



Restaurants & Institutions
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Interface: Jeff DeGraff

Innovation drives growth but doesn't require reinventing the wheel or the menu.

By Scott Hume, Executive Managing Editor

Jeff DeGraff spent the early part of his career as a vice president in strategic development and new business ventures at Ann Arbor, Mich.-based Domino's Pizza. Today he is clinical associate professor of management education at the University of Michigan's Stephen M. Ross School of Business and managing partner of consulting firm Competing Values Co. He co-authored, with Shawn Quinn, "Leading Innovation: How to Jump Start Your Organization's Growth Engine" (McGraw-Hill, 2006).



Q. Let's define terms: What is true innovation, as opposed to a merely good idea?

A. First, innovation has to create something of value and produce a tangible outcome. Second, it has to employ a useful model; it has to make something better and new. It's one thing to draw an interesting picture, it's another to build an interesting store that produces value better than the existing concept.

Q. What is innovation not?

A. It doesn't have to be a product or service. Innovation has become much bigger than that. Starbucks is an example. Innovation has become more about the combination of things, such as design, supply chains, business models and how those are bundled to produce greater value. We're in an age where innovation is less about tangible objects and more about how things work together.

Restaurants often think innovation is extending the menu or creating a new concept that requires a new stage for experience. It can be smaller than that.

Q. You point to Yum! Brands as an example of an innovator. What does it do right?

A. One huge thing it has done right has been its bundling of different concepts. The question isn't whether you want to go to KFC or Pizza Hut or Long John Silver's, it's what is the most convenient way for a mom to quickly get everybody in the car what they want to eat. It's a solutions business.

Q. Would you say the foodservice industry is good at innovating?

A. Pretty good. It's very good at innovating things like concept development. Suddenly you see Brazilian-style churrascaria steakhouses everywhere. Small restaurants are good at picking themes, and the industry is great at using environment to create theater. Look at [B.R. Guest's] Ruby Foo's in New York City. Once a concept is created, the industry excels at replicating it.

Q. Where does this industry come up short compared with others?

A. Talent. I recently flew to Singapore on an airline that made the 27-hour trip tolerable. When I returned on Singapore Air, the experience was premium. It wasn't that the wine and food were better; it was that the flight attendants had a [superior] point of view.

There are restaurants that are amazing concepts but the actors who make the play come alive are somehow disengaged.

Q. What's the biggest hurdle to innovation?

A. Trying to hit home runs. When I was at Domino's we were building a lot of stores. [Founder] Tom Monaghan once asked, "Where have we tried to build one perfect store of one model and another perfect store of another model and compared how they do?" Restaurant companies spend too much time planning and not enough testing. Innovation is iterative: You have to do and revise, do and revise.

Q. What do top innovators have in common?

A. Two things. First, they can put the pieces of innovation together. Take supply-chain management. McDonald's is a master. But it puts those efficiencies together with marketing and menu and in-store talent. A lot of restaurants do one thing well, but beyond that it starts to fall apart. You have to connect the dots [within an organization]; that's the biggest problem.

The second thing they do is employ great people. Restaurants spend an enormous amount of time and money on back-end systems, but where the parts come together is with employees, and they often don't spend enough time or money picking the right people.

Q. That can be difficult to do.

A. Many of these people often already work for an organization. Find out who they are and ask them for ideas. If there's one thing people in foodservice can do today to push innovation it's that: Evaluate your people. Spend time training and listening to them.

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