

Will the Great Recession
bring out the best and brightest?

Next Big Thing

Are tighter budgets good or bad for innovation?

Michael Mendenhall: You could say it's either good or bad. What is important, in these uncertain times, is that people remain committed to and focused on their plans. This is not a time to completely overhaul a marketing strategy or communications plan.

It is appropriate and wise to revisit those plans to make sure that they

Patia McGrath: Whether it's a tight or an unhindered budget, it's always the time to innovate. An environment of tight budgets may cause a company to have a heightened focus and prioritize more diligently, but you should always be innovating.

John Fish: I think, historically, innovation flourishes under constraint.

That's because creativity blooms not just from freedom, but also from constraint. Sometimes the

millions of dollars into his technological platform coming out of the airline's bankruptcy. Some people thought he would have taken much more of a cost-management focus.

But he understood that without having the innovation alongside the fundamentals, he was never going to get that airline back to first place.

Patrick Meyer: The gut reaction is that everybody thinks that innovation is about medium to longer-term goals. Some people think it's more of a "nice to have" than a "must have." So, they cut innovation back for six months or a year and figure that they'll catch up on the other side.

The problem is that innovation is not an option. It isn't about a new product or a new package or a new service a year or two out. Innovation has to be everywhere in what you do, at all times. You have to use innovation to unlock business growth and drive business growth harder in the short term as well as the long term.

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MICHAEL MENDENHALL

are nimble and dynamic and that you are reflecting current market situations and trends. Therefore, you maintain your strategy while adapting and being flexible and reactive to any conditions that would affect your businesses' products or services.

challenge of a tighter budget can bring out the best in a team. An exciting idea with the numbers behind it and the potential to disrupt will get funding.

When I worked at Continental Airlines, Gordon Bethune invested

A ROUNDTABLE FEATURING

Michael
Mendenhall
Hewlett-Packard

Patia McGrath
General Electric

John Fish
AstraZeneca

Patrick Meyer
Now Inc.

Does a tougher economy change the focus of innovation?

Mendenhall: HP is in a little bit of a different position because we're a technology company, so innovation is a core attribute of ours. So, we continue to invest against our strategy. It's an important component and attribute of our company and it differentiates us from our competitors.

We continue to remain focused on our long-term R&D and innovation, even in this down economy. We believe we will come out in a much stronger position relative to that strategy. We've gained the number-one share in the world in personal computers through great innovation in design, product, and packaging.

McGrath: The focus of innovation should stay the same, be it a good economy or a bad one. Our focus on innovation always has our customers at heart. We are always looking to ensure that we are providing customer value.

If the customer's definition of value or their perceptions are changing, then of course our innovation output would be altered to suit what the customers are asking for. But the focus is the same; it's still on the customer.

Fish: In a tougher economy, the balance shifts more towards lower-risk/higher-return ideas for products and services. Essentially, the review process tightens up and the definition of what constitutes a good idea becomes more detailed. Obviously, companies are trying to produce a higher yield from their ideas or product pipelines.

Insight also comes into play because you have to contemplate

the behavior changes or the buying behaviors that are going to occur as a result of economic conditions. For example, Wal-Mart sales are going up right now because people are trying to pinch pennies.

So, insight becomes a more important component of your innovation process during tougher times because you want to avoid chasing an innovation that just

Is innovation overrated as a competitive advantage?

Mendenhall: I do not believe innovation is overrated. When you look at how HP has created relevant products that build out the personal experiences that people have with technology, it's clear that innovation is very important.

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PATIA MCGRATH

won't be relevant to consumers' interests because of bad economic conditions.

Meyer: A tougher economy brings the focus back to retail, and to product and service. It brings you back to things that will drive reconsideration in the consumer's mind. It forces you to look for those things that you know are going to work, that are absolutely going to get you your ROI.

That's a short-to-medium focus, but you still need to have an eye on the medium- to long-term horizon, where you're exploring and testing new ideas, new approaches and new products. That way, when you are on the other side of the economy and the customers are coming back, you've got new initiatives that you're bringing forward.

Smart companies are already preparing for a year or two years out when things do pick up. We're working on something right now for launch in 2010. We're planning for where it will surface first and which groups are likely to be responding first when the worldwide economy comes back.

In this climate, we believe that hardware, software and services have a huge role to play in helping companies weather the economy. So, we do believe that there is a very big role for innovation and technology in this down economy. For us it is critical and I don't think it's overrated.

McGrath: I think sometimes innovation is underrated. Innovation is at the heart of competitive advantage. I would not be in the camp of saying that it is overrated.

Fish: I look at innovation as a competitive advantage—the numbers speak for themselves across the board. A company's ability to innovate has an impact on its sales, stock price, employee recruitment and retention as well as brand equity.

If you look at the stock price of Apple, for example, it's based on the strength of its brand to realize competitive advantage out of innovation. The iPod may not even be the best MP3 player in terms of specs, durability and sound quality, but its innovative integration with iTunes gives it a big competitive advantage.

Meyer: There is no topic that gets more lip service than innovation. It is completely over-talked and under-delivered. The smart companies find a handful of areas to focus on where they use innovation to unlock growth. They do that by looking at innovation in a broader sense, in terms of connecting to consumers, and causing them to reconsider their whole brand proposition.

In other words, they don't just use innovation for the sake of innovation, which a lot of companies will do. There are some companies where the CEO or the CMO yells and screams for innovation and everybody drops what they're doing to focus on innovation. So, you end up with a lot of activity, but not the right kind of focus that you need to achieve innovation.

The key to innovation is to understand what drives your overall business and then use consumer insights to unlock those opportunities relative to driving your business. You need to create ideas that really drive the business, as opposed to just getting something new out there that may not be as relevant or appropriate and doesn't necessarily drive your business or is even counter-productive.

What's the most innovative thing in marketing you've seen in the past year?

Mendenhall: There are opportunities to take digital content and channels and use them as an operational strategy for the company.

In particular, the possibility of social networks is not limited to marketing communications. We are opening up the R&D innovation pipeline to social

communities—to universities, institutes and individuals—and allowing them to participate in the research that we're conducting in our various labs at HP.

We are creating an open innovation model that allows us to get from a concept in R&D to the marketplace in a much faster way. There are also strategic social-media

I see Google doing the same kind of thing. If you look at the Google innovation eco-system, its interaction with its partners in the context of apps, widgets, gadgets—the different things that they pilot—all happen on their platform. So, they get all the data, just like Apple gets all the data. That's a very compelling value proposition.

We're going to see a wave of innovation because of the constraints that this recession will put on us.

JOHN FISH

opportunities in customer service, and allowing customers to share experiences and solve each other's problems.

McGrath: Something that we've just launched at GE is called "an imagination market." This is a virtual stock market where the stocks are ideas. It has been a terrific initiative, since not only are we gathering innovation ideas, but also through the market we are prioritizing using the collective expertise and wisdom of GE employees globally as to which ideas should bubble to the top. So, we're just delighted that this initiative is focused not just on getting the very best innovative ideas, but the process itself was very innovative as well.

Fish: I'm such a huge fan of Apple because of the way that they've been able to take a platform—the hardware, the application and the distribution—and maintain complete control over it. Because they own that eco-system, they are able to provide a much deeper foundation for the customer experience.

Google has also created a closed-system, if you will. It's an open system in the context of the innovation model because it really is distributed innovation—the Apple App Store is a great example of that, too.

But all of the testing, the applications, the pilots and the data are living in Google's world. That's something that you have to admire.

Meyer: The iPhone application is breaking out as an innovative way to connect your brand. The iPhone app is accelerating a revolution that was already underway on Facebook, cellphones and elsewhere.

The idea of having a "widget" or an application that's on your phone, and that can connect your lifestyle to information, things to do, or to your friends, creates huge opportunities for innovation. It's an opportunity to deliver utility, fun and connect your brand as a lifestyle accessory. It's not on the tube. It's not in a print ad. It's right there in the consumer's hand.

What are the greatest opportunities for innovation in the year ahead?

Mendenhall: The greatest opportunity is that the internet is evolving into a “cloud,” or vast computing resources through which everything can be delivered as a service, on-demand. Snapfish, HP’s photo sharing/printing web site is an example of a cloud service today. You upload your photos to your Snapfish site and then anyone you choose can access the same photos.

Essentially, your photos live in the “cloud” and you are sharing the infrastructure with others and accessing the service as and when you need to. In the future, you’ll be able to share information in real time, from any device—although these devices will be “smarter” than anything that’s available on the market today.

resources and scale, to overcome the large, really tough problems—things like a lack of water, energy resources, new opportunities in transportation and so forth. I also think we’ll see more collaboration between companies to solve difficult problems and accelerate innovation.

Fish: We’ll see continued acceleration with open or distributed innovation models. We’ll see slow but steady awareness building around the concept of managing for innovation, with less focus on the pipeline and more on capability and agility.

Companies like Whirlpool are doing an exceptional job of that, where they are actually training their employees to build innovation capabilities. We’re going to see a wave of innovation just because of the constraints that this recession will put on us.

Meyer: The greatest opportunity is to develop new solutions that will

The iPhone application is breaking out as an innovative way to connect your brand.

PATRICK MEYER

For example, suppose you are watching a movie on your flight to Hawaii, but as you’re landing they turn off the movie service so you miss the last 20 minutes. But when you arrive at your hotel room and turn on the hotel entertainment channel it asks if you’d like to continue watching the movie.

If the information is shared in the cloud, it is easily accessed and shared to offer a richer user experience.

McGrath: Certainly, there are opportunities to leverage global

differentiate retailers and help drive people back to the stores. To do that, you need to have insights into consumer lifestyles, preferences and shopping habits, and understand that all of that has evolved. You need to bring in new technologies and do it now so it’s all in place coming off of this recession.

You can’t innovate at retail without understanding how consumers use technology to share photos, talk to their friends and shop. You have to have it all factored in and develop your marketing plan around that.



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JOHN FISH is the global director of innovation for information systems at **AstraZeneca**. He previously led marketing digital teams at Continental Airlines, BankOne/JP Morgan Chase and AstraZeneca’s global eMarketing internationally.



PATIA MCGRATH is global director of innovation and strategic connections with **GE**. Previously she was a research associate at Harvard Business School, an investment banker with JP Morgan Chase and a research engineer with Ford Motor Company.



PATRICK MEYER is a founder and principal of **Now Inc.**, a consulting firm dedicated to accelerating business growth through innovation for leading brands worldwide. He previously held senior marketing positions with Coca-Cola and Gillette.

You need to understand how they operate their life rhythms across the day and where brand occasions naturally enter into that.

Anybody can come up with a new package or line extension. But build it *with* consumers and understand exactly what would cause them to scream with delight and become ambassadors and tell everybody, and it takes on a life of its own. That’s trickier. That starts with insights and an understanding of the growth drivers behind your business and your category. ■