



The Innovators

Conversations

on the Cutting Edge

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Interview with Daryl Dunbar Senior Vice President Innovation (former) Reed Elsevier



Daryl specializes in delivering growth and value creation through the implementation of innovation streams. He has over 20 years of experience as an executive and consultant.

Until recently, Daryl was Senior Vice President of Innovation with Reed Elsevier. Previously, as Director of Portfolio Innovation for BT Group, Daryl directed the portfolio strategy across all lines of business. Daryl began his career at NASA in the U.S. He has lived and worked both in the U.S. and the UK, and has extensive experience working in Asia-Pacific, Europe and Latin America. Daryl can be reached at daryl@dunbar.com.

Interview conducted by Doug Berger, managing director, INNOVATE doug@innovate1st.com

Doug: Please give us a brief company overview of Reed Elsevier.

Daryl: Reed Elsevier is traditionally considered a publishing company, made up of several divisions. Elsevier is the world's largest scientific, technical, and medical publisher. LexisNexis is primarily known for legal research. Reed Exhibitions is the world's largest provider of exhibition services. It has a shared history across its Anglo-Dutch roots of about 125 years. It publishes non-household but well known names in their field, such as the Lancet for medicine, and some fairly common household names, such as Variety magazine in the U.S.

Doug: In this recent era of innovation, what was the impetus for innovation at Reed Elsevier?

Daryl: About three or four years ago, the company took a look at what it could do to improve every aspect of the business across its whole business range. There was a broader set of initiatives, which encompassed some cost savings and centralized services, out of which came the realization that they needed to drive innovation as a core capability. Innovation is not just about product and services innovation; it's business model innovation; it's process innovation. I became more and more convinced that it's really about management innovation. If you really want to drive innovation in the business, which is code for driving a

cultural change in the business, you have to change the way managers manage, and leaders lead across the business.

Doug: I am a firm believer that when building an innovation capability and having innovation be successful in achieving significant business outcomes, the innovation effort must take into account the unique aspects of the organization. What were the unique aspects of Reed Elsevier?

Daryl: Foremost is the autonomy of the individual business units. Given that Reed Elsevier is such a diverse business, its power is naturally very distributed. If you are going to drive something across the entire business, you have to take into account the ability of those business unit leaders to independently run their businesses. There is no command and control structure that is going to make innovation successful. It's going to take buy-in and pull, as opposed to push. You have to make it available and desirable to them. You have to market it to them, and have them understand the value of participating.

Secondly is the culture of the different countries and the different types of businesses that are run across a company such as Reed Elsevier. There has been a series of acquisitions and organic growth for well over 100 years that have grown very strong local cultures. It is an Anglo-Dutch company, but a French, German, and a very American company, as well.

Doug: Our magazine's audience is primarily U.S. based, but they're dealing with global reach issues. How would you characterize aspects of an Anglo-Dutch culture that need to be taken into account in an innovation effort?

Daryl: I'm stereotyping a bit here, but in general the Americans are characterized as very go-get-'em. The British are much more reserved. Then, the Dutch are known as being incredibly direct, which the British would consider offensive, and very businesslike.

I've found Reed Elsevier to be one of the most diverse companies when it comes to people of different cultural backgrounds and accents. When you walk into the corporate headquarters in London, you're not faced with only British people. There are plenty of Dutch people, Asian people, and American people. Every accent you can imagine is spoken on the executive floor, which I found to be a very healthy culture. So, it is critical to operate with cultural awareness and understanding ... learning and listening first, and understanding how the different cultures or the different countries would take on the activities being done.

Sometimes, you actually do want to apply the intervention that's the most shocking and the most unlike that culture. For example, in the Netherlands the office is a 23-story tower block. Every floor looks almost identical; everything is very neat and tidy; all of the walls are the same color of gray; all of the furniture looks the same. So, we took down some square footage in the middle of the building and built an innovation space, painted the walls wacky colors, put beanbags and furniture from IKEA and toys on the floor. It's just shocking to the people who walk in. This was deliberate.

I think that one of the biggest failings of a lot of innovation people is when they say, "We're going to take the team to an offsite, and we're going to go be innovative somewhere else in some great creative space." There's nothing wrong with that, except you need to make it okay to be innovative and creative in your own workplace.

Doug: With all of this in mind, when you took on the assignment to head Innovation, what was it that you, the CEO, and the senior team of Reed Elsevier aimed at as success?

Daryl: Fantastic question, because one of the biggest risks of any innovation program is picking the wrong target and wrong measurements. The most radical failing would be if you looked at your innovation program and said, "I want an ROI inside of two years of xx%" – that's death for an innovation program. We agreed on a set of initial measures to drive a goal for the first year, and then agreed to look at the next year towards the end of the first year, and so on and so forth.

I tend to think of three kinds of measurements: input, throughput, and output metrics, which span a continuum from soft to hard. ROI and new things launched are output metrics and tend to be hard. Input metrics such as, "How many people did I train in innovation?" are quite soft measurements. Throughput metrics such as, "How many ideas have we generated?" are in-between.

We initially measured our success as an innovation team with very soft metrics. How many people had we touched? How many business units could we say had addressed innovation? Without judging, and avoiding at great pain the risk of pitting business units against each other, we simply tried to create a very structured but soft set of measures of our engagement with the business units.

The first phase was a push phase or a marketing phase, where we wanted to go out and let people know: (a) we existed (b) our capabilities (c) the kinds of things we expected to see or wanted to see the business units do.

Then, the second year was more about doing - trying to succeed in moving from a push environment to a pull environment. If you've done enough marketing, and you've got enough of the business units understanding what you can do and how you can help them, then you transition smoothly to them ringing you up and saying, "Can you come help me drive innovation as a capability?" or "Can you help me with a challenge that I'm trying to face?" That's exactly what we did. We spent about a year on the push and marketing side, and then the next year was spent just fulfilling the demands that were brought to us by the business units.

Doug: What were the areas within a business that signaled they were really pulling for innovation?

Daryl: We effectively wanted to know if a business unit had a strategic plan, followed by the question, "What's your innovation plan and how do you link it to your strategy?" Then we wanted to know if that innovation plan contained a portfolio and a pipeline of innovation. We wanted to see a portfolio and timeline of experiments. Followed by, how do you measure that? Do you have a tool to manage your portfolio and pipeline? We were aware of the dangers of putting too much rigor around the process too early.

Doug: On the market-facing side, it's easy for people to say, "We continually update what our content looks like and the format of our publications. Periodically we launch something new as a new publication. We've been doing that for a

hundred years.” On the growth side or outward-facing side, what really signals that something is an innovation as distinct from business as usual?

Daryl: An incremental innovation might be launching a new publication that’s slightly different from those that came before. Beyond incremental is more breakthrough or radical, which can come in different forms as well, such as a business model, perhaps. For example, instead of publishing a journal whole, which includes all articles and so many hundred pages, and is bought as a monthly periodical, you make content available for free on the Web, and monetize it in another way. Or, you take some of the content from various periodicals and bring it together because you have a constituency that you know is interested in part of the content, but not the entire journal. They might be interested in a slice of that content because it relates to what they do, and you monetize that in a different way. It might even be subscription-model monetization, or it might be a pay-as-you-use-it model.

Those would be different external innovations from a publishing perspective, anything from experimenting with business models to experimenting with different content types, i.e. web-based video and podcasts. LexisNexis did a wonderful series of podcasts about legal matters that they made available in the iTunes store.

Doug: So, a differentiator between something new in a business-as-usual sense and something that would be an innovation-type initiative is, “I did it as an experiment and it either worked out well, in which case I scaled it, or it didn’t, in which case I killed it.”

Daryl: Experimentation was a very big word for us. We used it a lot to encourage cultural change and management innovation across the business. Instead of spending ages analyzing the value of launching a new trade show, or launching a new publication, we said, “Why don’t we put something out there, experiment with it, see which ways we can monetize it, see how users interact with it and use it, and then if it’s not successful, or if it could be changed, change it, kill it, or scale it.”

Doug: What did you put in place at the corporate level that was the enabler for the businesses?

Daryl: Reed Elsevier set out to create a tool kit - a set of tools, documents, processes, procedures, tests, workbooks and workshops, which the businesses could use in and of themselves to drive innovation. We put the tool kit online and marketed it so that people knew it was there. “You need an innovation plan so here is a framework. You want to run a stimulus workshop? Here’s a game plan for doing that.” We were constantly picking best-of-breed activities, content, consulting companies, strategic partners, etc, and putting them in the tool kit. So the tool kit wasn’t just paper, wasn’t just electronic. The tool kit could contain interventions, and contacts, and software, and so on.

We had success when we physically brought people together from different divisions and had them talk about their problems, challenges and their successes. We found that as diverse as we were, people were often facing exactly the same challenges and that fact hadn’t occurred to them.

When it gets down to really driving change and driving tangible innovation in the business, the most important thing we had was a small service center, a small

internal consultancy with experts who could go in and run any of these innovation interventions.

Doug: Let us now come to what you think of as the heart of management innovation.

Daryl: I would say it's leading differently and signaling your business differently. Within the context of a large, multinational corporation that's been around for a long time and is good at exploiting its existing market, you need to signal to the organization that innovation is encouraged, and as a necessary evil, that failure is okay.

The only way to be successful and innovative is to make mistakes and to learn from them, and you have to signal that to the business. You need to signal that it's okay to bring ideas forward, because that is not normal in the culture. You also need to signal that it's okay to speak up and that you'll be heard, and as I mentioned, you have to signal that it's okay to fail - that you'll get a soft landing. We'll limit our risk; we'll limit our exposure because it's an experiment, not a great big business plan, but we'll provide the soft landing for people.

Being a big fan of the methodology espoused by Tuchman and O'Reilly in "Winning through Innovation," it's about signaling to the business and about teaching managers how to both explore and exploit at the same time. Each leader doesn't have to necessarily be capable of being ambidextrous. They need to understand how to signal to the business that the business needs to be ambidextrous.

One of my favorite examples is a leader in one part of the business who decided to set up what we called an "innovation seed fund." She set aside \$1 million out of her budget and told her entire organization, "There's a million bucks here. Come and get it. Bring me your ideas; bring me your innovations; bring me your new products. We're going to meet periodically to review them. Whoever brings them forward, we'll have a little bit of a vetting process; we will fund the ideas at some level; and then we'll check on them and see how they go. When the million bucks are gone, then we're done and we'll see what happens next."

This was hugely successful, and to quote her at one point, she said, "Look, I don't care about the money. What I care about is that the people in my organization understand the need for the change and the drive, and will bring the ideas forward." Two things came out of that, which I think were wonderful. One of the business units came forward and said, "Well, here's an idea. Could you please give us \$20,000 so that we can go do market research?" The senior team said, "Here you go. Here's your \$20,000. Go do market research. Validate your idea." They came back later and said, "We did our market research and we're actually going to shut the project down because we're wrong. It doesn't resonate with the market. The market research doesn't back up our idea."

I think that's wonderful. That was a huge success. What would often happen in a large organization is that this would become a program and a business case, and it would become too big to fail. So much money would be thrown at it, and the product might eventually come out, and it wouldn't resonate in the market, and then it would fail. But this was a successful failure, if that makes sense, to nip it in the bud.

The second wonderful thing that came out of this was that when the \$1 million ran out, she stood up and said, "You know what? I'm not going to put a number on it anymore. Just keep bringing me your ideas. I'll find the money. We're going to make this a permanent thing." I think that's a real-life example of management innovation.

Doug: Knowing that the publishing business is going through a period of creative reinvention as an entire industry, are there some things that you would point to as experiments that have really panned out well for the future of Reed?

Daryl: One is the recombination of content and the delivery of that content in unique and different ways. Imagine that you're the world's largest publisher of scientific, technical, and medical journals. You have an enormous amount of content but you sell the Lancet to doctors, and you sell various journals, for example, aviation journals to pilots. There are engineers or technologists inside corporations who want that content, but don't necessarily subscribe to the journal because it might just be in one particular article. Finding creative ways of recombining that content, exposing it, and making it available to people has panned out wonderfully.

Another example is combining the proprietary content within the Reed Elsevier businesses with freely available content on the Web, and putting out a search engine that combines access to the content, regardless of its source. That was a big innovation in the corporate markets side of science and technology.

Doug: In making any concluding comments, what else would you really like to convey to people?

Daryl: First, innovation is not about just products and services. It's actually about the entire array of how you manage your business process, business model, and management style. I'm more and more convinced that it's how we lead people and how we signal to the business that drives the culture within the business. It's about having a portfolio across all of the styles, across the types, and degrees of innovation. It's not good enough to say, I have a world-class product development process and I've got a pipeline of products that I'm going to launch. It's about having a portfolio of experiments, and being rigorous and ruthless about advancing and killing those experiments. That is critically important because we need to be closer and closer to our customers. One of our mantras was, 'innovate as close to the customer as possible - get the raw feedback immediately from your customers.' If they use your product, if they feed back to you about your product, then you know something and you can take action on it. If they don't, then you also know something.

