

INNOVATION CAPITAL

HOW TO COMPETE
AND WIN
LIKE THE WORLD'S MOST
INNOVATIVE LEADERS



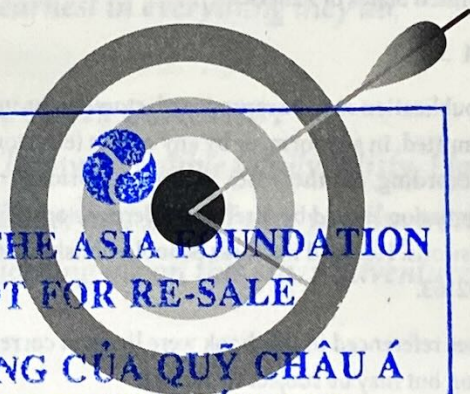
JEFF DYER
NATHAN FURR
CURTIS LEFRANDT

From the bestselling authors of **THE INNOVATOR'S DNA** *and* **THE INNOVATOR'S METHOD**

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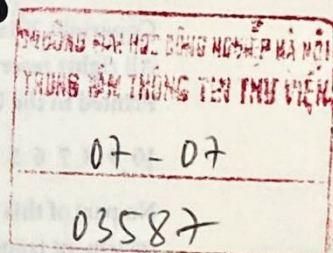


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CONTENTS

1. Innovation Capital	
The Capacity to Win Resources to Innovate	1
2. Who You Are	
(and What You Can Do to Improve)	31
3. Who You Know	
(and Who to Focus On)	65
4. What You Are Known For	
(and Ways to Become Known)	89
5. Personal Impression Amplifiers	
Broadcasting, Signaling, and Storytelling	119
6. Idea Impression Amplifiers	
Materializing, Comparing, Committing, and FOMO	141
7. The Virtuous Cycle of Innovation Leadership	169
8. Innovation Capital as a Source of Organizational Competitive Advantage	195
Conclusion: Concrete Steps for Putting It All Together	223
Appendix: How We Rank the World's Most Innovative Leaders	235
Notes	239
Index	249
Acknowledgments	259
About the Authors	263

1

Innovation Capital

The Capacity to Win Resources to Innovate

This book is about a critical but underappreciated ingredient for successful innovation: how innovators win support to turn their ideas into reality. Although this ability may sound simple, for the innovators we studied, it was a subtle, multifaceted art at the very heart of their success.

The book is about innovation, but it's not about getting new ideas. Despite the importance of good ideas, innovators need something more than just a good idea to succeed. Nor is the book about innovation processes, such as customer engagement, design thinking, and lean startup. Despite the potential of these processes to ensure customer value, innovators still need resources to succeed. Nor do we explain how to create an innovation culture in this book. Even if leaders know how to create such a culture but lack the support to turn their innovation into reality, they will fail.

In saying this, we are in no way downplaying the importance of creativity, understanding customer jobs to be done, prototyping using minimum viable products, or organizational culture. These concepts are vital to success. But they have been covered in other books on innovation, including our own books, *The Innovator's DNA* (which teaches you how to get creative ideas) and *The Innovator's Method* (which teaches you how to test and validate those ideas with customers).

But no other books have discussed this secret ingredient that separates non-innovators (with good ideas) from successful innovators (who win the support needed to turn their ideas into reality). This book is written to open the black box of that secret ingredient and answer the question, *How can you win the support needed from bosses, colleagues, partners, and investors to bring your idea to life?*

All aspiring innovators, whether they are working alone or in an organization, must overcome the *innovator's paradox* if they want to succeed. What is the innovator's paradox? Quite simply, the more novel, radical, or risky your idea, the greater the challenge you will face acquiring the resources you need to turn your idea into reality. Although we all say we want more-radical ideas because they are likely to have a greater impact, when it comes to getting the means to pursue radical ideas, the greater the risk and uncertainty, the more skittish potential supporters (investors, bosses, partners, etc.) become. Before jumping in, most supporters want the idea to be proven or at least want the uncertainty reduced in some meaningful way.

But how can you prove that an idea can work if you lack the resources to start developing it? You need resources to make innovative concepts succeed. Even the leanest of the lean startups need some resources to test out their ideas. Most truly big ideas need a lot more.

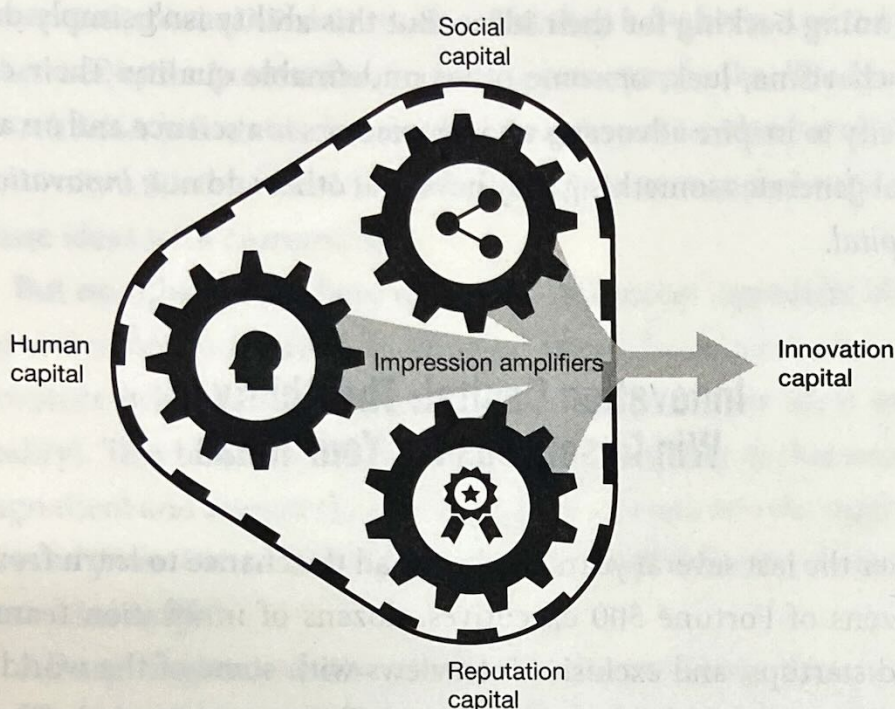
Your capacity to overcome the innovator's paradox—to secure the necessary means to turn novel and risky ideas into reality—is key to innovation leadership. We've all seen leaders who excel at winning backing for their ideas. But this ability isn't simply due to charisma, luck, or some other undefinable quality. Their capacity to inspire advocates and benefactors is a science and an art that generates something they have that others do not: *innovation capital*.

Innovation Capital: The Ability to Win Resources for Your Ideas

Over the last several years, we have had the chance to learn from dozens of Fortune 500 executives, dozens of innovation teams and startups, and exclusive interviews with some of the world's most innovative leaders, including Jeff Bezos (Amazon), Elon Musk (Tesla, SpaceX), Marc Benioff (Salesforce), Shantanu Narayen (Adobe), Indra Nooyi (PepsiCo), Mark Parker (Nike), and Jeff Weiner (LinkedIn), and many others. We discovered that the ability to win support for ideas is about much more than simply pitching effectively. It is an entire set of skills tied to leadership, influence, social capital, and relationship management. In short, innovative leaders build a body of skills that generate innovation capital: the ability to compete for—and win—the resources needed for innovation to flourish.

Innovation capital isn't tangible, like money or equipment. It is an intangible force, like political capital, that helps you assemble the means to implement your ideas. It comes from who you are (innovation-specific human capital), who you know (innovation-specific social capital), and what you are known for (innovation-specific reputation capital). It gets multiplied by what we call

FIGURE 1-1

Where innovation capital comes from

impression amplifiers—actions that get attention and credibility for you and your ideas (see figure 1-1).

Innovation capital lies at the heart of your ability to convince resource holders to support your ideas. You have to earn and develop innovation capital by practicing specific behaviors and leveraging the right activities at the right time. People aren't born with innovation capital; they must build it. And it's far more critical to innovation than most of us realize (see the sidebar "Who This Book Is For").

The importance of innovation capital first dawned on us when we were interviewing one of the world's most innovative leaders, Marc Benioff, chairman and co-CEO of Salesforce. When discussing his own success as an effective leader of innovation, Benioff emphasized that his ability to champion innovations at

The Components of Innovation Capital

HUMAN CAPITAL: forward-thinking, creative problem solving, and persuasion abilities

SOCIAL CAPITAL: social connections with those who have valuable resources

REPUTATION CAPITAL: a track record and reputation for innovation

IMPRESSION AMPLIFIERS: actions that generate attention and credibility for you and your ideas

INNOVATION CAPITAL: the capacity to win the resources needed for innovation to flourish

Salesforce has increased over time—because he has developed his innovation capital:

My ability to generate innovations for Salesforce has basically built up over time. Over twenty years, I've built up what we might call *innovation capital* that I can spend to try new things—to change the organization, change the products, change what needs to be changed. Whoever comes in and is the next CEO is not going to have as much innovation capital. They're going to have to accrue that on their own . . . They're going to have to earn it by being an innovative leader. That's the only way you can get innovation capital.

Benioff understands that as he has improved his innovation leadership skills (who he is), widened and deepened his social connections both inside and outside Salesforce (who he knows),