



Ideas for Action...

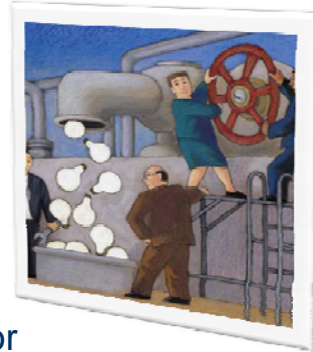
Mindwerx International Pty Ltd
PO Box 3588 Helensvale , QLD 4212 Australia
Phone: 1800 060 982 +61 419 645 299 E-mail: bill@mindwerx.com
mindwerx.com buzan.com.au fuzz2buzz.com



The Innovation Premium

The Strategic Importance of Creativity, Innovation and Entrepreneurship

- Importance to business?
- Innovative companies
- Models of Innovation
- Killing Innovation in business
- Creating an innovative company
- Innovation as a key success factor



Creativity & Innovation Important to Business Today?

If so...

- How do we define them?
- What's the connection between creativity and innovation?
- Can an Innovation Premium be achieved and demonstrated?
- What must we do to ensure success through Innovation?
- What about entrepreneurship?





Most Innovative Companies

BusinessWeek

MAKING

INNOVATION

WORK



BusinessWeek





A Compelling Need

- Fujitsu Innovation Index
 - 178 Australia and New Zealand interviews
 - Drivers – Market, Efficiency and Growth
 - Barriers – Resources, Culture, Leadership, ROI
- *Igniting Innovation Performance*
 - Innovation accounts for 19-42% of KPI changes
 - 33% increase in customer satisfaction
 - 30% increase in profitability
 - 22% increase in sales and revenue

A Compelling Need

- Business Council of Australia
 - Concepts in Innovation: Keys to Growing Australia*
 - Innovative businesses essential to Oz success
 - The need to understand innovation is vital
 - But understanding of innovation is now flawed
- Venturous Australia
 - Same old stuff...



Exhibit 1. As Satisfaction with the Return on Innovation Spending Falls, Are Companies Starting to Pull Back on Spending?

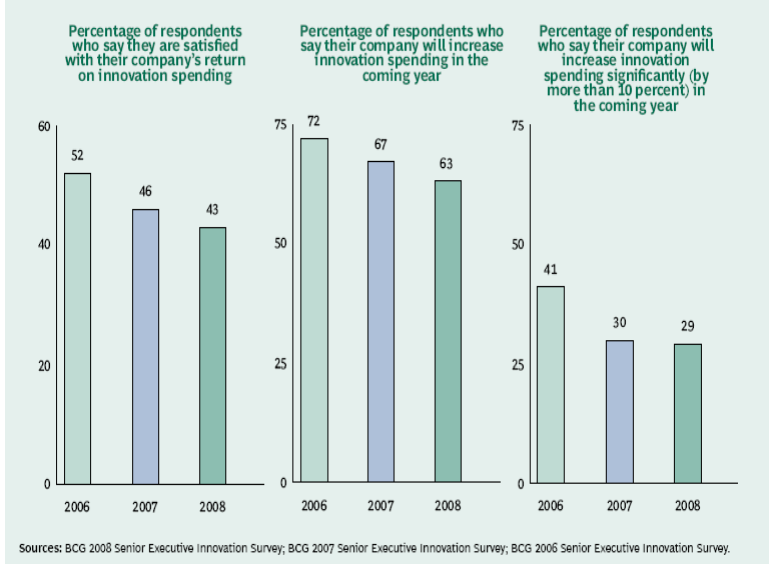


Exhibit 2. Sixty-six Percent of Companies Consider Innovation a Top or Top-Three Priority

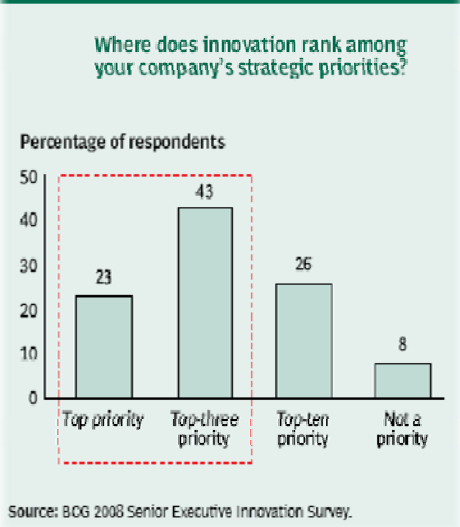
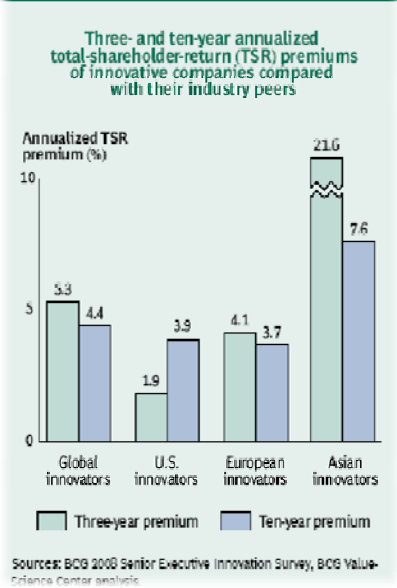
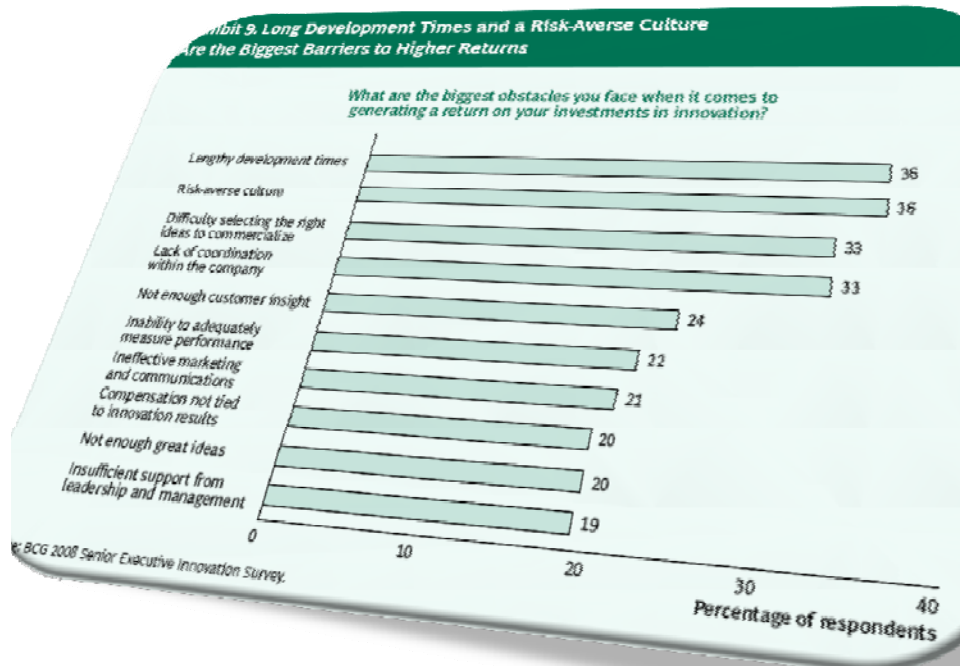


Exhibit 4. Innovation Pays Off for Shareholders

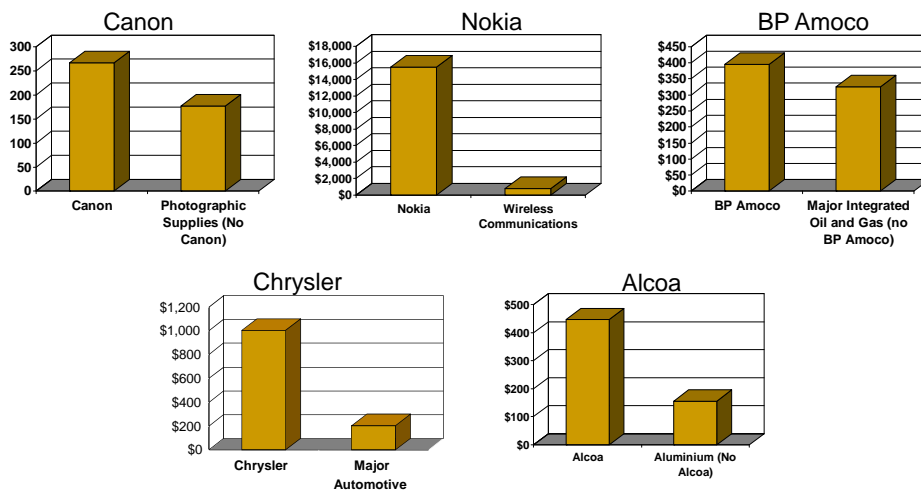




The Innovation Premium

Companies setting the Pace

Value of \$100 invested Jan 92 – Jan 99

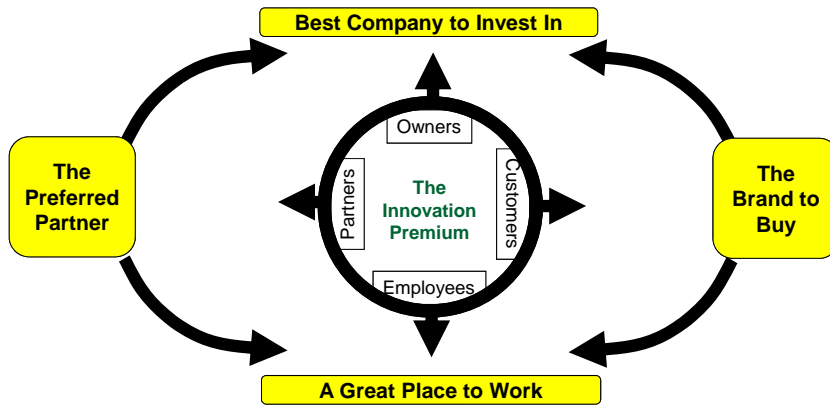


Jonash & Sommerlatte 1999



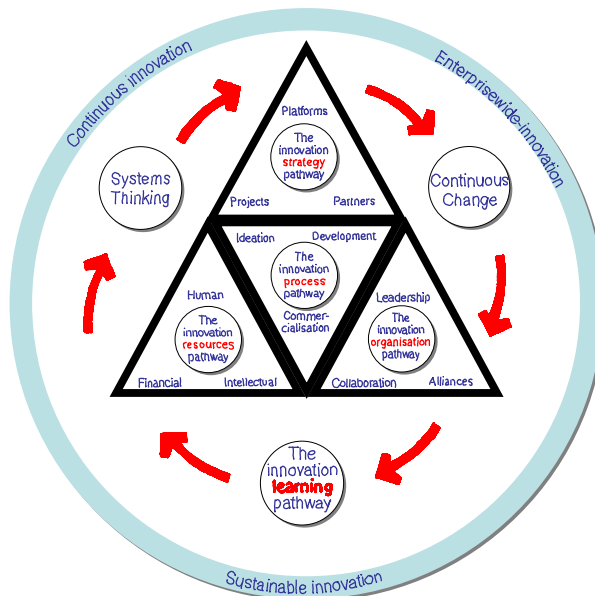
Success with Innovation

Premiums across all stakeholders



Jonash & Sommerlatte 1999

Fundamentals of Innovation



Jonash & Sommerlatte 1999



The Innovation Premium

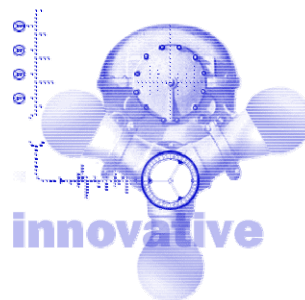
Five pathways to success...

- **Strategy**
 - Aligned to Vision and tailored to the organisation
- **Process**
 - The innovation eco-system
- **Organisation**
 - Collaborative interaction and idea sharing
- **Resources**
 - Capital, facilities, capabilities and people
- **Learning**
 - Dynamic, knowledge-based, continuous learning

Jonash & Sommerlatte 1999

Types of Innovation

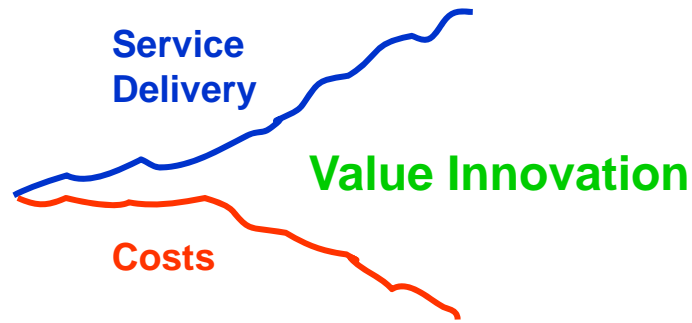
- Product (Goods & Services) Innovation
- Process Innovation
- Value Innovation
- Open Innovation
- Experience Innovation
- Management Innovation
- Strategic Business Thinking to Drive Business Performance (Fujitsu)





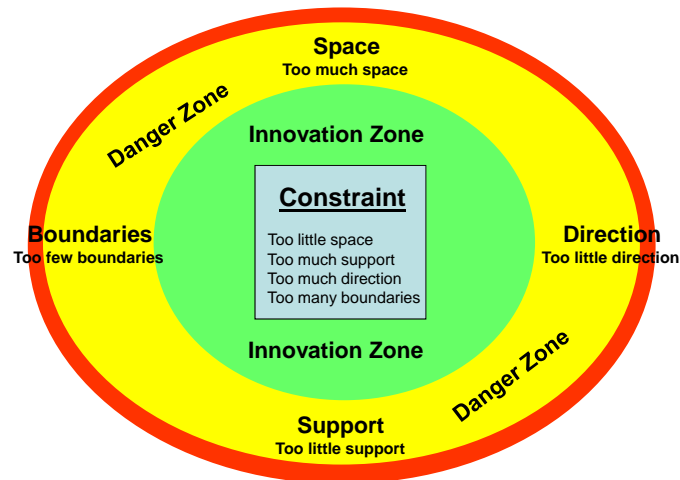
Value Innovation

Improving service delivery & driving costs down



Corporate Innovation

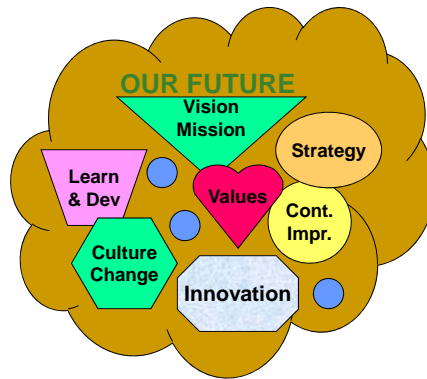
Innovation may be defined as the extent of time spent in the Innovation Zone





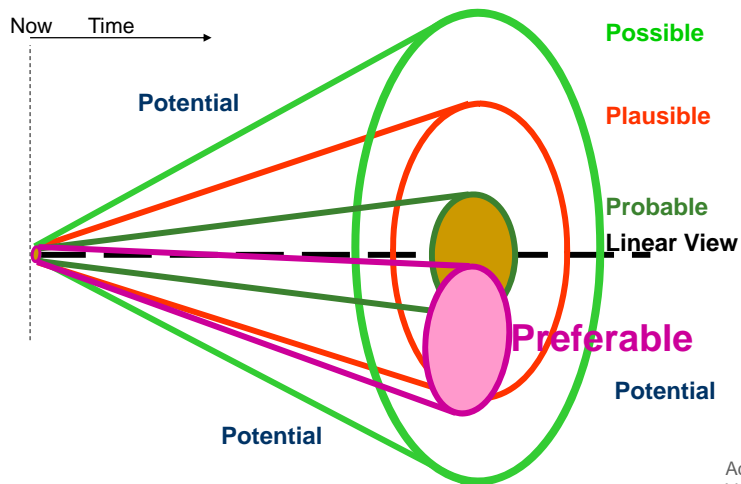
Linking Innovation to Vision

Creating a new culture means connecting all the dots



Fore-Sighting the Future

How we view the future affects how we innovate and achieve our potential over time



Adapted from
Voros 2003



Igniting Innovation

Three key areas...

■ Leadership

- Organisational framework for innovation
- Executive management, strategy and methodology
- Empowerment, communication and team charter

■ Processes

- Knowledge management
- Knowing customers and markets
- Reporting, recognition, collaboration

■ Inputs

- Environment, time, IT support, budget, idea promotion

Fujitsu Innovation Index

How to Kill Creativity

Teresa Amabile

- Creativity is a function of three components: expertise, creative-thinking skills, and motivation
- Managers can influence these components through workplace practices and conditions
- Managerial practices affecting creativity:
 - challenge,
 - freedom,
 - resources,
 - work-group features,
 - supervisor encouragement, and
 - organization support.





Six Myths Of Creativity

Teresa Amabile

1. Creativity Comes From Creative Types
2. Money Is a Creativity Motivator
3. Time Pressure Fuels Creativity
4. Fear Forces Breakthroughs
5. Competition Beats Collaboration
6. A Streamlined Organization Is a Creative Organization



[real innovation]

Big Ten Innovation Killers

Joyce Wycoff

1. Not creating a **culture** that supports innovation
2. Not getting buy-in and **ownership** from business unit managers
3. Not having a widely understood, system-wide **process**
4. Not allocating **resources** to the process
5. Not tying projects to company **strategy**
6. Not spending enough time and energy on the **fuzzy front-end**
7. Not building sufficient **diversity** into the process
8. Not developing **criteria and metrics** in advance
9. Not **training and coaching** innovation teams
10. Not having an **idea management system**



Fast Company

The 6 Myths Of Creativity

A new study will change how you generate ideas and decide who's really creative in your company.

From: [Issue 89](#) December 2004 | Page 75 By: Bill Breen

Creativity.

These days, there's hardly a mission statement that doesn't herald it, or a CEO who doesn't laud it. And yet despite all of the attention that business creativity has won over the past few years, maddeningly little is known about day-to-day innovation in the workplace. Where do breakthrough ideas come from? What kind of work environment allows them to flourish? What can leaders do to sustain the stimulants to creativity -- and break through the barriers?

Teresa Amabile has been grappling with those questions for nearly 30 years. Amabile, who heads the Entrepreneurial Management Unit at Harvard Business School and is the only tenured professor at a top B-school to devote her entire research program to the study of creativity, is one of the country's foremost explorers of business innovation.

Eight years ago, Amabile took her research to a daring new level. Working with a team of PhDs, graduate students, and managers from various companies, she collected nearly 12,000 daily journal entries from 238 people working on creative projects in seven companies in the consumer products, high-tech, and chemical industries. She didn't tell the study participants that she was focusing on creativity. She simply asked them, in a daily email, about their work and their work environment as they experienced it that day. She then coded the emails for creativity by looking for moments when people struggled with a problem or came up with a new idea.

"The diary study was designed to look at creativity in the wild," she says. "We wanted to crawl inside people's heads and understand the features of their work environment as well as the experiences and thought processes that lead to creative breakthroughs."

Amabile and her team are still combing through the results. But this groundbreaking study is already overturning some long-held beliefs about innovation in the workplace. In an interview with *Fast Company*, she busted six cherished myths about creativity. (If you want to quash creativity in your organization, just continue to embrace them.) Here they are, in her own words.

1. Creativity Comes From Creative Types

When I give talks to managers, I often start by asking, Where in your organization do you most want creativity? Typically, they'll say R&D, marketing, and advertising. When I ask, Where do you *not* want creativity? someone will inevitably answer, "accounting." That always gets a laugh because of the negative connotations of creative accounting. But there's this common perception among managers that some people are creative, and most aren't. That's just not true. As a leader, you don't want to ghettoize creativity; you want everyone in your organization producing novel and useful ideas, including your financial people. Over the past couple of decades, there have been innovations in financial accounting that are extremely profound and entirely ethical, such as activity-based costing.

The fact is, almost all of the research in this field shows that anyone with normal intelligence is capable of doing some degree of creative work. Creativity depends on a number of things: experience, including knowledge and technical skills; talent; an ability to think in new ways; and the capacity to push through uncreative dry spells. Intrinsic motivation -- people who are turned on by their work often work creatively -- is especially critical. Over the past five years, organizations have paid more attention to creativity and innovation than at any other time in my career. But I believe most people aren't anywhere near to realizing their creative potential, in part because they're laboring in environments that impede intrinsic motivation. The anecdotal evidence suggests many companies still have a long way to go to remove the barriers to creativity.

2. Money Is a Creativity Motivator

The experimental research that has been done on creativity suggests that money isn't everything. In the diary study, we asked people, "To what extent were you motivated by rewards today?" Quite often they'd say that the question isn't relevant -- that they don't think about pay on a day-to-day basis. And the handful of people who were spending a lot of time wondering about their bonuses were doing very little creative thinking.

Bonuses and pay-for-performance plans can even be problematic when people believe that every move they make is going to affect their compensation. In those situations, people tend to get risk averse. Of course, people need to feel that they're being compensated fairly. But our research shows that people put far more value on a work environment where creativity is supported, valued, and recognized. People want the opportunity to deeply engage in their work and make real progress. So it's critical for leaders to match people to projects not only on the basis of their experience but also in terms of where their interests lie. People are most creative when they care about their work and they're stretching their skills. If the challenge is far beyond their skill level, they tend to get frustrated; if it's far below their skill level, they tend to get bored. Leaders need to strike the right balance.

3. Time Pressure Fuels Creativity

In our diary study, people often thought they were most creative when they were working under severe deadline pressure. But the 12,000 aggregate days that we studied showed just the opposite: People were the least creative when they were fighting the clock. In fact, we found a kind of time-pressure hangover -- when people were working under great pressure, their creativity went down not only on that day but the next two days as well. Time pressure stifles creativity because people can't deeply engage with the problem. Creativity requires an incubation period; people need time to soak in a problem and let the ideas bubble up.

In fact, it's not so much the deadline that's the problem; it's the distractions that rob people of the time to make that creative breakthrough. People can certainly be creative when they're under the gun, but only when they're able to focus on the work. They must be protected from distractions, and they must know that the work is important and that everyone is committed to it. In too many organizations, people don't understand the reason for the urgency, other than the fact that somebody somewhere needs it done today.

4. Fear Forces Breakthroughs

There's this widespread notion that fear and sadness somehow spur creativity. There's even some psychological literature suggesting that the incidence of depression is higher in creative writers and artists -- the de-pressed geniuses who are incredibly original in their thinking. But we don't see it in the population that we studied.

We coded all 12,000 journal entries for the degree of fear, anxiety, sadness, anger, joy, and love that people were experiencing on a given day. And we found that creativity is positively associated with joy and love and negatively associated with anger, fear, and anxiety. The entries show that people are happiest when they come up with a creative idea, but they're more likely to have a breakthrough if they were happy the day before. There's a kind of virtuous cycle. When people are excited about their work, there's a better chance that they'll make a cognitive association that incubates overnight and shows up as a creative idea the next day. One day's happiness often predicts the next day's creativity.

5. Competition Beats Collaboration

There's a widespread belief, particularly in the finance and high-tech industries, that internal competition fosters innovation. In our surveys, we found that creativity takes a hit when people in a work group compete instead of collaborate. The most creative teams are those that have the confidence to share and debate ideas. But when people compete for recognition, they stop sharing information. And that's destructive because nobody in an organization has all of the information required to put all the pieces of the puzzle together.

6. A Streamlined Organization Is a Creative Organization

Maybe it's only the public-relations departments that believe downsizing and restructuring actually foster creativity. Unfortunately, I've seen too many examples of this kind of spin. One of my favorites is a 1994 letter to shareholders from a major U.S. software company: "A downsizing such as this one is always difficult for employees, but out of tough times can come strength, creativity, and teamwork."

Of course, the opposite is true: Creativity suffers greatly during a downsizing. But it's even worse than many of us realized. We studied a 6,000-person division in a global electronics company during the entire course of a 25% downsizing, which took an incredibly agonizing 18 months. Every single one of the stimulants to creativity in the work environment went down significantly. Anticipation of the downsizing was even worse than the downsizing itself -- people's fear of the unknown led them to basically disengage from the work. More troubling was the fact that even five months after the downsizing, creativity was still down significantly.

Unfortunately, downsizing will remain a fact of life, which means that leaders need to focus on the things that get hit. Communication and collaboration decline significantly. So too does people's sense of freedom and autonomy. Leaders will have to work hard and fast to stabilize the work environment so ideas can flourish.

Taken together, these operating principles for fostering creativity in the workplace might lead you to think that I'm advocating a soft management style. Not true. I'm pushing for a smart management style. My 30 years of research and these 12,000 journal entries suggest that when people are doing work that they love and they're allowed to deeply engage in it -- and when the work itself is valued and recognized -- then creativity will flourish. Even in tough times.

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Fast Company, 375 Lexington Avenue, New York, NY 10017



While it's probably impossible to compute the exact percentage of business initiatives that fail, it is widely acknowledged that *most* do. After years of research and observation, it is clear that the same reasons for any change initiative failure tend to be the same culprits that make innovation initiatives fail. Here are the top ten reasons for innovation failure:

- Not creating a **culture** that supports innovation
- Not getting buy-in and **ownership** from business unit managers
- Not having a widely understood, system-wide **process**
- Not allocating **resources** to the process
- Not tying projects to company **strategy**
- Not spending enough time and energy on the **fuzzy front-end**
- Not building sufficient **diversity** into the process
- Not developing **criteria and metrics** in advance
- Not **training and coaching** innovation teams
- Not having an **idea management system**

Culture – culture is the playing field of innovation. Unless the culture honors ideas and supports risk-taking, innovation will be stifled before it begins. Culture is like our immune system ... its job is to kill intruders before they can harm the body. Culture can change but it is a slow process.

Ownership – once great ideas have shown up, they have to be implemented somewhere. Generally that means a business unit manager has to take on the idea and devote scarce resources of time and budget to the new project. If that manager has not bought into the new project fully, it generally doesn't succeed. Business unit managers need to be engaged from the very beginning of an innovation initiative and they need to have the option of "buying" new concepts.

Process – when organizations want to embrace innovation, they often hold a two-day kickoff to hype innovation and provide some training in tools and techniques. They set up a few innovation teams, schedule some brainstorming sessions and then are shocked to learn (about six weeks later) that "innovation isn't working." In today's world where people are already overloaded, a piecemeal approach to innovation just doesn't work, not if you want real, bottom line results. Innovation needs a process that focuses people on the right challenges and leads them through an organized process of releasing creativity and evaluating results so that the right concepts move into the implementation process.

Resources – too often the CEO stands up at an annual meeting and says, "We need to be more innovative," and then goes on to the next topic. Innovation takes time, energy and money. People need some freedom and time to think and tinker around with new possibilities. They also need new skills and systems that support thinking and collaboration. Innovation is critical to the future; but it depends on the investment of today's resources.

Strategy – somewhere along the line, as people were taught to "think out of the box," a false impression was created. People began to believe that there should be no rules, no boundaries, no constraints. This turns out to be a counter-productive approach that produces popcorn – wild ideas bouncing around with no purpose in sight. Once in a millennium this might produce a breakthrough ... but it is not a cost-effective process. What is more effective is focusing creativity within the scope of a well-constructed company strategy. Of course, this requires a strategy that is both narrow enough to define the company's core competency and broad enough to allow exploration into related areas.

Fuzzy Front-End – there are a lot of unexpressed ideas lurking in organizations. However, to find the truly new and different ideas ... the ones that could create a *breakthrough*, requires a process of looking outside and inside; at customers, suppliers and competitors; at changes in demographics, trends, economics, regulations, and political environments. Innovation that begins with an internal brainstorming session will seldom result in anything other than pale, incremental concepts.

Diversity – diversity is the difference between "same-old, same-old" thinking and "Wow! I never thought of that!" possibilities. In the old days, cross-functional teams were a daring foray into diversity. Now they are standard fare and the true value of diversity comes when we deliberately focus diverse thinking styles, experiences, perspectives, and expertise on a challenging problem or opportunity. The process of innovation should include all functions; all genders, ages, races, all thinking styles, as well as all stakeholders, customers, suppliers, competitors.

Criteria & Metrics – in a healthy innovation environment and process, more ideas will be generated than can possibly be implemented. This can lead to overload and frustration unless there is a mechanism for sorting and prioritizing. Developing criteria guides long before going into idea generation mode can provide the rational means for evaluating ideas and prevent going over the edge on a seductive idea that doesn't fit.

Training & Coaching – a mistake often made by organizations is assuming that innovation teams are the same as other project teams. In a recent survey by the InnovationNetwork, responses indicated that people participated on an average of 3.7 innovation projects per year. However, only 21% of the respondents had had some training on how to participate on an innovation team and less than 10% had actually had training as *part of the innovation team*. No wonder over 70% of all projects fail.

Innovation requires new ways of thinking and new skills. Developing a just-in-time, active-learning training process insures that innovation teams develop the desired results effectively and efficiently. As with any new set of skills, innovation competency develops over time while working on real projects. Coaching is a critical piece of developing this competency.

Idea Management System – Many innovation projects have died on a sticky-note covered wall as participants lost energy trying to figure out what to do with those yellow pieces of paper fluttering to the floor. Having an effective system that captures ideas and engages people in developing, modifying, enlarging and evaluating those ideas is just as critical to innovation as accounting systems are to the financial health of an organization.



Ten Practical Steps to Keep Your Innovation System Alive & Well

by Joyce Wycoff

- **Remove fear** from your organization. Innovation means doing something new, something that may fail. If people fear failing, they will not innovate.
 - Make innovation part of the **performance review system** for everyone. Ask them what they will create or improve in the coming year and then track their progress.
 - Document an **innovation process** and make sure everyone understands it as well as his or her role in it.
 - Build in enough **looseness** into the system for people to explore new possibilities and collaborate with others inside and outside the organization.
 - Make sure that **everyone understands the corporate strategy** and that all innovation efforts are aligned with it. However, also create a process for handling the outlier ideas that don't fit the strategy but are too good to throw away.
-
- Teach people to **scan the environment** for new trends, technologies and changes in customer mindsets.
 - Teach people the critical importance of **diversity** of thinking styles, experience, perspectives and expertise. Expect diversity in all activities related to innovation.
 - **Good criteria** can focus ideation; however, overly restrictive criteria can stifle ideation and perpetuate assumptions and mindsets from the past. Spend the time necessary upfront to develop market and success-related parameters that will take you into the future.
 - **Innovation teams** are different from “regular” project teams. They need different tools and different mindsets. Provide enough training and coaching so that when people are working on an innovation team, they can be successful.
 - Buy or develop an **idea management system** that captures ideas in a way that encourages people to build on and evaluate new possibilities.



Creating the Innovative Organisation

Having explored the research and writings on Creativity and Innovation, now:

- Identify successful innovation implementation strategies
- Then develop a validated innovation strategy in the defined organisation
- Consider – type of innovation, cultural aspects, incentives, people development, environment, leadership issues, processes, resources, etc
- Mind Map your thinking, then develop a plan and presentation

Activity Background & Set-up

Focus requires appreciation of the organisation being looked at, so consider:

- Organisation type – Government dept, SME services or product, large corporate, start-up, NFP-NGO, city council
- Mission/Purpose – stakeholders, values, vision, function, historical issues
- Structure – size, locations, organisation, physical environment
- Create a quick image of your defined organisation, as it is now (needing innovation)