What is holding us back from being more innovative?

Much has been said in the media about the need to innovate and how western economies are falling behind in the innovation stakes. Those involved in growing their business and competing on a global stage should now all be well versed in the arguments about not being able to compete on price alone, the low costs of foreign labour, lowering costs of transportation and the influence of the internet, and so on and so on.

Despite these well publicised arguments and a general acknowledgement of the need to differentiate their business or service through innovation, few Senior Management Teams (SMTs) actually understand what that means for them and their business on a day to day basis! As a company involved in developing tools and techniques to help businesses become more innovative and improve performance, Project Leaders International have worked with many management teams in companies large and small in many sectors. Our findings about what holds companies back and what they should be doing, makes interesting, if alarming reading!

Innovation Confusion?

Misunderstanding about what innovation, in a business context, truly is seems to be amongst the major barriers to innovation. Misunderstanding manifests itself in several ways, namely;

- *Confusion with 'Creativity'*
  Many senior managers' first exposure to innovation, as a business discipline, has been attendance on a "*Creativity Awayday*". Often senior managers and their teams have been taken away from the business environment and encouraged to 'be more creative', 'think outside the box', 'imagineer'! Often they have been involved in role-play and taken way outside their 'comfort-zone'. The end result - many managers are frightened away from the whole concept of Innovation and Creativity as a business discipline. Many managers we spoke to thought that 'Innovation as a business discipline' was an oxymoron! *"How can you be disciplined about something so esoteric and unstructured as creativity and innovation?"*

  Solution: Separate 'Creativity' and 'Innovation' in the minds of managers and create a disciplined approach to Innovation. In fact Innovation should be *THE* core discipline for the 21st Century! Think of innovation as the application of ideas to a business end – resulting in new products, services, processes etc. Think of creativity as one of many means by which businesses can get new ideas in the first place.

- *Innovation is about big ground-breaking ideas*
  "It's not for us – we're not about big ideas". Companies wishing for that new technological leap that will jump them from obscurity into the FTSE or Fortune 100 group of companies are ignoring most of business history. Even those companies with a new technological head-start have had to work at it. Companies who wait for the next big thing whilst carrying on as normal will fulfil Gary Hamel's prophecy;
  "Those that live by the sword will be shot by those that don't"

  Solution: In fact, the most innovative companies are those who make real gains and progress through small, incremental changes to products, services and processes. The ideas and innovations are managed and coordinated and planned for. Yes – planned for! Innovation should be planned and managed as a core business process, as naturally as finance or marketing. Create an innovation process, set targets and Key Performance Indicators (KPIs), appoint a Chief Innovation Officer, control the ideas and innovations that come into the central repository – this is what innovative companies do!

- *Our 'creative types' in Marketing and R&D 'do' innovation*

  On speaking with a cheese manufacturer recently I was told by a senior manager that *"we did innovation last year – we have a new site that deals with that stuff"*. As a product based company their focus had been all about cheese. They had been quite 'innovative' about cheese and had created new cheese/fruit combinations. As far as they were concerned new products equals innovation, and that's the responsibility of the R&D team. Wrong! The most innovative companies realise that everyone should be involved in innovation. How many times have we heard the mantra that *"people are our greatest asset".* Really! If you truly valued them then you would involved them in the innovation process – the lifeblood of the company! Actions speak louder than words.

  Solution: Innovation is so important it involves everyone who is willing to be involved. It includes those people in 'back office' functions as well as those in R&D. It especially involved those people in the function we have traditionally undervalued in UK plc – customer services. Admittedly not all people get involved and contribute to the same degree, but the value of your staff is not just having 'warm, breathing bodies (mostly)' but the intellectual capital they represent! Get people involved, set targets and teams up to help create a culture of innovation, use the 1001 ideas and comments from staff that are ignored on an almost daily basis to start up your innovation process! There are loads of things that can be done to get staff involved. Hire good people, manage them effectively and enable them to fulfil their potential – that's good management!

- *Innovation was done last year/month/week*

  Many individuals we spoke to had given the task of 'innovation manager' to someone who had been involved with marketing. To a degree the marketers they had chosen were seen as being in possession of the best skills necessary to do the 'job'. One of the drawbacks of this approach was that the newly appointed 'innovation managers' saw Innovation as a theme or 'campaign' that fitted in with the other marketing campaigns underway in the company. This often led to the approach "*we're being innovative in Q3 this year!"* To paraphrase many business gurus, Innovation is not a destination but a journey. It is constant and all encompassing. You wouldn't apply the same argument to, say, finance? *"We're going to do financial budgeting next quarter"* – doesn't quite work, does it?

  Solution: Build in innovation into business routines at three distinct levels; the Annual Business Planning (ABP) process, through the Quarterly Innovation Workshops (QIWs) and down into day to day ad hoc activities. Some of the routines are 'proactive' and focus on bringing ideas forward and some are 'reactive' such as creating a culture where innovations are encouraged to flourish. In all cases ideas and innovations should be driven by market, customer or competitor insights (MCIs) and progress reviewed at least quarterly.

- *We're a service company – innovation is about products*

  An excuse often given by management is that innovation is only relevant for those organisations and companies that have a product to offer. In most cases they see innovation as being focused on revamping the product. In fact innovation a successful innovation culture can embrace all aspects of business.

  Solution: Successful innovation companies operate one of two distinct models of managing innovation. The 'skunk works' concept is where ideas are 'traded' within the business and the culture of innovation is so ingrained that ad hoc work groups form and ideas are developed between business divisions and departments on an semi-formal basis. This seems to work well in technology companies where product development and 'spin off' ideas are sought and actively encouraged.

  The second model is one of an 'Innovation Hub' where all ideas and innovations are collated, pooled and their management is coordinated formally. Using this second approach most companies have identifies four basic types of innovation:

- *Business Innovation* – coming up with new ways of managing the business or supply chain
- *Product/Service Innovation* – new or modified products or ways of providing a service
- *Market Innovation* – creating a new customer base or opening a new market
- *Process Innovation* – improving or changing internal systems or processes

Innovation is therefore not purely about developing new products but services and systems too. Whatever the innovation type ideas should be effectively screened and' bad' ideas killed off quickly but sympathetically. The number and type of ideas will be determined by the 'performance gap' and available resources. Many organisations find that an effective screening or filtering process prevents 'innovation overload' whereby companies are almost paralysed by the sheer volume of innovations and ideas generated from a multiplicity of sources.

Innovation Critical Success Factors (CSFs)

Much has been spoken about how to become more innovative. We believe that there are a few key factors when installing and running a successful innovation process within any organisation. Firstly, of course, you have to have a process. Once that little step is in place any organisation should:

1. **Focus on opportunities of high value.** Lesser ideas should be discarded quickly. This is done through a robust and widely understood filtering process. We recommend the **V-SAFE**™ mechanism which is integrated with the business strategy.

2. **Have the active commitment of top management.** Through visible leadership and use of the process by senior management. A soon as an 'informal' process to fast track ideas from managers is used the formal innovation process breaks down.

3. **Build techniques into business processes.** The most successful innovation cultures are those where the core innovation process is as natural as all other business processes such as budgeting and planning. Easy to state – difficult to do!

4. **Develop innovation as a core skill –** in all staff and especially in managers! It can be done and managers can be encouraged to put forward their and their staff's ideas. Thinking innovatively is a skill that can be acquired.

5. **Tools to support the application of concepts –** using the internet and some tracking software ideas can be tracked and innovations planned. You would not think of running any other core business process without a tool or system of some sort – so why should innovation be different?

6. **Reward people for sharing ideas & knowledge –** and this does not just mean a cash bonus! Performance can be improved through good management and a reward system that recognises group effort and sharing ideas rather than just the individual.

7. **Communicate successes –** though all means possible. Let people know how innovative their colleagues are. Communication is the lifeblood of the process and is essential for positive reinforcement of good practice.

An Integrated Innovation Framework

If innovation, therefore, is a core business process and discipline vital to the success and growth of businesses and organisations in the 21st century, companies should adopt an integrated approach to managing innovation. The alternative is a piecemeal approach which has less chance of generating the returns expected and required by business.

A clear business strategy that integrates innovation appropriately at its very heart combined with effective and efficient operations which allow innovation to flourish will stand a greater chance of succeeding. An integrated approach means that someone should take responsibility for the innovation process within an organisation. In the last two decades we have seen the growth of Chief Information Officers (CIOs) within large organisations to manage and control the multiplicity of systems and software that businesses use. The role is seen as core to how a business functions and operates and is represented on the board.

The piecemeal approach to innovation management needs to be cast aside and organisations begin to understand that innovation stretches beyond new product development (NPD). Only by embracing an integrated innovation framework will organisations be able to compete on a world stage and be successful in a truly global economy.

Project Leaders International (PLI) and our technology partner, SofTools, are world leaders in the area of innovation and innovation management. For more information on what we do and how we can improve your business please contact us now.

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