



The Secret To Unleashing Genius

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Amazon isn't an easy place to work. Its managers set steep goals, scrimp on budgets and expect long hours. But there aren't many better places to be employed if you like the messy work of coming up with new ideas, because its billionaire founder, Jeff Bezos, has made that a priority for everyone and in so doing has avoided the usual curse of having a dynamic and creative founder at the helm.

"I encourage our employees to go down blind alleys and experiment," says Bezos. "We've tried to create tools to reduce the cost of doing experiments so that we can do more of them. If you can increase the number of experiments you try from a hundred to a thousand, you dramatically increase the number of innovations you produce."

In our work over the last ten years with business leaders, we've identified an interesting pattern (to learn more about our work, visit learn.innovatorsdna.com). On average, creative leaders can increase a company's innovation capacity, but having someone at the top who is too much of a genius can be dangerous for the organization because that may squelch others' skills and ideas.



According to more than 1,000 assessments we gave, we've noticed that 10% to 15% of the most innovative leaders in the world (based on others' evaluations of their skills) don't bother to encourage the people around them to innovate as well. These leaders often believe their ideas are so much better than their colleagues' that they see little value in building talent around them. Many also lack the patience required to give others the chance to develop and deliver their ideas, so they do the work alone. This can be okay in the short run but disastrous over time. Employees stop coming up with ideas; their creative muscles atrophy. This can pose a serious threat to a company's performance if and when a highly innovative leader leaves, especially if that person is famous.

Investors started fretting about Apple's ability to come up with big new ideas even before Steve Jobs died in October 2011. In the last two years Apple's innovation premium (market capitalization less the net present value of future revenue from

existing products and services) fell from 50% to 22%. The company dropped from No. 5 on our list in 2011 to No. 79 this year. Apple might continue to change the game without Jobs, but investors have voted with their feet.

The same scenario happened at Starbucks. Its CEO, Howard Schultz, left that job in 2000. The company's innovation premium remained a healthy 45% through the next year, but several years later that was down to 11%. Schultz's return in 2008 restored the coffee chain's creative luster, and today its premium stands strong at 41%, making it one of the top 20 on the list. Schultz's presence makes a difference to investors' expectations of Starbucks' ability to innovate and grow.

The more enlightened leaders know the importance of building creative capabilities in others. As Salesforce founder Marc Benioff emphatically put it during a recent conversation with us: "I can't do it all. I don't have all the ideas. That isn't my job. My job is to build a culture of innovation. That's something that we try to enforce. We encourage it. We value it. We notice it. We compensate for it. We require it." Salesforce, by the way, has been No. 1 on the Innovative Companies list three years running.

Lately Benioff has been acquiring innovators as well training them from within. He has spent close to \$4 billion since 2011 buying smaller software firms. "I'm willing to acquire a company that might not have a lot of revenue but has a lot of innovation." He added, "We'll take innovation any way you can give it to us. ... I don't care if it's my idea, an employee's idea, a competitor's idea, a partner's idea or some other associate's idea."

Benioff spends most of his time these days with customers, and he's encouraging his team to do the same, getting new ideas from the likes of GE, Bank of America, Toyota and Philips. He admits, though, that strengthening this ability in others while he's still present is challenging and that whatever "innovation capital" he has built up over time cannot be handed off to someone else. Whoever ultimately takes his place will need to earn his or her own capital.

Jeff Bezos told us he thinks Amazon will be a long-term innovator because he's made it part of everyone's job. A lot of big companies appoint a chief innovation officer; Amazon has purposefully chosen not to. Bezos doesn't want his leaders delegating that to anyone in particular. While Bezos has done many things to build an innovative culture, he emphasized three things that he thinks make the biggest difference:

First, he surrounds himself with people who have a creative track record. He requests all job candidates to tell him something they've invented: "Their invention can be on a small scale, say a new product feature or a process that improves the customer experience. But I want to know that they will try new things." He also looks for a combination of stubbornness and flexibility. "Even though these two attributes seem to be at odds with each other, I don't think they are," Bezos told us. "I want people who are stubborn about their vision of creating something new and valuable. I want them to be relentless on their vision but very, very flexible on the details of how to get there."

Second, Bezos has radically decentralized the work of coming up with new products or services so that the majority of employees feel like it is expected of them. Most employees are given an innovation challenge on one of Amazon's now famous "two-pizza teams" (a team small enough that it can be fed with two pizzas). "Each has its own software developers, its own business people, its own design people and so on," he

explained. “I think that kind of decentralization is important for innovation because your hands are closer to the knobs of what you’re trying to build.”

Third, Bezos teaches these teams how to experiment their way to innovations. “Experiments are key to innovation because they rarely turn out as you expect and you learn so much,” he told us.

Business leaders can never know how strong their company’s ability will remain to bring new ideas to market after they’re gone. It’s the biggest danger zone of all?not knowing what you don’t know until it happens. Until then the world’s best-run companies, including Salesforce and Amazon, will continue to hone their skills at observing, experimenting and questioning the status quo.

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