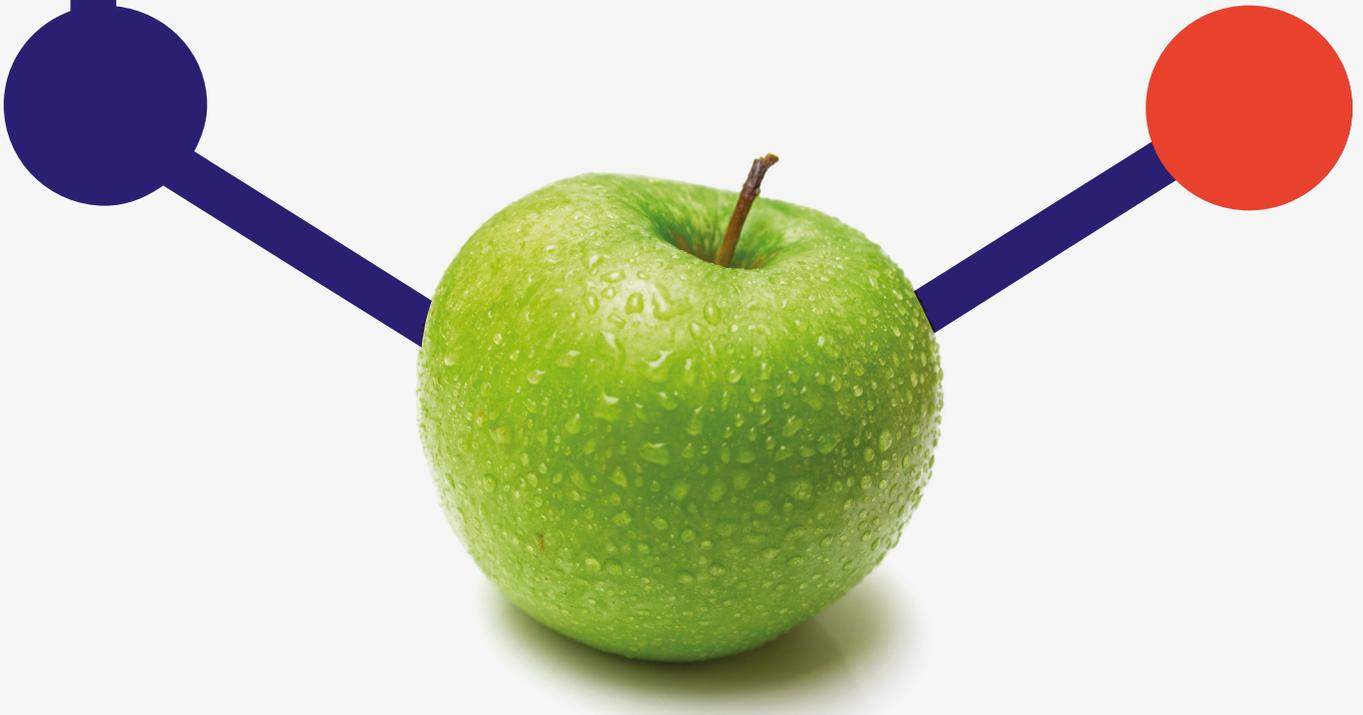




CLUSTRE
THE INNOVATION
BROKERS



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01

Innovation – a challenge to conventional thinking

“Here’s to the crazy ones. The misfits. The rebels. The troublemakers. The round pegs in the square holes. The ones who see things differently.

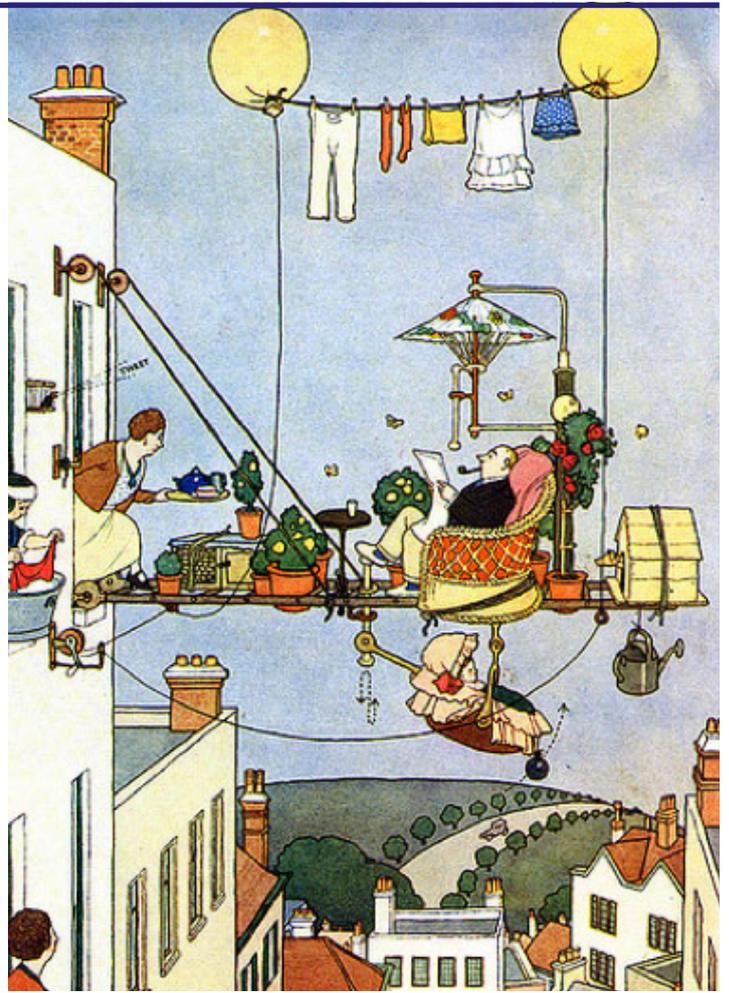
They’re not fond of rules. And they have no respect for the status quo.

You can quote them, disagree with them, glorify or vilify them. The only thing you can’t do is ignore them. Because they change things. They push the human race forward.

And while some may see them as the crazy ones, we see genius. Because the people who are crazy enough to think they can change the world, are the ones who do.”
Apple Inc.

Those one hundred words define the creative force that is Apple. More than that, they are an anthem for all innovators.

A rallying call for everyone with the confidence – and courage – to challenge conventional thinking.



“The people who are crazy enough to think they can change the world, are the ones who do.”

02

The drive for innovation

Every day of every working week, we sit down with the most senior executives of major enterprises. We ask them one simple question: what is top of your agenda? And almost without exception, there is one consistent answer: Innovation. But it’s a surprising response. After all, innovation is hardly a new phenomenon. It’s been a primal instinct since humans first emerged from their caves. So what’s driving this new passion for game-changing thinking? Well the answer lies in three tectonic shifts within the global economy...

Commoditisation

The pressure to commoditise ever more products and services has triggered major price wars – especially in retailing. This is now unsustainable. And if you need evidence, look no further than your nearest supermarket.

UK retailing has been rocked by the arrival of new cut-price supermarket chains from Europe. Peddling prices that undercut all of the established players, they have created an increasingly bitter discount war. Slumping sales and plummeting share prices have seen heads roll in the Boardroom and deep cuts at every level below. This commoditised price war shows little sign of relenting and many respected retail pundits believe that it will lead to painful and permanent change.



Consumerisation

Thanks to the rise of eCommerce and social media, people have more power at their fingertips than ever before. And they certainly haven't been slow to exercise this influence... With increasingly exotic tastes, infinite online choice and effortless door-drop delivery, customers now expect and demand much more from suppliers. No longer will a 'one-shoe-size-fits-all' philosophy work. We are now in the era of mass customisation. We are also in the early stages of co-creation with consumers actually designing the product for the supplier to make on their behalf.

The shoe is very definitely on the other foot!

Convenience

Ask anyone today if they are time-starved and you are very likely to receive an emphatic 'Yes'. But why do we feel so pressured?

The answer is strangely obtuse because the very things that are designed to enrich our lives actually make them more complex. We have more choice, more information and much more opportunity than any previous generation. But this surfeit of possibilities only ratchets the pressure on our time.

So the only answer is to simplify our lives. Complexity has forced us to seek convenience. For example, instead of the 'big weekly shop' at some megastore, we are now more likely to buy on a daily basis from a local convenience shop. It's quicker, more impulsive and it saves on food waste.



A Tesco virtual supermarket in a Korean subway station. A wall-sized billboard shows pictures of everyday grocery items. Customers use their smartphones to scan the QR codes to trigger a same-day home delivery. Now that's convenience!

But this shift in buying habits has done nothing to relieve the stress on retailers. We still expect the same variety and availability, so convenience stores now have to stay open longer and cater for every possible taste. Once again, the retailer has to absorb the pressure.

In addition to these challenges, many businesses are under threat from new entrants armed with disruptive technologies and agile business models. Unconstrained by traditional thinking, these new players thrive on innovation. And, like it or loathe it, they are forcing rivals to follow suit. This explains why the question – "how, when and where should I innovate?" – is now on the lips of so many senior executives.

We have more choice, more information and much more opportunity than any previous generation

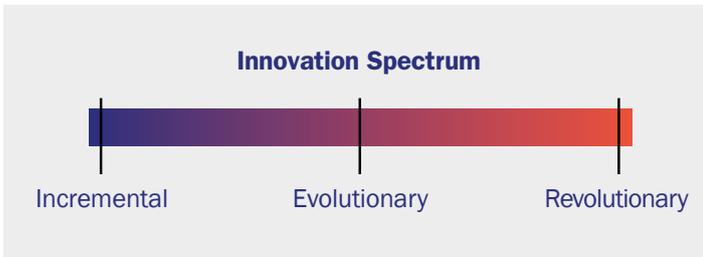


People have more power at their fingertips than ever before

Faced with these challenges, it is hardly surprising that senior management is looking for ways to make businesses more innovative – especially when it comes to marketing, selling and delivery.

Most people regard innovation as synonymous with revolutionary or transformational change, but we think this is a very narrow view. To us, innovation operates across a spectrum from none (a dangerous position) through to incremental (new products and services) to evolutionary (game-changing strategies) and then to revolutionary (entirely new business models).

Incremental change is what drives most successful businesses and, as a bare minimum, it is the position all companies should adopt on the innovation spectrum:



In truth, most ambitious companies – particularly those in seriously competitive industries – have a genuine hunger for incremental innovation. It's a fundamental driver for all businesses from airlines fighting to win business travellers to mobile phone companies striving to stay one "must have" feature ahead of the competition.

However, there are some industries where competition is not just serious but an issue of commercial survival. Motorsport is perhaps one of the most dramatic and glamorous examples...

For every Formula 1 team, life is an unrelenting series of challenges:

- Regulation changes (e.g. new restrictions on wing sizes and aerodynamic aids)
- Technology changes (e.g. new restrictions banning 'launch control' systems)
- How to apply the lessons of last year to a new season of daunting changes.

Sometimes these changes are so radical they trigger a revolution in car design. This can totally destabilise the sport – turning last year's winners into this year's also-rans in a dramatic reversal of fortune.

Thankfully, this is rare. Most years, car development is more of an evolution than a revolution. However, even here there is an unpredictable sting in the rules...

All teams are allowed to test their cars in the weeks leading up to the start of the racing calendar. However, once the racing season begins, there is a total ban on testing. At that point, all further development has to be driven by incremental change – a process at which Formula 1 teams excel.

Even at the pinnacle of motorsport, small – sometimes infinitesimal – step-changes dictate success. Incremental innovation can, and really does, power struggling teams all the way to the podium. Equally, losing that vital focus can ruin the race-day prospects of even the strongest teams.

It's a lesson that all businesses should learn. However, that still leaves us with one fundamental question to answer...



Where do I innovate?

Fundamentally, the search for innovation can be delivered in one of three areas:

1. Product/service innovation
2. Process innovation
3. Business innovation

1. Product/service innovation

This is all about the creation of new products and services as well as the extension of existing ones. To achieve both goals you must start with a clear understanding of unmet needs and current shortcomings. This is not so much an art as a science requiring direct contact with the right customers. It is driven by a very precise process and, as we will illustrate, it can pay huge dividends.

Case Study: Wash-day Blues

One global domestic products giant found, against expectation, that sales of the powdered version of their market-leading stain remover – a simple additive to machine washes – were deeply disappointing. This slump in performance was all the more inexplicable since the product was a proven success in its pre-wash spray version.

They launched a programme of extensive discussions with global user groups. And these soon revealed a fascinating but rather worrying reaction to the product. Today's heightened awareness of green issues manifested itself in a very clear reluctance to pour more chemicals into the weekly wash. Localised spraying of a single stained garment was perfectly acceptable; adding wholesale to the family's main wash was a clear no-no.

Based on that unequivocal research, you might think the wash-day additive was (to stretch a pun) all washed up. Fortunately, however, the client wasn't ready to throw in the towel. So they hired a Clustre member firm to take a fresh look at the problem and the product. Our firm probed further with the user groups and a curious split in opinion began to emerge. The same people who flatly refused the additive in their 'coloured' washes were perfectly happy to use it in 'white' washes. Indeed, user groups reported that the additive not only improved the quality of the wash but it actually saved time.

This revelation triggered some new ideas: a small modification to the chemical formula... some very clever changes to the packaging and labelling... and a simply massive impact at the check-out till – a \$500 million boost to global sales. That is the true power of product innovation.

2. Process innovation

This can be achieved in a variety of ways but our strong advice would be to follow the proven mantra: Eliminate... Simplify...Automate. This process is certain to focus minds and channel efforts to improve the end-experience for customers and employees alike.

The snag is, we are all creatures of habit. We are conditioned to improve upon the status quo; not question its value. And this default programming is the reason why people rarely step back to see processes in their wider perspective and relevance. This lack of objective focus is often compounded by systems that are now so rigorously automated they provide no latitude for flexibility. These failings will seriously damage the customer experience and destroy the bottom-line:

Case Study: The Bereavement Service that buried Customer Relations

We know a leading financial institution that lost hundreds of millions of Euros to an inflexible and very insensitive Bereavement Handling service. Instead of a slick, compassionate service, bereaved families were forced to comply with a process that was deeply flawed, internally focused and poorly integrated.

Not surprisingly, grieving relatives quickly became deeply aggrieved customers. And they soon hit back. When the funds were eventually released, they were instantly removed and re-invested elsewhere.

Desperate to stem this haemorrhage, the institution adopted a 'disruptive' technology: a rules-based platform that's designed to tackle process problems in a very agile way:

- *Within a week all of the key stakeholders – business owners and product experts – had been interviewed and the project scoped.*
- *Within three weeks, a wide range of Process, Decision and Data models had been produced together with a working demo.*
- *And, after just three months, a customer-centric, end-to-end process had been created – from project scoping to a fully functional prototype in just 13 weeks.*

That performance silenced the critics who said it couldn't be done. The doubters who had written-off 'disruptive' technology as rule-based madness. Once again the crazy ones had changed the world.

3. Business innovation

Once in a while we experience seismic change when someone either invents a new business or completely changes the way an existing business is delivered. The effects are always deep, wide-ranging and very often game-changing...

The internet has driven – and will continue to drive – this phenomenon. Amazon is a prime example. This internet giant kick-started the world of online retailing and, in the process, kicked the established book and retail music trades into touch.

Similarly, Google has – at the stroke of a keyboard – rendered most reference books and encyclopaedias obsolete.

Empowered by big data analytics this phenomenon will not only continue but also accelerate. The drive to digitise all parts of the value chain will impact a broad swathe of long established businesses. And the only protection against this very real threat is continuous and evolutionary improvement.

Improvement, however, calls for awareness, vision and decisive courage – a mix of management talents that is sadly missing in some companies...

Long before Lovefilm and Netflix were born, Blockbuster toyed with the idea of setting up an online video service. But management decided that there was little appetite for it since 'people prefer to rent DVDs'.

Blockbuster could have stolen a march on all competitors; instead the competitors stole their market. Blockbuster never saw the threat. They missed the opportunity. And they died through lack of vision and innovative courage.

Blockbuster is an object lesson to us all.



Similarly, Google has – at the stroke of a keyboard – rendered most reference books and encyclopaedias obsolete.

04

How to become more innovative

Brokers, Role Models and Risk-takers

In July 2013, the celebrated Forbes magazine published a fascinating article on Innovation. It asserted that, when faced with the need to understand, build or nurture a culture of innovation, you need Innovation Brokers, Role-models and Risk-takers. "Where you find these functions or roles being filled, you'll find innovative cultural states; where these functions are not being filled, you'll find a relatively bland, safe and predictable organizational dynamic."

- Brokers (the article suggests) help to break down silos and build links between information groups. Brokers actively support cross-functional conversation and ideas exchange.
- Role-models inspire others by setting observable behavioural examples.
- And Risk-takers overtly demonstrate the potential return on risk-taking - both for individual careers and for organisational benefit.

We totally subscribe to this argument. We work with some of the largest companies in the UK. Some are deeply and very actively committed to innovation; others are still in the early stages of embracing the innovation agenda. However, irrespective of their 'innovation maturity' they all need Brokers, Role-models and Risk-takers... the human catalysts in the chemistry of change.

Interestingly, when talking to companies that are avidly pursuing innovation, there are certain key questions we are constantly asked – so let's answer them right now, right here...

Can a large organisation be – or become – innovative?

We are invariably asked this question whenever we meet 'C' level executives of large, established organisations. To be very frank, it's a slightly frustrating question because our honest answer is always annoyingly ambiguous: yes and no...

Innovation is a delicate hybrid that's best cultivated in a controlled hothouse. Even successful innovators, such as Lockheed Martin, have decided that the way for them to become even more innovative is to create a separate organisation uncoupled from the mainstream business. Self-effacingly referred to as the 'Skunk Works', it has become a blueprint for innovation within large, complex and highly structured organisations...

You may also be surprised to learn that Google – one of the most enlightened and innovation-hungry companies in the world – has adopted this thinking. What's more, this approach works just as well for companies that are starting out on the path to innovation...

Case Study: Resigned to Innovation

We have been helping the recently appointed Head of Innovation for a global loyalty card company. In his previous role as the company's CIO he had become deeply frustrated by the length of time it took to implement even the most straight-forward changes. Something had to be done before the company drowned in its own inertia.

Despite his best efforts, initiatives to change the organisation were failing to deliver the desired results. So he successfully argued that they should set up a small skunk works team under his leadership. And to underline his personal commitment to this initiative, he quit his day job. That takes courage.

One year later, with a tiny team and an even smaller budget, he has built a dozen or so prototypes. With close support from a number of Clustre's innovation firms, this remarkable individual has shown his Board and their corporate customers that they can evolve – and in some instances revolutionise – their business.

We know a lot of big companies that have innovation as a core value. They truly believe in it and would dearly like to practise more of what they preach. But we are also very aware that there are few – disappointingly few – large companies that are conspicuous innovation exemplars.

One exception to that rule is a maverick insurance company. With its funky lime green heart logo, LV= is a mould-breaker. It's the stand-out brand in a bland grey landscape. It is also a stand-out success.



While many other companies in this sector have seen business and workforces contracting, LV= has grown from 1500 to 5000 UK staff in just five years. And at the heart of this remarkable growth story is a radical fast track-track Innovation programme...

Driven by a visionary CIO, this programme balances business priorities and risk appetites to deliver carefully targeted technology solutions. For example, the company has enthusiastically adopted agile techniques that build advanced apps in months or even weeks. It also uses semantic analysis tools that mine Twitter feeds to identify people who have either just retired or are imminently planning to retire. The sales value of such early targeting can be counted in 7 and even 8 figures!

LV= is living proofing that large organisation can be highly innovative. But innovation has to be championed by people with passion, vision and risk-taking courage. And when you find those people, you then have to confront your next challenge...

Where to start - top down or bottom up?

This is another question we are regularly asked.

Some companies take a holistic view of innovation. They want it to reach into every level and sector of their organisation – a total root and branch transformation. They also want innovation decisions to be democratic – drawing everyone into the all-involving process.

So they often start at grass root's level. Employees are asked for their ideas on any and every area where improvements can be made.

Unfortunately, this well-meant initiative often opens a floodgate of well-intentioned response. Swamped with feedback, the evaluation system soon creaks and slows – indeed, some companies are forced to acquire costly tools to automate the mired process.

Eventually, this 'bottom-up' approach will deliver a subset – a very small subset – of valuable recommendations. But, by this time, employee patience has invariably worn very

thin. Expectations of rapid change have evaporated. And the paucity of ideas that are finally adopted can foster a deep sense of employee resentment... “why bother when management never listens?”

By contrast, a better approach might be to set out with more modest but sharper focused ambitions. Start by concentrating on known problems or needs – issues that are unanimously seen as pressing priorities. Then apply innovative thinking...

This was the pragmatic approach adopted by the Head of Innovation for a global bank. Prior to meeting us he held discussions with all of the functional heads of the bank. He asked them one very direct question: what is your most pressing business challenge?

From this simple information request came the consensus to sanction and fuel a drive for innovation. A checklist of 29 priorities were identified and from these the Head of Innovation distilled a hard core of high priority, high impact issues.

He then involved us. We are working very closely with this client to identify the niche innovation firms that could deliver the critical solutions. It has the potential to be a hugely productive partnership because this large bank is open to moving away from its traditional large suppliers and embracing smaller, niche firms... and this brings us very neatly to the final question we get asked.

Can I rely on niche firms to help me deliver my innovation agenda?

The rise of the niche specialist is an unstoppable success story. Every day, we meet new and exceptionally clever teams. They are rich additions to the eclectic mix of talent now available to senior executives.

But with every new arrival comes a fresh set of questions:

- “Is it safe to entrust a mission critical project to a relative newcomer?”
- “Why don't companies just turn to one or more of their existing IT suppliers or consulting services?”

We put these questions to one man who is uniquely qualified to answer them. In 2013, he won the coveted 'CIO of the Year' Award. And, very recently, he was ranked No.2 in the industry's Top 100 CIO list. His name is Richard Warner and he is the CIO of LV=

“I turn to my large suppliers to help me with the heavy lifting. But I turn to niche firms to help me deliver innovation”.

Warner's words summarise exactly our own thinking. Like him, we believe that the best of niche firms are nimbler, quicker to embrace new thinking and keener to please. Quite simply, they deliver better, faster, cheaper solutions.

But there is a snag. Many of these firms are simply too small to 'blip' the radar of major companies. That is a terrible waste of talent. And that is why we left highly-paid careers at the top of consulting to form Clustre.

Our business – our only business – is to search out and rigorously select the very best innovators in every field. Our standards are uncompromising and our support unwavering. Quite simply, we are passionate champions of very clever thinking.

Practical first steps

Every day of every working week, we sit down with the most senior executives of major enterprises. We ask them one simple question: what is top of your agenda? And almost without exception, there is one consistent answer: Innovation.

That's where we began our 'Point of View' and this is where we bring our thoughts on Innovation to a close. But we want to end on a few words of praise and practical advice...

Most of the companies we meet are to be congratulated. They have got their priorities right. They have appointed Heads of Innovation. And they have given them the all-important authority to make change happen.

With that vital backing and buy-in, everything is in place for innovation to flourish. So here comes the advice:

- Look for quick victories.
- Focus on a few well-known problems or high profile needs.
- Cherry-pick one or (at the most) two issues that are prime candidates for a fast, innovative resolution.
- Win the committed support of senior management peers. And then go for it.

**Rien ne réussit comme le succès –
nothing succeeds like success!**

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