Interview:
Perfecting Innovation
by
Moises Norena and Praveen Gupta
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Praveen Gupta, Editor-at-Large, had an opportunity to speak with Moises Norena, Global Director of Innovation at Whirlpool Corporation about his role and strategy for driving innovation deeper throughout the organization. We would like to thank Mr. Norena for sharing his innovation experience with IJIS readers.

**PG.1 HOW IS THE INNOVATION FUNCTION ORGANIZED AT WHIRLPOOL?**

MN.1 At Whirlpool, we are committed to our brand value-creation strategy in which innovation is essential to deliver the best consumer position. Within Whirlpool University, our competencies are innovation, cost, quality, and margin realization. I work with a team of three colleagues to build infrastructure and drive the strategy for innovation. This defines the corporate center for excellence. In addition, there is a small group of people within each region who are in charge of execution. Each group is different and consists of 2-3 people who are experts in tools and processes and help teams execute. Each division is responsible for driving its own projects. Sometimes a project does not fall into any specific category, and in that case it is built into the development group. Then there is a large engineering organization that is also involved in innovation but there is not a specific innovation function within that organization.

**PG.2 WHAT IS DRIVING INNOVATION AT WHIRLPOOL? WHY ARE WE SO INTENTLY PURSUING INNOVATION AS A CORPORATION?**

MN.2 We pursue innovation as the engine of growth. It is a very intrinsic part of our strategy. Ten years ago Whirlpool decided to change focus from an engineering-driven company to a customer-focused company and the way to achieve that was through innovation. Innovation is a part of strategy in that sense and is also a capability. It is a part of our business process and is the way we increase profit margin and drive growth.

**PG.3 HOW WELL HAS INNOVATION SUCCEEDED AT WHIRLPOOL?**

MN.3 Overall, Whirlpool has done well with innovation. There have been some ups and downs throughout the process. We measure our success by how many opportunities we have in the pipeline and how much innovation revenue we are generating. Ultimately that leads to business results. At Whirlpool we have a very specific innovation definition so we distinguish what is innovation and what is not. There are some things that we consider product leadership in order to continue being competitive and relevant. Innovation is defined in terms of unique and compelling solutions, sustainable competitive advantage, and shareholders’ value. Our innovation revenues equate to about twenty percent of our revenues.

**PG.4 HOW MUCH OF THE PIPELINE IS TAPPED EVERY YEAR?**

MN.4 We measure our innovation pipeline on a project-by-project basis. We understand steady state revenue of a given opportunity and that is the reflection of the future annual revenue for the organization. Different projects have different steady states depending on the nature of the project. When we are closer to the core category of innovation there is a much faster cycle of innovation than the other ones that take a longer time to innovate. The speed of innovation is determined on the project.

**PG.5 INNOVATION HAS BEEN ACTIVELY PURSUED AT WHIRLPOOL FOR LAST TEN YEARS. WHAT KIND OF TRENDS HAVE YOU HAVE SEEN AT WHIRLPOOL IN THE INNOVATION AREA AS IT MATURES?**

MN.5 When we speak about process, in our case it took us a little while to marry a greater good hand of the commercialization process to the front-end of innovation. That was one of the first evolutions that we saw. Ten years ago, we started with innovation and commercialization at opposite ends of the
process. The evolution of this process over the years confused many people. The other thing that has been of interest is the type of input that you bring to your front-end of innovation process for the discovery work. In the beginning it is mostly prescribed, but over a period of time we tuned it to depend upon the types of opportunities we were exploring. Another thing that has evolved over time is the engagement of the marketing and the market research groups in the front-end process and the fact that many times we want the innovation teams to be the ones doing the lot of research and talking to the customers. It is good to have professionals do the research but when it comes to innovation it is very important to have teams do a lot of consumer immersions, which leads to deeper insights. More recently, there was an article in a management magazine regarding the last leg of the process that we added, which is what we call “Deliver and Grow.” This means that we want to launch something that gives a lot of value and continues to be innovative in the marketplace. This was one addition that had been a gap in our innovation process. Lastly, we have incorporated open innovation principles into the process. They enable current process to become faster and that allows us to manage resources more effectively. There has been a lot of maturity that has come over time. There are lot things that are important, like the fact that no matter how good a process is, you need the expertise that drives it.

**PG.6 IS THERE A STRATEGIC PORTFOLIO OF INNOVATIONS IN THE PIPELINE?**

**MN.6** At Whirlpool we have one strategic direction that speaks very specifically about how we want to drive the growth. There are three phases. The first phase is to “grow the core”. The second is to “leverage the core” and the last is to “expand beyond the core”. Each one of them has a number of initiatives and resource allocation. When you talk about managing the portfolio as a framework, we decide what to invest and how to invest. We have resources and capabilities to be developed for delivering innovations. So the framework is closely tied to the strategy that defines the parameters of the portfolio management.

**PG.7 TO WHAT EXTENT IS INNOVATION DETERMINED AT WHIRLPOOL AND HOW DOES THAT AFFECT THE INNOVATION PIPELINE? WHEN YOU DEVELOP A NEW PRODUCT, WHAT DETERMINES IT IS AN INNOVATIVE PRODUCT?**

**MN.7** That is tied very well to what I was referring to earlier regarding the innovation definitions. We started at a blank sheet of paper, just utilizing the process of generating ideas. When we started to scale the process up, we realized we needed more clarity as to what innovation means specifically, because some people’s bonuses were tied to the ability to drive innovation. So in order to do that, it was important to define innovation very well. Innovation has three elements. The first is the “unique and compelling solution”. When we say how much newness, it means providing new benefit to the customer and also being new to the market. The second element of innovation is that it “delivers a sustainable competitive advantage”. So we want to make sure that innovation is not a one-time shot. It is protected via IP (intellectual property), has a unique business model, or a set of relationships with people that make it sustainable. The third element is that it delivers superior shareholder value. That means it provides significantly higher returns than the base business. If you filter through that, not everything is going to be innovative because there is going to be a threshold of margin. Over time, we have increased the bar. Right now, about 20 percent of our total revenues are from products that met our definition.

**PG.8 AS AN INNOVATOR, HOW DOES ONE KNOW HOW MUCH TO INNOVATE?**

**MN.8** Different companies have different approaches. I have talked to companies who considered an innovative product being one that replaces something in the existing line. But I would say that when you are innovating, you are basically trying to identify solutions for meeting the market needs. In our case, we are solving problems for the consumer in a unique way. That is what we consider to be an innovation. It drives the customer pool that creates demand and customers are willing to pay for it. In the case of Whirlpool, we are also competing at the marketplace where you have to be relevant and competitive, and not everything meets that criteria. We need to manage the portfolio and determine where we are going to put the resources to drive innovation while we continue to be competitive on certain segments of the market that are more commoditized than innovative. I think it is the choice that every company has to make.
DO YOU HAVE DIFFERENT LEVELS OF INNOVATIONS LIKE INCREMENTAL INNOVATIONS, MAJOR INNOVATIONS, OR RADICAL INNOVATIONS?
At Whirlpool there is product leadership and then we have maintenance of business. One could argue that product leadership in many cases is real innovation because we have things that will differentiate us in front of customers. But in our case we consider that we need to do it for product leadership. As we look at the portfolio, another lens that we use is if an existing business model or a new business model is sustaining or disruptive. It is not a widely utilized classification at the company, but we use it as a strategic tool to look at the portfolio overall.

CAN YOU SHARE THE MEASURE OF SUCCESS OR IMPACT OF INNOVATION ON TOP AND BOTTOM LINES' PERFORMANCE?
In the pipeline we measure the steady state revenue. In project we measure what it will generate when it reaches its steady state. The measure is based upon the revenue. We have two measures for the market. One is the innovation revenue, which is about twenty percent of total revenue. The other measure is the earnings lift that is to meet a certain threshold. These are the simple metrics after a number of iterations. We try to keep it simple, manageable, and understandable for the organization. At the engineering level there are other measures, like speed to market, amount of resources allocated to innovation at the front-end, (which is to look at the input), process and output measures. It helps us decide which lever to pull to accelerate or improve our innovation output. In summary, our measures of innovation are: pipeline of innovations, innovation revenue, and earnings lift.

HOW OFTEN DO YOU VISIT THE PORTFOLIO OF INNOVATIONS AND ADJUST IT?
We follow an annual planning cycle for in-depth review and certain things are adjusted. Then there are quarterly reviews that innovation council conducts and some adjustments are made. The metrics that I mentioned are reported monthly as operational reports. Most decisions regarding portfolio are made in the quarterly meetings.

DO YOU HAVE INNOVATION MENTORS? WHAT IS THEIR PROFILE?
In recent times we have shifted our focus to train people in the projects as opposed to a formal training program for the masses. Innovation mentors are innovation consultants who work with teams to execute projects. These people are in charge of driving customer innovation. We also have people trained on basic innovation tools to solve business problems. That is the decision we made over time because when we trained a large amount of the organization to learn the tools, we often realized that there was some confusion because not everyone understood what innovation meant. We may have had someone in HR, for example, who would use innovation tools to find how I am going to meet the innovation criteria, while I have to do it for customers. As we have evolved and matured, people who are working on customer innovation use innovation tools and principles for everyday problem solving. Those are the main innovation mentors.

YOU MENTIONED THAT YOUR INNOVATION MENTORS ARE SIMILAR TO BLACK BELTS IN SIX SIGMA. WAS THERE SOME STRUCTURED TRAINING PROGRAM FOR THEM TO BECOME INNOVATION MENTORS?
There was a certification program so people would first get trained on the innovation process and then they had to run a number of projects in order to become certified. Those certified innovators are mostly on call to assist with projects as they emerge.

IT SEEMS INNOVATION IS SUPPOSED TO COME FROM EVERYONE AND EVERYWHERE AT WHIRLPOOL. HOW EXTENSIVE IS THE EMPLOYEE ENGAGEMENT? WHAT PERCENTAGE OF PEOPLE ARE INVOLVED IN THIS INNOVATION PROCESS?
We found that innovation has been a great engagement tool, something people love and something they want to be a part of. We have been doing engagement surveys over past ten years and every time we find it as a big engagement lever. When we say innovation by everyone, everywhere, we mean that everyone is allowed to share ideas and contribute to the projects. It is easier said than done. When we solicit ideas from the organization, it is tricky to execute because everyday about a thousand employees provide ideas. You really have to have an owner of the idea and tie the idea to a business unit strategy. Overall, I would say that there is great employee engagement at Whirlpool. Everyone is
welcome. There are a lot of ways to get engaged - by being part of innovation sessions and idea labs, or by having an open door policy of sharing thoughts in business categories. Conversely, we have learned over time that the open inbox does not yield great results.

PG.15 DO YOU HAVE SOME KIND OF RECOGNITION PROGRAM FOR INNOVATION AT WHIRLPOOL?
MN.15 The organization balance scorecard has innovation elements in it and most people at Whirlpool have a variable portion of the compensation that is tied to results on this scorecard. That is the ultimate reward system. We have not established the mechanism where we provide recommendations for someone to have the best idea. We found that everyone has to do it because they want to. We know that employees enjoy being recognized because some leader knows that they have been contributing. So we had programs where people that shared ideas in the online system get a certain number of points, a certificate or a plaque to display in their office. Ultimately, the best recognition is that everyone is working on the same cause to drive innovation for better margin. Its reward is reflected in the variable portion in the employee compensation.

PG.16 WHAT ARE THE UNIQUE ELEMENTS OF WHIRLPOOL'S INNOVATION PROCESS?
MN.16 Our process has three phases – discovery, where we find new opportunities; opportunity development, important things that we shall tackle first; and deliver and grow, providing maximum value once it is at the marketplace. There are many tools that we have created for our innovation process. The third phase makes our innovation process unique to Whirlpool.

PG.17 WHAT ARE THE CURRENT CHALLENGES YOU ARE EXPERIENCING WHILE DEPLOYING INNOVATION AT WHIRLPOOL?
MN.17 One of the biggest challenges in times like today is the allocation of resources and achieving the margins, because of the economic environment. Demands are low, costs are high and dealers are struggling to remain competitive. So finding the resources for innovation is difficult even though we know that to drive growth there is tradeoff to be made. At Whirlpool we have a very strong engineering heritage. I think that trying to drive teams to look beyond the engineering point of view to think about radically new ways to go to the market, is one of the challenges. I believe this is not uncommon in the industry.

PG.18 WHAT DOES THE FUTURE OF INNOVATION HOLD FOR WHIRLPOOL?
MN.18 The strategy remains unchanged. To drive growth we have an initiative called “Turbo Charge Innovation”. What we have done is push the pedal in many areas to make sure that we continue to drive better margins and extract more value from what we do. We are also aggressively looking into core areas. The future of Whirlpool requires continuous transformation to become a consumer-focused and consumer-branded company. A lot of our innovation efforts are fueling that change. Our long range plan, for the next 4-5 years, includes more business in products beyond the core space. This will show that Whirlpool is really focused on leveraging its brands, not only in the appliances world, but also in and around the home to show customers that we understand them.

Moises Norena, a native from Mexico City, Moises Norena is currently the Global Innovation Director at Whirlpool Corporation. In this capacity, Norena is responsible for leading the Global Innovation teams in driving the company’s innovation game-changing strategy as well as incubating and launching new systems and processes to advance the Innovation capability. One of the major contributions in this role has been the innovation turbo-charge initiative and the significant enhancements to the growth and innovation process.

In his 10 years with Whirlpool, Mr. Norena has played multiple leadership roles in the sales and marketing organizations having made significant contributions to the innovation results. Norena is a certified i-mentor and has always been involved in innovation at Whirlpool in some capacity. Previous to Whirlpool, he served as Sr. Consultant for IBM Global Services.

Norena is an active speaker in the field of innovation; some of his most recent presentations include the keynote speech at the “Strategic Innovation” conference in Mexico City. He is also an advisor to several innovation organization and field experts.

Norena holds a bachelor’s degree in Architecture, a master’s degree in Information Systems from La
Salle University in Mexico City and a MBA from Purdue University. He is also an artist with special interest in watercolor painting and street chalk.