
1. THE NEED FOR INNOVATION

‘Every organization has to prepare for the abandonment of everything it does.’ Peter Drucker

THE CHALLENGE OF CHANGE

Sometimes the situation you are in is so tough that you just cannot work your way out of the problem. You have to think your way out of the problem. But most organizations are resistant to rapid and discontinuous change. They operate as they have operated in the past. It is as though they learnt to walk from A to B and now they are finding it tough to walk from B to C. So they try to walk faster. They work harder and try to improve efficiency but they are still not getting there. Instead of working harder they should be working smarter - and differently. There is a better way of getting from B to C than by walking - maybe it is cycling or riding or driving or taking a helicopter. There is a better way of reaching your organization's goals and if you look hard enough you will find it. But you cannot look in a new direction if you are staring hard in the one direction in which your business is focused.

Many organizations are stuck in their standard mode of operation. They strive to make the existing model work better and don't spend time looking for a better model, a better way of doing things. As the management guru, Gary Hamel, puts it 'Most companies are built for continuous improvement, rather than for discontinuous innovation. They know how to get better, but they don't know how to get different.'

‘Only the paranoid will survive,’ said Andy Grove, Chairman of Intel, the company that dominates the PC processor business. You have to be paranoid about improving the goods and services that you offer your clients - because if you don't somebody else will. Intel's philosophy is to cannibalize its own business by constantly bringing out better processors to replace the ones that are already market leaders. Grove knows that resting on your laurels is a sure way to slide into complacency and defeat at the hands of an innovative competitor. Another company that exemplifies this approach is Gillette, which has a policy of making its own products obsolete. Their market leader the Excel was superseded by the Sensor and the Sensor 2. Like Intel, every time Gillette launch a new product they are already working on the product that will replace it. Successful companies and their leaders do not allow success to blunt the drive for innovation, a never-ending race to overtake themselves.

Managers in every organization have a responsibility for initiating and directing change in addition to their regular objectives. Everyone has the shared responsibility of changing the organization to make it better equipped to meet the needs of its customers and to keep finding innovative ways to deliver its products or services. Just doing better what you do today is not enough.

We tend to think that it is just the boffins in Research and Development who should dream up new products and the VP of Marketing who has to create fresh ways of promoting the products but the reality is that everyone has the opportunity and duty to be creative. The VP of Sales has to figure out new approaches to reach customers and motivate his channel partners. The HR Director has to find creative ways to attract and retain staff. The CFO has to find innovative processes to take cost out of the supply chain while increasing quality and service. The CIO has to find new ways to deliver projects on time and make them easy enough for people to understand and use.

The competition is fierce. In the wild market economy of today it is increasingly difficult to differentiate yourself, say the Swedish management gurus Ridderstrale and Nordstrom.ⁱ 'Most of what your business does could be bought from someone else. There is only one way out. Do something that the world has not seen before. Innovate so that you are, for a moment unique and uniquely competitive.'

To do this in today's world requires a different style of leadership, lateral leadership. The conventional leader is fine when what is needed is command and control of a well-defined process. But for rapid and discontinuous change the lateral leader is better equipped. He or she focuses on developing the skills of the team in innovation, creativity, risk-taking and entrepreneurial endeavour. The lateral leader manages change by initiating it.

In the late 1970s the Swiss watch industry faced extinction. Fierce competition from the Japanese with mass production of cheap but good quality electronic products was driving major Swiss brands like Omega, Longines and Tissot out of business. Nicholas Hayek devised a plan involving the merger of two of the largest Swiss watch manufacturers ASUAG and SSIH in order to form a new company with a different approach to watch design – to create a low-cost, high-tech, artistic and emotional watch - the Swatch. Within five years the new company was the largest watch-maker in the world. Hayek became its Chairman. Swatch rewrote the rules of the watch industry by making watches that were fun, fashionable and collectable.ⁱⁱ

CHANGE, CREATIVITY AND INNOVATION

Change involves moving from one condition to another. But change is not necessarily innovation. A church that becomes a sports gym club has undertaken a radical change but it has not innovated. There are plenty of other gym clubs. But a church that combines prayer meetings with aerobic exercise classes has innovated. Innovation is bringing something new into existence. Similarly, a company that fires half its workforce in order to cut costs has undertaken a major change. But a company that finds a fundamentally new way to reach and serve its customers has achieved an innovation.

To Change:	To alter, make different, move from one state to another.
Creativity:	The state or quality of being creative. The ability to create.
Innovation:	The act of introducing something new, a thing that is introduced as a novelty.
Lateral thinking:	Thinking which seeks new ways of looking at a problem rather than proceeding by logical steps.

A person or organization that is creative is not necessarily innovative. Creativity is the ability or talent to create. It is about generating ideas. Innovation is the implementation of the new. Innovation means taking creative ideas and making them real, implementing them. Innovation is not just releasing new products. It also encompasses implementing new business processes, fresh ways of doing things, radical alliances, brilliant new routes to market and business strategies.

Creativity must be viewed as a means to an end and not an end in itself. The end is innovation – the realization of an idea. Uncontrolled creativity without any discipline or process of innovation is at best distracting and at worst harmful to the organization. Creativity needs to be focussed on the corporate goals and must serve as a funnel into the innovation process. Innovation means taking the most promising ideas and testing them for real. Not all will succeed; many will fail. Despite some failures along the way, the people in a truly innovative organization are always looking for new and entrepreneurial ways of achieving their goals.

LATERAL THINKING

Creative thinking is a generic term to describe any approach that is new. Lateral thinking is a term created by Edward de Bonoⁱⁱⁱ to describe a set of approaches and techniques designed to find radically new approaches to problems – to come at from the side rather than the front.

In the early part to the 20th century all shops were places where the assistant served the customer. The customer would come to the counter and the assistant would fetch the items that the customer required. In the 1920s a man called Michael Cullen took a different view. He asked the question, 'What would happen if we turned the shop around and let the customer help themselves to the goods they wanted and then they paid at the end?' There

were doubtless many who objected to this notion. 'Customers want service, they do not want to do all the work themselves.' 'All the goods will have to be priced.' 'People will get confused if there is no assistant to help them.' 'What, you mean let people wander round the back of the store?' and so on. But Cullen persisted and created the world's first supermarket, the King Kullen store in New Jersey.

What a simple idea - but what a powerful one. The mere notion of letting the customer serve themselves has transformed not only our shops but our town layouts - with the old fashioned main street full of small shops replaced by large self-service superstores.

Michael Cullen did some lateral thinking. He showed lateral leadership by conceiving an entirely new way of serving customers and then driving his idea through to completion. The difference between creative thinking and lateral thinking is the difference between introducing any kind of new shop and introducing a new approach to shopping entirely – the supermarket.

This book will show how the lateral leader uses creative and lateral thinking techniques to transform their organization into a hotbed of entrepreneurial spirit brimming with new ideas. Lateral leaders inspire and coach their teams to reach the goal of becoming a truly creative force and thereby to achieve breakthrough solutions they never thought possible.

LATERAL THINKING PUZZLES

Lateral thinking puzzles are problems where you have to think 'outside the box' and use fresh approaches to solve the problem. They are generally used as exercises in questioning techniques and imaginative problem solving. There is a fuller description in Appendix N. You will encounter some as you go through this book as a little light relief and examples of creative problem solving. Can you figure out the lateral solutions to the problems? The answers are given at the end of the book.

THE SUBWAY PROBLEM

A large city in the USA had a problem with thefts of light bulbs from its subway system. Thieves would unscrew the light bulbs leading to cost and security issues. The engineer who was given this challenge could not alter the location of the light bulbs and he had very little budget to work with but he came up with a very lateral solution. What was it?

ⁱ Funky Business by Ridderstrale and Nordstrom, p 29

ⁱⁱ Swatch Company History <http://www.swatchgroup.ch/company/past.php>

ⁱⁱⁱ Lateral Thinking and Lateral Thinking for Management by Edward de Bono, published by Penguin Books.