

CREATING A CULTURE OF INNOVATION:

10 Steps to Transform the
Consumer Goods Enterprise



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INNOVATION IS IMPORTANT TO ALL SUCCESSFUL COMPANIES, BUT IT'S ABSOLUTELY ESSENTIAL TO CONSUMER GOODS ENTERPRISES. A CG COMPANY'S ABILITY TO CREATE AND DEVELOP NEW PRODUCTS, OR TO IMPROVE ON EXISTING PRODUCTS, IS CRUCIAL TO ITS ABILITY TO GROW MARKET SHARE, IMPROVE TOP-LINE SALES AND MAINTAIN ITS COMPETITIVE EDGE.

Yet product innovation, as central as it is to the mission of a CG company, is only the most obvious example of innovation's power. With fierce competition for every consumer dollar and every inch of retail shelf space, CG companies need innovative ideas to improve operations throughout their organizations. Transformative concepts that can shorten (or even eliminate altogether) steps in product development, manufacturing, or supply chain activities, or innovative ways to leverage information technology to address fast-changing business needs, can be as valuable to a CG company as a new million-dollar product.

"The challenge for a consumer goods company is not just to come up with new products now and then, but to understand where the world is going, how their target segment is moving, and to prepare themselves so that they can build or maintain their business."

**RAJ MAMODIA
ASSISTANT VICE PRESIDENT, CONSUMER GOODS BUSINESS UNIT
COGNIZANT**

But for innovation's impacts to be this widespread and beneficial, it must be woven into the everyday workings of the enterprise. To be truly effective, innovation must be coupled with transformation, so that innovative ideas have the chance to be evaluated, tested, and effectively implemented. Innovation must be both channeled and managed, so that the best ideas address the enterprise's

most pressing business problems. And innovation must be recognized and rewarded, to create the positive feedback loop that ensures innovation is not just a one-time burst of creativity but an ongoing process.

Many consumer goods executives already recognize the value and importance of innovation, and indeed many leading CG companies are models in fostering innovation. But for many others, there's a strong need to tap into new sources of innovative potential, such as their own employees, their communities, and their trading partners and technology vendors. The communities that have grown up to develop open source technologies and the growing power of social networks are just two examples of the vast potential resources that are available. CG companies need to look beyond their traditional sources of innovation, both to better determine what consumers' real needs and desires are and to find creative solutions to their most difficult challenges.

WHY INNOVATION IS SO IMPORTANT TODAY

With the worldwide economy in a deep recession that just now may be starting to ease, CG companies might be tempted to simply hunker down and put innovation and transformation initiatives on a back burner until times improve. But this strategy, or non-strategy, ignores the deeper changes at work—changes that will require truly innovative responses.

"I believe quite strongly that this recession represents a secular shift—that many many industries will look very different in 2012 compared to how they looked in 2007," says Malcolm Frank, Senior Vice President for Marketing and Strategy at Cognizant Technology Solutions, a leading IT outsourcer and advisor to numerous CG companies. "Whether it's in banking, pharmaceuticals, retail, manufacturing, media or entertainment, there are likely to be huge dislocations."

Frank notes that the post-recession versions of many companies, what he terms “Enterprise 2.0,” will be strongly affected by far-reaching technological changes. “We’ve seen how technology is changing around cloud computing, and we’ve also seen how consumer technology is ‘back-dooring’ its way into the enterprise in a big way, through mobile applications and Web 2.0 paradigms like Facebook and Twitter,” says Frank.

CG companies ignore the transformational implications of these changes at their peril, according to Frank. “Take sales and marketing. Many CG firms take a Marketing 1.0 approach in a Web 2.0 world. They are really underestimating the fact that traditional marketing approaches are no longer that effective. There’s too much interruption marketing in the form of magazine ads, TV commercials and billboards, and people have learned to ignore them or turn them off.

“But what’s truly influential is the power of the social network,” Frank adds. “People will ignore the ads but they will listen to their friends.”

In addition, such communities can help CG companies on the product design and development side. “To really be in tune with your customers, to understand their needs and desires, CG companies need to pull in this information and manage it across their organization,” says Frank. “To ignore those capabilities in this new world would be like not doing the most basic market research.”

For CG companies, innovation must be tied to consumer insights. “The challenge for a consumer goods company is not just to come up with new products now and then, but to understand where the world is going, how their target segment is moving, and to prepare themselves so that they can build or maintain their business,” says Raj Mamodia, Assistant Vice President of Cognizant’s Consumer Goods business unit.

“You can attach several other aspects to innovation, such as if an idea is environmentally friendly or is doing something good for the community,” Mamodia adds. “But at the core of innovation you want to make sure that, as a company, you understand what your target segment wants.”

CREATING A PLATFORM FOR INNOVATION

Cognizant itself can be an important resource for innovation, as it is for a number of CG companies. That’s in large part because the company has made a concerted

effort to create its own internal culture of innovation and transformation. The company has developed Cognizant 2.0, an IT platform for innovation. “The Cognizant 2.0 platform has brought together two very important things, workflow and process management, and combined them with social computing models,” Frank explains. “We use it to manage our most important processes as a company, which for us is building, developing and managing IT applications. We now have 5,000 projects on the Cognizant 2.0 platform, and we’ve seen quality go up and been able to do things at a significantly lower cost.

“What Cognizant 2.0 has enabled us to do is completely democratize the innovation process,” Frank adds. He explains that with 65,000 employees located all around the globe, Cognizant needed to create a “town hall” using Web 2.0 principles, in order both to tap into all of its associates’ innovative ideas and also to structure them around the work that the company does. Frank sees enormous potential benefit for CG companies in such a horizontal approach.

“These companies may have innovation, but it’s often confined to their research and development department or to the work of a Chief Innovation Officer,” notes Frank. “That means perhaps four or five percent of the company is trying to be innovative, but it’s very ivory-towerish. These people aren’t in the field or talking to clients, or they often don’t understand how processes work.

“But with a platform like Cognizant 2.0, rather than it just being 5% of the company it can be 80% of the company participating in the innovation process,” he adds. “Innovation can suddenly come from anywhere. And these platforms can also be opened up to a company’s partners, so that innovation is coming not just from inside the company but from outside as well. This increases the innovation bandwidth but also provides a better structure for innovation overall.”

USING COLLABORATION TO FOSTER INNOVATION

It’s also a structure that will be familiar to today’s younger workers, as well as those who will be filling the ranks of associates in years to come. The company has had the Cognizant 2.0 platform in place for less than three years, but it’s seen very high levels of participation,

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10 Steps toward Transforming the CG Enterprise with Innovation

- I. There are no 'bad' ideas**
- II. But innovation must be managed to be effective**
- III. Make innovation processes transparent and focus on communication**
- IV. Establish metrics and track progress**
- V. Make innovative thinking an everyday part of the job**
- VI. Learn from others and use what works**
- VII. Link information technology capabilities with business needs**
- VIII. Channel innovation to where it's needed most**
- IX. Recognize and reward innovation**
- X. Create an ongoing culture of innovation**

Since each CG company is unique, consumer goods executives interested in creating a culture of innovation at their companies will need to analyze the specific needs of their company, as well as their available resources. The following list of innovation "building blocks" is meant to provide general guidelines on innovation best practices, stimulate thinking on the topic, and alert CG executives about the availability of innovation-enhancing tools from Cognizant.

I. There are no 'bad' ideas

By definition, innovation involves creativity—the ability of people to think outside the box of standard responses and everyday problem-solving. Part of the communication about innovation must be that ideas should not be limited to one's specialty or department, nor should they be limited to the way things have "always" been done. And with consumer goods companies, like other organizations, becoming larger and more global in scope, there's literally no telling where an innovation might find its eventual application.

II. But innovation must be managed to be effective

Obviously, innovation is much more than simply coming up with ideas. Like any process, it must be managed. Companies will need to establish an innovation management

team that can operate at the intersection of strategic goals and tactical responses. Such a team can help align idea generation with actual business needs. "The management team must understand what the priorities are, so they can guide the associates along the path of where the company needs them to focus," says Naren Karamchandani, a Consulting Partner for the Consumer Goods Practice at Cognizant.

Many of Cognizant's engagements with CG companies include a range of innovation efforts, and Cognizant has its own management team structure to handle innovation. "The Cognizant management team understands both the IT work and the business strategy that the client is going toward," says Karamchandani. "We'll have weekly meetings where the management team talks about ideas that have come up during the week, which helps guide associates to a specific area or focus. This way you get more pertinent ideas, and ideas that will have a greater impact."

III. Make innovation processes transparent and focus on communication

One of the biggest hindrances to innovation occurs when associates come up with ideas, but there's no further feedback about them once the ideas have been proposed. "If a

person working in a company sees that they are generating ideas but that those ideas are going nowhere, it's one of the biggest demoralizers to creating more innovative ideas," says Karamchandani. "That's why we say not only that all ideas are good ideas, but that we really do follow ideas through, to show how we're filtering all the ideas that we receive."

An important tool Cognizant uses in this area is Eureka, a proprietary Web-based innovation portal that can also be made available to Cognizant clients during engagements. Eureka systematizes the entire idea development process, from idea conception through review, internal implementation, presentation to Cognizant's client, and eventual implementation by the client. By spelling out what's involved, and by providing a window into an organized system, Eureka helps sharpen future innovation efforts.

IV. Establish metrics and track progress

The old adage "You can't manage what you don't measure" certainly applies in the innovation area. Cognizant uses a scorecard system with categories that include Innovation Strategy; Innovation Infrastructure; Culture and Capability; Execution; and Metrics. "Everyone sees these scorecards, and knows their components, so they can see the targets and how well they're doing against them," says Karamchandani. "Scorecards are also reviewed by the management team on a quarterly basis, with those who are ahead of targets called out and

given appropriate rewards and recognition. Those who are behind can be provided with additional support, so that they can fix whatever issues they're dealing with."

In addition, when innovative ideas work through Cognizant's own review processes and are presented to its clients, Cognizant provides information on both the idea itself as well as the expected ROI associated with it. And if the idea is eventually implemented, both the specific benefits and the derived business value in dollars are listed, providing additional measurement parameters and further quantifying the entire process.

V. Make innovative thinking an everyday part of the job

One of the biggest dangers for any company is that innovation efforts will peter out or be pushed aside as new challenges clamor for attention. Yet unless innovation is an ongoing effort that builds on itself, companies will find themselves reinventing the wheel far too often. One solution is to make innovative activities a part of people's everyday work processes. Cognizant has used its "10/10/10" tool to keep associates focused on innovation. On the 10th workday of each month at 10 a.m., the tool "froze" everyone's computer screen, allowing the entire Cognizant workforce to spend 10 minutes thinking about innovative ideas. "We have 12,000 people in our center in Chennai, India, and you can imagine the impact of taking those 10 minutes out of all 12,000 people's days—it was a pretty significant investment of the company's time," says Karamchandani.

"But innovation is something that's so important to us, this is the kind of thing we feel we need to do to foster a culture of innovation."

VI. Learn from others and use what works

In many cases, innovation doesn't mean that an idea is absolutely brand-new, or that no one has ever thought of it before. "Innovation also involves looking at what other companies are doing, within your own industry as well as outside of it, and bringing in best practices from those companies," says Karamchandani. Cross-departmental "pollination" of best practices is also a part of innovation, particularly in companies that have grown through mergers and acquisitions. Companies should also be open to concepts from academia that may be applicable to their needs.

As a company that maintains active engagements at numerous enterprises, Cognizant can also help provide perspective on what has worked effectively at similar companies, and why. Cognizant can also draw on its own pool of experts, which includes both technologists and those with experience in consumer packaged goods and related industries.

VII. Link information technology capabilities with business needs

Information technology has become so interwoven in today's enterprises that it's sometimes difficult to separate simple technical improvements from innovation that achieves business goals. Obviously technical improvements can be

beneficial, but they will have their greatest impact when they relate to a CG company's specific business needs.

"As a part of the structure of a Cognizant engagement, we always pair our technologists with people who have business context experience," says Raj Mamodia, Assistant Vice President of Cognizant's Consumer Goods business unit. "So during our client engagements, it's always about what the end impact of an idea will be—not just about how beautiful the technology is in and of itself."

The combination of technological understanding and a company's business context can be powerful. "The people we deploy not only have the ability to understand the latest technology trends, for example cloud computing or social media, but we can also 'translate' for the company's CIO just how these trends can impact their business," says Mamodia. "We use people who have significant understanding of not just technology, but the use of technology in business."

VIII. Channel innovation to where it's needed most

Successful CG companies excel in a number of areas: developing and introducing new products, and creating an agile supply chain to get those products to market. They may be less adept or up-to-date in other areas of corporate governance, such as human resources, finance, administration or support. Associates being asked for innovative ideas may be fixated on the idea of creating the great new

product, when what's really needed is a better way to handle vacation requests. An innovation management team should analyze a wide range of corporate business needs to determine where improvements are most needed. They can then harvest ideas both large and small and channel them to the appropriate departments.

IX. Recognize and reward innovation

Providing rewards for innovative thinking is crucial to any type of long-lasting transformation. Incentive programs can be designed to recognize innovative thinking, and when coupled with ideation management tools such as Eureka, rewards can be based on different levels of achievement. Rewards also need not be monetary or tangible; simple recognition is a crucial element in any type of rewards program, and should be part of any ongoing communications strategy. "We have monthly newsletters where we broadcast the top three ideas that have been offered," says Karamchandani. "Even simple things like providing recommendations on business-oriented social networks for individuals can work well."

At Cognizant, rewards for innovation are built into its basic strategy. "What we compensate, reward and promote people on is not just understanding the business context they are working in, but the improvements that they can bring to that context," says Mamodia. "That's where the culture of innovation comes in."

X. Create an ongoing culture of innovation

Companies need to guard against innovation as a one-shot deal or the flavor-of-the-month. By its nature, innovation needs to be fluid and ongoing, taking into account changes in the wider world as well as rapidly shifting business requirements. This is particularly true for CG companies, which must constantly take the pulse of consumers in order to create and deliver products that will satisfy both their needs and their desires.

Ensuring that innovation is a truly ongoing process requires strong C-level support and leadership, as well as frequent and creative communications with the true sources of innovation—the associates within the company as well as vendors and other community members. Tools that can make innovative practices a part of the everyday fabric of people's work lives can also build a culture of innovation. Recognizing and rewarding innovations, and sharing the specific benefits and actual value that they have brought to the organization, will keep people thinking of ways that they, too, can be innovators. ●

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according to Frank. “We didn’t have to push the Cognizant 2.0 platform on our associates, or enforce people to adhere to the platform,” he says. “What we learned is a very important lesson in demographics, namely that this is how the Millennials interact with technology, and it’s how they think.”

He gave the example of the experience of writing a col-

lege term paper. For boomers and even Generations X and Y, the research process involved going to the library, reading background materials, formulating ideas and writing them out. “It was a laborious but also a lonely process,” says Frank. “But a college student today will go to Google versus going to the library. He’ll go on a social network to talk to people who are familiar with the topic.

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CASE STUDY

CG COMPANY’S NEW INNOVATION CENTER DRAWS ON COGNIZANT MODELS

With the goal of interweaving innovation throughout its operations, a major consumer products beverage and snack manufacturer inaugurated its own IT-based “innovation center” in 2009—and it is already fielding forward-thinking ideas. One is a mobility solution that provides the company’s top executives with ubiquitous access to ubiquitous information—including real-time market data and sales information about each brand the executive is responsible for—delivered to the recipient’s choice of a desktop, a handheld device or to an iPhone.

The call for greater innovation came all the way from the top—from the CG company’s CEO—and the idea is to build innovation into the company’s operational DNA. More specifically, the company is seeking to build critical competencies around business intelligence, mobility, digital and social media.

The innovation center’s capabilities will consist of an idea management platform as well as an innovation showcase that can demonstrate different ideas using symposiums and digital media. The center will also provide incubation capabilities, for prototyping and creating case studies of specific solutions. For

the company’s IT department, the innovation center is showing that it can be an enabler for business innovation, partnering with both internal and external customers to bring innovation to life.

“Traditionally IT has been thought of more as a cost center, but now we’re positioning IT as a key business partner and enabler to achieve a business strategy,” says the CG company’s strategy and innovation manager. “Before this, we might take a business strategy that was formulated elsewhere and dilute it down to its technological capabilities. But now, as an IT organization, we’re earning a seat at the business planning table, gaining the ability to partner with other parts of the business from beginning to end to provide new business capabilities.”

Cognizant, which has a significant on-site presence with this CG company, has been an important partner in its innovation efforts. “Cognizant has helped us bring the right resources and best practices to bear and helped us vet our own processes, so that when we launch innovation capabilities across the globe, they will be fully thought out and we’ll be prepared,” says the innovation manager.

The CG company has also made use of Cognizant’s Eureka innovation management platform, adopting some best practices around its evaluation of ideas. Cognizant has also been instrumental in creating iPhone applications and working with mobility platforms, as well as in ways the CG company can make its workplaces friendlier to “Millennials”—the younger people who will soon become a significant part of the workforce.

“Cognizant has been key in understanding the Millennials’ needs, so we’ve been partnering with them to look at the solutions they’ve developed internally, as well as general movements and trends that will help us better prepare for them,” says the CG company innovation manager. “It’s important for us if we’re going to attract and sustain the level of talent that we need in our workforce.”

Innovation will be central to these and other efforts throughout the company. “We want to turn insights into foresights, and the way we’re going to accomplish that is to be innovative in how we look at information and how we look at our market,” says the innovation manager. “Some people see innovation as a noun, but we see it as a verb—a living, organic thing that we’re going to develop and foster in our organization.” ●

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**MALCOLM FRANK
SENIOR VICE PRESIDENT FOR MARKETING AND STRATEGY
COGNIZANT**

The information flow they can avail themselves of is better by orders of magnitude, and it’s also not a lonely journey, it’s a very collaborative one.

“This is how people structure problems today, and it’s how they think,” Frank adds. “So when you bring these types of computing platforms into a corporate environment, Millennials absolutely love them, because they are a reflection of how they want to work. It’s also a much better reflection of what upcoming generations of consumers are thinking about, as well as how they think and make their purchasing decisions.” ■

About Cognizant

Cognizant (NASDAQ: CTSH) is a leading provider of information technology, consulting, and business process outsourcing services. Cognizant’s single-minded passion is to dedicate our global technology and innovation know-how, our industry expertise and worldwide resources to working together with clients to make their businesses stronger. With over 50 global delivery centers and more than 64,000 employees as of June 30, 2009, we combine a unique onsite/offshore delivery model infused by a distinct culture of customer satisfaction. A member of the NASDAQ-100 Index and S&P 500 Index, Cognizant is a Forbes Global 2000 company and a member of the Fortune 1000 and is ranked among the top information technology companies in BusinessWeek’s Hot Growth and Top 50 Performers listings. For more information on how to drive your business results with Cognizant, contact us at inquiry@cognizant.com or visit our website at www.cognizant.com.

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