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Intelligence

A Systematic Approach to Innovation

A brief synopsis of **Innovation Tournaments: Creating and Selecting Exceptional Opportunities** (Harvard Business Press, 2009), by Christian Terwiesch and Karl T. Ulrich.

[BOOK REVIEW]

A Systematic Approach to Innovation

In an interesting book, two Wharton professors analyze the innovation process.

In the popular imagination, innovation is often associated with creative inspiration that can neither be predicted nor planned. So what happens when two professors of operations and information management (who have also developed products and launched companies) tackle the topic of innovation? An informative new book, *Innovation Tournaments: Creating and Selecting Exceptional Opportunities* (Harvard Business Press, 2009), is the result. In it, Christian Terwiesch and Karl T. Ulrich, professors at the Wharton School of the University of Pennsylvania, look at innovation process — in other words, a process management approach to innovation.

In particular, Terwiesch and Ulrich focus on “innovation tournaments” as a tool that companies can use to identify promising ideas for innovation, which they term “opportunities.” Much as the *American Idol* television show is able to use a tournamentlike approach to identify a small number of promising performers from thousands of would-be contestants, companies can use tournaments, Terwiesch and Ulrich argue, to

identify new opportunities for their businesses. Ideas may be sought from employees, from people outside the organization or from a combination of internal and external sources.

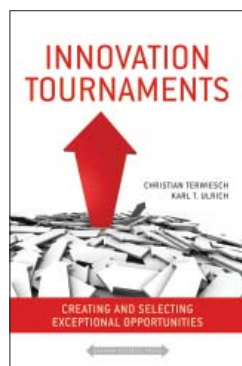
Among other topics, *Innovation Tournaments* essentially provides a how-to guide for setting up and administering an innovation tournament. (In fact, the authors have set up a Web site offering free tournament software that they call Darwinator.) Terwiesch and Ulrich, while grounding their work in academic research, have written a nontechnical book that is targeted to executives and managers. Their book provides a refreshingly systematic look at innovation and one that avoids much of the mythology and hype that often surround the subject.

Terwiesch and Ulrich's book is full of thought-provoking observations. For example, the authors point out that in initially considering new business ideas, companies can benefit from having greater variability in the ideas proposed. The reason? When it comes to innovation, a company is generally looking for the few best opportunities (rather

than, say, for many mediocre opportunities). And if one assumes that the quantity and average quality of the opportunities is held constant, then the greater the variation in quality of the options, the more likely there are to be a few very good ones. Although companies strive for consistency in many organizational processes, in innovation, “you’d prefer to produce one truly exceptional opportunity and ninety-nine lousy ones rather than one hundred merely good ones,” Terwiesch and Ulrich write.

Terwiesch and Ulrich distinguish between industries in which companies need to be particularly aware of external sources of innovation (such as industries like beverages, where virtually anyone might innovate) and those industries where “guerrilla innovators” are not much competition. (Think large aircraft, where kitchen-table inventors cannot easily compete.) The authors discuss different ways to structure a tournament and point out that, in their experience, almost all companies can benefit from considering more ideas for innovation in the early phases of idea selection.

— Martha E. Mangelsdorf



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