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Are Microsoft's glory days behind it? The company has failed to innovate. Steve Ballmer scoffed at the iPhone and last year killed off the Courier tablet computer. Microsoft's stock has languished for a decade.

What about Kodak? It invented, then shelved, the digital camera. As I write this column, Kodak stock, which once traded at $90, has fallen to about $1. Losses have mounted. Bankruptcy is a real possibility.

Not all legacy-based companies languish in mediocrity, though. IBM is a good example of one that has reinvented itself—*and recently attracted a $10B investment by Warren Buffett.* Today, success is built on, in order of increasing importance, operational excellence, product/service superiority, marketing innovation and leadership innovation.

Operational excellence, though essential, is just an ante to get in the game. Doing yesterday's tasks well won't cause a company to succeed and be a leader. An iconic product or service can lift a company from obscurity to cult status in short order, but such things are quickly copied.

Killer marketing innovations can generate billions in market value, but the strategy is quickly decoded and copied. A marketing campaign can backfire and flop overnight.

Leadership innovation is the most important—*and the hardest for competitors to duplicate*. It involves creating a culture where creativity rises from the bottom and is embraced at the top. It's built on empowered employees who believe they're on a mission to change the world. Yet leadership innovation can be difficult to put in place. It requires a change in corporate culture—*a company's DNA*
. That's tough to change.

Fostering innovation

In a world where strategy and life cycles are shrinking and customer demands are expanding, winning comes through “Innovative Thinking.” It requires sharpening one’s vision, encouraging a culture of creativity and fostering passion.

Vision means speaking about what everyone else should be thinking about. It’s also about action—*the following five actions, according to Dyer, Gregerson and Christensen, authors of the “Innovator’s DNA.”*

Associate broadly. *Expose yourself to different industries.*

Question why, not how. *Everyone knows what they do, some know how they do it, but few know why.*

Observe. *Watch your customers do their work***.**

Experiment*.* *Welcome failure.*

Network. *Test your ideas on a diverse cross section of people.*

Creativity is key. Countless people—*CEOs included*—believe creativity is rare. In reality, it can be found in many people across a company. There must be an environment in which creativity bubbles up from the lowest levels and people feel they are empowered and on missions to try to change the world and also change their organizations to better meet customer needs.

Passion is vital. A leader’s passion is contagious. A passionate leader carries a vivid image in his or her head of what the future can be, is fascinated with the future and acts as a cheerleader. He/she is restless for change, impatient for progress and deeply dissatisfied with

the status quo. A leader convinces the team that present pain is far better than future regret.

Keep in mind that innovation is an active endeavor. It's not preordained, but rather a learned discipline that depends upon your courage to innovate. It requires an active bias against the status quo and an unflinching willingness to take risks. A true innovator is like a salmon—*alway s swimming upstream*
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Editor's Note: This Viewpoint is based on the author's presentation at the 2011 Emerson Exchange Users Group. Look for a more detailed article on this topic in an upcoming MT issue.

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