



the parquet-flooring division of the Racine Hardware Company. After laying floors, Johnson would finish the wood with a special wax of his own creation, which became very popular with customers. Their repeated requests to buy extra wax led Johnson to develop Johnson's Prepared Wax and move into consumer products.

Another product—a paste blended with wax that created a spectacular sheen—also looked very promising, but there seemed to be no convenient way for customers to use it. Then the company discovered aerosol can technology (first patented by Erik Rotheim of Norway in 1927), put the wax and paste mix into pressurized cans, and launched Pledge—the first sprayable furniture polish for home use.

The company soon realized it could fill the aerosol cans with anything sprayable: Scented liquid became Glade, an air freshener now available in more than a dozen fragrances; DEET was combined with other ingredients to create the insect repellent Off!, which is still the category leader. Later, company scientists working on shaving technologies discovered that gel was a better lubricant for skin than traditional shaving cream. But how to dispense gel from an aerosol can? They solved this dilemma by introducing an expandable bladder in the bottom of the can; when the company launched Edge, it found a whole new market.

Meanwhile, Off! led to plug-in insect repellents and, through another route, to DEET-infused candles. Lanterns based on the candle technology now use Off! cartridges as well. In short, S.C. Johnson advanced from indoor parquet floors to outdoor insect-repelling lanterns by thinking of aerosol technology as a platform rather than simply as a way to put wax on wood.

Exploiting platform opportunities, of course, isn't just a matter of being creative. A company should be smart about intellectual property (IP) protection as well. Consider Nestlé's experience. The company was one of the first to introduce a coffee system in the United States that used little coffee packs (known as coffee singles) to brew one cup at a time. Kraft Foods, however, was able to seize 40% of the domestic market for these packs because Nestlé had no IP protection for them.

And Kraft didn't stop there. Realizing the coffee system's platform potential, the company created a competitive system called Tassimo—now sold in Europe and coming soon to the U.S.—that uses cartridges to create other hot drinks on demand besides coffee. Unlike Nestlé, Kraft has a patent on the cartridges, so it can control more of the margin generated from this creative platform. Ultimately, Kraft realized that its Tassimo platform could do even more than make hot drinks—it could collect market data. By

enabling Tassimo to track what's being brewed and when, and (with customers' permission) to transmit the data in real time over a cell phone connection, Kraft has essentially turned the coffeemaker into a proprietary consumer panel that monitors product consumption.

Even automobiles have platform potential: If every car had wireless data transmission capability and used today's peer-to-peer technology, every traffic jam would be a high-speed data network waiting to be born. Thus, cars could become the next platform for wireless Internet connectivity. Unlike cell phones, cars have power to spare and could bring along their own bandwidths to sustain communications on the road—or from your driveway.

Ignoring your products' platform potential is risky. Not only is it difficult to create one unique product after another (most fail, in fact), but the speed of product imitation is awe inspiring. Even with IP protection, the odds are stacked against long-term value creation for one-shot products. Just think: If a floor wax can give rise to insect-repelling candles, what can your products become?

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INNOVATION

Masters of the Multicultural

by FRANS JOHANSSON

Chief diversity officers (CDOs) proliferated in the 1990s, as business responded to litigation and public pressure to show a more heterogeneous face. But in a few forward-thinking companies today, the diversity officer has assumed a new role:

overseeing innovation efforts and generating revenues.

Business leaders know that heterogeneous workforces are rich seedbeds for ideas. Yet companies rarely tap employees for insights and experiences specific to their cultures. Furthermore, barriers of language, geography, and association may prevent diverse employees from coming together on innovation efforts. CDOs are probably more familiar with the cultural breadth and variety of their companies' talent than anyone, and consequently they are in an excellent position to bring together different groups to produce innovation.

For example, Amy George, the vice president of global diversity and inclusion at PepsiCo, works closely with several affinity groups—associations of employees united by gender, race, ethnicity, or other traits—within the company. She can cite several examples in which employees from those communities generated ideas for new products and market strategies. For instance, the Hispanic employee affinity group at Frito-Lay, a division of PepsiCo, provided input for a line of guacamole-flavored potato chips, which became a \$100 million product.

"The main argument for having a diverse workforce is the increase in innovation," says Rosalyn Taylor O'Neale, the former CDO of MTV Networks. "But new ideas don't just happen. You have to find the connections." O'Neale launched a companywide program to do just that, with enthusiastic support from Tom Freston, MTV's former CEO and the current copresident of Viacom. One cross-cultural group, for example, discovered marketing opportunities in the congruence of North American country music and Latin American music, which use many of the same instruments, feature singers with similar vocal styles, and—in the U.S. Sunbelt—appeal to much the same audience. Similar groups have influenced the multicultural content of Nickelodeon's children's programming. "Those teams are diverse by design to generate innovation," says Freston. "The probability that you will get a good, original, innovative idea with that type of chemistry is simply much higher."

O'Neale was successful, in part, because she is knowledgeable about marketing and innovation. Most CDOs will need considerable training if they are to assume the innovation mantle—or companies will have to seek CDOs with richer experience. One smart move is to release CDOs from the confines of human resources and position them to work closely with the heads of product development, business development, marketing, and sales. This allows the CDO to more easily spot innovation opportunities throughout the company. That change is already happening. "Increasingly, chief diversity officers report to the CEO, outside of HR," says Edie Fraser, founder and president of Diversity Best Practices, an organization that tracks diversity issues.

At Russell Corporation, an Atlanta-based company that specializes in athletic clothing, the human resources function handles traditional diversity matters such as affirmative action, recruiting, and legal questions. Meanwhile, CDO Kevin Clayton is busy turning a separate diversity department into a profit center. For example, Clayton's group—which is directly accountable for profits and sales—discovered that a large number of Russell employees had graduated from historically black colleges and universities. The group then used those graduates' input to create products for the black university market, resulting in an \$8 million-to-\$10 million deal. (Since then, the CDO has created several additional development groups that combine employees of different ethnicities and religions—and he is expecting to double revenues next year.)

CDOs may have been hired to limit liabilities in the past. But now, deployed correctly, they can also expand horizons. The business case for diversity is finally becoming clear: With dedicated, informed leadership, diversity becomes the tinder to ignite innovation.

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ENTREPRENEURSHIP

Hang On to Those Founders

by MARTIN L. MARTENS

Company founders are like parents—essential to their youthful progeny but treated as superfluous once the offspring mature. To inspire confidence among investors, companies preparing for IPOs often replace their CEO founders with executives experienced at running public firms. That strategy is sound for the short term: On average, companies with professional management boast higher IPO valuations than do entrepreneur-led firms. Research suggests, however, that not only do founder-led companies regain their luster after their IPOs, but, over time, their valuations surpass those of professionally managed businesses.

Concordia University graduate student Jean-Philippe Arcand and I, aided by assistant professor Thomas J. Walker, studied the short-term and midterm performances of 435 North American high-tech firms that issued IPOs between June 1996 and December 2000. We discovered that founder-led firms received an average valuation of \$67 million, while companies

