

HOW INNOVATION WORKS

FAST THINKING

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FORMULA 1

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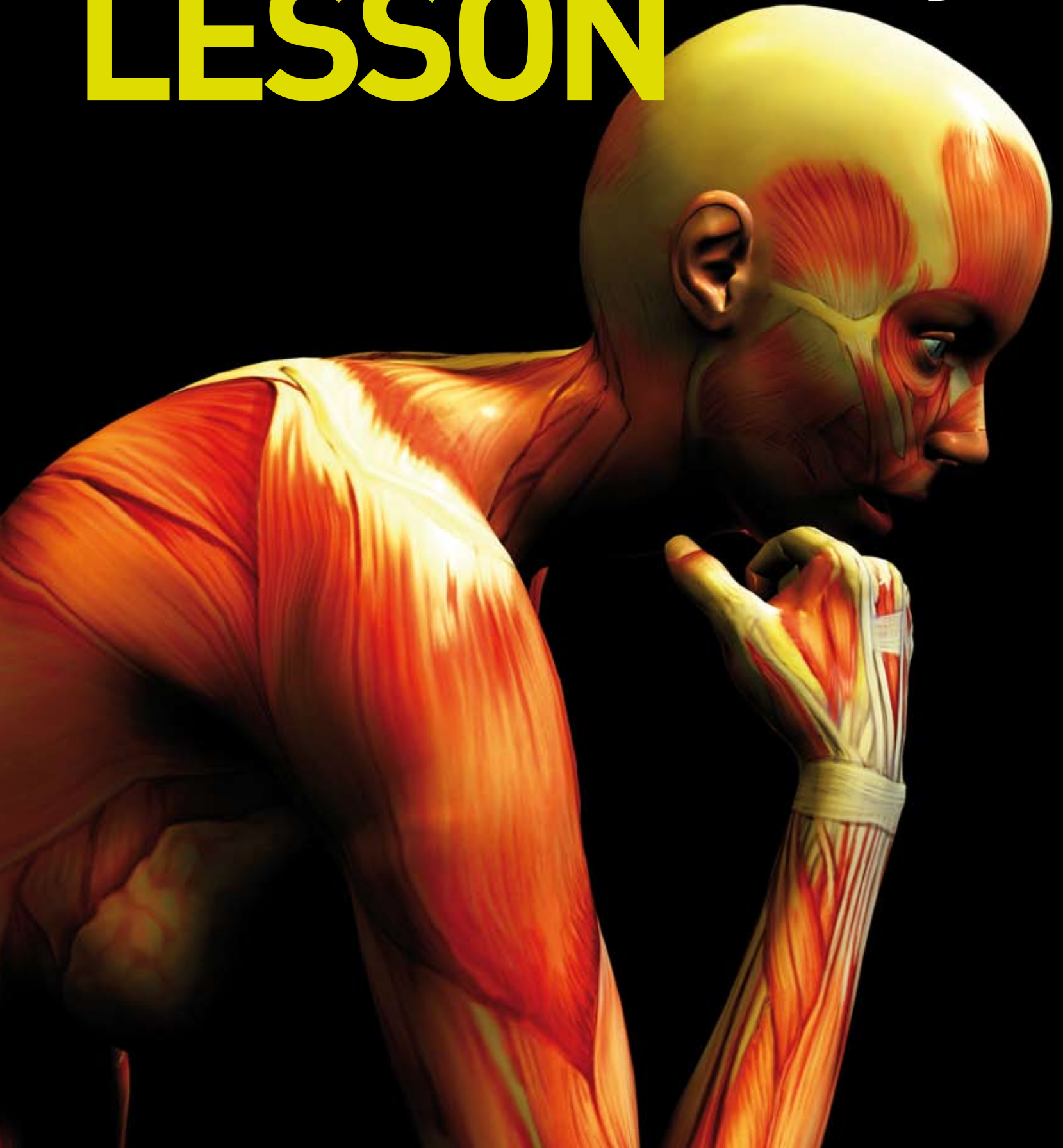
PACKAGING IDEAS
PACKAGING FUNDS
PACKAGING PATENTS
AND JUST PACKAGING
& OTHER ESSENTIALS

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The anatomy LESSON



If innovation is a dynamic and organic process, then is modeling the innovation process on the human body the way to go?

Jason Cotton and Tim Morris elaborate.

GOOD COMPANIES DRIVE innovation through efficient innovation processes. Great companies institutionalise innovation by making it the way in which they work. How do they do this? They do it by moving beyond innovation as an activity. Great companies take a whole-of-body approach to strengthen innovation capability in areas quite separate from their idea management programs and innovation competitions.

Much of the current innovation debate is focusing on unlocking creativity within companies and developing processes to turn ideas into innovation. For good reason. Creativity is a vital weapon in ever-commoditising markets, but thinking that lots of new ideas will transform your business in a matter of months is misguided.

What you really need is to get your innovation strategy, communications and several other elements right in addition to your idea collection process. When this happens, ideas have more purpose and context, and more potential to create something big, because employees understand what the organisation is trying to achieve and how they can help it get there.

Consider what normally happens. Most companies don't think about innovation or, at best, they pay lip-service to it. Those serious about improving jump on the innovation bandwagon and appoint an innovation manager usually from, or nestled within, the marketing or human resources department. The new manager is expected to spark innovation within the firm by bringing together teams from different parts of the organisation, and managing the innovation activity. Everybody gets fired up about the innovation activity – and brainstorm till the cows come home – but eventually energy and enthusiasm wane as the realities of corporate life re-emerge.

Changing a company's culture to make innovation a way of working rather than an activity is a feat few managers achieve quickly, if at all.

A better approach that we propose is thinking about innovation from a “whole-of-body” perspective. We call it the “Anatomy of Innovation” – an analogy that clearly articulates all the elements that need to be in place for your organisation to be successfully innovative.

As more research shows individuals use their whole body – not just the brain – to think and interact with others, we ask: Should companies do the same? Can companies develop their innovation capability by thinking about the organisation as a living, breathing human body? Cynics might argue this “mind and body approach” to innovation is wishy-washy, new-age, East-West rubbish. But we know it works, and not only in radical organisations obsessed with fat short-term profits. In fact, two innovative organisations benefiting from this approach are South East Water and Powercor Australia. If you think utilities are dull, think again.

The skeleton

Take Melbourne water authority South East Water. The starting point for our theory is that innovation needs a strong skeleton, or foundation to build on (see the accompanying breakout box for more detail on our anatomy theory). Innovation eager beavers often try to build a completely new foundation to support innovation. Sometimes this approach creates spectacular short-term results, but building a new foundation is usually a long, painful and costly experience best avoided. Build on what you already have.

This is what South East Water has done so successfully. Its internal innovation strategy – Brain Waves – builds on the company's foundations such as: operational excellence, government legislation,

competitive neutrality and working within defined geographic boundaries. South East Water consciously does not explore new avenues such as manufacturing new products.

In a great example of business model innovation, South East Water established “us” – Utility Services – a three-party alliance with Thiess and Siemens Consortium in 2005. Utility Services, which has a very different foundation to South East Water, actively competes in the market, has moved beyond traditional boundaries and is growing through new products and services. The power of the alliance is that it taps into South East Water's foundation – the effective and efficient operation of water assets – but it has its own business structure, set up to support Utility Services. The lesson: don't mess with the core foundation, or skeleton, of your enterprise. It's better to build on the foundation, or create a second, complementary foundation to support your innovation efforts.

The brain

The next part of the Anatomy of Innovation model is the brain. It represents the need to increase organisational knowledge of innovation and set the right innovation strategy. The Victorian electricity distribution company, Powercor, is a great example of how companies expand their innovation brain.

When Powercor began developing its own innovation program – eighthgate – it conducted a comprehensive study of other organisations that had previously embarked on their innovation journeys. Rather than just implement the findings, Powercor constructed its own innovation program and made sure it “smelt like Powercor”. To spread the message about the importance of innovation, the innovation team visited all Powercor sites and got employees to feed the eighthgate program with their ideas.

Powercor also established an Innovation Advisory

Board consisting of the senior management team, two leading industry experts, and an innovation consultant to revise the strategy and help build the company's innovation knowledge base. Innovation began to become institutionalised within the Powercor culture.

Heart and lungs

The next step is building the heart and lungs that represent leadership and breathing life into innovation. Too many managers talk about innovation but do not engage with those at the innovation coal-face. Smart managers coach their innovators to build opportunities and align them with company strategy. They understand that innovation is often an emotional rollercoaster; they tap into the passion that comes with innovation and work hard to create an "innovation fertile ground" even when ideas are rejected. They use innovation to recharge their organisation.

At South East Water an Innovation Fair was instrumental in demonstrating leadership support and unleashing passion for innovation. Employees were invited to showcase past and potential innovations to the entire organisation. The event was opened by South East Water's managing director and other employees were encouraged to interact with the idea generators and displays. Senior management were astounded at the depth of thinking and effort that had gone into the innovations and energy levels in the organisation began to rise.

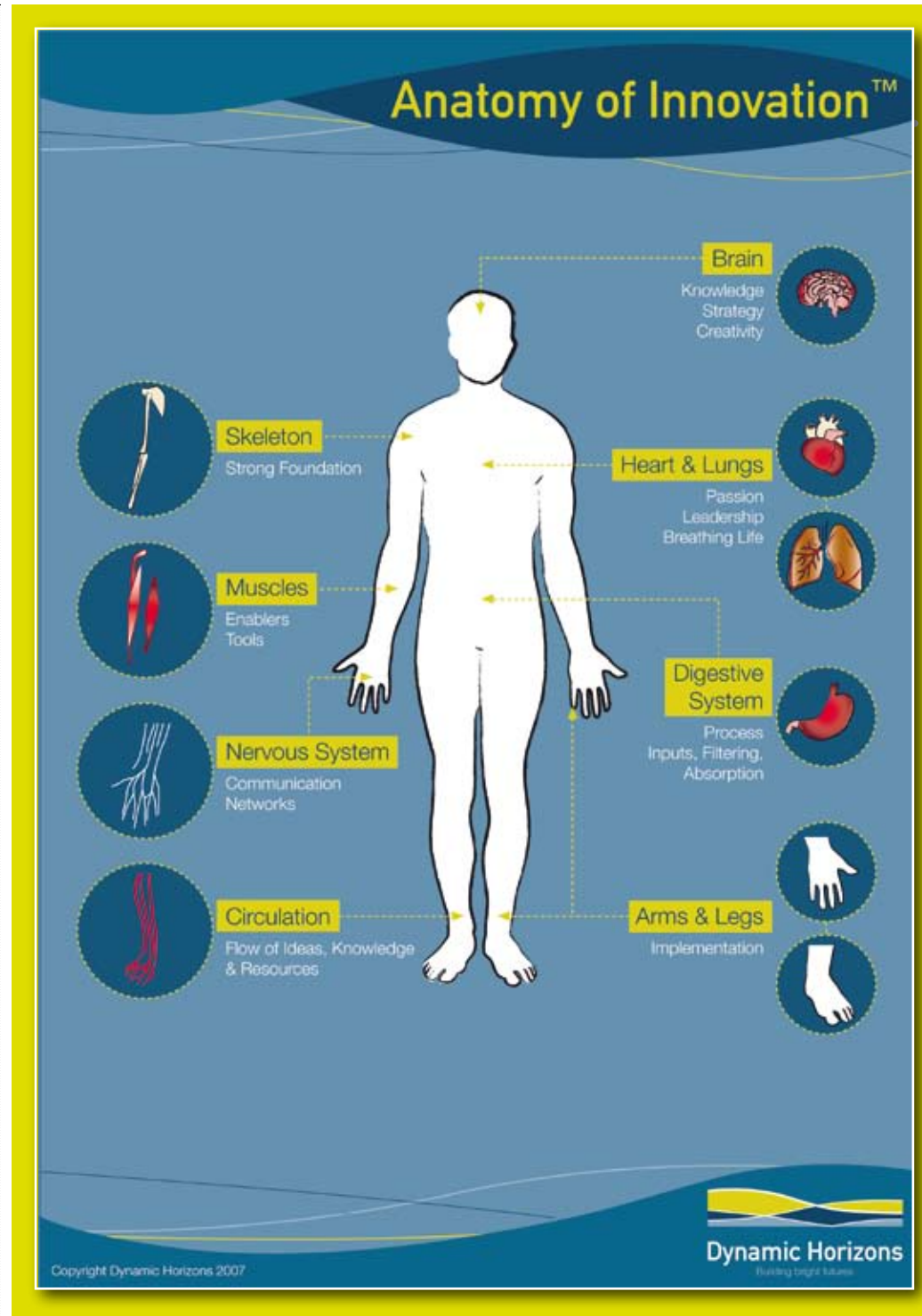
The muscles

Next are the muscles - the enabling tools of innovation. Again Powercor is a stand-out example of successfully equipping employees with the necessary tools for innovation. The company has run comprehensive internal training on turning an idea into a business-case, pitching it to senior management and making it happen. Powercor has also created forums where employees, supported by a team of mentors, are given access to senior managers and decision-makers to pitch their opportunities.

Powercor has gone a step further by sponsoring many high-potential employees to study the Masters of Entrepreneurship and Innovation at Swinburne University in Victoria. Powercor's annual Business Innovation Cup is populated by employees who have gone through the innovation training and are generating significant financial and other benefits for the company.

Digestive system

There are many examples of successful innovation processes and it is important you develop one that fits your company and innovation strategy. Like the digestive system, this process needs to be capable



of taking inputs, filtering them, absorbing the good ideas and rejecting the bad.

Both South East Water and Powercor have used a highly developed process in their internal business planning competitions. In fact, Powercor's Business Innovation Cup was so successful in its first two years that it has been adopted by CitiPower and ETSA Utilities. And South East Water has used another process where they conduct focused, three-week campaigns calling for ideas on specific business issues. Called iCampaigns, these challenges are enabled by web-based

idea management software sourced from Belgium.

The lesson: there are numerous processes you can use to enable innovation, just make sure the one you develop fits with your company's culture and strategic goals.

Nervous system

The next part of the model is the nervous system, which represents the need for good communication and networks. Many communication channels need to be used and results come from identifying what

THE ANATOMY OF INNOVATION

(DEVELOPED BY DYNAMIC HORIZONS)

SKELETON

This is the organisational foundation on which the innovation initiative will be built. It is important to establish where you are starting from by identifying how the existing foundation will both support and impede innovation. You can then strengthen and leverage this foundation – but keep in mind that like the skeleton in the human body this can be difficult and painful to change.

BRAIN

The brain represents the need to increase organisational knowledge of innovation and set an appropriate innovation strategy. It also represents tapping into existing knowledge and creativity within the organisation. To do this you must identify and communicate why innovation is important to your company and how it fits with your company strategy. Furthermore, you must decide which types of innovation your company wants to explore.

HEART & LUNGS

As the heart and lungs do for the body, leadership and passion breathe life and energy into the innovation strategy. Too often we see rhetoric about innovation not backed up with action, choking the very breath from the organisation's innovation strategy. Employee confidence in innovation must be built and the new initiative must be rolled out effectively with visible leadership support.

MUSCLES

In the body muscles translate intent into action. For a company to be successfully innovative employees must be given tools that will enable them to act on their ideas and carry out the innovation strategy. Common tools that are required include creativity and innovation training, project management and influencing skills. Other critical enablers must also be in place – most importantly time, space and access to decision makers.

DIGESTIVE SYSTEM

Like the digestive system, innovation processes take inputs in the form of ideas, filter them and absorb the good ones that will provide value to the organisation. The process you use depends entirely on your organisation and innovation strategy, but to make innovation work you absolutely need a system to gather ideas and determine which ones to build and progress to implementation.

NERVOUS SYSTEM

The nervous system represents the importance of communication and networks. Effective communication is integral to embedding the philosophy of innovation at your company. If the right messages aren't being sent or received the whole system becomes dysfunctional. Employees must understand why the organisation needs to be more innovative and exactly how the innovation process will work. On top of this individual efforts need to be recognised.

CIRCULATION

Innovation often results from combining existing information to gain new insights. To foster this you must ensure there is a flow of ideas and knowledge throughout the organisation. It is also important to allocate sufficient resources when required – whether this is manpower to further explore ideas or funds to allow prototyping and market testing.

ARMS & LEGS

Finally, while our brain develops the intent, and the muscles translate it into action, it's our arms and legs that enable us to carry out that intent. Having an innovation strategy, proper communication channels and staff passionate to make something happen is only part of the picture. To be successfully innovative functioning implementation pathways must be in place.

Source: Dynamic Horizons

works best for each company.

At South East Water, face-to-face communication at team meetings works extremely well. This is supported by other channels such as intranet announcements, email and articles in the company newsletter.

When it comes to communications there are times when you need to be almost irreverent. At South East Water, one author of this article confronted staff dressed as a mad professor to launch the iCampaign initiative. Slightly embarrassing ... yes. Did

it encourage involvement and get ideas flowing ... definitely!

Circulation

Innovation often results from combining existing information to gain new insights. To foster this, ensure there is a flow of ideas and knowledge throughout the organisation – just like the circulatory system distributes nutrients to all parts of the body.

South East Water encourages this through the use of idea management software that allows all

employees to share their ideas and build on those submitted by others. Powercor fosters the flow of ideas and knowledge through its eighthgate intranet site as well as idea-pitching workshops. Another technique at organisations with field-based staff is regular but informal "tool-box" meetings.

The other important point under the circulation analogy is the flow of resources. To successfully move ideas from concept to reality it is imperative to get the right resources to the right place at the right time. This may involve allocating staff hours to explore a promising idea or approving funds to prototype a new product. The plea for resources by idea generators often does not fit standard operating or capital expenditure approval processes. To accommodate this, the innovation manager or overseeing panel must have sufficient authority to approve resources for an idea when they see fit.

Arms and legs

To turn innovation into value, your company must be able to successfully implement ideas, an important step represented by the arms and legs in the framework, which allow us to carry out our strategic intent.

At Powercor, teams that come out of the Business Innovation Cup form sanctioned implementation teams that are given resources to enable effective implementation. The company also has a unit called Acceler8 designed to fast-track significant high-potential opportunities.

Recently, South East Water identified that its implementation focus needed strengthening so it formed an innovation implementation team with the sole charter of making top opportunities happen. This team is made up of volunteers from across the company who are receiving training in innovation and implementation, as well as dedicated time each week to work on projects.

The Anatomy of Innovation model articulates the elements that make up a successful innovation initiative. It is a framework that will help your company think through all the issues that need to be addressed as you embark on the journey of becoming a more innovative organisation. True, it transgresses slightly from the left-brained, rational approach to innovation – but who ever said innovation always had to be rational – we certainly believe a little right-brain flare is needed as well! 🚀

Jason Cotton and Tim Morris are advisors and facilitators with Dynamic Horizons.

Disclosure: Jason Cotton lectures in innovation and entrepreneurship at the University of Swinburne. Dynamic Horizons provides innovation advisory services and has consulted to South East Water and Powercor. The views expressed are those of Dynamic Horizons alone.