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BEST BUSINESS BOOKS 2015: STRATEGY

The Search for Innovation

BY KEN FAVARO

STRATEGY



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The Search for Innovation

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Cass R. Sunstein and Reid Hastie, **Wiser: Getting beyond Groupthink to Make Groups Smarter** (Harvard Business Review Press, 2015)

Brian Grazer and Charles Fishman, **A Curious Mind: The Secret to a Bigger Life** (Simon & Schuster, 2015)

Illustration by Gérard DuBois

ABOUT THREE-QUARTERS of the way through his new book, *A Curious Mind: The Secret to a Bigger Life* (written with Charles Fishman), Brian Grazer hits the nail on the head. “This isn’t a science,” he says of the business of producing movies. “This is a creative business.” That pretty much describes any business, whether it’s making widgets or producing *Apollo 13*. Every business is the result of an original, creative innovation, and every business must innovate to sustain its hard-won success.

In survey after survey, business leaders say they want their companies to be more innovative. But companies aren’t innovative. People are. And this year’s best business books on strategy highlight two different approaches to developing the human capacity for innovation. In one, a Hollywood producer describes how curiosity made all the difference to his own life and career — and suggests that only curious leaders can build consistently innovative companies. In the other, two professors, Cass R. Sunstein and Reid Hastie, offer a more dispassionate approach informed by social science. A company’s ability to innovate, they argue in *Wiser: Getting beyond Groupthink to Make Groups Smarter*, boils down to how well its leaders work together in a group setting. Both are compelling, and *A Curious Mind* is a real joy to read. But *Wiser* may be the more important book because so much of scaling and sustaining a company’s success depends on its leaders working well together. For this reason, it is my pick as the best business book of the year on strategy.

Wise Groups

Wiser is a fine representative of the ever-expanding literature of behavioral economics. The authors mine personal experience, history, and social science for illuminating insights on how to do things better in groups. *Wiser* starts from the premise that groups of all sizes face significant structural barriers. (The first section of the book is titled “How Groups Fail.”) Why? Because when humans get together, they fall prey to “groupthink.” They censor themselves and one another, defer too much to the opinions of leaders, and tend to adopt the view of the group’s most extreme members. What’s more, they are ill-equipped to absorb and make use of new information.

These patterns are highly inimical and toxic to innovation. After all, great innovation generally requires inspiration from unexpected places. Henry Ford’s idea

for the moving assembly line came from observing how slaughterhouses work. The idea for PageRank — Larry Page’s game-changing idea for the Google search engine — stemmed from an unrelated project he happened to be working on called the Stanford Digital Libraries Project. Neither of these ideas came from their originators’ immediately relevant expertise. In fact, relying on what you already know can hinder creative thinking. That’s why it took a car mechanic from Argentina — rather than doctors, hospitals, or medical device companies — to invent the Odon Device, which uses a plastic sleeve instead of forceps or suction cups to help with difficult births. “Conventional wisdom is the source of many problems and is ill-suited to solving them,” as Albert Einstein put it.

Sunstein and Hastie don’t simply lay out the barriers to effective groups. They also prescribe effective means of overcoming them. As confirmed rationalists — Sunstein is a law professor at Yale University and a former regulatory official in the Obama administration, and Hastie is a psychologist at the University of Chicago’s Booth School of Business — they are confident that we can iron out some of the flaws in human nature. A successful strategy and making the right decisions, they argue, involve understanding what pushes us toward ineffective thinking, and then using their prescriptions to prevent us from undermining group effectiveness. And that requires excellent group leadership. Because innovation in a group relies on the ability to make new connections among the diverse experiences of its members, leaders must create a climate in which individuals can free-associate and use both their total life experience and that of their fellow group members. The group’s leaders should set the tone by being inquisitive and self-silencing to let other information rise. They should continually prime critical thinking and reward group success. They should also force colleagues to change their perspective by setting up role-playing or by assigning people to be devil’s advocates during discussions. Conscious leadership can institutionalize effective ways of producing, evaluating, sifting, and aggregating information that can lay the groundwork for innovation.

The authors helpfully point out that leaders also have to understand that group decision making falls into two distinct steps, which require different approaches. In the first step — identifying solutions — *divergence* is necessary. The group has to be encouraged to explore boundaries, search broadly, and expand its

thinking in order to find the best options for the problem at hand. But the second step, in which the group selects solutions, requires *convergence*, a meeting of the minds and a consensus on how to proceed. *Wiser* also includes a good section on how to harness experts. The authors advise leaders to get a statistical answer from a large group of experts rather than one answer from just a few, to use prizes and tournaments to elicit new ideas, and to avoid chasing the advice of pundits temporarily identified as champions.

Wiser is particularly useful because so many of the techniques the authors recommend for effective group decision making also apply to the process for group innovation. Generally speaking, innovations follow a similar path: problem → idea → strategy. More than a century ago, Henry Ford was obsessing over a problem — how to democratize the car rather than make a better car for the wealthy few who could afford it in the early 1900s (which was the primary focus of other auto companies operating at the time). As noted above, he hit upon the idea of a moving assembly line from slaughterhouse observation. Ford connected that idea to a number of others that could help solve his problem, in large measure by gathering information from inside and outside the confines of his factory. For example, he implemented a concept that had been used by a French painting company decades before: profit sharing with frontline workers. He set up a dealer network much like Isaac Singer's sewing machine company had done nearly a half century earlier. Ford's strategy of making one standard product (the Model T) in one color (black, because he knew black paint dried faster than paint of other colors) was designed to make the assembly line operate as fast as possible, thus reducing the cost of manufacturing of each car. Henry Ford started with a problem, made new connections that led to a novel solution, and then wrapped a successful strategy around his big idea, the moving assembly line.

So when groups come together to innovate, they should start with a shared view of the problem they are trying to solve. Their goal should be to generate novel solutions (ideas) by making new connections from the input they have to work with. The group can then move to building a strategy for taking the ideas to the market.

Wiser offers a host of useful and timely tips on making this process go more smoothly.

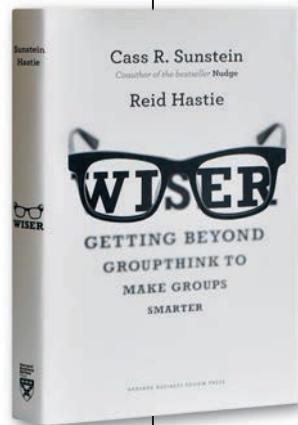
Houston, We Have Innovation

At first blush, *A Curious Mind* would seem to be the polar opposite of *Wiser*. It's a punchy memoir written by a prolific Hollywood producer. Together with Ron Howard, Brian Grazer, known for his distinctive spiked hairdo, has produced a host of quality blockbusters: *Splash*, *A Beautiful Mind*, *Friday Night Lights*, *Backdraft*, and many more. But although the voice and format of *A Curious Mind* differ significantly from those of *Wiser*, Grazer and co-writer Charles Fishman attack the same big issue that Sunstein and Hastie do: How do you get the innovation and creativity you need to be consistently successful?

Grazer's answer boils down to his life experience, and to a single word: curiosity. Psychologists, Grazer tells us, define curiosity as "wanting to know." And to Grazer, the state of wanting to know is a path to personal and business success. It's how you can jump-start your career, develop new products, and compete effectively in cutthroat industries. Eschewing research and academic studies, Grazer has spent most of

his adult life in a period of constant learning, through a series of what he calls "curiosity conversations." At the end of the book, he includes a 28-page list of the interesting people with whom he has sat down: journalists, scientists, artists, politicians, athletes, businesspeople. They include polio vaccine inventor Jonas Salk, Mexican billionaire Carlos Slim, science fiction writer Isaac Asimov, and criminal trial lawyer F. Lee Bailey. Grazer has consistently sought out a wide range of people over the years, in a range of circumstances, to inform his view of the world.

As Grazer chronicles his climb up the ladder in Hollywood from mailroom clerk to big-time producer, he describes how he has used curiosity as a management tool and as a way of innovating (developing new movies, in his case). Curiosity is the vehicle by which he learns how other people think and develops empathy; it helps him build up a "reservoir of experiences and points of view." The simple act of asking rapper Eminem to tell Grazer about his life led to the movie *8 Mile*.



And yet, as Grazer laments, curiosity isn't discussed all that much in the corporate context (he notes that the words *innovation* and *creativity* appear far more often in the business press than *curiosity*). In Grazer's view, successful business leaders have always been curious about how the business is doing and what challenges their managers and workers are facing. Think of all the anecdotes about company CEOs and owners walking the factory floor. Grazer gains similar insights from his own face-to-face meetings.

Tapping into the curiosity of others can also be a good management tool. Rather than telling people what to do ("I need you to call Russell Crowe"), Grazer finds it often makes sense to engage others' curiosity ("What do you think would happen if you were to call Russell Crowe about this?"). By asking questions, leaders can create a culture of curiosity.

Grazer's view on how innovation happens is central to *A Curious Mind*. Late in the book he claims that "it's not important to know where good ideas come from." But early on he writes, "I've always felt that ideas come from all corners of my brain." Grazer instinctively latches on to the insight that won neuroscientist Eric Kandel the Nobel Prize in Medicine in 2000. Kandel proved that the human mind uses both analysis and intuition to generate thoughts and that neither side of the brain is better than the other in either process. That is, there is no such thing as the analytical left side or creative right side of our brains. Kandel showed that the brain "thinks" through a process called "search and combination," in which memories or fragments of memories come together to spark a new thought or idea.

What does this have to do with strategic innovation? Well, it turns out that innovation doesn't mean conjuring up something from the heavens that doesn't exist today. "Creativity is just connecting things," Steve Jobs said. "We have always been shameless about stealing great ideas." Lasting businesses are forged when people creatively combine elements of what already exists in something novel — as Ford did with the slaughterhouse, black paint, a French painting company's front-line profit sharing, and the Singer franchise network. As Ford himself said, "I invented nothing new. I simply assembled the discoveries of others." Great innovators instinctively understand that this is how innovation really happens. "Immature poets imitate; mature poets steal," as T.S. Eliot put it.

In fact, these quotes accurately describe the job of a successful movie producer. Grazer knows that curiosity

expands your available array of elements of what already exists, which provides a spur to imagination. As he writes: "The more I know about the world — the more I understand about how the world works, the more people I know, the more perspectives I have — the more likely it is that I'll have a good idea."

Like Sunstein and Hastie, Grazer forcefully argues that leaders must train themselves and their colleagues to access, absorb, and analyze new and even strange information. The goal of his curiosity conversations, Grazer writes, is simply "to learn something" from people who work outside his own world of movies and television. This thirst for learning is shared by most innovative leaders. When Bill Gates was being interviewed on *60 Minutes*, the interviewer noticed Gates had brought an enormous duffel bag onto the set. It was filled with books on a wide range of topics that had nothing to do with computers and software. Steve Jobs liked to wander through stores like Macy's and Radio Shack, just to see what was in them. Napoleon was the most successful military strategist of his time because he was insatiably curious about why and how previous battles had been won and lost.

This pattern is more than a coincidence. Kandel showed that memory is stored in modular form on our brains' "memory shelves," which expand with the new experiences and knowledge that life brings. Leaders who have some routine for building and diversifying their memory shelves will have the most feedstock for making the creative combinations every innovation comprises.

The routine could be anything. It could be the institutionalized group processes that Sunstein and Hastie prescribe. It could be wandering through a variety of stores or reading books on a wide range of topics. For Grazer, who grew up with a reading disability, it is curiosity conversations — talking to people from any walk of life. The important thing is to have a routine that works best for you. +

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