

Five Questions for Innovation Leaders

In late 2016, Stylus decided to conduct a small survey of its members to get an understanding of some of the common challenges they face. For the most part, Stylus members are B2C brands and agencies, although some B2B members also participated. Survey participants (regular users of Stylus) were drawn from a range of roles within design, planning, insights and strategy.

The questions we asked were about innovation and how it occurs (or fails to occur) in member organisations.

Rather than simply publish the results, we asked Dr. Bettina von Stamm – a leading expert in the field of innovation – to help us synthesise some of the key findings and share her own thoughts with us.

Much of what we discovered validated our own thinking – that innovation is stifled by single industry thinking (not looking broadly enough for ideas and inspiration), and that organisational structures silo important functions when in fact innovation requires them to increasingly work together.

We hope you enjoy this summary and look forward to speaking with some of you about the questions raised at various events over 2017: Stylus Innovation Forums, Decoded Fashion and Beauty Summits, unbound, and the newest addition to SMG – the Creative Business Cup.

Marc Worth

Founder & CEO

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Foreword

The 21st century is like nothing we have experienced before. Businesses are struggling to find their way in today's VUCA world: a context that is Volatile, Uncertain, Complex, Ambiguous.

There are five currents that have come together to create the perfect VUCA storm:

- **Change is gathering pace** – the rate at which new things are being introduced has increased dramatically since the turn of the millennium
- **Connectivity is unlimited** – meaning that time and space have lost their relevance
- **Convergence is happening everywhere** – boundaries are not shifting, but blurring and disappearing altogether
- **Consumers are changing** – they are better informed, more demanding, and more fickle than ever before
- **Challenges to humanity are unprecedented** – be it access to fresh water or sustainable energy sources, feeding and housing a soon-to-be population of 10 billion, or a loss in biodiversity and natural resources.

Responding to 21st-century context, innovation and transformation have been identified by survey participants as their organisations' biggest current challenges.

In order to ride the waves of the VUCA storm and turn threats into opportunities for growth, organisations need to innovate. Not only around their products and services, but also around their business models, organisational structures, leadership styles and the way they interact with the outside world.

Not all innovation is created equal; it's not just any kind of innovation that's needed, but the innovation that's most appropriate given the particular context and point in time. As Peter Drucker pointed out in his book *Management Challenges for the 21st Century*, "there is not only one right organisation. The right organisation is the organisation that fits the task."

We have identified five questions that leaders need to consider in order for their organisations to thrive in the 21st century through innovation.

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The changes are so profound that, from the perspective of human history, there has never been a time of greater promise or potential peril. My concern, however, is that decision-makers are too often caught in traditional, linear (and non-disruptive) thinking or too absorbed by immediate concerns to think strategically about the forces of disruption and innovation shaping our future.

Klaus Schwab, The Fourth Industrial Revolution (2016)

Question 1. Are you clear on what you mean by ‘innovation’?



Many concepts are prone to misunderstandings, and this is certainly the case of innovation. Asking CEOs, executives, politicians, economists, engineers, journalists, and people in general what the term means will elicit heterogeneous definitions and views that range from compatible to contradictory.

Manceau & Morand, 2014¹

Innovation is a core theme in most organisations today. Bain & Company states in one of its 2015 briefing documents that “in boardrooms around the world, innovation is top of the agenda, as transformative technologies move from lab to market, revolutionising business models, industries and markets. The vast majority of executives (74%) said that innovation is more important than cost reduction for long-term success.”²

Innovation needs to be defined

Yet there are not many organisations that have an explicitly expressed and widely shared definition of innovation, often resulting in confusion, miscommunication, frustration and wasted resources. So it is perhaps not surprising that, when asked to rate their overall understanding of the company’s innovation/R&D strategy, board members achieve a score of just 1.99 (1 - limited, 2 - good, 3 - excellent), with only their understanding of the company’s strategy towards talent management receiving a lower score.³

The confusion is partly due to the inflation the term ‘innovation’ has experienced over the past 25 years. In the early 1990s, innovation was understood to be about R&D, technology and patents, with service and process innovation moving up the agenda in the late 90s. Business model innovation gained traction in the late 2000s with the publication of Business Model Generation by Alexander Osterwalder and Yves Pigneur (2009), while Defining Social Innovation (published in 2012 by the Young Foundation) was a landmark publication in creating awareness around this particular category of innovation. With increasing self-employment, 3D printing developments and technology that facilitates global collaboration outside organisational boundaries, the next level of innovation will be around who, how, and where projects are being executed – and it is not likely to be organisations as we know them today.

In addition to the ‘what’ of innovation, there have also been changes in terms of ‘who’ should be involved in innovation. Moving on from the experts and technical roles inside an organisation, the Open Innovation movement – popularised by Henry Chesbrough and his book Open Innovation: The New Imperative for Creating and Profiting from Technology (2003) – suggested involving experts from outside the organisation. Crowdsourcing, popularised by Jeff Howe and his book Crowdsourcing: Why the Power of the Crowd is Driving the Future of Business (2009), went a step further and suggested opening up possibilities to involve anyone and everyone.⁴

¹ A few arguments in favor of a holistic approach to innovation in economics and management, Delphine Manceau & Pascal Morand, *Journal of Innovation Economics & Management*, 2014/3 (n°15)

² Source: <http://www.bain.com/publications/articles/management-tools-and-trends-2015.aspx>, June 10, 2015, accessed 5.1.2017

³ Radical Innovation and Growth – Global Board Survey 2016; Deloitte, February 2016

⁴ Innovation Definitions: Past: DTI Innovation Report: *Competing in the Global Economy: The Innovation Challenge* (December 2003); Present: <https://www.ideatovalue.com/inno/nickskillicorn/2016/03/innovation-15-experts-share-innovation-definition/> Future: Bettina von Stamm, 2016

Innovation Definition

	Past	Present	Future
Innovation is thought to be about	R&D, technology, patents	R&D, technology, patents and processes, service, business models	R&D, technology, patents and processes, service, business models
Focus of innovation	Product level	and organisational level	and inter-organisational level
Who and for whom	(Technical) experts inside the organisation, for the organisation	People from in and outside the organisation, for the organisation	Everyone, without organisational context
Definition	Innovation is the successful exploitation of new ideas	Innovation is executing an idea that addresses a specific challenge and achieves value for both the company and the customer	Innovation is embracing the path of change to create value, considering all three aspects of the triple bottom line

The expanding sphere of innovation can be represented as InnovationScope, defined by different levels of innovation on one axis – incremental, radical and transformational – and different types of innovation on the other – product, service, process, business model, social and organisational. While all of these types of innovation have always existed, the language used for them and conscious efforts to pursue them have only emerged gradually.

The expanding InnovationScope

Transformational	Cars instead of horses	Bitcoin	Pilkington's floating glass	Internet	Grameen Bank	Prototyping the Future
Radical	Hydrogen powered cars	Internet Banking	Gas-filled thermo glass panes	Online sales and distribution (computers)	Barclays bikes	Estonia's e-citizenship
Incremental	New car model	A new kind of mortgage	Differently coloured glass	Business parks vs town centres	Car sharing	Open Government
	Product Innovation	Service Innovation	Process Innovation	Business Model Innovation	Social Innovation	Societal Innovation

The other contributing factor in the confusion is that there is no absolute and clear agreement on what constitutes incremental, radical and transformational innovation. This depends (A) on individual perception, and (B) on whether it is from the perspective of the one doing it (the organisation) or the one it is done to (the customer).

⁵ <http://www.businessinsider.com.au/google-has-updated-its-9-principles-of-innovation-here-they-a-5-re-and-the-products-they-have-enabled-2013-11>

How to best support innovation success – processes, structures, skill sets – will depend on where the focus is on the InnovationScape. In all this confusion, what really matters is that those who are supposed to innovate together understand what is meant by innovation in their particular context.

Innovation requires direction

Linked to the importance of establishing a shared definition of innovation is creating a direction for innovation. Just asking for great ideas or dictating “we need to be more innovative” is not only not enough, it will also lead to wasted resources. Innovation is a means to an end, not the end in itself; it is about improving the status quo and being a vehicle for creating value.

There are two powerful ways to provide direction for innovation. The first is a strong, engaging and worthwhile (company) vision. If people know where the organisation wants to be, they can start innovating towards it. The second is to use consumer insights as well as micro and macro trends as a spring board for ideation. The five Stylus Innovation Platforms of Wraparound Wellness, Luxury Perspectives, Digital Worlds, Sustainable Futures and Fast Consumption are a helpful guide in this respect: crystallising the key opportunities facing all brands, irrespective of vertical.

Indeed, if there is such a framework, combined with engaged and empowered employees, there is no need for a rallying call to innovate: it will happen. Innovative companies will talk about creating a future, not about being innovative. Google is one example; of the nine principles that drive innovation at Google, it considers “having a mission that matters” to be the most important one. Gopi Kallayil, chief evangelist for brand marketing at Google, said in 2011: “Everybody at Google has a very strong sense of mission and purpose... we seriously believe that the work that we do has a huge impact on millions of people in a positive way.”⁵

Creativity and innovation are not the same, yet connected

In addition to the lack of a definition for innovation, as well as differentiating between different types and levels, there is also often confusion between – and interchangeable use of – the terms ‘creativity’ and ‘innovation’. While these two terms are closely linked, they should not be used interchangeably. The first is the ability to come up with a novel or different thought, the latter is about making it happen – about translating it into reality. Creativity alone is not enough, which is why many organisations that engage in frequent brainstorming sessions to fuel the innovation pipeline are rather frustrated to find that they have drawers full of ideas but no innovation. Creativity requires time and space, and is aided by fun and a little craziness. Translating the creative ideas into reality – innovation – requires discipline and processes.

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93% agreed or strongly agreed that creativity and innovation are closely associated with one another.

Stylus Survey Insight

If there is a word with which innovation may be used interchangeably, it would be ‘change’. Though remember, while all innovation is change, not all change is innovation. Innovation is about creating positive change.

Question 2. How serious are you about innovation?

Our Stylus survey asked participants which organisations' approach to innovation they were most impressed with, and why. Apple was the most frequently mentioned organisation, citing breaking paradigms, leapfrogging the status quo, and focus on the consumer as the reasons.

The survey also asked which brands could do better with their approach to innovation, and why. Again, Apple was mentioned most frequently. Reasons included its shift from radical to rapid incremental innovation, and 'coasting' instead of leading.

Many organisations are created around an innovation that is then refined, expanded, streamlined, and made more efficient and effective over time. This does not mean that innovation stops, but it tends to result in a focus on incremental innovation. With it comes a culture shift towards operational excellence and maximising returns – partly because we want to keep making what we have better and better, and partly because we do not want to upset our smoothly running machine. The more successful we are, the less we are inclined to want to jeopardise what we have created. Yet when we focus too much on what we have, we miss the opportunities for creating what could be. And yet it is at the height of our success that we have the resources to experiment and explore.

Indeed, the problems go deeper than that. If Arthur D. Little found in its 2014 Global Innovation Excellence Survey that most companies are focusing on incremental, rather than radical, innovation, the 2016 Deloitte Board Survey offers a possible reason for this: a lack of insight and a lack of organisational design for handling radical innovation. If all processes are optimised to deliver incremental innovation, anything remotely radical will be killed.

Companies still have a way to go, according to Accenture's research: "(US) executives are unrealistic in believing they have the capabilities they need to achieve their bold innovation goals."⁶

Managing a flow of radical innovation requires consciously, and constantly, defying the gravity pull of operational excellence. Ring-fencing resources, including budgets, is one way. Even more important is to create an awareness of, and appreciation for, the need to constantly pursue a balance of different types and levels of innovation.

Innovation is not a status to be reached, it is a journey that never ends.

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Radical innovation is still a new idiom at board level and even if 35% respond that they have radical innovation as a bulleted point on their board agendas, this leaves 65% without a formalised item for discussion or action at meetings.

Radical Innovation and Growth – Deloitte Global Board Survey 2016

⁶ https://www.accenture.com/t20160318T171433__w__us-en/_acnmedia/PDF-10/Accenture-Innovation-R6research-ExecSummary.pdf

Question 3. Do you take a systemic approach to embedding innovation?

How did you start your organisation’s innovation journey? Appoint an innovation manager? Introduce an idea suggestion or idea management scheme? Introduce a process for managing innovation? Organisations’ approaches to embracing innovation have changed over time. In the past, it was the lone innovation manager who tried to persuade colleagues to engage in innovation without authority or resources, mainly relying on R&D. Today there is more likely to be an innovation team, supported by structures and roles across the hierarchy focusing on consumer insights. In future it will involve the entire organisation, collaborating with customers, suppliers and competitors alike, focusing on outcomes that respect all three aspects of the triple bottom line.

Embedding Innovation

	Past	Present	Future
Who drives innovation?	Lone innovation manager	Innovation team	Entire organisation
Main lever	Ideation and / or new product development process	Implementing roles and structures	Culture & leadership
Ideation focus	R&D	Consumer insight	Sustainability

Do you ask yourself the complex question of which aspect of the organisation you will need to consider in order to create a context that is supportive of innovation (while at the same time pursuing operational excellence)?

Creating a (more) innovative organisation is not about getting one thing right, it is about creating a context where all aspects are aligned, including:

Vision and strategy – do they provide inspiration and guidance?

Senior management – do they understand their role and contribution in the context of innovation?

Processes and structures – do they support the generation, collection, evaluation, progression and monitoring of ideas, not only from within the company but also beyond? Are HR processes set up to recruit, train, reward and support innovation in all other ways?

Culture and physical work environment – do they nurture and encourage innovation-conducive values and behaviours?

Collaboration – do we proactively engage with our customers and suppliers, and beyond?

Context – do we monitor our industry context, and beyond, for new threats and opportunities?

The most appropriate manifestation of the above aspects will depend on your overall innovation strategy. Booz & Company (2011) has identified three different strategies that lead innovators to success:

Need Seekers – first movers, proactively engage with users, create new markets

Market Readers – second movers, value from incremental change, expand existing markets

Tech Drivers – focus on technology development and application for both incremental and radical innovation

The better all aspects of your organisation are aligned to support your chosen strategy, the better your chances of success.

Whatever your innovation strategy, it is vital to constantly monitor what is happening in the world around you – not only in your industry and in the traditional places, but well beyond. It is necessary to check whether what you are doing, how you are doing it, and for and with whom you are doing it, are still the most pertinent.

Our survey of Stylus members told us that the United States is the country companies are most frequently and closely monitoring for emerging trends. However, everything we know about radical and disruptive innovation is that it comes from unexpected places. Companies should be careful not to limit themselves, and to look globally for innovation – paying as much attention to emerging economies as to developed markets.

Question 4. Do you understand and embrace your role as leader?



You need to have an executive management team and a Board of Directors that are sufficiently primed to understand one another on competencies and visions so that you at all times on almost any subject can have a fruitful and challenging discussion between the two levels and ensure that the discussions move things forward – at good speed. When adding more diversity on one level, you need to do the same at the other – and that’s more important than ever.

Lone Fønss Schrøder, Chairman, Saxo Bank, and board member of IKEA Group, Volvo Car Group, Bilfinger and Valmet⁷

As far back as 2007, McKinsey declared, “leadership is the best predictor for innovation performance.”⁸ Indeed, it is an organisation’s leadership that shapes its culture and creates the climate for innovation. However, not every leader thrives on innovating and innovation. This is an advantage rather than a disadvantage, as every organisation needs to balance innovation excellence with operational excellence. Too much innovation kills an organisation just as quickly as too little does.

While not all senior managers have to be capable of being ‘leaders of innovation’ – ie. to spearhead highly innovative projects – they should at least understand what it means to be a ‘leader for innovation’.

This requires them to understand the key values and behaviours that drive innovation. Even more importantly, they need to understand and acknowledge their own personal strengths and preferences when it comes things such as risk taking, working in uncertainty, and experimenting and challenging the status quo. Such awareness allows them to collaborate with people whose preferences are complementary, which in turn will lead to better-balanced decisions, skewed neither towards too much focus on operational excellence at the cost of innovation performance, nor vice versa.

Innovation Leadership

	Past	Present	Future
Senior management role	Appointing innovation manager Delegating responsibility	Ensuring place on management agenda Overseeing major projects and critical decisions	Understanding and facilitating conditions in which innovation thrives Understanding own attitude and preferences regarding innovation Collaborating with complementary mindsets to achieve best possible outcomes
Involvement in innovation is ...	Based on persuading	Based on mandate	Based on self-motivation

⁷ Quoted in the Deloitte report *Radical Innovation and Growth – Global Board Survey 2016; February 2016*

⁸ McKinsey’s *Survey of 600 global business leaders, including senior executives, middle managers, professionals in many industries, August 2007*

Leading for innovation does not only happen at the top – it happens in every department, every team, however small, and at whatever level. Leading for innovation means providing a vision, creating the context, ensuring resources are available (including skill- and mindsets), and then standing back to allow it to happen. It is therefore not surprising that McKinsey found in its 2015 survey that ‘being supportive’ and ‘seeking different perspectives’ were the qualities that distinguish organisations with strong leadership effectiveness apart from those with weak leadership effectiveness.⁹

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Outstanding innovators such as Elon Musk are admired for their vision, and for focusing on benefits for humanity and our planet.

Stylus Survey Insight

This challenges the prevailing desire of leaders, particularly at senior levels, to be in control and use hierarchical power rather than to empower and use inspiration and vision to motivate.

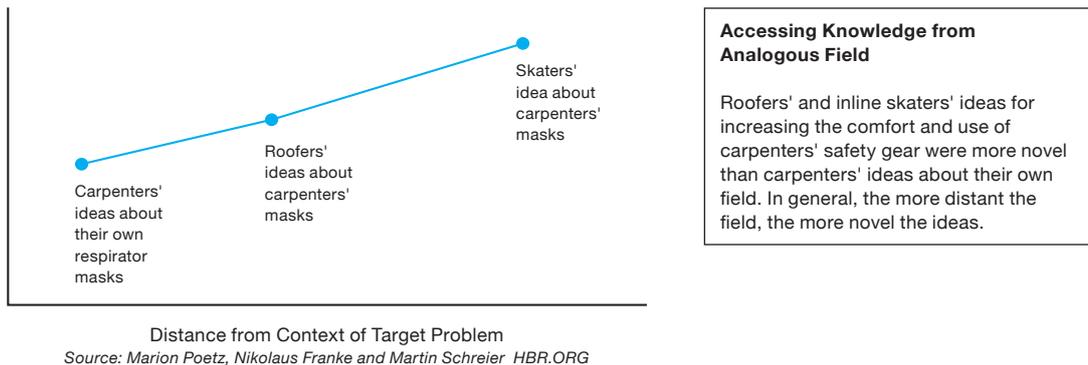
⁹ <http://www.mckinsey.com/global-themes/leadership/decoding-leadership-what-really-matters>

Question 5. Do you engage in ‘collaboration across’?

Innovation happens when connecting different bodies of knowledge and when transferring something from one context into another. Indeed most innovation, particularly of a radical nature, happens this way – the stronger the desire for radical innovation, the further afield collaboration should be sought. This is why diversity and ‘collaboration across communities’ play such a critical role. Staying within predefined boundaries not only diminishes opportunities for radical innovation, it also leads to ‘groupthink’ – ie. an inability to see the pitfalls and dangers of an idea or solution.

Research by Harvard Business professors Poetz, Franke and Schreier found¹⁰ that “people versed in analogous fields can draw on different pools of knowledge, and they’re not mentally constrained by existing, ‘known’ solutions to the problem in the target field. The greater the distance between the problem and the analogous field, the greater the novelty of the solutions.” They conducted a study involving hundreds of roofers, carpenters, and inline skaters to find out about a general reluctance to use safety gear. In interviews, they presented participants with the problem of not wearing safety gear – not only for their peer group, but also for the other two. It turned out that each group was significantly better at thinking of novel solutions for the other fields than for its own, as judged by a panel of experts. The results are shown in the graph below.

Novelty of Solutions



¹⁰ <https://hbr.org/2014/11/sometimes-the-best-ideas-come-from-outside-your-industry>



Survey participants indicate that inspiration often comes from outside their own industry.

Stylus Survey Insight

Collaboration and diversity can be left to chance – which is what we call serendipity – or they can be actively encouraged and nurtured. Within organisations, this means breaking down any prevailing silo mentality between departments and business units. Part of what keeps silos in place are segregated budgets, performance criteria and reward structures.

A move towards ‘collaboration across boundaries’ should come with an awareness of the challenges around potential differences in use of language as well as differences in values and priorities, which easily lead to miscommunication and conflict.

One of the questions is, with whom to collaborate and innovate? This is where monitoring the outside world, keeping abreast of developments and broader trends is key. Broader trends and developments tend to span boundaries (consumer segments, industries, nations), and can therefore help us identify whom we should seek out as collaboration partners.

The ability to work across boundaries is one of the keys to success in the 21st century.

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About Stylus

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