ACCELERATE YOUR CAREER

FAST TRACK TO SUCCESS

INNOVATION

ANDY BRUCE & DAVID BIRCHALL
Innovation is rapidly becoming the critical success factor of the twenty-first century. To survive and thrive in the modern business environment requires companies to think differently, to implement breakthrough ideas with rigor and to stand out from their competition – in short, to innovate. Innovation Fast Track provides the necessary insights, challenge and solutions to:

➔ identify critical gaps in your current innovation performance
➔ implement an integrated approach to innovation from ideas to implementation, and
➔ develop the leadership skills you need to succeed in this key role.

Lindsay Brook, HR Director, Nokia
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FAST TRACK TO SUCCESS
INNOVATION
CONTENTS

The Fast Track way ix
About the authors xii
A word of thanks from the authors xiv
Innovation Fast Track xvi
How to use this book xx
Fast-Track-Me.com xxi

A AWARENESS 1
1 Innovation in a nutshell 5
2 Innovation audit 17

B BUSINESS FAST TRACK 29
3 Fast Track top ten 33
4 Technologies 61
5 Implementing change 79

C CAREER FAST TRACK 93
6 The first ten weeks 97
7 Leading the team 115
8 Getting to the top 139

D DIRECTOR’S TOOLKIT 155
T1 Team innovation audit 159
T2 Integrated innovation framework 165
T3 Market and competitor scanning 169
T4 Creativity techniques 177
T5 Innovation project checklist 181

The Fast Track way 187
Glossary 189
Index 199
The best way to fast track your career as a manager is to fast track the contribution you and your team make to your organization and for your team to be successful in as public a way as possible. That’s what the Fast Track series is about. The Fast Track manager delivers against performance expectations, is personally highly effective and efficient, develops the full potential of their team, is recognized as a key opinion leader in the business, and ultimately progresses up the organization ahead of their peers.

You will benefit from the books in the Fast Track series whether you are an ambitious first-time team leader or a more experienced manager who is keen to develop further over the next few years. You may be a specialist aiming to master every aspect of your chosen discipline or function, or simply be trying to broaden your awareness of other key management disciplines and skills. In either case, you will have the motivation to critically review yourself and your team using the tools and techniques presented in this book, as well as the time to stop, think and act on areas you identify for improvement.

Do you know what you need to know and do to make a real difference to your performance at work, your contribution to your company and your blossoming career? For most of us, the honest answer is ‘Not really, no.’ It’s not surprising then that most of us never reach our full potential. The innovative Fast Track series gives you exactly what you need to speed up your progress and become a high performance
manager in all the areas of the business that matter. Fast Track is not just another ‘How to’ series. Books on selling tell you how to win sales but not how to move from salesperson to sales manager. Project management software enables you to plan detailed tasks but doesn’t improve the quality of your project management thinking and business performance. A marketing book tells you about the principles of marketing but not how to lead a team of marketers. It’s not enough.

Specially designed features in the Fast Track books will help you to see what you need to know and to develop the skills you need to be successful. They give you:

➔ the information required for you to shine in your chosen function or skill – particularly in the Fast Track top ten;

➔ practical advice in the form of Quick Tips and answers to FAQs from people who have been there before you and succeeded;

➔ state of the art best practice as explained by today’s academics and industry experts in specially written Expert Voices;

➔ case stories and examples of what works and, perhaps more importantly, what doesn’t work;

➔ comprehensive tools for accelerating the effectiveness and performance of your team;

➔ a framework that helps you to develop your career as well as produce terrific results.

Fast Track is a resource of business thinking, approaches and techniques presented in a variety of ways – in short, a complete performance support environment. It enables managers to build careers from their first tentative steps into management all the way up to becoming a business director – accelerating the performance of their team and their career. When you use the Fast Track approach with your team it provides a common business language and structure, based on best business practice. You will benefit from the book whether or not others in the organization adopt the same practices; indeed if they don’t, it will give you an edge over them. Each Fast Track book blends hard practical advice from expert practitioners with insights and the latest thinking from experts from leading business schools.
The Fast Track approach will be valuable to team leaders and managers from all industry sectors and functional areas. It is for ambitious people who have already acquired some team leadership skills and have realized just how much more there is to know.

If you want to progress further you will be directed toward additional learning and development resources via an interactive Fast Track website, www.Fast-Track-Me.com. For many, these books therefore become the first step in a journey of continuous development. So, the Fast Track approach gives you everything you need to accelerate your career, offering you the opportunity to develop your knowledge and skills, improve your team’s performance, benefit your organization’s progress toward its aims and light the fuse under your true career potential.
ANDY BRUCE is widely acclaimed as an authority in innovation management – covering the creative and innovation process from ideas to implementation. He has worked with corporate and public sector clients over the last 15 years to help improve performance and profitability through the introduction of what he refers to as an integrated innovation framework.

In the late 1990s, Andy founded two companies specializing in innovation and project management. The first, SofTools,\textsuperscript{1} develops web-based applications to enable management visibility, control and confidence over their pipeline of new ideas and their portfolio of implementation projects. The second, Project Leaders International,\textsuperscript{2} provides consulting and training services to assist the adoption of innovation and project management best practices.

Andy previously worked as a management consultant, focusing on the design and implementation of organizational change. Clients included corporates such as EDS, Nokia and Coca-Cola, as well as UK public service organizations such as the Department for Work and Pensions, the Ministry of Defence, Trust hospitals and even political parties.

Before working as a consultant, he served a short service commission with the Army, (Royal Electrical and Mechanical Engineers) and worked in a variety of engineering and commercial roles for a manufacturer of computer-driven production machinery – his last two years as a company director working on market research projects in Australia.

Andy gained a BSc at Southampton University in 1981 and an MBA at the Australian Graduate School of Management in 1990. He is also currently Programme Director of the International Business Accelerator programme at Henley Business School.

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\textsuperscript{2}Project Leaders International: www.Project-Leaders.net
He has written a total of eight business books, including the best-selling *Strategic Thinking* and *Project Management* titles in the Dorling Kindersley Essential Manager series.

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We would like to thank the following for their generous contributions to this book.

➔ **Liz Gooster, Pearson.** There are many exciting new ideas in the publishing world at present, but without an enthusiastic champion, most will simply die a slow death. Liz had the confidence to commission the Fast Track series and associated web-tool on behalf of the Pearson Group at a time when other publishers were cutting back on non-core activities. She has remained committed to its success – providing direction, challenge and encouragement as and when required.

➔ **Ken Langdon.** As well as being a leading author in his own right, Ken has worked with all the Fast Track authors to bring a degree of rigor and consistency to the series. As each book has developed, he has been a driving force behind the scenes, pulling the detailed content for each title together in the background – working with an equal measure of enthusiasm and patience!

➔ **Mollie Dickenson.** Mollie has a background in publishing and works as a research manager at Henley Business School, and has been a supporter of the project from its inception. She has provided constant encouragement and challenge, and is, as always, an absolute delight to work with.

➔ **Critical readers.** As the Fast Track series evolved, it was vital that we received constant challenge and input from other experts and from critical readers.

➔ **Professor David Birchall.** David has worked to identify and source Expert Voice contributions from international academic and business experts in each Fast Track title. David is co-author of the Fast Track *Innovation* book and a leading academic
author in his own right, and has spent much of the last 20 years heading up the research program at Henley Business School – one of the world’s top ten business schools.

Our expert team

Last but not least, we are grateful for the contributions made by experts from around the world in each of the Fast Track titles.

<table>
<thead>
<tr>
<th>EXPERT</th>
<th>TOPIC</th>
<th>BUSINESS SCHOOL/ COMPANY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professor Ben Dankbaar</td>
<td>Designing innovative organizations (p. 14)</td>
<td>Nijmegen School of Management (NSM), The Netherlands</td>
</tr>
<tr>
<td>Professor Julian Birkinshaw</td>
<td>Building a better organization (p. 25)</td>
<td>London Business School</td>
</tr>
<tr>
<td>Professor George Tovstiga</td>
<td>Capturing return on innovation – the learning bit (p. 58)</td>
<td>Henley Business School, University of Reading</td>
</tr>
<tr>
<td>Professor Klas Eric Soderquist</td>
<td>Open innovation (p. 76)</td>
<td>Athens University of Economics and Business, Greece</td>
</tr>
<tr>
<td>Professor David Birchall</td>
<td>Innovation in services (p. 90)</td>
<td>Henley Business School, University of Reading</td>
</tr>
<tr>
<td>Professor Ben Dankbaar</td>
<td>Global sourcing and innovation (p. 112)</td>
<td>Nijmegen School of Management (NSM), The Netherlands</td>
</tr>
<tr>
<td>Dr. Rebecca Stelianos</td>
<td>The sourcing of new knowledge for strategy making – tapping into the best brains (p. 135)</td>
<td>Engineering and Physical Sciences Research Council, Swindon</td>
</tr>
<tr>
<td>Associate Professor Josiena Gotzsch</td>
<td>Innovation through design (p. 152)</td>
<td>Grenoble Ecole de Management, France</td>
</tr>
</tbody>
</table>
Innovation is probably the hottest topic of today, but why? Most industries are now highly competitive, with better-informed customers expecting ‘more, faster, cheaper and better’ all at the same time. Few companies can compete purely on price and so most now have to differentiate to survive, and to differentiate you must innovate.

Innovation may be the hottest topic in business today, but while everybody talks about it and agrees that it is important, there is no one general roadmap to success. So how do you turn innovation from a marketing concept into something tangible with an impact on the bottom line? There is of course no simple answer, and to succeed a different way of thinking and working is required – one that combines analytic and creative thinking and that focuses as much on implementation as it does on ideation.

Practical innovation is therefore a key concern for many businesses. Increasing global competition over the last five years has brought growing pressures. Western businesses can’t make their products cheaper than the so-called BRICK countries (Brazil, Russia, India, China and Korea), so what can they do to differentiate themselves from the flood of companies targeting their markets from overseas? The developing countries are hungry, eager and Internet-enabled and pose a major threat, but these expanding markets also present many opportunities for expansion for companies willing to think differently and innovate. Companies in every country and all industry sectors must innovate to survive, let alone thrive.

But for innovation to be more than a buzzword it has to be deeply embedded into a business’s structure. It was experiences with small entrepreneurial businesses and large corporates, including Nokia and Coca-Cola, that led us to develop a model for integrated innovation management. While these market leaders are not necessarily seen as
the most creative companies, both Nokia and Coca-Cola have taken a sustainable approach to innovation involving every member of staff actively seeking out new opportunities and new and better ways of doing things.

As you seek to implement your approach to innovation, one caveat is important: don’t expect every attempt at innovation to succeed. Most of the top global companies have had notable failures – think of Coca-Cola and their UK launch of Dasani, or Dyson’s attempt to move into washing machines. They’re not necessarily failures of innovation. Nine times out of ten, the reason innovation ideas fail is because those involved haven’t thought through the potential pitfalls and ‘what could go wrong.’ Often the likely reasons for the failure aren’t difficult to spot – a consumer focus group could do it – but, historically, the people in charge of innovation are enthusiastic positive thinkers and don’t want to look at the negative side.

We are going to talk about the six Ps that companies that innovate successfully tend to get right: planning, pipeline, process, platform, people and performance (see figure). All are elements of an integrated framework – like a chain, it’s only as strong as the weakest link.

Taking the six Ps in order, planning reflects the fact that innovation
needs to start with strategy. Over the next few years, what are the high-growth or high-revenue areas the CEO wants the company to focus on? What success factors will you need to consider when planning something new? For a fizzy drinks supplier, for example, an obvious strategic driver would be the trend toward health drinks. Planning, therefore, provides a context or focus for innovation activities, enabling ideas to be generated that address critical business issues.

It isn’t, of course, enough just to have an idea. A pipeline reflects the fact that ideas must be captured, organized, screened, prioritized and managed. Unfortunately this is often determined by who shouts the loudest or which senior manager has a pet idea. That’s not how you want to choose. Without a structured pipeline, people become disillusioned as they watch the organization follow the wrong ideas.

**Process** is about managing creative ideas through to implementation — what is often called project management in other areas of business. Everybody likes to have a good idea, but somebody has to take it from the generic concept through to successful implementation. This includes everything from assessing the idea’s feasibility and creating a detailed business case, to developing, piloting and implementing it — and, after rollout, helping to feed back good experience into further future ideas or lessons on how not to do it.

**Platform** refers to web-based software that tracks an idea from its time in the pipeline to assessing its value post-implementation. It is not just a task and resource-planning tool; it gives senior managers visibility, control and confidence over the entire innovation portfolio. The software also ensures that all teams follow a common approach based on best practice, and provides the status reports needed at the regular review meetings.

An effective innovation framework also needs the commitment of key stakeholders: **people**. Senior managers need to be open to new ideas, as innovation thrives only in a supportive culture. There needs to be a champion who drives every idea through to completion, and an executive sponsor who allocates the necessary budget, time and resources, and motivates the team. And at all levels of the organization people are effectively the eyes and ears of the business, constantly scanning for market trends and competitor activity.
We like to cite Nokia as a leader in the area of innovation. Mike Butler, then Managing Director of the Nokia UK Product Creation Centre, set only two ground rules for the 18 people who took part in an innovation workshop: ‘No ideas around time travel or teletransportation – have fun!’ He then walked out leaving the team to get on with it. Out of that initial workshop came ideas that now, ten years later, are helping convert Nokia from simple mobile handsets to complex lifestyle communications devices (see the Case Story on p. 6). Current new services such as making credit card payments via mobile phones and downloading music or games on to phones were ideas on the table in that workshop ten years ago.

**Performance**, the final P, drives all of this. The critical success factor for integrating and introducing innovation is how you monitor performance – defining the key innovation performance indicators, agreeing who sits in the monthly review meeting and focusing the agenda on innovation. Too often, today’s managers are too fixated by the company’s profit and loss statements, the information that impresses actual or prospective shareholders. But financial reports tend to focus on past performance, which we liken to trying to drive a car by looking in the rear-view mirror. While keeping an eye on the current financials is important, future success depends on getting your plan for innovation right and implementing it effectively in order to keep your organization that one step ahead.

Innovation needs champions, people who will drive through the problems and setbacks, convince skeptics of the need to do new things and make a good idea produce results. Perhaps you are that champion: perhaps just for your team or division of the company, or perhaps for the entire organization as the Chief Innovation Officer. If so you have an exciting time ahead. Remember, once a great idea is recorded it can never die; but there’s a lot to get right before you can be sure that it will fly: so let’s get on with it.
Fast Track books present a collection of the latest tools, techniques and advice to help build your team and your career. Use this table to plan your route through the book.

<table>
<thead>
<tr>
<th>PART</th>
<th>OVERVIEW</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>About the authors</strong></td>
<td>A brief overview of the authors, their background and their contact details</td>
</tr>
<tr>
<td><strong>A Awareness</strong></td>
<td><strong>This first part gives you an opportunity to gain a quick overview of the topic and to reflect on your current effectiveness</strong></td>
</tr>
<tr>
<td><strong>1 Innovation in a nutshell</strong></td>
<td>A brief overview of innovation and a series of frequently asked questions to bring you up to speed quickly</td>
</tr>
<tr>
<td><strong>2 Innovation audit</strong></td>
<td>Simple checklists to help identify strengths and weaknesses in your team and your capabilities</td>
</tr>
<tr>
<td><strong>B Business Fast Track</strong></td>
<td><strong>Part B provides tools and techniques that may form part of the innovation framework for you and your team</strong></td>
</tr>
<tr>
<td><strong>3 Fast Track top ten</strong></td>
<td>Ten tools and techniques used to help you implement a sustainable approach to innovation based on the latest best practice</td>
</tr>
<tr>
<td><strong>4 Technologies</strong></td>
<td>A review of the latest information technologies used to improve effectiveness and efficiency of innovation activities</td>
</tr>
<tr>
<td><strong>5 Implementing change</strong></td>
<td>A detailed checklist to identify gaps and to plan the changes necessary to implement your innovation framework</td>
</tr>
<tr>
<td><strong>C Career Fast Track</strong></td>
<td><strong>Part C focuses on you, your leadership qualities and what it takes to get to the top</strong></td>
</tr>
<tr>
<td><strong>6 The first ten weeks</strong></td>
<td>Recommended activities when starting a new role in innovation, together with a checklist of useful facts to know</td>
</tr>
<tr>
<td><strong>7 Leading the team</strong></td>
<td>Managing change, building your team and deciding your leadership style</td>
</tr>
<tr>
<td><strong>8 Getting to the top</strong></td>
<td>Becoming an innovation professional, getting promoted and becoming a director – what does it take?</td>
</tr>
<tr>
<td><strong>D Director’s toolkit</strong></td>
<td>The final part provides more advanced tools and techniques based on industry best practice</td>
</tr>
<tr>
<td><strong>Toolkit</strong></td>
<td>Advanced tools and techniques used by senior managers</td>
</tr>
<tr>
<td><strong>Glossary</strong></td>
<td>Glossary of terms</td>
</tr>
</tbody>
</table>
Before reading this book, why not start by visiting our companion website www.Fast-Track-Me.com? This is a custom-designed, highly interactive online resource that addresses the needs of the busy manager by providing access to ideas and methods that will improve individual and team performance quickly, and develop both your skills and your career.

As well as giving you access to cutting-edge business knowledge across a range of key topics – including the subject of this book – Fast-Track-Me.com will enable you to stop and think about what you want to achieve in your chosen career and where you want to take your team. By doing this, it will provide a context for reading and give you extra information and access to a range of interactive features.

The site in general is packed with valuable features, such as:

➔ The Knowledge Cube. The K-Cube is a two-dimensional matrix presenting Fast Track features from all topics in a consistent and easy-to-use way – providing ideas, tools and techniques in a single place, anytime, anywhere. This is a great way to delve in and out of business topics quickly.
➔ **The Online Coach.** The Online Coach is a toolkit of fully interactive business templates in MS Word format that allow Fast-Track-Me.com users to explore specific business methods (strategy, ideas, projects etc.) and learn from concepts, case examples and other resources according to your preferred learning style.

➔ **Business Glossary.** The Fast Track Business Glossary provides a comprehensive list of key words associated with each title in the Fast Track series together with a plain English definition – helping you to cut through business jargon.

To access even more features, carry out self-diagnostic tests and develop your own personal profile, simply log-in and register – then click on My FastTrack to get started! Give yourself the Fast Track HealthCheck now.

**My FastTrack**

These are the different areas you’ll discover in the My FastTrack area.

**My HealthCheck**

How effective is your team compared with industry ‘best practices?’ Find out using a simple Red, Amber, Green (RAG) scale.

After identifying areas of concern, you can plan for their resolution using a personal ‘Get2Green’ action plan.
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What are the specific actions you and your team will implement in order to ‘Get2Green’ and improve performance? Log, prioritize and monitor your action points in the My Get2Green Action Plan area to help you plan for future success – fast.

My Career

Reflect on your current role and plan your future career – how prepared are you for future success?

Fast-Track-Me.com provides the busy manager with access to the latest thinking, techniques and tools at their fingertips. It can also help answer some of the vital questions managers are asking themselves today.

Don’t get left behind: log on to www.Fast-Track-Me.com now to get your career on the fast track.
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This book introduces a sustainable approach to innovation aimed at keeping you, your team and your organization at the forefront of the process, thus contributing toward the future of all three. The starting point is to gain a quick understanding of what innovation is and what it is not, and to be aware of your own and your team’s capabilities in this area right now. For this reason we will ask you a number of questions that will reveal where you and your team need to improve if you are truly to have a culture of and meet the aims of innovation – an exciting product set for your customers and business processes that will put your service to customers among the leaders in your industry.

“Know yourself” was the motto above the doorway of the Oracle at Delphi and is a wise thought. It means that you must do an open and honest self-audit as you start on the process of setting up your framework for innovation.

The stakes are high. Innovation is at the heart of success in this global, competitive marketplace. Your team, therefore, need to be effective innovators and you need to be a good leader in innovation. Poor leadership and poor team effectiveness will make failure likely. An effective team poorly led will sap the team’s energy and lead in the long term to failure through their leaving for a better environment or becoming less effective through lack of motivation. Leading an ineffective team well does not prevent the obvious conclusion that an ineffective team will not thrive. So, looking at the figure below, how do you make sure that you and your team are in the top right-hand box – an innovative and effective team with an excellent leader? That’s what this book is about, and this section shows you how to discover your and your team’s starting point.
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Starting with the basics

Just what is innovation?

Some people think that innovation is simply the generation of new ideas, but we would refer to this as creativity. New ideas are worth nothing if no one takes those ideas forward and puts them into practice. When people implement new ideas we can call that innovation. Innovation in business terms then becomes “the commercial exploitation of ideas.” So you and your team not only need to generate ideas that will improve your performance but also have to do something about them. This can be very difficult, particularly if the new idea steps on the toes of some of the beliefs and processes of the organization that have been in place for a long time.

So to truly become an innovative team you have to effectively combine the phase when you generate creative ideas, thinking outside the box if you like, with a structured and rational screening and implementation process so that a successful change will bring improved results.

Why is it so important?

Innovation is not a new concept but it is certainly getting a lot of attention in the current business landscape, so we have to ask ourselves – why?

Fifteen years ago, organizations could survive on the basis of a good product if it was kept up to date with tweaks and changes to maintain
competitiveness and give opportunities for marketing relaunches, the so-called mid-life kicker.

Over the last 15 years, however, three major trends have emerged:

1. Maintaining competitiveness has become a relentless drive toward improved efficiency and effectiveness. Just think of the things that cost relatively or even actually less than they did 15 years ago: clothes, electronic goods, toys… and we could go on. And the consumer is getting a better product with better after-sales service. The drive therefore to improve service and
reduce costs has led to changes in how organizations go about their tasks. Project management is becoming a core business tool – so that companies can deliver what they say they are going to deliver, on time and within budget. Most organizations are experimenting with and applying continuous improvement techniques such as total quality management, Six Sigma, lean, theory of constraints and so on.

2 Companies face increasing expectations from their customers and consumers. Customers have gotten used to continuous improvement in what the business world offers them. They are better informed about possibilities because of access to information – in part fueled by the Internet, which offers opportunities for product/price comparisons that were impossible in the days when the only way you could get that information was from biased advertisements and walking around the stores. Put simply, customers want more for less, and they want it faster. They won’t accept mediocrity because if we can’t deliver, someone else will.

3 Globalization: no matter how big or small you are, you are now competing in a global market. The corner shop, struggling with higher prices because it lacks the buying muscle of the big boys, is now also competing head to head with sellers on Amazon, and with a national retailer offering home-delivery.

Gary Hamel\(^1\) summed this up as: “Those that live by the sword will be shot by those that don’t!” Our summary is that if you can’t compete on the basis of price you have to differentiate – and to differentiate, you have to innovate!

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**QUICK TIP BUSINESS ENVIRONMENT**

Constant monitoring of your business environment will help to identify significant ideas for change (opportunities and threats). Look for trends and ask, “So what? How will this impact me or my team?”

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So why is it difficult – what typically goes wrong?

So, recognizing how important innovation is to the future success of a company, let’s start by looking at what can go wrong. This should make you think about particular areas in your business or team where one or more of these problems occur and focus your attention on fixing them.

1. **The team leader, founder or chief executive is not open to ideas.** This can have a very negative impact on the team in two ways. Firstly, it can stifle creative thought; after all if the boss isn’t open to new ideas then what is the point of coming up with any? Secondly, even if plenty of new ideas are identified, a reluctance to share them with others means that they will simply not go anywhere.

2. **There are too many “sacred cows.”** Even when the senior team are enthusiastic about innovation in general, there are often specific areas where discussion is curtailed. These might relate to personal hobbyhorses, areas where someone has had a bad experience previously, something that is too complicated for a key person to get their head around or even a perceived personal threat to a person’s position or standing in the business. Ideas are met with sweeping statements (“We don’t sell in Europe”; “We are not in frozen produce”) that curtail discussions in areas that may in fact be critical to future success.

3. **Nobody cares – there is no perception of the need for innovation or a reward mechanism for the innovators.** Even if the chairman’s statement in the annual report talks about the importance of innovation, unless this is translated into tangible actions that reflect day-to-day activities, and unless people are rewarded for great ideas, then people on the whole won’t bother. It is not

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**QUICK TIP CHANGED AGENDA**

Put innovation on the agenda at your regular team meetings and stimulate group discussion by asking questions that challenge current thinking.
that they don’t care; it is just that most people are too busy dealing with other priorities. Lack of innovation stores up problems for the future because you’re too busy dealing with the pressing problems of today.

4 **There is no guidance on the boundaries to innovative ideas.** This decreases confidence. While the idea of setting boundaries for any creativity session is counterintuitive (we’re supposed to be creative, aren’t we?), without boundaries two things are likely to happen. The first is that the ideas are less likely to be aligned to current business goals, and will therefore probably not happen – this can be very demotivating to the person with the idea. Secondly, participants don’t tend to take it so seriously if there is no clear focus point or context – rather like turning up to a meeting where there is no agenda.

5 **There is no structure or method – so the wrong ideas are generated or prioritized.** Brainstorming alone is rarely sufficient to generate the right creative ideas. Innovation workshops need to have a clear purpose and structured agenda. By all means include creativity tools and techniques, but use them within a broader innovation process that impacts how all teams within the company operate all the time. The lack of a clear process for taking ideas from concept to completion will lower the overall probability of success.

6 **Logistics get in the way – poor facilities, equipment or an inexpert facilitator.** Imagine locking a team of five people in a small room with grey walls and no external windows on a hot day, and then asking them to come up with new creative ideas. Choice of venue, timing and space, as well as the use of a trained facilitator, can make a dramatic difference to the quality of ideas generated.

7 **Not enough time is allowed.** All too often people are too busy to stop and think, let alone be creative. As individuals we may be too reactive – responding to one email or crisis. In a group situation lack of time tends to make the team focus on analysis of the first few ideas rather than exploring some of the more obscure ideas that may come out later on and prove to be the winners.
8 **Inability to implement.** Nothing can come of ideas if they do not get new money and resources allocated to their implementation, and all too often really great ideas come to nothing. If we don’t have a plan that expects changes to occur, we must expect others to allocate insufficient resources or time or budget. This results in ideas that fail to deliver, and it can also kill off a culture of innovation simply because people won’t see the point of producing a good plan for change when they know there will be no resources to implement it.

9 **Innovation is not seen as a priority.** Innovation is only a priority if the CEO regularly reviews it. Even given the right resources, people will not see innovation as a priority in the business, and it will quickly die if the senior managers do not review the topic regularly.

10 **Innovation is seen as another fad.** For many, “innovation” is just seen as the latest management fad. “The boss has just been to another workshop, or read another book.” There is no real belief in the team that anything will actually change, and if it does, it probably won’t be sustainable.

These potential pitfalls can be addressed in isolation, or as part of an integrated framework as presented in the Director’s Toolkit in Part D.

**So just what is innovation? – frequently asked questions**

The following table provides quick answers to some of the most frequently asked questions about the topic of innovation. Use this as a way of gaining a quick overview.

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2 All features throughout the book are available on the companion website: www.Fast-Track-Me.com
<p>| FAQ 1 What is innovation? | 1 Innovation can best be described as the commercial exploitation of ideas. This implies that innovation will need to combine creative thought with the ability to implement successfully. Ideas must also encompass all aspects of business performance improvement – not just products and services. |
| FAQ 2 Why is innovation important to our business when profits and revenues are good? | 2 The pace of change in business today is phenomenal. What is profitable and successful today may be out of date or copied by competitors tomorrow. Innovation is the key to differentiation, and differentiation is the key to staying ahead. |
| FAQ 3 What types of innovation are there? | 3 Generically there are: product/service innovation (new or upgraded products or services); process innovation (new ways of producing, sourcing or manufacturing); market innovation (new markets or new ways of delivering goods and services); and business innovation (business transformation, business model innovation and diversification). |
| FAQ 4 Who should be involved in the innovation process? | 4 Everyone! If you can create a culture of innovation where it is part of the DNA of your business, then you stand a better chance of becoming more and more successful. You may start with a few “innovation primers” around the business, but innovation is not the exclusive preserve of marketing or R&amp;D. |
| FAQ 5 Surely the point about innovation is that it occurs when someone has an idea – you can’t plan for it, can you? | 5 It may seem an oxymoron but the most innovative companies are those that plan innovation into their business cycle. Focused innovation workshops, on a relevant theme, can be held quarterly. Innovation planning can be incorporated into the annual business plan and an ideas board can generate ideas daily. |
| FAQ 6 Are creative people born or made? | 6 Both! It’s what you do with an idea that is important. Even mundane or dry ideas can get results. Some people may come up with more ideas and more inspired ideas than others, but getting everyone involved in innovation, to whatever degree, is still the best way forward. |
| FAQ 7 How does innovation link to long-term success? | 7 Continuously improving what you are doing today may not be enough for long-term survival, let alone success. If your industry is changing rapidly, then only improving dramatically on an existing product or breaking into a new market can set you apart from competitors. |
| FAQ 8 Where do the best ideas come from? | 8 Anywhere. Therefore you need an innovation process that captures ideas from customers, suppliers, staff, social trends, academia and formal research. Don’t forget mistakes. Plenty of the best product innovations were accidents: Post-its, Superglue and Champagne to name a few! |
| FAQ 9 How can we make ideas visible across the business? | 9 Most companies, no matter how small, have access to the Internet or have an intranet of some sort. It makes sense to distribute ideas across the company to show what is being done and to spark further spin-off ideas. The days of the white-board in the corridor are numbered. |
| FAQ 10 What are the pitfalls of a suggestion scheme? | 10 Suggestion schemes can often die a very quick death. If you ask for ideas and then don’t reply quickly enough, explaining the reasons why ideas have been rejected, you run the risk of killing off any further ideas from staff. Suggestions also tend to be individually based, and schemes therefore have to be managed and constantly improved. A suggestion scheme may be worthwhile, but it is rarely the starting point and will only ever be one small part of an integrated approach to innovation. |
| FAQ 11 What is the best way of filtering out bad ideas? | 11 Having a set of objective criteria against which all ideas will be measured, in advance, is the only way of filtering out poorer ideas (no such thing as a “bad” idea). Make sure everyone knows what these criteria are and why you have them, ahead of their submissions. However, make sure you test your criteria thoroughly as you don’t want to kill off ideas simply because they are unusual, and if you think you are rejecting good ideas then review the criteria, as they should not be set in stone for eternity. |
| FAQ 12 Is innovation relevant to service companies and the public sector? | 12 Absolutely. Everyone thinks innovation is synonymous with products and product development, but in today’s service economy innovation is equally valid to service companies. Think of new ways of providing your services as well as the services you provide. |
| FAQ 13 What amount of innovation is appropriate? | 13 The amount spent on innovation should reflect the goals set by the business senior team, which in turn will reflect business performance. If there are ambitious growth targets or a critical need to turn business performance around, innovation spending must go up. If the business is highly profitable and in a steady state then the need for innovation is less. However, few organizations can ever be accused of spending too much. |</p>
<table>
<thead>
<tr>
<th>FAQ 14</th>
<th>How do I measure the cost and return on innovation?</th>
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<tr>
<td>14</td>
<td>Using standard project management tools and techniques, you can easily do a return on innovation investment (ROII) calculation. Consider the impact on profitability or business goals, and the associated costs in terms of resources consumed during implementation. Recognize that calculations will not be easy and there will be uncertainty in your measurements.</td>
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<tr>
<th>FAQ 15</th>
<th>How do I know if my innovation process is working?</th>
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<tr>
<td>15</td>
<td>Setting your innovation objectives in advance is crucial to assessing whether your innovation management process is working. Are you measuring success by the number of new products launched or by the number of ideas going before your review panel? Check what other companies are doing and how you compare. At the end of the day, business key performance indicators that are showing improvement are the most relevant measures.</td>
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<tr>
<th>FAQ 16</th>
<th>What are the risks of not being innovative?</th>
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<tr>
<td>16</td>
<td>Without innovation companies stop changing. This is OK in static markets, but few organizations operate under such conditions. For most it is also not possible to compete on cost alone, and so to survive organizations need to differentiate, and to differentiate they need to innovate. You do not want to be the most efficient producer of what you do today if nobody wants it tomorrow.</td>
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<tr>
<th>FAQ 17</th>
<th>Will focusing on innovation take my eye off operational priorities?</th>
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<tbody>
<tr>
<td>17</td>
<td>Historically, good operational teams have always had one eye on continuous process improvement. A structured approach to innovation takes this concept further and pushes the ideas that all departments should constantly strive to improve products, services, routes to market, processes, etc. through formal innovation processes.</td>
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<tr>
<th>FAQ 18</th>
<th>How much of the budget should I allocate to innovation activities?</th>
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<tbody>
<tr>
<td>18</td>
<td>It depends on your business and the goals you have set for your innovation program. Some technology and research-based companies spend a very high proportion of their revenue on R&amp;D and innovation. Try to do a return on investment (ROI) calculation of the value of new products, services and markets to your company and invest as much as you can afford. The key is to make sure investment in tomorrow’s ideas is in today’s budget.</td>
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<tr>
<th>FAQ 19</th>
<th>What skills are required to be innovative?</th>
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<tbody>
<tr>
<td>19</td>
<td>It seems that the most innovative individuals and companies value certain attributes rather than definitive skills: attributes such as “open-mindedness” and “flexibility.” The tenacity to see things through to a definitive conclusion is often highly valued. However, effective teams will also have a range and balance of skills.</td>
</tr>
</tbody>
</table>
We hope that these FAQs give a quick start to getting to grips with innovation. The rest of this book shows you how to move from understanding what the key elements of innovation are to an active implementation of innovation either within your team or division, or company-wide if that is your role.

<table>
<thead>
<tr>
<th>FAQ 20</th>
<th>Is innovation a fad?</th>
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<tbody>
<tr>
<td>20 Innovation in all its forms is central to successful business. The most successful companies since the Industrial Revolution have been those bringing in new ideas to market before competitors. Call it what you will, innovation is the key management skill for the twenty-first Century.</td>
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**QUICK TIP** **INNOVATION FATIGUE**

Plan the launch of new products and services carefully, as innovation fatigue may turn people off.

We hope that these FAQs give a quick start to getting to grips with innovation. The rest of this book shows you how to move from understanding what the key elements of innovation are to an active implementation of innovation either within your team or division, or company-wide if that is your role.

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**Designing innovative organizations**

Professor Ben Dankbaar

One of the earliest books to appear under the title *The Management of Innovation* was written more than 40 years ago by Burns and Stalker. Not surprisingly, it does not deal with all the issues and techniques discussed in handbooks on the same subject today. It does not contain discussions of research and development, stage-gate processes, multi-disciplinary teams, project management and all the other practices associated with modern innovation management. Instead, it deals with the relationship between organizations and their environment. For Burns and Stalker, management of innovation was concerned with survival in a turbulent environment. Basically, they argued that if changes are frequent and unpredictable, the organization needs to be structured in such a way that it can react quickly and creatively to whatever comes up. In their empirical

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work, they had found that organizations operating in a changing environment had what they called “organic” structures, characterized by loosely defined tasks and responsibilities, horizontal rather than vertical communication and considerable latitude for employees to guide and direct their own work. These structural characteristics enabled organizations to react and adapt to challenges in the environment.

More recent studies tend to define innovation management in a more proactive fashion. Innovation management today involves the implementation of strategies for the more or less continuous renewal of the product portfolio of companies and of the underlying production processes. This is more than reacting to changes in the environment; it also aims actively to change and indeed create the environment in which the firm wants to survive. Are the insights offered by Burns and Stalker still useful today? Later research has shown that successful innovative organizations are not necessarily characterized by loosely defined tasks and responsibilities and other features identified by Burns and Stalker. And indeed, these features seem to be more appropriate for small organizations or for research laboratories than for big corporations. But the comparison of organizations with organisms is still useful to understand the design requirements for innovative organizations. Burns and Stalker showed that the traditional “mechanistic” design of organizations was inadequate in a rapidly changing environment. They argued that organizations had to be perceived as open systems, just like organisms that survive in constant interaction (breathing, digesting) with their environment.

Being organic, then, implies the ability to perceive disturbances, changes and chances in the environment and to act upon these perceptions in a timely fashion. Over the past 40 years, researchers have uncovered various ways in which companies can be organic in this particular sense. We now know that innovative organizations have to incorporate the following elements:

1. a decentralized system for the generation and identification of ideas for new and improved products and processes, including ideas coming from outside the organization;

2. a well-structured system for the selection and further development (or sale) of the most promising ideas, including a set of criteria based on a long-term vision for the company;

3. efficient structures for the production and delivery of (new and existing) products and services;

4. a well-organized system to register feedback from customers and react to it.
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In order to improve performance you first need to understand what your starting point is, what your strengths and weaknesses are and how each will promote or limit what you can achieve. There are two levels of awareness you need to have. The first is to understand what the most successful innovative teams or businesses look like, how they behave and how near your team is to emulating them. The second is to understand what it takes to lead such a team – do you personally have the necessary attributes for success?

**QUICK TIP CREATIVE THINKING**

Make sure you add creative thinking to your selection criteria when recruiting people to join your team.

**Team assessment**

Is my team maximizing its potential to innovate?

Use the following checklist to assess the current state of your team, considering each element in turn. Use a simple Red-Amber-Green evaluation, where Red reflects areas where you disagree strongly with the
statement and suggests there are significant issues requiring immediate attention, Amber suggests areas of concern and risk, and Green suggests everything is good and needs no immediate attention.

<table>
<thead>
<tr>
<th>ID</th>
<th>CATEGORY</th>
<th>EVALUATION CRITERIA</th>
<th>STATUS</th>
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<tbody>
<tr>
<td>1</td>
<td>Leadership</td>
<td>Innovation is a strategic priority: it is owned by a member of the senior executive team and its importance has been cascaded down through all management levels</td>
<td></td>
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<tr>
<td>2</td>
<td>Strategic focus</td>
<td>Senior management have defined the extent and direction of innovation, there is an external customer focus across the organization and there is an integrated approach to innovation</td>
<td></td>
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<tr>
<td>3</td>
<td>Internal sources of ideas</td>
<td>Sufficient time and budget is allocated to the internal generation of ideas that focus on achieving performance breakthroughs, and ideas are captured in a central database</td>
<td></td>
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<td>4</td>
<td>External challenge</td>
<td>Trends in the industry are monitored, key competitors are understood and there is a systematic scanning (researching) process to keep market insights up to date</td>
<td></td>
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<tr>
<td>5</td>
<td>Idea evaluation</td>
<td>Ideas are formally screened against agreed criteria to ensure they are aligned to business goals and there is an integrated process from idea to implementation</td>
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<tr>
<td>6</td>
<td>Projects and implementation</td>
<td>Implementation initiatives follow best practice project management principles, have sufficient resources and budget, and address issues and risks</td>
<td></td>
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<tr>
<td>7</td>
<td>Support systems</td>
<td>There is a common web-based tool that provides visibility and control over the ideas portfolio, ensures teams follow a common process and encourages continuous learning</td>
<td></td>
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<tr>
<td>8</td>
<td>Innovation champions</td>
<td>Innovation champions exist in all teams across the business, their roles are formally defined and they have the necessary time and skills</td>
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<tr>
<td>9</td>
<td>Creative culture</td>
<td>There is a culture of creative challenge and innovation where mistakes are accepted and people are motivated to engage in innovation activities</td>
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<tr>
<td>10</td>
<td>Performance management</td>
<td>There are agreed key performance indicators for the innovation framework, a clear process for review and a culture of learning and improvement</td>
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</table>
Having identified where the gaps are in your business or team capabilities, you need to understand if you are the right person to be leading the team as an innovation champion.

**Self assessment**

**Do I have what it takes?**

This section presents a self-assessment checklist of the factors that make a successful Fast Track leader in innovation. These reflect the knowledge, competencies, attitudes and behaviors required to get to the top, irrespective of your current level of seniority. Take control of your career, behave professionally and reflect on your personal vision for the next five years. This creates a framework for action throughout the rest of the book.

Use the checklist on the next page to identify where you personally need to gain knowledge or skills. Fill it in honestly and then get someone who knows you well, your boss or a key member of your team, to go over it with you. Be willing to change your assessment if people give you insights into yourself that you had not taken into account.

Use the following scoring process:

0 Not yet recognized as a required area of knowledge or skill

1 You are aware of the area but have low knowledge and lack skills

2 An area where you are reasonably competent and working on improvement

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**QUICK TIP LEARN FROM MISTAKES**

Mistakes can be a great source of ideas and innovations. Review rejected ideas and previous failures and never ever throw the idea away completely.

**QUICK TIP ONLINE SUPPORT**

Log on to www.Fast-Track-Me.com and do your innovation audit online.
3 An area where you have a satisfactory level of knowledge and skills

4 An area where you are consistently well above average

5 You are recognized as a key figure in this area of knowledge and skills throughout the business

Reflect on the lowest scores and identify those areas that are critical to success. Flag these as status Red, requiring immediate attention. Then identify those areas that you are concerned about and flag those as status Amber, implying areas of development that need to be monitored closely.

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<tbody>
<tr>
<td>K1</td>
<td>Industry and markets</td>
<td>Knowledge of your industry sector in terms of scope (boundaries), overall size and growth, and major trends. This should include an understanding of natural segmentation of products and markets</td>
<td></td>
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<tr>
<td>K2</td>
<td>Customers and competitors</td>
<td>Information about major customers, in terms of who they are and their must-haves and wants. Also an understanding of who the best competitors are and what they do, plus supply chain options and capabilities</td>
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<tr>
<td>K3</td>
<td>Products and services</td>
<td>An understanding of current products and services and how they perform in the marketplace against the industry leaders. This should include substitutes or solutions available from companies in different industries</td>
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<tr>
<td>K4</td>
<td>Business drivers</td>
<td>Insights into current and emerging technologies, legislation, environmental and economic trends that will impact on future product design, access to market or process improvements</td>
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<tr>
<td></td>
<td>Competencies</td>
<td></td>
<td>0–5</td>
<td>RAG</td>
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<tr>
<td></td>
<td><strong>C1</strong> Creative thinking</td>
<td>Ability to use various techniques to challenge the current state and identify new product, market and process improvement breakthroughs</td>
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<td></td>
<td><strong>C2</strong> Root cause analysis</td>
<td>Ability to appraise a situation and analyze factors that could enable or cause a dramatic improvement in performance</td>
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<td></td>
<td><strong>C3</strong> Project management</td>
<td>Ability to define, plan, monitor and control change activities in order to deliver identified performance improvements on time and within budget</td>
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<td></td>
<td><strong>C4</strong> Risk management</td>
<td>Ability to think ahead and identify, prioritize and mitigate barriers to effective and enduring implementations of ideas</td>
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<td></td>
<td><strong>Attitudes</strong></td>
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<td></td>
<td><strong>A1</strong> Positive approach</td>
<td>Belief that you can make a difference and get things done. Avoidance of looking like a victim of circumstances when you have to overcome resistance from other people</td>
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<td></td>
<td><strong>A2</strong> Seeking synergies</td>
<td>Willingness to look for ways to creatively combine several ideas (even if they are other people’s) in order to develop a new and exciting concept</td>
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<td></td>
<td><strong>A3</strong> Inquisitive mindset</td>
<td>Awareness of the need to constantly seek more effective or efficient ways of doing things. Willingness to challenge the status quo and ask why things are as they are</td>
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<td></td>
<td><strong>A4</strong> Breakthrough thinking</td>
<td>Not accepting average or second best. Constantly seeking ways to dramatically change the way things are</td>
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<td></td>
<td>Behaviors</td>
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<td>0–5</td>
<td>RAG</td>
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<tr>
<td>B1</td>
<td>Determination and commitment</td>
<td>Being prepared to see things through. Although no project goes according to plan, you are not put off by early setbacks or problems – you are resilient</td>
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<td>B2</td>
<td>Visible and active support</td>
<td>Making it clear that you are supportive of priority ideas in the way you allocate your time, resources and budgets</td>
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<td>B3</td>
<td>Encouraging others</td>
<td>Enthusiastic in coaching and mentoring others who have ideas or who are involved in the implementation of ideas. Looking for ways in which you can be the catalyst for the team</td>
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<tr>
<td>B4</td>
<td>Positive challenge</td>
<td>Challenging the ideas of others in a positive way, helping them to think differently about the way things are</td>
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**QUICK TIP OPEN TO IDEAS**

Ask members of your team how open they think you are to new ideas.

**CASE STORY DOWNER EDI MINING, SHANE’S STORY**

**Narrator** Shane (senior partner of Mainsheet – Australia’s leading strategy consulting firm) assisted Downer to radically reduce operating costs in a competitive commodity-driven market.

**Context** Downer EDi Mining is one of Australia’s largest and most successful mining companies. It has been successfully delivering open-cut and underground mining services for more than 80 years, and the company has a long track record in both coal and metalliferous mining.
**Issue**  Like many companies in this sector, Downer was hit by reductions in raw material and commodity prices globally and by the spiraling costs of transportation. However, the company had a history of continuous improvement and an enviable reputation for the effectiveness and efficiency of its operations.

**Solution**  A new way of thinking was required. First, it used the services of an experienced consulting firm in this sector (Mainsheet Corporation) to identify opportunities across all aspects of its supply chain – effectively buying in ideas from outside the business. Secondly, with Shane’s help, it implemented a web-based tracking tool to provide visibility, control and ultimately confidence over its improvement initiatives.

**Learning**  The company recognized that there is a limit to how much innovation can be driven from inside the business and that often it requires an outside stimulus to take the innovation program to the next level. However, ideas alone are not enough – success also requires a mechanism and discipline to see ideas through to their conclusion.

**Learning**

Take a few minutes to reflect on the leadership–team effectiveness matrix on the next page and consider your current position: where are you and what are the implications?

- **Bottom left – poor leadership and an ineffective team.** This will result in failure. Who knows, you may already be too late.

- **Top left – great leadership but a poor team.** You have a great vision but will be unlikely to implement it, and so it will have little impact. You will need to find a way of developing and motivating the team and introducing systems and processes to improve team effectiveness.

- **Bottom right – poor leadership but a great team.** You are highly effective and efficient as a team but may well be going in the wrong direction. It is no use being the most innovative and efficient developers of black and white televisions if there is no market!
Top right – clear leadership and direction combined with an efficient and effective team. This is where we want to be. Lots of great new ideas for innovation linked to current business goals and with a team unit capable of delivering on time and within budget. You don’t need this book; please give it to someone else!

STOP – THINK – ACT

Part A has given you a quick overview of what innovation is, and you will also have assessed the performance of yourself and your team against best-practice checklists. This will have raised your awareness of what is possible and clarified where you are now. Take time to reflect on your profile in order to:

1. identify any “quick wins” you could achieve today;
2. use the rest of the book effectively.

Look for areas where you could get a “quick win” and improve matters in the short term. Ask yourself and the team these questions:
If you were to start a new company tomorrow, what proportion of your time would you allocate to developing and selling a unique product? And what proportion would you devote to building a distinctive organization? If you are like the vast majority of entrepreneurs, you would focus on the product. The product is your source of revenue. The product is what makes you distinctive. The product is what investors want to hear about. Issues of management and organization are entirely secondary – they get attention only when they become obstacles to selling more products.

So is it possible for an entrepreneur to succeed by developing a unique internal organization first, and worrying about the product second? Yes it is. Consider the case of Henry Stewart, founder of Happy Computers. In the early 1990s Stewart was, by his own admission, a stressed-out, small businessman. He had cut his entrepreneurial teeth on the launch of the News on Sunday, a radical, left-wing newspaper. The group behind it had no business background but managed to raise £6.5 million. It was lost in six weeks.

“That’s where I learned the importance of good management,” Henry Stewart reflects. “It was a great irony that a company set up on humanistic principles was the worst place to work. There was endless backbiting, meetings, no clear decision making, and endless blame. And so after that, and the experience of getting sacked from my next job, I decided I didn’t want to work for anyone else again. I would work for myself and work at how you create a great place to work, how you deliver great service, while being effective and principled.”

<table>
<thead>
<tr>
<th>What should we do?</th>
<th>What will we change today and what difference will it make (why)? How will we know if it has been successful?</th>
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<tbody>
<tr>
<td>Who do we need to involve?</td>
<td>Who else needs to be involved to make it work and why?</td>
</tr>
<tr>
<td>What resources will we require?</td>
<td>What information, facilities, materials, equipment or budget will be required and are they available?</td>
</tr>
<tr>
<td>What is the timing?</td>
<td>When will this change be implemented – is there a deadline?</td>
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Visit www.Fast-Track-Me.com to use the Fast Track online planning tool.
With an IT background and an affinity for people, Stewart homed in on IT training as his niche, and set out to build a great IT training company based on a distinctive set of management principles. Principle number one was that managers need to get out of the way to let people perform – they should be coaches and coordinators, not in-your-face managers. “If you get into work and have a message that your manager wants to see you at 2 pm – do you feel excited?” asks Henry Stewart. “The most radical thing we believe is that managers should be chosen according to how good they are at managing people. They are usually chosen for technical competence and how long they’ve been in the job. As a result, one of the biggest reasons people leave a company is to get away from their manager.”

A second key area was recruitment. “One of the things that really gets me is that most recruiting is absolutely terrible,” says Stewart. Most people recruit the one who’s good at talking about it, not the one who’s good at doing it.”

Happy never asks for qualifications – it is “profoundly discriminating” and the qualifications requested usually have no relation to the job. Happy does not advertise: it has details of 2,000 people waiting on its website with their email addresses. When a vacancy occurs they are emailed and asked two questions: why do you want to work for Happy and what makes a great trainer? And rather than use an interview, Happy takes prospective employees through a condensed two-hour training module. “We’re looking for people who are supportive of each other, and people who have the potential to train others. So we ask them to prepare a 15-minute session, and then to see how they cope with change we tell them they’ve got to do it in six minutes. They deliver their session. And then we coach them and they deliver it again. We are looking to see an improvement over the first round. If they deliver the same session they don’t get in.”

Happy has ten distinctive management principles, including, “Celebrate mistakes” and “Peer appraisal for managers.” And the results speak for themselves: Happy’s staff turnover is around 9 percent, less than half the industry average. It has never lost a member of staff to a competitor. And customer satisfaction is 98.7 percent.

Remember, clients often view IT training as a commodity – as a tedious necessity, rather than an important service. And while the industry has contracted by 30 percent over the last six years, Happy’s turnover has doubled – without any advertising. “Our basic philosophy of marketing is to deliver great service and wait for the phone to ring,” laughs Henry Stewart. “Most companies understand what the customer wants, but
most companies then put in place a system of processes and rules that pre-
vent their frontline staff from delivering it."

There is an important underlying message here. You don’t necessarily
need a unique product to succeed. Happy sells IT training, just like hun-
dreds of other companies. What makes it different is the attitudes, skills and
engagement of its staff – and these qualities are an outgrowth of the com-
pany’s distinctive management principles, not its positioning in the
marketplace. So if you are an entrepreneur, the message is: build a better
organization – and the world will beat a path to your door.
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INDEX

Page numbers in bold relate to entries in the Glossary.

3 Ts 125
5 forces 194
6 hats 130
6 Ps xvii–xix, 33

ABP see annual business planning
acceptability 44–6
accessibility of information 169
actioning ideas 180
active support 22
ad hoc day-to-day activities 40–1
adoption curves 190
advertising innovations 84
advertising materials 185
advertorials 144
aesthetics, products 153
alliances 190
alpha tests 190
alternative business models 78
alternatives 175–6
analyses 190
competitors 161, 191
critical path 87
customer value 191
gap 192
market 182
qualitative 183
risk 84
root cause 21
sensitivity 196
SWOT see SWOT analyses
Animalcare Group 180
annual business planning (ABP) 39, 40, 80
annual cycles 86
antecedents 121–3
Apple 153
asking “so what?” 86, 173
asking “why?” 81
attitudes 19, 21, 116
attributes 116–17
testing 190

audits 184
innovation see innovation
internal 182
performance 186
authorizations 185
awareness 1–3, 190
innovation audits 17–27
innovation in a nutshell 5–15

B2B (business-to-business) 190
B2C (business-to-consumer) 191
bad ideas, filtering out 12
balanced scorecards 190
balanced teams 88
barriers 82, 109, 132–4
behaviors 19, 22, 88, 116, 121–3
benchmarking 145, 179, 190
benefits 190
communicating 134
tangible 43–4
bespoke services 90–1
best ideas, sources 12
best practice 89, 161, 186, 190
beta tests 190
beyond NPD 190
Birchall, David 59, 90–2
Birkinshaw, Julian 25–7
blame cultures 54
blame-free cultures 125
blogs 74
board work 143
BOC-Linde 100
boring 131
bottom-line performance 54–5
boundaries 9, 105, 111, 119
BP 180
brainstorming 9, 39, 42, 130, 182, 190
brands 183, 190
breaks, taking 105–6
breakthrough thinking 21, 82
breakthroughs 54, 107, 160, 182, 190
briefs 183, 184
INDEX

Bruce, A. 167
budgets
  allocation 13, 47
  availability 102
  feasibility and 45
  ideas generation 160
  information 111
  internal ideas markets 41
  projects 161, 185
  requirements 85
  sufficiency 88
building better organizations 25–7
building teams 128–34
Burns, T. 14–15
business-as-usual 88
business cases 47, 183–4, 185, 190
business contexts 110
business cycles 11
business drivers 20
business fast track 29–32
  change, implementing 79–92
    fast track top ten 33–60, 105
    technologies 61–78
  business imperatives 104
  business innovation 11
  business needs clarification and
    communication 36
  business performance 37, 56
  business priorities 36
  business snapshots 102
business strategies 110, 117
business-to-business (B2B) 190
business-to-consumer (B2C) 191
buzz, creating a 41
cannibalization 191
capabilities 37–8, 59–60, 129–30, 146, 183, 185
capital expenditure (CapEx) 55, 184
capturing return on innovation 58–60
career development 187
career fast track 93–5
career development
  changing roles
    critical time 97–8
    potential pitfalls 98
    worst-case scenario 98–9
  checklist of information requirements 110–11
  first ten weeks
actions before start 99–100
business snapshots 102
conducting first event 107–8
quick wins 104
reflecting and learning 108–9
reputation building 106–7
stakeholders, getting to know 101–2
taking breaks 105–6
team SWOTs 103
two-year plans development 109
vision creation 104–5
getting to the top 139
directors, becoming 147–50
exit strategy planning 150–1
focusing on performance 139–41
inviting challenges 142–7
keeping up to date 144–6
methods and qualities required 149–50
promotion 146
leadership
  changing oneself 115–21
  coaching 120
  motivating individuals 121–3
  personal attributes 116–17
  physical environments 127–8
  right environment, creating 124–8
  self-perception 115–16
  styles 117–20
  team building 128–34
CBP (core benefit proposition) 191
central databases 160
challenges
  constructive 111
  creative 124–5
  external 18
  inviting 142–7
  positive 22
champions xix, 18, 49, 51–2, 79, 107, 162, 191
change
  barriers to 132–4
  changing oneself 115–21
implementing
  critical success factors 88–9
  ensuring success – keeping plans on track 85–8
  introducing changes 82–5
  planning way ahead 79–82
legal and regulatory 173
dental and regulatory 173
political 41, 171
strategic 37–8
supply chains 185
charisma, products 153
charters, projects 182
checklists
career fast track information requirements 110–11
innovation projects 181–6
team innovation audits 159–64
Chesborough, Henry 76–7
chief executives 8, 51, 53
close-down reviews 186
coaching 120
Coca-Cola 81–2
coffee breaks 36
collaborate leadership style 118, 119, 120
command leadership style 117, 118, 119
commercial exploitation of ideas 5
commercial production 186
commercialization 191
commitment 22, 35, 88, 118–19, 134, 184
commodization 59
common innovation language 89
common tool sets 162
communication 36
benefits 134
internal 54
plans 101, 184, 185, 186
strategies 184, 185
of successes 89
communicative values, products 153
communities of practice 144
competencies 19, 21, 113, 116
competition 90
competitive intelligence 191
competitiveness 6–7, 146
competitors 143
analyses 161, 191
knowledge of 20, 80
needs 174–5
performance 41
scanning 173–6
understanding of 20
compliance 184
concepts 183, 191
concurrent engineering 191
conferences 84, 144
conflicts of interest, directors 149
congratulations to teams 186
consensus leadership style 117, 118, 120
consequences 121–3
consistency 165
consolidation strategies 38
constructive challenges 111
consult leadership style 118, 120
consumers 191
expectations 7
feedback 184
qualitative tests 183
quantitative tests 184
validation 183
See also customers
contingency plans 191
continuous improvement 7, 11, 108, 165
control 162, 165, 186
convergent thinking 191
core benefit proposition (CBP) 191
corporate culture 191
corporate governance 149
corporate social responsibilities (CSR) 149
Corven Innovation Cube 100
costs
life-cycle 193
measurement 13
opportunity 194
products 153
seeking information 145–6
CPA (critical path analysis) 87
creating a buzz 41
creative challenges 124–5
creative culture 18, 53–4
creative ideas 183
creative talents 87–8
creative thinking 21
creative tools 182
creativity 11, 191
software 70
techniques 177–80
credibility 146
crises 38
critical assumptions 191
critical path analysis (CPA) 87
critical success factors (CSF) 88–9, 102, 191
INDEX

critical time for changing roles 97–8
crossing the chasm 191
CSF see critical success factors
CSR (corporate social responsibilities) 149
culture 162
corporate 191
creative 18, 53–4
definition 53
teams 124–7
See also learning: cultures
current commitments 111
current situation performance snapshots 140–1
custom-built services solutions to complex problems 92
customers
base changes 108
concept innovation 91
day-in-the-life-of (DILO) studies 178
expectations 7, 41
feedback 47
focus 160
ideals 178–9
information about 20, 110
insight scanning for using Internet 67–8
knowledge of 20
market and customer insight (MCI) 39, 40
meaning 191
needs 142, 174, 191
problems 42
purchasing decisions 90
strategic focus 37–8
total customer experience 91
trends 161
value analyses 191
voice of the customer 198
See also consumers
customization 91
decision trees 192
defensive innovation 192
denial, resistance, exploration, commitment (DREC) change model 132–4
dependencies 183
design innovation 152–3
design of experiments (DOE) 192
design thinking 153
designing innovative organizations 14–15
desire 146
determination 22
development 192
careers 187
concepts 183
discontinuing 113
ideas 182
stage of projects 47
teams 130–2
workplans 184–5
See also research and development; search and development
differentiation 7, 58–9, 60, 192
difficulties 8–10
digital dashboards 74–5, 191–2
DILO (day-in-the-life-of) studies 178
direction of innovation 160
directors, becoming 147–50
director’s toolkit 155–86
disbandment of teams 186
disconnects 180
discontinuities 170–1, 172, 192
discontinuous innovation 192
distribution capabilities 185
divergent thinking 192
diversification strategies 38
DOE (design of experiments) 192
Downer EDI Mining 22–3
DREC (denial, resistance, exploration, commitment) change model 132–4
drivers of business 20
early adopters 192
early indicators 186
ecological performance, products 153
economic movements 41
economic trends 171
economic value added (EVA) 192
economical costs, products 153

effective prioritization 161

effectiveness 3, 6–7, 23–4, 54, 55
efficiency 6–7, 41, 55

electronic suggestion schemes 50, 68, 83, 86

emails 73, 84

encouragement 22

end-to-end processes 161

enduring value 45–6

engineering consultancies 92

entrepreneurs 192

environmental costs, products 153

environmental trends 41, 172–3

ergonomics 153

ethics 126

EVA (economic value added) 192

evaluation 130

of ideas 18, 161

of progress and performance 89

events 107–8, 111

evidence 103, 130

exhibitions 144

exit stage of projects 47

exit strategies 150–1, 192

exit workplans 186

expectations, customers 7, 41

experience 88, 105, 122

exploration 133–4

extent of innovation 55, 160

external challenges 18

external contributors 52

external sources of ideas 161

external studies 143

facilitators 9, 36

facts 130

fad, innovation as 10, 14

failure 141, 162

Fast-Track-Me.com 145

feasibility 45–6

features 153, 192

feedback 47, 183, 184

final specifications 184

financial benefits 109

financial forecasts 183

financial payback 184

financial plans 185

financial screening 183

financials

initial 183

products 184

First Direct 174

first to market 192

five forces 194

FIW see focused innovation workshops

flexibility 13, 87–8, 128–9

focus groups 192

focus, strategic see strategic focus

focused innovation workshops (FIW) 39–40, 50, 107, 127

forecasts 183, 184, 185

forming 131

forming to mourning model 130–2

forums 74

founders 8

full visibility and control 162

functional specialists 107

functional values, products 153

funding 10, 12, 45

fusion, technology 78

future performance snapshots 141

future workloads 111

Gantt charts 83–4, 192

gaps 43, 105, 187

analyses 192

Gassman, O. 77

gate documents 184, 185

gate keepers 192

gates 192

gating 161–2

generation of ideas see ideas

global sourcing and innovation 112–13

globalization 7, 77

Go/No Go decisions 119

Go/No Go (kill)/Modify decisions 48

Go/No Go/Wait decisions 66

go-live activities 184

go-live plans 185

go to market stage of projects 47

goals 13, 128, 161

See also objectives; targets

Gotzsch, Josiena 152–3

governance 54

- corporate 149

great teams, attributes 128–30

growth options 185
guidance, lack of 9

gut feeling 46, 130

Hamel, Gary 7

handover 151, 186

Happy Computers 25–7

Hicks, D. 135

high value opportunities 88

historic performance snapshots 140

ideals, customers 178–9

ideas 192–3

actioning 180

approval 183

bad, filtering out 12

best, sources 12

commercial exploitation of 5

converting into action 46

creative 183

databases 109

development 182

evaluation 18, 161

generation 39, 89

workshops 182

implementation 181

internal markets 41

management not open to 8

mix of 55

new 43

number of 55

open to 22

pipelines 68–9

evaluation 43–6

prioritizing 43, 180

reactive 39, 40

refinement 182

rewards for, lack of 8–9

screening 43, 180

sharing 142

sources 12

external 42–3, 161

internal 18, 38–41, 160

trackers 50

visibility across businesses 12

ideation 182, 193

impact 104, 183

implementation 18, 32

change see change

of ideas 181

inability of 10

support 184

importance of innovation 5–7, 11

improvement

continuous see continuous

improvement

performance 187

incentives 185, 186

incremental innovations 91, 193

indicators, early 186

industry advisers 143

industry, knowledge of 20

industry leaders 40, 179–80

information

accessibility 169

flows 84

intensity 90–1

Internet 67–8, 144

requirements 170

career fast track checklist 110–11

reliability 145

seeking, cost of 145–6

validity 145

See also knowledge

information technology (IT) see
technologies

initial financials 183

initial meetings 101

initiation

stage of projects 47

teams 183

workplans 182–3

innovation

audits 17

learning 23–4

self assessment 19–23

of teams 17–19, 108, 159–64

difficulties 8–10

importance 5–7, 11

meaning 5, 11, 193

review boards 193

strategies 193

innovation capability 59

innovation executives 160

innovation fatigue 14

innovation overload 43

innovation primers 11

innovation trackers 50

innovation war rooms 39

inquisitive mindsets 21

insight 144, 193
integrated approach 160
integrated innovation framework 79, 165–8
integrated product development (IPD) 193
integration, supply chains 41
intellectual property (IP) 91, 193
intensity
  information 90–1
  technology 77
internal audits 182
internal communications 54
internal ideas markets 41
internal pilots 47
internal sources of ideas 18, 38–41, 160
internal working parties 143
Internet 12
  information sources 67–8, 144
  scanning for market and customer insight using 67–8
  social networking 74
trends 172
intranets 12
intrapreneurs 193
intuition 46
inversion 179, 193
involvement 11, 82
IP (intellectual property) 91, 193
IPD (integrated product development) 193
ISO-9000 193
issues 86, 162
IT (information technology) see technologies
journals 144
"just do it" (JDI) 81

kaizen 193
keeping up to date 144–6
key opinion leaders 111
key performance indicators (KPI) 13, 44, 54–6, 109, 139, 141, 163, 185, 186
key success factors (KSF) 185
knowledge 122
  of competitors 20, 80
  importance 169–70
  leadership requirements 116
  leveraging 78
new, sourcing for strategy making 135–7
self assessment 19, 20
sources 144
things to know 42
See also information
knowledge-based services 92
KPI see key performance indicators
KSF (key success factors) 185
lateral thinking 130
launch plans 47, 185
leaders
  enthusiastic 128
  industry 40, 179–80
  information requirements about teams 110
  projects 195
  staying ahead as 187–8
  strong 128
See also teams: leaders
leadership 3, 18, 115
  attitudes 116
  behaviors 116
  career fast track see career fast track
  competencies 116
  effectiveness 23–4
  knowledge requirements 116
  planning 35–7, 160
  self-assessments 116–17
  styles 87, 117–20
  SWOT 117
learning 108–9, 163
  capturing return on innovation 58–60
  cultures 55–6, 162, 165
  innovation audits 23–4
  organizational 59–60
learning organizations 126–7, 193
legal announcements 41
legal changes 173
legal clearance 184
lessons learned 186
  databases 75, 140
leveraging knowledge 78
life-cycle costs 193
lifestyle 105
lock-in 91
logistics 9, 185
logistics companies 90
long-term success 11
INDEX

Macphie 34–5
management
not open to ideas 8
of performance see performance
of projects see projects
of risks see risks
management consultancies 92
management development courses 143
managers
cascades 160
projects 195
manufacturing 184
impacts 183
outsourcing 113
market analyses 182
market and customer insight (MCI) 39, 40
market development 37–8, 193
market innovation 11
market research 193
qualitative 195
quantitative 196
market scanning 170–3
market share 183, 193
market testing 193
market trends 161
marketing 186, 193
marketing materials 185, 186
markets 194
insight scanning for using Internet 67–8
knowledge of 20
strategic focus 37–8
Marks & Spencer 180
Martin, B. 135
maturity 194
maximizing potential of teams 17–19
MCI (market and customer insight) 39, 40
measurement of performance 56
media launch 186
media strategies 185
meetings
initial 101
review 86, 106
methods 9
metrics 194
milestones 83–4
mistakes 12, 19, 53
mix, quantitative tests of 184
mobile phone companies 90
mobile telephony 172
monitoring 186
business environment 7
effectiveness 54
performance 86, 87
Moore, Geoffrey A. 58–60, 99
motivation 121–3, 186
mourning 131

NBD see new business development
needs
competitors 174–5
customers see customers
negative focus 130
nemawashi 194
net present values (NPV) 194
networking 124, 144
neutralization 58–9, 60
new business development (NBD) 37–8, 100, 194
new capabilities 37–8
new ideas 43
new product development (NPD) 36, 91, 194
new service development (NSD) 91, 194
newsletters 84
next job 116
NGT (nominal group technique) 194
Nokia 6, 126
nominal group technique (NGT) 194
non-value-added activities 102
norming 131
NPD see new product development
NPV (net present values) 194
NSD (new service development) 91, 194

objectives 13, 82–3, 110, 129
See also goals; targets
objects 177–8
offensive innovation 194
office politics 45
offshoring 113
open innovation (OI) 42–3, 76–8
open-mindedness 13
operating principles 129
operational expenditure (OpEx) 55
INDEX

207

operational handover 186
operational impacts 183
operational innovations 36–7
operational priorities 13
operations 166
OpEx (operational expenditure) 55
opinion leaders 111
opportunities 103
assessments 183
high value 88
windows of opportunity 104, 198
opportunity costs 194
organizational learning 59–60
outsourcing 112–13
ownership 83, 162

P&L (profit and loss) forecasts 184, 185
Pareto profile 194
partnering, strategic 197
partners 143, 180
partnerships
with complementary organizations 42–3
past performance snapshots 140
patents 194
Pavitt, K. 135
payback 184
PDCA (plan-do-check-act) 53, 85–6
PDP (personal development plans) 105, 186
peer assist 48, 194
people xviii–xix, 34
creative culture 53–4
culture 162
investment in 36
managing 85–6
virtual teams 52
See also champions
performance xix
audits 186
bottom-line 54–5
business 37, 56
competitors 41
current situation snapshots 140–1
evaluation 89
focusing on 139–41
future snapshots 141
gaps 43
historic snapshots 140
improvement 187
indicators 13, 194
See also key performance indicators
management 18, 54–7, 85–6, 163
in market 186
measurement 56
monitoring 86, 87
past snapshots 140
predictive snapshots 141
present snapshots 140–1
products 153
recognition 162
reviews 108, 111, 186
rewards 162
performing 131
personal attributes 116–17
personal development 122
personal development plans (PDP) 105, 186
personal planning 107
personalized products and services 92
personalities 136
PESTEL 171–3
Peters, Tom 39
physical environments 127–8
pilot launches 185
pilots, internal 47
pipelines xviii, 34, 194
ideas 68–9
evaluation 43–6
external sources 42–3, 161
internal sources 38–41, 160
open innovation 42–3
scanning 41–2
plan-do-check-act (PDCA) 53, 85–6
planning xviii
business cycles incorporating
innovation 11
change 79–82
events 107
exit strategies 150–1
leadership 35–7, 160
monitoring 87
personal 107
scenario planning 196
strategic 86
strategic focus 37–8, 160
succession 151
See also annual business planning; plans
Index

plans
communication see communication
contingency 191
financial 185
go-live 185
keeping on track 85–8
launch 185
managing 85–6
personal development 105, 186
projects 184, 195
teams 105
two-year 109
See also planning; workplans
platforms xviii, 34
support systems 49–51, 162
PLM (product life-cycle management) 195
political changes 41, 171
Porter’s five forces 194
portfolios 56, 194
assessments 183
management 48–9
maps 194–5
projects 195
See also project and portfolio management
positioning 183
positive approach 21
positive challenges 22
positive focus 130
post-launch sales support 186
potential pitfalls of changing roles 98
potential problems 109, 111
potential, quantitative tests of 184
power versus support matrices 101–2
Powergrid 147, 174
PPM see project and portfolio management
predictive performance snapshots 141
preliminary screening 183
pre-prototypes 183
present performance snapshots 140–1
press releases 185
priorities 10
business 36
operational 13
setting 86
strategic 160, 182
prioritization effective 161
ideas 43, 180
problems, potential 109, 111
procedures 136
process champions 195
process maps 195
process re-engineering 195
process–system links 65–6
processes xviii, 11, 34
audits 184
ideas evaluation 43–6, 161
improvement 37–8
innovation program and portfolio management 48–9
optimization 184
project and portfolio management 46–9
projects and gating 161–2
production 185, 186
products
audits 184
briefs 183, 184
charisma 153
communicative values 153
development 37–8, 195
integrated 193
See also new product development
financials 184
functional values 153
innovation 11, 52
life-cycles
management (PLM) 195
meaning 195
lines 195
meaning 195
personalized 92
refinement 184
strategic focus 37–8
understanding of 20
professional bodies 107, 143, 145
professionalism, directors 149
profit and loss (P&L) forecasts 184, 185
profitability 13, 104
progress evaluation 89
progress reviews 108
project and portfolio management (PPM) 46–9, 50
software 71–2
projects 18, 161–2
charters 182
checklist 181–6
leaders 195
management 7, 89, 195
cOMPETENCIES 21
tools and techniques 13
See also project and portfolio management
managers 195
meaning 195
plans 184, 195
portfolios 195
sponsors 195
stages 47
teams 195
promotion 146
proof of concept 183
protection 195
prototypes 47, 184, 195
public enquiries 143
public sector 12
public speaking 143
purchasing decisions, customers 90
purpose, shared 128
QFD (quality function development) 196
qualitative analyses 183
qualitative market research 195
qualitative tests 183
quality
assurance 195
clearance 184
cOMPLIANCE 195
function development (QFD) 196
leadership 118–19
reviews 184
total quality management 197
quantitative market research 196
quantitative tests 184
question leadership style 118, 119
quick wins 89, 104, 107
quiet areas 36
R&D see research and development
rapid application development (RAD) 196
rational thinking 87–8
reactive ideas 39, 40
recognition 53–4, 162
refinement of ideas 182
reflection 108–9, 187
regulatory announcements 41
regulatory changes 173
regulatory clearance 184
relationships 136, 146
reliability of information 145
reports 84
reputation building 106–7
research and development (R&D) 42, 77–8, 92
research and technology development (RTD) 77
resistance 133
resources
allocation 47
availability 102
feasibility and 45
financial 10
individuals 122
information 111
matrices 196
projects 161
requirements 83, 85
sufficiency 88
technology and 63
respect 129
responsibilities
directors 148–9
matrices 196
shared 129
return on innovation investment (ROII)
13, 47, 55, 109, 183, 184, 196
return on investment (ROI) 13, 196
review bodies 143
reviews 163
close-down 186
meetings 86, 106
performance see performance points 83
process 111
quality 184
stakeholders 186
supply chains 186
rewards 8–9, 53–4, 89, 122–3, 162
Richmond Foods 126, 179–81
rising stars 40
risks 141, 196
analyses 84
assessments 47, 183, 184, 185
management 21, 141, 162, 196
of not being innovative 13
tolerance to 37
roadmapping 105, 196
ROI (return on investment) 13, 196
ROII see return on innovation investment
roles 110, 162
changing see career fast track: changing roles
directors 148
teams 129–30
root cause analyses 21
route to market 183, 184
routines 86
RTD (research and technology development) 77
S&D see search and development
sacred cows 8
sales 186
forecasts 183
materials 185
presentations 185
teams 80–1, 108
Salter, A. 135
samples 185
satisfaction surveys 196
Saudi Tourism Commission 120–1
scale (go to market)
stage of projects 47
workplans 186
scanning 41–2, 67–8, 161, 170–6, 196
scenario planning 196
scope 111
scope creep 83
screening 43, 180, 183, 196
search and development (S&D) 42–3, 125–6, 170, 196
segmentation 196
self-assessments
innovation audits 19–23
leadership 116–17
self-development 143
self-perception 115–16
senior management 10, 35, 36, 82, 88
Senker, J. 135
sensitivity analyses 196
services
bespoke 90–1
custom-built solutions to complex problems 92
information intensity 90–1
innovation 11, 90–2
knowledge-based 92
new service development 91, 194
personalized 92
standardized 90–1
strategic focus 37–8
understanding of 20
services companies 12
shared purpose 128
shared responsibilities 129
shared values 129
sharing ideas 142
Sharp, M. 135
Shell 180
SIG (special interest groups) 74
sign-offs 185
six hats 130
six Ps xvi–xix, 33
skills 13, 162
audits 184
development 89, 105, 122
existing 52
requirements 52
self assessment 19
teams 88, 129–30
skunk works 39
SMART 141
smart phones 83
“so what?” test 86, 173
social costs, products 153
social networking software 74
social trends 171–2
Soderquist, Klas Eric 76–8
software
creativity 70
social networking 74
solution briefs 183
special interest groups (SIG) 74
specifications 47, 184, 197
sponsors, projects 195
stage-gate processes 197
stages 47–8, 197
stakeholders 110
buy-in 184
commitment 184
communicating to 84
getting to know 101–2
involvement 82
reviews 186
Stalker, G.M. 14–15
INDEX

standardized services 90–1
statutory responsibilities, directors 148–9
staying ahead as leaders 187–8
Stelianos, Rebecca 135–7
Stewart, Henry 25–7
storming 131
strategic change 37–8
strategic focus 18, 37–8, 160
strategic partnering 197
strategic planning 86
strategic priorities 160, 182
strategies 166, 197
innovation fit with 55
making, sourcing new knowledge for 135–7
teams 105
strengths 103
structured focused innovation workshops 39–40
structures 9
substitutes 175–6
success communication of 89
critical success factors see critical success factors
ensuring 85–8
hurdles 185
increasing changes of 88–9
indicators 185
long-term 11
rates 56
succession planning 151
suggestion schemes 12, 50, 55, 68, 83, 86, 197
suitability 44
suppliers 47, 110, 170
supply chains 143, 184, 186, 197
audits 184
changes 185
impacts on 183
mapping 47
opportunities for integration or efficiency 41
reviews 186
support 184
active 22
cultures 162
post-launch sales 186
systems 18, 49–51, 162
visible 22
support versus power matrices 101–2
supportiveness 129
surveys, satisfaction 196
SWAG 145–6, 169, 197
SWOT analyses 111, 197
leadership 117
teams 103
synergy 21, 183
systems audits 184
talents, creative 87–8
tangible benefits 43–4
targets audiences 183
markets 197
time 82–3
See also goals; objectives
teams assessments 17–19
balanced 88
behaviors 121–3
building 128–34
capabilities 129–30
champions 51
coaching 120
congratulations 186
culture 124–7
development 130–2
disbandment 186
effectiveness 3, 23–4
email communications 73
flexibility 128–9
goals 128
great, attributes 128–30
initiation 183
innovation audits 17–19, 108, 159–64
issues 129
leaders 8, 197
leaders’ information requirements about 110
maximizing potential 17–19
motivation 121–3, 186
objectives 110, 129
operating principles 129
plans 105
projects 195
respect 129
roles 129–30
teams (continued)
sales 80–1, 108
shared purpose 128
shared responsibilities 129
shared values 129
sharing ideas with other internal teams 142
skills 129–30
strategies 105
supportiveness 129
SWOTs 103
trust 129
virtual see virtual teams
technical performance, products 153
technical tests 184
techniques see tools and techniques
technologies 32, 49, 57, 61
activities to focus on 63–5
advancements 41
awareness of 66
considering 61–3
discontinuities 172
fusion 78
getting started 61–5
intensity 77
keeping balance 75–6
process–system links 65–6
tools supporting sustainable approach to innovation 66–75
top 66–76
use 65–6
See also software
technology-led innovation 92
technology roadmaps 197
technology transfers 197
ten minutes out each day 99
tenacity 13
terrorists 125
Tesco 180
test markets 197
tests 184
themed focused innovation workshops 39–40
things to know 42
think tanks 197
thinking
breakthrough 21, 82
convergent 191
creative 21
design thinking 153
divergent 192
inversion 179
lateral 130
rational 87–8
thinking hats 130, 197
threats 103
three Ts 125
time 45, 63–5, 160
constraints 9
ideas generation 160
leadership styles and 117–18
targets 82–3
time to market 197
timelines 83–4
timetables 185
timing 83, 183
to-do lists 99, 108
tolerance to risk 37
tools and techniques 31
common tool sets 162
competitor scanning 169–76
creative 182
creativity techniques 177–80
director’s toolkit 155–7
electronic suggestion schemes 50
innovation trackers 50
integrated innovation framework 165–8
introduction to 33–5
market scanning 169–76
people 34, 51–4, 162
performance 34, 54–7, 163
pipelines 34, 38–43, 160–1
planning 33, 35–8, 160
platforms 34, 49–51, 162
processes 34, 43–9, 161–2
project checklist 181–6
project management 13
top technologies 66–76
top ten innovation elements 33–60, 105
total customer experience 91
total quality management (TQM) 197
tourists 125
Tovstiga, George 58–60
TQM (total quality management) 197
trade magazines 144
trademarks 184, 197
training 52, 183
transformers 125
trends 41, 161, 170, 171–2
trust 129
Tuckman, Bruce Wayne 130
two-year plans development 109

unique features, products 153
unique selling propositions (USP) 102, 182, 197
Universal DVD 62
universities 135–7
urgency 104
users 197–8
feedback 184
tests 184
validation 183
USP see unique selling propositions
utility companies 90

V-SAFE 43–6, 66, 180, 183, 198
validation 47, 183, 185
validity of information 145
value 43–6, 63–5, 183
value-added 102, 198
value chains 198
value propositions 198
values, shared 129

video conferencing 72–3
virtual teams 52, 107, 198
visibility 12, 162, 165
visible support 22
vision 104–5, 198
voice of the customer (VOC) 198
von Tunzelmann, N. 135

waste 58
Watkins, Michael 97
weaknesses 103
websites 144
whiteboards 12, 198
wikis 74
windows of opportunity 104, 198
work commitments 105
working parties, internal 143
workplans 181–6, 198
workshops 9, 11, 80, 104, 123, 182, 183
See also focused innovation
workshops
worst-case scenario, changing roles 98–9

ZIBA 152–3