

# The ABCs of Creating an Innovative Company

Steve Wunker

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*EDITOR'S NOTE: Many entrepreneurs struggle to define innovation: whether it's a product or a process; a radical or gradual change; and even a threat or an opportunity. However, in a world where AI is disrupting entire industries, the need to innovate has never been more urgent.*

*Steve Wunker is an experienced innovator, consultant, and author. He helped pioneer the first smartphones and has worked with top global companies to help them develop their innovation strategies and capabilities. Recently he published a book on the topic of innovation. In this interview with EIX, Wunker shares his framework to help companies of all sizes stimulate innovation within their organizations.*

**EIX: Please tell us a little about your own professional background as it relates to innovation.**

**Wunker:** I've spent my last 25 years as an innovator. In 1999, I left a big management consulting firm, Bain & Company, to lead one of the world's first smartphone development projects. Actually, I shouldn't call it a smartphone because we didn't even have the word at the time! We had to make up quite a lot as we went along. Then I led companies that pioneered the mobile marketing and commerce industries and I learned a lot about the pros and cons about being the first into a field. Later, I teamed up with Clayton Christensen, who coined the term "disruptive innovation," to help build out his consulting firm, Innosight, that operationalized the theories he put forward in books like *The Innovator's Dilemma*. I founded New Markets Advisors in 2009 and have led it ever since, consulting on innovation strategy and capabilities for a range of organizations like Meta, Microsoft, Nike, and the Mayo Clinic. It's been a truly fascinating and fulfilling time.

## Defining Innovation

**EIX: People have sometimes had trouble understanding what innovation means. What's**

**your definition?**

**Wunker:** It means making a big success out of a great idea. The idea is only half the equation, if even that. In a recent survey we did of corporate innovators, just 6% said that ideas were their largest challenge. Other issues, like having clear goals and a conducive culture, mattered far more.

Innovation also doesn't need to do anything with jazzy new products. My last book, *Costovation*, dealt with how to create low-cost business models that customers love. You can innovate in your customer service, brand, or internal processes. I love to talk about Alfred P. Sloan, who as the CEO of General Motors from the 1920s to 1950s, knocked Henry Ford off his perch as the colossus of the auto industry, despite having few important product innovations. But Sloan created auto financing, the trade-in, and many other innovations that proved transformative.

## How Great Innovators 'CREATE'

**EIX: Would you share with us about some examples of companies that are innovating effectively, and how they've done it?**

**Wunker:** Microsoft has done a spectacular job of re-inventing itself from a company selling prepaid, one-off desktop-based systems to becoming a global leader in Cloud and AI technologies. It changed its business model, its internal processes and structures, its strategies, and of course its products.

Satya Nadella, Microsoft's CEO, is a great example of being an innovative leader. He's:

- *Connected:* Talking directly with customers, experimenting himself with technologies, and working personally with key business partners like Sam Altman at OpenAI
- *Role Modeling:* Nadella is frequently questioning, pushing for experiments, and



observing what's happening in the market.

- *Evolving*: When he assumed the CEO role in 2014, Nadella was all about a pivot to Cloud. By 2019, he was preaching AI. He changes with the market.
- *Audacious*: Earlier this year, over the course of a weekend, Nadella offered to hire away essentially all of OpenAI's team.
- *Three-Sixty Thinker*: Microsoft is a complex business, from desktop operating systems and applications through to videogames and even LinkedIn. Nadella has pushed all of them to embrace AI.
- *Enabling*: Even a visionary leader like Nadella recognizes that he can't dictate everything in a company as big as Microsoft. So, he enables people to cultivate ideas throughout the organization and bring forward unexpected opportunities.

Together, these six elements spell CREATE, and that's what successful innovators do.

## The ABCs of Innovating

**EIX: What can managers do to stimulate and sustain innovation in their companies?**

**Wunker:** A key organizing framework in our book is ABC – Aspire, Build, Cultivate. That's a three-step process for stimulating and sustaining innovation.

- First, Aspire. In the survey I mentioned, 52% of corporate innovators said that a lack of clear goals was their biggest obstacle to success. That's a shockingly high number. Innovation is a means to an end, so make the end clear – is it about raising prices, taking market share, defending against an entrant, creating an option for a new growth platform, radically transforming costs, or what? How will innovators know that their efforts are on-target? Do they know how they'll be measured? Do you have a portfolio plan for your innovation efforts?
- Second, Build the structures and processes for how you handle innovation. Do your ideas come from external as well as internal sources? How do you track potential disruptions? Who catches the ball when someone throws out a good idea? How do you kill struggling ideas? How do you conduct disciplined experiments?
- Finally, Cultivate the behaviors and culture that

you want. These factors are like mortar in a brick wall – they're essential to holding things together in invisible ways, but without the bricks the mortar is meaningless. Think through your hard levers, the bricks – strategies, initiatives, resources, metrics, processes, incentives, etc. – then pay attention to the softer factors, that mortar. How do you encourage appropriate behaviors? How do you inspire people? How do you handle failures? How do you ensure that people keep learning and stay hungry?

That ABC process will take you far.

## Advice for Smaller Businesses

**EIX: How, if at all, might your advice be different for managers of smaller, newer firms, as opposed to managers in big, established multinational firms?**

**Wunker:** In the research for our book, we made certain to interview a wide range of innovative leaders. We have quotes not only from the CEO of Microsoft, but also from an entrepreneurial dry cleaner and the head of a school, for example. You can be an innovative leader in any walk of life, and the overarching principles like ABC are actually the same.

Now, smaller and newer firms are constrained by both resources and time. They need to be choiceful about how many initiatives to take on, as well as ruthless about finding success or walking away from even cherished concepts. While this is a constraint, on the flipside their leaders are more connected to the market; they can rapidly evolve; they can be audacious because they start with a clean sheet approach; and they often need to think three-sixty about an ecosystem of partners to create competitive advantage. Those are major advantages, and they lead new entrants to win many battles of industry disruption against longstanding incumbents. Know your advantages and disadvantages, and play to your organizational strengths.

**STEVE WUNKER** is the managing director of [New Markets Advisors](https://www.newmarketsadvisors.com/) (<https://www.newmarketsadvisors.com/>), a global consulting firm focused on innovation. He was responsible for one of the world's first smartphones, pioneered the mobile marketing and commerce industries, and partnered with a longtime colleague, Harvard Business School's Clayton Christensen, in

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