


# A New Approach to Innovation at Nestlé R&D

By

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*This article examines a successfully implemented innovation process at Nestlé's R&D headquarters in Switzerland. The six-year experience uses a micro-MBA model to train Nestlé employees in how to move beyond the traditional models and innovate far beyond technology, turning them into agents of change. Using nontraditional methods, the results achieved by the program have succeeded beyond expectations. In fact, this innovation process has turned the training into a profit opportunity for the company. © 2013 Wiley Periodicals, Inc.*



**A**s chief technology officer (CTO) and chief innovation officer at Nestlé—the world's leading nutrition, health, and wellness company, with over 339,000 employees—I am constantly looking for new ways to boost innovation. For some time I have had one question in the back of my mind: what would happen if, in addition to the outstanding technical skills acquired in the best universities and in Nestlé labs, the talented and clever people we have recruited in my research and development (R&D) division had greater business savvy? Would business knowledge help them to perform even better or to better interact with marketing or business experts?

Sometimes gut feelings should be tested. I saw the opportunity when I met Raphael H. Cohen, the inventor of a new process for boosting innovation, as well as a serial entrepreneur and academic, teaching intrapreneurship. He suggested setting up an executive education program to boost participants' intrapreneurial skills as

a new innovation track delivering measurable results. I sensed that this novel approach to training might be the vehicle to test my intuition. Now, six years down the road, I can say that the results are beyond my initial expectations (the key success factors of this program are outlined in Exhibit 1). Since the measurable return on investment largely exceeds its cost, this program has become a profit center instead of an expense burdening the budget. This is the first paradigm shift.

Raphael Cohen with Marc Dreyer, my right-hand for developing our R&D people—and during the first four years Heribert Watzke—customized the Nestlé R&D MicroMBA. By revealing an untapped reservoir of innovation, this program led to a second paradigm shift: R&D people can innovate way beyond technology. They became real agents of change, delivering concrete and measurable results in areas that we did not suspect could be within their reach.

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**EXHIBIT 1** Key Success Factors of the Nestlé R&D MicroMBA

- This customized executive education program targets Nestlé R&D middle management and high potentials in order to break silos and develop their:
  - Business savvy
  - Intrapreneurial and innovation skills
  - Agility and ability to seize opportunities
  - Network inside and outside the company
  - Collaboration and peer support
- Program content includes hard skills (finance, strategy, marketing, etc.) as well as soft skills (stakeholders' management, negotiation, caring leadership, cultural diversity, etc.).
- The IpOp Model<sup>a</sup> is the backbone that guides the analysis of the innovative project that participants must eventually identify and implement.
- Implementation is critical because as soon as participants have managed to overcome in real life all the natural obstacles hampering intrapreneurial projects, most of them gain enough self-confidence to continue acting as proactive change agents.
- Humor is used as a nonconventional education approach not only because it is fun and energizing but also because it helps participants learn faster.
- Two-thirds of the sessions are facilitated by external business school professors, most of whom are seasoned entrepreneurs with authentic legitimacy to teach applicable tools as well as act as role models and mentors.
- The remaining third is facilitated by Nestlé senior executives who bring the complementary internal vision and vocabulary.
- Each session is attended by both the external academic director (who is also an entrepreneur and trainer) and his internal counterpart, not only to ensure perfect alignment and coherence but also to manage the group dynamics as well as intrapreneurial mind-set.
- Furthermore, each team is coached by experienced external and internal experts to stretch their mind, unlock their limiting beliefs and help them overcome obstacles.
- A strong emphasis is put on the group dynamics as it breaks silos while stimulating cross-department cooperation.

<sup>a</sup>See note 1 at end of article.

The third paradigm shift is that training can be used as an additional track for innovation, complementing the other, more traditional ways of innovating.

## Implementing a Real Project

The program brings together 20 to 30 volunteers from all functions of R&D, including scientists, HR people, project administrators, and even financial experts. At the core of the Nestlé R&D MicroMBA stands *the* innovation project. Groups of four to six participants with different backgrounds are formed with a clear objective: to identify a real innovation and implement it. This sounds simple, but it is far from being easy.

After learning the Nestlé-customized business skills, participants are invited to identify an opportunity to innovate and agree among themselves that it is worth pursuing. Because team members have different expertise, they often end up working on a project unrelated to their field. Working outside of anyone's area of expertise puts everyone on equal footing while widening participants' horizons to uncharted territories.

Once the first hurdle of agreeing on a project has been dealt with, team members realize that what had seemed to be a major challenge was actually easy compared to the next step: convincing decision makers to support and give the green light to implement their project. Because these projects do not belong to the existing pipeline, they naturally trigger the company's "immune system." It is always easier to say no to something that has not been initiated by upper management: to actually convince the key stakeholders to accept a "foreign" project, each team must come up with a compelling business case.

In addition to boosting bottom-up innovation, this process challenges participants much more than if they were asked to apply what they have learned to projects selected by the management (a top-down approach), as is often the case in executive education.

## The MicroMBA Is About Teaching Business Savvy

Learning how to produce a convincing business case is a key objective of our Nestlé R&D MicroMBA. To achieve

the desired result, participants must learn to think like businesspeople. This means acquiring business savvy by learning the fundamentals of business, the vocabulary of business, and the key issues that must be addressed in a business environment. This is why the program is called a “MicroMBA.” It contains many of the same topics found in any MBA, but the content of each topic has been carefully selected to teach, in a very compact manner, the essentials to boost interaction and relevance for the business partners. What is unique is that the *fil rouge*, or theme, is innovation and that the content is focused on intrapreneurship.

Besides teaching an effective and user-friendly innovation process (the IpOp Model), the Nestlé R&D MicroMBA is essentially a toolbox for corporate innovators. It includes marketing, branding, PR and communication, negotiation tools, dealing with stakeholders, strategy, finance, process management, interpersonal communication and other soft skills, production, HR and diversity, virtual teams, mobilizing teams building a compelling business case, change management, and many more topics. Why so many diverse topics? Simply because mastering them all substantially contributes to becoming effective agents of change in an organization as sophisticated as ours.

It is not enough to give people permission to innovate; it is critical to give them the tools and show them a reliable process on how to innovate. This is why participants attending the Nestlé R&D MicroMBA first learn a set of tools before working on their projects. In fact, they are eager to learn these tools because they understand that they will need them for the innovation project. The good news is that most of these tools are also very useful in their everyday jobs.

I would also like to point out that what differentiates our Nestlé R&D MicroMBA from many other, more traditional, talent development programs is that this one is totally focused on generating measurable business results, rather than on personal development, with an emphasis on soft skills. The soft skills are not neglected but, rather than being the main objective, are treated as a means to drive a result-oriented culture. Here the result must be initiated by the participants. At the end of the day, whatever we do—training included—must make the company more successful.

Another strength of the program is that most trainers recruited by Raphael H. Cohen are, like him, “pracademics”—MBA professors with real-life experience as entrepreneurs or intrapreneurs. They do not just *teach* academic content but act for the participants as role models with their own experiences of successes and fail-

ures. Several speakers are Nestlé executives who bring their in-house expertise as a complement to the tools and conceptual models presented by external trainers. This combination of internal and external works very well to inspire participants.

Finally, one more factor to the success of the program is a nonconventional educational approach that makes the program stand out: teaching with humor, which is not only fun and energizing, but helps participants learn faster. In any case, since humor opens people’s minds, it can only contribute to innovation.

## A Robust Model for Innovation

The biggest difference between our Nestlé R&D MicroMBA and other business education programs is the use of the IpOp Model<sup>1</sup> as a structuring guideline. Because it models the thought-process actually used by successful innovators, the IpOp Model provides new innovators a roadmap of the key questions they must address to increase the probability of success. These include, among others, a thorough analysis of how to deal with stakeholders, how to use client decision criteria and audacious business models to build real competitive advantages, the measurable definition of success, and a clear outline of the unknowns that should be verified.

Because the IpOp Model covers the essential dimensions of an innovation project in a corporate environment, it substantially increases the confidence level of the teams working on a project. By providing our Nestlé R&D MicroMBA participants a robust, but easy-to-follow process for developing their ideas to a high level of maturity, the IpOp Model helps them present to their management a convincing business case outlining the concrete key success factors. A fully analyzed business opportunity is not only more relevant for the decision makers than just an idea, but it is also more motivating and engaging for the team.

After having been through the IpOp Model process, participants know if their project could really succeed and what the challenges are. This complete understanding of their project at the pre-project stage empowers them to be more audacious. It also helps them deal with the NIH (Not Invented Here) syndrome, which often leads to early-stage rejection of new ideas by business experts who “know best” and who believe that they do not need outsiders’ help to do things better or differently.

This audacity was illustrated by one Nestlé R&D MicroMBA team who came up with the idea of a new way to improve the dental hygiene of dogs. Since none of the

team members had any professional experience in pet food or pet health, when they first presented their idea to Purina, they were told that Purina was already working on many projects with a similar objective. Because of the team's insistence, Purina's management suggested that they test the merits of their own idea by using the new-product scorecard that helps Purina evaluate its own innovation pipeline. The high score obtained by the idea surprised Purina's management, who then realized that this "foreign" idea could indeed be interesting and different enough to justify further investigation.

The Nestlé R&D MicroMBA team continued using the IpOp Model to further analyze their pet-related idea. It allowed them to produce a convincing business case that led Purina to adopt this project within a few weeks. Their project is now in the official business-development pipeline. What is impressive is that, if all works according to plan, this product invented by "nonexperts" could become a blockbuster, with sales of several hundred million dollars.

## Breaking Silos

What is also remarkable is that an internal training program could empower European experts in human nutrition not only to cross the Atlantic in order to speak to Purina management, but also to cross the natural divisional barriers between pets and humans. This demonstrated another benefit of the Nestlé R&D MicroMBA: horizontal collaboration and breaking down silos boosts innovation. Interestingly enough, all participants testified that throughout the Nestlé R&D MicroMBA they substantially increased their internal network as well as their understanding of what others were doing. This prompted the business counterparts who have been exposed to the MicroMBA projects to realize that R&D people could also contribute in areas beyond technology. This confirms that "co-innovation" can be encouraged internally.

In fact, many of the Nestlé R&D MicroMBA projects focused on nontechnological innovation. To everyone's surprise, several projects brought *business model* innovations. One team, for instance, revisited the value chain of certain milk-based products manufactured and sold in Africa. They came up with a new business model that will allow Nestlé to significantly reduce the product retail price without reducing Nestlé profit margins, while at the same time doubling the daily income of local farmers. This is a perfect illustration of what Nestlé means by Creating Shared Value (CSV): consumers will pay less, farmers will make more money, Nestlé will sell more

products, more local jobs will be created, and the local ecosystem will be boosted. This is exciting because everybody wins!

One of the lessons brought by this initiative is that smart people are capable of spectacular innovation not only within, but also outside their area of expertise. The MicroMBA provides a suitable platform for exploiting this potential.

## Revealing Talents and Boosting Women's Careers

The program is designed to develop not only project-related skills but also soft skills that will be needed to deal with other people. Most team members are not colocated. They come from diverse backgrounds and cultures. Since all teams are working on their innovation projects in these rather adverse conditions, they learn new virtual collaboration skills. Most of the work must be done not only in a virtual manner but also in addition to the participants' regular job. This clearly expands their horizons and skills.

The Nestlé R&D MicroMBA has also become a very effective human resources (HR) tool to reveal rising stars. Projects turned out to be a great opportunity to observe people in real-life situations, dealing with adversity. Bluffing was not an option, and only team players were successful. The program is designed to give participants the opportunity to show what they are capable of: for instance, by increasing their assertiveness, the careers of several women participating in the Nestlé R&D MicroMBA were boosted. One of the unexpected benefits is that more than 50% of the participants have so far been promoted after joining the program, despite the fact that participation in the MicroMBA does not mean one is tagged as "high potential."

## Training Becomes a Profit Center

Another discovery was that a training program can generate measurable profits instead of being only a cost center. There is no doubt in my mind that the profits generated by the innovation projects initiated by the Nestlé MicroMBA participants are far greater than their cost.

It is a great source of satisfaction to know that in addition to all the people-development benefits, this training program has a measurable return on investment. This radical paradigm shift demonstrates that developing talent can significantly affect the bottom line when it is handled as a strategic initiative with a clear business purpose.

## Emerging Innovation

However, the biggest source of satisfaction for me is to get confirmation that R&D people at Nestlé are extremely talented beyond their original expertise. They are demonstrating that bottom-up or emerging innovation is a reality that perfectly complements more traditional top-down innovation approaches.

Innovation in many companies is primarily a top-down process: Key R&D areas, which have been identified at the strategic level by upper management, are incorporated into a pipeline of R&D projects. Suitable teams are then commissioned by management to work on each component of this pipeline in order to deliver the expected results. Suggestion boxes are a slight modification of this process: the originator of the idea can be anyone, not just top management. Those ideas are then presented to the same upper management who will decide to support the ones that seem promising. Then the same commissioning process will lead to further analysis, development, and possible implementation of the idea.

## A Business Case Box Instead of a Suggestion Box

What distinguishes the IpOp Model approach from traditional suggestion boxes or other idea-management systems is that management decides on a well-analyzed business case and not just on an idea. The underlying philosophy behind the Nestlé R&D MicroMBA is that anyone who has an idea can behave as an intrapreneur provided he or she comes up with a convincing business case. An idea is not enough: we need a robust business case demonstrating that there is a real business opportunity. This allows for real emerging innovation!

Emerging innovation is no substitute for top-down innovation. It just complements it. But promoting it is not as easy as it may appear. It requires a sincere desire

from the management as well as a favorable and supportive environment. The commitment of Heribert Watzke, a senior officer at Nestlé, who is very familiar with how innovations happen and who has been working closely with Raphael H Cohen, was a key ingredient to our success with bottom-up innovation, creating a new low-cost track for innovation.

This program has brought many additional benefits that I had not suspected when I launched the first pilot. One of them is that the spirit and team dynamics of the program created long-lasting friendships and trust among the participants. Besides increasing their personal reach and network, participants can now also rely on a strong peer support group that will help them throughout their careers.

## New Perception

This program has also changed the perception of R&D people by business partners of other divisions. The business savvy acquired by R&D people in a practical manner allows them to be more relevant in all their interactions with other Nestlé people. Because they now speak the same language, they understand each other better and cooperate more effectively.

The Nestlé R&D MicroMBA has answered my initial question: with the right blend of business savvy taught in a motivating and fun executive education program, innovation can be boosted and R&D people can deliver a lot more than what had been assumed until then. The first secret was to teach the ropes of intrapreneurship and innovation. The second secret was to give participants permission to behave in an intrapreneurial manner. The third secret was, with the IpOp Model, to teach a concrete process empowering participants to dare to venture beyond their natural territory. The fourth secret was to encourage everyone to have fun while showing what he or she is capable of. The end result is that both the Nestlé R&D MicroMBA participants and I are proud of what has been achieved.



**Werner Bauer** began his career at the University of Erlangen-Nürnberg where he received his PhD in chemical engineering. In 1980, he became professor of chemical engineering at the Technical University of Hamburg and in 1985 was appointed director of the Fraunhofer Institute for Food Technology, and chair of Food Biotechnology at the Technical University of Munich. Joining Nestlé in 1990, Mr. Bauer spent six years as head of the Nestlé Research Center and became head of Nestlé Research and Development worldwide in 1996. Before his appointment as chief technology officer in 2007, he spent four years in Africa, first as technical manager, and then commercial director

of Nestlé Southern and Eastern Africa Region, and then became executive vice president and head of Technical, Production, Environment, Research and Development. In addition to his services as a representative of Nestlé, he has gained international recognition for his contributions to food science and technology, including the Marcel Loncin Research Prize and the Grand Prix de la Science et de l'Alimentation from the International Academy of Gastronomy. He continues to have strong associations with academia, and in 2010 became honorary senator of the Technical University of Munich. Mr. Bauer retired as CTO of Nestlé in September of 2013.

## Note

1. The IpOp Model is a new approach to analyzing innovations at the pre-project stage in order to evaluate their merits and feasibility. It helps

eliminate hazardous projects by producing a compelling business case. The IpOp Model is described in *Winning Opportunities: Proven Tools for Converting Your Projects into Success (Without a Business Plan)*. The book can be downloaded free of charge at [www.winning-opportunities.org](http://www.winning-opportunities.org).