

FOR OCI AWARD WINNERS,  
**INNOVATION IS IN  
THEIR DNA**

*By Brad Barbera, NPDP, PDMA Executive Director*

**T**he Outstanding Corporate Innovator Award is the only innovation award that recognizes organizations for achieving sustained innovation success and corporate growth through disciplined innovation management processes. This year's recipients join an elite group of past winners, including the likes of Apple, Harley-Davidson, Merck, FedEx, BMW and DuPont.

Since 1988, the Product Development and Management Association (PDMA) awards companies that have demonstrated exceptionally high, sustained innovation success with the Outstanding Corporate Innovator (OCI) Award. This year, 34 companies were nominated for the award. After a rigorous process to screen and evaluate all of the candidates, only two were selected to receive the award: Illumina Inc., a leading developer, manufacturer and marketer of life science tools and integrated systems for large-scale analysis of genetic variation and function; and UnitedHealth Group (UHG), a leading health company that touches nearly every aspect of health care, including both benefits and services.

In some ways, the two companies are dramatically different. Founded in 1998, Illumina has been driven by innovation since its inception, where the application of new technologies has been making genomic studies possible that were not even imaginable just a few years ago. Its revolutionary tools for DNA and RNA analysis are enabling rapid advances in disease research, drug development and the development of molecular tests in the clinic. In just over 10 years, it has gone from \$0 to almost \$1 billion in annual revenues, and from seven to more than 2,300 employees.

Since its inception in 1977, UnitedHealth Group has leveraged key innovations in order to make health care more accessible and affordable for customers, improve the quality and coordination of health services, and help individuals and their physicians make more informed health decisions. It is truly one of the giants in the health care world: a \$100 billion enterprise made up of 80,000 people serving 75 million customers around the world.

Although both companies have differences in size, market space and history, they both identify the same key to success. Innovation is not just a program or function, but rather it is part of what defines them.

I had the pleasure of getting to talk with representatives from both companies after they learned of winning the OCI Award. Mark Lewis, senior vice president of Development at Illumina, Meredith Baratz, vice president, Market Solutions, at UnitedHealth Group, and Dimitri Senaratna, director of Corporate Communications at UnitedHealth Group, were all gracious enough to let me ask them a few questions about their secrets to success and give me a brief glimpse into the content of the presentations they will be making at the PDMA Product Innovation Management conference in November.

"Innovation is in our DNA," said Lewis about Illumina – a fitting statement for a company dedicated to analyzing genetic variation and function. "The ability to deliver disruptive and integrated solutions is how we define innovation at Illumina. The activities in our innovation process are not unique, but the integration of all of the activities from the strategic planning process down to our product development process might be unique. At Illumina, our innovation strategy and attitudes drive our everyday work efforts.

It cascades from our CEO Jay Flatley through the entire organization, and that is a big part of our success. The five core values of the organization were evident from the early days of Illumina and are still a driving force today. Those five values are 'innovation is in our DNA, we are relentless in the creation of great products, we pursue deep collaboration to allow us to compete in ways that others cannot, we move fast and embrace change, and we are open both physically – there are no closed-door offices for anyone – and philosophically.'

Getting people on board who shared these values was important in the early years of the company and is a critical component to maintain their innovative culture.

"It's a part of the recruiting process to look for that kind of fit and not solely skill sets.

There is a strong sense of pride to continue those traditions" says Lewis.

When speaking about the success of UnitedHealth Group, Baratz echoes the sentiment.

"Many different factors come into play when you think about what drives our success. But if you must pick one thing, it's leadership – both vision and style," said Baratz. "Innovation is part of who we are, fitting within an orientation grounded in evidence, data, testing and learning."

Senaratna agrees. "It doesn't happen with pixie dust, and it doesn't happen overnight. It's a process; a discipline that we practice."

## MANAGING RISK

One of the most apparent ways that "organizational DNA" expresses itself is in the form of corporate culture, and both organizations mentioned their risk-accepting culture as one key to success.

"One of the traits that you can trace back over our history is the ability to see opportunity — as opposed to perceiving threat — in a landscape that is changing constantly," said Baratz. "There is an appetite for calculated risk, and we are not averse to investing in calculated risks."

Illumina also believes in taking calculated risks when appropriate. "We're not satisfied in just making incremental changes. We're focused on making true step-function changes and need to be willing to take some risks to achieve that goal," said Lewis. "That attitude permeates the organization."

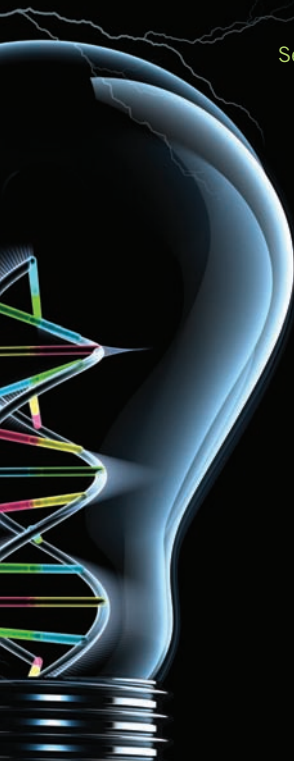
Illumina hasn't just talked the talk; they've walked the walk as well. According to Lewis, "The Solexa acquisition in late 2006 was a big bet for the company to enter the DNA sequencing market — a \$600 million acquisition for a company that had not launched their first product when Illumina's revenues were less than \$185 million. We went all in. It turned out to be a great move, providing a whole new platform for continued innovation."

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**Meredith Baratz**  
Vice President, Market Solutions  
UnitedHealth Group

“Innovation is in our DNA. The ability to deliver disruptive and integrated solutions is how we define innovation at Illumina.”

**Mark Lewis**  
Senior Vice President  
of Development  
Illumina, Inc.



Such risk taking is not out of character for our organization, as we look to make those order-of-magnitude improvements in performance.”

### DESIGN THINKING

Yet Illumina is not an exclusively technology-driven company by any means. “By understanding the needs of different customer segments such as the large genome centers to individual labs, we can tailor the technology and platforms to meet those needs. We also leverage human interaction design to develop systems that are not only the fastest at generating data, but also easy to operate and tailored to the type of lab in which it is used.”

Design is crucial to UnitedHealth Group’s success as well. “Human-centered design has not been a core competency in most aspects of health care to date,” said Baratz. “But there are significant opportunities that such thinking opens up.”

Such insightful perspectives are embraced at UnitedHealth Group. Senaratna cites entrepreneurial thinking as a key to success, especially within a large organization.

“We are inspired by entrepreneurship and innovation that you see in everyday people coming up with incredible ideas,” said Senaratna. “Through our own internal innovation processes, we see employees contributing remarkable and very practical ideas that can truly have a very positive impact on health care. Such ideas can truly help improve people’s health and the health care system.”

### MARKET ORIENTATION

UnitedHealth Group leverages their scope to gain a unique perspective on the health care market.

“One thing that is unique about the businesses of UnitedHealth Group is that they combine to create a global view across the entire health system,” said Baratz. “This allows us to see where the deepest problems lie and creates an urgency to deliver solutions.”

“It all starts with an emphasis on practical innovation that’s meaningful to the market,” said Baratz. “Our services, products and approaches are focused on two different types of innovation: market level and enterprise level. Our business is organized around serving specific markets, which allows us to innovate to them specifically. We then look to leverage strengths across the enterprise, functions and markets in the development of new businesses and business models.”

“We have not tried to centralize research and design (R&D), instead having a set of complimentary centers pursuing different kinds of innovation. We can innovate around

local needs within the context of global view and scale. We then engage customers with an emphasis on prototyping, testing and piloting. We often do so internally (with our employee base) or with customer partners, such as hospital systems or employers,” said Baratz.

### FAILURE IS AN OPTION

If risks are taken (even highly educated risks), then at some point failure is going to occur. I was curious as to how failure was treated within these winning organizations. Illumina wants people to know that smart failure — failure that grows the organization through learning — is acceptable.

“We want people to set stretch goals, which means we have to accept some failure. If people are willing to drive for new heights and fall short, they are not punished,” said Lewis.

“At UHG, there is recognition that you can’t be successful if you are not able to accept failure, figure out what you learned from an experiment and distribute those learnings” said Baratz. “It’s not easy to overcome people’s natural fear of failure. We are trying to open the aperture by instituting different funds for innovation that is generated by employees. We run employee ideation challenges, acknowledging all those who participate, recognizing that not all ideas will be pursued. We give people an opportunity to develop and explore, even if a concept ultimately does not go to market.”

### ‘AIN’T’ NO REST FOR THE WINNERS

Neither of our winners is resting on its laurels. One of the more intriguing similarities between the two companies is that they are extremely aware of the threats that can arise in an ever-changing environment.

“We have to keep focused on the problem to be solved rather than chasing ideas and technologies,” said Baratz about UnitedHealth Group. “With all the changes coming in the health care market, particularly in the next two to five years, there will be a significant influx of nimble players with wonderful ideas and solutions. As big as we are, we could be vulnerable to smaller competitors with passion, a transformative concept and the ability to turn on a dime.”

Such humility serves UnitedHealth Group well. “We are deeply aware of how much more we can learn about innovating from others. Knowing that forces us to stay curious, watching for best business practices,” said Baratz of UnitedHealth Group. “We have made a practice of asking what’s worked for those in other fields, plagiarizing shamelessly (with permission!) and adapting to our culture and

operations. We don't know it all, but there is no need to invent everything ourselves."

"The ability to remain agile is key in an environment that has changed as much as health care," continued Baratz. "Operating on that kind of scale, it would be easy to get institutionalized and bureaucratic. But even as we have grown, there remains a palpable understanding that the status quo is not good enough if we are to pursue our mission of helping people live healthier lives."

Learning is so much a part of UnitedHealth Group that they even learned from the OCI application process. "The application process gave us some interesting insights as it forced us to step back and articulate what we were doing naturally, things that had just evolved," said Senaratna. "This in turn has presented us with an opportunity to share some of those insights internally, which we hope will inspire an even higher level of employee engagement in the innovation process."

Lewis recognizes the same dangers present themselves to Illumina. "Looking to the future, we are continually trying to re-invent ourselves to continue our track record of success. There's always the danger that someone externally is going to disrupt the technologies that we've developed in the same manner we have."

Illumina addresses this fear by focusing on monitoring their environment. "Our Corporate Strategy and Corporate Development organizations have eyes directed outside, continually looking at both threats and opportunities. We monitor academia, other companies, both established and startups stay close to our customer base as well," said Lewis.


Building on one of Illumina's five cultural values, it practices open innovation. "A good example of deep collaboration would be our expert panels, in which we annually bring together our top customers in reflecting the disciplines of DNA sequencing, genotyping and bioinformatics to make sure we understand their environment and the challenges they face. We discuss the state of the science and how to move the science forward at a rapid pace. These technologies move quickly, so it is imperative to keep up with the latest thinking. We also collaborate cross-organizationally, integrating marketing and finance with operations and R&D in mini-business team," said Lewis.

### ON THE ELEVATOR

When asked to boil down the secret to their success to something that could fit in a 30-second elevator ride, Lewis responded, "The things that have helped us most are the deep

commitment to innovation from senior management to core teams; close, open collaboration with customers, academics and vendors; and the ability to take calculated risks."

Be warned, though; if you ask a UnitedHealth Group person about their secrets to success, they may just turn the question back at you. "My instinct is to turn the question around," said Baratz. "There is so much that we have learned from others, and we want to keep learning."

When pushed for advice, though, Baratz points me back to the priorities for the Outstanding Corporate Innovator Award. "You need a clear emphasis that links innovation to corporate strategy and routine business processes. You need commitment from leadership that is real, solid and meaningful. You need to have a specific and disciplined process and approach with measurement and decisions grounded in data. You need to explore open partnerships, which deepens ideas and expands your thinking, assets and capability sets." 



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