

THE GAME-CHANGER

How You Can Drive Revenue and Profit Growth With Innovation

A.G. LAFLEY and RAM CHARAN

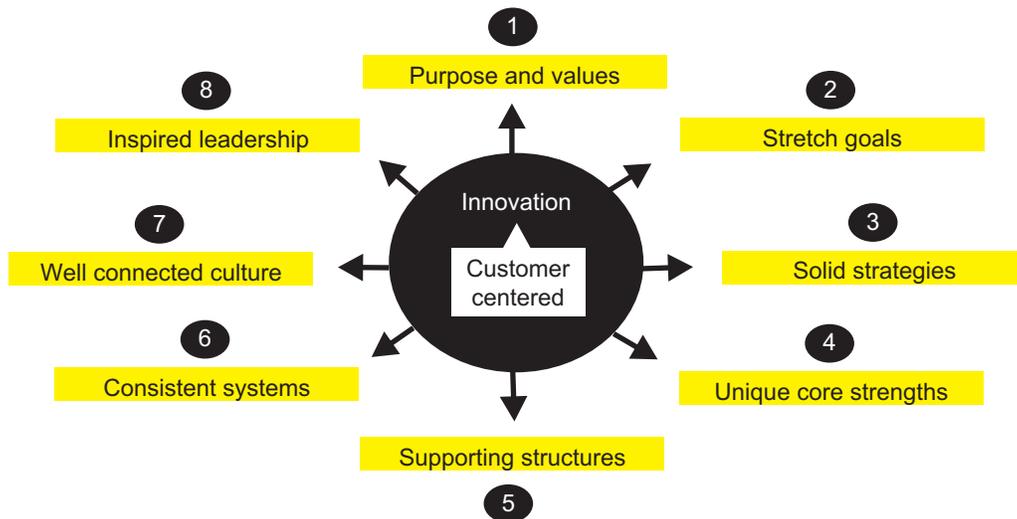
A.G. LAFLEY is chairman and CEO of Proctor & Gamble (P&G), one of the world's leading consumer goods companies. Mr. Lafley was named CEO in 2000 and since then, P&G has tripled profits; significantly improved organic revenue growth, cash flow, and operating margins; and averaged earnings per share growth of 12 percent. Mr. Lafley started his business career in the Navy, then attended Harvard Business School and joined P&G as a brand assistant in 1977. He also serves on the boards of General Electric and Dell.

RAM CHARAN is a speaker, advisor, author and business strategy specialist. He grew up in India where he gained a grounding in business helping run his family's shoe shop. Dr. Charan then attended Harvard Business School where he was awarded an M.B.A. and a D.B.A. He taught for a number of years at Harvard and Northwestern universities. Dr. Charan advises the boards and senior management of companies like GE, DuPont, Nokia, Verizon and the Thomson Corporation. He is the author or coauthor of several business books including *Execution, Know-How* and *What Customers Want You to Know*.

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MAIN IDEA

Innovation can change the game of business your company is forced to play. New products and services can lead to new customers which drive revenue growth and ultimately profits. For innovation to have a payoff, however, it must be integrated into how you run your business rather than treated as a standalone activity. There are in fact eight elements of any business which must be organized in order for innovation to work.



Get all eight of these elements to work together and innovation will generate solid organic growth and provide some very worthwhile differentiation for your firm. Fail to get these eight elements in place and innovation simply will not happen.

“An innovation is the conversion of a new idea into revenues and profits. Real innovation can change the context – the market space, the competitive space, the societal space – in which a business operates. Game-changing leaders search for and execute ideas that put the company on a long-term path to prosperity. ‘Innovate or die’ is truly the name of the game.”

– A.G. Lafley and Ram Charan

Innovation is always customer centered Page 2
 Innovation only matters when you make your customers the boss. You have to understand their rational and emotional needs to come up with new products which will improve their lives. This is the ultimate goal.

Driver #1 – Purpose and values Page 3
 To come up with great innovations, you need to be motivated by more than trying to deliver numbers. You need to be inspired by a desire to improve your customer’s lives. Values translate purpose into action.

Driver #2 – Stretch goals Page 3
 Goals influence choices. To innovate, you need to set goals which are challenging but achievable – which can be reached if you stretch. Get your growth goals right and innovation will naturally happen.

Driver #3 – Solid strategies Page 3
 Strategies detail how you will achieve your goals. When you put innovation at the center of your organization’s thinking, you can make better strategic decisions about where to play.

Driver #4 – Unique core strengths Page 4
 Once you decide where to play, you then focus on how to win by utilizing your unique core strengths to maximum effect. Innovative organizations spend time and money making their core strengths stronger.

Driver #5 – Supporting structures Page 5
 Open corporations rule in the modern era. You have to design structures and processes which will enable your organization to bring in and commercialize outside ideas. Structures can become an advantage.

Driver #6 – Consistent systems Page 6
 Innovation may be creative but it doesn’t need to be chaotic. You need systemic ways to move from concept to commercialization with well-defined milestones, criteria and metrics.

Driver #7 – Well connected culture Page 7
 Culture reflects what people do every day. Innovation-centered companies have a “can do” attitude which reflects they are agile enough to adapt to the changes generated by ongoing innovation.

Driver #8 – Inspired leadership Page 8
 Leaders bring all the drivers of innovation together and energize people to move forward. You must have leaders who can balance possibilities with practicalities and treat innovations as a systematic process.

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