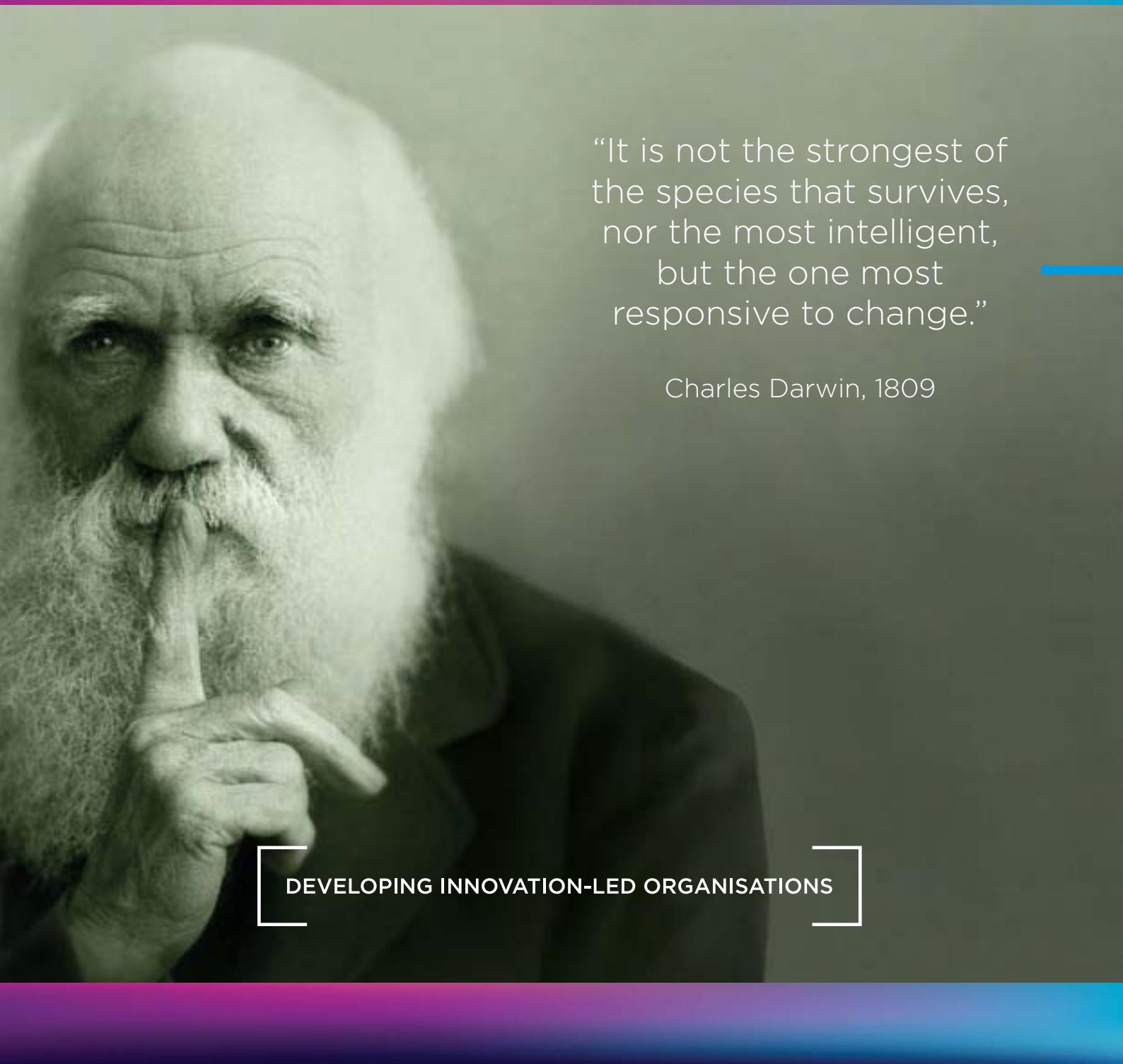


Becoming a post-recession innovation leader means...

# BUILDING A NEXT GENERATION ORGANISATION



“It is not the strongest of the species that survives, nor the most intelligent, but the one most responsive to change.”

Charles Darwin, 1809

[ DEVELOPING INNOVATION-LED ORGANISATIONS ]

The post-recession quest to enhance business performance and drive growth means innovation is now at the top of the leadership agenda!

**69%**  
of UK corporates  
now name  
innovation in their  
top three priorities.

**75%**  
of CEOs say  
fast-changing market  
conditions are forcing  
companies to reinvent  
themselves quicker  
than ever before.

**72%**  
of major UK company  
directors admit their  
organisations are too  
reliant on fading  
revenue streams.

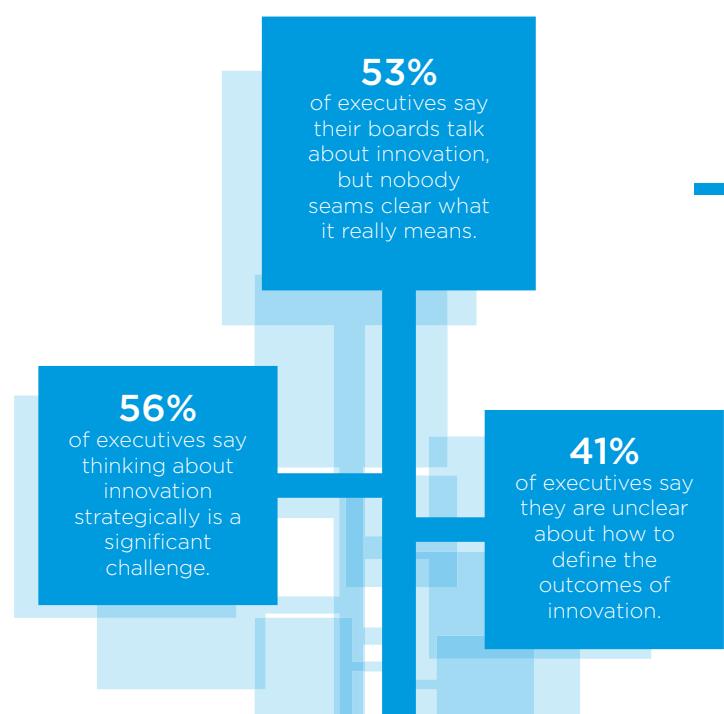
All over the world, organisations are emerging from hibernation, once again stretching their limbs and flexing their corporate muscles ready for a post-recession drive for the future. But whilst hibernating, hunkering down and minimizing risk in an effort to survive, the world and customers continued to move on at an ever-increasing pace.

With 72% of major company leaders now admitting their businesses rely too heavily on fading revenue streams; successfully driving growth through innovation is no longer as simple as launching new products and services or trying to gain a bigger share of the existing market. In fact 48% of senior executives cite changing external environment as a key driver of innovation. 44% cite changing customer preferences and 43% cite the need to enter new markets, with 37% outlining a lack of growth as the key driver.

The game has changed and the true winners, the 'innovation leaders' will be those that master strategic innovation in order to deliver new business models, experiences and differentiation in order to enhance business performance and disrupt at a continuously competitive pace.

With that in mind, research shows that 61% of corporates are preparing to change their strategy from concentrating on 'recession surviving efficiency' to a focus on growth. That means new thinking, approaches and behaviour has never been more crucial to the survival and future of every organisation. The worrying statistic is despite the importance of innovation-led growth now being firmly on the strategic agenda it's still a challenge for many organisations with 53% of executives saying their boards talk about innovation, but nobody seems clear what it really means. 56% of executives also said that thinking about innovation strategically was a significant challenge along with 41% unclear about how to define the outcomes of innovation.

So with 69% of corporates now naming innovation within their top three priorities and 18% putting it at the head of the list, the need for CEO and senior team strategic advice on innovation has never been more crucial.





**68%** of directors think their leadership team is better at delivering efficiency than growth.

**“Why man, he doth bestride the narrow world Like a Colossus, and we petty men Walk under his huge legs and peep about To find ourselves dishonourable graves.”**

So spoke Shakespeare's Cassius of Julius Caesar but these words can equally apply to any who stand out from their chosen fields. Amazingly people & customer focused businesses like Zappos and Amazon, or world-renowned individuals such as Richard Branson, the late Steve Jobs and innovators of the moment like Elon Musk. We all have the potential to be exceptional but some have that something special, which turns them into world-bestriding innovation leaders whilst the rest of us follow in their shadow.

But what has this to do with business and with creating the future? Surely, in business we deal with cold hard facts and cash, the movement of goods and efficiency right? As the Monty Python sketch (The Audit) goes “there's no place for sentiment in big business.” Well not anymore! The post-recession organisations, which will stride the world of the future like a Colossus will be those that endeavour to become what we call a 'Next Generation Organisation', creating inspiring innovation cultures, game changing business models and delivering amazing customer experiences. The challenge; 68% of directors think their leadership team is better at delivering efficiency than growth and in the banking sector that figure rises to a staggering 83%.

Driving forward in the post-recession world we now operate in will require a significant shift from the old game to the new game and for most organisations it will mean reinventing themselves in order to become relevant and stay relevant.

Continuing to play the old game is no longer an option and recent survey results confirm the sentiment with only 22% of senior executives citing 'responding to competitors' and 21% citing price pressures, as drivers of innovation. Changing the game is now the new strategic challenge, not trying to compete at the old one!

Building a Next Generation Organisation is based on my latest thinking and working with some of the worlds most successful organisations and it boils down to three core attributes - Intelligence, Collaboration and Adaptability. The first challenge for organisations is 'Intelligence' and moving away from traditional approaches to data and insight. The second challenge is around 'Collaboration' and the re-design of cultures, networks, strategic partnerships and increasing co-creation. And the final challenge 'Adaptability' focuses on speeding up the commercialisation of innovation in order to bring bigger ideas to market faster.

#### Why?

68% of UK corporates take just as long to innovate and get solutions to market now as they did five years ago.



For this change to be successful, not only do processes and procedures have to be changed, mindsets have to alter as well. Isolationist, my job only, silos have to give way to creativity, collaboration and teamwork. Being chained to your desk with your head down to the task needs to be replaced with creating the space for interaction. The 'water cooler' moment may be a cliché but it has a vital role to play in drawing together employees from varied disciplines in a shared drive to co-create innovative solutions and exceptional customer experiences.

Transforming an organisational culture into one of openness and innovation won't happen overnight. And it certainly won't come about unless considerable thought is put into designing the new culture, developing innovation leaders and training every employee in a new way of thinking and behaving. Sadly, for many, recent surveys indicate there is some way to go on the road to becoming a Next Generation Organisation and driving innovation-led growth.

#### INTELLIGENCE:

An increased focus and new approaches to gathering a deeper understanding of customers, consumers and markets;

in order to know more about the world, influence people, create opportunities, shape markets, change the game and lead the way.

#### Why?

60% of major UK business leaders admit their senior teams fail to understand their customers.

#### ADAPTABILITY:

An increased focus on agility and the ability to execute better and faster;

in order to adapt in the face of uncertain, complex and changing markets and stay more relevant than the competition.

#### COLLABORATION:

An increased focus on internal and external strategic communities;

in order to build powerful connections that drive the design and co-creation of new business models, solutions and experiences.

#### Why?

66% of major UK business leaders claim their current organisational structure makes it difficult to share knowledge & understanding.

Intelligence, Collaboration, Adaptability; all of these require something far more than facts and rulebooks. Put bluntly if you think that sentiment or soft skills have no place in business then innovation is never going to get beyond a note in your annual report or a marketing strapline.

But why should you bother? If the old way served well for decades why change? Quite simply, because the world has changed and continues to do so at an ever-increasing pace and that means staying relevant is the new challenge. To put that into context, Facebook didn't exist 10 years ago, the iPhone disrupted the mobile phone market within two years of launching, yet global icons like Blockbuster and Kodak are no more!

Businesses large and small can all now access the same technology, manufacturing techniques, processes and materials; meaning traditional forms of competitive advantage are now obsolete. Look at smart phones for example. They all take pictures, access the internet, enable you to play games... and you can even use them as phones if you want to. So why choose one over another? Yes you might stay with one brand out of loyalty but it's a fair bet that you are also looking at service, added extras, customer care, reputation and experience. And back to Apple again with the iPhone, it even comes down to how owning the products and your connection with the brand make you feel!

**58% of business leaders admit their management teams are failing to effectively lead for innovation.**



The Next Generation Organisations understand this. They know that innovation is the way to stand out, but they also know that innovation is not just coming up with new products. True innovation infuses the entire organisation from CEO to back office to customer facing employees. True innovation creates exceptional customer experiences and connections with customers and consumers and to do this, true innovation needs to embrace skills such as empathy, understanding and anticipation. And harking back to the Monty Python sketch, true innovation also understands that failure is not necessarily a reason for sacking but rather an opportunity to learn and grow.

Unfortunately, 58% of business leaders admit their management teams are failing to effectively lead for innovation however that's likely to be driven by the fact that 33% are unclear about innovation leadership responsibilities. For some a strategic and cultural transformation towards innovation will come as naturally as breathing. Others will need time and patience and understanding.

But there really is no alternative. Becoming a Next Generation Organisation is the only option in an increasingly homogenous world and those who shun the chance will soon find themselves "peeping about to find dishonourable graves".

Building a Next Generation Organisation starts with...

# Intelligence

**60%**

of major company  
directors admit their  
leadership teams fail to  
understand their  
customers.

### **Building a Next Generation Organisation starts with Intelligence...**

Where does your interaction with your customers begin? Is it when they see an advert in a paper or click on an e-mail, perhaps it's when they browse the net for their next purchase, or does customer interaction start and end when they step over your threshold? If you think any of these things then your business is very much in trouble.

In truth everything you do as an organisation is part of the customer interaction process. More importantly, every decision, every action, every process should be carried out with the sole aim of providing an exceptional customer experience and building connections with customers that inform your innovation process. But this begs the question 'how well do you know your customers' and more importantly 'how well do you understand your customers and their lives?'

The trouble with living in an information age, when big data abounds and surveys are only a mouse click away is that it is all too easy to confuse facts with understanding. You may know the average age, sex and spending patterns of your customer base. You may even have carried out some whizzy survey which shows how many newspapers your customer reads or whether they like indoor or outdoor pursuits. But do you really know them? How much do you really understand about the daily lives of your customers and how they interact with your product and competitors products? More importantly how far does this translate into providing different products, services and experiences, which will go over and above meeting customer needs?

With 60% of major company directors admitting their leadership teams fail to understand their customers its easy to see why there is currently a disconnect and low or little customer-driven innovation, meaning little differentiation and more perceived homogeneity.



As an aside and let's be blunt here; If you value short-term income over long-term customer loyalty then don't waste your time with innovation. Because at heart, innovation is now about delivering long-term competitive advantage through differentiated business models and exceptional customer experiences.

There needs to be a deeper understanding about what organisations 'know' about the world, their customers, consumers, existing and future trends and so on and I think that requires a shift from 'Insight' to 'Intelligence'.

The online encyclopedia Wikipedia defines 'insight' as this;

**"the understanding of a specific cause and effect in a specific context."**

However, it defines 'intelligence' as this;

**"A capability that, among other things, involves the ability to reason, plan, solve problems, think abstractly, comprehend complex ideas, learn quickly and learn from experience. It reflects a broader and deeper capability for comprehending our surroundings, catching on, making sense of things, or 'figuring out' what to do."**

In the bad old days if you thought about your customer at all it was to find out their habits so you could target advertising and flog them more of what they didn't need. Knowing your customer meant know how much junk, or quasi-insurance schemes, you could add on to whatever they were buying. But, the chickens have come home to roost, the public has wised up and now people are looking for something more, they want the future, now! Unfortunately 30% of senior executives cite predicting future trends as a specific barrier to innovation. Being future-oriented requires businesses to stop thinking they 'know' their customers because of typical 'insight', and gain real 'intelligence' in order to stop dictating what can be bought and to start collaborating and co-creating with existing and new customers.



It's the age-old dilemma. Do you give people what they want or what they really need? Do you satisfy whims or enrich their lives? Let's look at one theoretical example. Say you manufacture toothpaste and want to know more about your customers. You send out surveys, you run focus groups, you may even observe as customers brush their teeth in the mornings. But all of that activity only tells you about the time when your customers are actually using your product therefore will likely only result in incremental change to that existing product. But what happens over the rest of the day? What do they eat and drink, who do they see, what environment are they in? Deeper observation and understanding may persuade you to look again and come up with a new product, which your customers can use as an adjunct to their brushing schedule whilst they are on the move?



As an ex-designer myself, I can tell you that these are things that designers consider; they understand customer and consumer lifestyles and use it to inform the design process. It's why 'design thinking' is rapidly becoming a significant tool in building corporate innovation capability.

But gaining a deep understanding of your customers requires a new approach. If you want to know more about the world and how to use it to create opportunities, shape markets and change the game then you need intelligence not traditional data or insight. Technology has moved on to such an extent that every organisation has access to information gathering techniques which were unheard of only a few years ago.

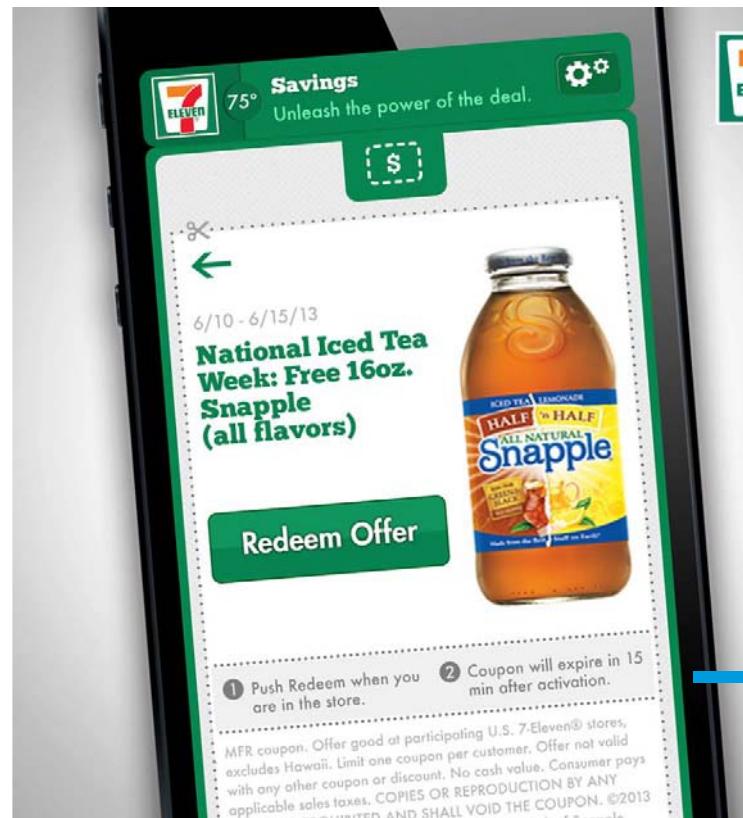
Store card use, monitoring web interactions, social media traffic: all have the potential to help businesses to really gain intelligence about their customer base. 7-Eleven is one organisation, which is going further in its search for using new approaches to gather insights that increase its intelligence, enabling it to create differentiated opportunities and change the game.

The convenience chain has developed a customer-driven app, which is designed to drive the business to respond better to customer needs. Whilst the app does have standard features such as nearest store, it also responds to searches by products and services and allows for outside factors such as time of day or temperature.

With future developments of the app being customer driven the app already "helps people find a store, solve a problem, get a deal and talk to us." By using technology to interact with peoples' lives the organisation is on the pathway towards really understanding its customers as well as moving towards a more innovative and collaborative way of interacting and co-creating.

Building a deep understanding of the importance of intelligence, of truly understanding customers as opposed to knowing facts is the first step in designing a Next Generation Organisation. Organisations which strive to be exceptional, to provide the highest levels of experiences in order to differentiate themselves from the marketplace have to become intelligent before they can move in to create exceptional experiences through collaboration and adaptability.

It's not easy. The old adage that you need to walk a mile in someone's shoes before you understand them is frankly un-ambitious. But the process starts with the desire to make a difference and with the realisation that facts or the traditional 'shed-load-of-data' won't really help you to gain true understanding.



If you want to make a difference and build a Next Generation Organisation, which puts its customers at the heart of innovation, start by getting to know them better in order for them to help you co-create the products, services and experiences that they really want and that you can deliver!

Real 'intelligence' trumps traditional insight every time and organisations need to start gathering intelligence about the world in order to truly out-innovate the competition. After all, the CIA isn't called the Central 'Insight' Agency is it!

Building a Next Generation Organisation requires...

# Collaboration

**66%**

of major UK business leaders claim their current organisational structure makes it difficult to share knowledge and understanding.

## Building a Next Generation Organisation requires Collaboration...

What does collaboration mean to you? If your instinctive answer was that collaboration means working together then you are not alone, but forgive me if I come up with a supplementary question and ask what working together really means?

You see, for many, in business and in life, collaboration or working together is just another way of explaining task allocation. We need to paint the house so you wash the walls down while I go out and buy the paint. We need to come up with a great advert so you write the words while I source a picture. For many these would be good examples of collaboration and yet all they really are is a way of sharing out jobs that need to be done. True collaboration, especially in order to drive innovation is another level again.

True collaboration means bouncing ideas off each other; true collaboration means leveraging individual talents and knowledge to enable groups to come up with something far greater than can be achieved by one person alone; in fact true collaboration means that the whole is greater than the sum of the parts.

Collaboration is the 2nd of three core ingredients for building a Next Generation Organisation. Along with intelligence, collaboration and adaptability enables organisations to transform their culture into one able to co-create powerful ideas, deliver differentiated and exceptional customer experiences and change the game.

PERQ is one example of an organisation, which really understands the importance of collaboration. As a marketing and technology company, PERQ describes itself as 'a company built of people who love winning the game of business and working towards the common goal of achieving success for our clients'.



In common with a growing number of organisations in its field PERQ understands the importance of workplace design and offers extras such as chill out zones and fitness areas. The PERQ difference is that this organisation understands the way in which these areas are not just a 'perk' but are essential elements in driving collaboration. As PERQ's marketing coordinator, Tim Hickle, said in a blog on their site;

**"In order for your employees to be in a position to innovate, they need to be able to collaborate with other employees with different perspectives. Some of our best ideas have come from employees in completely different roles talking over a round of horse at our basketball goal."**

In fact having a 'collaborative, team-focused environment' is listed as one of the benefits of working at PERQ. And this deeper understanding of collaboration comes up time and time again in the company's website, in its outward messages to the world and in articles which are written about it. Whilst PERQ may not be alone in its focus on collaboration, on building internal and external strategic communities, sadly 66% of major UK business leaders claim their current organisational structure makes it difficult to share knowledge and understanding and that's one of the a major barriers to innovation.

**75% of CEOs say fast-changing market conditions are forcing companies to reinvent themselves quicker than ever before.**



But, I hear you ask, isn't innovation only for new young companies? Why should a more traditionally based, long standing, rule driven organisation even try to transform their culture to be more collaborative and innovative? Quite simply, because if you don't then your organisation may be the next casualty in the increasingly agile world. We talk about organisations which adopt intelligence, collaboration and adaptability as Next Generation Organisations simply because they are the ones which are going to still be in business when the next generation grows up.

In a recent UK survey 75% of CEOs said "fast-changing market conditions are forcing companies to reinvent themselves quicker than ever before." That means organisations are going to have to figure out what the next 'iteration' of themselves needs to be and make plans to morph shape, structure and adapt in order to stay relevant. One major barrier is that 62% of business leaders admit it's 'almost impossible' to gain support to test and develop ideas. Unless that changes the ability for organisations to innovate and move from the old game to the new game is at risk.

The cold truth is that the business world is changing and everyone in business needs to change with it. The world in which I did this and you did that and never our paths should cross is the world of yesterday.

Building a Next Generation Organisation means embracing...

# Adaptability

**68%**

of UK corporates take  
just as long to innovate  
and get solutions to  
market now as they did  
five years ago.

### **Building a Next Generation Organisation means embracing Adaptability...**

One of the more thought provoking statistics to emerge from the 2014 Budget speech was that “later this year the OBR expects Britain to reach the point when our economy is finally larger than before it collapsed six years ago.” That’s great news for the future but what a six years it has been! Whilst some companies have managed to weather the storm in one fashion or another, many household names have been swept away. Comet, JJB Sports, Woolworths to name but a few; all seemingly rock solid organisations which succumbed to the tsunami of recession and changed shopping patterns which swept across the globe.

Looking at these organisations, and others, if there is one lesson, which we all need to take forward into this new period of growth, it is the need to be adaptable, to increase the focus on agility, to be able to execute change better and get new stuff to market faster. So why in this fast changing world do 68% of UK corporates take just as long to innovate and get new solutions to market now as they did five years ago? People have changed, shopping patterns have changed and will continue

to change and businesses, which are not set up to change with them, to keep pace, are businesses which may too late learn the value of adaptability. In a world in which one picture, one thought, one tweet can go viral in a few minutes, the only certainty is that there is no permanence which is maybe why only 18% of executives believe their existing innovation strategy is delivering a competitive advantage!

Actually, that’s not quite true. For whilst there is no permanence, I think organisations can work to protect their future. Through the combination of ‘Intelligence’, ‘Collaboration’ and ‘Adaptability’ organisations can be in the right place to respond to rapidly changing marketplaces, build inspiring innovation cultures, game-changing business models, products and services and deliver exceptional co-created customer experiences.



For many, innovation is a new priority, but for organisations like Whirlpool, P&G or Nike for example, innovation has been a part of their DNA for many years. AG Lafley at P&G is well known for his appreciation of design and design thinking.

**"We want to become the number one consumer design company in the world, so we need to be able to make it part of our strategy. We need to make it part of our innovation process."**

**AG Lafley**

Chairman, President & CEO – P&G

**"When I got the job, I knew I wanted the company to be more innovative, more global, and more focused on the customers. But it does take a year or two or three to really put ideas into initiatives and get the team aligned. The big difference is that business leaders have no choices here. Nobody is allowed not to play. Nobody can say, 'I'm going to sit this one out.' That's the way you drive change."**

**Jeff Immelt**

CEO – General Electric

Take Nike for example. With a worldwide name and some of the biggest sports stars on the planet as brand ambassadors it is easy to think that Nike will be around forever. And yet Nike operates in a marketplace in which fashion and brand identity are market drivers and the fickle finger of market trend could swing away from the company at any time. Nike counters this threat with an awareness of the need for continuous innovation, agility and fast product to market times.

Speaking in 2013 Nike CEO, Mark Parker, considered by many as the world's most creative CEO said "One of my fears is being this big, slow, constipated, bureaucratic company that's happy with its success" adding "Companies fall apart when their model is so successful that it stifles thinking that challenges it."

So Nike innovates and it responds to trends by incorporating sustainability into its model and by not only keeping an eye on future movements in the marketplace but in playing a leading role in establishing those trends. With ideals including 'it is our nature to innovate' and 'evolve immediately' the Nike innovation way encompasses absolutely every employee.



**"One of my fears is being this big, slow, constipated, bureaucratic company that's happy with its success. Companies fall apart when their model is so successful that it stifles thinking that challenges it."**

**Mark Parker**  
CEO – Nike

Mark Parker's fears are unfortunately all-to-real barriers for many organisations with 59% citing bureaucracy as a main barrier to ideas making it to fruition and 46% of leaders claiming their organisational structure is a barrier to innovation with that figure rising to 87% in the banking industry. This goes some way to explaining why only 28% executives are happy with their companies' ability to commercialize and launch new products, services and experiences and the consistency of their innovation performance.

However, the perception that low innovation is as a result of a lack of 'ideas' is far from the truth. The reality is that 'lack of ideas' isn't even in the top three obstacles to innovation.

78% of executives cite challenges around building business cases and 81% say the real challenge is executing on and implementing the ideas that have been chosen for development.

But what does that mean for the customer? Quite simply, the more innovative and the more the company embraces adaptability, the more the customer benefits. We may not all go as far as Nike, which believes that 'if you have a body, you are an athlete' but this focus on providing outstanding products alongside outstanding levels of service and experience is one which all businesses can learn from. In a homogenous world it is the little touches, the attention to detail, the customer care, the responding to market trends and the attention to innovation which results in the exceptional levels of customer service which feed directly into relevance, longevity and enhanced business performance.

In common with other Next Generation Organisations, Nike understands that the world has changed and to survive in the future you have to create the future. For some this will come easily but for others it may require a complete transformation in culture, attitudes and practices in order to increase the ability to react, change direction and get stuff to market faster.

On average, UK corporates take just as long to innovate now as they did in 2009. But, the world we operate in has increased in pace so in real terms for most organisations, innovation and getting new stuff to market has actually slowed down! However, there seems to be a small unique band of organisations that do it fast. 3% of UK companies are able to get ideas to market in less than six months and it's not what they are doing that's any different, it's how they are doing it! They are using design thinking and design processes to make things happen faster, to co-create, to test, to prototype, faster and more cost effectively than the other 97%.

The design process is a great tool for organisations to embrace in order to build this capability as it creates a pragmatic, staged framework, giving method to what can too often be overcomplicated and hampered by company structure and red tape.



# Summary

So, despite all the survey results you've just read, what's the point, why is innovation so important, why should you look at what it takes to drive innovation and become a Next Generation Organisation? Well, it all boils down to these simple facts. Organisations with formal, well defined and communicated innovation strategies, aligned to their corporate growth strategies. With supportive CEOs, senior teams and collaborative cultures are less likely to have an 'incremental innovation' capability and are more likely to have what I call a 'differentiated innovation' capability i.e. what they do isn't just re-badged continuous improvement with no discernable benefit to both the top line or the customer, it's an innovation-led growth curve, a differentiated position and the reputation for delivering exceptional products, services and customer experiences.

Compared to organisations without a formal, structured approach to innovation, organisations who 'innovate with purpose' and align it strategically are 50% more likely to define that strategy as delivering a competitive advantage, are 100% more likely to transform their business in the next 3-5 years through innovation and are 20% more likely to be first to market. These are the organisations which shape the future!

Good Luck!

**"Given your industry and your competitors, how will you use innovation to stay ahead of the game, better yet, become exceptional?"**

# About the author...

## Cris Beswick Strategic Advisor on Innovation, Bestselling Author & Keynote Speaker.

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

He is now a strategic advisor on innovation, recognised globally as a thought leader on innovation strategy, leadership and culture and has helped some of the world's most ambitious CEOs, visionary leaders, Fortune 500 companies and Governments solve their most complex innovation challenges, develop game-changing innovation capability and build a culture of innovation.

Based in London but working internationally Cris is a Visiting Fellow and Professor at several of the world's leading Business Schools and a regular keynote speaker at global innovation and intrapreneurship conferences.

Cris is also the author of two books on innovation, 'The Road to Innovation' and 'Building a Culture of Innovation', an amazon bestseller and voted one of the CMI's top books on innovation in 2017.

He is also the co-founder of innovation thought leadership website 'The Future Shapers', which brings together a global network of innovation experts, thinkers and practitioners to provide world-class perspectives on the challenges of driving innovation in a VUCA world.



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