CERTAINLY A. G. Lafley had his work cut out for him when he became Procter & Gamble's chief executive eight years ago. Profits were lackluster and the stock was way down. New product introductions had slowed to a trickle, and no more than 15 percent of those wound up making money.

Mr. Lafley quickly cut jobs, sold declining brands like Crisco shortening, and began reciting what became a familiar mantra: Innovate, innovate, innovate. These days, he said, more than half of Procter's new products are commercially successful.

Mr. Lafley still thinks innovation is the key to success. And he has codified that thinking in a book, "The Game-Changer," (Crown Business, 2008), which he wrote with Ram Charan, a management consultant.

In a recent conversation, Mr. Lafley elaborated on his views about innovation -- and on why a chief executive would become an author.

Q. You're already famous, I doubt you need the royalty money and I imagine that running P. & G. is a full-time job. Why would you write a book?

A. It was the last thing I wanted to do. But Ram said that, as long as he had access to other P. & G. people, he would only need 15 or 20 hours of my time, spread over a year and a half.

So I talked it over with Norm Augustine, our presiding director. And we decided that the book could advance P. & G.'s reputation as well as its strategy business model. So I said yes, and I'm donating any proceeds to charity.

Q. Reputation makes sense, but a strategy business model?

A. P. & G. was always really good at branding and commercializing products, but we weren't better than anyone else at that fragile front end, where the idea is created. So in 2000, we decided to stop being Fortress P. & G., and move to an open innovation system that could attract innovations of all stripes from the outside. We set a goal, that half of the innovations we take to market should have external front-end partners. And the book can help us attract those partners.

Q. But the book just came out. How have you attracted partners in the last few years?

A. We participate in Web networks, including one that taps our own retirees for ideas. We wanted to print Trivial Pursuit questions on Pringles, and one of these Internet networks helped us find a small bakery in Italy that knew a safe, edible way to print on baked goods.

We'll accept innovation help from any source, even competitors. We have a joint venture with Clorox on a press-and-seal wrap. We developed it, but it sells under the Clorox Glad brand. So we compete like crazy with Clorox on cleaning products, but partner with them on wraps.

Q. Innovation has become one of those words, like sustainability, that is so overused these days as to be almost meaningless. Why not just say invention?

A. Invention is just a new product or service. Innovation ties that idea to a better customer experience, and
results in increased sales and **profits**. It lets you make unlikely connections that enable you to solve wickedly hard problems. It is a team sport that uses the expertise of people from a lot of different fields.

It also means identifying your consumers and involving them early on. These days, Internet technology makes it so much easier to do that.

And it is vitally important. Consumers turned away from the first few rounds of cellphones because no one had made them intuitive to use. But Apple turned a 10-year-old technology into the iPod, because it understood what young music lovers wanted.

**Q.** You're putting a lot of emphasis on outside voices. What about internal **innovation**?

**A.** The first thing we did was open the internal **innovation** architecture. We worked on getting engineers and biochemists to work with marketing, and we got people from our different businesses to work with each other.

Each of our businesses used to do its own research. But our core technologies span businesses. We can manipulate surfaces, for example, be they kitchen counters or blouses or hair.

Gil Cloyd, our chief technology officer, and I have set up what we call communities of practice. These are networks of nanotechnologists, of biochemists, of people who specialize in packaging, and who work for all the businesses. And we have regular **innovation** reviews, where we move ideas and best practices around our 22 businesses.

**Q.** And yet only half of your product innovations succeed. Why isn't the rate higher?

**A.** I don't really want it to be. Human nature is such that, if we push our people to drive the batting average up, they'll try to hit more safely, take a shorter swing, go for the singles instead of home runs.

But we try to set milestones that innovations must meet at every step along the development process. As soon as they miss one, we allocate the resources to another product moving through the funnel. That's another difference from the old days, when P.& G. let bad ideas go too far.

**Q.** In your book you say you are moving Procter away from food and beverages because they have limited **innovation** potential. But I see new flavors and ingredients all the time. Explain.

**A.** In beauty and household products, we have access to ingredients and formulas that our competitors really can't get. But when it comes to food, the private label guys can get anything we can get.

**Q.** So getting back to your role as a co-author, did you really hold your input to 20 hours?

**A.** Are you kidding? Writing this book was my early morning and late night activity for six months.

PHOTO: A. G. Lafley (PHOTOGRAPH BY AL BEHRMAN/ASSOCIATED PRESS)
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