

CHAPTER ONE

Classic innovation theory and current leading-edge thinking

Before we go into the series of chapters covering a wide range of specific business sectors, I hope you'll find it beneficial if I provide a brief overview of some classic 'thinkers and doers' held in immensely high regard in the innovation world.

For those of you well-versed in this area, most – possibly even all – of the people highlighted will be familiar to you, although perhaps not in the context of innovation. But for others, I hope this approach provides a useful guide.

Regarding a common question 'where does innovation come from?' I interviewed an exceptional thinker, Martin Raymond of the Future Laboratory, who outlined how 'innovation – the product of knowledge and insight – happens in clusters, and shifts in culture come in peaks, or movements, or periods in history. Knowledge, once unleashed, acts like a catalyst firing and flinging other ideas together. Thus "bridge moments" are created that enable new levels for new but associated ideas to grow'.

As for those ‘peaks, movements or periods in history’ obvious examples are the Dark Ages, the Renaissance, the Enlightenment, the Modernist Movement, the Consumer Society, the Information Age, the New Economy, the Knowledge Economy and the Creative Economy.

I really like his thinking, and the issue of catalysts and bridge moments are ones that I frequently reference when discussing classic industry examples of innovation, where the equation goes: Insight + Ideas + Impact = Innovation.

As for the importance of this area, the industry legend Peter Drucker aka the ‘founder of modern management’ famously said that ‘the two most important functions of a business are innovation and marketing, as they are the only two functions that contribute to profit, while all others are costs’ (Drucker, 2002).

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The whole *raison d'être* of innovation is, to put it even more simply, that the person or team responsible ‘seeks problems to solve’.

And to provide a simple guide to doing that, I think that *Forbes* magazine put it neatly when stating that ‘the key route is to seek inspiration, combine similar ideas, then solve the problem.’ For them, and for so many tasked with innovation, the issue

is facing a dilemma of ‘confronting chaos, with the aim of creating order’ (Denning, 2015).

So, as you’ll find when reading this book, the themes of insights leading to ideas, which when successfully put into practice prove themselves via the genuine impact they deliver, are referred to time and again across multiple business sectors and areas of life, be they cultural, social, economic or political.

I’ll focus on some of my favourite business innovators in a while, but first would like to highlight a collection of philosophers and visionary thinkers who, I think, provided an array of

‘influential and revolutionary’ thinking that is entirely relevant, indeed deeply inspirational, to the world of business.

From a marketing perspective, René Descartes might be viewed as the ‘founding father’ of innovation, due to his independent stance and a core belief that when seeking the truth one starts by questioning accepted thinking and established practices.

He essentially asked us to pose the question ‘how can we know this for certain?’ This is a question that everyone tasked with managing a brand should ask themselves on a regular basis. (As in ‘you may believe this, but does the consumer?’) One could argue that good marketers, and particularly researchers, take a ‘Descartian approach’ to business problems by directly challenging the core beliefs around the ‘consumer reality’ of a brand; which are very often based on either outmoded, unrealistic or simply wishful thinking.

The amount of senior company personnel who see things as they’d like them to be, rather than as they really are, is quite extraordinary.

One of the business buzzwords that any reader of this book will be only too familiar with is ‘disruption’ as it’s one those terms that, while being ‘correct’ has also become deeply irritating due to its almost continual use.

However, something that never ceases to amaze me is how rarely the ‘Godfather of Disruption’ is mentioned. Joseph Schumpeter is, or rather was, a genuinely revolutionary thinker in business terms, with his thinking being as relevant today as it was when he was one of the leading business intellects of his era, and who believed that true innovation is effectively never-ending, and therefore disruption can be an ongoing issue, not a ‘one-off’. This is because once an idea has been created, someone else may create a better iteration of it.

He also warned us that innovation is the market introduction of an idea, not just its invention, and this is a vital point that many innovators seem to forget, when assuming that just thinking of a new idea or concept is enough.

And, of course, when one talks about ‘never-ending’ innovation, one has to also acknowledge the famous take on that issue highlighted by Clayton Christensen in his book *The Innovator’s Dilemma*. In it, he focused on the inbuilt problem that faces a successful company that is doing the ‘right thing’ by obsessing over their loyal customers to the exclusion of others. The inbuilt problem, or Catch-22 situation if you prefer, is essentially one where companies try simultaneously to both look after their core customers while also trying to be innovative, and yet not be so innovative as to disrupt their own business. Yet if companies don’t do this, they can quickly become stale in the eyes of those very consumers or customers. Hence constant iteration, if nothing else, is required.

Another philosopher that I’ll reference is John Locke, who was a great believer in empiricism and observation, ie where knowledge derives from experience. That standpoint is a bastion of the market research world. I’m a strong believer in his thinking, and believe that Locke might have said, regarding the current context of endless brands proclaiming their (often tenuous) ‘brand purpose’ that brand credibility is based on brand experience, not brand stories. That, by the way, is an issue which I explore in more detail, in the chapter on marketing.

The word ‘tenuous’ is one often used when referring to the world of trend forecasting, where a personal favourite perspective comes from the futurist William Gibson, who noted that ‘we have no genuine idea of what the future may hold because our present is too volatile. We have only risk management and the spinning of the given moment’s scenarios’ (Gibson, 2003). Like many people working in research, I’ve long been an admirer of Gibson. This led me to interview him for *Dazed and Confused* magazine many years ago, regarding his just-published book *Pattern Recognition*, where that quote arose.

Since then, I’ve seen that title used in so many trend presentations around the world (including mine, I must admit) that it’s become an utter cliché. But what Gibson had to say was

genuinely interesting and entirely relevant, and had clear links with the Karl Popper school of thought regarding there being no such thing as a certain, predictable future (with the exception of scientific/mathematical prediction) due to events being out of our control in a chaotic world.

Defining innovation and the innovative organization

From the point of view of how we're currently defining innovation, how to approach it, and what the desired skills are from the perspective of a 'perfect innovation team', I'll now provide a range of examples.

My overall aim is for the reader to be able to swiftly identify a viewpoint or process that they can use on their own 'innovation problem'.

I believe that one of the most vital things to do is to be crystal clear in recognizing that invention (the creation of a process or device) is markedly different from innovation, which is a process of transforming via iteration, styling or alteration.

That's a crucial distinction and an important one to make clear at the outset of a project, or the laying down of a strategy or indeed job description, as most people tend to say 'innovate' when they actually mean 'invent'.

So, once we're clear that we mean 'innovation' and not 'invention' it clarifies the parameters for the resulting task from the outset.

When it comes to those parameters, Rebecca Henderson (from MIT) and Kim Clark (from Harvard) devised their 'radical innovation' theory back in the late 1980s, and published a ground-breaking paper in which they described four types of innovation: 'Incremental, Modular, Architectural and Radical'. Each related to setting out a practical way forward, and the clarity of their thinking was amazingly influential, ie for product development.

Meanwhile, once we're agreed on an appropriate 'innovation, not invention' route, we then need to answer a series of straightforward questions, and must be brutally simple when answering them.

These include: what's the insight behind the potential innovation need, what concept does this thinking inspire, what can be expected to alter due to this innovation, what actually could it be, via which route to market can the most powerful effect be made, and how – and when – will a return on investment be proven? With regard to that point, the words of Barry Nalebuff from the Yale School of Management 'people tend to overestimate the impact of innovation in the short run and underestimate it in the long run' have echoed down the years. Now, while those are a set of staggeringly obvious questions, unless each one is answered with absolute clarity, then the chances of success weaken.

The first of those questions, about defining the insight behind the innovation, goes right to the heart of producing an innovation that is actually useful and/or desired. That's something that the renowned Philip Kotler focused on when stating that 'companies last as long as they continue to provide superior customer value. They must be market-driven and customer-driven. In the best cases, they are market driving, by innovation' (Kotler, 2003).

Being 'customer-driven' means, in my eyes, getting out from the comfort of an office and seeking those customer insights by conducting ethnographic research, ie research conducted in the real-life context of the consumer and the product or service in question.

That was the approach espoused by Douglas Holt (a Professor of Marketing at Harvard Business School) and Douglas Cameron, from the amazing creative outfit CF&P. They suggested that most conventional innovation and strategy models aren't fit for purpose, and that a large number of legacy brands find themselves behaving in a stereotypically orthodox way of doing business, conducting a sort of 'cultural mimicry'.

This is where the cultural researcher comes into their own, and crucially, it helps legacy brands, start-ups and social entrepreneurs to leapfrog competitors into new areas of dynamic growth, or to simply reconnect with existing customers by showing that they both understand and empathize with their ‘cultural realities’.

A classic example of this is youth culture, and you only have to spend a few minutes subjecting yourself to an array of TV commercials aimed at young people to see some exasperating examples of how not to do it, from a communications-engagement perspective.

But what about the need for, vs the reliability of, trend forecasting? After all, I’ve already highlighted Karl Popper and his ‘chaos theory’ regarding the uncertainty of a ‘predictable future’, along with William Gibson and his thinking about current volatility and pattern recognition.

Surely the answer, or at least a vital element of it, is to take heed of all those ‘signals and noises’ that trend researchers aim to highlight. This point is referenced by Peter Schwartz of the Global Business Network, who talks about companies putting themselves at risk by not giving credence to these events, from a forecasting and scenario planning perspective. He maintains that ‘we can’t stop disruptions from happening, but we can cope with them far better than we have in the past, if we watch and listen constantly’ (Schwartz, 2004).

As to the approach researchers should take and the problems that face them, the much-admired futurist Amy Webb is renowned for her viewpoint that ‘trends are signposts’. In her book *The Signals are Talking*, she says that ‘novelty is the new normal. It’s about tracking trends across sectors, not just one vertical. If an organization can see over the horizon, it’ll be positioned as a first mover’.

That point about being a ‘first mover’ was identified by Richard Foster from McKinsey, who wrote the highly acclaimed book *Innovation: The attacker’s advantage* way back in the 1980s.

This, he believed, was the strategy needed in order to gain competitive advantage.

He thought there was an endless battle going on in business life between the innovators (or attackers) and those who wanted to maintain their existing advantage (the defenders). He was therefore a real believer in companies changing their mindset from being defence-orientated (ie complacently managing the current situation) to being attack minded (ie focusing on innovation) with research being a key element.

Anyone who's had to deal with deeply frustrating inertia of companies that move at a glacial pace will, no doubt, recognize exactly what that McKinsey viewpoint illuminated. It holds so many organizations back, and is a terrible hindrance to future success, in a fast-moving competitive environment.

The very first thing to do, I believe, is to go right back to the thinking that went into the foundations of a brand, and to then trace its development to the present day, while taking note of changing market conditions and the competitive set.

Link this thinking with detailed trend research using a 'bricolage' technique of gathering a wide range of interesting data from both within and outside the brand's sector, alongside expert interviews and ethnographic research with consumers reflecting the extremes of the market.

That ethnographic research needs to establish, from a 'genuine' consumer perspective, what the actual attitudinal and behavioural realities of the sector within which the brand operates are; and the deep-seated emotional connections, motivations and constrictions that underpin those beliefs and actions. It's remarkable how few brands and agencies make the effort to get out and meet people 'on their own turf' but the results always pay dividends.

One can then build an actionable picture of where the brand sits in the marketplace, and where a potential future may lead. In addition, via scenario planning, the implications and opportunities indicated by some 'logical or chaotic' possibilities

from a combination of relevant cultural, social, industry-sector, economic and political perspectives can be developed.

The fundamental point, from an innovation perspective, is that ideas are implemented, as opposed to being endlessly discussed. In having that point of view, I'm in great company, as according to that endlessly quoted business figure Theodore Levitt 'ideas are useless unless used.'

So where do you actually start on day one of a project? A great, if incredibly wide-reaching, example is given by Rita McGrath of Columbia Business School, who's one of the world's most influential business thinkers and who recommends key strategies to drive growth, such as 'change the customer's total experience'. Which may sound obvious, but you must surely agree that if you're going to go big, that's a great way to start.

Meanwhile, the issue of brand experiences, be they either purely practical (of the product type) or indeed deeply immersive (of the experiential type) are discussed in detail throughout this book, and I hope you'll find the examples as fascinating as I did, when researching them.

And when you do begin to formulate a concept around a new, or indeed iterative, variation of something, then it's worth mentioning *Leap* by Howard Yu, who is the IMD Business School Professor of Innovation. I noted earlier that a lot of what people term as 'innovation' is actually just a version of somebody else's original invention. (Or more probably, innovation, but let's not go there again).

This is key for Howard Yu, who in his book, says that 'succeeding in today's marketplace is no longer just a matter of mastering copycat tactics; companies also need to leap across knowledge disciplines, and to reimagine how a product is made or a service is delivered' (Yu, 2018).

Finally, I must mention a crucial part of any successful innovation team: the 'Exit Champion' who is the person briefed with injecting a dose of scepticism into the innovation process.

The individual tasked with exhibiting this ‘healthy scepticism’ was highlighted in a highly influential article published in the *Harvard Business Review* years ago, and I have to say, I’ve been quoting it ever since.

Crucially, this person has to be as equally positive and progressive as others in innovation teams (a vital thing to remember here is that ‘cynics’ are very different from ‘sceptics’) but who plays a ‘voice of reality’ role. As the *HBR* stated in that article, these types of people need to have the ‘temperament and credibility to question prevailing beliefs, and if necessary, forcefully make the case that it should be killed’ (Royer, 2003).

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Examples are all around us, as they include some of the biggest brands in the world. Classic examples include Airbnb and Uber (neither of whom invented the idea of sleeping or taxis) who, by taking an iterative and collaborative approach, utilized a ubiquitous form of technology to offer a useful new service where there was a ‘tension point’.

That key ‘tension point’ was trust (followed by cost and convenience) but by leveraging ‘digitally empowered trust’ they were able to satisfy consumers in both markets, along with homeowners and drivers. What those companies therefore leveraged with enormous success, were clear consumer needs that were going unsatisfied.

There was nothing ‘secret’ in what they did, and neither invented anything, and yet each were absolutely revolutionary in their respective sectors.

Building a culture of innovation

Let’s move on to identifying some other ‘big thinkers’ from the perspective of building a business culture, and a team within it,

to develop innovation. I'll start by highlighting some mavericks, change agents and hard-headed strategists who shine a spotlight on those who take a dynamic approach to innovation.

Regarding the different types of intellect that innovation teams require, the famous psychologist Robert Sternberg, author of numerous books including *Perspectives on Thinking, Learning and Cognitive Styles* categorized intelligence via his 'Tri-archic theory'. This saw intelligence being viewed from three perspectives, which he termed:

- *Componential* (analytical, critical, evaluation or judgemental skills; or what's commonly termed being 'book smart').
- *Experiential* (creativity, discovery, imagination, inventiveness, prediction).
- *Practical* (contextual, practical or implementation skills) or what you or I might term being 'street-smart' (Sternberg, 2001).

Taking this point about the different types of thinkers required in a business context, John Adair, who is an expert on leadership, wrote in his best-selling book *Effective Innovation* that the 'unbeatable business' would have key personnel in their innovation team who would be tasked with specific roles, ie the '*Creative Thinker* (who produces new ideas), the *Innovator* (who brings new products/services to market or changes existing ones), the *Inventor* (who produces commercial ideas) *Entrepreneur* (who translates ideas into business reality), the *Intrapreneur* (regarding internal company innovation), the *Champion* (tasked with implements ideas) and the *Sponsor* (who backs ideas and removes obstacles) (Adair, 2015).

I mentioned at the beginning of this chapter that the foundation of innovation is that the person or team responsible 'seeks problems to solve'. The key route to doing so is to seek inspiration from both inside and outside the organization, combine relevant ideas and concepts, and then work your way forward to solving the problem.

But how exactly do teams approach problem solving? Whenever this subject is mentioned in innovation circles, the

name of Genrich Altshuller is naturally mentioned, as he achieved fame as a result of his acclaimed book that was, somewhat unusually, titled *And Suddenly the Inventor Appeared: TRIZ, the theory of inventive problem solving*. (Try saying that after the office party.)

According to him, universal principles of creativity form the basis of innovation. In the book, he utilizes his TRIZ theory to identify and codify these principles and uses them to make the creative process more predictable. It follows four basic steps:

- Define your specific problem.
- Find the TRIZ generalized problem that matches it.
- Find the generalized solution that solves the generalized problem.
- Adapt the generalized solution to solve your specific problem.

MindTools (nd)

Another great problem-solving method is the CPS framework of creative problem solving and brainstorming. A key element of this is that it requires the would-be problem solver to divide their ‘divergent’ and ‘convergent’ thinking. Divergent thinking is the process of generating lots of potential solutions and possibilities, otherwise known as brainstorming. Convergent thinking involves evaluating those options and choosing the most promising one. For those of you wanting a quick DIY guide to the framework (invented by Alex Osborn) it goes like this: *Clarify* (set out the key project goal/data/questions); *Ideate* (research the area and brainstorm the resulting ideas); *Develop* (develop solutions to the issues identified); and *Implement* (build a plan of action) (Creative Education Foundation, 2016).

But what about management’s role? Peter Drucker focused on the discussion around how much of innovation is inspiration vs how much is genuinely hard work, from the angle of appropriate management. As he stated ‘if it’s mainly the former, then management’s role is limited: hire the right people and get out of

their way. If it's largely the latter, management plays a more vigorous role: establishing roles and processes, setting goals and measures, and reviewing progress at every step.' But above everything else, he pointed out that that innovation 'is work rather than genius' (Drucker, 2002).

As for the culture that's needed in a corporate setting, a key thing is that 'rebels and mavericks' have to feel respected, in a welcoming, collaborative and supporting environment. That's something that the hugely influential thinker and all-round innovation expert Don Tapscott suggests, and I absolutely agree with his views around collaboration; this being one of the issues that runs through my book and is reflected by numerous examples of multi-sector international business activity.

As he says 'the world is deeply divided, too unequal, unstable and unsustainable. But the spirit of collaboration is penetrating every institution and all of our lives. It's part of problem solving, innovation and life-long learning in an ever-changing networked economy. More and more society will create wealth through networks of collaborators' (Tapscott, 2018).

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Summary

To finish a chapter that I have deliberately filled with references and quotes that focus purely on innovation, there also has to be one that illuminates the pressing question of the genuine impact of business, in its wider social context.

To do that, I'll turn to the astonishingly successful Tom Siebel, who sold his company to Oracle for approximately US \$6 billion.

I'm very envious, to put it mildly.

When asked for his advice on ‘how to do it’ he responded in a much-repeated remark that ‘what creates great companies is to focus on satisfying your customers, become a market leader, be known as a good corporate citizen and a good place to work. Everything else follows’ (Wharton College, 2001).

I think that’s a really admirable point of view, and the sort of advice that every business leader should reference.

Which bring us neatly to the summary.

I do hope that this brief guide to some ‘influential and revolutionary’ thinkers on innovation has been useful. There are obviously many more, but in the meantime, I’d encourage you to read the various books and articles I’ve highlighted, if you haven’t already done so.

As for my ‘top-line interpretation’ of all of the great thinking that I’ve identified, here’s what I’d suggest from the perspective of five key routes to innovation:

- **Question and confront.** Be sceptical, and challenge established thinking. So... think like René Descartes.
- **Look and listen.** Be aware of cultural signals and market dynamics. So... think like William Gibson.
- **Collaborate and utilize.** Leverage a range of team abilities and organizational assets. So... think like Don Tapscott.
- **Research and develop.** Conduct consumer research re: needs, desires and tension points, then test innovative concepts. So... think like Peter Drucker.
- **Be a good corporate citizen.** Take note of, and try to help fix, social and environmental problems. So... think like Tom Siebel.

A final point I want to emphasize is that, while those creating ‘the next big thing’ do indeed occasionally ‘get lucky’ and therefore appear to have some sort of secret methodology; in the vast majority of cases they’ve purely worked hard, have followed a proven formula and put in the effort.

Thus proving that there is no ‘secret methodology’ and we can all give ourselves the best chance of achieving innovation success, if we simply follow that approach.

However, it needs a spirit of being open-minded, collaborative, intuitive, agile and honest with those around us.

To finish, in a business world featuring increasingly intense competition, and where innovation has never been more vital, perhaps the last word should go to that great management thinker Tom Peters, who so notably said ‘relentless experimentation was probably important in the past. Now it’s do or die’ (McKinsey Quarterly, 2014).

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