



Is Our Organization Prepared to Face the Challenges of Innovation?

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We are currently witnessing how organizations are immersed in a veritable race to distinguish themselves in terms of their innovation. Despite not being an entirely clear term and with a plethora of different perceptions as to what it means and what its repercussions are, we have set in motion a dynamic intended to promote the creation of more creative institutions. These institutions would seek elements of differentiation relative to their competitors, making exploration one of their foremost management mechanisms.

Innovation, in my view, and as Professor Göran Roos, a Partner of B+I Strategy, observes, is the transfer of value added knowledge. This places it on a different plane from Research and Development, which is the generation of knowledge based on resources contributed. If this is so, then the sphere of Innovation is located in all areas of the life of an organization, particularly in the market area.

Organizations today face a number of competitive situations which oblige them to develop new mechanisms of differentiation vis-à-vis competitors whose sole element to their advantage in long-term competition is that markets have gone global. This fact has resulted in both an increase and diversification of competitors, particularly those from traditionally denominated “underdeveloped” countries. Additionally, clients are more demanding and dynamic, as technology advances at an ever-growing rate. There is also stiff competition in operating efficiency as the new players demand clear commitment in this sense, and companies are working in collaboration nodes, to name but a few examples. In short, talent and knowledge have become more valuable as assets than physical and financial capital.

There are companies with the capability to differentiate themselves from their competitors. There are organizations who excel in the differentiation in the “What” (Products, Services/Solutions, Channels, Brands, Consumer Experiences); while others excel in the “To whom” (What Clients, In what Markets, What Needs); and still others excel in the “How” (Processes, Some of the activities of the Value Chain, Networks and Partnerships, Business Model). We indeed find that there are no set rules, no models and no guidelines. This is the truly passionate aspect of the management game which we are being expected to play.

From my point of view, the radical innovation that a considerable number of companies in the west are in need of can be achieved by searching for new business models focused on generating a space for interaction with reference to the market and which would be differentiated from competitors. Companies need to know how to combine the management of incremental innovation over traditional spheres of performance and preparing for the future by employing a suitable blend of the What, the How and the To Whom so as to generate a business blue ocean space (Kim & Mauborgne) which the company may occupy in future.

This fact produces various challenges to managing our organizations. In his book, “Leading the Revolution”, Gary Hamel asserts: “We have a new innovation agenda today. It should be less linear in comparison to continuous improvement. It will be focused on business concepts and less so on products and processes. It will be highly



concentrated on the creation of wealth, based on the organization's capacities. It will require activists in companies and it will spread to other organizations in the network". Without a doubt, not only does this imply a new challenge in the managing our organizations, but it also becomes imperative to examine how we do so.

Indeed, the determining factor becomes the search for new organizational models in which people are the leading agents of competitiveness in the company, where the business model and how our collaboration and networks of interaction are structured with a large number of agents. A new model which explores new markets unexploited by any market player is a motor of transformation in the organization and where the role of educating and mobilizing the team falls squarely on the shoulders of its leaders. This is the setting in which we ought to develop our innovation and differentiation capabilities in order to better compete.

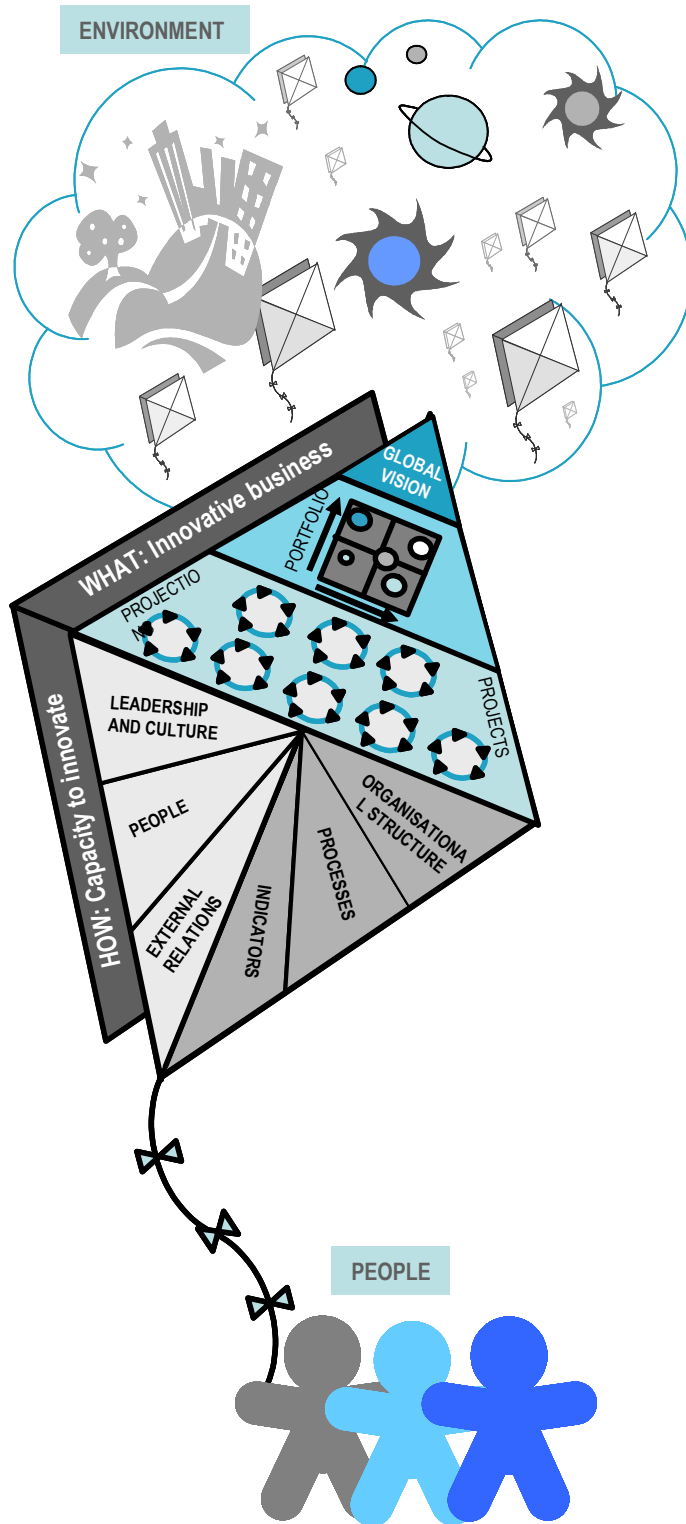
It is therefore essential that we reflect upon the impact of the innovation challenge in designing our organizations. In terms of developing sources of competitive edge, organizational architecture becomes a relevant factor as well as one of the critical tasks of the management team. Today, more than ever, organizational designs are one of the most potent mechanisms of advancement that business organizations can develop.

The point at issue, however, is that many organizations today encounter numerous barriers to innovation, barriers that need to be addressed both in the organizational design and the day-to-day praxis. A few notable examples would be:

- 1) Excessive pressure caused by day-to-day operations and short-term results.
- 2) Being over-focused on cost reduction and the search for out-and-out efficiency in management tasks.
- 3) Insufficient management implication in innovation.
- 4) Excessive "introspection" on the part of management teams.
- 5) Being overly obsessed with the competition.
- 6) Difficulty in "unlearning" past management models.
- 7) A culture unfavourable to creativity and intolerant of error.

At B+I Strategy, we have undertaken a research project on innovation called "The Innovation Kite" to identify mechanisms of innovation management. Our research process resulted in an innovation model which is intended to overcome these barriers. This leads to promoting a clear innovation strategy in organizations, a structured work dynamic centred on innovation and a culture of innovation as well, ultimately fostering an attitude of permanent creativity, exploration and search for new areas of innovation.

The Innovation Kite





We need to strive to develop innovative businesses in terms of direction, portfolio of innovative products and services, and selection of innovative projects. Furthermore, we need to generate innovation capability in the organization by means of leadership, a culture favourable to innovation and the management of people and talent within the organization. It is vital, therefore, that during the transition process toward a culture of innovation that there be in place the right network, a flexible organizational structure which embraces change, management of a creative process unfettered with “efficiency-obsession” and new management performance measures. In essence, organizations must institute a system and conditions which have innovation at its core to best tackle the strategic challenges mentioned at the beginning of this article.

With the aim of developing a milieu which favours company innovation, I wish to propose a number of recommendations for organizational design:

a) Believe in people. A dynamic of innovation is not possible in organizations which do not have people in mind. This translates into attracting excellent people and developing solid teams, motivating people with new challenges and an interesting future project. By giving them focus, time and resources to think about the future and undertaking new projects, not only do we recognize their value and contributions, but we involve as many people as possible in innovation and in the search for diversity.

b) Think about the future. Spend time thinking about the future. Create mechanisms so that day-to-day affairs do not take up so much of your time. Learn to see the unconventional and be a novelty addict. Go out and network in order to anticipate the future and make space for opportunistic management.

c) Aim high. It is essential to set ambitious goals. Since your aspirations determine the upper limit of what is possible, by establishing motivating goals each employee feels they are contributing and making a genuine and positive difference in the lives of clients and colleagues.

d) Be agile. It is critical to involve clients. Be swift in taking new ideas to market and dropping those which do not work: the goal is to maximize the learning ratio per investment. Strive to benefit from the effects of the network and the positive effects of user feedback.

e) Wish for it intensely and have fun. We need to be prepared to overcome barriers and resistance to change. Champion the need to innovate. Celebrate with joy the successes. Praise the lessons learned from failures. Enjoy the creative facet of innovation and share enthusiasm for creating new things.

I would like to encourage managers to live with these five rules daily to achieve organizational designs which create favourable circumstances for innovation: thereby allowing us to successfully deal with the difficult challenge of reaching companies with the capacity to differentiate themselves from their competitors.