Innovation
Acceleration

How to radically transform growth by rapidly creating innovation-focused organisations

Stuart Cross, July 2015

There was a time, not that long ago, when innovation was a strategic option for most companies. It wasn't that product or service development wasn't important, it was just that the level of detailed executive and organisational focus on this area of the business varied in line with its perceived relevance to the company's growth ambitions. As Bob Dylan once sang, though, *things have changed*. Innovation is no longer a strategic alternative; it is a strategic imperative. It is impossible to gain and sustain a leading position in your market without a systematic and comprehensive commitment to innovation. The pace of change in most markets means that you must be constantly adapting and changing at least as fast as your environment. It's incumbent on you to continuously raise the bar on your performance and find new ways to win, rather than simply relying on the continuation of existing successes.

Make no mistake; accelerating your pace of innovation is first and foremost a leadership issue. As Jonathan Warburton, the owner of the UK's number one bakery (and the UK's second biggest grocery brand, behind Coca-Cola), once said,"*One of the great responsibilities of owner-drivers is to stick their necks out and be seen to take risks, because they're fireproof. What chance is there of the hired help taking risks if the guys at the top won't stick their necks out?*" There are three leadership tasks that you must carry out to ramp up the pace and scale of innovation across your business. First, you must find and release your organisation's innovation brakes. Second, you must set a clear and compelling innovation goal for your company. And third, you must implement some specific organisational accelerators. This paper looks at how you can achieve these three critical leadership tasks.

Release the innovation brakes

In most organisations, however, there is a yawning gulf between its innovation potential and the realities on the ground. I call this the 'innovation gap' (see Figure 1) and it tends to occur in organisations where managers are focused on fixing issues with the current business, rather than raising the bar on performance and creating new opportunities for growth.

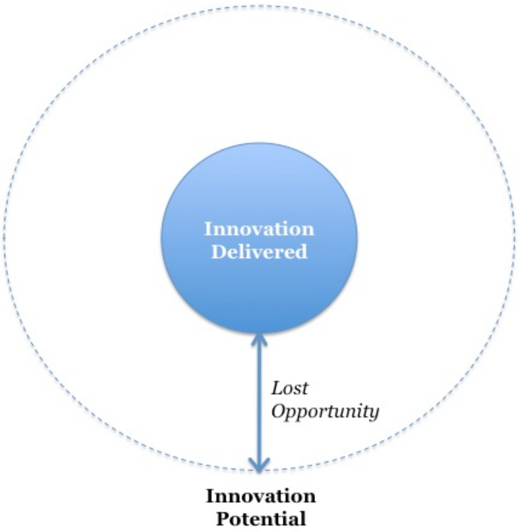

Figure 1: The Innovation Gap

So why is the gap and the lost opportunity so much larger in some companies than in others? What are the factors that create an environment in some organisations where perfecting what they already do means that they don't have the capacity or desire to truly innovate? In my experience the creativity, invention and commercial acumen that is required for innovation acceleration exists in virtually every business. It is just that in some companies it is better hidden than in others. The lost innovation opportunity is not generally a result of poor intentions, but is a consequence of specific barriers that can lurk unseen. These 'innovation brakes' fall into three broad types:

1. **Strategic Brakes.** The decisions you take to set the future ambition and direction of your business, and the way in which you manage its delivery, directly impacts on your ability to innovate. Even if you set up a strategic initiative to accelerate innovation you will see limited benefits unless you also address your strategic brakes, which include incremental goals, focusing resources on defending existing businesses at the cost of creating new income streams, and excessive and conflicting priorities.

2. **Organisational Brakes.** Even if you create a strategy that systematically drives innovation, you will still see limited progress unless you address the organisational brakes on the pace and scale of innovation. These brakes include unclear accountabilities, too many management layers, low levels of cross-functional collaboration, a dependence on a small R&D or equivalent team for all innovation, and an over-reliance on planning.

3. **Cultural Brakes.** Finally, the pace and scale of innovation is also driven by the culture and attitudes that prevail in your organisation. Your attitude to risk can be adversely affected by cultural brakes including a desire for a magic pill solution (rather than a daily exercise regime), a belief that customers can simply tell you what new innovation they want (when, in fact, customers are poor at predicting their own future behaviour), a requirement to 'get it right first time, every time' and, most importantly, an intolerance or fear of failure.

Achieving your 'innovation potential' requires you to identify and release these brakes. As you do so both the scale and speed of innovation delivered by your organisation will accelerate. And, as with personal success and development, changing your attitudes and beliefs will have the biggest and most sustainable impact on your company's performance. This means that innovation must be led from the top. It is the chief executive officer who must set the tone, and the innovation tune the CEO plays must be sufficiently clear, consistent and catchy for the rest of the business to join in.

Establish a clear innovation ambition

The level and pace of innovation within a business is, to a large extent, driven by its culture and the attitude and behaviours of its most senior leaders. Yet, even in a slower, more conservative organisation, there are ways to rapidly and dramatically step-change the level and speed at which you introduce new products, services, operational improvements and management approaches. The first step is to establish and communicate a clear ambition, or set of ambitions, for innovation.

A common goal is to set a certain % of sales from products and services launched in the past, say, three years. This is fine as far as it goes, but I have seen examples of such goals where the % is set so low, or where the time frame is so long – five years or more – that there is no real stimulus to innovate. There are other goals and ambitions you can set that will create greater levels of change in your business. For instance:

- ***Set a highly ambitious sales or share target that cannot be achieved by 'business as usual'.*** At Topps Tiles, for instance, we worked with the executive team to develop a #1 goal for the business to grow from a 25% market share to 33%. As a result, managers developed new service standards, created new, innovative ranges, spent more time and effort attracting trade customers segments and developed new formats in their successful effort to achieve the goal. As Matt Williams, the chief executive of Topps said, "*The goal galvanised the organisation and has been a key part of our success.*"

- ***Establish a £ sales and profit goal for products and services launched in the last 1, 2 and 3 years.*** People understand £ far more easily than they understand %, and as it's easier to keep score it's also easier for your organization to engage around your ambition. Creating short-term, as well as longer-term goals, also helps create and maintain the pressure for change and action.

- ***Compare your level of innovation to your key rivals***, and set a goal so that you have, say, 50% more of your sales and profits from new products and services than any other player in your market. Using this goal ensures that you're not only improving over time, but also that your competitive position is getting stronger.

- ***Set a target to become the #1 for innovation for your target customers.*** Once your customers view you as innovative, your corporate brand and reputation will be enhanced, enabling you, over time, to add a premium to prices and gain a larger share of your markets. If you're improving performance, but are still in the pack, you won't gain this recognition, but if your underlying ambition is to be seen as the innovation leader, you will find that your people will start to make different decisions and take different actions in pursuit of that higher-level goal.

- ***Develop a laser-like focus on two or three specific innovation priorities.*** Part of Amazon's success has been to focus innovation on its three priorities of faster delivery speed, greater choice and lower prices, and, similarly, Dyson has succeeded by seeking to leverage its capabilities and technologies that created its high-powered vacuum cleaners into related product areas such as hand dryers, fans and heaters.

Any one of these goals, or a combination of them, will help you establish a far clearer and higher level ambition for your business that, if communicated effectively across your business, will help your people to deliver the innovation necessary to excite your customers and accelerate your growth. The pace of innovation and growth will rise, however, if you also implement the five innovation accelerators set out below.

Implement 5 critical organisational accelerators

Accelerator #1: Ensure the same person runs the R&D and Sales teams

The teams responsible for R&D and product and service innovation commonly report into a Chief Marketing Officer or Chief Technology Officer. Innovation, it seems, is seen as too important to be placed under the responsibility of operators, but this can lead to a disconnect between the developers and your front-line teams and their customers. At one client of mine, for example, less than 50% of the country markets had deployed the company's last three major product launches because they didn't believe they were relevant to their customers.

A simple, straightforward organizational solution to this issue is to bring innovation, research and development and sales under a single team. After all, it is the sales teams that are closest to your customers and have the best understanding of their needs. Bringing innovation and sales under the same leadership provides a direct linkage between customer opportunities and new product and service possibilities. It is exactly how the best, most entrepreneurial business operate and it could enable you to step-change the pace, and take-up of new products and services by both your sales teams and your customers.

Accelerator #2: Recruit people with a bias for innovation

There is a difference between good managers and innovation leaders. As companies grow and mature they attract and retain a bigger number of 'good managers'. These people are effective at implementing projects, resolving issues, planning, performance management, communicating with their teams and delivering on-going, incremental improvements. They do not, in general, however, possess the appetite for risk, the desire to experiment and the willingness to fail that sets 'innovation leaders' apart.

Back in the 1980s, for example, Lotus recruited many MBA managers into their business following the success of the company's 1-2-3 spreadsheet software. But this influx of managerial talent coincided with a decline in the company's level of innovation. It was only when a completely new, MBA-free team was set up, in a different building and location to the corporation's main head office, that the company's next major innovation, Lotus Notes, was created.

Accelerator #3: Allow time each week for innovation projects – for everyone

Many innovations are created by small teams (two or three people) working together on small ideas, rather than by individuals working independently or as part of larger, more formal collaborations. What can you do to encourage these 'skunk works' in your business? Some companies, including Google and 3M let their people spend a proportion of their working week on projects that are of interest to a small group, rather than as part of a wider corporate initiative. There are four elements to help you make this approach succeed:

- ***Build and raise capabilities.*** You must invest in the skills and capabilities required for effective innovation. These include creative thinking approaches, prototype development, team leadership and project management, as well as relevant technical and engineering skills.

- ***Involve with integrity.*** It is vital that people are given clear objectives and the broader context of the company's aims and ambitions. Only then can they really understand what is required to succeed. It is not enough to do this with centralised communications. Each manager and leader across the business must take the time to them to develop new products, services and improvements that are in line with the company's priorities.

- ***Provide boundaries.*** Empowerment does not happen in an organisation without boundaries. On the contrary, a lack of boundaries can lead to paralysis where no one is sure about what is expected of them. Let people know what their limits are. These might include the types of products, services and improvements upon which you wish to focus, investment and funding ceilings and decision rights.

- ***Drive accountability.*** Within these boundaries and objectives, give people full accountability for results. By giving them this freedom and responsibility, you will ensure that decisions are made as close as possible to the customer, rather than being driven back up the chain.

Accelerator #4: Become the market leader at innovation partnerships

With most markets encountering rapidly changing technologies and customer tastes, it can pay to work with other organizations to develop new solutions and offers for several reasons. First, it is unlikely that you will have all the assets and capabilities you need to exploit any new opportunity, at least in the short term, so you will need to work with another organisation that has those complementary skills. Second, you can reduce the risk from a new venture buy sharing investments. Third, as a result, you can use partnerships as a chance to learn more about a new market before making a more strategic outlay.

High-technology industries have embraced the need for collaboration in product development for a couple of decades at least, often in broader coalitions rather than simply as an arrangement between two of the players. This approach is now being replicated in other industries. Citroen, Peugeot and Fiat, for example, combined their resources to produce their people carriers. The body and chassis of their different brands are the same, it is only the internal fit-out that changes.

Accelerator #5: Reward behaviours, not just results

I have written elsewhere that failure is an intrinsic element of fast-lane innovation. Ensure that you support this reality by rewarding those that behave in ways that are likely to lead to innovation, even if not everything they have tried and developed has succeeded. Here are five practical ways you can do this:

- ***Focus management reports on the quantity of ideas, not just their quality.*** Instead of merely reviewing the value of your innovation pipeline, report and review the number of ideas that have been created, have received funding for initial prototypes, have been selected for wider trials and testing, have had the green light for full implementation.

- ***Celebrate your organization's failures.*** Governments may choose to bury bad news to avoid criticism, but if you fail to learn from your mistakes you are simply bound to repeat them in the future. Why not have an awards ceremony each year when you not only recognise the new commercial successes, but where you also have categories such as "*most glorious failure*", "*the very-nearly-but-not-quite-a-success*", "*the single biggest innovation lesson of the year*", and "*the most entrepreneurial manager*"?

- ***Create stories about people with the right stuff.*** Stories resonate with people far more than statistics. At M&S, one of Sir Stuart Rose's first actions as CEO was to share a story about how one product manager designed, developed and implemented a new line within a week, following Rose's criticism of the range. That story was used to show other managers that speed and action were at the core of the new management regime.

- ***Promote managers with some glorious failures on their CV.*** A blemish-free CV is a worrying thing. It suggests a risk-averse attitude, a desire for perfection and, in all likelihood a bias against action and speed. A resume with a sprinkling of failures, a pattern of learning and improvement are likely to belong to a manager with a far greater chance of driving future innovation and success.

Making it happen

Realising the innovation potential of your business need not take years and years to achieve; in fact, you can make significant progress in just a few months. Critically, however, innovation will not happen unless a company's most senior leaders create the conditions for success. As a next step, critically review the strategic, organisational and cultural brakes on innovation and growth in your business, and identify 3-5 specific areas where you will remove these brakes on performance. Second, work with your leadership team to establish and share a clear and compelling innovation ambition for your company that will encourage and reward your teams to contribute to your new goal. And third, identify one or two accelerators that you will work on to provide the necessary step-change in the scale and pace of innovation that will both delight your customers and deliver against your performance ambitions.

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