Innovation: not Business as Usual

Relentless Innovation
If the answer is “Relentless Innovation” then what’s the question?

Relentless Innovation
Question

How do we get ahead, and stay ahead, when everything is so uncertain?
Agenda

• Introductions
• Why innovation is important
• Where and why we lost our way
• Why “business as usual” is a barrier
• What do we do now?
Introductions

• OVO is an innovation consulting and software development firm, focused primarily on development of sustainable, repeatable innovation processes

• I’m Jeffrey Phillips, a senior consultant with OVO and author of two books – Relentless Innovation and Make us more Innovative
Our Publications

Our whitepapers

Innovate on Purpose

Accidents happen. True. But innovation shouldn’t depend on them. Here’s a four-step methodology to create innovation more intentionally and more effectively.

by Dave Horovitz and Jeffery Phillips

Innovations are brave, bold, and almost always accidental. They occur when something new is tried, even when the new tries are unorthodox. Turning your accidents into accidental innovation can mean the difference between staying stuck or stepping forward. The key to turning accidents into accidental innovation is to make a few simple changes to the way you think about the innovation process.

There are three simple steps you can take to make accidental innovation more likely:

1. **Identify your accidents.** The first step is to identify the accidents that are happening in your organization. This can be as simple as keeping a journal of the accidents that you see happening. Alternatively, you can use a tool like the Accident Matrix to help you identify the accidents that are most likely to lead to innovation.

2. **Encourage team discussions.** Once you have identified the accidents, encourage your teams to discuss them. This can be done through regular team meetings, or by setting up a virtual forum where team members can share their ideas. When team members discuss accidents, they are more likely to see the opportunities for innovation that may exist.

3. **Create a culture of innovation.** A culture of innovation is one in which people are encouraged to try new things, even if they don’t work. This can be done by creating a culture of experimentation, where people are rewarded for taking risks, even if the risks don’t work out.

By following these three steps, you can turn your accidents into accidental innovation. This will help you to create a more innovative organization, and to achieve greater success in the future.
innovate on purpose
OVO Capabilities

We help firms Innovate on Purpose™ by defining strategic goals and implementing consistent processes

The “Methodology”
Why is innovation so important
Disappearing Trade Barriers

Free trade provides access to markets for far more competitors, increasing offerings and heightening competition.
Increasing Rate of Change

- The rate of change is accelerating
- Product/service lifecycles are far shorter
- Attention spans decrease
Increasing Customer Expectations

• We want more, expect more and demand more from our products and services and the firms we buy from

• As technologies improve, we expect more from our products and services
Increasing Access to Information

• The cost of computing power is dropping, and access to the internet is increasing

• Better information access means more people have more opportunities
Decreasing Cost of Entry

• The internet reduces cost of entry, reduces marketing costs and increases awareness
• Anyone can sell anything to anyone else
• Costs and barriers decrease or disappear
Innovation is Vital

- Change is inevitable
- "Status quo" is untenable
Typical Starting Point
Well, how did we get here?
The “way back” machine

Return with me, if you will, to the 1970s
1970s: Balance

There was a time, not so long ago, when there was greater balance between efficiency and innovation.
Quality Movement

In the 80s, Japanese imports placed great emphasis on quality.
Six Sigma, Lean

In the 80s and 90s, programs like Six Sigma and Lean increased focus on efficiency, creating less focus on innovation.
Foreign Competition/Outsourcing

Other factors, such as lower trade barriers, emerging economies and outsourcing redoubled a focus on efficiency.
Result?

Innovation

Efficiency
One Trick Pony?

Fiddler crab  (*Uca pugnax*)
Return to Today
What’s blocking innovation?

Inevitable Sports Analogy
Every firm relies on a set of well-defined and well understood business processes, expectations, perspectives and decision making policies that become the basis for how the business operates. This “business as usual” model ensures work is done efficiently and effectively.
Highly Efficient

Business as usual ensures that the business hits on all cylinders, driving greater efficiency and effectiveness. Middle managers work to ensure the business as usual operating model is constantly improved and reinforced.
Second Nature

As the business as usual model becomes ingrained, these processes require less and less oversight. The more efficient and ingrained the business as usual model becomes, the less oversight and management it requires.
No room for Innovation
Innovation is unusual

Many firms attempt to manage innovative ideas in their “business as usual” frameworks. But these frameworks reject everything about innovation. Innovation detracts from the efficient, effective model that has delivered consistent quarterly results.
Expecting different results

Insanity: Doing the same thing over and over again and expecting different results.

Using this definition, most corporate innovators are certifiably insane.
More Radical, More Divergent

In fact the more radical your goal, the more disruptive the idea, the less likely the idea is to be successful in the existing business as usual framework. That’s why “skunkworks” evolved – to provide a hothouse for ideas that simply wouldn’t survive in the existing BAU process.
The Third Way

Stop modifying the ideas and start modifying the processes.
Creating an Innovation Business as Usual

Where do you start? With the things that motivate your team. Communication and compensation and culture. People will do what they are led to do (communication), what they are paid to do (compensation) and what the environment indicates they should do (culture).
3 C’s: Communication, Compensation, Culture

Culture eats strategy (and innovation) for breakfast
Who is vital to innovation success?
Executives want growth and think it can be achieved through innovation. However, they don’t adequately fund innovation activities and expect short term goals to be met.

Staff recognize innovation opportunities but don’t understand how to innovate. The emphasis on efficiency and achieving quarterly results makes any change difficult.
Middle Managers are the efficiency experts in the business. They know how to get more done with less. While executive may request innovation, compensation and rewards are tied to short term goals. Middle Managers have received training in Six Sigma, Lean and other efficiency tools, but little or no innovation training.
For quite some time, all of the emphasis, all of the tools and techniques, all of the training, has been focused on improving efficiency. Middle managers have a set of skills that are overly weighted toward efficiency, which impacts perspective, capability and interest.
No time, No resource, No skills

The Result: While executives demand innovation, they reward efficiency and the achievement of financial goals. Firms that have right-sized, outsourced and honed their operations with Six Sigma and Lean have no resources and no time for risky endeavors like innovation.
Rather than complain about the lack of innovation, we should be amazed that any innovation happens at all, given:

- the focus on reducing costs,
- the lack of innovation focus and training,
- the limited resources and time available for innovation,
- The focus on predictability.
Three key factors that will make middle managers innovation champions:

– Communication and commitment to innovation from executives, built into annual plans
– The introduction of innovation skills, methods and capabilities
– Rethinking corporate culture, compensation and rewards systems to embrace innovation
Rebalancing skill sets

Middle managers fall back on tried and true tools and processes when confronted with new challenges. For innovation to take root, middle managers must have access to innovation skills, knowledge and capabilities in the same way and same depth as they do for efficiency tools. Training and skill development is essential.
Compensation, Recognition, Rewards

Jack Welch once said that one look at a salesman’s time card could tell him how the salesman was compensated. What gets measured gets managed.

For sustained innovation, we need to revise middle managers’ evaluation and compensation strategies and structures to reward and encourage innovation.
Middle managers enforce the rules, establish expectations, use inputs efficiently and seek to consistently achieve short term financial goals. Without their involvement and support, innovation is difficult and sporadic at best. With their commitment, innovation can become business as usual.
IF IT IS IMPORTANT TO YOU, YOU WILL FIND A WAY.

IF NOT YOU’LL FIND AN EXCUSE
Where do we go from here?
Wrap Up:
The Fab Four
Create Clear Innovation Goals

Link innovation activities to strategic goals and define innovation outcomes
Convince your middle managers

Improve innovation skills while maintaining efficiency
Make innovation a component of your “business as usual”
Rework culture, incentives, rewards

Pavlov told us that people will do what they expect they’ll be rewarded to do
Questions/Contact

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Thank You!

• The recording of today’s presentation, along with the PowerPoint slides, will be available on our Career Resources web page by early next week:

  http://www.mccombs.utexas.edu/Alumni/Career.aspx