

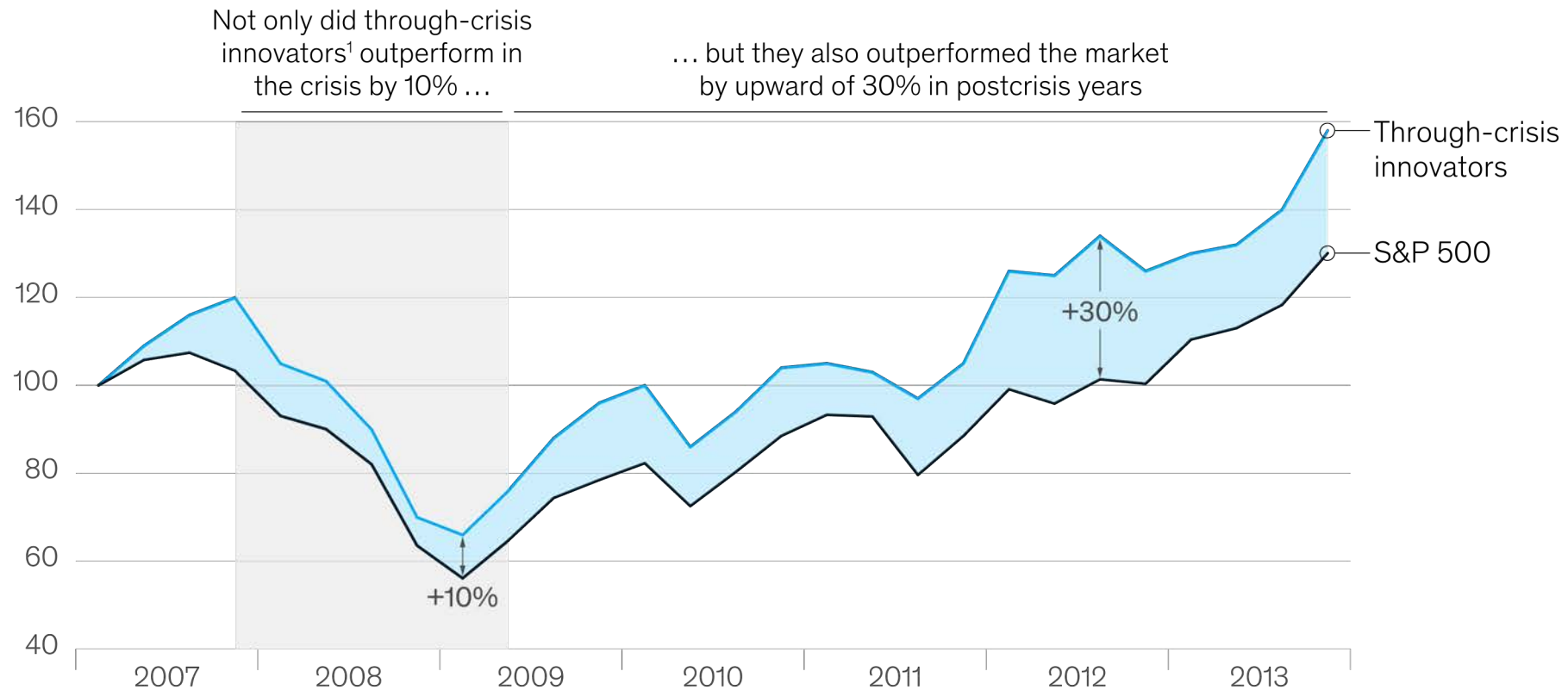
Innovation for Transformation

HBR Perspective

Innovation is Good

History suggests that companies that invest in innovation through a crisis outperform peers during the recovery.

Normalized market capitalization, index (Q1 2007 = 100)



¹Identified as companies on the *Fast Company* World's 50 Most Innovative Companies list for ≥ 2 years through a crisis, normalized to 2007.

The Great Innovation Deceleration

Carl Benedikt Frey

Our response to the COVID-19 pandemic could damage the world's collective brain.



The rise of the West is often traced back to the Black Death of the mid-1300s, which killed over 40% of Europe's population. For example, some historians think that the resulting labor scarcity increased the bargaining power of peasants in the West, which led to the end of serfdom and to higher standards of living but failed to bring about

it is capable of generating. Large, interconnected societies allow more people to participate in innovation, which adds to collective knowledge and gives others in the society better tools and instruments to make further discoveries. In a world where wealth is derived from ideas rather than land and objects, our greatest resource is our social networks, which act as "collective brains."

While COVID-19 has been much less deadly than the bubonic plague that hit medieval Europe, it will imperil the interconnectedness of populations and thus the critical knowledge flows that facilitate innovation both locally and globally. Indeed, the pandemic has already reduced knowledge transmission within our collective brains as governments have introduced restrictions on immigration, global value chains are being dismantled, travel has plummeted, and knowledge workers are isolated in home offices.

The Need and the Opportunity

The COVID-19 crisis presents an opportunity that few feel equipped to pursue.

Although most executives agree that innovating the business will be critical ...

... few feel equipped to face the challenge.

90%

believe that the COVID-19 crisis will fundamentally change the way they do business over the next 5 years

85%

are concerned that the COVID-19 crisis will have a lasting impact on their customers' needs and wants over the next 5 years

21%

have the expertise, resources, and commitment to pursue new growth successfully

2/3

believe that this will be the most challenging moment in their executive career

Innovation & Transformation

Value

Culture

Organization

Tech

The Elements of Value Pyramid

Products and services deliver fundamental elements of value that address four kinds of needs: functional, emotional, life changing, and social impact. In general, the more elements provided, the greater customers' loyalty and the higher the company's sustained revenue growth.

SOCIAL IMPACT



Self-transcendence

LIFE CHANGING



Provides hope



Self-actualization



Motivation



Heirloom



Affiliation/belonging

EMOTIONAL



Reduces anxiety



Rewards me



Nostalgia



Design/aesthetics



Badge value



Wellness



Therapeutic value



Fun/entertainment



Attractiveness



Provides access

FUNCTIONAL



Saves time



Simplifies



Makes money



Reduces risk



Organizes



Integrates



Connects



Reduces effort



Avoids hassles



Reduces cost



Quality



Variety

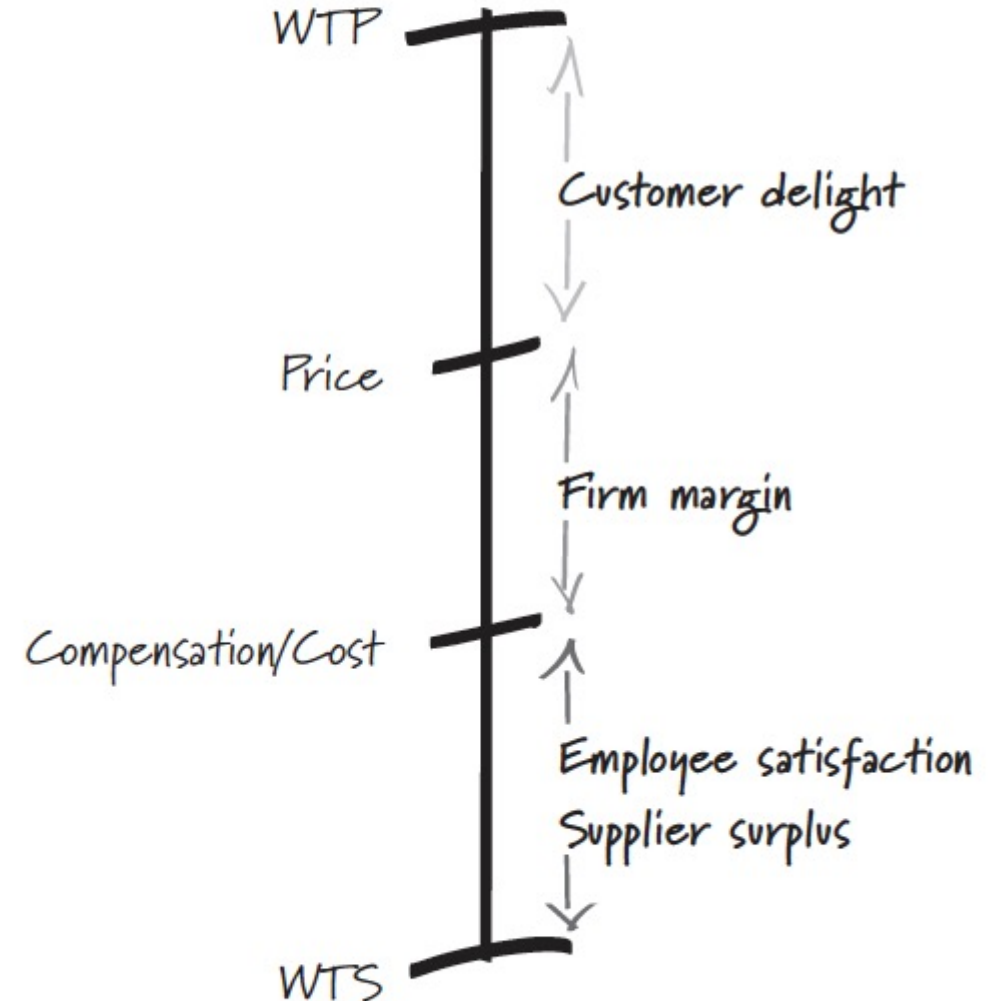


Sensory appeal



Informs

Think Value, Not Profit



Managing Change

8 Accelerators



4 Change Principles

SELECT FEW + DIVERSE MANY

More people need to be able to make change happen—not just carry out someone else's directives. Done right, this uncovers leaders at all levels of an organization; ones you never knew you had.



HAVE TO + WANT TO

Those who feel included in a meaningful opportunity will help create change in addition to their normal responsibilities. Existing team members can provide the energy if you invite them.



HEAD + HEART

Most people aren't inspired by logic alone, but rather by the fundamental desire to contribute to a larger cause. If you can give greater meaning and purpose to your effort, extraordinary results are possible.



MANAGEMENT + LEADERSHIP

In order to capitalize on windows of opportunity, leadership must be paramount—and not just from one executive. It's about vision, action, innovation, and celebration, as well as essential managerial processes.



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