

new freedoms to innovate

InновоFlow Ltd was formed late in 2008 by Victor Newman and Simon Evans, with the objective of helping organisations maximise their freedoms to innovate.

Businesses are finding that innovation is getting harder. This paper explores some of the reasons for this and offers some ideas for a novel approach to revitalising our innovation architectures and accelerating their outcomes in preparation for future markets.

Innovation Velocity White Paper

Developing Agile Innovation Leadership

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Abstract: Innovation Velocity - Do we understand our full range of Freedoms to Innovate and are we capable of exploiting them?

- It is a truism that armies tend to fight their last war and need to go through bitter learning experiences before they can understand and adapt to the new, emergent rules of conflict.
- Present innovation thinking is constrained by legacy successes achieved within a context of unsustainable economic market growth patterns and obsolete models.
- This recession is heightening a natural fear of risk and failure, which combined with a perception of increasing innovation difficulty, is encouraging management caution toward innovation. This is reducing leaders' ability to understand and manage the full potential range of options available, and is slowing the pace of innovation (innovation velocity).
- Winning sports teams work on individual players' kinesiology (ability to manoeuvre) and on "plays" that integrate team movement to gain advantage, at pace. Can we similarly develop leaders' innovation agility by widening their options and building their ability to exploit a greater range of freedoms to innovate through a similar form of "gaming"?
 - Considering innovation as a game may help us move forward again by allowing us to explore new Freedoms to Innovate and visualise the architecture needed.
 - Such a game would have to help us review and articulate our legacy positions and develop our ability to rapidly construct an Innovation Architecture that fits within an emerging market.
 - The purpose of such an Innovation Architecture is to enable the creation of great ideas, the rapid development of them to the highest possible potential value, and then to maximise the realisation of their value in the market.
- The key elements for great agile innovation leadership are
 - Having few restrictions on your Freedoms to Innovate (F2i),
 - Maximising the return on your investment in innovation (ROI²),
 - Developing innovation velocity to optimise time to market and
 - Proactively constructing opportunities to innovate
- An approach to innovation leadership development, "The Innovation Game" is being developed to provide a tool and framework for visualising, discussing, exploring and testing alternative Innovation Architectures and practising the integration of key elements for successful innovation agility.

Innovation is getting harder

It is very easy to get lost in the world of language around innovation and forget what it is really about. Innovation is about doing new things, and doing old things in new ways. A core idea that supports innovative thinking and practice is the idea of deliberately modifying or changing the perceived "rules" or prevailing assumptions in play, in order to gain advantage in a dynamic market. The ability to rapidly understand and assimilate the emergent rules of innovation is a key leadership capability. And of course, timing is everything.

There is growing perception that innovation is getting harder. The 2009 Boston Consulting Group (BCG) Innovation annual report⁽¹⁾ observes for the third year in a row a "hardening" of difficulty. There is also an increasingly defensive sense of "hang on and it will be alright" or just "focus on expanding current business and avoid risks (involved in)... opening up new markets".

We argue that this is not the time to be over-cautious. Some of the more innovative companies are already diverting funds from their normal business, believing these can fend for themselves, while they

seek to position their organisations for the future. Ironically, the recession is driving a positive need to attend to business basics, encouraging robust thinking that includes honest appraisal of the lifecycles of existing products, services, business models, markets and current relationships.

The BCG Innovation 2008 report ⁽³⁾ observed that “companies are not looking to conquer new worlds but rather to expand their share of existing customers' spending”. Survey respondents believe that innovation leading to new products and services for *existing* customers is the type that is most critical to their future success”. If this is the prevailing view, where are the truly novel innovations that open new markets with new products going to come from?

The key observations in the subsequent BCG Innovation 2009 report ⁽¹⁾ are interesting:

- Although the majority of companies still rate innovation as a key strategic priority and plan to continue investing, there is a significant increase in the number of organisations planning to cut their spending (21% of North American companies expect to spend less this year).
- There is widespread dissatisfaction with the return on investment in innovation processes. Only 50% of managers and VPs expressed satisfaction with their ROI (interestingly this increased to 63% of top level executives).
- There is evidence of a leadership vacuum as senior executives are not consistently providing the level of sponsorship and support that innovation truly needs. 79% of CEOs believe they do an excellent or above-average job, while only 64% of others agree with them!
- There is no shortage of good ideas - only 17% cited this as a barrier to innovation.
- The main barriers to increased spending were a risk-averse culture and concern over long development times.
- Time to Market was very seldom used as a metric to examine the success of innovation, customer satisfaction and overall revenue growth being dominant measures.

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BCG 2008

What can we surmise from these observations? What is driving the perception that innovation is getting harder? Clearly the worldwide economic climate is a major factor here in its impact on our willingness to take risks, but we believe these results are indicative of a wider malaise in the world of innovation.

- Is our present innovation leadership failing us? ⁽⁴⁾ Has this leadership generation simply grown up in a time of artificial economic growth and therefore not had the time or the ability to adapt to the new realities and develop new options or Freedoms to Innovate?
- Has the stress of maintaining organisational cohesion under financial constraint meant that we have we lost the ability to objectively view our Innovation Architectures and design more effective end-to-end processes that speedily develop ideas that have great value?
- Are organisations becoming immune to innovation? Are “not invented here” antibodies being created by a history of poor results from innovation initiatives, and through the tendency for innovation “initiatives” to be announced as victories before the changes have been embedded into our innovation culture.
- Have we at last come to the end of riding a Victorian technology “wave” that goes back to the Great Exhibition of 1851? Do we need to develop or adopt new scientific and social paradigms that offer the potential for sourcing new technologies?

So, Innovation seems to be getting harder. What can we do to improve the situation? If we can get the basics right now, then we will be positioned to take advantage of whatever order emerges from the downturn. Whoever comes out of the recession with enhanced ability to innovate is going to make a lot of money.

So it's getting harder. What can we do about it? Agile Innovation Leadership is the key

If we accept the position that the majority of organisations are finding innovation harder to manage at the moment, then we have an opportunity to reverse this trend.

Taiichi Ohno, father of the Toyota Production System likened creativity in a survival culture to the “last fart of a ferret”. Apparently when a Japanese ferret is cornered it is driven to emit a powerful stench like a skunk to drive off its predator. Ohno noted that it was only when employees had exhausted traditional approaches that they would come up with their most useful and creative ideas.

Organisations' approaches to innovation are the product of legacy experiences and opportunities, and rooted on what it used to take to turn these into value. By sticking to what worked in the past, you are only as good as your last innovation, which may not be good enough for tomorrow's markets.

InnoFlow has concluded that companies do not exercise all their Freedoms to Innovate. It is critical that we develop agile leadership ability to consider new options as they emerge, to construct and maintain an Innovation Architecture that is fit for purpose in a changing world. In short, to make things easier we will have to change our approach, possibly radically.

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In order to define a framework around which we can build a new approach, let us consider innovation as a game that we can choose to win.

Just as great team players have to develop peripheral vision, the ability to spot the gap in the opposition defence, and change the way they play within the game, great innovative organizations need to become better than their last approach to innovation, with the ability and agility to customise and integrate options as they emerge, in real-time. This is going to require practice and the development of new behaviours through simulation and visualisation.

Introducing “The Innovation Game” Visualising and changing the Innovation Architecture

“The Innovation Game” provides a way of helping us analyse our Innovation Architecture by displaying it in a highly visual form. It is a tool that we can use as a diagnostic, as a strategic planning tool, and as a learning tool in the form of a competitive game.

The Game (at the moment) is played in 3 phases – firstly, the players need to understand their legacy position; secondly, they must challenge this; and thirdly, they seek radical new approaches and apply them, and as The Innovation Game develops, it gets faster.

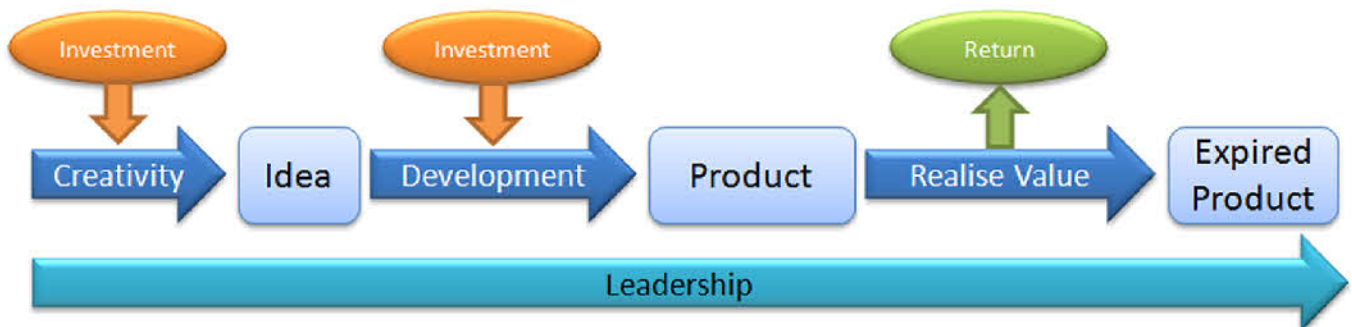
Phase 1 - Learn or relearn what we already have

To be successful in this game, we need to start by understanding our legacy approach by visualising the processes that go into the current Innovation Architecture. To construct this visualisation we use a simple model based on a game board which breaks down the overall process into 4 broad types of activity:

- **Creativity**, where ideas good and bad, big and small come into being. This is driven by bright people or processes that generate insight for example using a brainstorm. A critical activity here is to capture the ideas and start to nurture them before they are lost in the fog of “the day job”
- **Development**, where the best ideas become a tangible product with a potential value, the classic example of this is a Development Team

- **Value Realisation**, where that potential value is released in the market and a return is made on the investments. Here we find activities that extend the life of a product or drive up customer loyalty such as excellent customer service
- **Leadership**, which contains all those processes that are needed to support the innovation process but are not directly linked to the product, for example generating venture capital or defining a clear strategic vision for the company

Our Innovation Architecture can be thus represented by this simple idea lifecycle:



By mapping all our innovation activities onto this framework we can start to envisage the innovation architecture moving an idea from left to right while various processes add value to the idea and maximise its ultimate return in the market. This will help us identify those existing processes that are performing well or considered essential - but these will be challenged strongly in phase 2 of the game to ensure we are not just stuck on them because they are familiar and comfortable.

Phase 2 – Challenge the Legacy

We are now in a position to challenge the legacy approach for completeness and capability. By asking the right questions we can clearly identify the gaps, delays and inefficiencies that will prevent future success.

We must also be prepared to let go of our favourite approaches if they, on honest reflection, don't take us where we want to go. As the game will show, we cannot do everything (time and resources will not allow), and so when thinking about adopting new strategies suitable for the future of the organisation, we may need to ruthlessly prune our legacy architecture.

Starting with our future strategic intent clearly stated we can critically examine every process in the legacy architecture for its alignment to this. Anything that does not fit, or about which you have doubts must be removed from the board. The objective should be to remove as many processes as possible to increase your freedoms in the next phase.

Phase 3 - Radical reconstruction

Once we have gone through the learning process for our current position and challenged it, we can move forward and build a new innovation framework that will be more effective than both our past state and our competitors. We start with a (nearly) blank canvass, a game board which represents an Innovation Architecture with little or no content (only those processes that got through Phase 2). Our task in this phase is to build a new, potentially revolutionary architecture which tackles the shortfalls identified in Phases 1 and 2 and opens up new possibilities for success, and by opening our eyes to new possibilities we will start the process of redesigning and optimising our approach.

Starting with the Creative activities, and moving through Development to Value Realisation, we must identify new opportunities to achieve these in ways that are faster and more effective than before. What processes, people, resources do we need? We must also ask what leadership behaviours and activities are needed to support these. In particular are we open to support risky new approaches that for example the growth of social media and networks offer? Are we willing to extend beyond our

comfort zone and look outside our organisations for inspiration and support? It should then be possible to define clear pathways between these processes which speedily move an idea from creativity to market, and which maximise the value of the emergent product.

So how do we design this new architecture? How do we test it? Are we aware of all the possibilities?

How do we design, build and test a new our new architecture?

In order to design the new approach we must understand the key elements of successful innovation:



- **Agile Innovation Leadership.** At the heart of it all is Leadership – the ability to design and support an Innovation Architecture that aligns with the business imperatives and turns ideas and resources into value and profit. Without strong leadership your innovation approach will be unfocussed, disconnected from the business and lacking in support. Beware the “Innovation Initiative” which seeks simply to box up innovation in a corner, without seeking to embed it into the culture of the organisation. The leadership should give everyone who is involved in innovative thinking (which could/should be everyone!) the confidence to take risks, to develop radically different approaches and to challenge the status quo (creating new freedoms to innovate). It should also provide the resources and management support required to drive the creation, development and exploitation of ideas and the development and maintenance of the Innovation Architecture with agility and flexibility.

Once this is in place, it will enable the other critical elements for success:

- **Freedoms to Innovate.** This represents the breadth, variety and reach of the tools that you have at your disposal to support all phases of the innovation process. Increasingly these freedoms could extend outside your organisation and be collaborative or social in nature drawing on a wider community. Technology advances are making very different models viable e.g. the use of social media has not demonstrated a major impact in most large organisations – this will change fast, and your architecture will need to be agile enough to adapt to these opportunities. This may feel uncomfortable.

- **Speedy Execution.** Time to Market is often used as a measure when looking at innovation development (though some sectors like Pharmaceuticals set great store by it), however optimising this is critical to success. Balancing the speed of development against the value you are adding and knowing when it is time to launch the product is a great skill. How much do you gain by being first to market compared with providing a more mature product or service? Do you wait for a competitor to develop a market for you and then target that market share through differentiation or pricing? What processes can you put in place that will accelerate your ideation, development and value realisation?
- **Innovation Opportunities.** We know that innovation does not happen by magic. Unless you are very lucky (perhaps like Alexander Fleming and you have your innovation fly in through an open window!) you will have to be proactive in order to make innovation opportunities. There is no free lunch here – you must invest in the right processes and be prepared to be creative in your thinking. Ask the right questions. Create innovation challenges. Don't forget there are many people outside your organisation who can contribute to your ideas.
- **Return on Investment in Innovation (ROI²).** This is (obviously) the critical result of the above factors – making your idea pay is what you are seeking to do! As ideas go through the development process and resources are invested, potential value is added to them. Once in the market as a product, a return on this investment should be generated, and this will continue if further investment in maintaining the market position of the product is made. This process in itself can require high levels of imaginative innovation.

The critical facets of successful innovation:

- Agile Innovation Leadership
- Freedoms to Innovate
- Speedy Execution
- Creating Innovation Opportunities
- Driving Return on Investment

Once we understand these key factors we can start to populate our Innovation Architecture with processes that match our strategic intent, and which use new freedoms to innovate to optimise the velocity of the innovation stream and maximise the value of ideas passing through it.

By deliberately starting with as blank canvass as possible and ensuring that old processes that have run their course are pruned away, we will create a lean, well supported process chain which is highly effective at delivering successful products and then maintaining them to extend their value. We must ensure an adequate number of processes and resources are in place to support all phases of activity from creativity, through development and into value realisation, so there is a clear pathway for ideas to follow.

Building this analysis into a gaming environment allows us to practise this approach and test our ideas in a fun and competitive way where mistakes are not critical! While “The Innovation Game” is not a business simulation which attempts to be a true reflection of the real world, it will challenge your thinking and allow you to try differing strategies which may develop your peripheral vision outside of traditional approaches.

Summary: “The Innovation Game” – A tool to help you visualise and test Innovation Architectures

When trying to analyse and understand innovative behaviours we face a real challenge. Because innovation is an art involving more than 3 variables (e.g. value, time, creativity, leadership, quality) it is tough to visualise and model in the course of normal business activities. It's a truism that you don't have the kind of innovation approach that you would prefer, but in your normal experience you are too busy to go back to a blank game-board and redesign from first principles. You never will have the time.

“The Innovation Game” will provide help by creating a framework in which you can experiment freely and challenge your thinking about Innovation Leadership in a very direct way. It will give you a vocabulary which will clarify your thinking about the end-to-end processes needed to succeed in innovation. The Game is an opportunity to develop your ability to pay attention to more variables in

real-time than conventional speed of innovation allows; also to develop the ability to deploy tactics faster than present reality allows.

The game can be used either as a pure diagnostic tool to assist visualisation of your developing Innovation Architecture, or it can be played in a competitive environment which will hone your real-time skills in leading innovation.

The game will require you to:

- Identify the processes you need to create ideas, develop them into products and then to maximise their value in the marketplace
- Develop management processes to support these
- Put in place the resources these processes need to be effective
- Generate a flow or pipeline of innovative ideas that can be carried through these processes
- Generate more valuable ideas, more quickly than your competitors
- Interact with other players in the market, you choose whether this is a positive or negative interaction!
- Deal with the impacts of forces outside your control that either hinder your progress or offer the possibility of an unplanned opportunity
- Manage choices between reinvesting in the growth of your portfolio and providing return for your shareholders, shareholder return being the ultimate measure of your success

In summary, we believe that this tool will provide valuable additional insight into your Innovation Architecture and develop your ability to do two things:

1. Visualise your legacy innovation approach in order to:
 - Carry out gap analysis and identify any missing connections or opportunities
 - Identify the barriers which are impacting your capability
 - Examine the interfaces between process steps and optimise them
 - Understand how rich your Innovation Architecture is and identify what unused tools are available
2. To explore the impact of introducing radical Innovation Architectures. The game will help you:
 - Review your approach to innovation leadership and ensure it is aligned to the future
 - Broaden your idea-base and range of options
 - Create new freedoms to innovate

Contact InnovoFlow Ltd if you would like more information.

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References & Further Reading

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