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Faculty of Finance and Management

INNOVATION

Creating tomorrow's 'best practice'

How does a company become innovative? **Paul Sloane** describes the ways to encourage imagination within an organisation.

Directors constantly strive to increase efficiency, implement best practice and deliver increased shareholder value. They seek to improve cash flow through efficiencies of scale and cost reductions. But there are limits to cost saving. In a global economy your competitors in lower-cost countries can beat you at that game.

The best way to create value is to innovate your way ahead of the competition. You need to create temporary monopolies where yours is the only show in town. You can do this by harnessing the creative power of your greatest asset, your people. The goal is to turn them into opportunistic entrepreneurs who are constantly looking for new ways of doing business.

A copy-machine operator at Kinko's, a major chain of outlets providing copying and document services, noticed that customer demand for copying dropped off in December. People were too pre-occupied with

Christmas presents to do much copying for the office. So he came up with a creative idea. Why not allow customers to use the Kinko's colour copying and binding facilities to create their own customised calendars using their personal photos for each of the months? He prototyped the idea in the store and it proved popular – people could create personalised gifts of calendars featuring favourite family photos.

The operator phoned the founder and chief executive officer (CEO) of Kinko's, Paul Orfalea, and explained the idea. Orfalea was so excited by it that he rushed it out as a service in all outlets. It was very successful and a new product – custom calendars – and a new revenue stream were created.

This kind of creative energy should be the goal for every organisation. Yet how can you make all your staff into creative entrepreneurs like the operator in Kinko's? How can you energise people to see problems not

as obstacles to success but as opportunities for innovation?

To build a truly innovative organisation you need to have a vision, a culture and a process of innovation (see the box below).

Painting the vision

To embark on the creation of an innovative organisation, you start by painting a vision that is desirable, challenging and believable. If you can do this then there are three big gains for the organisation:

- first, people share a common goal and have a sense of embarking on a journey or adventure together. This means they are more willing to accept the changes, challenges and difficulties that any journey can entail;
- secondly, it means that more responsibility can be delegated. Staff can be empowered and given more control over their work. Because they know the goal and direction in which they are headed they can be trusted to steer their own raft and to figure out the best way of getting there; and
- thirdly, people will be more creative and contribute more ideas if they know that there are unsolved challenges that lie ahead. They have bought into the adventure so they are more ready to find routes over and around the obstacles on the way.

At GE the vision is, "we bring good things to life". The Ford Motor Company vision is "... to become the world's leading consumer company for automotive products and services". Vision statements should be short and inspiring. They should avoid vague and woolly clichés about outstanding customer service. The vision should not be restricted to today's type of business. It must set a goal that gives employees enormous freedom in finding ways to achieve it. The pharma-

The eight steps to innovation

The key elements of creating a truly innovative and entrepreneurial organisation can be summarised in the following eight steps:

- 1) paint an inspiring vision;
- 2) build an open, receptive, questioning culture;
- 3) empower people at all levels of the organisation;
- 4) set goals, deadlines and measurements for innovation;
- 5) use creativity techniques to generate a large number of ideas;
- 6) review, combine, filter and select ideas;
- 7) prototype the promising proposals; and
- 8) analyse the results and roll out the successful projects.

ceutical giant GlaxoSmithKline has a mission "to improve the quality of human life by enabling people to do more, feel better and live longer". It does not define its mission in mundane terms of drugs or medicines or markets but in inspirational terms of helping people do more, feel better and live longer.

Just painting the picture once is not enough, however. It quickly fades from view if it is not constantly reinforced. Great leaders take time to meet staff. They illustrate the vision, the goals and the challenges; explain to staff how their role is crucial in fulfilling the vision and meeting the challenges. They inspire people to become crusading entrepreneurs finding innovative routes to success.

Empowering

You cannot deliver the change on your own. The best source for the idea-generation and creativity needed for innovation is the team within your organisation. To turn team members into entrepreneurs who are hungrily looking for new opportunities you have to empower them first. The purpose of empowering people is to enable them to achieve the change through their own efforts. They need clear objectives so that they know what is expected of them. They need to develop the skills for the task. They need to work in cross-departmental teams so that they can create and implement solutions that will work across the organisation. They need freedom to succeed. And when you give someone freedom to succeed you also give them freedom to fail.

People want to understand and agree what is expected of them. The scope of their freedom and their responsibility must be agreed. They need training, coaching, reinforcement and encouragement. They need support in acquiring problem-solving skills and encouragement to be brave enough to come up with radical innovations. Above all, empowerment means trusting people. By giving them trust, support and belief, you empower them to achieve great things.

Overcoming fear

People are anxious about change. Change is uncomfortable. Change means winners and losers. It is natural that people will prefer to stay within their comfort zones rather than risk an embarrassing or costly

failure. You should spend time with people encouraging them to undertake risks and reassuring them that those risks are necessary and worth taking.

Fear of failure often inhibits people from pushing themselves to new limits. You have to show that doing nothing has its risks too; that staying in the corporate comfort zone is a dangerous option. You have to reassure them that they will not be punished for taking risks, for worthwhile failures, for bold initiatives that do not succeed. Of course this means taking calculated risks not wild ones. Every employee who is undertaking a risky initiative needs freedom but they need mentoring and guidance too.

Once again communication is the key. Informed people don't fear change. As Dick Brown, chairman and CEO of EDS put it, "People are not afraid of change. They fear the unknown."

The creative process can be built into the culture

Using innovation techniques

Can creativity be taught or is it a rare talent possessed by a handful of gifted individuals? The answer is that every one of us can be creative if we are encouraged and shown how to do it. We are all imaginative as children but gradually most people have their creative instincts ground down by the routine of work. With proper training people can develop skills in questioning, brainstorming, adapting, combining, analysing and selecting ideas. They can be the innovative engine your organisation needs.

The process of finding creative solutions is something that can be built into the culture of the organisation. This is done by techniques, methods, workshops and a pervading attitude of encouragement for crazy ideas.

The goal is to change the organisation; to achieve a metamorphosis from a routine group of people who are "doing a job" to a highly energised team of entrepreneurs who are constantly searching for new and better ways of making the vision a reality. We want to use creative techniques to drive innovative solutions to reach the goal. But just encouraging innovation is not



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enough. You need to initiate programmes that show people how they can use creative techniques. People need training in order to learn the skills and to develop the confidence to try new methods.

Many ideas, whittled down to the best

The innovation process involves the generation of many ideas in response to a given issue or challenge. Next, the ideas are whittled down to the most promising. The key then is to move rapidly to prototyping the best ideas. Businesses that are fast to market carry out quick pilot tests rather than spending months in 'paralysis by analysis'. For new products, innovation projects go through a number of evaluation 'gates' that test the feasibility, attractiveness and payback. Those that pass through the gate are given more funding.

The innovative organisation is constantly trying new products, new processes, new business practices and new partnerships. Its people share an open, questioning, empowered and entrepreneurial culture. They know that innovation is the only way to remain agile and ahead of the competition. After all, it is the innovation of today that becomes the best practice of tomorrow. **F&M**

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