

A CASE FOR SUSTAINABLE INNOVATION

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MAKING INNOVATION  
PART OF YOUR  
ORGANISATIONAL DNA

**TELOS**  
PARTNERS

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# EXECUTIVE SUMMARY

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For organisations to create sustainable success, in an ever changing and dynamic world, they constantly need to find new ways to adapt, improve and reinvent what they do and how they do it.

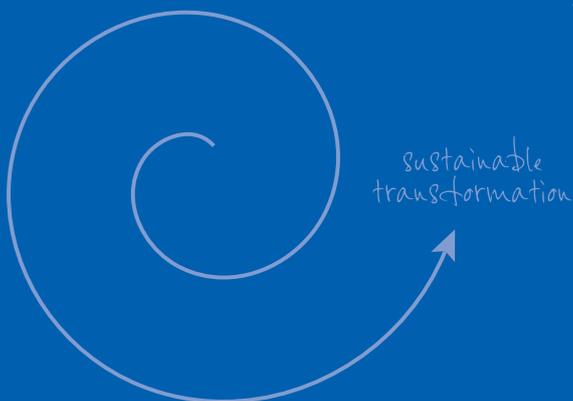
This opportunity for innovation lies not just in new products and services but also in structures, processes and behaviours. To truly master this challenge requires the whole organisation to excel across the innovation process, from inception, through development and into action.

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“WHOLE SYSTEM INNOVATION GOES BEYOND THE ISOLATED CREATION OF NEW CONCEPTS AND IDEAS, IT COVERS ALL PARTS OF THE INNOVATION PROCESS AND PERVADES ALL ASPECTS OF THE ORGANISATION – PRODUCTS, SERVICES, PROCESSES AND BEHAVIOURS. IT IS THE NEED TO ADAPT TO AN EVER CHANGING WORLD BY GENERATING INSIGHTS AND IDEAS THAT CAN BE TRANSLATED INTO PRACTICAL, SUSTAINED BUSINESS IMPROVEMENTS AND COMMERCIAL BENEFITS – IT IS AN ESSENTIAL COMPONENT OF SUSTAINABLE SUCCESS.”

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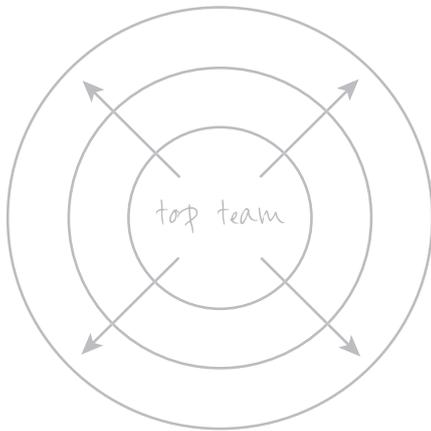
It is using this broader definition of a whole system view of innovation, going beyond the isolated creation of new concepts and new ideas, that we see innovation as a key component of sustainable success. While innovation remains a ‘*subject du jour*’ for academics and consultants, our experience is that many organisations still struggle to make the necessary changes. In short, they appear to be asking ‘**how do we innovate innovation?**’



Our exploration of this challenge has drawn us to three areas that appear key to embedding innovation within the organisation's DNA:

## 1. Defining a broad innovation agenda supported by a disciplined process

To move innovation beyond the preserve of the R&D department or product marketing team, requires a broader definition of the types of innovation that an organisation can benefit from. To capitalise on these opportunities further requires a more disciplined approach to the innovation process.



## 2. Creating a fertile environment

Everyone has the capacity and ability to play a role in delivering the innovation agenda, but to enable this requires people to:

- Recognise where and how they can play a role (mind-set)
- Be empowered to 'step up' and 'speak out' (behaviour)
- Work collaboratively beyond their existing remit (relationship)

To deliver whole system innovation requires challenging and changing existing paradigms and ways for working.

## 3. Providing adaptive leadership

For innovation to pervade, adaptive leadership is required across the business, in a manner where leaders:

- Communicate the challenge to staff and show how innovation fits with purpose, values and vision, i.e. a core initiative
- Identify and own the systems challenges that require major changes in mindset, behaviour and action, i.e. the real game changers
- Model and encourage the shift in behaviour they seek, while overseeing the innovation process, i.e. encouraging creativity, protecting promising ideas and culling those that have run their course.

In short, creating an environment where innovation is seen as a fundamental part of the day job for everyone is one of the major challenges facing organisations today. In a world that is moving so fast, the price of standing still is great. When organisations are able to embed innovation within their DNA they not only create a major competitive advantage but also unlock the door to long-term sustainable success.

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# HOW DO YOU INNOVATE INNOVATION?

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We think and believe that innovation is a fundamental component of sustainable success. Worldwide, the 1,000 public corporations that invest the most on developing new products and services increased their spend by over 5% to \$680 billion in 2015<sup>i</sup>. Research has shown that the ability of high growth firms to outperform others derives in large part from their greater levels of successful innovation. Innovative firms grow twice as fast as others, both in terms of employment and sales<sup>ii</sup>.

Source: The Ten Types of Innovation

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**“SIGNIFICANTLY, THE TOP INNOVATORS OUTPERFORM THE S&P TOP 500. INTEGRATING MORE TYPES OF INNOVATION CAN HELP DELIVER SUPERIOR FINANCIAL RETURNS.”**

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We also observe that, as a topic innovation has been done to death, having been given the full treatment from academics, consultants and experts across the land – turned upside down and inside out, drawn and re-drawn in numerous ways. In spite of this wealth of information and knowledge, for many organisations innovation still remains an important and unresolved issue.

**“How can this be?”** we questioned.

**“Perhaps we need to invent a new term,”** we thought.

**“But innovation is more than just about invention and ideas,”** we said.

**“It is about being open to and finding ways to do things better across the whole business, normally with the customer in mind,”** we reflected.

So we turned to our clients, and began to explore with them **how do you innovate innovation?** This took the form of an innovation roundtable, which was conceived in response to the needs of one of our major clients in the global drinks industry.

The roundtable brought together senior leaders from the airline, banking, consumer electronics, telecommunications, aerospace etc. industries to share their thoughts and ideas on developing innovation within their organisations. The discussion highlighted the importance of leadership, culture and structure. This and subsequent exploration has drawn us to three areas that are key to embedding innovation within the organisation’s DNA:

- 1. Defining a broad innovation agenda, supported by a disciplined process**
- 2. Creating a fertile environment**
- 3. Providing adaptive leadership**

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**ONLY 27% [OF ORGANISATIONS] FEEL THEY HAVE MASTERED THE ELEMENTS THEY WILL NEED FOR INNOVATION SUCCESS OVER THE NEXT 10 YEARS.**

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Source: Global Innovation 1000, Strategy & Business, Issue 77 Winter 2014

## 1. Defining a broad innovation agenda ...

Our perspective of long-term, whole system thinking means that we view innovation through a similar lens. For us, innovation is about the need to adapt to an ever-changing world, by generating insights and ideas that can be translated into practical, sustained business improvements and commercial benefit. It therefore requires people to ask “how can this be different?” across all parts and levels of the business.

**“Innovation never fails because of lack of creativity, it almost always fails because of a lack of discipline. The most certain way to fail is to focus only on products. Successful innovators use many types of innovation.”** The Ten Types of Innovation model, put forward by Larry Keeley, Ryan Pikkell, Brian Quinn, and Helen Walters<sup>iii</sup> (see diagram 1 below) is perhaps the clearest and most concise explanation of this view.

Diagram 1

### Ten Types of Innovation

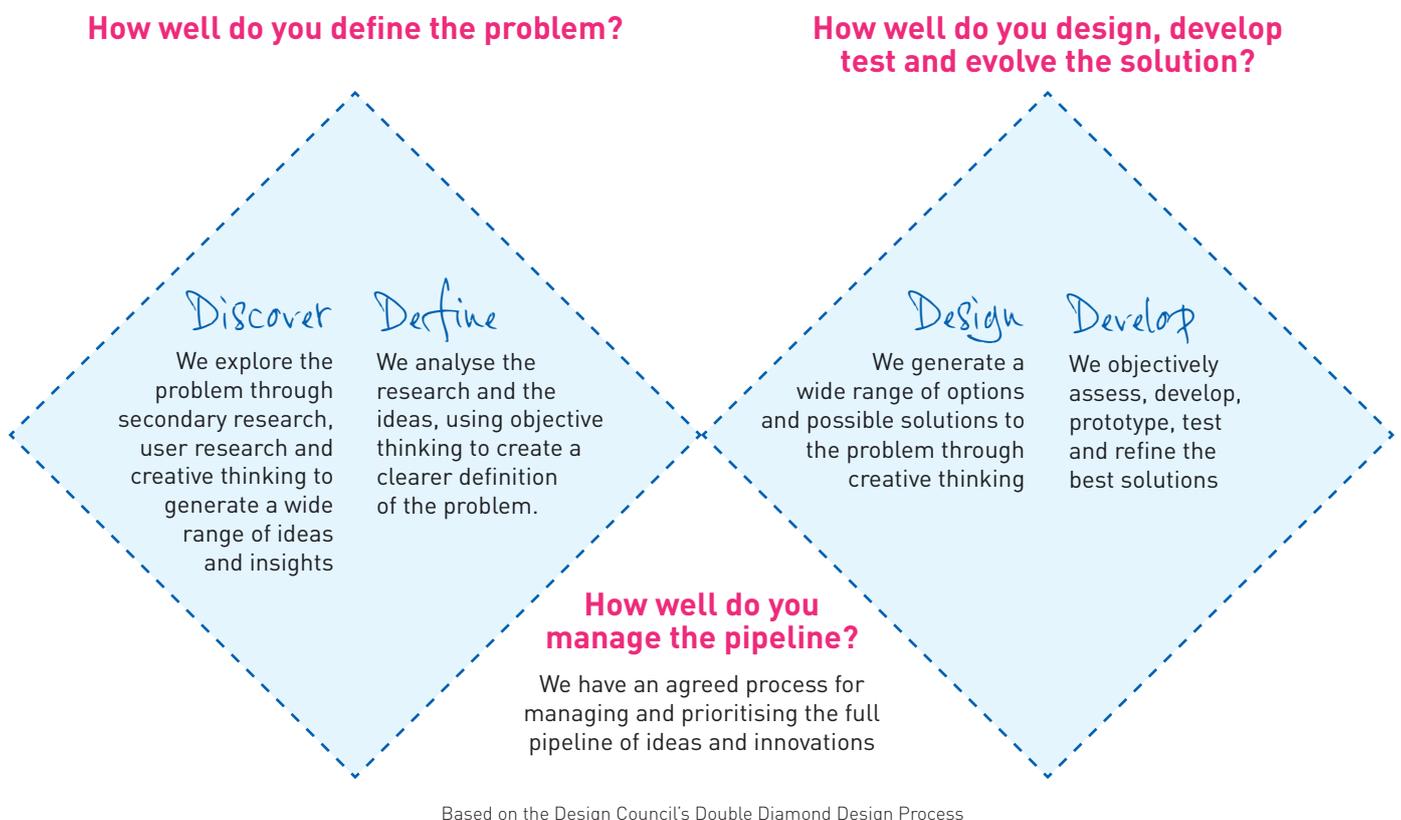
Source of Innovation	Description	Example
Profit model	The way in which you make money	How technology businesses have moved towards subscriptions and software as a service
Network	Connections with others to create value	Vodafone linking with NOW TV to provide an entertainment pass for 4G customers
Structure	Alignment of your talent and assets	A move towards employee ownership that creates higher levels of engagement and accountability
Process	Signature or superior methods for doing your work	How Linn Products develops ‘source to speaker’ sound systems to produce superior quality
Product Performance	Distinguishing features and functionality	How Fairphone is creating a smart phone with social values
Product system	Complementary products and services	How Nike+ has created a suite of health and lifestyle apps to complement the sports products
Service	Support and enhance the value of your offering	Deliver WOW service is Zappos’ #1 internal core value
Channel	How your offering is delivered to your customers and users	How Hotel Chocolat have created the tasting club, online sales, shops and even a ‘bricks and mortar’ Hotel Chocolat experience
Brand	How you represent your offering and business	Virgin extending into various different sectors
Customer Engagement	Distinctive interactions that you foster with customers	How co-operatives give customers the opportunity to become members and owners of the business

Adapted from Ten Types of Innovation – The Discipline of Building Breakthroughs (Keeley, et al.)

## ... supported by a disciplined innovation

Many organisations appear to confuse innovation with creativity. While generating new concepts and ideas is a critical component, we view it as one step in the broader challenge of taking ideas from creation to implementation. World class innovation requires the organisation to excel in and manage very deliberately all phases of the innovation process. The accordion-like process of divergent and then convergent thinking, to explore, refine and test problems and solutions, must become a key capability for all organisations (see diagram 2)

Diagram 2



## Creativity and innovation

**Creativity** = a skill that results in an idea      **Innovation** = a process that turns an idea into something of value

Creativity is an essential part of the innovation process during the divergent phase. Objectivity and discipline are essential during the convergent phase. For creativity to be successful all ideas must have equal value. For innovation to be successful, it is only those ideas that can and do deliver a better result that have value.

## 2. Creating a fertile environment

It is obvious that a clear strategic innovation agenda and a disciplined process, on their own, are not enough. For innovation to flourish it needs people to be confident and empowered and for collaboration to be encouraged.

Confidence	<b>Engage personal contribution</b> by helping individuals to develop clarity and confidence in the role they can play in the innovation process
Empowerment	<b>Empower people</b> to challenge conventional thinking and recognise that innovation is needed in all parts of the organisation
Collaboration	<b>Enable collaborative relationships</b> to form and develop across the functions and outside the organisations

### Engaging personal contribution

We often hear people say “**I am just not an innovative person**”, and experience suggests that many of us find it difficult to open our minds to new ideas and opportunities.

However, the different stages and sources of innovation require a diverse range of skills, capabilities and personality types. Killen and Williams<sup>iv</sup> have mapped how different Myers-Briggs personality types relate to each of the stages of the sources of innovation (see diagram 3).

Diagram 3

- Look for future possibilities
- Need encouragement to explore
- Highlight emerging potential
- Focus on generating ideas



- Draw on previous experience
- Need concrete information
- Contribute a memory bank of experience
- Focus on implementing solutions

- Make timeless connections
- Need vision of what might be
- Contribute imaginative outcomes
- Focus on choosing the right direction

- Look to current realities
- Need engagement with the present
- Contribute practical advice
- Focus on gathering sufficient information

**KEY**  
● Myers Briggs Types

Adapted from Introduction to Type & Innovation, Damien Killen & Gareth Williams

Those more inclined to think big picture (NP) and to favour the development of ideas are suited to making a strong contribution during divergent phases of the innovation process. Whilst those with a preference for detail (SJ) and capability for practicality and efficiency are likely to favour convergent thinking.

The key to effective innovation is diversity of thinking and recognition that everyone can play their part, once they are aware of their individual strengths and where and how they can add value.

Irrespective of preference, mental barriers and preconceptions, we have found simple processes and tools, for example **De Bono's 6 thinking hats**<sup>v</sup>, to be a useful way to introduce, develop and enhance individual's understanding of and confidence in the innovation process.

### **Empowering people to 'step up and speak out'**

We have often seen that innovation depends on individuals and teams being prepared to stand out from the crowd. They need to have the time to pursue new ideas and to feel that they have permission from the organisation to invest their energy in activity that may not yield a clear, short term return.

Yet innovation is not and should not be the preserve of R&D departments or product marketing. It is often those at the front line who experience, first-hand, the effect that organisational process and systems have on the customer experience. Creating an environment where individuals feel empowered to 'step up and speak out' can and does have real business benefit.

As an example, at one global consumer electronics company front-line team leaders who instinctively introduced new customer focused process improvements were identified. This small group of role models was brought together, held brainstorming sessions with the CEO, and then encouraged to expand their efforts beyond their immediate team. The results were both speedy and impressive, leading to an expansion of the initiative across the world.

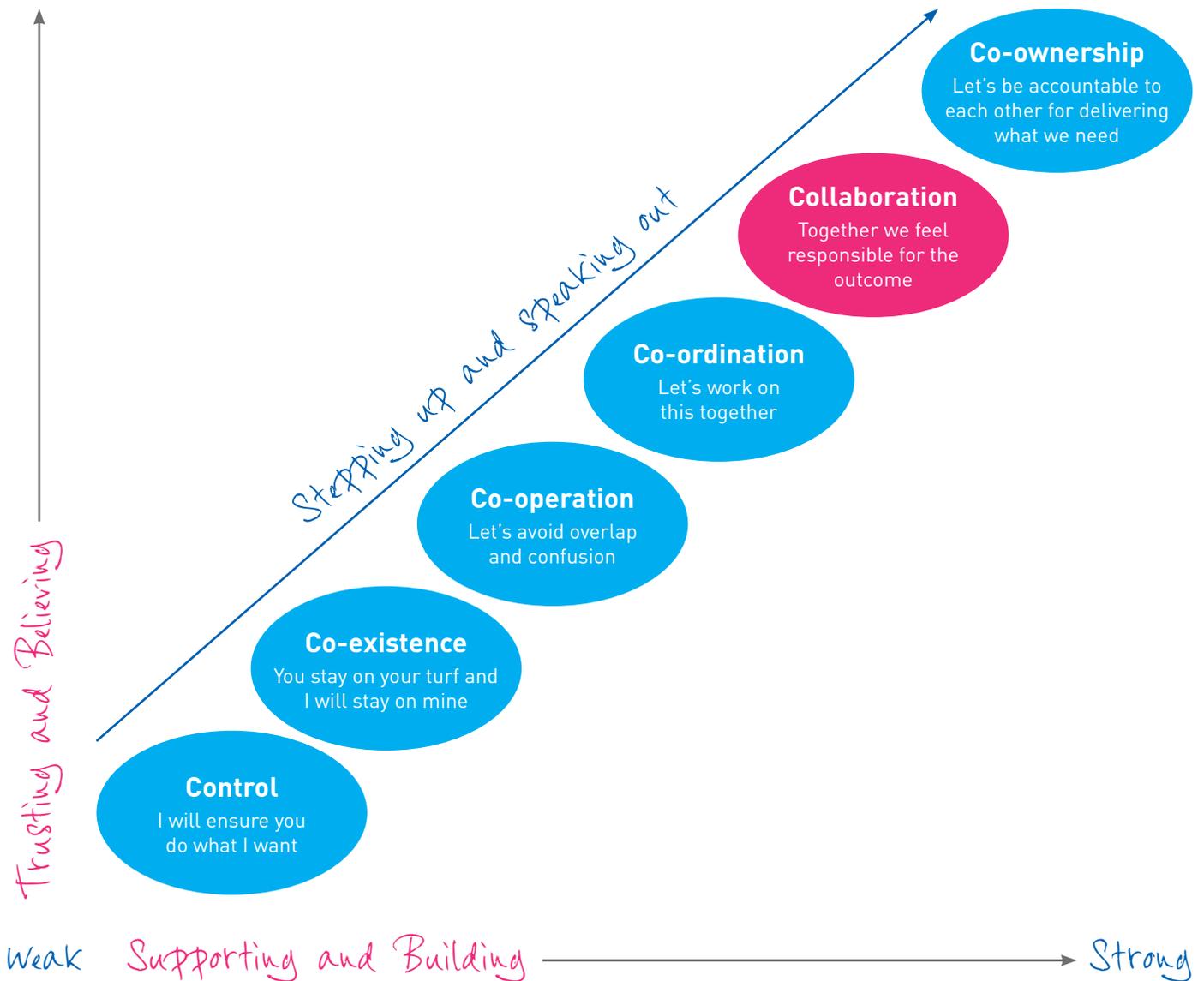
### **Enabling collaborative relationships**

True innovation almost always requires the coming together of hearts and minds from different parts of the organisation, often with diverse and conflicting points of view. Too often, we have seen innovative ideas faltering and failing as they permeate out beyond the confined walls within which they were created.

We believe that innovation is impossible without its key partner in crime, collaboration. In fact, an organisation's innovation potential can only be realised if these collaborative relationships exist. This is necessary within teams, across departmental boundaries and in relationships with external partners

To establish a collaborative relationship where all parties feel responsible for the outcome, there is a need to develop trust and belief through supporting and building behaviours (see diagram 4).

Diagram 4



In one case a global technology firm was struggling to meet its customer service commitments to one of its biggest UK clients. In response to its situation, the company kicked off an initiative of bringing together departments across major customer processes to enhance collaboration. These departments, which had previously co-existed (see diagram 4), began to build trust and enhance mutual support by looking for ways to integrate how they worked together. This process allowed them to identify inefficiencies in handoffs and the resulting re-work and duplication, as well as poor service outcomes. In response, new collaborative processes were introduced, resulting in speedier service, reduced errors and improved customer outcomes. It also resulted in departments being more open to innovative approaches to service delivery.

## Case Study: Mining the organisation for gold

In 2010 the steel industry was going through a tough time, with steel prices low as a result of the recession in most European markets. This was creating real pressure within the newly formed Construction Division of one of our multinational clients. The division had been recently restructured to bring together business units from a number of historic acquisitions. **'We invest millions of Euros in R&D activity but the returns are too long term. If we don't do something different soon, we won't be around to reap the rewards of this investment'**.

It appeared, from early discussions, that there were a number of innovative products and good initiatives that were going on in individual countries and business units 'below the radar'. Many local customer-based ideas remained invisible to the central R&D function and the wider organisation. People were so focused on the success of their own individual businesses that they had lost sight of the wider organisational potential.

### Our initial work with them focused on 3 main areas:

1. Re-establishing innovation as a core element of the organisational purpose
2. Sharing knowledge and ideas across organisational boundaries
3. Communicating the innovation process and behaviours

Despite the longer term nature of the business we saw some immediate results:

- A surge in short term revenue opportunities as people saw the potential of adopting or adapting products and ideas for their own market
- A major refresh of the new product ideas pipeline that was more closely aligned to the real needs of customers
- Rebalancing of R&D priorities – ensuring that sufficient central support was given to shorter term revenue opportunities, as well as longer term initiatives
- Improved motivation and collaboration across the organisation – people being less protective of their ideas and more willing to share and support others.

While much of the initial focus was on products, it was interesting that the biggest impact came from innovation around marketing, pricing, manufacture and delivery of services. These often proved cheaper, easier and faster to implement.

### 3. Adaptive leadership

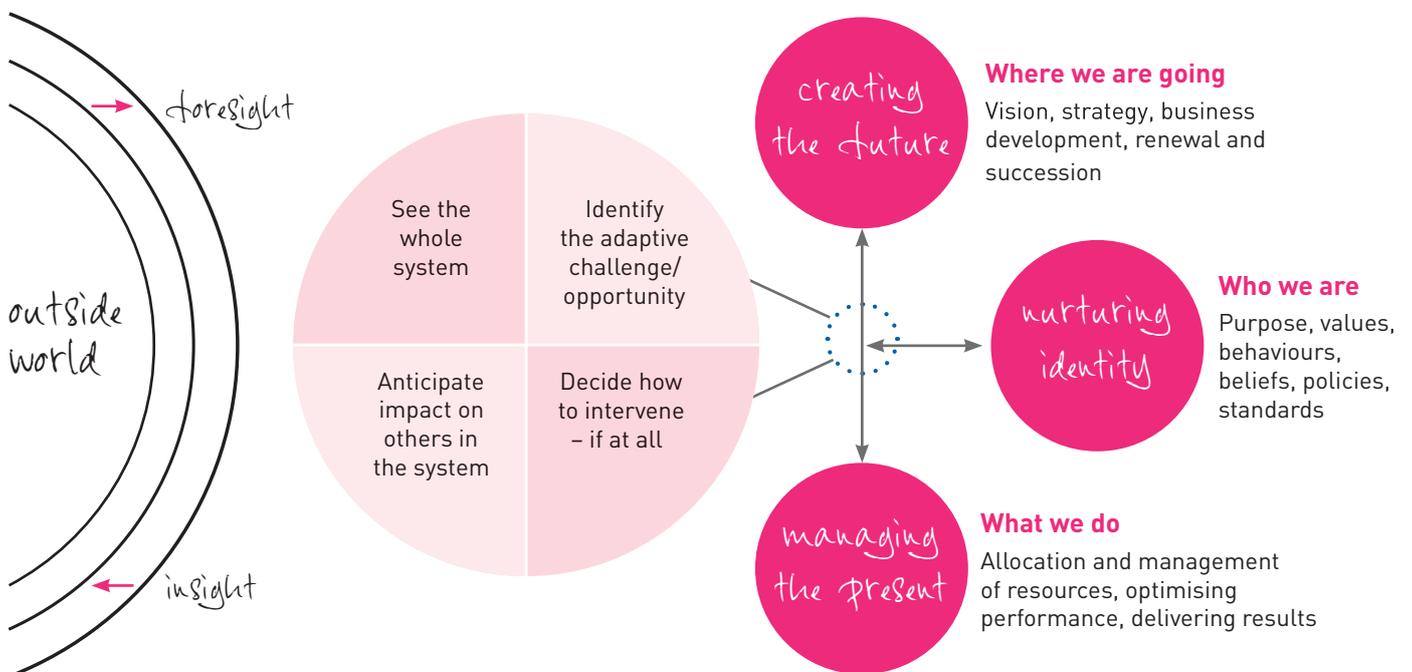
At our innovation roundtable, leaders saw their major role as being advocates and role models for a new way of thinking and behaving. It is vital to protect people and teams that are prepared to take risks and think outside the box from the inertia, scepticism and short term thinking of the existing interests. They spend much of their time encouraging innovation (especially around their customer's experience), removing road blocks to progress and searching out and recognising the best examples.

This experience aligns well with the principles described by Ronald Heifetz<sup>vi</sup>. In order to create purposeful evolution in real time it is necessary to take people outside their comfort zones and assess and address the toughest challenges in the business. In this context, leadership needs to address not only the rational components of innovation but also the emotional. This is not the preserve of executive leadership, but applies to all levels of leadership within the organisation.

This function of leadership is described through our own model the triologue (see diagram 5). This highlights the important need for leaders to:

- See the whole system
- Decide how to intervene and anticipate impact
- Model the shift in behaviour

Diagram 5



### See the whole system and identify the adaptive opportunity

Leaders need to maintain a whole system view. Obtaining insight and generating foresight in the external environment is key to identifying the potential game changing opportunities. Of equal importance is the need to understand how each part of the organisation plays a role in the bigger system and how they can contribute to the innovation agenda.

In the assessment of the various opportunities and challenges, it is vital to understand those which are likely to require an adaptive response, i.e. those requiring a change in mindset and behaviour. It is these aspects that are most likely to slow or accelerate the rate of innovation.

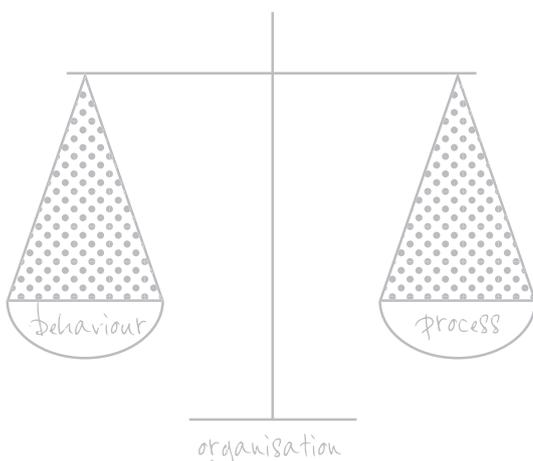
### Decide how to intervene and anticipate impact

Encouraging people to change the way they do things is tough and for many people innovation is an activity fraught with uncertainty and risk. For people to get on board there needs to be a compelling case for change — one that engages both the rational and the emotional.

An innovative culture is unlikely to arise as a result of a simple edict from the top, a new process or a company-wide initiative to provide more 'innovation time'. It is something that only results from planned and sustained effort to engage people and to help them to understand why this 'initiative' is not the latest fad, but vital to the future success of the organisation and key to the wider purpose and values.

### Model the shift in behaviour

We talked earlier about the need to create the right conditions for innovation to flourish at all levels of the organisation. In particular, confidence, empowerment and collaboration are all critical. A key role of leadership is to model these behaviours themselves and seek out and celebrate examples in the behaviours of others. It is an old adage that people watch what you do rather than listen to what you say. If a shift in these behaviours is key, then how leaders behave (especially when initiatives go wrong or economic times get tough) will determine whether others will be prepared to change their ways.



## Case Study: Developing Adaptive Leadership

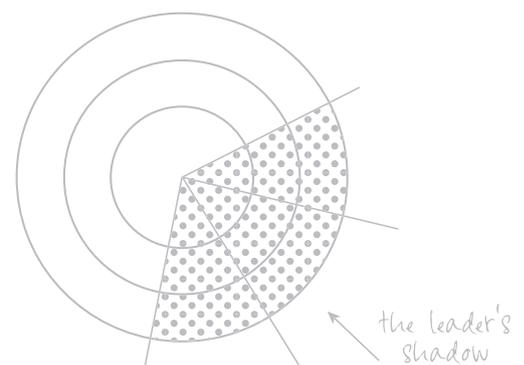
We were asked to design a client's new strategic leadership intervention for their Top 350 leaders to help implement two of the company's key strategic pillars, 'innovation' and 'collaboration'. The goal was to develop senior leaders with the ability to think long term, understand the 'whole system' within which the organisation operates, and to lead sustainable adaptive change.

The programme was built around a series of facilitated business focused groups that helped individuals to create and implement improvement contracts. Taking an experiential, self-managed approach, participants explored what it means to adapt and adopt change at an individual, team and organisation level.

Using collaboration as a key catalyst for innovation, participants formed their own groups to work on their individual 'adaptive business challenges'. The company's structured innovation process helped each member to formulate an effective response to their business opportunity. The three step process of idea generation, evaluation and action planning highlighted the human response to change and the leader's role in implementing innovation.

The open nature of the programme has led to greater levels of collaboration across divisional and functional boundaries. Group calls transferred significant learning across the business, generated strong insights and resulted in tangible business impact through the implementation of new ideas. Challenges that have been addressed during the programme have included: a division-wide SAP implementation resolving supply chain strategies, customer-driven product development, and new territory growth strategies.

A significant and influential cultural shift has occurred and innovation is now seen as core to strategic leadership.



# HOW WE CAN HELP

The case studies provide you with an indication of the range of experiences and capabilities we have that can support the success of your innovation agenda. These can be summarised as:

## **THINK – being a sounding board**

We provide an open and independent sounding board to help you to develop your innovation agenda and address challenges and opportunities as they arise. We do this using a coaching approach, diagnostic tools and shared learning.

## **BELIEVE – developing alignment and consensus for your agenda**

We work with you and your team to create a belief in a shared innovation agenda that has clear leadership, sponsorship and focus. We do this by designing and facilitating group meetings to build confidence, empowerment and collaboration.

## **ACT – driving to action and improved performance**

We support you and the key people in your business to engage the vital parts of the organisation, establish the right mindset and agree and implement a series of activities and actions that initiate and embed the change over time.

Telos Partners, itself, works collaboratively with clients to support leaders and the wider organisation to achieve its planned goals. A key objective, in any client assignment, is to share our knowledge and expertise with our clients so that clients own the outcomes of the work.



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# IN CONCLUSION

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Creating an environment where innovation is seen as a fundamental part of the day job by everyone is one of the greatest challenges facing organisations today. In a world which is moving so fast, the price of standing still will be great.

## The winners will be those organisations that can:

- Convince their people that everyone has an important role to play in the full innovation process
- Develop an environment where confidence, empowerment and collaboration are strongly embedded in the values and behaviours
- Provide leadership at all levels of the organisation that models the required behaviours and encourages attention to the critical challenges

**The evidence suggests that those organisations able to embed innovation within the organisation's DNA will not only create a major competitive advantage but also unlock the door to long term sustainable success.**

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## Additional reading:

### [The Discipline of Innovation](#)

Peter Drucker, Harvard Business Review, August 2002

### [Global Innovation 1000 - Proven Paths to Innovation Success](#)

Barry Jaruzelski, Volker Staack and Brad Goehle. Strategy & Business, Issue 77 Winter 2014

### [The Innovators DNA: Mastering the five skills of disruptive innovations](#)

Jeff Dyer, Hal Gregersen, Clayton M. Christensen, Harvard Business Review, 2011

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## The authors:

**Adam Campbell** is a partner at Telos Partners, a strategic change consultancy, and focuses on organisational culture, entrepreneurial leadership and change management.

Thank you to Ashley Harshak, Rakesh Bajpai and Keith Johnston who also contributed to this article.

### **ADAM CAMPBELL**

M +44 (0)7931 370478

E [acampbell@telospartners.com](mailto:acampbell@telospartners.com)

<sup>i</sup> Barry Jaruzelski, Kevin Schwartz, & Volker Staack (2015), Innovation's New World Order, strategy+business, Issue 81 Winter 2015

<sup>ii</sup> Geoff Mason, Kate Bishop and Catherine Robinson, Business Growth and Innovation, NESTA 2009

<sup>iii</sup> Larry Keeley, Ryan Pikkell, Brian Quinn, and Helen Walters (2013), The Ten Types of Innovation – The Discipline of Building Breakthroughs, John Wiley & Sons

<sup>iv</sup> Damien Killen and Gareth Williams, Introduction to Type and Innovation, CPP Inc.

<sup>v</sup> Edward De Bono (1985), Six Thinking Hats, Little Brown and Company

<sup>vi</sup> Alexander Grashow, Marty Linsky, Ronald A. Heifetz (2009), The Practice of Adaptive Leadership, Harvard Business Press

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# TELOS PARTNERS

**Telos Partners was founded around the belief that organisations are the product of their relationships, rather than just the sum of their transactions. Organisations need to be considered not only as economic enterprises, but also as complex networks of relationships and human interactions.**

We believe therefore that change can only be accomplished effectively in organisations by addressing behavioural change in parallel with strategy development and implementation. To be successful any initiative must address these two elements in tandem, with an equal focus on both the rational and emotional process of change.

Today we have consultants working around the world. The nature of the work we do means that we are not industry specific and our clients range from ambitious small business owners to CEOs of global companies.

We work internationally, with both the private and public sectors, social enterprises and non-profit organisations. We help them achieve the business outcomes they need by adopting a balanced approach to change.

THINK  
BELIEVE  
ACT



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