

Business Unorthodox

Creativity and the bottom line.



by Jennifer Ebert

WHEN THE GOING gets tough, many companies cut costs, cling to tradition, and stay under radar. Such reaction is short-sighted. There are lessons to be learned from companies like HP, Virgin, Disney, and other innovators who not only stay the course through uncertainty, but excel. The most innovative companies don't take cover—they get going. They embrace creativity and innovation in both good times and tough times.

Creativity helps us reinvent when faced with opportunity and survive when faced with challenges. Creative people find new solutions and enjoy a timeless advantage.

What characterizes a company? Its people, process, values, size, resources—or maybe it's an unorthodox approach to business.

Few companies even begin to embrace the power of creativity and reinvention. Yet we see bold possibilities. We see signs of a new era where creativity drives the bottom line—where business escapes tradition and embraces new practices that nurture the cultural creative mindset.

A Time for Transformation.

Jack Welch, former CEO of General Electric, said: "Today business is about the resiliency of ideas. It's about rallying people and the ideas of people." Companies don't simply want to make a better product; they want to dramatically transform their culture to lead their industry. The best organizations are committing more people, resources, time and money to increasing creativity and innovation. It's a smart investment.

Look at Eli Lilly. Instead of churning constantly inside the company to generate new ideas, they've reinvented scientific research and created a free market of ideas. The company founded InnoCentive, a web-based community of

problem-solvers and solution-seekers. They tap scientific minds worldwide to create solutions for financial reward.

Success can no longer be sustained with incremental improvements; we must find new sources of growth to leap forward in much wider measure.

Creativity and the Bottom Line

Although it is difficult to measure creativity's impact on the bottom line, we see that four benchmarks make or break the bottom line:

1. Profitability. A creative company produces more great ideas that impact the bottom line. Better product = sales; efficient method = savings; better service = more customers. Hanes recognized this when they reinvented the T-shirt. The Hanes Tagless Tee shirt is the first innovation in the industry in 10 years.

2. Industry leadership. Leading companies innovate for the long-term. They



are visionary, looking at the future with a wide lens. Today's rapid pace of change means companies can no longer deliver the same products and services in the same way for long. As technology services evolved, IBM, Compaq, and Intel all had to transform their business models. Fox News helped reinvent the cable news industry, repositioning itself as a lively, in-your-face opinion page. And it became the number-one cable news outlet. Innovate or get left behind.

3. Retention. A more creative culture equates to happier employees. Creative companies embrace more humanistic

values, like leadership support, risk tolerance, individual expression, and intrinsic motivation. Peter Coy, *BusinessWeek* columnist, writes: "In the Creative Economy, the most important intellectual property isn't software or music or movies. It's the ideas inside employees' heads. Leaders create an environment that makes the best people want to stay."

4. Motivation. When people feel their ideas are valued they contribute more to the company. Creative companies have a people-first approach, embracing attributes like autonomy and personal challenge. Winnebago discovered this with their innovation program. Every Friday, Winnebago CEO Bruce Hertzke hands out dividend-savings checks and has his photo taken with employees who have made revenue or savings suggestions. Over 10,300 ideas have been implemented, and employees have received \$500,000 for their ideas. Employee creativity saved the company \$5.5 million in the first year alone. Yet people are primarily motivated by intrinsic reward.

Leaders must balance financial rewards with recognition, rewarding work, and enrichment from the culture.

Finally, let's not forget basic business survival. Creativity is required to innovate but it's also necessary to keep the pipeline full and move forward.

The Ultimate Measure of Value

Executives who are committed to increasing creativity and innovation must first accept this universal rule: Creativity requires a new mindset, which is produced only from cultural transformation.

Leaders must accept that development of human capital requires a greater investment than other types of capital—in terms of money, time, and commitment. The ultimate measure of a company's value is its people. In creativity, everything comes down to people. Dick Brown, CEO of EDS, puts it this way: "Most business leaders are more comfortable with numbers. While I am very numbers-focused, you can't change a business with numbers. Numbers are the end result. You change a business by changing the behavior of its people."

Yet it's not enough to hire a few creative people or hold an off-site meeting in hopes of finding an innovation "quick-fix." Leaders must rebuild the culture,

align the systems, and develop the knowledge of the company. Leaders must care for, nurture, and sustain the culture. They must rediscover their child-like imagination, find their passion, surprise people, and be a little unorthodox.

Guiding Strategies

Here are some strategies to guide the creative leader:

- Nurture creativity from the top down and bottom up by finding champions in the ranks of junior positions and senior executives.
- Encourage “skinned knees” by developing a risk-tolerant culture that values the mindset of creativity and rewards both behavior and results.
- Enact intrinsic and extrinsic rewards for creativity that value the balance of

knowledge and imagination.

- Redesign structures to allow for free flow of ideas. Divisions often work differently from one another. Create venture groups, autonomous communities, and flexible innovation processes.
- Allow employees to venture out and learn about the world they serve. Many innovations fail because people don’t understand the customer.
- Create new ways of learning and reward it. Jack Welch says, “You raise the collective intellect by learning, sharing learning, and acting on that learning.”
- Increase accountability and recognition for breakthrough ideas that create new sources of growth.
- Create a new language for creativity that infuses the culture with fresh, simple, goal-focused vernacular.

- Walk the talk. Deliver on the vision and promises through committed action. Redesign performance measurement and talent management in line with innovation.

- Surprise people. Do new things in new ways and be curious, energetic, passionate, and open-minded.

The most creative companies aren’t always the cutest companies. Creativity does not equal whimsy—or any other idiosyncrasy of the extinct dot-com cultures. Fun is an important part of it; people can’t be inspired when they’re bored in tedium. Yet creativity is so much more. In fact, it’s really hard work. **EE**

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ACTION: Put your creativity to work.