The Economist Events

INNOVATION FORUM

THE COMPANY OF THE FUTURE

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INTRODUCTION

Vijay Vaitheeswaran, China business editor, *The Economist*

The Innovation Forum 2016 sought to determine how businesses could use innovation to improve the world and create meaningful value for customers and shareholders.

"It isn't about patents, or the number of engineers you have in your company, or the PhDs graduated from a country's STEM programs or any of those other marvels, gadgets, gizmos that we tend to fixate on when we talk about innovation," said Vijay Vaitheeswaran, China business editor for *The Economist* and chair of the Innovation Forum. "Putting it simply, innovation is fresh thinking that creates value."

He referenced the energy crisis provoked by excessive whaling and a blubber shortage in America 50 years ago. After digging in vain for oil in Pennsylvania, a man named Edwin Drake recalled learning in a history class that the Chinese had once drilled for salt. He jerry-rigged a drilling contraption and used it to hit he first gusher of oil encountered in human history.

"He didn't invent anything," observed Vaitheeswaran. "He borrowed a few ideas. But that was extraordinary innovation, creating value for himself, investors and society."

Vaitheeswaran said the forum would explore how to replicate some of that magic today, amid a changing world tied to the rise of new disruptive threats.

"Will our future colleagues be robots? Will artificial intelligence steal our jobs, or could it prove the saviour, and what will the leadership structure of the future be? What role will activist investors play in shaping corporate decisions?"

OPENING PLENARY:
Imagining the company of the future

Reid Hoffman, co-founder, LinkedIn

Moderator: **Matthew Bishop**, senior editor, The Economist Group

Software is transforming the world, said Reid Hoffman, co-founder of LinkedIn.

"I more or less think that any organization with 100 or more people should actually say, 'what is my software strategy?' And if you don't have a software strategy, you should think hard and long about whether or not you need one because of the innovation clock. What's possible through software becomes more and more of a competitive advantage," he said.

Hoffman also described a technique he calls "blitzscaling," which is based on the German military tactic known as blitzkrieg, or "lightning war," and allows companies to move very quickly in order to capture large market opportunities.

"Silicon Valley has developed a living playbook of how to scale globally very quickly," he said.

As an example, he cited Uber's habit of sending employment offers to engineers recommended by recently-hired engineers.

> *I more or less think that any organization with 100 or more people should actually say, 'what is my software strategy?'*

"Part of what's happening when you're blitzscaling is ignoring problems, because speed-to-scale is the thing that matters," he added. "You want to try to set the battlefield as much towards your strengths and away from your weaknesses."

Blitzscaling companies have short time frames and require month-to-month and quarter-by-quarter progress. Companies like Facebook, Google and Microsoft have an advantage over blitzscaling companies in certain fields—such as artificial intelligence—which requires multiple years to refine, Hoffman said. "This is an area where large companies such as Google and Facebook can actually deploy much more strongly than start-ups," he said.

Hoffman added that he doesn't think robots are going to take jobs away from people or make people obsolete.

"Most of these technological developments, they tend to be oriented towards how you amplify productivity from individuals," he said.

For example, an iPhone app called SkinVision can diagnose whether or not a skin lesion is cancerous better than the average doctor. But that doesn't mean doctors are going to go away, Hoffman said. It simply allows doctors to focus on more important things, he argued.

IT'S THE PLATFORM, STUPID.

Roger Dickey, chief executive, Gigster

Arun Sundararajan, professor, Leonard N. Stern School of Business

Moderator: **Alexandra Suich**, technology editor, *The Economist*

Platform-based businesses have begun to play an important role in the economy, explained Alexandra Suich, technology editor for *The Economist*.

Arun Sundararajan, author of "The Sharing Economy," said he believes this is a permanent shift in the global organization of economic activity.

"I look back to the late 18th century and there existed a market economy at that time," he said. "Over the next 200 years, we created organizations of increasing complexity."

But companies like Uber, Airbnb, Gigster and Etsy have demonstrated a third way of organizing economic activity: a platform that is a hybrid between a firm and a market, drawing from distributed resources while offering—on a continuing basis—a set of goods or services typically obtained from a traditional organization.

"I think this is sort of a transition from 20th-century managerial capitalism to 21st century crowd-based capitalism. They're not really market-places, they're not really organizations – they're somewhere in between," he said.

This is a move from an employee-centric economy toward a more freelance-centric economy, which creates new challenges. How is retirement going to work for freelancers? Will there be a universal income?

"We're in a unique transitional period of history where you have the option to get a job or to freelance," said Roger Dickey, chief executive of Gigster. "These new consumer products and platforms like Airbnb and Uber are just enabling us to essentially access [freelancers] more efficiently.

We're seeing lower entropy and we're seeing the [disappearance of] barriers to economic activity that has always sort of wanted to happen.

All of these latent relationships that wanted to form are being enabled and streamlined with technology, so I think it's absolutely here to stay."

The problem is that any work that can be viewed as a commodity –such as transportation –functions as an enemy to the freelancer in the platform-based world, he said.

"Services like Uber and Lyft, are squeezing the profit on rides to a very low level," he said.

In freelance-centric economies, quality control must be re-imagined, added Dickey. For example, Gigster uses peer-to-peer code review systems where people accrue karma points within their networks based on their perceived performance.

"The concept of employment exists more so on a spectrum, unlike in a traditional company, where you hire somebody and now they're in and can do whatever they want," he said.

Sundararajan said the platform-based business model is going to allow 3D printing to revolutionize the creation of simple physical objects.

"Much like the emergence of digital music democratized its creation in that anybody could compose a tune and share it, you might start to see similar things happening for the creation of simple physical objects.

Other physical-world industries such as energy and healthcare will also be revolutionized by platform-based business," Sundararajan added.

ALL CHANGE IN THE C-SUITE:
Does the company of the future need a new sort of leader?

Stanley McChrystal, senior fellow, Yale Jackson Institute for Global Affairs; former United States Army general, US Government

Moderator: **Vijay Vaitheeswaran**, China business editor, *The Economist*

Al Qaeda, as the first 21st century terrorist organization, forced the US military to innovate, said Stanley McChrystal, a former army general and a senior fellow at the Yale Jackson Institute for Global Affairs.

Abu Musab al-Zarqawi, a young Jordanian, created a group that lacked the hierarchical pyramidal structure, tight discipline and precise actions of traditional terrorist organizations.

"It was a network of associations that operated with stunning speed, constantly adapted and learned across the battlefield," McChrystal said.

At first, the US military tried to adapt by increasing the frequency of raids, from the likes of four to 18 a month, under McChrystal's supervision. But Al Qaeda kept becoming more powerful.

> *Nobody ever gets fired for doing something that's on the checklist for success.*

What proved key for the US military was creating "a shared consciousness" through daily 90-minute video conferences for 7,500 people—the entire organization, McChrystal said. These conferences allowed leadership to hand over the reins to soldiers at the lowest level, turning them into strategic leaders and empowering execution on the ground.

"Suddenly, by pushing things down, the ability to innovate is transferred to people closer to the point of action who know what to do," he said.

Raids increased in frequency from 18 a month to 10 a night, and McChrystal wasn't approving any of them. The opportunities for micro-managing were abundant, as technological advances allowed McChrystal to watch every operation in real-time and listen to the entire force's radio communications while communicating with them. McChrystal said the key was to resist.

"When you have the ability to micro-manage, for God's sake, don't do it, because things are going way too fast and they're too inter-connected," he said.

One of the key takeaways from his experiences was that it's hard to get senior leaders and company executives to try approaches so drastically different to the norm, because failure becomes so much more risky.

"Nobody ever gets fired for doing something that's on the checklist for success," he said. "If you do what happened and worked before, it's hard to be criticized."

To encourage innovative risk-taking and departures from the status quo, McChrystal disseminated the message that failure was not failure, but a productive learning opportunity.

CEO KEYNOTE INTERVIEW:
Innovating fast at scale

Irene Rosenfeld, chairman and chief executive, Mondelez International

Moderator: **Alexandra Suich**, technology editor, *The Economist*

The biggest mistake chief executives make when approaching innovation is contemplating it in a vacuum, said Irene Rosenfeld, chairman and chief executive of Mondelez International.

"There's real value in it being integrated," she said, pointing out that marketing, for example, should be done in concert with research and development.

Rosenfeld explained that the Oreo was a failure in China when it first launched. The problem? "We took an American cookie and tried to bring it to Chinese consumers," she said.

It wasn't until the company learned that Chinese consumers wanted a thinner, less sweet product in a smaller package that they created the "No. 1 cookie in China."

She said the quickest and most efficient way to grow as a company is to have cross-functional innovation teams early on, representing all of the key disciplines and examining each phase of idea-to-market to determine where time can be saved.

"I think that's what's allowed us to generate 13 to 14 percent of our revenue from new products," Rosenfeld said.

She said new opportunities for innovation are opening up in e-commerce for the snacking industry, through things like subscription models and customization.

Rosenfeld added that between three to 10 percent of snacking revenue will be online over the next couple of years, despite limitations tied to shelf life.

3 to 10%

of snacking revenue will be online over the next couple of years.

Alexandra Suich, technology editor for *The Economist*, asked Rosenfeld how she felt about the emergence of artificial intelligence algorithms that help consumers identify the products best suited to them. Will they eliminate the importance of brands?

Rosenfeld said she thinks brands will continue to be critical. "The key, then, will be to make sure our brands continue to have the profile that is important to consumers," Rosenfeld answered. "Obviously, areas like health and well-being are of great interest to us because that's where consumers are going."

CREATING POWER PARTNERSHIPS

John Flavin, executive director, Chicago Innovation Exchange, University of Chicago

Brad Keywell, chief executive, Uptake Technologies

Sally Durdan, head, strategy, consumer and community banking, JP Morgan Chase & Co

Moderator: **Matthew Bishop**, senior editor, The Economist Group

Financial services companies spent a long time trying to determine if PayPal was a friend or a foe, said Sally Durdan, head of strategy for consumer and community banking at JP Morgan Chase & Co.

"What we didn't spend nearly enough time thinking about was why our customers were using PayPal, what PayPal is offering that our services don't provide, and how we could satisfy that consumer need," she said.

Durdan explained that start-ups in financial technology, or fintech, often focus on a narrow slice of financial services, such as small-business loans or person-to-person payments.

"Because of (their) narrow-laser focus, they do an incredible job of perfecting whatever that experience is," Durdan said.

This provides an ideal opportunity for partnerships, she said, citing JP Morgan Chase & Co.'s collaboration with OnDeck, which allows small businesses to skip the very time-consuming and paper-intensive traditional loan application process.

"Partnerships can be very fruitful," she said. Brad Keywell, chief executive at Uptake Technologies, agreed that synergies can create a winning formula, and referenced his company's collaboration with Caterpillar.

Keywell said that focusing on data analytics is key for global industry players in terms of providing value to consumers, but that it's hard for companies to do it alone.

"If you can find that opportunity to [combine] a major iconic business with the energy, passion, focus and speed of a startup, everybody's better off," he said. "We do what we do best; they do what they do best."

John Flavin, executive director of the Chicago Innovation Exchange, said intellectual property presents a challenge to innovative collaboration.

"Especially in this new age where open source has become more important, it's very difficult to get the old regime to break down its barriers," he said. "[Intellectual property] is an area where we have to focus."

However, he cited a successful partnership with the Joint Center For Energy Storage Research that uses a new intellectual property model in which all of the partners have non-exclusive access to the battery technologies they're co-developing.

In general, the panellists agreed that partnerships have the power to make companies more competitive. Flavin's exchange creates a bridge between young entrepreneurs and mentoring, capital and the marketplace.

"Talent likes to be exposed to the market, and you're always going to get the best talent if you can create a company, a culture, or an enterprise that allows you to bring in that type of genius," he said.

> *You're always going to get the best talent if you can create a company, a culture.*

FROM ROBOTS TO 1099ERS:
Managing the modern workforce

Rodney Brooks, founder, chairman and chief technology officer, Rethink Robotics

Martin Ford, author, "Rise of the Robots"

Blair Silverberg, venture investor, Draper Fisher Jurvetson

Stephane Kasriel, chief executive, Upwork

Moderator: **Alexandra Suich**, technology editor, *The Economist*

As artificial intelligence enables the human species to take leaps forward across all industries, it also threatens to leave many unemployed.

In a panel on the future of the workforce, panellists debated whether a true symbiosis could form between men and machines.

Rodney Brooks, founder of Rethink Robotics, said he thinks people overblow the state of artificial intelligence and shouldn't be worried about its impact on jobs.

"The systems are very, very narrow, and I think people don't realize just how narrow they are," he said.

He believes artificial intelligence will boost the quality of elderly care, for example, with the emergence of self-driving cars.

Artificial intelligence will boost the quality of elderly care, for example, with the emergence of self-driving cars.

"I see actual robots that physically do stuff as a way of letting the elderly have their dignity and independence, and there's going to be an incredible demand for that," he said.

Martin Ford, author of "Rise of the Robots," said he doesn't think the narrow focus of artificial intelligence means it's not a threat to human jobs.

"It's true that it is very specialized, but the counter-argument is that a lot of people do specialized things," he said. "A lot of people do relatively routine things. By some accounts, about half the work that people do is specific, routine and predictable."

As a result, he believes artificial intelligence will dramatically disrupt the workforce, and may even affect the destinies of poverty-stricken countries in places like Africa.

"The traditional path to prosperity has always been to build factories and employ huge numbers of unskilled workers. We are, I think, entering a future where those jobs simply may not exist," he said.

Ford said white-collar jobs could see the most dramatic disruption of all. "Compare the radiologist to the housekeeper," he said. "Which is likely to be automated first? I would say a radiologist is more at risk. I mean, the maid needs extraordinary visual perception and dexterity and mobility."

Blair Silverberg, venture investor at Draper Fisher Jurvetson, agreed with this assessment, pointing to technologies that allow the diagnosis of skin lesions better than the most experienced pathologists.

Meanwhile, robots capable of picking up simple objects are scarce.

"It's very hard for us to build artificial intelligence to do things that are easy for people, like walking upstairs," he said. "It's actually much easier to build simple anomaly detection systems—systems that take in data structured into a set of parameters already on the web and spit out answers based on those parameters."

What's interesting, Silverberg noted, is that people who are capable of doing this kind of analysis are currently few and far between, and get paid a lot of money.

"The supply of quality investors is relatively low, but the value of the quality investor doing the job is very high. However, software is not far from—in specific areas of the economy—doing the job of the investor quite well," he said.

Stephane Kasriel, chief executive at Upwork, said he's an optimist and believes what's happening now isn't new. "Job category skills getting destroyed has always happened," he said.

The other panellists agreed that in the past, people have adapted to these changes—for example, when society shifted from an agricultural to an industrial economy.

The difference is that this time, artificial intelligence isn't disrupting just one industry, but rather all industries.

The disruption is also happening a lot faster. "The question is, how fast can humans re-train and how fast can companies adapt to these new skills?" Kasriel said.

He said people must learn to be more flexible by anticipating trends and adapting to them. Companies should also embrace the idea of a mobile workforce.

> *It's very hard for us to build artificial intelligence to do things that are easy for people.*

TRANSPARENCY, SUSTAINABILITY AND LOCALIZATION:

Rethinking the global supply chain

Nicole DeHoratius, adjunct professor of operations management, Booth School of Business, University of Chicago

Joshua Claman, chief business officer, Stratasys

Moderator: **Vijay Vaitheeswaran**, China business editor, *The Economist*

Technology has highlighted the importance of speed in supply chains, shifting the focus away from cost savings in the production process.

"It used to be about finding the lowest-cost producer, and typically that was in Asia," said Nicole DeHoratius, adjunct professor of operations management at the University of Chicago's Booth School of Business. "Now it's really about thinking about the value of responsiveness in a supply chain."

DeHoratius emphasized the costs of under- and over-stocking, which can be monetized and compared with production costs.

"I might get cheaper production over here, but I'm incurring costs because it's a very long lead time, and forecasting over those long lead times tends to be really inaccurate. So I'm more likely to produce the wrong kind of stuff," she said. "If we bring some stuff closer to home to shorten the lead time, we can be far more responsive."

Joshua Claman, chief business officer at Stratasys, said 3D printing and other types of additive manufacturing will cause a shift from offshore manufacturing to onshore manufacturing, "bringing hubs close to customers across the world." Claman pointed out that many schools are now immersing students in 3D printing in and that they are learning how to solve problems in completely liberating and innovative ways.

"Traditionally, if you're an engineering student or an engineer, you try to solve the problem through design and you're always thinking about the manufacturing technology when you're trying to solve that problem," he said.

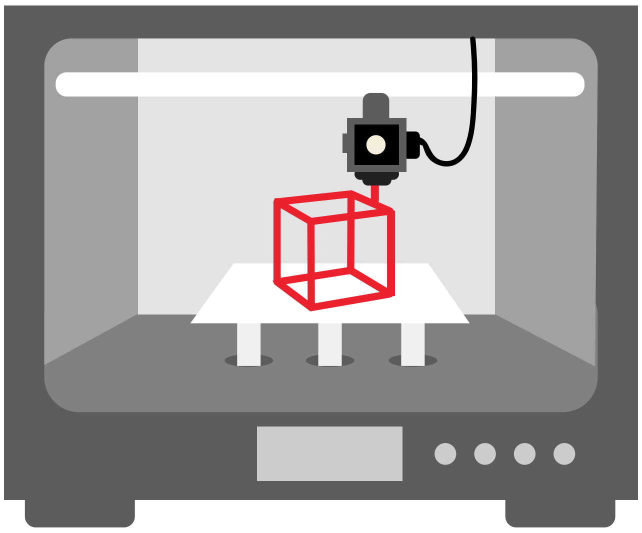
"In other words, you're constraining the way you think about the problem."

Thanks to 3D printing, that's no longer the case. "Kids today are learning that they can make [solutions] as complicated as necessary and that they can solve problems in a very elegant way without worrying about how things are manufactured. Through 3D printing or various additive technologies you can print incredibly complex parts that previously were inconceivable."
He predicted that these technologies are going to completely transform the aerospace and medical industries, as well as material science in general.

"They can literally rehearse a surgery," he pointed out. "In removing a tumor from the brain, they can literally print the skull … for that specific surgery."

He said these technologies are going to be disruptive, but they are not going to displace human beings. "They're going to become a component of a hybrid manufacturing line," he said.

Opportunities for customization, coupled with the increased speed of the supply chain, means consumers increasingly get "exactly what they want, when they want it," DeHoratius said.



BECOMING UNHACKABLE: Cyberproofing your company

Jay Kaplan, chief executive, Synack

Jamil Farschi, chief information security officer, The Home Depot

Moderator: **Matthew Bishop**, senior editor, The Economist Group

Becoming "unhackable" is a fantasy, but companies need to take more steps to protect themselves.

Jay Kaplan, chief executive of Synack, argued that most people who believe they have never experienced a security breach are wrong.

"Everyone's vulnerable, whether you're one of the largest banks in the world or a small startup," he said, adding that a company's failure to recognize this could turn it into the next headline.

Kaplan explained that companies should train their entire workforces in security measures, such as identifying dangerous emails. Kaplan also said companies should use two-factor authentication systems rather than relying exclusively on passwords. One option is biometric identification, but Kaplan added that there are drawbacks to that method.

"The scary thing about biometric data becoming a mechanism to secure a device is that if the data becomes compromised, we have no mechanism to change it because it's part of us," he said. "It begs the question of how mainstream that should be."

One of the best ways to improve security in a company, he concluded, is to adopt an offensive mind-set in place of a defensive one.

"If I was going to attack my company, where would I start," he said, stressing the importance of thinking like the adversary.

Jamil Farschi, chief information security officer at The Home Depot—which suffered a major security breach in 2014—said one of the biggest threats to security are insiders.

"Just by virtue of their roles, they tend to have much greater access, than the external folks, and it's difficult to model against them, identify their motives and isolate them," he said.

The anonymous nature of the Internet also complicates the process of identifying culprits in security breaches. He cited four fundamental ways for companies to prepare:

1. General security hygiene:

Doing basic vulnerability screening, scanning to identify what the weaknesses are, general patching, making sure every account in the organization is authorized with the right level of privileges.

2. Data devaluation:

Understand where the sensitive data resides in your organization, figure out where the value actually resides and put controls as close to that source of value as possible through encryption, masking obfuscation or data elimination. Every organization has tremendous data there's no point to have.

3. Access management:

Every time an adversary breaks into an organization, the first thing he tries to do is escalate privileges and move laterally in the environment. A good access management system can limit his ability to do that.

4. Detection and response:

Have a strong ability to identify unusual behaviour within an environment so that as soon as something is goes wrong, you can respond and eliminate the threat from the environment as quickly as possible.

He said government agencies also have a long way to go in terms of improving their security, with the exception of the Department of Defense and some intelligence agencies.

EXECUTIVE DIALOGUE:

If big government can become agile, why can't your big company?

Michael Dickerson, administrator, US digital service, The White House

Aneesh Chopra, former US chief technology officer

Moderator: **Vijay Vaitheeswaran**, China business editor, *The Economist*

"Can you give us some evidence that in fact, big government is becoming a dinosaur that can dance?" asked Vijay Vaitheeswaran, China business editor for *The Economist*.

The panellists gave examples. Aneesh Chopra, former US chief technology officer, said President Barack Obama observed the growing gap between the pace of change in the public sector and the pace of change in the private sector. The solution?

"Start with the obvious: this is not a problem government alone is meant to solve," he said. "If we opened up government data, that might allow other players to breathe new life into the information."

He cited the weather apps most people have on their phones. "All those apps have a common dataset made publicly available—for free—by [the government]," he said.

> *Can you give us evidence that in fact, big government is becoming a dinosaur that can dance?*

"That concept of opening up raw data and allowing entrepreneurs to solve that last mile is a key factor in how the government has become more agile."

Similar innovations are occurring in the health industry, he explained. "That public-private interface—that handoff—is at the heart of this agile government story," Chopra concluded.

He added that government is using its convening power to promote innovation, through things like a recent bipartisan gathering of utility companies to modernize the grid and promote interoperability.

"In 90 days, the utilities—without funding from the government—came to a consensus and today we have a connection available to 70 million households who want to sync their smart meters to an app that will help save on energy bills," he said.

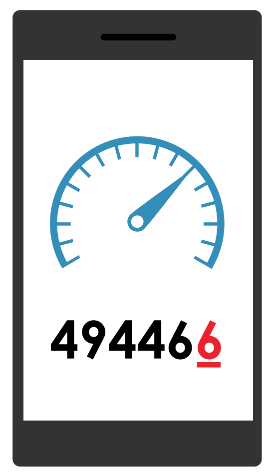
Michael Dickerson, US digital service administrator for The White House played a role in fixing the healthcare.gov web site in the fall of 2013.

"There wasn't magic technical wizardry, there weren't magical incantations that only people from Silicon Valley know," he said.

The "secret sauce," Dickerson said, was to improve communication among the 55 companies responsible for disparate parts of the website.

"75 percent of the answer was getting everybody to talk to each other," he said.

"Most of the time, the answer [to a specific problem] was already known to somebody that was there. It was just, in the way they had been working together, it would have taken weeks to get an answer."



70 Million

households want to sync their smart meters to an app

THE ECONOMIST DEBATE:
This house believes that activist investors make companies better

Lynn Stout, professor, corporate and business law, Cornell University

David Langstaff, chairman, Monitor 360

Nell Minow, vice chair, ValueEdge Advisors

Andrew Shapiro, founder, president and portfolio manager, Lawndale Capital Management

Moderator: **Vijay Vaitheeswaran**, China business editor, *The Economist*

Two expert teams engaged in an Oxford-style debate, arguing for and against the proposition: activist investors make companies better.

The panellists gave examples. Aneesh Chopra, former US chief technology officer, said President Barack Obama observed the growing gap between the pace of change in the public sector and the pace of change in the private sector. The solution?

"Start with the obvious: this is not a problem government alone is meant to solve," he said. "If we opened up government data, that might allow other players to breathe new life into the information."

He cited the weather apps most people Nell Minow, vice-chair of ValueEdge Advisors, argued that activists bring bad news to companies when bad news needs to be delivered.

"We have activists for the same reason we have debates: because we think things go well when all the ideas come vigorously to the marketplace," she said.

Minow conceded that activist investors aren't perfect, but she summed up general attacks against them as attempts to "kill the messenger."

Andrew Shapiro, founder of Lawndale Capital Management, was on her side.

Activist investors are the best people to make companies better because they have "skin in the game," he said.

"The mere threat and role of activist investors as institutional monitors alone has and will continue to elevate the performance of a company's management and board," he said.

Lynn Stout, professor of corporate business and law at Cornell University, argued against them. She conceded that sometimes activist investors make companies better, but in general and in the long-term, data shows they are bad for companies, she said.

"To think that activists make companies better is the triumph of hope over experience," Stout argued.

She said activist investors almost always push management to sell all or part of the firm and to cut expenses, especially payroll and research & development, as these provide short-term gains at the expense of long-term growth.

"Yes, [activist investors] make individual shareholders wealthy on occasion," she said. "Fishing with dynamite makes individual fishermen wealthy on occasion. The question is, when you've got a lake and everybody's out there fishing with dynamite, does that over time generate a bigger fish catch than other methods?"

David Langstaff, chairman for Monitor 360, supported her opinion. "The problems of capitalism are embodied by the lens the activist shareholder gives us," he said.

Langstaff emphasized that the role of company boards and management is to balance different interests, and not let any one shareholder class take control.

"They've got to balance the needs of multiple stakeholders. Not only shareholders but employees and customers without whom there's no business," he said.

Langstaff also claimed that activist investors are a threat to the sustainability of companies.

"I think the reason business today is so low on the trust scale is because activists have embraced the market point-of-view, which tends to be selfish, short-term focused and all about the shareholder," he said. "What we need to embrace is more the citizenship view."

At the start of the debate, about 60 percent of the audience agreed with the assertion that activist investors make companies better.

By the end of the debate, only 40 percent of the audience continued to agree.

only **40%**

of the audience continued to agree by the end of the debate.

From our sponsor:

INNOVATE AUTHENTICALLY

The importance of purpose when trying something new

The Forum was a full-day multidimensional exploration of innovation in our modern economy—from innovating through partnerships, to the impact of technology on the workforce, to structuring teams in order to promote the cross-pollination of ideas.

But one topic that remains to be explored is the impact innovation has on brand—and perhaps most importantly—the impact brand has on innovation.

The fact is, you cannot innovate if your brand stands for your products and services alone.

While adopting a culture of innovation has many benefits like product diversification, finding new, more efficient ways to work and staying connected to a more active consumer, it can also appear insincere if your brand doesn't already have a reputation for it. Best case scenario it looks like another attempt at making more profits. Worst case scenario your leadership looks unfocused and scares your stakeholders; particularly the more conservative ones. While you can't build a reputation for innovation overnight, what you can do is focus on something higher in the proverbial Maslow's hierarchy of needs—something beyond what you make and do today—your essential value and purpose. The reason you exist in the world.

Tea and yoga pants

Let's say you are an 80-year-old tea company. You are loved by customers across the globe because you make the absolute best tea. Your brand is so strongly aligned with tea that people start using your name to mean "having tea". Years pass, rapid growth stabilizes, tea drinking slows. Shareholder pressure to grow pushes you to try something new. You try selling yoga gear at your shops because your research team says the demographics allow for it. How will the market respond?

The answer is, it depends.

If you're a company whose brand stands for tea, then you are going to look like a sell-out. Your loyal customers will begin to question your tea's quality and your integrity. I mean how could you make great tea when you're now competing with lululemon?

> *People don't buy what you do; they buy why you do it.*

If you're a company whose brand stands for helping busy people lead more balanced and holistic lives—then you might look bold and responsive. Your customers might appreciate you serving more of their needs. It might even drive them to buy your yoga line because they will know it's going to be as good as the tea you've delivered for decades, in addition to being mindful of their decision to live less stressful and more balanced lives.

While this example might seem fanciful, the point remains. Understanding what your purpose really is and clearly articulating it provides you with the latitude to experiment without punishment. It gives you relevance in an exponentially dynamic market, promotes cross-functional collaboration within and provides a sustainable way to connect with people—whether they're your customers or potential talent. As Simon Sinek says, "People don't buy what you do; they buy why you do it. What you do simply proves what you believe."

Purpose gives you permission to innovate.

Why can a car company make a home battery without the market blinking an eye? It's because Tesla isn't a car company at all; they exist to accelerate the world's transition to sustainable energy, not make cars. That's the kind of latitude you get when you focus not on the things you do but on the reasons you do them. Nike is another exceptional example. With their broader focus on inspiring athletes to reach their full potential, they've created a seamless foundation for going far beyond the footwear that brought them to the market and into the boundless territory that is sports—be it training, equipment, sponsorships or wearable technology.

Purpose encourages cross-collaboration.

As Brad Keywell from Uptake said at the Forum, shared purpose brings people together. When an organization—or a partnership for that matter—has a purpose everyone can believe in, it serves as the foundation for previously disparate groups to come together and make something great. That's important not just because collaboration is cool, but because it's the exchange of ideas between different people and cultures that drives innovative thinking.

> *"Purpose gives you permission to innovate."*

Purpose positions your brand in an uncertain future.

The future of your products in an era where creation has been democratized and knowledge is accessible to everyone, is more uncertain than ever. Riding your brand on what you make today is a risky proposition. Purpose, however is evergreen—as your reason for existing can be realized no matter what the circumstance. As Theodore Levitt, an American economist and Harvard Business School professor pointed out in his epic paper Marketing Myopia, had the rail companies realized that their value was to transport people versus make railcars, they might have become car, truck, or even aircraft companies. Instead, they stopped growing, even when demand for transportation was on the rise.

Purpose attracts innovative talent.

Anyone can offer someone a job, but a purpose-driven company can offer an opportunity to do something bigger. Having a clearly articulated purpose is critical in attracting talent that thinks in terms of impact and not tasks—talent that thinks outside the box. This is particularly important in highly competitive job markets where competing for the best and brightest talent on benefits alone might be too expensive and fruitless a proposition.

Last but not least, people care.

Perhaps driven by a values-obsessed millennial generation, consumers care about your beliefs now more than ever before. They like to feel that their purchases are contributing to something other than the things they buy. For organizations, that's the opportunity to stand out from the competition, because while anyone can make what you make, your purpose is uniquely yours.

As the pressure to innovate, be innovative, do something innovative builds and you push your organization to move forward and think differently, remember that you can't do anything big and new without knowing why. Understanding what drives you and being clear about it—be it as a person or as a global brand—is the foundation for authentic relationships with others. And who can afford to lose trust these days?

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