Interview with Rob van Leen
Chief Innovation Officer
Royal DSM N.V.

Rob van Leen is Chief Innovation Officer at Royal DSM N.V. In this role he manages the DSM Innovation Center, a unit which was established in 2006 to both accelerate and support innovation throughout DSM and to create new businesses outside the scope of DSM’s current Business Groups. Rob has worked for DSM since 1987. He has held various positions in the company including: Business Group Director of DSM Food Specialties, Business Unit Director of DSM Dairy Ingredients, and Technology Director of R&D at DSM Food Specialties.

Rob has a PhD in Mathematics and Physics from Nijmegen University and an MSc in Biologics from Utrecht University. He also holds an MBA degree from Nyenrode University. Rob can be reached at rob.leen-van@dsm.com.

Interviewed by Doug Berger, Managing Director, INNOVATE  doug@innovate1st.com

Doug: Please give our readers a few words of introduction about DSM.

Rob: DSM is a €10 billion euro life science and material science company headquartered in the Netherlands. We are the world’s largest manufacturer of vitamins and we also make food ingredients. We have a pharmaceutical business that is one of the largest antibiotic manufacturers in the world and custom manufactured complicated molecules. On our materials side, we have engineered plastics, resins, and fibers.

Doug: What are your organization responsibilities at DSM?

Rob: I am the Chief Innovation Officer and I have two responsibilities. One is to help my colleagues and the business groups increase the speed of innovation. We have an internal consultancy and educational program for innovation. We have our licensing entity and corporate venturing group to participate in interesting startup companies that fit our innovation strategy. We also have corporate technology where the CTO resides and runs the corporate research program.

The other half of my responsibility is building new businesses outside of that scope. This we do with an incubator to assess the potential size and fit, and to incubate ideas for one to sometimes three years. Then they graduate to what we call an Emerging Business Area (EBA) that is supposed to become a substantial part of the future at DSM with a minimum €250 million euro and hopefully more than €500 million. At the moment we have three EBAs: one in biomedical materials, one in bio-based products and services, and another in solar.
Doug: Within the innovation community, DSM is known as quite the innovative company. What do you see as the underlying mindset at the senior levels that have led DSM to be regarded as such an innovator?

Rob: We have grown into this position. If you start with the history of the group that is now called the Innovation Center, that group did not exist before 2006. The decision was made to put it in place during one of our strategic reviews, which we do on a big scale every five years. Previously, DSM was a more internally looking company focused on operational excellence. It was decided that we would become far more externally oriented, as well as organically grow from radical innovation realizing that this takes much more time. In my previous role as the business group director for food specialties, I had been experimenting with an innovation center and that became a quite successful way of setting it up. That model became the template for the total company. The idea being, in a protective environment new initiatives could be nurtured, but close to the business not completely in isolation.

Now the key is that this takes a very long time and requires stamina at the Managing Board level, and our current CEO has been very instrumental. Our CEO is sometimes the only person in the whole company who supports me when I come up with some daring proposal. Our CEO is my first and last ally. He took over in 2007 and of course in 2008 we had the worldwide economic crisis. His philosophy is always that we should continue to invest in R&D and innovation despite the crisis. That has certainly helped us in building the strong position that we have now. As a result, we over-achieved goals during this period because many of our customers were trying to distinguish themselves from their competitors by using innovative products. This success has encouraged our Managing Board to continue the experiment of the whole innovation center until 2015, giving us the time to build new business groups for DSM. When we do a review in 2015, we will have reached the point of having a well-oiled machine that is delivering new businesses.

Now this is quite rare, and I think the reason that we are successful is that our Managing Board has been able to control the usual management impatience, where similar experiments in other companies have died because after three, four, five years people say, "Yeah, you have spent now so much money on these new initiatives and nothing has come out." Whereas most statics show that only after 10 – 15 years we’ll get to see the benefits of these long-term investments.

Doug: During those first early stage years before new businesses had any scale, what were some signals that you and the Managing Board used to calibrate whether they were on track?

Rob: From the beginning we put a system in place to measure progress. One of the elements was an innovation diagnostic, which we developed together with McKinsey. We assessed the quality of the innovation process on many different dimensions, and we asked hundreds of people in the company from R&D, marketing and sales, manufacturing, management, and that gave us a picture that we benchmarked initially with 30 and later over 100 companies in McKinsey’s database. It was a bit sobering in 2006 when we came to the conclusion that we were scoring under the industry average. On the other hand, it was not surprising because we had been oriented around operational excellence and internally focused. It did also give us a clue as to where to start improvement programs. When we did this diagnostic in 2012, we had reached the upper quartile of the benchmark.

If you look at output, for instance products we launch in a certain year, it has gone up from around 25 per year to now 60 per year. We also measure potential sales.
Initially in 2006, we had a target number to have a billion euros in additional sales from innovation in 2010. In the period 2001 – 2005 that number was about 500 million. So we had set a target of doubling the speed of innovation. In the end we wound up at 1.3 billion. We more than doubled the speed in those five years. Those are a couple of indicators.

Doug: For many companies the word innovation is synonymous with new products. At DSM does the word innovation also connote different approaches to marketing, sales, supply chain, organization, etc.?

Rob: It is a very good point you make. Yes, for us innovation equals people thinking differently. Before we started all of this we were trying to sell products for just a little bit more than it cost to make them and they usually looked like white powder in big bags. If you see what we are doing now, for instance in our biomedical world, of course we still sell products and customers pay for them, but increasingly value is generated through a licensing deal either on sales volume or on individual parts of medical devices being sold; so now we have very different income streams and they are also much more associated with the value that we create for our customers, or the customers of our customers. That creates a very different mindset and the question is, “How can we capture the value we create in a better way throughout the value chain?”

Doug: What have been some of the key drivers that you and the Management Board use to stimulate the various businesses? What are some additional aspects of the infrastructure you’ve used to scale things to the system-wide level for DSM?

Rob: Every important business group in the meantime has a dedicated innovation director with the same role as mine, but for the business group. That group of innovation directors together with me formed an Innovation Council that gives advice to the Managing Board on the field of innovation. In all business groups we have specific people who become innovation controllers so that they speak the language of innovation, understand risk and rewards, and valuations. We have an innovation curriculum. We have been educating this innovation community focusing on the top 50 projects where all of the project owners, projects directors, and key people in the projects have gone through sort of an education program. We have a substantial part of the financial community who now understands that sometimes we need to take risk but that usually also creates more value, and that there needs to be a balance between investments in the existing business and the more risky things.

Doug: What have been some of the factors that have shaped your personal thinking and leadership?

Rob: I came into this job with the experience of a business group director and previously I had worked in R&D. I think DSM traditionally had more or less confused innovation and R&D, and for me, innovation is really bringing profitable products and services to the market. It is more a general management skill. The business group directors who were my former colleagues said initially, “Why do we need a chief innovation officer? I mean I know how to do innovation.” But I was a respected colleague. They gave me the benefit of the doubt, and then working together with them to improve their innovation processes, to measure, to give some examples, to help them with some consulting and see the results improve, that helped a lot. In the beginning, I was trying to get everybody on board and I was being unsuccessful in several places, and then I thought, “Okay, then I’ll work with the groups that are willing and hopefully at a certain point in time everybody will follow.” And it worked out that way. After two years – three years - some groups were way ahead of the others but then the others felt they also needed to do
something because they were lagging behind. After five years the whole company had more or less adopted the new way of working and that philosophy.

Doug: So as you look from today going forward, what's the leading edge of innovation for you over the next several years?

Rob: We are moving away from focusing only on projects and project management. We are more interested in building new platforms based on several projects which all are focused on the same meaningful and substantial goals at the DSM level. Which is why I said somewhere between two hundred fifty and five hundred million euros for an emerging business, otherwise we do not pursue it anymore. We are at the moment getting rid of many small, interesting initiatives and focusing on big things that really move the needle for DSM. That is difficult to introduce.

Doug: What would be your words of advice to a senior executive who says, "I would like to be more like DSM"?

Rob: The first key point is that you need a Managing Board that also believes in this and truly are aligned. It is critical that the CEO is backing up that innovation executive. It is really, really critical that you ask for time. From the beginning you have to paint the picture that it will be a long way, that it will take a lot of time and money before you see any result. The only thing along the way that you can do is in one way or another to demonstrate that you create value. That is especially true if you talk about building new businesses. Selective acquisitions can help to accelerate it, but when you really build it from scratch it just takes a long, long time. I think a big benefit for us was that we ran innovations improvements along side and had results in the short-term. That has helped to build trust and people say, "Okay, it looks like he knows what he’s doing, so let’s give him the benefit of the doubt for those more risky long-term things.”

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