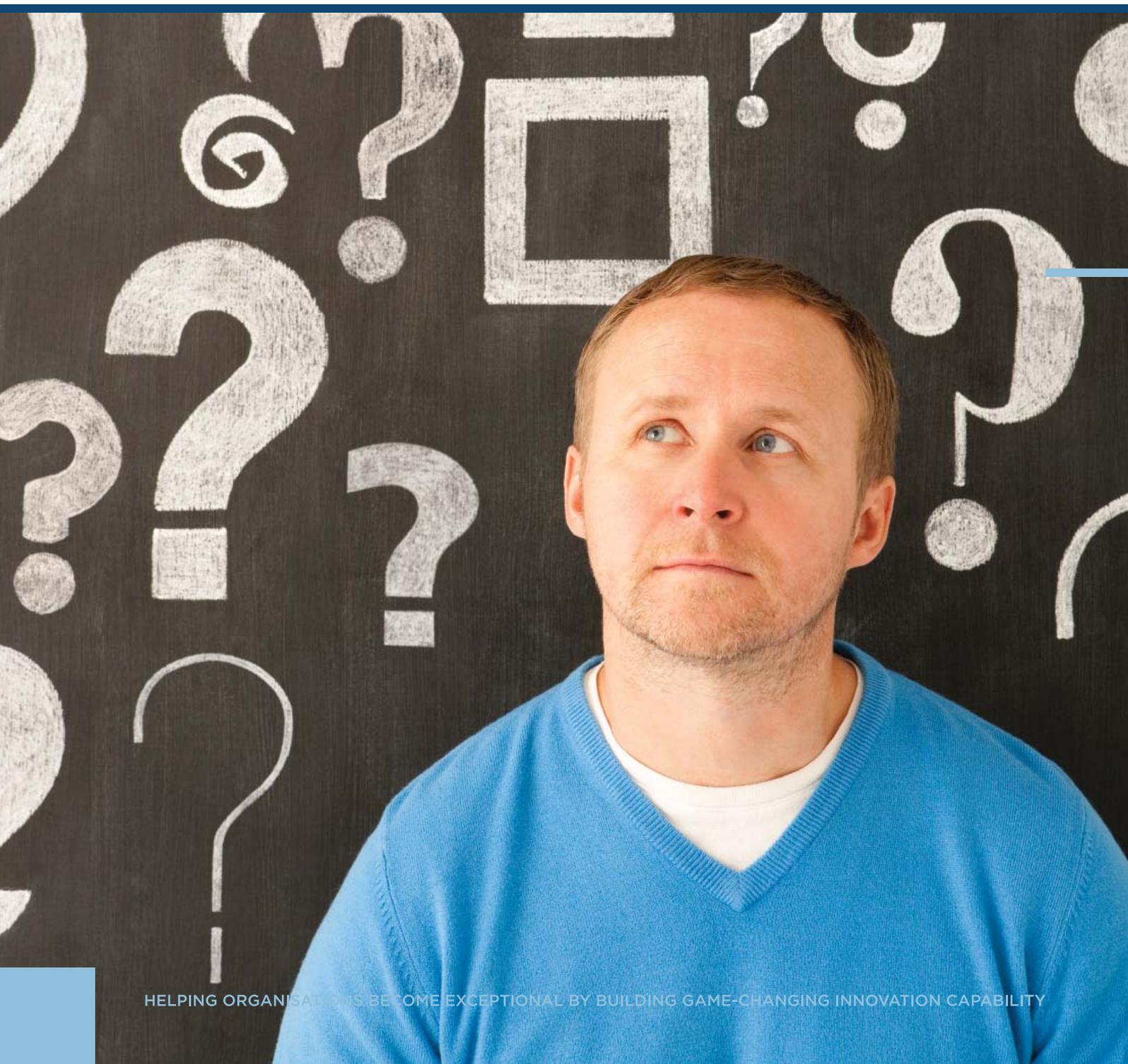


Thinking differently about...

UNDERSTANDING STRATEGIC INNOVATION



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From offense to defense...

The quest to seek out new opportunities and drivers for growth has finally positioned innovation as strategically vital. In the fiercely competitive, globalized and fast paced marketplace we now operate in, it has become increasingly difficult to stay ahead, as the traditional methods of business one-upmanship are no longer efficient enough to cope with the increasing rate of change.

It's fair to say that most organisations were probably innovative in some way when they began, either due to an individual entrepreneur or visionary team who spotted an opportunity, unmet need or gap in the market.

However, it's also fair to say for most organisations that the innovation flame very quickly dwindles as the focus shifts from market disruption to turf defending. Any sense of entrepreneurial spirit or innovation dissipates as the focus moves from offence to defense just like all the competitors they differentiated from in the first place.

“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*

From offense to defense...

The scale of the organisation becomes the innovation barrier. Organisational growth, by its very nature, forces a more formalized structure and the introduction of processes, systems, rules, hierarchy, and worst of all autocracy which all conspire against innovation and start to mutate part of the organisation's DNA. The organisation's culture has now in reality; become anti-innovative as employees are shepherded into risk mitigation, defending market share and at best, incremental improvements, in a vain attempt to claim some semblance of innovation is still alive.

The innovative spark that gave birth to the organisation in the first place wasn't kept burning, it wasn't valued enough for it to be purposely and strategically embedded into the culture as the organisation grew.

Conformity, efficiency, risk-avoidance, leadership by compliance and perpetuation of the status quo rather than embracing status unknown now overshadow the incentive for employees to innovate! The DNA 'strand' for innovation is now, quite simply, missing!

“Every organisation
has to prepare for
the abandonment of
everything it does.”

Peter Drucker



Lehman Brothers changed the game...

For many organisations, 'me-too' strategies have served well enough for them to be able to survive until now, but the 21st Century will be unforgiving and for those operating without a clear vision, differentiation and a strategic approach to innovation, punishment will be swift!

Most organisations preach about innovation, promoting their innovative approaches and adorning straplines and brands with innovation as their main USP. However, underneath the smoke and mirrors this is merely rhetoric, jumping on the bandwagon and keeping up with the Joneses because to not even purport to innovate means you're already dead.

Take brands like Phillips for example who were at one point the so-called innovation leaders of the consumer electronics industry, producing revolutionary leaps forward like the cassette tape and the CD as well as numerous medical technology products. But, despite their constant presence at innovation conferences and stages the world over presenting illuminating keynotes, strategies, processes and thinking on innovation they consistently fail to deliver anything of notable differentiation against their peers in the consumer electronics market.

Global brands that preach about innovation as a core part of what they do like CISCO, Nokia, Hewlett Packard and IBM have spent too long trying to take market share from each other instead of creating radically new markets and as such are now feeling the pain from new, smaller, more agile players.

A few years on now from the catalytic Lehman Brothers crash on September 16th 2008, CEO's the world over finally understand that the need for genuine innovation is crucial in order to drive competitive advantage and sustainable growth. But the size of the task at hand is usually underestimated and the realisation that the cultural shift towards innovation is a long, albeit exciting journey is difficult for most to deal with.



Lehman Brothers changed the game...

A sustainable strategy should be about creating constant differentiation in order to maintain distance from the next nearest perceived competitor. But, next generation competitive advantage will be delivered not necessarily by 'what' an organisation does but more likely by 'how' it does it and that means capitalising on entrepreneurship and innovation in order to define new areas of opportunity instead of competing to be 'better' in existing ones. It's about being brave enough to position your organisation as a 'specialist' rather than the proverbial 'jack-of-all-trades' as anyone can be a handyman whilst only a rare few are master-craftsmen!

Super savvy customers now expect, by default, great products and services, so it's no longer a point of difference and what was considered really good only a few years ago is now merely average. 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 and facilities, meaning whatever you make someone else can make too.

So, the differentiator needs to go beyond products alone. It should also be 'how' the organisation behaves and 'how' its culture differentiates it from the competition. It's something we call 'differentiated innovation' and it requires a consistent strategic direction in pursuit of a bold vision.



Being strategic about innovation...

For most, the innovation starting point is as a direct reaction to shifting market forces, customer needs or competitor threat, especially post September 2008.

However, situations like this typically result in a reaction strategy being voiced and the cry...

“we need to be more innovative”

bellowing from the boardroom. It's at this point that the 'strategic innovation decision' needs to be made. However, it's usually also at this point that the second cry...

“what we need is a culture of innovation”

usually bellows from the boardroom and the typical 'culture change' programme is initiated.

And here lies the problem! The decision to 'add' innovation into the existing organisation's culture has been made without a thorough understanding of just what 'building a culture of innovation' entails, how long the journey will take and what the likelihood of success will be.

The strategy you decide upon will be directly influenced by just what you are prepared to 'change' in your organisation. Embedding innovation requires a complete cultural shift for most organisations. Transformations from caterpillar to butterfly, where agility, autonomy and talent, free to act like entrepreneurs are part of the DNA.

Strategic innovation is about being future-oriented, proactively seeking out new and different opportunities in order to capitalize on what others haven't spotted yet. It's about challenging what exists, creating what doesn't and pushing boundaries not about being 'incremental' or trying to be merely better than the competition.

So, if you need to build game-changing innovation capability but you can't contemplate such a radical change in 'how' your organisation operates then your innovation strategy needs to follow a different path, it will have to happen outside the parameters of your existing organisation and culture.



Being strategic about innovation...

You'll need to build a separate innovation focus from the ground up. Like an elite SAS squad, this team needs to play by a completely different set of rules, capable of experimenting and exploring uncharted territory, free from every constraint that the main organisation is hindered by.

This time round, innovation needs to be a fundamental part of their DNA. It needs to be why they exist!

However, your innovation strategy should never only follow that path so there should be a parallel focus on making your current culture as 'dynamic' as possible in order to increase your 'differentiated innovation' potential which is more easily done through re-sequencing of your existing organisation's DNA.

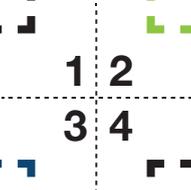
Building an autonomous innovation focus alone is akin to innovation strategies of old which constrained innovation to specific teams or research & development and new product development departments and only serves to drive innovation in a narrow field. Blending strategic innovation with differentiated innovation allows you to differentiate in both 'what' you do and 'how' you do it and that's the secret to sustainable competitive advantage.

Being strategic about innovation...

Incremental
Small constant steps forward that delight your customers every day and give your people a sense of achievement. Your customers won't need to change what they do but they'll love the little changes you make.

Differentiated
Something more than incremental but not necessarily radical that absolutely differentiates you from your competitors. It should positively change how you and your customers behave.

For most, this requires a 'dynamic' approach and re-sequencing of the organisations existing DNA.



Radical
Usually fast, major leaps forward that create or expand markets and/or render existing products non-competitive. This usually changes what you do, how you do it and how your customers behave.

Revolutionary
When a collection of radical ideas alters things on a massive scale. Sometimes game-changing on a global scale and usually well out of your control or ability to predict.

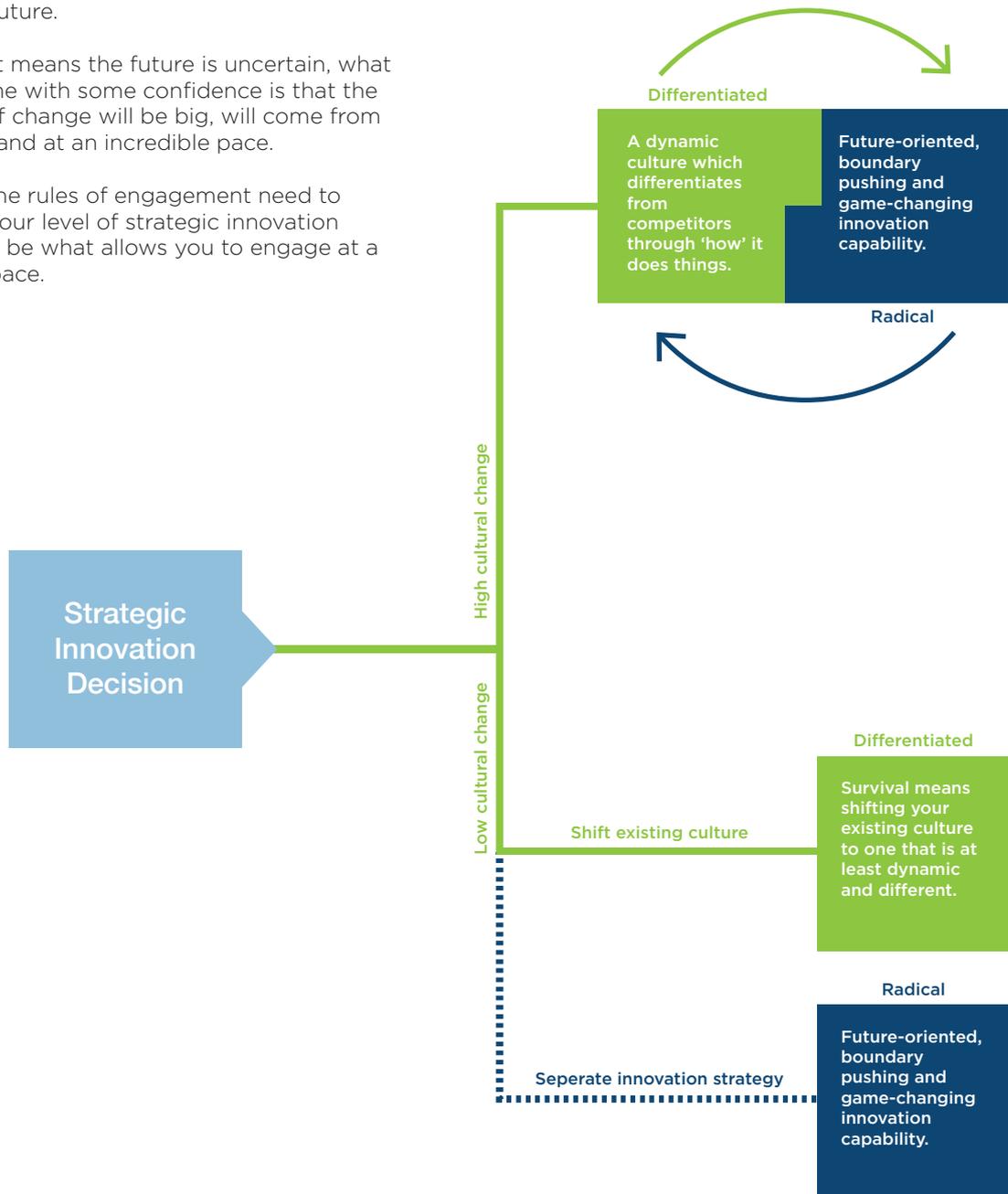
For most, this requires a strategic innovation focus operating outside the constraints of the organisations existing culture.

Being strategic about innovation...

What we don't know yet is what the economy, consumer and competitor of tomorrow will look and feel like and how we will need to operate to thrive in the future.

Although that means the future is uncertain, what we can assume with some confidence is that the next period of change will be big, will come from all directions and at an incredible pace.

That means the rules of engagement need to change and your level of strategic innovation capability will be what allows you to engage at a competitive pace.



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Originally trained as a product designer, Cris spent over a decade as a successful entrepreneur & CEO building an award-winning design group.

After structuring a full exit in 2008 he is now recognised as one of the foremost thought leaders on creating innovative organisations.

As CEO at The Future Shapers Cris specialises in working with CEOs and senior teams and has coached, advised and delivered keynotes to some of the worlds most ambitious companies on how to become exceptional by building game-changing innovation capability.

As well as delivering executive education on innovation for leading UK and international business schools, he is the author of the book 'The Road to Innovation', and as well as authoring numerous white papers, has contributed to articles for The Times, Financial Times and The Sunday Telegraph to name but a few.

We believe every organisation can become exceptional by developing its potential to innovate. We help organisations achieve this by utilizing a defined and pragmatic innovation methodology, enabling organisations to build game-changing innovation capability and embed it into organisational culture.

Every organisation needs to drive innovation-led growth but few actually do. If you want to be one of the few let's talk!

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Sources:

Kjell Nordstrom & Jonas Ridderstrale - From the book *Funky Business*
Peter Drucker - Writer, management consultant, and self-described 'social ecologist'

Understanding Strategic Innovation

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