

POSTED BY CHRIS TOWNSEND ON DECEMBER 30, 2008

How Should GM Innovate? Management first, products second

As we all know, General Motors is in trouble. Along with other industry leaders, GM has been widely castigated for its leadership failures, and above all its [failure to innovate](#). As a result, CEO Rick Wagoner has been busy pleading Congress for bailout money.

Yet despite all the public castigations of failed banks and failing automakers, few of us have suggested solutions to their innovation problems. And when ideas have surfaced, they have often been misguided -- focusing too singly on what I think of as *product* innovations (e.g., building next-gen hybrids like the Toyota Prius; selling ultra-compact, ultra-affordable cars like the Tata Nano; etc.). These are certainly good next-gen product ideas, and I hope that GM is considering them. But in reality, I'd bet that GM has already considered these ideas -- and either dismissed them or failed to implement them successfully. My wager, therefore, is that GM doesn't fail at innovation; it fails at innovation *management*. This distinction is critical. In fact, it underscores the core themes of my [innovation management research](#) at Forrester.

GM: Hapless Failure, Or Symbol Of Our Times?

Consider this: In April 2008, General Motors ranked as the world's ninth-largest public company by revenue, according to the [Forbes Global 2000 list](#). GM's revenues outpaced every company in the world except for eight, and every car company in the world save Toyota. Yet, GM finished at #573 in the overall rankings. And for the same year, GM lost a net of nearly \$40 billion -- ranking dead last among the world's public companies. From this cursory view, it would appear that GM's products are selling just fine -- second-place in its industry, and 9th across all industries -- and instead that GM's troubles run deeper than just products. Although certainly product innovation could improve GM's profitability -- as it would any company -- I'm left wondering whether **something more systemic is at work**.

Certainly, many companies have succeeded by focusing strongly on revolutionary products (reflexively, Apple comes to mind). And many companies have succeeded where GM has failed (Toyota for instance). Yet these alone are incomplete as mantras to explain the world. Apple is not the world's leading consumer device maker by market share; that mantle belongs to Nokia. And even Toyota -- the much-hallowed auto-industry innovator -- has recently run into [major profitability struggles](#). Again, **something more systemic is at work**.

Innovation MANAGEMENT To The Rescue

At Forrester, we've spent years studying the patterns of technology and business innovation. I myself have grown my career under the patient tutelage of colleague [Navi Radjou](#). And Navi himself had sought guidance from Forresterites such as [Bobby Cameron](#) before launching his influential [Innovation Networks](#) thought leadership more than four years ago. And I'm not alone in the new crop of innovation-minded analysts at Forrester: colleagues such as [Cindy Commander](#) and [Gil Yehuda](#) also have research plans with a strong focus on innovation.

For a long time, Forrester's role in covering business innovation was simmering in the background; after all, our core expertise has always been the technology that powers business -- not the business itself. But today, any lingering boundaries between [IT and the business](#) are vanishing. Information technology is now just as embedded in business as traditional functions such as Finance or Sales. For [different reasons](#), the importance of innovation -- especially business innovation -- has increased dramatically among today's managers and executives. As companies in GM's position (of which there are many) can testify, innovation has never been so urgently mission-critical. Indeed, bloggers and [major media outlets](#) alike have suggested that innovation may be pivotal in determining future economic prosperity.

As recently as a few generations ago, collaborative brainstorming required a multi-day carriage ride -- from each participant. Even looking back a single generation, our innovation infrastructure was restricted to airplanes, conference calls, and spiral-bound notebooks. Today, it's not just that the game has changed -- it's that suddenly the game exists at all. For the first time, continuously coordinated innovation is possible **systemically** across an organization -- both synchronously and asynchronously; openly and anonymously; locally and globally. Companies now innovate with their customers ([crowdsourcing](#)); with partners ([expert-sourcing](#)); and with themselves (employee-sourcing). Innovations can create new products; new markets; new business models; or even new industries. They can also save energy costs and slash operational overhead. They can even improve customer trust and increase workplace morale. All of these things have been considered as "innovation."

The sheer number of "Innovations" is almost stupefying -- to the point where the very term "innovation" risks irrelevance. If innovation comes to mean everything, then actually it means nothing.

This is why the *management* of innovation is now so important. And this holds not just for a straw-man example such as GM -- but also for countless other enterprises around the world. Innovating new products and features is important. So are myriad other types of innovation -- from biz-process innovations to creative marketing strategies. Regardless, they are ALL more powerful if done *together* in an [integrated, coordinated fashion](#). **The future of innovation exists as a core enterprise discipline** -- not a series of isolated, ad-hoc initiatives operating as so many frenetic beasts without heads. Neither, however, will innovation be an isolated group working on its own -- but rather an integrated management focus that pervades the organization.

The **systemic cause** behind all of this? **Technology**. Innovation has always been *important* -- but never before has it been so *possible*. Never before have we had a technology infrastructure at our disposal, capable of supporting innovation so scalably and systematically. The arrival of new and powerful business technologies -- Web 2.0; Web Services; social analytics; semantic search; etc. -- now gives us a truly systemic innovation *infrastructure*. However, to make use of it, we also need a systemic approach to innovation *management*. Through my work at Forrester, I look forward to exploring this topic in 2009 and beyond.

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Chris,

Nice post for entering the new year with something deep...but REAL. Following your line of though I think you should list another important issue along with Technology: VALUES. You can have a very powerful innovation infrastructure but if the ones who are in charge of the different initiatives going on have different values, then you get what the Physics now very well: different forces that sum up null although individually they are all there and everyone can feel them. You spoke about Apple. Apple's ups and downs are clearly related to the presence of Steve Jobs in the company. How can we explain that? Is it that Steve Jobs himself is the only one that counts? All the others suddenly change from innovators to conservative and vice-versa?

When you explore what's happening with GM you can see that the CEO has a lot of trouble in assuming what the problem is except than financial crisis. And even after, he only admits that the core problem is related to 3 simple and very contained mistakes...

So I think one can say that the main problem of innovation management is that you need to have true Innovators to manage that infrastructure. To be role models, not to pay lip service to it. To set correct values AND act on them. I know a lot of companies that invested huge amounts of money trying to "build a culture for innovation". Do you know how many of them measured the basic intrinsic creative level of their employees? None. They measure everything except that small detail...So when the project ended it was fun. Nothing else (innovation related of course)...

Let's see how long does it take until the congress understand that "the ones that created the problem are not the ones that are going to solve it"...

Paulo Janeiro

PS: have a nice flute of Champaign because 2009 is going to be good year for people with a vision.

Posted by: [Paulo Janeiro](#) | [December 31, 2008 at 06:30 AM](#)

Yes, there is a systemic problem at GM:

- 1- GM is in total denial that they have a serious quality problem.
- 2- They have taken profits from vehicles and misdirected them.

First the quality problem - no one will continue to buy automobiles that consume over a gallon of oil between 3500 mile oil changes. Mine did, and the engine was the GM flagship: Northstar. GM refused to correct it, under warranty I might add. I was shown a tech bulletin from GM headquarters that said this rate of oil consumption is considered normal for the Northstar engine. I also have connections with assembly line workers that are told how "tight" or how "loose" to build engines, which haved a direct relation to quality.

As long as GM controls the fine print in its definition of quality - no one should buy their product.

Now for proceeds from sales - mis directed - GM CEO was whining at congress about the need for better battery technology - "we are behind the Japanese on this". Gee - I wonder why. The Chevy Volt is a joke, and industry experts question is viability (too complex) and no one would buy a car with only a 40 mile range. Meanwhile BMW has introduced a 160 mile range in its E-mini.

GM has a huge systemic problem on many levels.

Posted by: E Chandler | [December 31, 2008 at 08:54 AM](#)

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