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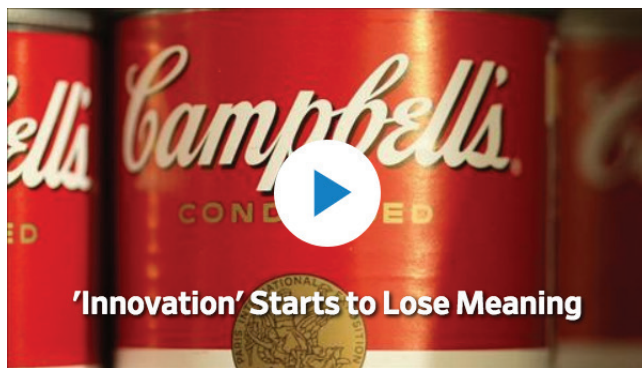
MANAGEMENT

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You Call That Innovation?

By Leslie Kwoh

Got innovation? Just about every company says it does.



Companies throw the term “innovation” around but that doesn’t mean they are actually changing anything monumental. Leslie Kwoh reports on digits.

Businesses throw around the term to show they’re on the cutting edge of everything from technology and medicine to snacks and cosmetics. Companies are touting chief innovation officers, innovation teams, innovation strategies and even innovation days.

But that doesn’t mean the companies are actually doing any innovating. Instead they are using the word to convey monumental change when the progress they’re describing is quite ordinary. Like the once ubiquitous buzzwords “synergy” and “optimization,” innovation is in danger of becoming a cliché—if it isn’t one already.

“Most companies say they’re innovative in the hope they can somehow con investors into thinking there is growth when there isn’t,” says Clayton Christensen, a professor at Harvard Business School and the author of the 1997 book, “The Innovator’s Dilemma.”

A search of annual and quarterly reports filed with the Securities and Exchange Commission shows companies mentioned some form of the word “innovation” 33,528 times last year, which was a 64% increase from five years before that.

More than 250 books with “innovation” in the title have been published in the last three months, most of them dealing with business, according to a search of Amazon.com .

The definition of the term varies widely depending on whom you ask. To Bill Hickey, chief executive of Bubble Wrap’s maker, Sealed Air Corp., it means inventing a product that has never existed, such as packing material that inflates on delivery.

To Ocean Spray Cranberries Inc. CEO Randy Papadellis, it is turning an overlooked commodity, such as leftover cranberry skins, into a consumer snack like Craisins.

To Pfizer Inc.’s research and development head, Mikael Dolsten, it is extending a product’s scope and application, such as expanding the use of a vaccine for infants that is also effective in older adults.

Scott Berkun, the author of the 2007 book “The Myths of Innovation,” which warns about the dilution of the word, says that what most people call an innovation is usually just a “very good product.”

He prefers to reserve the word for civilization-changing inventions like electricity, the printing press and the telephone—and, more recently, perhaps the iPhone.

Mr. Berkun, now an innovation consultant, advises clients to ban the word at their companies.

“It is a chameleon-like word to hide the lack of substance,” he says.

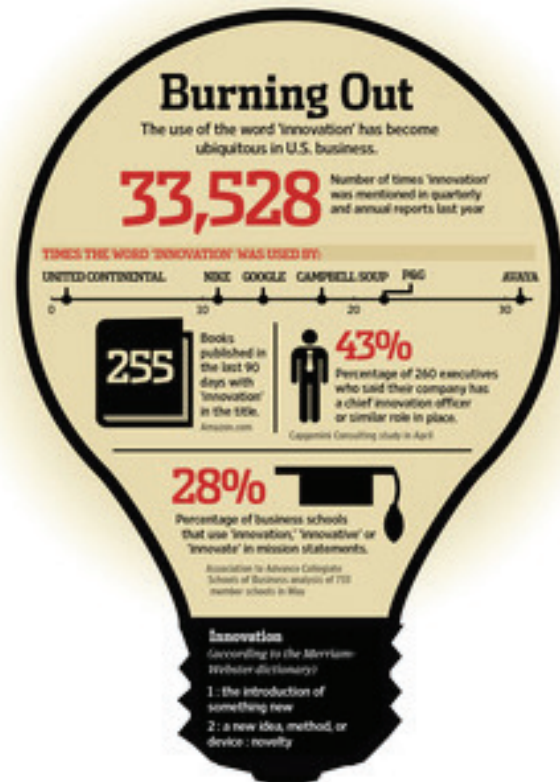
Mr. Berkun tracks innovation’s popularity as a buzzword back to the 1990s, amid the dot-com bubble and the release of James M. Utterback’s “Mastering the Dynamics of Innovation” and Mr. Christensen’s “Dilemma.”

The word appeals to large companies because it has connotations of being agile and “cool,” like start-ups and entrepreneurs, he says.

Technology concerns aren’t necessarily the worst offenders. Apple Inc. and Google Inc. mentioned innovation 22 times and 14 times, respectively, in their most recent annual reports. But they were matched by Procter & Gamble Co. (22 times), Scotts Miracle-Gro Co. (21 times) and Campbell Soup Co. (18 times).

The innovation trend has given birth to an attendant consulting industry, and Fortune 100 companies pay innovation consultants \$300,000 to \$1 million for work on a single project, which can amount to \$1 million to \$10 million a year, estimates Booz & Co. innovation strategy consultant Alex Kandybin.

In addition, four in 10 executives say their company now has a chief innovation officer, according to a recent study of the phenomenon released last month by Capgemini Consulting.



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The findings, based on an online survey of 260 global executives and 25 in-depth interviews, suggest that such titles may be mainly “for appearances.”

Most of the executives conceded their companies still don’t have a clear innovation strategy to support the role.

Jeff Semenchuk, who was named Hyatt Hotels Corp.’s first chief innovation officer in August, says there is “nothing fluffy” about his job.

The hotel chain recently interviewed hundreds of guests and concluded that “we’re all kind of stuck in the past,” he says of the industry.

He oversees experimental initiatives at eight newly designated “lab” hotels around the world. Among his projects: a new process that has an iPad-toting concierge meet guests at the airport and check them in.

Innovation is hardly a new term. The word, which derives from the Latin noun *innovatus*, meaning renewal or change, appeared in print as early as the 15th century, according to Robert Leonard, chairman of Hofstra University’s linguistics program.

As companies have sped up product cycles, the word has come to signify not just doing something new but also doing it more quickly, he says.

Campbell Soup, for example, says it is trying to bring new products, from soup flavors to skillet sauces, to market more quickly than its competitors do. “Ideas can be copied much more quickly today,” says Vice President and General Manager Darren Serrao.

Mr. Christensen classifies innovations into three types: efficiency innovations, which produce the same product more cheaply, such as automating credit checks; sustaining innovations, which turn good products into better ones, such as the hybrid car; and disruptive innovations, which transform expensive, complex products into affordable, simple ones, such as the shift from mainframe to personal computers.

A company’s biggest potential for growth lies in disruptive innovation, he says, noting that the other types could just as well be called ordinary progress and normally don’t create more jobs or business.

But the disruptive innovations can take five to eight years to bear fruit, he says, so companies lose patience.

It is far easier, he adds, for companies to just say they’re innovating. “Everybody’s innovating, because any change is innovation.”

Some die-hard users of the word innovation admit that they’re tiring of it.

Sealed Air’s Mr. Hickey, who notes that his company has been using it in corporate filings since at least 1980, is considering dropping the word in company materials.

Next up? “Inventive.”

“Inventive is a mind set; innovation is a thing,” he says. “We’ll be heading the pack.”

—*Melissa Korn contributed to this article.*

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Giant rolls of Bubble Wrap. The CEO of the product’s maker, Sealed Air., says real innovation means inventing a product that has never existed. ASSOCIATED PRESS

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