

PERMISSION TO FAIL: MANAGING FOR INNOVATION



Failure is interesting – it's part of making progress. You never learn from success, but you do learn from failure" – James Dyson

BY VICTORIA MUIR

They were once household names as industry leaders in their markets; Kodak, Singer, Blockbuster, Nokia, Blackberry and Borders. All these iconic brands have one thing in common, they failed to anticipate disruption in their markets for their products and services, from new players and substitutes, and they failed to innovate in time to save their companies. As the speed of technological change has increased and the globalization of online markets has reduced barriers to entry for new players, disruption is impacting many industries and professions that once considered their market position unassailable.

The rise of Amazon, eBay, Ali Baba, Uber, Netflix, and Spotify are some of the well-known success stories, but there are examples of disruption occurring in all industries. Zopa are challenging banks, Gekko are offering free accounting services, Purple bricks have slashed estate agency fees and even GPs are facing competition from online medical services such as yourdiagnosis.com. As people look for new business models to reduce costs and increase convenience, successful companies cannot afford to be complacent regardless of their market size or position. While Google are renowned for offering their people time away from their day jobs to work on future potential

services, there are less drastic measures all managers can take to help create and foster a culture where innovation can flourish.

ENCOURAGE IDEAS

Our people are our best assets, they live and breathe our products and services daily, they know where the complaints arise, they know where the frustrations in the processes exist and they know what functionality or changes are requested most often. Encourage a culture where recommendations for change aren't seen as criticism of leadership, but they are considered opportunities for future success.

Crowdsourcing ideas, cross departmental think tanks and 'dragon's den' type initiatives are easy ways of surfacing innovative ideas from your teams. It is however critical that ideas are considered, evaluated and responses communicated appropriately if you want people to invest their time in the process.

SET GOALS

"You manage what you measure" is the reason why we set specific goals to ensure individual and team activities fully support an organization's strategic priorities. While

INSIGHTS FROM INDUSTRY

'innovation' itself can seem a difficult thing to measure; setting out the behaviors and activities required to create a culture of innovation is not. Innovation can be defined as the process of ideation, evaluation, selection, development and implementation of new or improved products, services or programs. Depending on the role of the individual, goals/behaviors can be developed to support four key areas:

1. Increased number of new ideas
2. Improved quality of ideas/Better evaluation of ideas
3. More efficient implementation of ideas
4. Improved success rates from implementation of innovative ideas.

It is the role of the manager to ensure that their team considers innovation as an integral part of their jobs and the role of the organization to put in place policies and processes to support their people's initiatives.

CELEBRATE FAILURE

In 2015 Japan's total venture capital deals amounted to only \$800m compared to \$72bn in USA, this lack of start-up and entrepreneurial activity is of major concern to economic commentators as future growth and employment opportunities are often driven by new company start-ups. There have been many studies looking at why the Japanese aren't keeping up with other countries in terms of entrepreneurship, and a common theme emerges; the cultural fear of failure. It is considered better to not try - than to try and fail; this has a considerable impact both on new company formation but also a lack of willingness to take risks in existing organizations outside of defined R&D functions. The Japanese are thus missing out potential innovations coming from millions of employees.

Many performance processes are not designed to support risk taking; defined goals and KPIs,

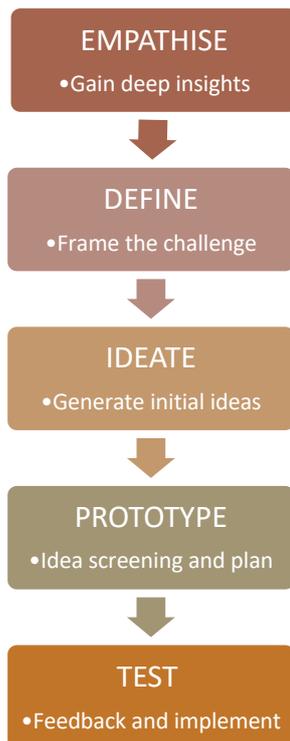
while important to ensure strategic goals are prioritized, often do not give recognition or reward to attempting and failing new and potentially higher risk initiatives. In fact, failures are often brushed under the carpet and not communicated outside of the higher echelons of leadership. Creating a culture where failure is recognized as useful, where the focus is on learning from failed projects and there is recognition and reward for those that people who attempt riskier projects will all contribute to an innovation culture. Supporting any such initiatives should be a robust project management process with properly designed milestones and regular stop/continue decision points to ensure management comfort over resource investments.

The performance manager has a critical role to play in supporting a culture of innovation. By coaching teams to understand that some failure is an inevitable aspect in the quest for innovation, by working with them to identify where failed projects have provided useful insights, learning and experience and by helping to motivate their staff to leverage those insights, the manager provides an environment where innovators can flourish.

DEVELOP CAPABILITY

Many people consider innovation skills to be akin to creativity, an innate capability that people possess or don't. Like artistic techniques, these skills can be developed; the innovation process can be broken down into discrete process steps which can be taught. Design thinking workshops can provide the tools and a framework for your people to approach innovation challenges.

A typical design thinking process comprises:



Experiential workshops that develop a team's capability while working on a specific innovation challenge are a great way to put ideation into practice.

HARNESS DIVERSITY

One of the best ways that managers can contribute to an innovation culture is to encourage diversity of thinking in their teams. Having a broad range of perspectives helps in any problem-solving scenario and innovation is simply a type of problem, namely answering the challenge 'What new or improved products or services should we offer?'

Diversity of thinking can come from individuals with different profiles, such as:

- Age
- Culture
- Gender
- Education
- Ethnicity
- Physical capability
- Occupation
- Socio-economic background

Managers should ensure that all members of their team are given an equal opportunity to contribute ideas and if they don't currently have a diverse team, should use internal social media or focus groups with other divisions or even groups external to the organization to expand the range of ideas considered.

Increasing diversity of company leadership and Boards has been proven to improve performance of organizations, similarly decision making by diverse teams has been shown to produce better outcomes than teams that are homogenous in nature.

THE INNOVATION IMPERATIVE

While all organizations face a volatile and uncertain business environment, there are some clear steps that organizations can take to help protect themselves from market disruption. Those firms that create a culture of: pursuing innovation goals, recognizing and rewarding trying new ideas - even if they don't fully succeed, developing design thinking capabilities in their teams, and encouraging diverse teams will be more agile and better placed to adapt and survive.

If you would like assistance with any of the areas raised in this article, please contact us:

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