
Build an Innovation Culture

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Inspired by a presentation given by Mark Hawkins of *Inventium*, I began thinking about all the clients we have helped build a more creative and innovative workplace. We usually start at the most fundamental level, which is to define innovation. We do this because we have found that peoples' extravagant notions of innovation are a significant blocker. Innovation does not need to be some extraordinary new product. In fact, innovation is any change that adds value. This can mean small incremental changes to processes or methods; so long as they add value.

Next, we try to dispel the myth that innovation happens 'magically' in organisations where there are inherently innovative people. Leaders must understand that innovative organisations work very hard at being innovative and that they have very structured frameworks that increase the likelihood that innovation will take place. All organisations need to have systems in place to innovate because innovation does not happen by accident. Instead, it is deliberate, it happens where people constantly think about the future. *Inventium* talk about nine key drivers of innovation and have organised them into a framework (see below).

Next, we distinguish between incremental and disruptive innovation. Incremental innovation is the constant tweaks, changes and additions that add value. Disruptive innovations are the game changers. While disruptive innovation gets the headlines, the reality is that if this is the only type of innovation an organisation cares about then the likelihood is that other organisations will be able to serve the current market's needs far better: These 'incrementalists' will give customers what they want and organisations which devote all their attention to the introduction of game-changers will likely miss out. What matters here is that organisations must engage in both incremental and disruptive innovation - both are critical.

Jack Welsh said, the rate of change inside an organisation has to be equal to or more than the rate of change outside of an organisation or the end will be in sight - the only question will be 'when' not 'if.' The Kodak experience is instructive here: It is too simple to say that Kodak suffered from digital disruption especially when you consider that Kodak invented the digital camera. At the time, Kodak had 90% of market share and controlled the supply chain. When the decision makers at Kodak rejected the digital camera it was because they thought the digital camera would cannibalise what made money for Kodak - which was film. And they were right. Kodak did not want to develop something that would threaten their cash cow. What is well understood now is that Kodak (like all organisations) was always going to get cannibalised; so it may as well have been Kodak that did the cannibalising. This would have allowed Kodak to manage the disruption far better. In the end, organisations need to sustain and maintain their competitive advantage and Kodak lost theirs.

An organisation's ability to keep innovating is dependent on its ability to maintain & sustain competitive advantage - it is critical that organisations have a process to identify, capture & seized innovation opportunities


Author Michael Raynor talks about a **strategy paradox**; where organisations align goals and initiatives and take one strategy into a future which is unknown. This paradox is mitigated by best practice innovation strategy (both incremental and disruptive), the aim of which is to constantly differentiate yourself. Differentiation allows an organisation to constantly extract greater margin. When people compare 'like to like' they will invariably buy on price. The key is to differentiate and help people to buy based on additional value compared to competitors - **the key to margins is differentiation that adds value**. But differentiation and an organisation's value proposition are continually being eroded so organisations need to keep innovating. The best way to do this is by innovating scientifically, using a framework such as the following:



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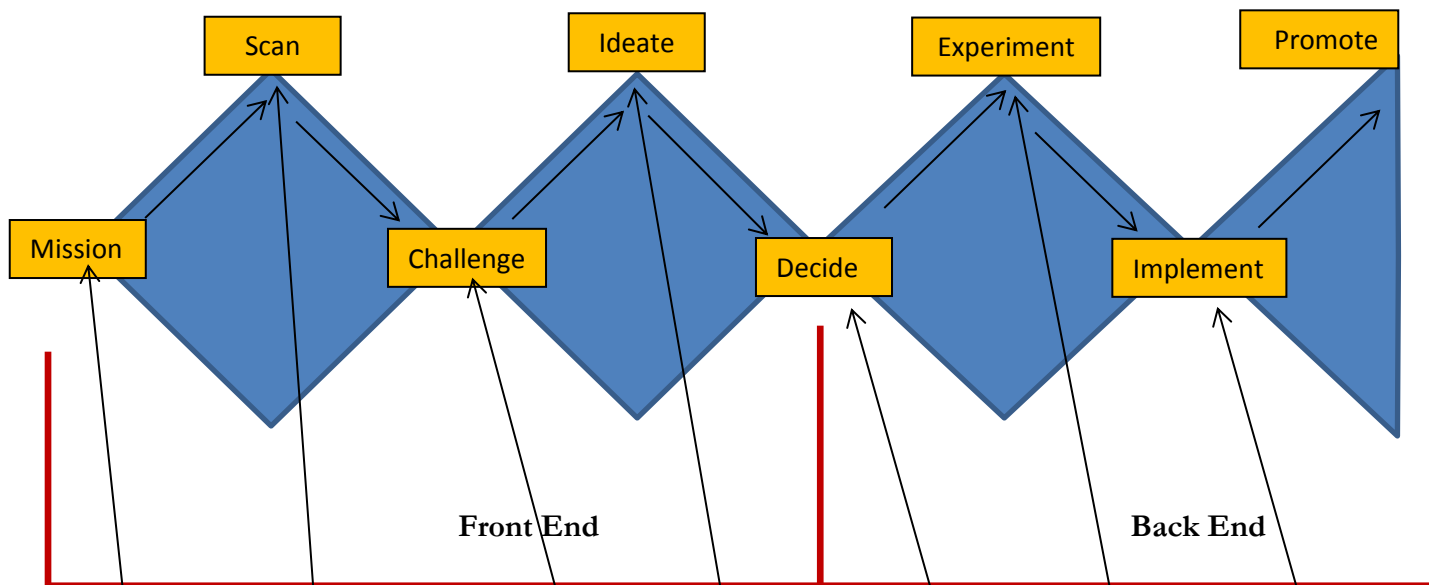
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Innovation Framework

 <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Maturity</p>	Optimisation	<p>Measurement - quantify your innovation efforts. As Drucker said “you can’t manage what you can’t measure.” It’s very important to look at cause and effect and the relationship between inputs and outputs i.e. are the inputs leading to the outputs or are other things involved? Between input and output is the impact of processes and environment. Investigate correlation V causation: <i>Post hoc ergo propter hoc</i> (after this, therefore because of this). But correlation does not mean cause, in fact it rarely does. See e.g. of bunnies and youth murders on global maps.</p>	<p>Communication – turning innovation into a habit and keeping it top of mind. If 20 people were surveyed (sample) would they know the answers to the following: (Define) – What does innovation mean? (Reason) – Why is innovation important? (Method) – How do we innovate i.e. “if I had a great idea what would I do to make it happen?” Also ensure that there is a process to communicate feedback on to people who generate new ideas as this is key to keeping people motivated.</p>	<p>Positioning – being a thought leader in innovation. How do we position innovation within the organisation and outside the organisation? Do we aspire to be leaders and are we known as innovators? Find opportunities for people to present or write about what the org. is doing; promote successes both internally and externally to give people a sense of pride and motivation; and invest in ‘innovation’ high performers to help them be even better – areas like communication skills, agile thinking.</p>
	Graduation	<p>Resources – 1. Time; Co. must direct time to people to innovate i.e. build & allocate time into their day to innovate; 2. People; you should democratise the front-end and compartmentalise the back-end of the path to market. 3. Money; micro-fund the testing – run small experiments & test behaviour, not intention. This encourages rapid prototyping and avoids over resourcing & wasting money. Set up a process where people get small amounts of money to test hypotheses (that A will result in B). This is how Co. learns what works & what drives behaviour. This also allows for diversification of ideas. Run many experiments and try different options to see what drives behaviour best! Set aside a pool of money for ideas that you identify as worthy of prototyping, then test before allocating more money. Ensure innovation budget is quarantined.</p>	<p>Strategy - align innovation with organisational goals and strategy. Innovation strategy needs to be crystal clear. Everyone needs to know what the missions are and what the growth gap is. Organisations tend to value innovation and set it as a goal but do not have an innovation strategy. This leads to ad hoc and unpredictable results. Growth Gap = what is your Co. 3/5 year growth target? Once you know this, calculate the natural growth you expect to gain from core business over that time period. Then, calculate the growth you expect to gain from incremental innovations over that time period. The growth gap is the amount remaining between the total of the previous two steps and your growth target. This amount equals the growth that disruptive, or non-core, innovation must achieve for your business in order to meet your target.</p>	<p>Roles – drive innovation through job definition and focus. Extrinsic: Innovation needs to be in peoples’ roles and part of everyone’s KPIs and evaluated in their performance reviews. Intrinsic: Need to look after people who enjoy innovating. People need a sense of progress; that improvement is happening to keep them engaged. In fact, this sense of progress is critical for engagement generally – people need to feel that they are getting somewhere and that the organisation is getting somewhere (“I am developing and the organisation is progressing”). This is also critical for motivation and morale - people need to feel that they are learning and developing. If innovation is not explicitly linked to peoples’ appraisals then BAU activities will always take priority.</p>
	Foundation	<p>Process – Pathway from mission to market (see below). Process has to be clear and deliberate. People also need to know what challenges need to be solved. In terms of experiments (see below) people must know how to prototype ideas quickly and cheaply.</p>	<p>Climate - We are talking about climate rather than culture i.e. employees’ perceptions of the culture. 13 key drivers for a climate of innovation. N#1 blocker is a blame culture (see: fundamental attribution error). If there is a culture where it is not safe to fail then this blocks innovation. In cultures where it is safe to fail, where the organisation says, “fail fast & often” this will drive innovation. What is key is a focus on learning rather than blame. To fail and learn is good which is why <i>Engineers Without Borders</i> produce a failure report. There, failures are seen as rich areas and they are talked about in the context of learning. When they are not talked about there is the risk of repeating failures. So failures shared and discussed rather than swept under the carpet. Second blocker is if people are not removed from the hierarchical structure and are caught up in day to day BAU.</p>	<p>Capability - Skill building for innovation. People need training to think creatively and to be able to seize opportunities. People need to know how to scan, to ideate, to experiment (lean thinking). Help people become customer detectives who are brilliant at identifying what customers really want, train them to become effective at generating creative solutions to problems and to help people to prototype ideas quickly and efficiently. Important to shift focus from culprit to cause.</p>
	Structure	Leadership	People	

3 Pillars of Innovation

Pathway to Market



<p>Mission is not the corporate mission but the initiatives that you want to achieve like increasing employee engagement or generating greater revenue</p>	<p>Divergent thinking is required here: Need a process for effective scans – for getting diverse views and opinions. This is about exploratory research where you capture the views of stakeholders</p> <p>*there is a real risk that people will not do scans and will go straight from decide to implement</p>	<p>Convergent thinking is now required – go in tight</p>	<p>Divergent thinking: Get ideas and create new ideas: Use PATB techniques to challenge assumptions. Also ask, “what if the opposite was true?” Expose thinking to different industries and what others would do.</p> <p>Need ideation sessions not brainstorm session</p>	<p>Convergent thinking: Go in tight</p>	<p>Go broad: Need to test the biggest assumptions – if doing A does not lead to B then we are stuffed – Need to test the drivers of NPV – test the critical points/assumptions that the value rests on. Important that test is valid and that you are testing behaviour not intention – see if people buy or visit, not if they intent to. This is the heart of lean start up methodology</p>	<p>Go in tight to implement and then go broad (divergent thinking) to promote</p>
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