

Thinking differently about...

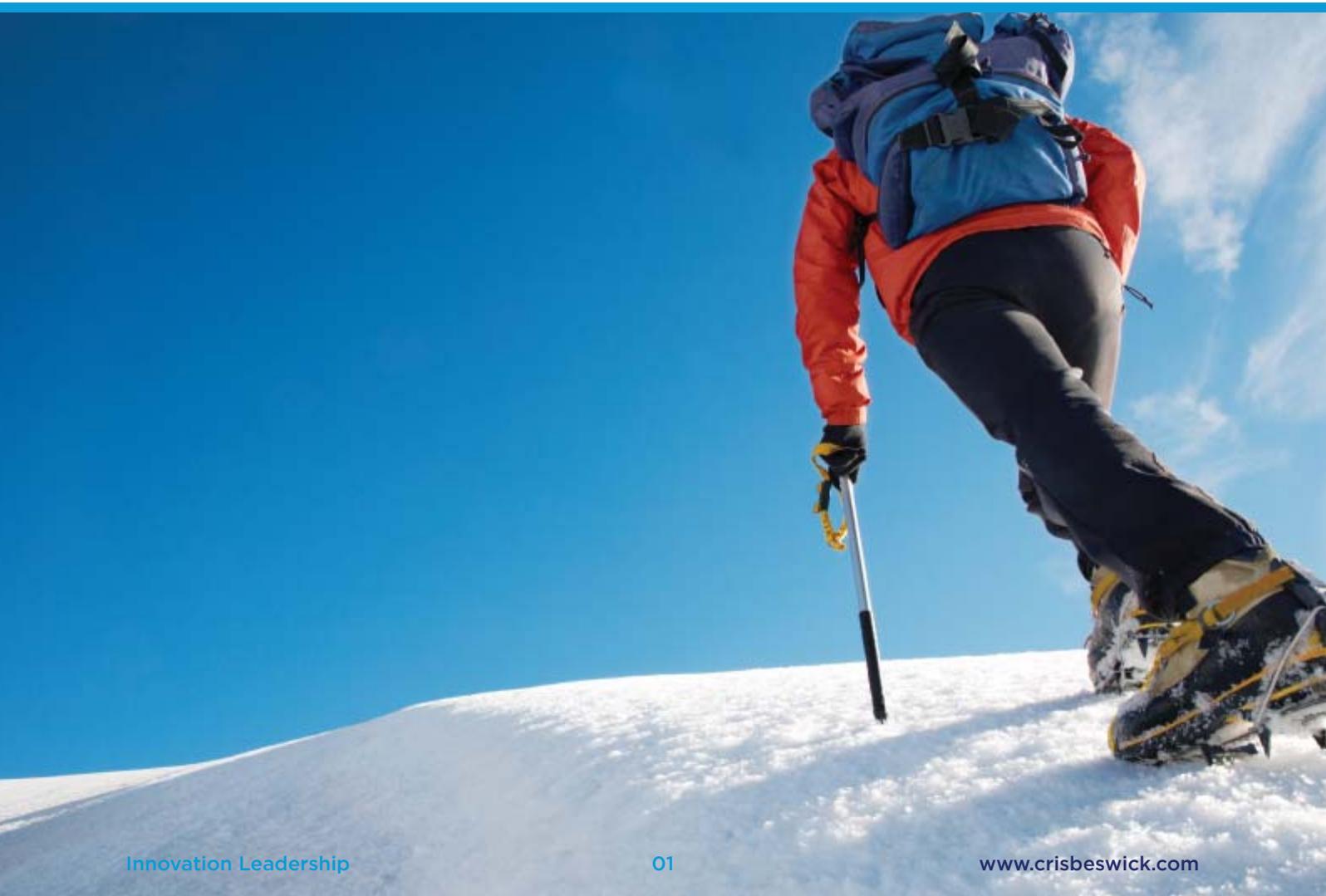
# INNOVATION LEADERSHIP



Developing Innovation-led Organisations

# Contents...

- 02** Ignore innovation at your peril...
- 03** The value of being exceptional...
- 04** The leadership challenge...
- 06** Positioning innovation...
- 08** Talking the right language...
- 11** Finding your champions...
- 12** Getting everything aligned...



# Ignore innovation at your peril!

**The latest news from the corporate jungle sends a very clear message to every CEO and leadership team around the world; innovation is absolutely crucial so pay lip service to it at your peril!**

Over the last few years, RIM (Research In Motion) have openly struggled to innovate enough to get ahead in the mobile phone market, let alone keep up with the likes of Apple. So with their outgoing Co-CEOs Mike Lazaridis and James Balsille being replaced by an internal appointment, the new CEO Thorsten Heins is now charged with improving RIM's fortunes. But, that will mean changing the culture he has been part of for so long.

His big challenge will be building a new culture of innovation capable of producing game-changing products, services and experiences in order to drive the differentiation RIM will need to compete in the future.

In stark contrast, Apple's last quarter sales for 2011 were up 59%! What this shows us is that when an organisation dares to be and do different the gap between average and exceptional becomes massive. Apple isn't just a little better than its competition its light years ahead. At present it doesn't have any serious competition with its performance almost putting it in a category of its own!

“The ‘surplus society’ has a surplus of **similar** companies, employing **similar** people, with **similar** educational backgrounds, working in **similar** jobs, coming up with **similar** ideas, producing **similar** things, with **similar** prices and **similar** quality.”

**Kjell Nordstrom & Jonas Ridderstrale**  
From the book *Funky Business*

# The value of being exceptional...

# MIND THE GAP!

## MEGA MALLS



GRAND CANAL SHOPPES  
20 MILLION  
VISITORS PER YEAR



MALL OF AMERICA  
40 MILLION  
VISITORS PER YEAR

## MEGA BOOKS



THE JAMES BOND SERIES  
100 MILLION  
BOOKS SOLD



THE HARRY POTTER SERIES  
450 MILLION  
BOOKS SOLD

## MEGA APPS



FRUIT NINJA  
20 MILLION  
DOWNLOADS



ANGRY BIRDS  
500 MILLION  
DOWNLOADS

## MEGA BRANDS



HERMÈS  
\$11.9 BILLION  
BRAND VALUATION



LOUIS VUITTON  
\$24.3 BILLION  
BRAND VALUATION

# The leadership challenge...

So, what are some of the big leadership challenges for 2012 and beyond?

- Revenue growth in contracting markets
- Increased and now globalised competition
- Organisational over product differentiation
- Communicating with the next generation
- Retaining and capitalising on talent
- Building deeper connections with customers
- Cutting down time to market windows
- Market and business model disruption

In order to prosper, drive growth and build value, increasing an organisations ability to innovate is now a must for everyone. It can no longer be rhetoric so CEOs and leadership teams must overcome their fear of losing control, taking risk and empowering people in order to change their organisations DNA. CEOs and leadership teams must understand their organisations 'ecosystem' and how it all works together in order to drive game-changing innovation in line with their BHAG! (Big hairy audacious goal) Oh, yes you need one of those too as the traditional 'mission statement' doesn't cut it anymore.

Unless you take a holistic approach to innovation you can't fully understand the cause and effect of silo'd initiatives. This is where the majority of organisations get it wrong as they typically look at increasing innovation from a narrow perspective instead of creating a strategy to fully embed it into their culture and make it part of their DNA.

# The leadership challenge...

This is why there is still a large gap between the aspirations of CEOs and leadership teams and their ability to execute innovation.

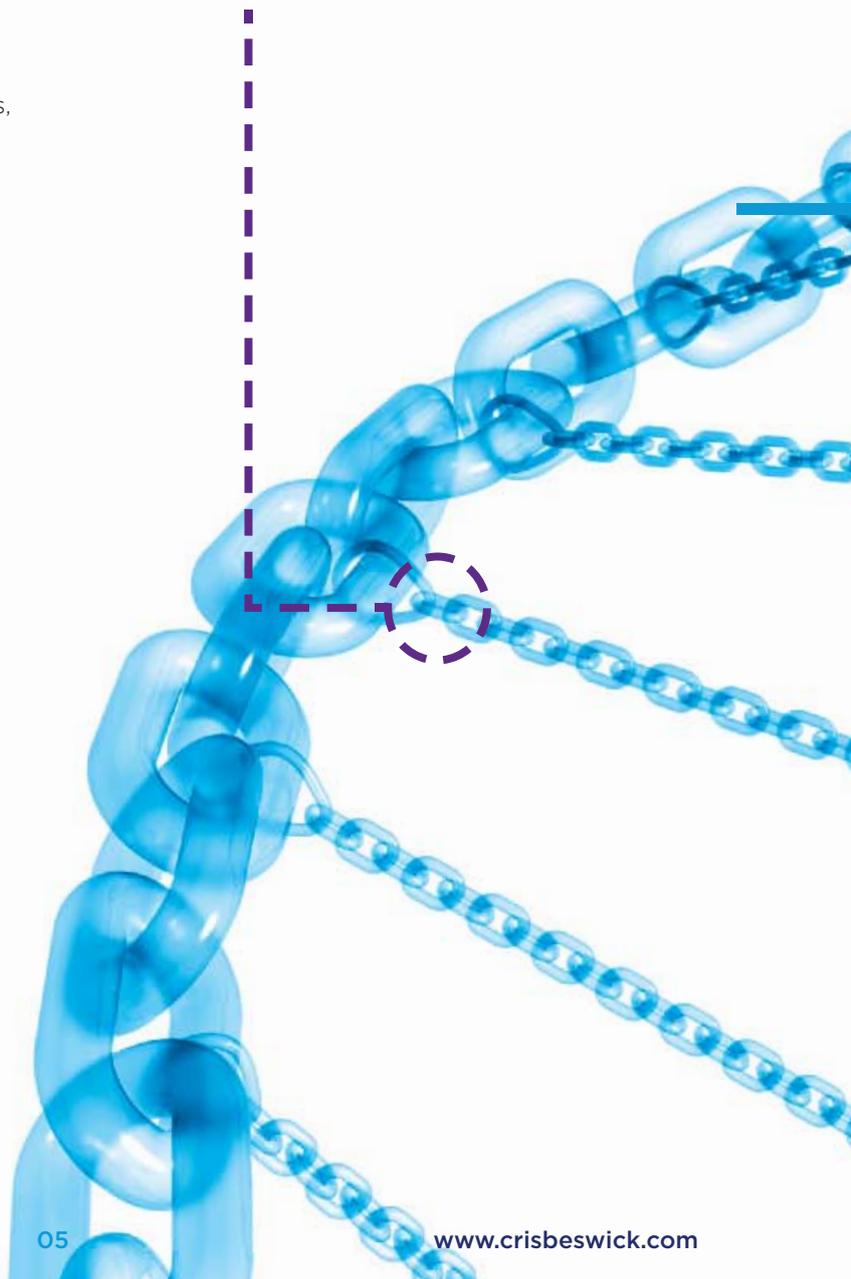
The typical approach is one of processes, tools and systems yet in almost every survey over 90% of senior execs say people and culture are the most important factors for driving innovation. Over 70% of senior execs now realise that innovation capability is one of, if not the top driver for growth.

We now live and operate in a fiercely competitive and globalised world where the pace of change increases daily. Super savvy customers now expect, by default, great products and services as standard so it's no longer a point of difference. In any case, for most organisations, differentiating through products is now almost impossible as every competitor has access to the same materials, software, production methods, technology, facilities, meaning whatever you make someone else can make too.

That's why the worlds leading organisations have moved away from product differentiation focus to a more balanced approach where, organisational structure, culture, process, business model disruption and brand experience all work in harmony to create differentiation and innovation perception in the eyes of the customer.

It's become a focus not on 'what' an organisation does but more on 'how' it does it and that will be the driver of 21st Century competitive advantage.

But, starting to build or in most cases change an organisation to one where innovation plays a central role, where it's part of the core DNA, is a much bigger job than most CEOs and leadership teams realise. It's typically looked on as a frightening expedition more suited to Indiana Jones, which explains why more than 65% of senior execs are unconfident about how they approach embedding innovation.



# Positioning innovation...

**Unfortunately there isn't an off-the-shelf approach but my experience of working on strategic approaches to innovation with global organisations means I can give you the first heads-up;**

**'It is all about people and culture!'**

So, the first step for CEOs and leadership teams is to integrate innovation into the core strategy of the organisation. The creation of a clear vision, a BHAG (big hairy audacious goal) provides the organisation and it's people with purpose and it's this that musters the desire to be part of something big, something different.

My perspective; if the reaction to the vision is **"now that's something I want to be part of. If we can achieve that, that will be amazing!"** then you've got it just about right.

Once innovation is part of the core strategy that will deliver the vision, people understand its relevance and its alignment, which is in stark contrast to the traditional boardroom cry for instant innovation because the proverbial doodoo has hit the fan!

When innovation is positioned as a strategic part of the organisations future it can be driven, encouraged and measured. When you can measure it you can manage it and every organisation needs to be able to measure results.

Next is the issue of trust, as organisational rhetoric needs to be replaced by CEO and leadership sincerity. A big part of cultural change especially around innovation is the issue of employee trust. Trust that in the pursuit of innovation things will be different, that ideas can and should be voiced, that they will be valued and more importantly that they will be considered, acted upon, explored and possibly even implemented.

People don't voice ideas or solve problems if they think there's no point, either that they will be ridiculed, overruled or that no one will do anything with them anyway.

So, the question is; 'is innovation top down or bottom up?' The answer is both! Leaders must create an environment or as we call it, 'the greenhouse effect' where, to use a gardening analogy, all the conditions are perfectly balanced in order to create that prize-winning marrow. However that doesn't guarantee creativity and different thinking. You then need to foster what we've come to call 'the choice culture' where employees make the choice to willingly contribute 'the good stuff', the stuff that leads to innovation, the stuff over and above what they are contractually obliged to deliver. The leadership challenge is to create this 'amazing place to work' in order to foster the collective contributions that lead to game-changing discoveries.

# Positioning innovation...

The challenge is for your vision to require active participation in a journey that no one can say no to, that people want to be part of. You want passionate people to step forward not be the last ones to step back. That way you've started to tackle the hearts and minds issue, you've create an emotional connection to your people as they are the ones who'll ultimately create the same with your customers.

So, with innovation fully positioned as the driver for growth its strategic importance must no longer be rhetoric. It cannot be used or talked about in isolation or as an initiative. It's not a tool that you use, as and when you think is required or in reaction to an event. It must be a core part of your organisations culture, its DNA.

The correlation between the quality of leadership, inspiration, belief and innovation is undeniable as it's a leaders actions that determine the tone of the organisation. So, it's important to ask yourself "what tone do I set and will it encourage or inhibit innovation?" These are tough questions to answer, especially for CEOs as the position is sometimes seen as a lonely one. However, if you're lonely at the top who's fault is it when access to impartial and/or alternative perspective, especially from your senior team is easy to come by?

Leadership accountability and ownership of innovation, especially by CEOs is crucial if it's to be embedded into organisational culture. So, the empowerment of middle management to lead more than manage is crucial.

If innovation is both top down and bottom up then for us it's 'middle out' and that means the middle management layer is the crucial link to embedding it into the everyday. They are the ones who are organisationally bi-lingual, they can talk upward and downward. But, they are typically the ones most under pressure to maintain short-term performance and targets, inhibiting their ability to work in what we call a 'hands-ready' way rather than the traditional hands-on way.

**“What gets  
measured  
gets  
managed.”**

Peter Drucker

# Talking the right language...

**As with any change that requires top-down involvement, communication is absolutely key. But, when innovation is the main focus, the importance of an organisation-wide common innovation language and understanding is even more so if you want people to think differently in the right direction.**

The definition of what type of innovation you are looking for is critical if people are going to be confident about contributing. When most people think about innovation off the back of their organisation issuing a requirement for it, they jump to the conclusion that it's radical innovation that's being asked for because the request never comes with an explanation. Without the explanation, the request to be radical is too big and too far away from what the organisation does on a daily basis.

Because it's not part of the existing culture or DNA, it is opposed and then rejected. Just like in the human body where white blood cells instantly seek out and destroy anything that is deemed foreign, or not part of the existing structure.

Sincerity and actions matching your words not rhetoric is the key to motivating people to get on the innovation train. Visibility of senior execs clearly and openly demonstrating accountability and desire for new ideas, 'smart risk' taking and learning from failure, changes the behavior of employees and it's this behavioural shift where the journey toward embedding innovation into an organisations culture begins.

Recent surveys show that 38% of senior execs say they actively learn from innovation failures and encourage their organisation to do the same. But only 23% of employees believe their organisations encourage them to learn from failure!



# Book excerpt...

Learning to anticipate, plan for and accept mistakes isn't going to be easy. In an interview in December 2006 the world-renowned expert on creative thinking Edward de Bono highlighted that people are reluctant to be creative because they don't want to make what everyone will call a 'mistake'.

He outlined that in his opinion the problem is that the English language does not have a word to describe creative ideas that just don't work except to call them mistakes. He said;

**“A big deficiency in language, certainly the English language is that we don't have a word that says a fully justified venture which for reasons beyond your control did not succeed.”**

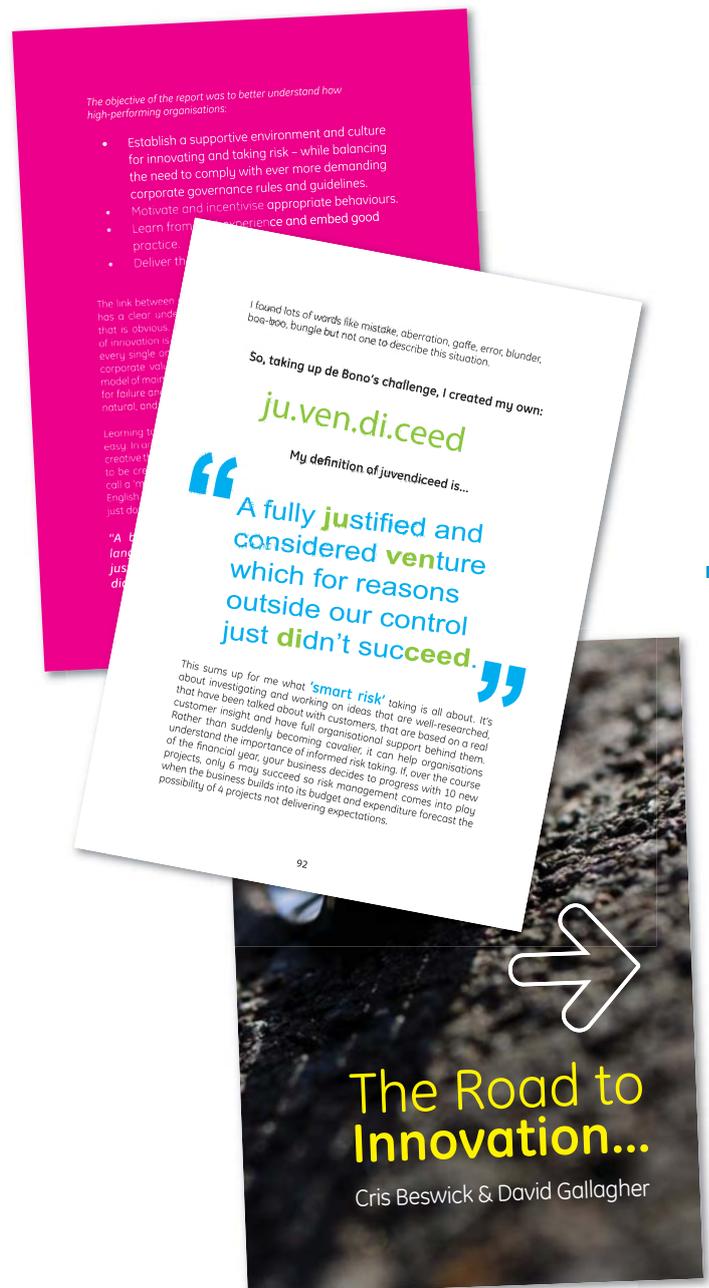
I found lots of words like mistake, aberration, gaffe, error, blunder, boo-boo, bungle but not one to describe this situation.

So, taking up de Bono's challenge, I created my own: ju.ven.di.ceed

My definition of juvendiceed is...

**“A fully justified and considered venture which for reasons outside our control just didn't succeed.”**

This sums up for me what 'smart risk' taking is all about. It's about investigating and working on ideas that are well researched, that have been talked about with customers, that are based on a real customer insight and have full organisational support behind them. Rather than suddenly becoming cavalier, it can help organisations understand the importance of informed risk taking.



# Talking the right language...

The typical approach to creativity and innovation is the presentation of a problem followed by the 'think outside the box' call to action. The historic presumption is that the existence of the box itself or 'boundaries' is the limiting factor in people being able to innovate.

The answer isn't removal of those boundaries but the repositioning of them. People still need boundaries, as the 'blank canvas' is too unconstrained which is why standard 'brainstorming' doesn't work. There has to be insight and context when you want people to solve problems effectively, so, don't ask people to think outside the box, give them a different box to think inside of!

The first step is to create a common understanding of what you want innovation to do for your organisation and where and how you want people to contribute. Do you want innovations in products, processes, customer experiences or your organisations structure for example? Without clear direction the best you will get is small steps forward, ideas that you'll label incremental, which only serve to fuel a high-level discontent about the value of your investment in innovation.

The second thing to understand is that although the goal is a 'culture of innovation', which makes the presumption that it is all encompassing, the reality is that you'll never get 100% of your people on the innovation bus and that's ok.

The trick is though, to get as many people as possible into the ambassador and maverick zone. The zone where a passion for innovation and looking at doing things differently, better and becoming exceptional is a choice people have made about what and how they contribute.

This environment then becomes infectious, spurring more and more to join you on the journey as innovation itself pushes people to make new and bigger choices. All this dovetails beautifully into the world of employee engagement as it helps drive cross-fertilisation, awareness of internal experts, the wisdom of crowds and all in all, a more positive, contributory workplace.



# Finding your champions...

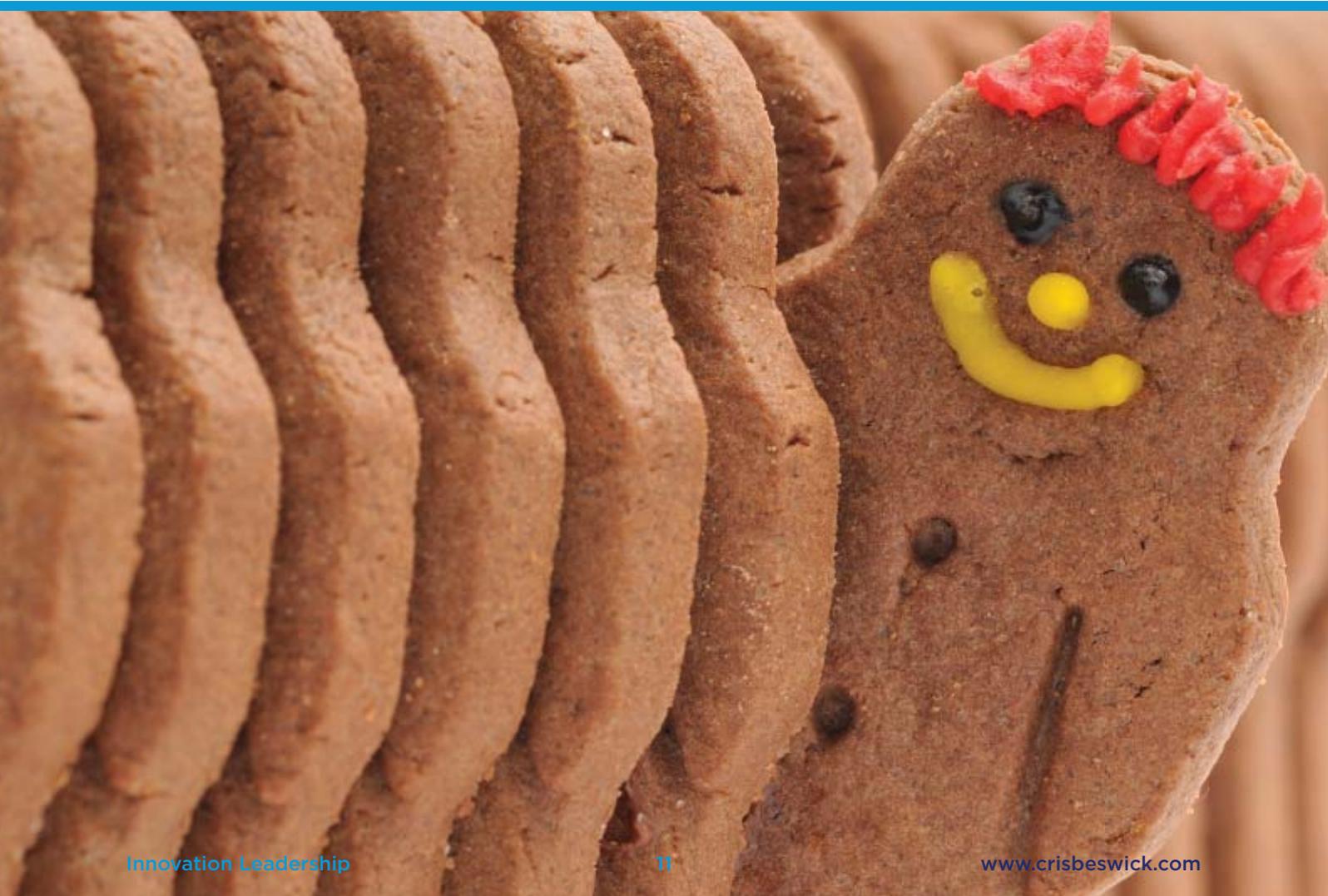
**As mentioned earlier, if innovation is 'middle out' then middle managers are the crucial link to embedding it into the everyday.**

But with constant pressure to maintain short-term performance and targets their 'availability' to support innovation in their people is usually compromised. The leadership challenge is to build capacity for middle managers to work in more of a 'hands-ready' way rather than the traditional hands-on way. Freeing up their ability to behave more as mentors and focus on creating and supporting innovation communities across the organisation is the only way to increase collaboration around the initiatives that will drive innovation. It's in these diverse groups that the mix of perspective, viewpoint and expertise combine

to unearth ideas and solutions that wouldn't have surfaced otherwise. If you want to design a new product, the worst thing you can do is assemble a team of product designers!

However, if you assemble a team where the mix of ability covers idea generation, insight gathering, topic expertise, sense checking and questioning for example, the result will be completely different and more than likely, far more valuable.

When people know that their contribution and ideas are valued, reinforced and their support network in the form of 'hands-ready' middle management is in place, the decisions they choose to make change in favor of the organisation and in turn in favor of innovation.



# Getting everything aligned...

**In order to fully align innovation as a core part of an organisations DNA, support for it needs to be visible everywhere and it starts with the CEO. Gone are the days where the position automatically came with trust and respect. The 21st Century CEO needs to be visible, needs to be human and needs to be approachable.**

Back to my earlier point about CEO loneliness, you won't be lonely if you employ people. Simply open your door and interact with them! Actively participate in the innovation conversation, share your point of view and ask for answers because you haven't got them all.

By the way, that doesn't make you vulnerable. We'll let you into a little secret. They all know you don't know everything and they don't expect you to either. Asking for help isn't a sign of weakness it's a sign of intelligence! All employees want to know is that you 'OWN' innovation in your organisation, that you're committed to it and that you're prepared to back them when they look at doing things differently.

Its 'do as I do' not 'do as I say' and the performance you get is a direct response to the performance you give.

**“When you hire people that are smarter than you are, you prove you are smarter than they are!”**

**R. H. Grant**

# Getting everything aligned...

There needs to be complete alignment in the strategy and vision for innovation and in turn the shared direction and alignment across the leadership team, not just at the top. Everything that trickles down through the organisation must have the same consistent flavour if it is to become a core part of culture. The actions and behaviors of the senior team also directly impact how middle managers drive innovation through the organisation.

So, actions matching words is vital if middle managers are to become innovation champions in order to mentor, support and develop employee confidence, capability and contribution along the road to innovation. The innovation potential of any organisation is in the alignment of its people to a specific vision of the future, mixed with its ability to spot and create opportunities. How an organisation then capitalises on those opportunities is dependent on something I call 'informed creativity'. It's the mix of insight and understanding with perspective and creativity to create strategic solutions of commercial value. It requires the ability to ask the right questions and visualize the future. But, many organisations continue to ask the same basic questions, allowing them to at best satisfy today's need when creating the need of tomorrow is the answer.

Unfortunately for the majority of organisations, when it comes to innovation, the power to ask questions and answer them is retained by a select few. Meaning the collective power of the entire organisation, the wisdom of crowds is suppressed and a culture of innovation is overpowered by a culture of robots.

However when companies like the John Lewis Partnership deliver a 9.3% increase in department store sales despite severely weak high street spending, the case for culture, leadership and organisational design breaking normal conventions is clear. The masters of employee engagement, JLP focus on involvement and appreciation, the two main drivers for most people and the basis for its innovative culture.

But, taking another perspective on innovation let's look at a more traditional driver, the favorite budget eater, championed by most global CEOs, the R&D (research and development) department. A great example is Microsoft who spend a reported \$9.18 billion on R&D which equates to 12.93% of net sales! Compared to Apple, who spend \$2.43 billion which only equates to 2.24% of net sales. Yet Microsoft have seen no real value growth, unlike Apple who have become one of the most valuable companies in the world, proving R&D isn't the innovation driver it purports to be.

The truth is a 'Culture of Innovation' eats strategy for breakfast. It's not fluffy or intangible; you can see it, smell it, touch it and experience it.

# Getting everything aligned...

As mentioned, gone are the days when having a great product was enough. As Google say, 'Great just isn't good enough' because long-term success is dependent on a constant dissatisfaction with the way things are and an unwavering quest to be exceptional. That's why innovation should be top of the 21st Century leadership agenda!

Leading your business and people to create possibilities for innovation won't happen overnight. It will be a transformation based on inspiration, vision, experimentation, reward and change. It requires the CEO and senior leaders of the business, to recognise and plan for how to survive when some of the ideas you implement do not deliver what is expected of them.

You need to step up to the mark and take your business and your people with you on a journey. They need to follow you, not because they have to, but because they want to. It's unlikely you'll be able to do everything yourself, so choose your lieutenants wisely.

Look beyond the obvious for your innovation champions. And finally, if you do nothing else to become a more effective innovation leader, do this...

**“Ph.D. in Leadership. Short course. Make a short list of all the things done to you that you abhorred. Don't do them to others EVER! Make another list of things done to you that you loved. Do them to others ALWAYS!”**

**Dee Hock**  
Founder of VISA

## About the author

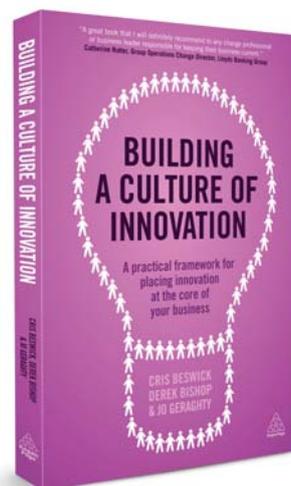


Originally trained as a product & industrial designer, Cris spent over a decade as a successful entrepreneur & CEO building an award-winning design group. He is now recognised globally as a thought leader on strategic innovation and creating innovative organisations.

Cris is the Founder of Thought Leadership Website The Future Shapers, Director of Innovation Consulting at Culture Consultancy and Strategic Advisor on Innovation at Wazoku. He specialises in working with CEOs and senior teams and has coached, advised and delivered keynotes to some of the worlds most successful companies on how to become exceptional by building game-changing innovation capability and embedding it into organisational culture.

Cris has also delivered executive education programmes on innovation for leading UK business schools such as Henley Business School, Southampton Business School and Cranfield University's Centre for Competitive Creative Design as well as international business schools such as Synergy Business School in Dubai and Icesi University in Columbia.

Cris is also the author of the book 'The Road to Innovation' and co-author of 'Building a Culture of Innovation'. As well as authoring numerous white papers Cris has also contributed to articles for The Times, Financial Times and The Sunday Telegraph to name but a few.



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#### Innovation Leadership

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