

CEO of Britain's Lloyd's Banking Group, was forced to take an extended enforced break due to stress and overwork. Horta-Osorio had joined the group earlier that year and had become CEO in March. By the fall he was suffering from such acute insomnia that he remained awake for five straight days. With increasing stress and mental exhaustion, he was forced to seek medical help. The results were dramatic; shares in Lloyds shares fell 4.4 percent, a whopping \$1.5 billion reduction in market capitalization. Horta-Osorio eventually returned to the bank in late December, but he forfeited his bonus and was forced to radically alter his work and personal habits.

**Self-awareness begins with admitting that you are human and fallible.** Our natural make-up must cope with huge pressures and crazy demands of every day; thus it's easy to lose sight of the big picture. We often fall into the natural pattern of hearing and seeing what we want to hear and see—even at the expense of reality. Sometimes we start to succumb to self-doubt and feel powerless and inadequate.

Screw-ups, however, need not mire you in the quicksand of self-

destruction. The rocky path back to the status of a great leader is paved with self-awareness. Just pausing to cast an objective eye on your maladaptive or unproductive behavior or asking a trusted ally to tell you the honest truth about how you've been acting lately can get you back on track. But, when you have ventured into *bad leader* territory, you need to make amends and acknowledge your behavior with the people around you. The worst thing you can do is pretend like it didn't happen. When I found myself *hope-less*, I ate a huge slice of humble pie and met with my employees to apologize for my poor leadership. The taste of that humble pie provides me with the self-awareness to avoid the same traps. **LE**



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## Innovation Mindset

*We can see it in action at 3M.*

By Vijay Govindarajan and Srikanth Srinivas



Great innovators share a common quality—the *innovation mindset*—a robust framework that can be applied at micro (individual) and macro (organizational) levels: they see and act on opportunities, use *and-thinking* to resolve tough dilemmas and break through compromises, and employ their resourcefulness to power through obstacles.

Innovators maintain a laser focus on outcomes, avoid getting caught in the activity trap, and proactively *expand the pie* to make an impact. Regardless of where they start, innovators and innovative companies persist till they successfully change the game.

Take, for example, 3M, awarded the National Medal of Technology. 3M is consistently ranked in the top 20 of *America's Most Admired Corporations*. Over a 20-year period, 3M's gross margin averaged 51% and return on assets averaged 29%.



**Innovative companies achieve excellence in five ways:**

**1. They provide forums for employees to pursue opportunities.** One of 3M's strengths is how it treats promising employees: give them opportunities, support them, and watch them learn and thrive. 3M provides a rich variety of centers and forums to create a pool of practical ideas that are then nurtured into opportunities and pro-

vided the necessary resources for success. Scientists go out into the field to observe customers to understand their pain points. Customers also visit *Innovation Centers* set up to explore possibilities, solve problems, and generate product ideas. Scientists share knowledge and build relationships at the Technical Council, which meets periodically to discuss progress on technology projects, and the Technical Forum, an internal professional society where 3M scientists present papers—just two of 3M's fruitful forums.

Arthur Fry, a 3M employee, attended a Technical Council where Spencer Silver spoke about trying to develop a super-strong adhesive for use in building planes; instead, Silver accidentally created a weak adhesive that was a "solution without a problem." Fry, who sang in a church choir, had been losing the bookmark in his hymnbook. He noticed two key features of Silver's adhesive that made it suitable for bookmarks: the note was reusable, and it peeled away without leaving residue. Fry applied for and received funding to develop a product—the Post-it note.

**2. They create an environment that fosters the right tension with "and thinking."** One critical balance at 3M is between present and future concerns. Quarterly results are important but should not be the sole focus; staying relevant is also important but can't come at the cost of current performance. 3M has several ways to sustain this *and thinking*. Employing the *Thirty Percent Rule*, 30% of each division's revenues must come from products introduced in the last four years. This is tracked rigorously, and employee bonuses are based on achieving this goal. 3M also uses *and thinking* in their three research areas. Each area has a unique focus: Business Unit Labs focus on specific markets, with near-term products; Sector Labs, on applications with 3-to-10 year time horizons; and Corporate Labs, on basic research with a time horizon as long as 20 years.

**3. They create systems, structures, and work environments to encourage resourcefulness and initiative.** Reporter Paul Lukas noted: "A 3M customer identifies a problem, and a 3M engineer expresses confidence in being able to solve it. He bangs his head against the wall for years, facing repeated setbacks, until management finally tells him to stop wasting time and money. Undeterred, the engineer stumbles onto a solution and turns a dead end into a ringing success."

Richard Drew is one such an engineer. Running some Wetordry sandpaper tests at an auto-body shop to improve paint removal, he noticed that the painter couldn't mask one section of a two-tone car



while painting the other. The tapes available at the time, back in the 1920s, either left a residue or reacted with the paint. Drew assured the painter that 3M could solve the problem and worked on it for two years, eventually receiving a memo from senior management instructing him to get back to work on the waterproof Wetordry sandpaper. Drew did, but he continued working on the tape project on his own time. The result: Scotch tape.

3M has a rich set of structures and systems to encourage resourcefulness:

- **Seed Capital:** Inventors can request seed capital from their business unit managers; if their request is denied, they can seek funding from other business units. Inventors can also apply for corporate funding (Genesis Grant).
- **New Venture Formation:** Product inventors must recruit their own teams, reaping the benefit of 3M’s many networking forums as they seek the right people for the job at hand. The recruits have a chance to evaluate the inventor’s track record before signing up. However, if the product fails, everyone is guaranteed their previous jobs.
- **Dual-career ladder:** Scientists can continue to move up the ladder without becoming managers. They have the same prestige, compensation, and perks as corporate management. As a result, 3M doesn’t lose good scientists and engineers only to gain poor managers (a common problem).

**4. They focus on the right set of outcomes.** They tailor what is measured, monitored, and controlled to suit their focus, and strike the right balance between performance and innovation. 3M has created measurement and reward systems that tolerate mistakes and encourage success. 3M rewards successful innovators in various ways: the Carlton Society, named after former company president Richard P. Carlton, honors top 3M scientists who develop innovative new products and contribute to the culture of innovation, and the Golden Step is a cash award. 3M also tells the stories of famous failures that later created breakthrough products to ensure a culture that stays innovative and risks failure for unexpected rewards

**5. They ensure a continuing focus on expanding the pie** by effectively converting non-consumers into consumers, and providing richer solutions to current consumers. In the process they transform

their industry, community, country.

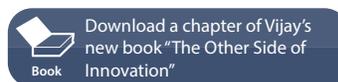
3M uses a R&D focus and a unique “15% rule” to expand the pie. 3M spends about 6% of sales on R&D (far more than competitors) This results not only in new products but also new industries. David Powell, 3M’s VP of marketing, affirms: “Annual investment in R&D in good years— and bad— is a cornerstone of the company. The consistency in the bad years is particularly important.”

William McKnight, who rose from his bookkeeping position to become chairman of 3M’s board, explains: Encourage experimental doodling. When you put fences around people, you get sheep. Give people the room they need.” 3M engineers and scientists can spend up to 15% of their time pursuing projects of their choice, free to seek unexpected, unscripted opportunities, for breakthrough innovations that can expand the pie..

The innovation mindset is a *game-changing asset* for companies and individuals. Innovative companies like 3M use creative *and-thinking* and resourcefulness to pursue promising opportunities and strategically meet outcomes, while *expanding the pie*. They create the structure, systems, and culture to enable their people to think and do things differently to achieve extraordinary success. **LE**



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