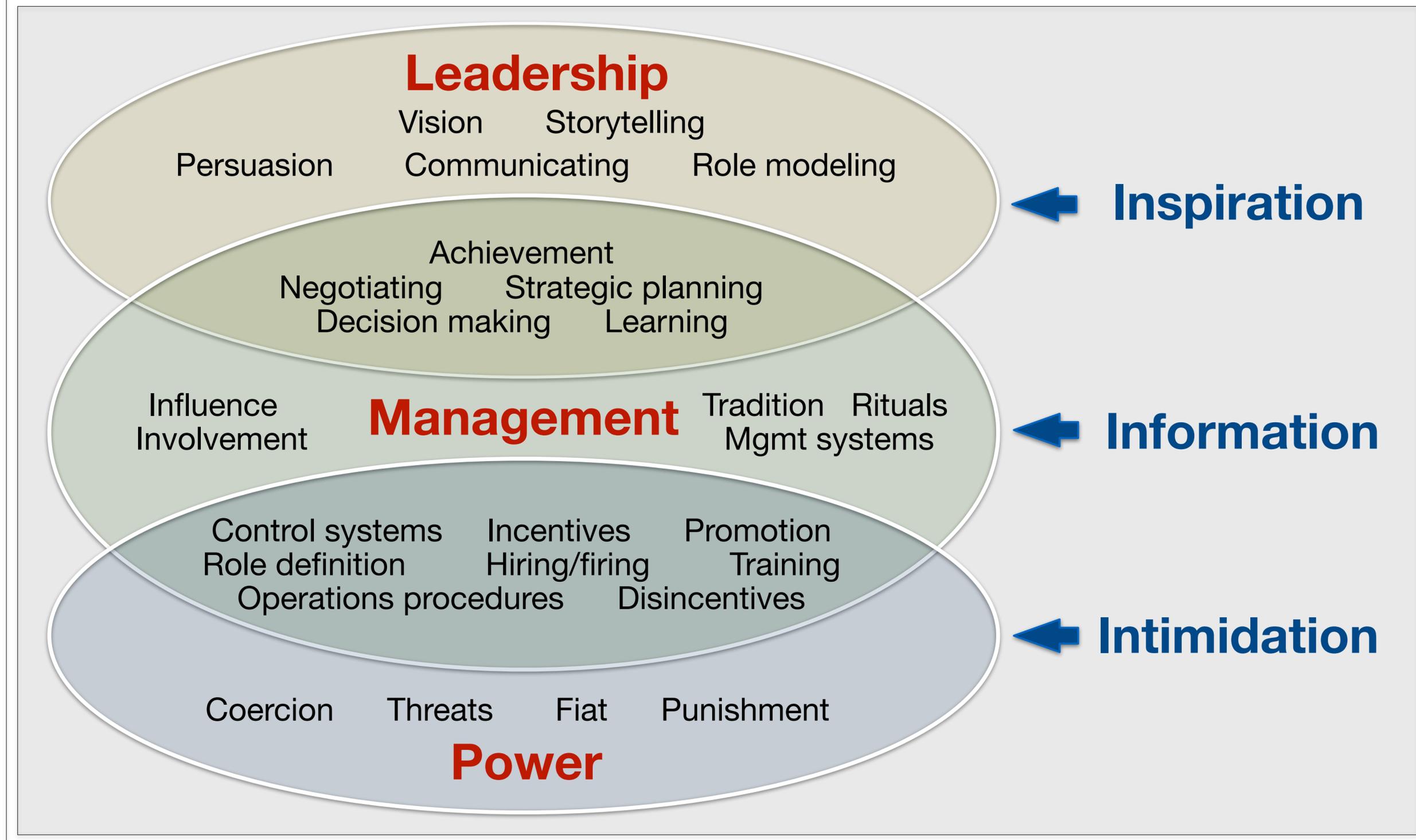


Who is Presenting Today?

- Our speaker today is Curt Carlson. Curt is a prominent innovator and CEO of Practice of Innovation. He was CEO of SRI International from 1998 to 2014. During this period, SRI launched many major innovations, including Siri, now on the iPhone. He wrote the BusinessWeek Top-10 book, *Innovation: The Five Disciplines for Creating What Customers Want*.
- Steve Denning is a board member of Scrum Alliance. He led the Learning Consortium in 2015. He writes for Forbes.com and is the author of eight books, including *The Leader's Guide To Radical Management* (2010) and *The Leader's Guide To Storytelling* (2010).

Most attempts to change an organizational culture fail!

Organizational Tools for Changing Minds



The way we work is our most important innovation ©

Creating an Innovative Enterprise

Curtis R. Carlson, Ph.D.

Practice of Innovation, LLC

President and CEO SRI International 1998-2014

April 11-12, 2016

curt@practiceofinnovation.com

650 796 5964



Main Messages

Question: how do you change a failing company's "culture"?

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Answer: change the way employees work

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Tip: never mention the word "culture"

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Answer: change the way employees work

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“The purpose of business is to create a customer. The enterprise has two – and only two – basic functions: *marketing and innovation*. Marketing and innovation produce results; all the rest are costs.”

SRI in 1998

- Famous R&D laboratory in Silicon Valley
- In serious trouble
 - Decline for ~20 years (1-2% per year)
 - Deeply in debt, selling land
- Causes
 - Obsolete business model
 - No value-creation playbook
 - No trust in senior management
 - Little staff collaboration; many grudges



Overall: a scarcity mindset

Major Turnaround

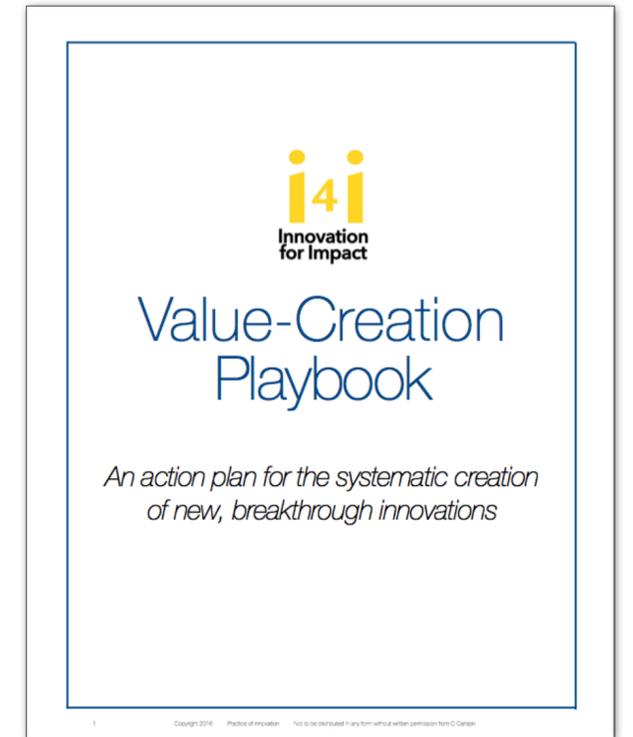
- Tripled revenue to \$550M and 2,300 staff
 - 5 new innovation centers across America
 - New innovations worth \$Bs
- Mayfield Ventures partner, David Ladd, “SRI is now the best enterprise at turning its technology into economic value.”
- Our value-creation process is used worldwide: US, Japan, Chile, Taiwan, Singapore, Finland, ...

The Siri logo, featuring the word "Siri" in a black, rounded font with a green question mark above the "i".

Overall: an abundance mindset

Today's Topics

- Culture flows out of the way we work
 - Work practices are the responsibility of management
 - Everyone must be focused on the customer and creating customer value
- Three keys to success
 - Important customer and market needs
 - Value-creation playbook, including NABC value propositions
 - Ongoing value-creation forums to rapidly learn and get the answers needed



Question

Percent of staff in your enterprise that can describe your innovation process

5 = 100%

4 = 80%

3 = 60%

2 = 40%

1 = <20%

0 = Not sure

Innovation is a Mystery to Most

"Every CEO will at least give lip service to the idea that the world is moving faster and that we need to do a better job at innovation.

But if you go into an organization and ask people to describe their innovation system, you get blank looks.

Innovation is a Mystery to Most

"Every CEO will at least give lip service to the idea that the world is moving faster and that we need to do a better job at innovation.

But if you go into an organization and ask people to describe their innovation system, you get blank looks.

They have none."



Many Bad Ideas

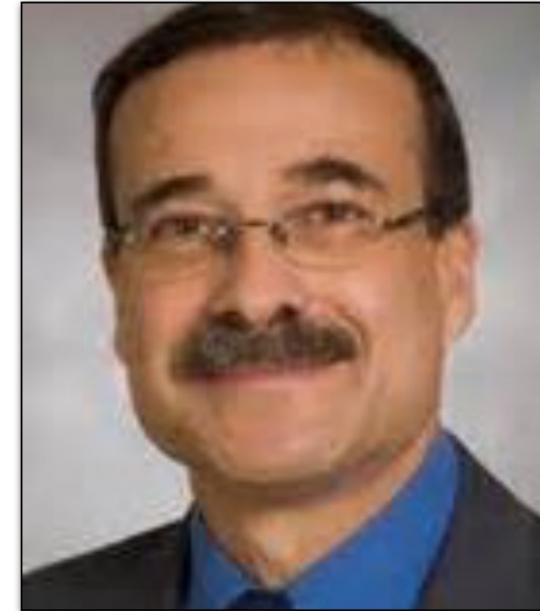
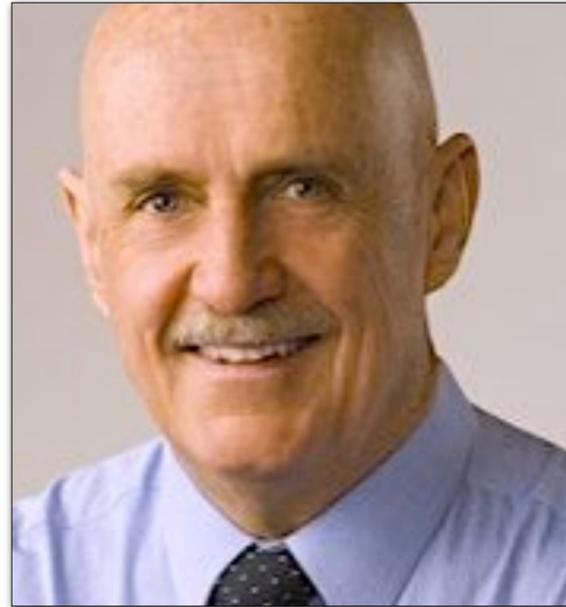
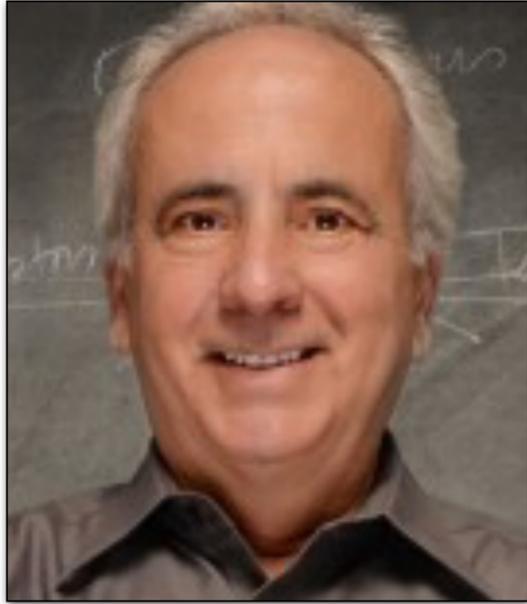
Fail fast to succeed early

The Big Idea

~~Fail fast to succeed early~~

Learn fast to succeed early

Superb Partners



Norman Winarsky

Innovation

Alice Resnick

Communications

Bill Wilmot

People

Len Polizzotto

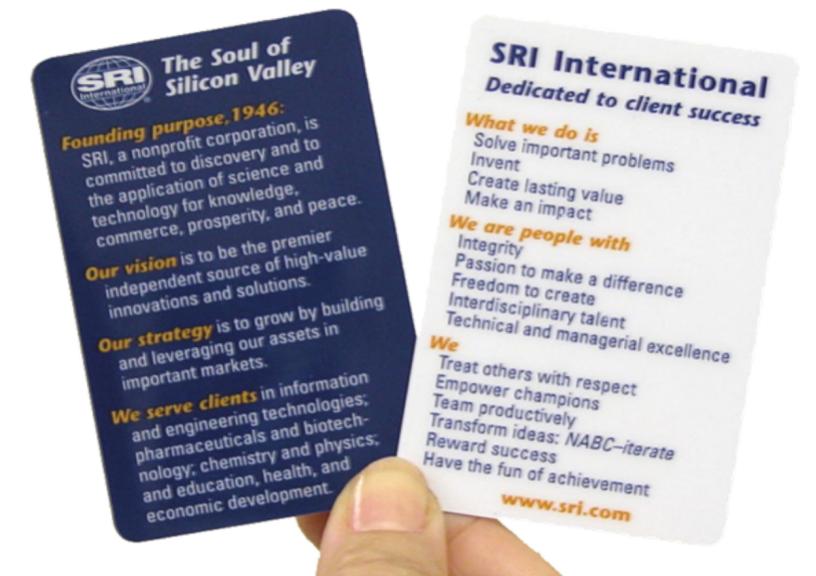
Best practices

Herman Gyr

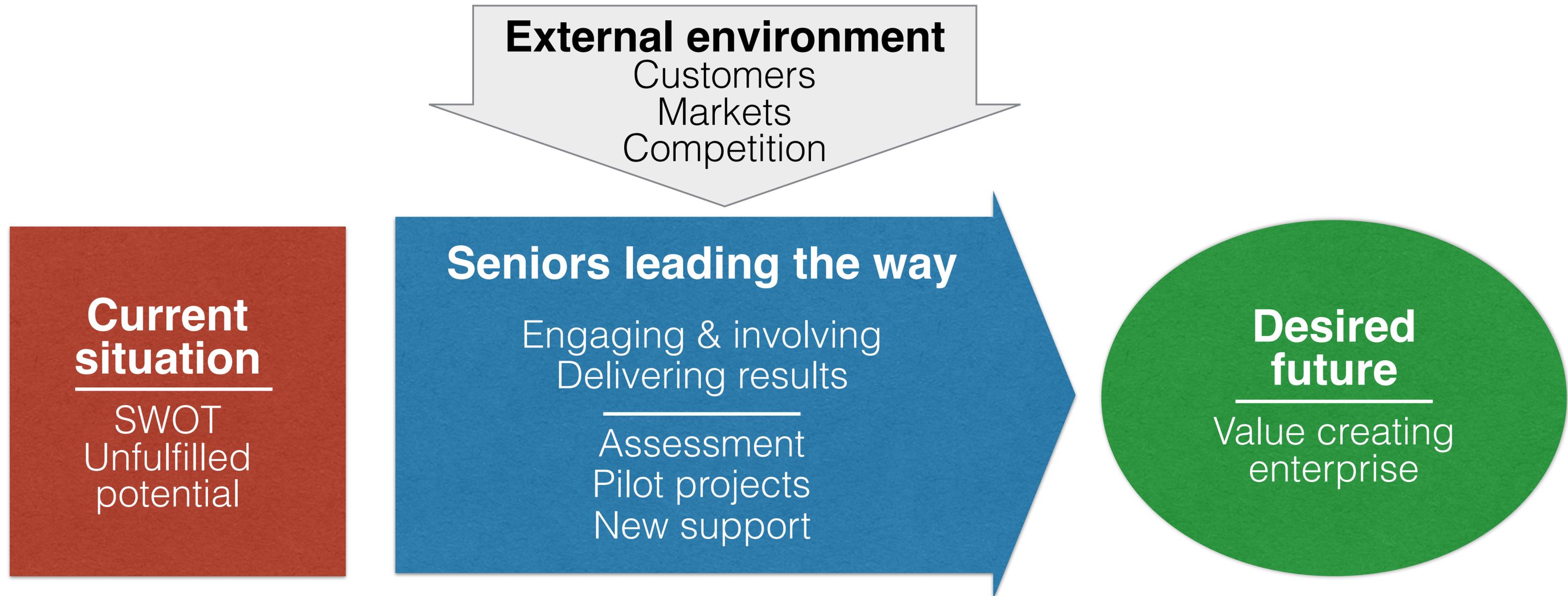
Organization

First Steps

- Conducted a staff survey before I came
 - Issues to be addressed: cynicism about management, lose-lose attitude about collaborating, fear, blaming others, ...
 - Strengths to be leveraged: achievement, customer focus, integrity, love of SRI, pride, ...
- Wrote a response, held all-hands, met with all groups
- SRI Card to get alignment
- Lunched with staff



Establishing the Need, Vision, & Action Plan



Goal: make the systematic creation of high-value innovations inevitable

Vision and Plan

- Vision: “Leading independent source of high-value innovations”
- Plan
 - Focus on important customer and market needs
 - Business model: world-changing R&D and proactive commercialization
 - Comprehensively use of the value-creation playbook
 - Everyone a champion with enviable human values
 - Continuous improvement
- Staff and management

Innovation's 5 Disciplines

1. Important customer and market needs

X

2. Value creation process

X

3. Innovation champions

X

4. Innovation teams

X

5. Organizational alignment

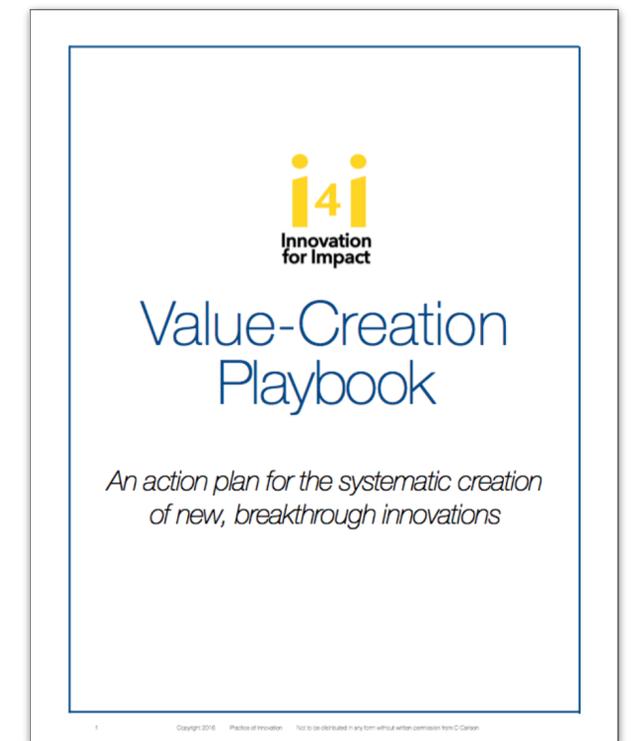
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Market success



Critical Role of the Value-Creation Playbook

- Best practices – a “playbook” for staff
 - Focus on customers, both internal and external
 - Common language and tools for value creation
 - Processes to rapidly learn and create
- Major competitive advantage
- Important to staff
- Concepts seem easy — they are not!



“Important” Versus “Interesting”

- Important, growing opportunity in the “white space”
 - Metric driven: e.g., \$100Ms for new ventures
 - 2-10X better
 - Defensible solution *and* business model
 - Beach-head market that could be “owned”
- Customer really cared
 - Pain killer; not a vitamin
 - High priority — urgent
- We really cared



Things I Didn't Say and Did Say—Repeatedly

- Avoided
 - Culture change — no, work smarter through value creation
 - Fail fast to succeed early — no, learn fast
 - Take risks — no, mitigate risks
 - Management or leader — no champions

Things I Didn't Say and Did Say—Repeatedly

- Avoided
 - Culture change — no, work smarter through value creation
 - Fail fast to succeed early — no, learn fast
 - Take risks — no, mitigate risks
 - Management or leader — no champions
- Always
 - Achievement—change the world—make an impact
 - Abundance of important customer and societal needs
 - Intense collaboration and iteration
 - Great human values

Question

Percent of meetings in your enterprise that start with the customer's needs

5 = 100%

4 = 80%

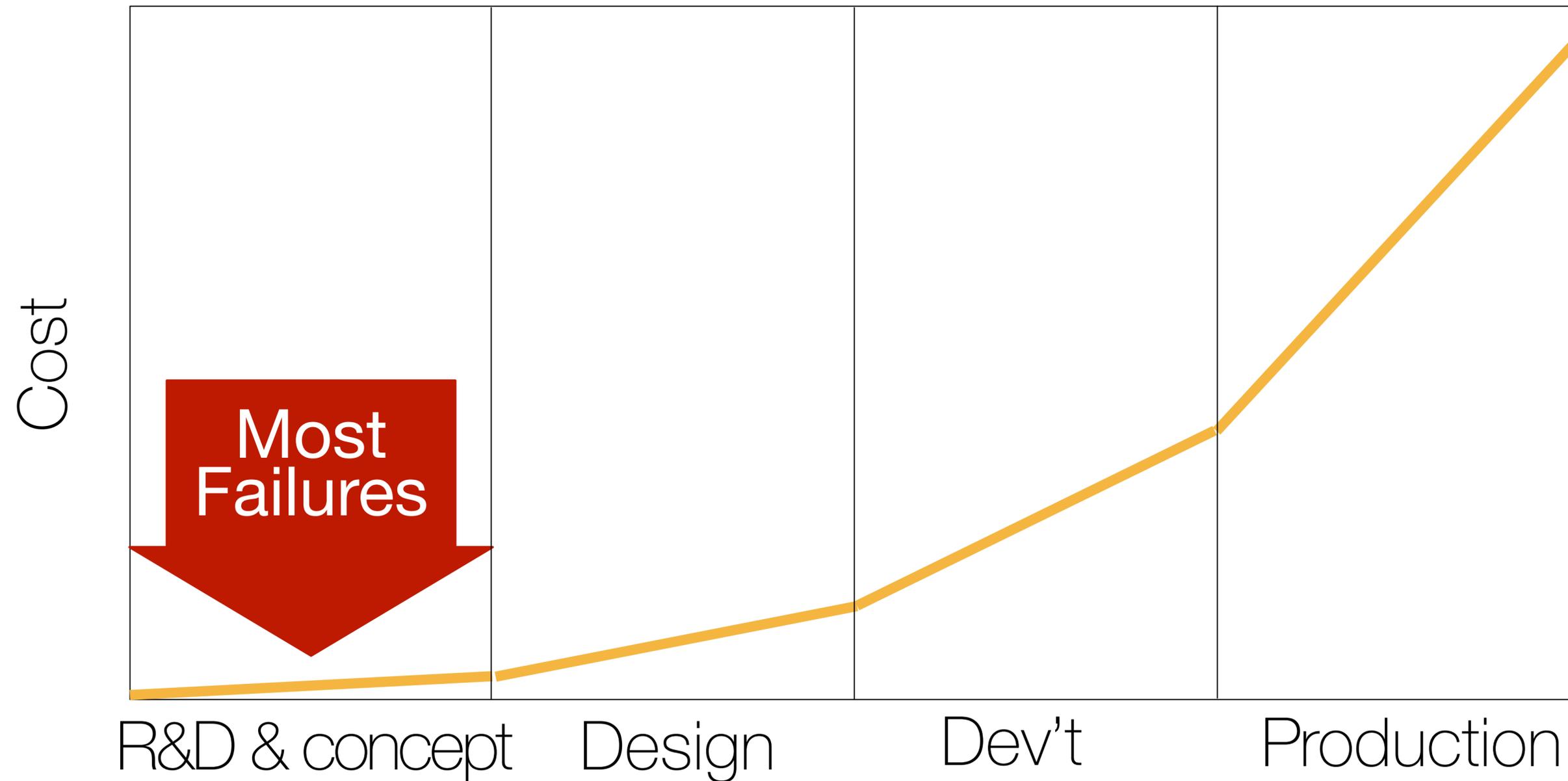
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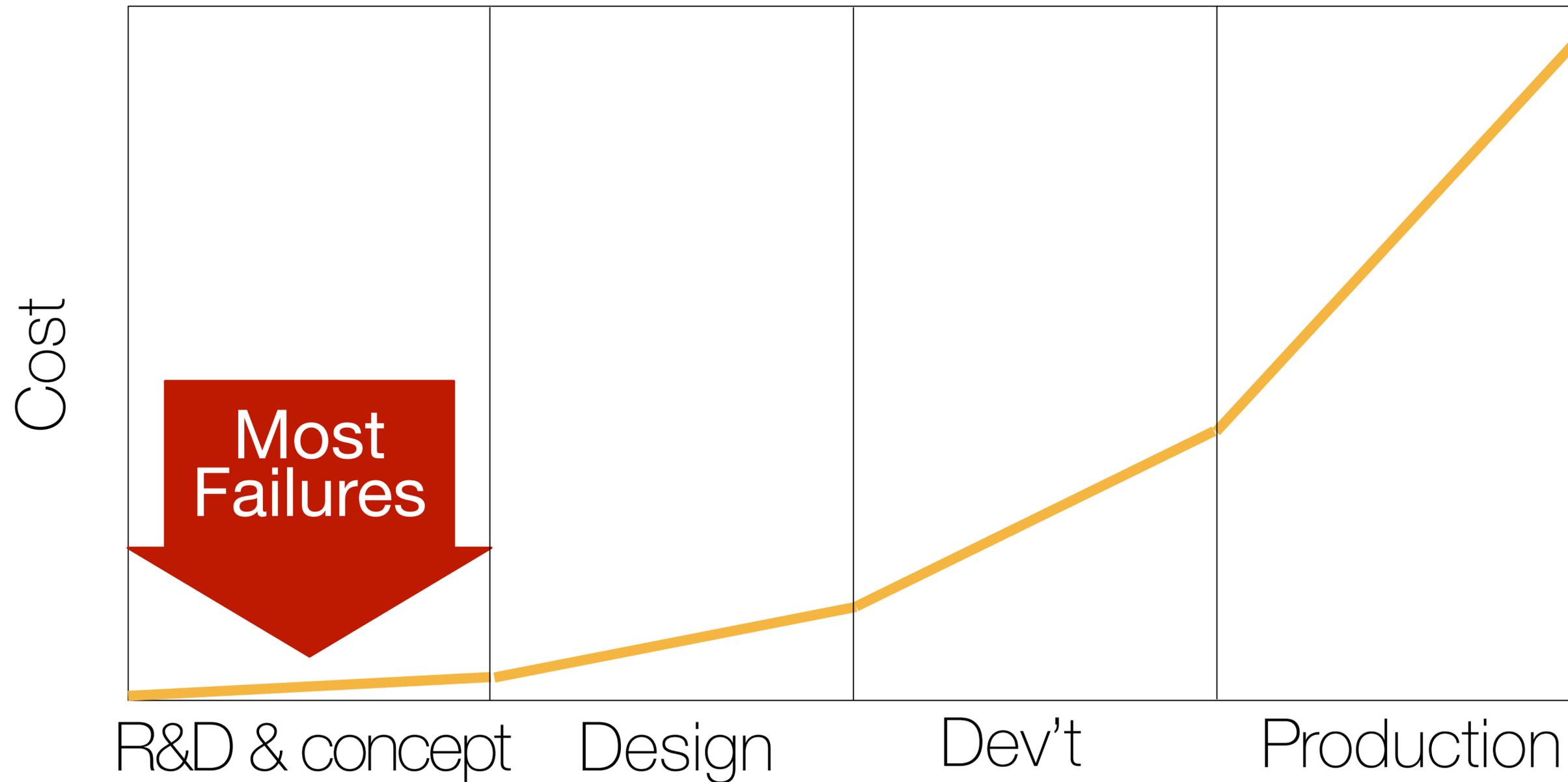
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Most Failures Start at the Start

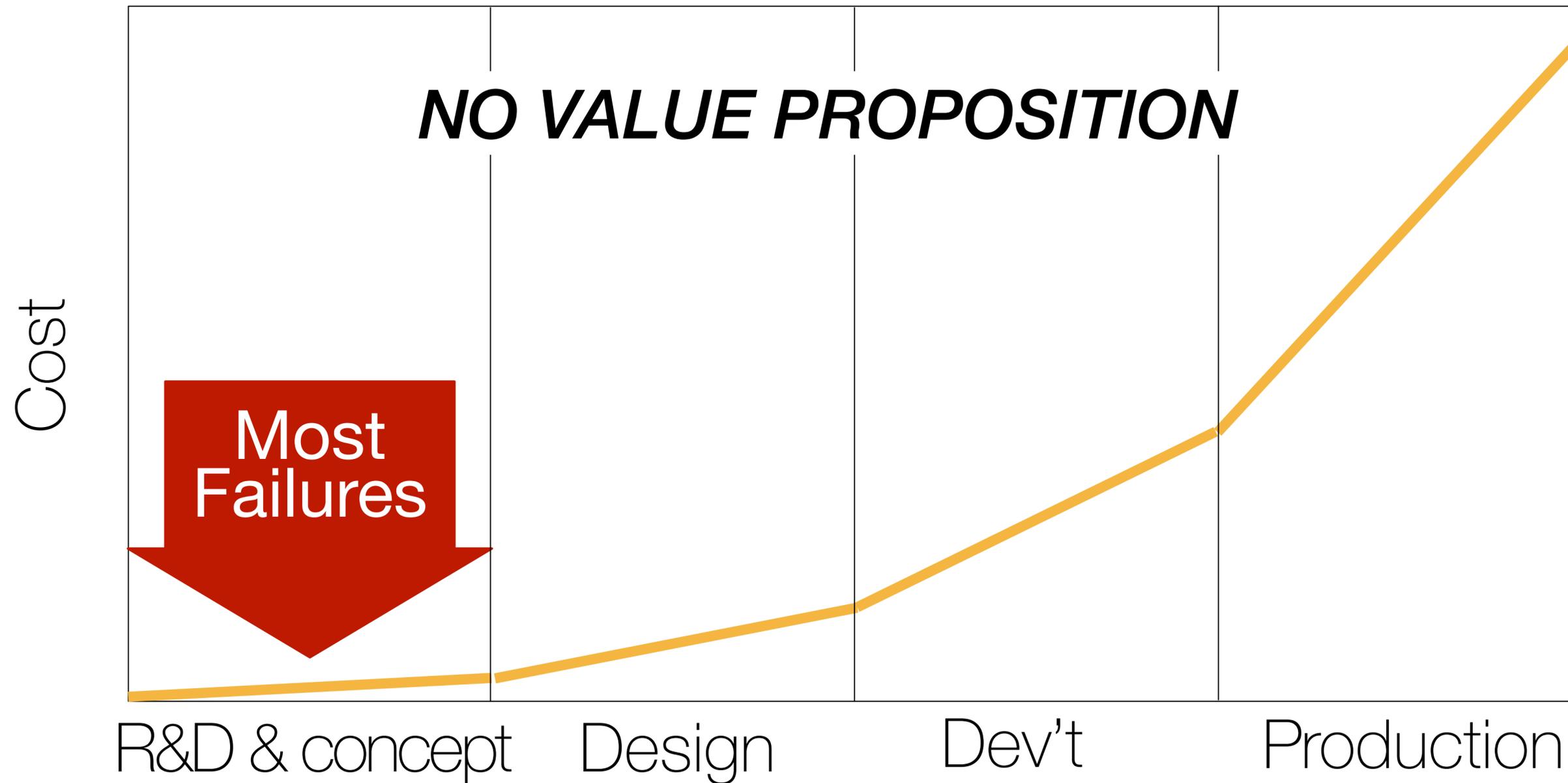


Most Failures Start at the Start



< 20% of R&D has any value for stakeholders

Most Failures Start at the Start



< 20% of R&D has any value for stakeholders

NABC Value Propositions[©]

Need

Approach

Benefits/costs

Competition or alternatives

The Objective

Address an important customer and market

Need with a new, compelling, and defensible

Approach, including a business model to provide superior

Benefits/costs when compared to the

Competition and alternatives

Successful value propositions are:

- Quantitative: bigger, better, faster don't cut it
- Easy to understand and remember

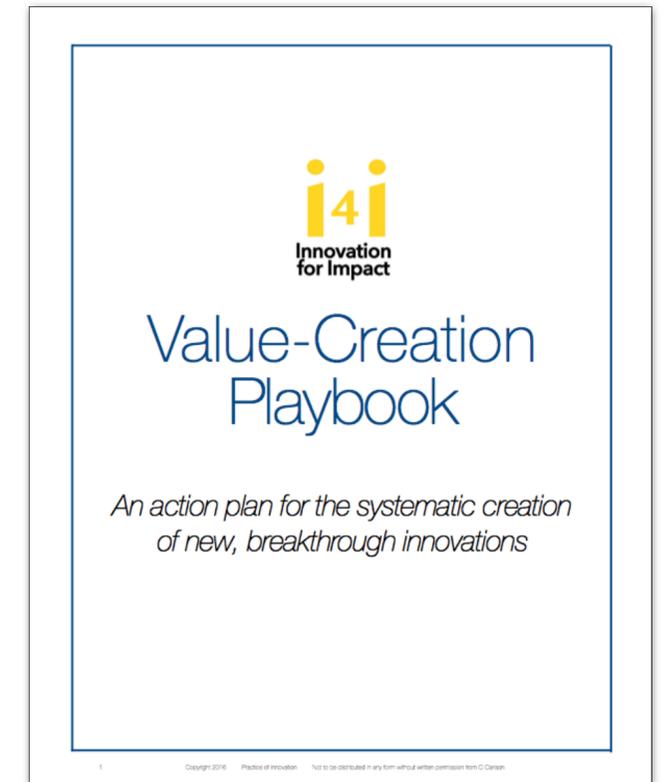
The Most Common Failure

N **A** B/\$C

>95% of presentations are like this

Critical Importance of NABC

- Focuses everyone on the customer and creating customer value
- Applies to every position in the company
- Simple
- Fundamental
- Effective and efficient



Value-Creation Forums[©]

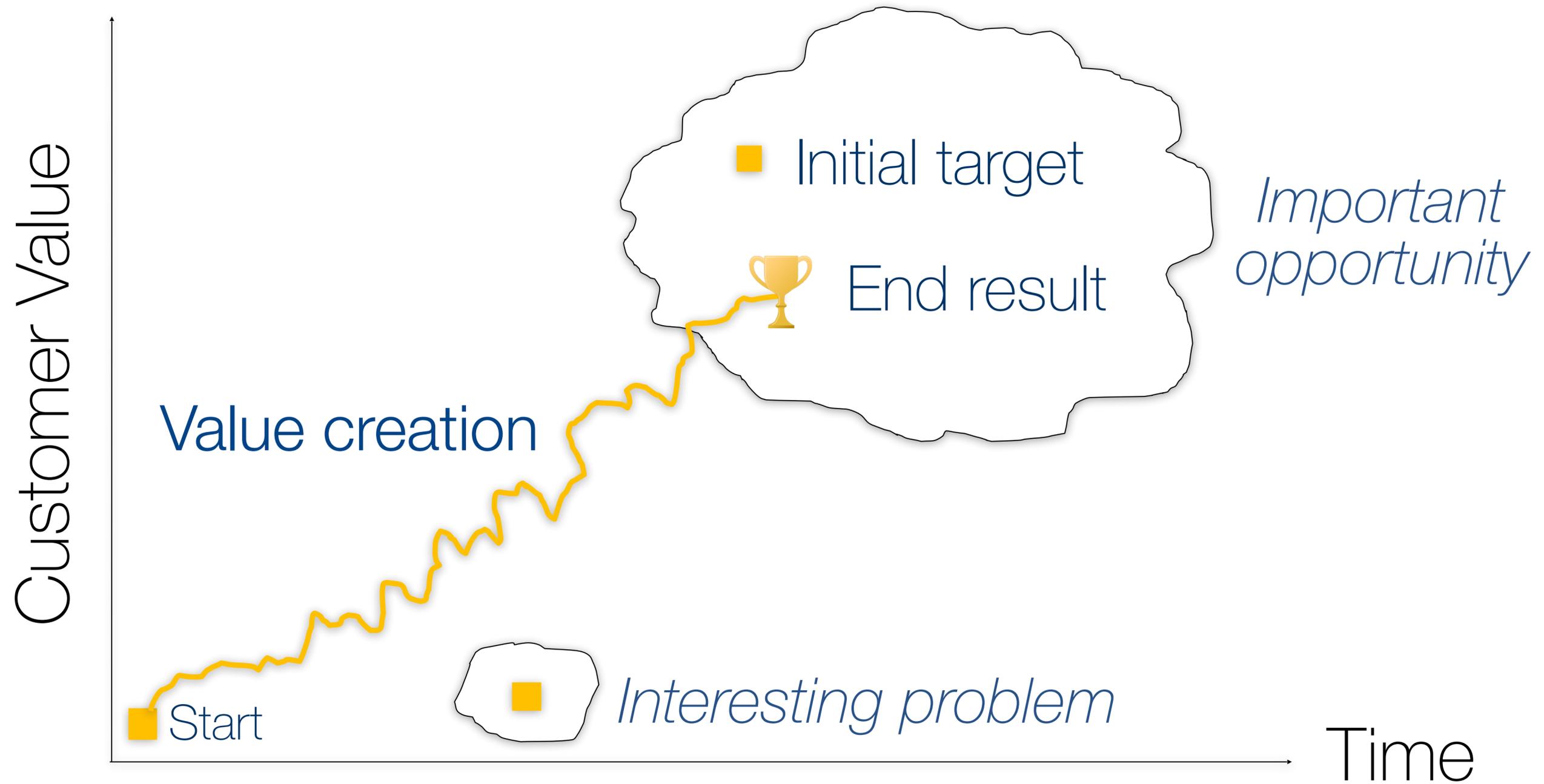


- Recurring, multidisciplinary, and facilitated meetings
- 3-5 teams, 2-10 minute NABCs with feedback
- Risk-reduction, golden nuggets, “bring-it-to-life”
- Resources are metric driven

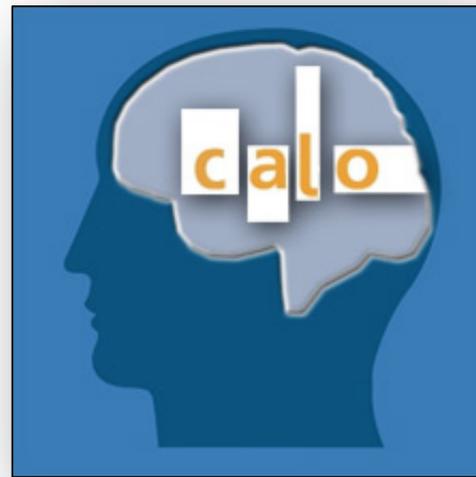
How High-Value Innovations Develop



How High-Value Innovations Develop



Development of Siri



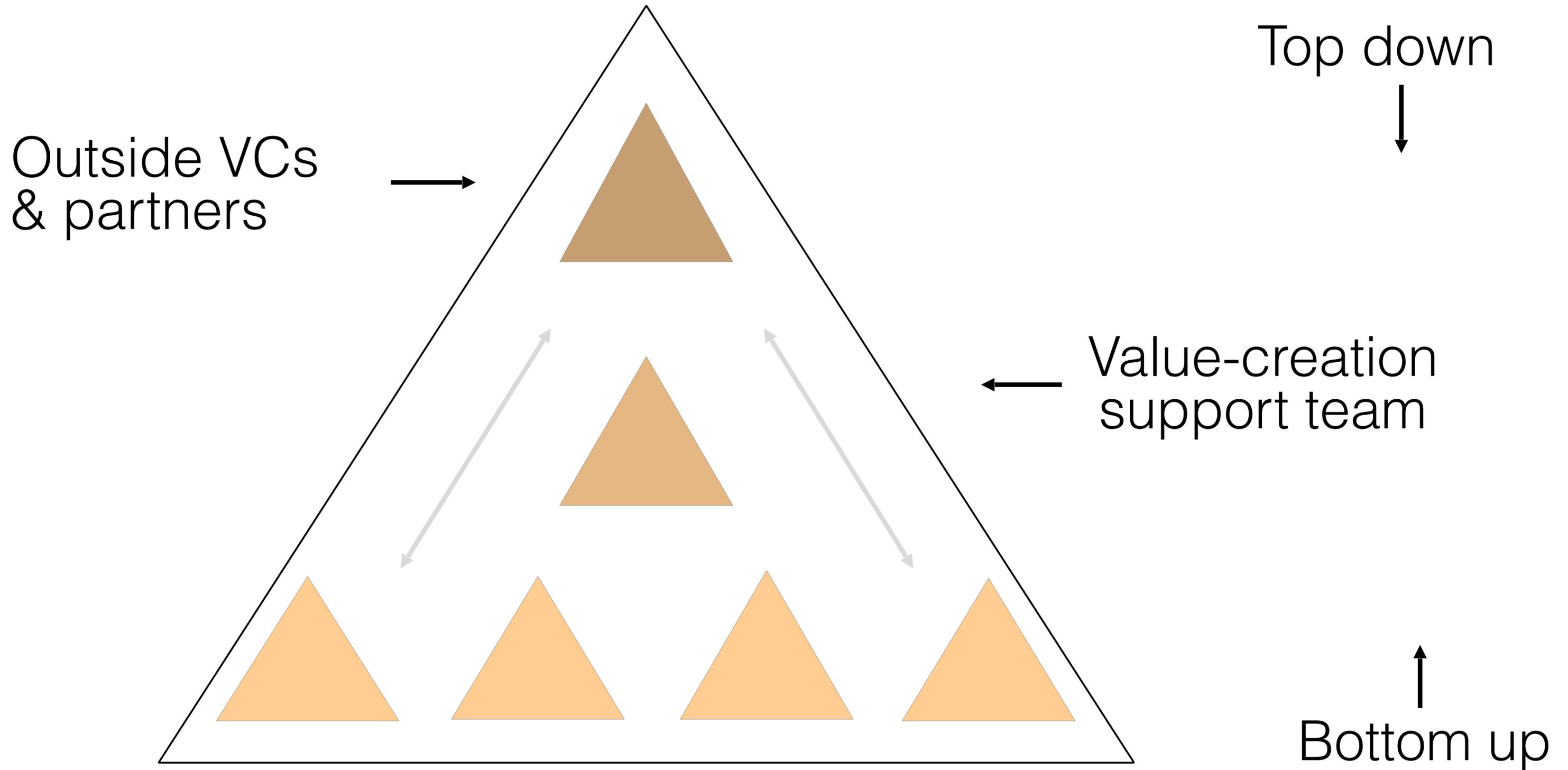
CALO R&D
project



NABC Value Propositions



Organizational Architecture



Example: Augmented Mobility

1. Important need



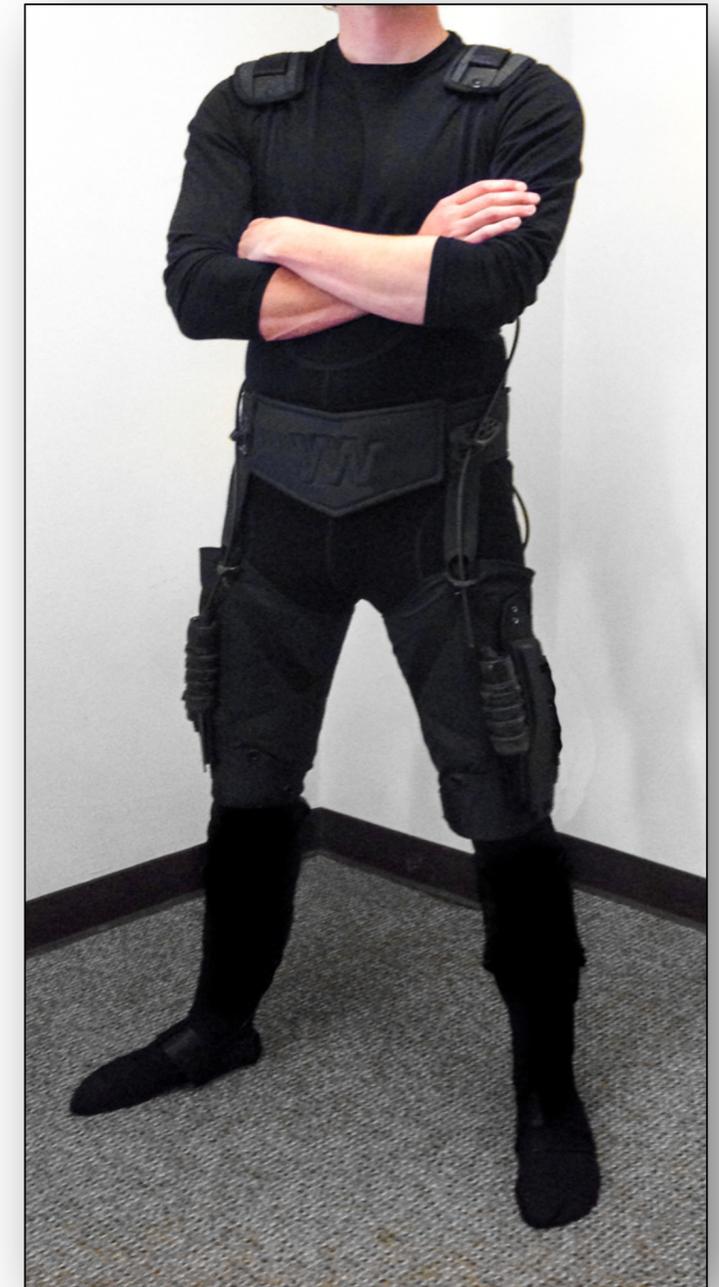
2. Key insight: exoskeletons are heavy, restraining, and power hungry



3. Working hypothesis



4. Solution: wearable pants



Champions Drive Value Creation

- There must be a champion
 - Selects an important need
 - Builds and inspires a great team
 - Organizationally responsible
 - Acquires needed value-creation skills
 - Perseveres, no excuses
- Management's role
 - Assures a champion drives every project
 - Supports and reviews
 - Provides training
 - Eliminates barriers

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No champion
No project
No exception

Rules for Assembling the Best Teams

Collaboration

- Shared vision
- Unique, complementary roles
- Shared rewards

Motivation

- Achievement
- Involvement
- Empowerment

Human values

- Respect
- Integrity
- Generosity of spirit



Management's Role

- Champions for the process and their own initiatives
 - Active participation — model practices and behaviors
 - MBWA — lunch with staff, “tell me your value proposition”
 - Hire, identify, and develop champions
 - Allocate resources
- Remove barriers and waste (MUDA)
 - You can talk to everyone
 - Continuous improvement
- Promote staff development
 - Staff value creation training
 - Incentives — celebrate success
 - Avoid: “boss is always right”

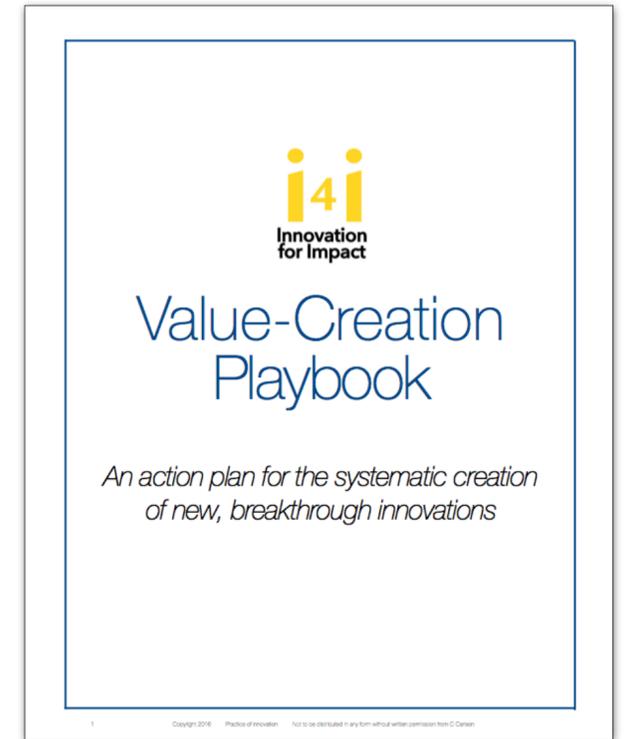


Lessons Learned

- Top management must be “champions”
- Success takes time
 - Even modest success creates great returns
 - Being an innovation enterprise is a 3-year project
 - Progress is slow at first but builds: you won’t go back
- Make funding contingent on using best practices
- Build through early adopters
 - “Lead with the best to pull the rest”
 - Leverage and publicize their success
 - Involve all strategically: deeply involving everyone is impossible
 - Go from strength to strength — firm but steady — marathon, not a sprint

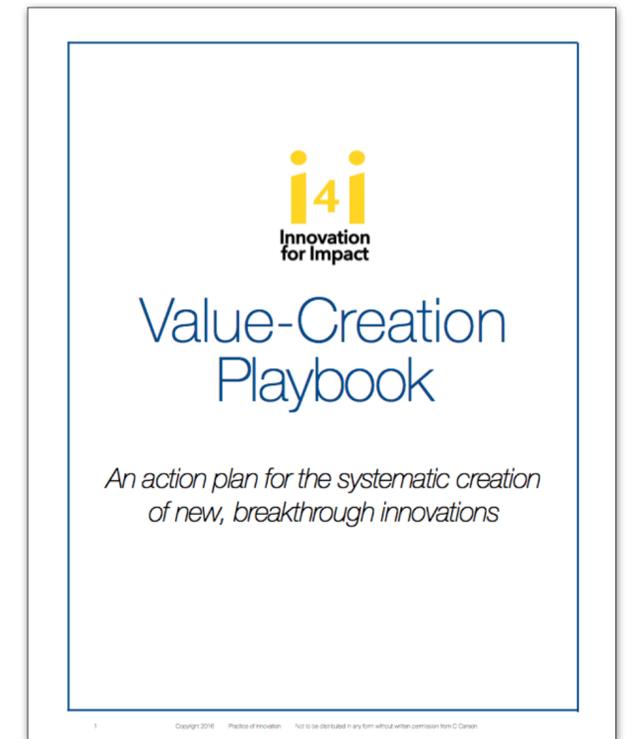
Conclusions

- Culture comes from the way we work



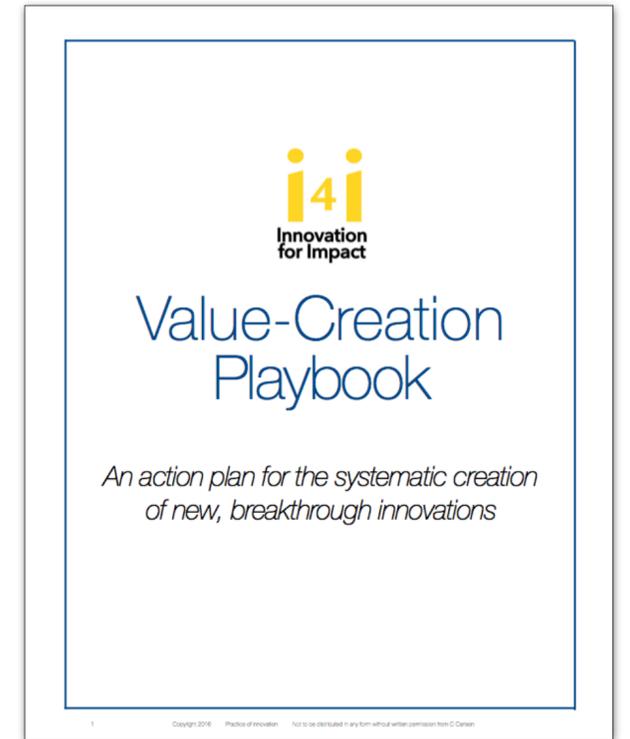
Conclusions

- Culture comes from the way we work
- Strategy is based on:
 - Everyone creating *new customer value*
 - *Learning and creating fast* is the mantra



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 - Everyone creating *new customer value*
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- Three keys to success
 - Important customer and market needs
 - Value-creation playbook, including NABC value propositions
 - Ongoing value-creation forums to rapidly learn and get the answers needed



Discussion

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Question

Select important ideas you learned today

6 = Unrelenting focus on important customer needs

5 = Comprehensive use of a Value-Creation Playbook

4 = NABC value propositions

3 = Value-Creation Forums for learning fast

2 = Motivation driven by making a major impact

1 = Challenging everyone to be a champion

0 = None

Steve Denning:

How long does it take a manager to learn and implement NABBC?

Questions?

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Poll

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Monday June 27 at 11am ET

Eric Engelmann

"Moving Way Beyond What Sort Of Works:
The Geonetric Story"



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Thanks for your participation!

