



Growth • Innovation • Leadership Council

F R O S T & S U L L I V A N

## **Executive Brief** **Achieving Sustainable Growth**

### ***Based on a Virtual Executive Assembly Presented by***

Alex Goryachev

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### **Introduction**

The Growth Innovation Leadership Council's most recent Virtual Executive Assembly (VEA) was led by Alex Goryachev, *Managing Director, Corporate Strategy and Innovation Group*, Cisco Systems. Achieving sustainable growth was the #1 Critical Issue cited by council members when recently polled, and the VEA was designed to provide insights and tools to help members address the issue in their own organizations. Key ideas discussed included:

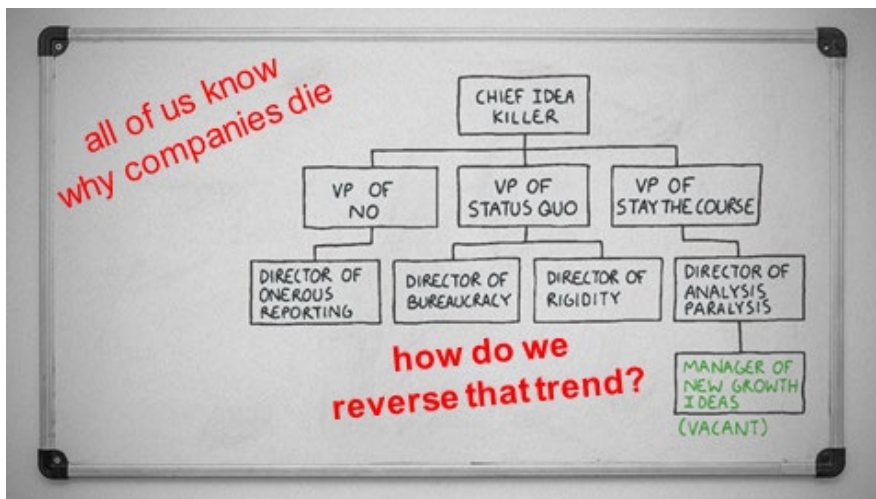
- How to transform the corporate DNA: Shifting the narrative for customers, employees and investors
- Establishing focus across diverse products and markets: Focused growth ≠ growth in all areas
- Blueprint to foster a co-innovation environment that encourages employees to form their own cross-functional teams, validate, pitch, and co-innovate for sustainable growth

### **The Innovation Imperative**

Goryachev opened the VEA by noting that today, most organizations face similar growth and innovation obstacles. His stated goal was to share some of the important lessons he learned managing Cisco's innovation initiatives. To begin, he presented the following startling statistics:

- In **10 years**, it's predicted that **40%** of **Fortune 500** companies will **no longer exist**"
- The average lifespan of a company listed in the S&P 500 has **decreased** from **67 years** in the 1920's to **15 years today**
- By 2027, **more than three quarters** of the S&P 500 will be **new companies** that we have not heard of yet --Richard Foster, Yale University

The information above provides a keen imperative for organizations to stay competitive and innovate in a rapidly changing marketplace. Yet, there are many organizational norms that impede innovation. These include not understanding the urgency of innovation or the importance of time to market and speed of innovation. Corporate cultures that consistently reward maintaining the status quo at the expense of uncertainty and possible growth is another common impediment to intelligent risk-taking and innovation, as illustrated by the graphic below:



## What is Innovation?

During the course of the VEA, participants took several informal polls, including selecting the best response to the first poll question below:

### What is innovation?

- ✓ Invention
- ✓ New things
- ✓ New ways of doing things
- ✓ State of Mind
- ✓ All of the above

Most of the members replied that innovation was "all of the above." It was also noted that different companies will have different answers when defining innovation, and unfortunately, many internal functions and departments still seem to take a siloed approach to innovation.

## Who Innovates?

Goryachev's central message was that, to survive and grow, companies must empower every employee to innovate and make a meaningful difference. Whether you are a hipster, a hacker, a hustler (or something in between) you have a role to play in innovation! In fact, a key insight discussed was that, *"Innovators are more*

*important than innovation.”* In other words, employees are critical to innovation success.

### **Establishing and Communicating the Business Case for Innovation**

The more employees work across functions, the better the outcomes for the company usually are. Goryachev explained that Cisco built a framework to facilitate this. The framework includes driving transformation by empowering all Cisco employees to innovate anywhere and at any time. Acceleration was also improved by reducing risks and speeding up go-to-market time. Finally, setting goals and strategies and sharing and measuring them online also helped to make innovation happen at Cisco.

Other important innovation drivers include quickly activating chosen ideas, taking them to market and measuring revenue. Goryachev believes that measuring things ultimately makes them get better. He also clarified that “revenue” is a good goal, but innovation can also mean saving money. Cisco has found that the collective wisdom of employees often helps to decrease operating costs.



### **Innovation Is a Team Sport!**

Another topic covered was the importance of communicating innovation goals and strategies to the entire organization on a consistent basis. This is very different from having only a select few in the innovation “inner sanctum” or R&D department who are privy to innovation goals. Unfortunately, when the participants were asked, “Do you believe most companies know what they should be innovating on?” 83.3 % responded “No.” Making sure leadership communicates strategies and tactics that facilitate innovation in the organization is an often missing key to success. It’s important to remember that innovation belongs to everyone...not a select, sequestered few.

Finally, the influence of organizational politics and culture on innovation was discussed, including the observation that one main difference between a start-up and a big corporation is the culture. Specifically, start-ups are usually run with a team sport mentality, and employees are encouraged to invent and improve as they go along.

In contrast, big organizations are often overtly political. Large organizations can counteract these tendencies by consistently communicating innovation goals, creating an innovation framework, and nurturing a true innovation culture, one where everyone wears an innovation hat. Another way to foster innovation in large companies is to partner with other organizations and co-develop or co-incubate ideas. Further, mid to large sized companies often have a large, distributed knowledge base, which when coupled with an aligned workforce, can allow them to scale and be “potentially unstoppable.”



Following these innovation guidelines will hopefully help your organization avoid being one of the 40% of companies that won't be around in 10 years. What better incentive to create an innovation process and culture that will foster the development of new products, services or even a new company that will grow and endure?

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