

## Innovate Your Organization

By: Stephen M. Shapiro

Two men are hiking through the mountains of Canada when they stumble upon a hungry, 600- pound grizzly bear. Immediately, one of hikers takes off his backpack and hiking boots, and proceeds to put on his running shoes. The other hiker looks at him and says, "What are you doing? You can't outrun a bear!" The first hiker responds back, "I know, but I only need to outrun you!" And this is so true in the world of business. You need to be fast enough to outrun your competition. When the pace of change outside your organization is greater than the pace of change within, you will be eaten. Devoured by competitors. Overwhelmed by changing customer demands. Outpaced by new technologies.

In today's market, there are so many darn followers trying to steal your thunder! Think about it. It's discouragingly easy for competitors to copy your products, rip off your business processes, and go after your customer base. Yes, it seems someone is always nipping at your heels. So what can your company do that's impossible to copy?

The answer is simple. In my new book, *24/7 Innovation: A Blueprint for Surviving and Thriving in an Age of Change* (McGraw-Hill, 2002, ISBN: 0-07-137626-7, \$29.95), I tell you how to create and nurture a company culture based on innovation. After all, the company that's forever reinventing itself doesn't hold still long enough to be copied! Therefore, a culture of innovation is the best secret weapon you can have. But where to begin? Installing a new culture—a process that must be done carefully and gradually—starts with a single individual, someone at the top who sees an opportunity for improvement and runs with it. This stage, called leadership-driven capacity, is the first in a series of three "waves of change" that the innovative company

undergoes. (The other two waves are structural driven capacity, in which mechanisms are put in place to enable change, and organic capacity, in which employees begin seeing innovation as integral to their jobs.)

### Ability, Desire, and Environment

If creating this culture of innovation rests with you, the leader, where should you start? There are three ingredients necessary for a pervasive culture of innovation to emerge: 1) The *ability* of the people within the organization to be innovative, 2) The *desire* of the people to act in an innovative manner, and 3) An *environment* that enables and empowers innovation.

Most leaders believe that the key problem in their organization is that their people are not innovative enough, and that they need to be "fixed." But it is a myth that creativity is a trait a few select people are "born with"...that there are those with "creative personalities" and then there are the rest of us. We all have the potential to be innovative. Perhaps not all to the same degree, but we all do have the ability. We were all innovative as children. The problem is, creativity is unlearned as we grow up. The business world has traditionally favored analytical thinking over the capacity to innovate, and has seen to it that business schools produce highly trained young men and women to think along strict parameters. All people are innovative; they just need help unlearning their uncreative habits.

But is the creative ability of employees the most critical ingredient? When I've asked thousands of people across organizations which ingredient they feel is most important (ability, desire, and environment), no one has ever said that the ability of their people is the biggest issue. And

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only 10% of the people say that their people are unmotivated or lack passion. The biggest issue is creating the right environment. The fact is, people within organizations are willing and able to do a good job. It's just that most companies are stuck in outmoded ways of thinking. I am always amazed at the high quality of people employed by companies around the world. And I am even more amazed at how little most companies tap into the creative potential of these employees. Rigid policies, prescriptive processes, political infighting, and fragmented organizations have stifled innovation for too long. Therefore, we need to design organizations that free up the employees to apply their talents.

### Innovation and Jazz

Innovation is not random. In fact, it emerges best when there is a structure to nurture it. Much like jazz in the world of music. Jazz is heavy on innovation ("improvisation" in musical terms). Just as innovation is not random, improvisation is not random. There is a simple structure to jazz, like 12 bar B-flat blues. It has a rhythm, chord progression, and tempo. Businesses need much of the same to succeed. Simple structures are needed to foster innovation to emerge.

Rather than operating like a jazz band, many businesses are run more akin to classical symphonies. The classical musician plays a long, elaborate composition written by someone else, a composition that leaves little room for interpretation. The composer (usually someone who is dead) has written elaborate compositions (detailed workflows), placed them neatly in binders, and expected the employees (the musicians) to follow them by rote. Even if people could follow these compositions, by the time they learned the score, the music would have to be changed.

Like good jazz, businesses can operate within constraints that resemble "sheet music," allowing for creativity within simple structures. This jazz metaphor seems particularly

appropriate to the loose-tight combinations we should strive for in seeking innovative solutions.

### Connecting the Dots

I find that it is useful to think of an organization as a collection of dots...or as a colleague of mine calls them, "buttons." These dots are ideas, activities, people, processes, departments, companies, or industries. However, it is the interconnections and interdependencies between the dots where innovation emerges. Innovative thinking comes from making connections. Connections between boxes. Connections between ideas. Connections between companies. Or connections between industries. Focusing on these connections (or "threads") frees an organization to improve within the guidelines of the simple structure. As Steve Jobs once said, "Creativity is just having enough dots to connect."

Unfortunately, most companies focus only on the dots, trying to improve only a piece of the organization...often in overly prescriptive ways. Remember the binders of process flows, created during the height of the reengineering craze? Getting the right environment involves looking at the business as a portfolio of capabilities rather than as organizational silos or process-oriented "pipes" of work. Viewing the company this way helps untangle the organization and focus on what needs to be achieved (outcomes) rather than on procedures or how the company is structured.

The jazz analogy illustrates this point. Jazz is much more than improvisation. It is the result of collaboration among a group; each artist knows the impact of his or her actions on the others. Successful innovation demands collaboration in order to avoid optimizing one capability at the expense of others or of overall performance. Focusing on the lines or the interactions, rather than on isolated activities or organization dots provides the flexibility needed for innovation. Jazz is a social activity, and so are businesses.

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Employees have to be trusted to search intelligently for improvements. But they do need guidance, training, and the tools to fulfill whatever solutions they come up with. It's not a straightforward choice between rigid structures and allowing total anarchy. It's a question of finding the right balance of structure and freedom.

### Diagnosing Your Innovative Potential

Achieving this type of organizational flexibility is no easy feat. Over the years, I have identified 21 factors that help create a powerful environment of innovation. All of these are needed in one form or another. Use these questions as a diagnostic to see how well you are doing within your organization. For each question, ask yourself how well you are doing today (on a scale from 1 to 10). Then ask yourself how well you would like to be doing. Areas with significant performance gaps may be factors you want to concentrate your energies on.

1. *Surface and challenge assumptions*—Are underlying assumptions/rules surfaced and challenged? Is the organization prepared to break with tradition? Are the root causes of problems identified and addressed?
2. *Invest time and money*—Are efforts adequately funded in terms of money and resources? Is time allocated for innovative thinking, reflection, and planning (15% rule)? Does the physical environment facilitate communication and collaboration?
3. *Create a networked organization*—Is your organization an “alliance-based network of capabilities?” Are procedural or technical standards used only where informal coordination is ineffective? Is data shared across the organization? Are non-critical capabilities outsourced? Are performance objectives aligned across organizations? Is decision making pushed to the lowest levels of organization?
4. *Focus on goals rather than procedures*—When delegating, do managers focus on “what” rather than “how?” Are clear goals and outcomes provided to avoid ambiguity? Is there a clear structure for managing commitments?
5. *Employ advocates and owners rather than managers*—Do process owners serve as advocates for innovative thinking throughout the organization? Are process owners empowered to work across relevant functions? Are the process owners chosen for their communication/management skills rather than their technical skills? Do process owners facilitate rather than dictate?
6. *Get the right measures and incentives*—Are stretch targets used to create a challenge? Are performance-based incentives and team measures used? Do the measures focus on outcomes rather than tasks? Are “fear based” incentives avoided? Are performance targets defined concurrently, or in advance of the business design? Are measures “balanced?” Are measures holistic? Has their impact on other measures been taken into account?
7. *Use optimistic language*—Are employees encouraged to stay open to new possibilities? Is “inclusive” language used? Is gossiping and politicking discouraged? Is negative, pessimistic language discouraged?
8. *Get the right people in the right roles*—Is everyone in the organization provided an appropriate challenge? Are people matched with jobs to minimize boredom or avoid their being overwhelmed? Do you only keep employees who subscribe to the values of the organization? Are jobs, roles, or tasks rotated to keep people challenged and growing?
9. *Provide encouragement*—Are efforts of individuals and teams privately and publicly acknowledged? Are people shown the result of their efforts?

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10. *Design for process flexibility*—Are overly prescriptive processes avoided? Is technology used to enable innovation rather than prescribe procedures?
11. *Strive for simplicity*—Are simple solutions used over sophisticated ones? Is over-analysis avoided? Is a “build it, try it, fix it” approach used when appropriate? Are overly formulaic approaches avoided?
12. *Be consistent and build trust*—Does management demonstrate the organization’s commitment to the success of initiatives and individuals? Does management avoid the frequent changing of goals?
13. *Provide strong leadership*—Do leaders demonstrate their commitment to innovation? Do leaders make tough, unpopular decisions (intestinal fortitude)? Are the leaders inspirational? Do the leaders serve as a role model for the rest of the organization?
14. *Use internal markets*—Is cross-unit cooperation encouraged through appropriate incentives? Is internal competition used to keep people on their toes? Are survival of the fittest/free market models applied throughout the organization?
15. *Collect and connect dots*—Is knowledge and skills building encouraged? Are people encouraged to explore new disciplines? Do individuals collect and combine ideas? Are individuals encouraged to look at work through various “filters?” Does the organization collect, combine, disseminate, and reward the best ideas? Are individuals encouraged to challenge norms? Is a standard process used for innovation (diverge then converge)? Are centers of excellence used to build broad-based expertise?
16. *Ensure Strategic alignment*—Are all initiatives aligned to the overall strategy? Are all stakeholders considered when defining the strategy (stakeholder wants & needs)?
17. *Eliminate administration*—Are knowledge workers freed to focus on value-adding activities rather than administration? Is the effective use of critical resources optimized?
18. *Create and align context*—Is an exciting context created for employees? Are people made aware of the big picture? When selling new ideas internally, is “why” addressed before “what” and “how?” Is a powerful “burning platform” created to stimulate interest? Do people understand how their work fits in with the overall effort? Are personal passions aligned with organizational objectives?
19. *Target high-value capabilities*—Are capabilities targeted that create the greatest stakeholder value and represent the greatest opportunity for improvement? Is the most valuable work converted into knowledge work? Is a holistic view maintained? Is the organization’s capacity to change considered?
20. *Focus outside in*—Is the organization customer focused, designing from the outside in? Does the organization stand in the customers’ shoes and observe their processes in action? Does the organization focus on redesigning customer processes rather than internal processes? Does the organization create customer needs rather than just respond to them? Are various customer segments handled differently? Is the organization “easy to do business with?”
21. *Revel in differences*—Does the organization develop teams with diverse skills and analytical styles? Does the organization value contention, debate, and tension? Do managers acknowledge, but avoid punishing, failure? Are conversations structured to accommodate different analytical styles? Does the organization avoid the lowest common denominator, analysis paralysis, and “right of infinite appeal?” Are new organizations created when a new culture/skill-set is needed?

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### Keeping it Simple

Assessing 21 factors can prove to be a bit overwhelming. So, to keep things simple, I propose you consider the “NOW Just Do IT” model. The “N” in NOW stands for need; a burning platform for change is communicated and well understood throughout the organization. The “O” is for opportunity; you have to be in a business that has a chance of succeeding. And the “W” is for will of senior management; committed leadership with the “intestinal fortitude” to see the change through. And you need all three to be successful.

Without the will of senior management, you are left with “NO”; no, don’t do it. Without opportunity (“O”), you are left with “NW”; no way to succeed. And without the need being understood (“N”), you are left with “OW”; a painful experience for all within the organization—reminiscent of what Jack Welch did at GE when he started out. “Just” stands for justification—a business case for change. “Do”, which means you need doers, not talkers. And finally, “IT” stands for information technology. No change today stands a chance of making a difference without taking into consideration the important role of technology. All of these together begin to create the right environment.

Other useful “top tips”:

1. *Encourage a culture of tension.* An alliance-based network often results in a highly matrixed organization that focuses on both capabilities and line responsibilities. At Mölnlycke Health Care, one of Europe’s leading manufacturers and suppliers of single-use products for surgical interventions and wound management, capability owners were responsible for identifying improvement opportunities, while line managers were trying to run the business. This caused a great deal of tension within the organization. And although tension is often thought of as undesirable, it was discovered that this debate and discussion unleashed creativity in the organization. Issues, and hence opportunities, surfaced much more quickly. The

key is to avoid deadlocks in debates where creativity is stifled and progress is not made.

2. *Educate all employees.* Companywide education is essential before any change program is rolled out, if a company’s capabilities are to be kept running smoothly throughout the turmoil that such a program inevitably brings about. Most people innately prefer the status quo unless and until they are given some sound reason why an alternative is preferable. And remember, education is as much about mindset as it is about skills. Shape the way people see the world, and you will change their actions.

3. *Use the new orientation to bring managers closer to customers.* Often, frontline personnel are quicker to pick up, and less resistant to the idea of this new way of thinking than are a company’s managers. The closer a company gets to its customers, the easier it is for them to make the journey. The lesson? Companies can speed up a sluggish start to their transition by nominating a few potential champions at the top of the organization and at successive levels further down. The designated champions can then be sent out to experience firsthand some of the problems that face the organization’s customers. This results in a bottom-up leadership from those closest to the customers.

4. *Buy expertise that you do not already have in-house.* In many cases the idea—and the proposed route—of the journey is so strange that organizations do not have the in-house skills that are needed to make the transition. In such cases, they need to go out and find help in those areas where they have insufficient expertise—for example, with the techniques of change management. Most importantly, outside help can help you surface and challenge assumptions that may be invisible to the rest of the organization.

5. *Communicate clearly, continuously, and repeatedly.* It is scarcely possible to exaggerate the need for information about the transition to be communicated clearly and regularly throughout the organization. If in doubt,

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remember the Rule of 50s. The first 50 times you tell people something, they don't hear you. The second 50 times you tell them the same thing, they don't believe you. Only during the third 50 times that you tell them do they begin to listen.

6. *Build in safeguards that prevent the organization from taking backward steps.* Senior managers who are not close to their customers can stall a transition that is already well under way and may even cause it to revert back. This can sometimes occur because of an unexpected change of leadership. Incoming managers' allegiance to a traditional structure of fragmented departments can result in the company regressing to an early stage of maturity. To minimize the risk from such a changeover, companies should develop several strong leaders on the team so that there is someone to carry on the role of champion if (and when) one of the others moves on. This removes the risk of the whole exercise being at the mercy of one person's career development.

7. *Realize that one size does not fit all.* Organizations should not try to follow any one case study too literally. No two companies will pass through the transition for the same reasons or by following the same sequence of events. Not only does one size not fit all; one size doesn't even fit two.

Any leader worth his or her salt should be enthusiastic about creating a culture of innovation. After all, a company with such a culture naturally rises to the top. Once innovation becomes a way of life for your company, people will want to work for you. You will begin to attract the best and the brightest. And before you know it, your company will be a leader—not a follower—in the marketplace.

### About the author

Stephen Shapiro is the author of *24/7 Innovation: A Blueprint for Surviving and Thriving in an Age of Change* (McGraw-Hill, 2002, ISBN: 0-07-137626-7, \$29.95) and founder of The 24/7 Innovation Group. Previously, he spent 15 years at Accenture. During his last three years, he was based in London and led the firm's European Process Excellence practice. In 1996, he was one of the founders and directors of Accenture's Global Process Excellence practice. And he was one of the leaders of the firm's reengineering practice from its inception in 1992. Shapiro has advised many of the world's leading organizations, from BMW WilliamsF1, ABB and UPS to Lucent and Xerox. He has also collaborated with other thought leaders including Michael Hammer and Peter Keen, and is recognized as one of today's most influential consultants in the area of process and innovation. Articles by Shapiro have appeared in over two-dozen newspapers and magazines, and he was recently quoted in *The New York Times*. For more information, go to [www.24-7Innovation.com](http://www.24-7Innovation.com).