

## The Business Innovation Audit

For Bill Tate (formerly Head of British Airways' Human Resources Strategy and Planning), innovation is all about the enterprise and only incidentally about the creativity of individuals.

In this self-assessment audit, published under our Cambridge

Strategy imprint, Bill sets out ways to understand which business structures and practices lead to innovative capability for your whole organisation. Use the audit to assess, expand and release your organisation's innovating potential.

10 questionnaires examine how well your enterprise fosters innovation in the way it is run. Each comes with practical guidance and advice.



## The Innovation Acid Test

Andrew Jones has studied at length a number of those innovative companies that are changing the whole way we live - **Innocent Drinks, Whole Foods, Shanghai Tang, Google** and others.

He also concludes that what matters is not individuals but practices and procedures that transform the way that people work together in those companies.

He pieces together a pattern of distinctive ways in which these innovative businesses differentiate themselves from traditionalist firms: from managing the workplace to talking to customers and recruiting and rewarding employees.



## Inside Project Red Stripe

*The Economist's* controversial innovation project, codenamed **Project Red Stripe**, caused quite a stir for the 6 months that it ran.

Andrew Carey was lucky enough to be invited in to watch the team at work and given the freedom to write what he liked afterwards.

Find out how they managed and what lessons you could learn from their innovation team.

Generally speaking, innovation is great for consultants and bad for managers.

**Bad for managers** because it's notoriously hard to do. Most innovations don't work. Creativity is an arcane and unmanageable thing. Organisations don't tend to follow through. You can easily end up with egg on your face.

**Great for consultants** because you can dive into an organisation and make significant, short-term interventions. A cynic might say you can be a bit unsettling and disruptive, bounce some ideas around, facilitate in a challenging sort of way and get out without being responsible for what happens in the long term. (Though once you've seen a really effective coach/facilitator at work, you know that the best consultants really are worth every penny).

Innovation also tends to be counter-cyclical. Yes, when times are good and companies have money to spend, they may turn to innovation. But, inevitably, it's when times are hard that the pressure's on to find new products, services or ideas to lead the business out of crisis.

## The last fart of the ferret

This question of creativity under pressure is one raised by Andrew Carey in his study of innovation at *The Economist*. There is some debate about whether you should impose severe constraints (including time constraints) on an innovation team/project, in order to wring the best out of them - or whether you should remove such pressures as far as possible so that people can get on with being creative (what Harvard's Professor Ted Levitt called 'give them the chance to show their fructifying stuff').

Carey quotes Taiichi Ohno, father of the Toyota Production System and an inspiration to many Systems Thinkers:

*"In an interview... he reportedly likened creativity in a survival culture to the last fart of the ferret. When a ferret is cornered it emits a powerful stench like a skunk, and employees, he said, when facing closure of the company, would come up with some of their most creative ideas."*

In any case, please read on for more on *The Economist's* Project Red Stripe, as well details of Bill Tate's *Business Innovation Audit* and Andrew Jones's *The Innovation Acid Test*.

# The Innovation Acid Test

In *The Innovation Acid Test*, Andrew Jones takes issue with the conventional wisdom that innovation requires mavericks and insubordination and that such people are not very good at business in general or at being reliable employees. He says:

*"I am interested in an alternative perspective, one that sits opposite the dominant 'innovation as insubordination' view of the world. This perspective, embraced in different ways by the seven firms considered here - Southwest Airlines, Google, Whole Foods, SAS Institute, Starbucks, Innocent Drinks, and Shanghai Tang - views innovation as an everyday organizing principle of work itself."*

Jones concludes that there are two aspects to fostering creativity and innovation in business. The first he calls the Human-Centred Enterprise.

## The Human-Centred Enterprise

In this kind of humane organisation:

- work becomes an end not a means to an end
- the work-life balance is highly valued
- there is an equal commitment to employee and customer retention
- businesses are assumed to be potential instruments of good in society
- management is hands-off
- T-shaped people thrive

Quoting Tim Brown in *Fast Company*, Jones explains about T-shaped people:

*"They have a principal skill that describes the vertical leg of the T - they're mechanical engineers or industrial designers. But they are so empathetic that they can branch out into other skills, such as anthropology, and do them as well. They are able to explore insights from many different perspectives and recognize patterns of behaviour that point to a universal human need."*

## The A/D/A Paradigm

The second crucial aspect to fostering creativity and innovation that Andrew Jones identifies is an emerging 'new management paradigm':

*"...one wherein the disciplinary assumptions shift from the purely analytical and calculative disciplines of Mathematics, Economics and Psychology, to the action-oriented, experienced-based disciplines of Design, Architecture, and Anthropology. The hub of the wheel that ties together design, architecture and anthropology is innovation."*

*Anthropology is the source of ever-deeper insights into the... desires and aspirations of consumers and employees. Architecture is a way of thinking about relating to constraints and building new things. And design is both a way of thinking about the world and a methodology for doing and building new things that can transform consumer insights into new products, experiences, business models and work processes."*



*The Innovation Acid Test* fleshes out these ideas with case studies, stories and examples from the seven companies that the author has studied.

The result is an inspirational recipe for business transformation that's as relevant in a depression as in a boom, as relevant in a

young start-up as in a multinational, and as relevant in the world's emerging economies as in its old ones.

You can read more about *The Innovation Acid Test* at <http://triarchypress.com/pages/book6.htm> and order a copy from your bookshop or direct from [www.triarchypress.com](http://www.triarchypress.com).

### Google's Marissa Mayer lists her 9 Notions of Successful Innovation:

**Ideas come from everywhere:** Google expects everyone to innovate, even the finance team.  
**Share everything you can:** Every idea, project and deadline is accessible on the intranet.  
**You're brilliant, we're hiring:** Founders Page and Brin favour intelligence over experience.  
**A license to pursue dreams:** Employees get a 'free day' each week. Half of new launches come from this '20% time.'

**Innovation, not instant perfection:** Google launches early and often in small beta tests.

**Don't politic, use data:** Mayer discourages the use of 'I like', pushing staffers to use metrics.

**Creativity loves restraint:** Give people a vision, rules about how to get there, and deadlines.

**Worry about usage and users, not money:** Provide something simple to use and easy to love. The money will follow.

**Don't kill projects, morph them:** There's always a kernel of something good that can be salvaged.

Innovation Rule 7 for Marissa Mayer at Google (see the orange box on the previous page) was this:



**Creativity loves restraint:** Give people a vision, rules about how to get there, and deadlines.

Much the same point is made by Harvard Business School's Professor Teresa Amabile who says,

*"creativity thrives when managers let people decide how to climb a mountain; they needn't, however, let employees choose which one."*

By contrast, restraint was what *The Economist's* Project Red Stripe did not get. Andrew Carey says:

*"Project Red Stripe could hardly have been given a broader brief than 'creating an innovative and web-based product, service or business model'. It's possible to see the first two months for the Red Stripe team as being spent deciding which mountain to climb."*

In the opening chapter of his provocative book, he talks at length about how the team responded to this freedom. Likening the team's search for 'the big idea' to Captain Ahab's search for the whale in *Moby Dick*, Carey says 'the big idea':

*"...preoccupied the team from the outset. Where would they find it? Would they know it when they saw it? Would they catch it? Would they be good enough for it? Would it be good enough for them? Would it be cool enough? Would they deserve it? If they found it, would other people recognise it? Would someone else steal it once they'd found it?"*

Eventually the team settled on a business idea designed to help the UN achieve one of its Millennium Goals (universal primary education). Discussing the extraordinary sense of power and possibility that comes with 'being able to help the UN' do anything, Carey continues:

*"To me it seems that this whale-of-an-idea was sometimes too much for the team. Too much for any team. They tried to bring it back down to size by playing with it: 'Let's divert the Thames through Lichfield', 'Let's make the world square'. But still it became the elephant in the room, to mix gargantuan mammal metaphors..."*

*In the end, it's a serious responsibility being invited to change the world. The whale-of-an-idea is an onerous beastie..."*

Carey spent time each week for six months with the 6-person innovation team at *The Economist*. Remarkably, he was given freedom to report what he saw with effectively no editorial control from *The Economist*.

As Andrew says in his introduction (which, characteristically, appears some way into the book) he was there in the role of corporate anthropologist and could have written about the individuals on the team, or about teamworking and group issues, or about the culture at *The Economist*, or about the office environment, or about the processes and procedures followed...

In fact, he covers all those angles. He's also written the book rather like a blog (just as the Project Red Stripe team themselves wrote a daily public blog for some of the time and were always visible to the outside world via their webcam).

So we've published it both as a book and as a blog (a new chapter gets added roughly every week).

**Read the blog:**

<http://projectredstripe.blogspot.com/>

**Read more about the book:**

<http://triarchypress.com/pages/book15.htm>

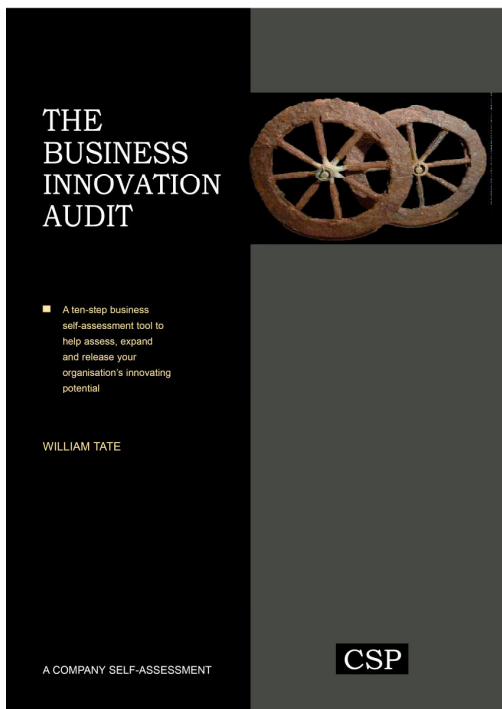
**Order a copy from your bookshop or direct from:**

[www.triarchypress.com](http://www.triarchypress.com)

The door to the room slams shut whenever someone enters or leaves the office. The room shudders slightly and everyone is jolted. By the time of my last visit in July the team are perfecting a device invented by Joanna. It involves folding a piece of cardboard and inserting it into the gap between the door frame and the hinged side of the door, which serves to slow down the speed with which the door closes and reduce the slam to a gentle pffftt.

Wall decorations are almost non-existent. One or two pieces of fruit and a packet of biscuits occasionally decorate the centre of the table. There is no other concession to homeliness.

The drone of central London traffic (average daytime traffic speed 6.1 mph/9.76 kph), punctuated by the wail of regular post-war-on-terror-and-current-war-on-gun-crime sirens, intrudes, as does the squeal and hiss of air brakes. Otherwise the outside world is largely excluded.



*The Business Innovation Audit* fits very neatly with both the previous titles.

Like *The Innovation Acid Test*, it emphasises organisational issues over gifted individuals and personal creativity.

This is reflected in the areas covered by the 10 questionnaires that the audit presents:

1. Managing creative and innovative people
2. Developing people's innovative capability
3. Developing a culture of innovation
4. Applying performance management to innovation
5. Using competency approaches with innovation
6. Taking advantage of creative ideas
7. Understanding forces that stifle or fuel innovation
8. Responding to workplace trends affecting innovation
9. Exploiting the many sources of innovation
10. Measuring innovation at a strategic level

For each of these areas, Bill Tate offers a carefully thought-through introduction, with guidance on what to look for, what can go wrong and why.

For example, Section 3 - on the culture of innovation - looks at issues like:

- Trust
- Openness and sharing
- Disruptive innovation
- Chaos and uncertainty
- Play
- Getting out of the way.

What do we mean by innovation and being innovative, and how do we distinguish this from creativity? By 'innovative' we mean the systematic capacity of organisations to successfully exploit new ideas in a commercial context, wherever and whenever they arise and to whatever they might be applied.

We therefore make a firm distinction between creativity and innovation. Whereas the dominant focus of creativity is on the individual, innovation is more firmly located as a property of the organisation. Both are important, are symbiotic and respond to organisational management. You cannot have innovation without creativity, and there is little point in a company having individually creative employees unless that is channelled into innovation benefiting the organisation and its customers.

Managers in organisations typically understand creativity better than they do innovation. And because the training market predominantly addresses individuals and their skills, creativity receives more attention and funding than does innovation. Interventions aimed at improving innovation are more subtle and complex than those that seek to make individuals more creative or try to encourage more ideas to come forward. But it is at the interface with the organisation's needs, systems and dynamics where the biggest payback exists.

*Bill Tate*

*The Business Innovation Audit* is published by Cambridge Strategy Publications - an imprint of Triarchy Press.

It's one of 28 company self-assessment audits that are designed to help the senior management team understand different aspects of the business, get a reliable measure of how well they are doing, identify potential changes and implement them.

**Read more about the audit:**

[www.cambridgestrategy.com/content/business\\_innovation\\_audit.php](http://www.cambridgestrategy.com/content/business_innovation_audit.php)

**Order a copy from your bookshop or direct from:**

[www.cambridgestrategy.com](http://www.cambridgestrategy.com)

#### Authors

We welcome book proposals on all aspects of organization structure, management and change and we've developed a streamlined system for submitting and reviewing book proposals. If you think you've got a book in you follow the **Write for us** link at the website: [www.triarchypress.com](http://www.triarchypress.com)