

Innovation. I know we should but how?

Jean Pousson offers some thoughts on the management of innovation



The above quote is one often told to me by executives. “Jean I know we have to be more innovative, but how? Where do we even get started?”

Most Chief Executives agree that innovation is an important ingredient of the strategic agenda. Indeed many organisations will claim that their major source of competitive advantage is their constant ability to innovate. When on my training courses I ask delegates to name a few innovative companies the same names tend to come up, eg Google, Dyson, Apple, Pixar, Toyota (yes despite their recent problems!), 3m, Virgin and the list goes on. The UK coalition government even saw fit to rename a key department as the Department of Business Innovation and Skills.

But then it all dawns that we can't all be the next Google or Virgin, and a sense of despondency sets in. Let

me share with you my experience of working with organisations of all sizes including Public Sector and Charities in this field.

Innovation is not just about the next great Nobel Prize winning invention that will change the world and immortalise the inventor. It is mainly about a quest for constant, and often very small, improvements in the workplace.

Organisations are reservoirs of knowledge and imagination, and we must not get trapped in the Henry Ford

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mentality: “Why is it that every time I ask for a pair of hands a brain comes attached?” We need to democratise strategic thinking within organisations. People know stuff! It is therefore incumbent on executives to encourage increased participation. This can be done in many ways, workgroups, discussion groups, both formal and informal, problem solving sessions, away days etc. Give them something to discuss beyond their day to day jobs. They will surprise you. They will amaze you. I have run workshops where each group gets the following task. “If you were made Chief

Executive of this organisation, what would you do?” Try it.

Be prepared to constantly try different approaches. As Einstein famously remarked, “The definition of insanity is doing the same thing over and over again and expecting different results”. Encourage people to constantly ask the Why Not? Question.

Directors often tell me “We need to think outside the box” but then put in place a suggestion box for new ideas. The irony. Outside the box? We need to think outside the building! Gary Hamel, a

famous strategy thinker makes the point very well. “90% of what you need to learn, you will learn outside your industry, because the stuff in your industry you know already.” Most executives could go and join a competitor's business and settle very quickly. But most learning comes from outside that industry and sometimes from the most unlikely sources. During the Italian Renaissance the Medici family would constantly invite artists and thinkers from all works of life to congregate, meet, share ideas, and as a consequence created a phenomenal centre of

excellence.

The late Peter Drucker once said that “the best opportunities are visible but not seen.” There are many reasons for this. One is that the debate within the organisation has become sterile and predictable. The Board becomes trapped with too many operational issues and the quest for a specific profit number clouds thinking. So check the agenda. What is the depth and maturity of strategic discussions? Don't let the industry rules narrow your thinking. Show no respect for precedent. Play the game differently. Remember that famous scene from Indiana Jones the movie?

“Those who choose to live by the sword get shot by those who don't.” Give thought to employing people from outside the industry. They have a valuable contribution to make.

Ronald Reagan once quipped that he didn't know what the ten commandments would look like if Moses had run them by Congress. The point there is to empower people to act a bit more freely (with clear boundaries) and not to allow bureaucracy to stifle energy. Bureaucracy after all derives from the French, bureaucracie, and means government by desks!

Cost Cutting – How could Tesco help the public sector?

By Mike West

Well, it's all in vogue now with the new Government: Cost Cutting. I can see all those accountants and boffins getting excited about jiggling the numbers, projecting efficiency and managing budgets! They have taken years to study how to cut costs and now their decade has arrived with directions to the public sector to reduce costs and resources. Just as it astounded me when the smoking legislation arrived, the whole UK dropped into line overnight without a wheeze. No one smoked on a train or bus or in an office from the next day on. The British are so compliant.

And so it has been with the Coalition drive for cost reduction. All departments have by now submitted plans for cutting costs. Some have trumpeted how fast they have been to pass the test of a 25% reduction to please their bosses. And we expect to know the exciting results this month. One cannot wait.

The issue has arisen of course because the public sector has been, shall we say, "well funded" for over a decade. The number of jobs in the sector has increased by more than 600,000 in the last ten years and The Economist last week ventured to call the NHS "bloated". Quite descriptive. Given the huge increase in government funding across the board for the sector, perhaps reductions are warranted but we need to take care that services are not reduced and are in fact improved.

Is it possible to improve services whilst simultaneously cutting costs? Last November, NESTA produced a report arguing that the NHS could actually achieve this. Furthermore, some of us strategists believe we know how. Borrowing a technique from the private sector, strategy is partly about allocating resources to the problem in order to deliver the desired goals or vision. A key to this is market segmentation – put simply, identify the target markets and re-allocate resources to the challenge.

Down at the retail store, Tesco are the masters. Via the Clubcard, knowledge is gained about market segments (individual consumers) via collection of the customer's postcode and linking this to purchasing behaviour. The result is accurately targeted mailers and offers that direct benefits to segment needs.

In the public sector, these models are working with new efficiency whereby crime, health and education problems and needs are identifiable by postcode. This data contributes to the analysis stage that is so key to establishing an effective strategy. Knowing the location of the problem or opportunity enables the private and public sectors to allocate resources and budgets. In fact, we do not need all of the police or health services to be provided to all of the market segments, all of the

time. We need prioritisation of resources to higher problem areas. This alone would enable the police and NHS to improve services with significantly reduced budgets.

Again, putting it simply, postcodes can identify propensity to purchase products, conduct crime and achieve better school results.

Extending the concept to your business, how close are you to the customer groups that you service and target? Can you define the buying characteristics of your market? If you can, you have market segmentation on board and this will enable you to understand customer's needs and problems. Thus, you can consider whether you wish to play in that field, how you wish to be "seen" or "positioned" in that segment and thus whether you are entering it on a "commoditised" price driven strategy or a "differentiated, branded" approach.

So where does cost reduction come in? Actually, it does not figure strongly at all as a standalone activity! If you can segment and target the market you wish to service in both the private and public sectors and can differentiate your offering, you can allocate reduced resources to deliver an improved strategy. In the private sector, this enables higher margins and in the public sector, it enables better service provision. Seems to be too good to be true. The challenge is in getting both sectors to become aware of these business techniques and evaluating them via trial. If anyone is interested, send us an email and we'll put you in touch with the models.



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