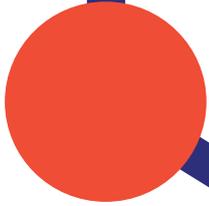


**CLUSTRE**  
THE INNOVATION  
BROKERS



---

## Contents

---

		Page
<b>Foreward</b>		3
<b>One</b>	Innovation – a challenge to conventional thinking	4
<b>Two</b>	The drive for innovation	5-9
<b>Three</b>	Types of innovation	10-15
<b>Four</b>	How to become more innovative	16-20
<b>Five</b>	Practical next steps	21

---

## Foreward

---

This Point-of-View was originally published in 2012. It was our first thought piece as Clustre. In many respects, it was also our manifesto. It launched us as champions of innovation and new thinking:

*'We believe that niche specialists are nimbler, more cost-effective and better qualified to solve business-critical challenges than most long-established behemoths.'*

This simple message became our mission. Ten years later, we have a community – we call it our 'Clustre eco-system' – of world-class practitioners. And we have an impressive list of global clients who value their special, very individual skills:

**• AI and IA • No Code Apps • Net Zero and Sustainability • IoT • eLearning • Big & Small Data • Digital at Scale • Cybersecurity • Complex Software Engineering • Hybrid Working.**

But – and here's the surprising truth – when we looked at what we wrote a decade ago, much of it is still 'bang on the money'. Innovation is as vital and relevant today as it was back then. Brexit, Covid and, as we write, the tragedy unfolding in eastern Europe have changed our world beyond all recognition – but our need for innovation remains constant. Breakthrough thinking together with the inspired use of proven technologies are the bedrock of successful societies and business.

This Point-of-View is our homage to the sustaining force of Innovation...

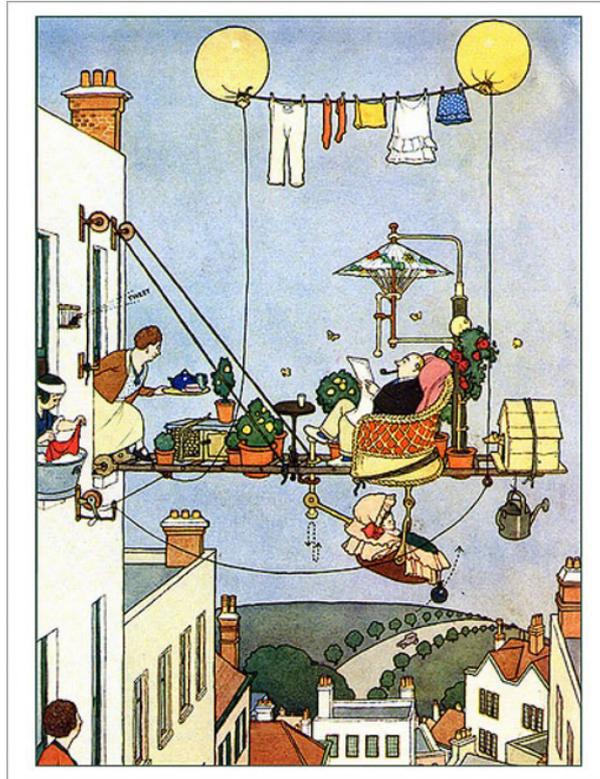
---

## One

### Innovation – a challenge to conventional thinking

---

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



***“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.*

Every day of every working week, we sit down with the most senior executives of major enterprises. And we start by asking them one simple question: what’s keeping you awake at night?

Executive insomnia, we’ve discovered, is often triggered by two very conflicting forces. On the one hand, existential threats from competitors can be a very real cause of concern. Equally, the opportunity to profit from changing business climates can be a profoundly exciting but also sleep-suppressing challenge. Either way, the inspired use of proven technologies and the application of radical ‘game-changing’ thinking can turn these threats and opportunities into very significant successes.

---

## Two

### The drive for innovation

---

But why is innovation such a pressing priority? 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 appetite for new thinking?

Well, the answer lies in six tectonic shifts within the global economy, each starting with the letter 'C'...

#### 1. Covid

*'We are in a COVID decade: the social, economic and cultural effects of the pandemic will cast a long shadow into the future – perhaps longer than a decade. The pandemic has exacerbated existing inequalities and differences and created new ones, as well as exposing critical societal needs and strengths.'*



Those words appear in the opening paragraphs of a British Academy report on the long-term societal impact of Covid-19. Commissioned by the government, it lists nine key factors – including diminished respect for political leaders, widening geographical inequalities, worsening health issues and extreme pressure on revenues streams across the economy – that are certain to retard post-pandemic recovery.

But in the wake of Covid has come some surprising flashes of positivity. Mired in tradition and regulation, the transition to online working has been sluggish for decades. Within a matter of days, though, the pandemic forced management to embrace the inevitable and to shift to home working. As a recent report from the University of Nottingham affirms, this is not a short-term expedient: *'... the new-found convenience of remote living will become part of everyday life. Firms realise workers can be more productive at home than in the open plan office, and that the expensive commercial real estate is no longer needed.'*

History teaches us that crisis is frequently the catalyst for massive, often irreversible change. And change is undoubtedly coming. Although Britain is emerging from this pandemic with healthily high employment figures, the underlying indicators look grim.

With inflation likely to soar above 7% as Ofgem increases its energy cap by more than 50%, many millions could be plunged into fuel poverty. More still could be trapped by static wages in a spiralling cost of living crisis that is being exacerbated by the war in Ukraine (see later section on 'Conflict'). These profound, complex problems will call for agile, pragmatic and, above all, inspired solutions. An empirical truth that was emphasised in the final summary of the British Academy report:

*'However, it is not just a case of the pandemic making existing problems worse. It has also exposed areas of strength, resilience, creativity and innovation.'* Notice that 'i' word again. Innovation has never been more needed and necessary as we confront Covid's lasting and arguably most dangerous legacy for our world.

---

## The drive for innovation (cont.)

---

### 2. 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.



In 1990, a new supermarket brand opened in Stechford, East Birmingham. Four years' later, a second supermarket group also moved into the UK and opened shop. They were the advance guard of an invasion that would rock British retailing.

Aldi and Lidl peddled prices that undercut all established supermarkets. These new chains focused on one imperative: price-cutting. Concentrating on a limited range of staple products, their message was simple but hugely appealing: shop with us and you'll pocket a massive saving. All the food essentials found in a typical family shopping trolley were dramatically reduced. It was the start of a discount war that has commoditised products and shredded profit margins. Supermarkets – including giants such as Sainsbury's and Tesco – have been forced to fight for survival on the brutal battleground of price comparison with Aldi.

### 3. Consumerisation & Customisation

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...

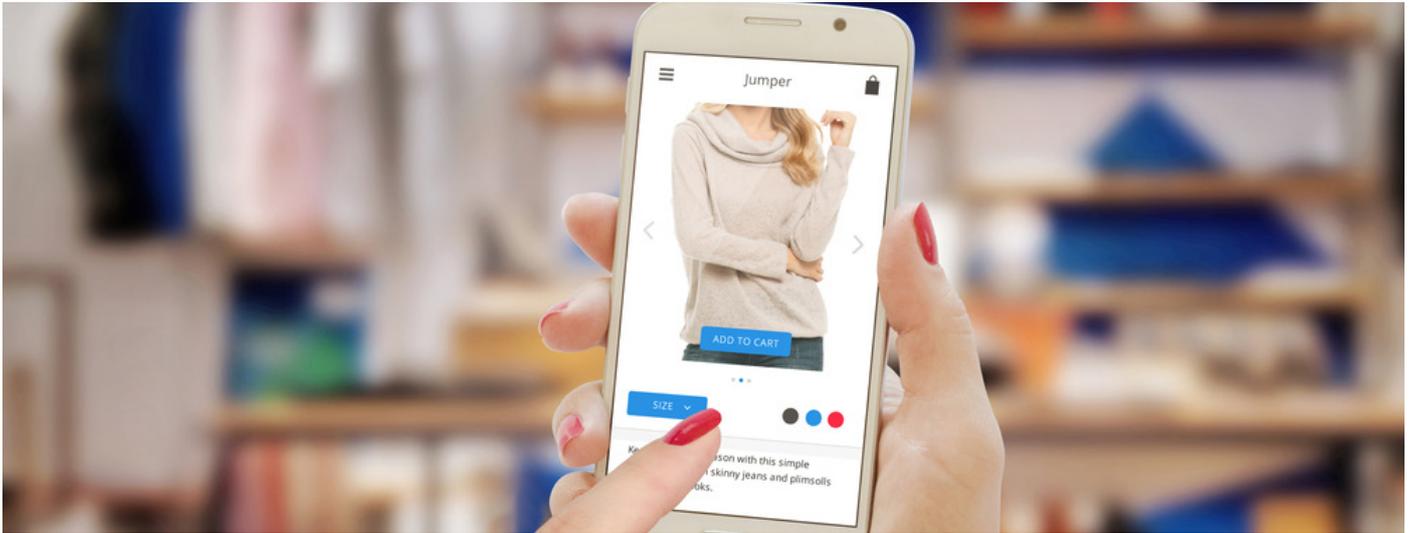
With increasingly exotic tastes, infinite online choice and effortless door-drop delivery, customers now expect and demand much more from suppliers. No longer will a 'one-shoe-size-fits-all' philosophy work. We are now in the era of mass customisation. We are also in the early stages of co-creation where consumers actually design products for the supplier to make on their behalf.

The shoe is very definitely on the other foot!

---

## The drive for innovation (cont.)

---



### 4. 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 make them ever 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.

And Covid has certainly impacted the way we shop. Lockdown fostered a bunker mentality in many people. Frightened to venture out, the demand for van deliveries has grown exponentially. And, having tasted the convenience of online food shopping, many customers are now reluctant to wheel a supermarket trolley ever again.

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 now under threat from new entrants armed with disruptive technologies and agile business models. Unconstrained by traditional thinking, these new players thrive on innovation. They are experimenting with consumer-facing technologies designed to make shopping more of a pleasure and less of a drudgery. For example, AI-empowered smartphone apps can steer customers to aisles and product shelves that are precisely matched to their personal food preferences. Seamless technology can also eliminate the scourge of the checkout queue. Sensors in shelves can keep track of items in shopping trolleys so that mobile payment systems can be automatically triggered on exiting the store.

Like it or loathe it, these disruptors are forcing rivals to follow suit. And this explains why the question – "how, when and where should I innovate?" – is now on the lips of so many senior executives.

---

## The drive for innovation (cont.)

---

### 5. Conflict

At the start of 2022, the mere suggestion that a European nation could be invaded by a nuclear superpower would have seemed risible. But at 5am on 24th February, no-one was laughing. Missile strikes on Ukraine's key cities – including the capital Kyiv – have rained terror and destruction on this sovereign state. They have also destroyed the 'peace dividend' that has forged global alliances and fuelled world economies for the last 30 years.



At the time of writing this piece, the violence has dramatically escalated. With calculated savagery, Russian forces have bombed homes, schools and maternity hospitals in a brutal attempt to crush Ukraine's fighting spirit. Kremlin and military leaders now stand accused of war crimes. Putin has been isolated by international condemnation. And the noose of sanctions is slowly strangling Russia's economy...

This is economic warfare on a world scale. But, as with any conflict, pain is a double-edged sword. These sweeping sanctions have also sent a shockwave through western economies. Gas and crude oil prices are soaring as the spectre of 'stagflation' dashes any hope of an early post-Covid economic recovery.

The Bank of England has warned that inflation could rise above 7%. But many believe this figure is overly optimistic or even dangerously delusional. Some respected economists fear that inflation – which tracks the cost of living – could exceed 10%. One thing is certain, prices are now rising at the fastest rate for 30 years and one industry body has warned that average UK household energy bills will top £3,000 a year. This figure could plunge over a million families into fuel poverty.

No-one can predict where this tragic crisis will end. The certainty is that we will emerge from this conflict into a very different world. East and West will be even more divided by mutual distrust. Globalisation will undoubtedly be a casualty as nations scramble to become more self-sufficient. And we will all have to live with the belt-tightening reality of fuel austerity and inflationary living costs.

But painful lessons are being learnt. Britain's (and, to an even larger extent, Europe's) reliance on a rogue nation to supply fossil fuels will almost certainly accelerate the adoption of new, sustainable energy. In the short term, there has been a renewed interest in the controversial science of fracking to supplement the embargoed supply of Russian gas. But, in the middle and longer terms, Net Zero energy is now seen as a national necessity, not just a noble goal.

---

## The drive for innovation (cont.)

---

Obvious candidates include biomass, solar, wind, wave, heat exchange pumps, hydrogen fuel cells and nuclear. But new technologies – such as solar paint (developed by the Royal Melbourne Institute of Technology) which combines titanium oxide and synthetic molybdenum sulphide to generate energy – could prove decisive. And, of course, with this surge in sustainable interest will come the need to rebuild national infrastructures.

All of these challenges will put a new premium on invention and creative ingenuity. Never has game-changing innovation been more necessary... or more urgent.

### 6. Climate change

*“Nearly half of humanity is living in the danger zone – now.”*

*“Many ecosystems are at the point of no return – now.”*

*“Unchecked carbon pollution is forcing the world’s most vulnerable on a frog march to destruction – now.”*



These are not the strident claims of some eco-protestor, they are the measured words of UN Secretary-General, Antonio Guterres. When someone so steeped in diplomatic understatement warns that our planet’s most vulnerable people are ‘on a frog march to destruction’, the world had better sit up and take note.

For years, vested interest groups with deep pockets and enormous political lobbying power have attempted to suppress and subvert the climate change debate. But the evidence is now undeniable. To limit global temperature rises to the tipping point of 1.5 degrees, science shows that the world must cut emissions by 45 percent, by 2030... and it must achieve net zero emissions by 2050, at the very latest. However, as the UN chief observes: *“According to current commitments, global emissions are set to increase almost 14 per cent over the current decade. That spells catastrophe. It will destroy any chance of keeping 1.5 alive.”*

And this destructive threat is coming to a city near you. A recent report noted that considerably more than half of the global population now lives in cities. And worryingly, metropolitan communities are acutely vulnerable to climate change. The report cites the growing incidence of unprecedented heatwaves, urban heat islands, extreme precipitation, flooding, tsunamis and violent storms as particular causes for concern. Rapid urbanisation and a woeful lack of climate-sensitive planning – especially in coastal cities – also expose city dwellers to even greater risk. It might seem glib to talk about ‘perfect storms’ but, in truth, these factors combine to create this ultra-destructive phenomenon.

Antonio Guterres referred to ‘frog marching’ to destruction. We think that sleep walking would be a better metaphor. The world still hasn’t fully woken up to Climate Change. On every possible level this is an existential threat – and an innovation imperative far greater even than Covid and Conflict.

---

## Three

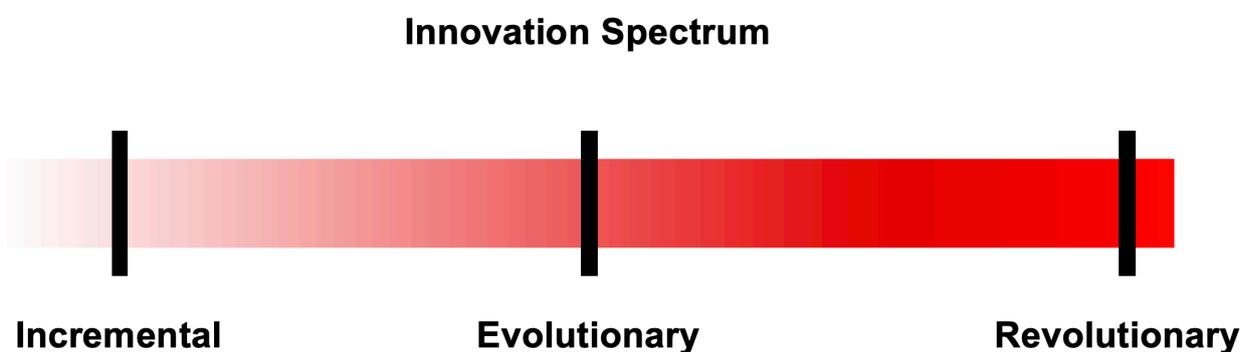
### Types of innovation

---

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, service 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 (changes to existing products and services) to evolutionary (new products and services) 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 serious 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 (typically, this could include new restrictions on wing sizes and aerodynamic aids)
- Technology changes (such as new regulations requiring the use of sustainable fuels and the design of even safer race car chassis)
- How to apply the lessons of last year to a new season of daunting changes.

Sometimes – as in the 2022 regeneration of F1 race cars – 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 challengers 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 on two occasions 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.

---

## Types of innovation (cont.)

---



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 and proven process – as one of our Clustre member firms explains...

---

## Types of innovation (cont.)

---

### Case Study: How an 'unknown' insurance giant gets to know its customers

Ageas is one of the best kept secrets in the insurance industry. Although it dominates a huge slice of the UK's home and motor insurance business, Ageas is a name nobody knows. With 80% of its business handled through aggregators, partners and brokers, few people ever see the brand behind the cover. So, we asked the business director of a leading innovation consultancy – a member of our Clustre community – to shed some light on this fascinating enigma.



*“Over the last three years we’ve been an innovation partner, working very closely with Ageas. We help them to keep abreast of consumer shifts and trends, to identify market opportunities, to unearth new ideas and to evolve existing products and services.*

*Our process includes regular horizon scanning. We track key trends and look for shifts in consumer behaviour that will impact transport, driving and home living. Simultaneously, we also review the market to identify new disruptors, white space opportunity areas and new ways to engage with brokers and aggregators.*

*At the heart of this methodology is a practice we refer to as ‘customer-closeness’. Our goal is to gather rich insights into customer needs and use research to inform and shape the design of new insurance products. This practice proved remarkably effective during the pandemic. Covid created the biggest shift in consumer behaviour we have ever witnessed. Two major opportunity areas, relating to personal lines insurance, have emerged in the last three years... the first has been the changing nature of home living and working; the second is people’s rapidly evolving travels needs and habits. Both have created scope for innovative thinking.*

*Our ideation process allows us to build ideas that are targeted at solving real problems for real people. For example, some drivers saw a sudden reduction in car usage but not in their premium payments, whilst others used their cars more sporadically and wanted to see greater flexibility in their insurance.*

*We progressed our ideas quickly to answer both customer needs. Harvesting our research, we ran some lean experiments to test our key proposition assumptions with customers. We designed a programme of ‘fake door’ and email marketing tests to evaluate customer traction and engagement with our new concepts. High-growth ideas were selected for incubation and we then used customer-facing trials and pilots to put critical assumptions – such as product desirability, feasibility and viability – to the test. This whole approach allowed us to design at pace – reducing the overall risk and uncertainty in bringing new products and services to market.”*

---

## Types of innovation (cont.)

---

### 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: eBay exploits Intelligent Automation to optimise sales performance**

eBay is a colossus of ecommerce. It is the definitive online auction site for countless millions of private buyers and sellers. It is also the cornerstone of multichannel marketing for thousands of major retailers, such as: Argos, Dyson, Tesco and Vodafone.



Many of these giants list over 100,000 unique products every month. But, with over 1 billion items featured at any one time, even the Goliaths of online retailing can be rendered invisible if they use the wrong category, image or description. No visibility, no sales!

Improving performance requires product data and performance insights. Regular monitoring of market sector leaders and the adjustment of active listings are critical to sustained sales. The snag is manual monitoring of such massive product catalogues is physically impossible. So, eBay approached a member of our Clustre community to simplify and automate their catalogue optimisation...

Every inspired solution must start with a clear goal – eBay's requirements were very precise:

'Analyse millions of live listings, determine the characteristics of top performers and then use these insights to improve seller success across the platform'.

Our team of experts responded by developing 'ListSmart'. This unique, AI-driven, self-service tool provides sellers with analytics and prioritised recommendations that massively improve individual listing performance and channel sales. The bespoke platform regularly ingests 1.2 billion eBay listings. It then uses natural language processing to understand, classify and compare them before determining the precise drivers of top listings.

---

## Types of Innovation (cont.)

---

By benchmarking these top performers, 'ListSmart' provides not just prioritised recommendations but also a rationale on the key changes necessary to increase sales. These recommendations can include alterations to categories, titles, subtitles, item specifics, descriptions, images, policies and prices. Listings can then be enhanced directly within the platform to speed and simplify the whole process of updating large catalogues and tracking performance.

This unique tool is directly and decisively improving seller listing performance. And the proof of that comes in three powerful statistics, 'Listsmart':

- Analyses 1.3 billion different listings every month
- Generates 207 million automated recommendations every month
- Delivered a 295% increase in average sales after just 35 days

### 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 and industries...

### Case Study – Why the British motorcycle industry crashed

Disruption is not a new phenomenon. Back in the 'Swinging 60s', Britain's motorcycle industry was hitting the skids. In 1969, on the verge of financial collapse, the MCCIA – the body representing the nation's motorcycle and cycle manufacturing industry – submitted a report to the government. In painful detail, it listed the reasons why our once proud and world-dominant industry had taken a savage battering from foreign competition.

High taxation... over-regulation... artificial fiscal barriers... unfair subsidies for rivals by foreign governments... it was a depressing story of an unwinnable battle for survival. But it was also largely untrue.

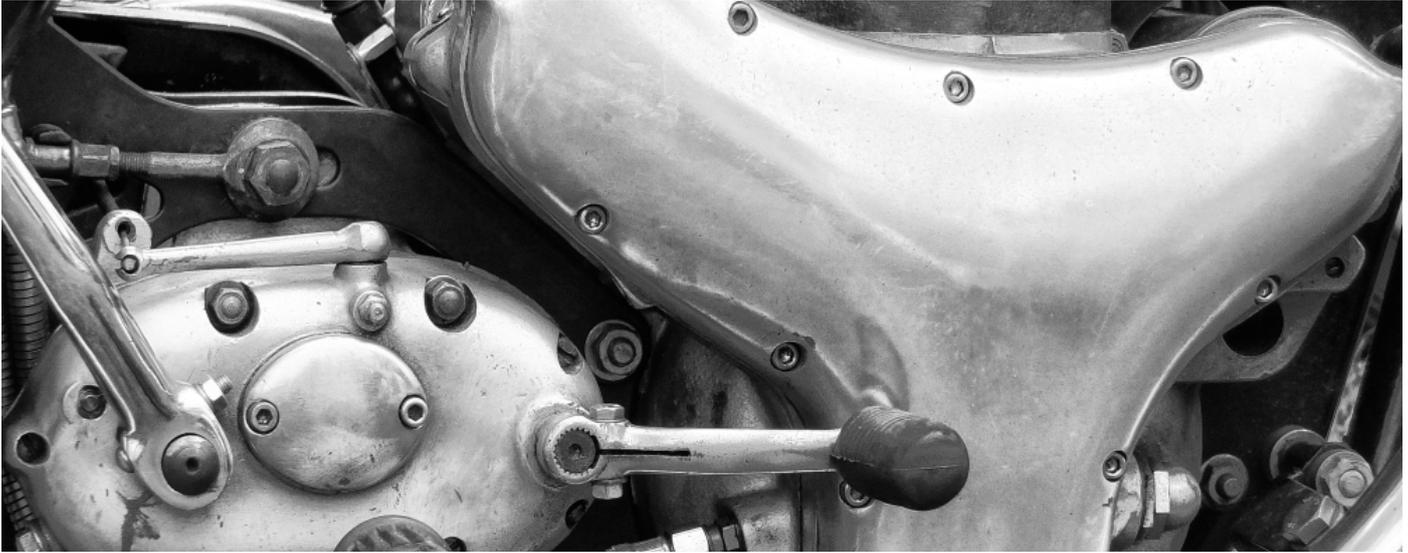
The real reason for the collapse of our motorcycle industry was revealed, six years later, in an independent report commissioned by the British Government. It makes very uncomfortable reading.

The Boston Consulting Group's report – 'Strategy Alternatives for the British Motorcycle Industry' – was highly critical. 'A concern for short-term profitability' had, it concluded, eroded the industry's pre-eminent position and left it vulnerable, at every level, to attack.

---

## Types of Innovation (cont.)

---



This pursuit of profit had robbed our industry of R&D funding. While Japanese and Italian rivals were investing in radical new products and high-tech manufacturing plants, Britain's designers were raiding the parts bin for obsolete components and working in antiquated factories. It was a clash of cultures: Kaizen versus Complacency. The search for constant improvement versus an uncritical satisfaction with past achievements.

And these differences were manifest. On quality, handling, styling, ride comfort, reliability, engineering, value and performance, foreign motorcycles were superior in every respect.

But the report's most damning criticism was levelled at management's strategy of 'Segment Retreat'... Initially, Japanese manufacturers focused their efforts on the entry-level, sub-250cc market. Honda, Suzuki, Yamaha (and others) perfected techniques of extracting previously unseen performance from very small capacity engines. Then they concentrated on mass-producing durable, quality bikes for a budget price. And blew their British rivals off the road.

This invasion should have been a wake-up call, but our management barely blinked. They were content to let these newcomers nibble at the low-margin, low-hanging fruit because Britannia ruled the prestigious and profitable 'bigger bike' segments.

And they still believed this when, less than two years later, the Japanese moved into the 350cc segment... and ate their lunch. Again. Apart from a few raised eyebrows, management still couldn't – or wouldn't – see the threat.

Deluded and in denial, we retreated as the Japanese advanced into the 500cc and ultimately into the Superbike sector. Finally, the British motorcycle industry had nowhere left to retreat. It had been comprehensively outperformed on every level.

This collapse is brought into stark perspective by one statistic. At the start of the 60s, Britain supplied the world. We were the greatest and most respected force in motorbike production. By 1974/75, despite major restructuring and repeated government hand-outs, we struggled to manufacture just 20,000 motorbikes. In the same single year, one Japanese company – Honda – made over 2,000,000.

This sad demise is a classic example of Business Innovation. It demonstrates what happens when management becomes complacent and profit obsessed. We lost the appetite to innovate and, with frightening speed, the competition ate our breakfast, lunch and dinner.

---

## Four

### How to become more innovative

---

# Forbes

The celebrated Forbes magazine has published many fascinating articles on the topic of Innovation. In one notable thought-piece, 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'*. It concluded:

*'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, decided that the way for them to become even more innovative was 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...

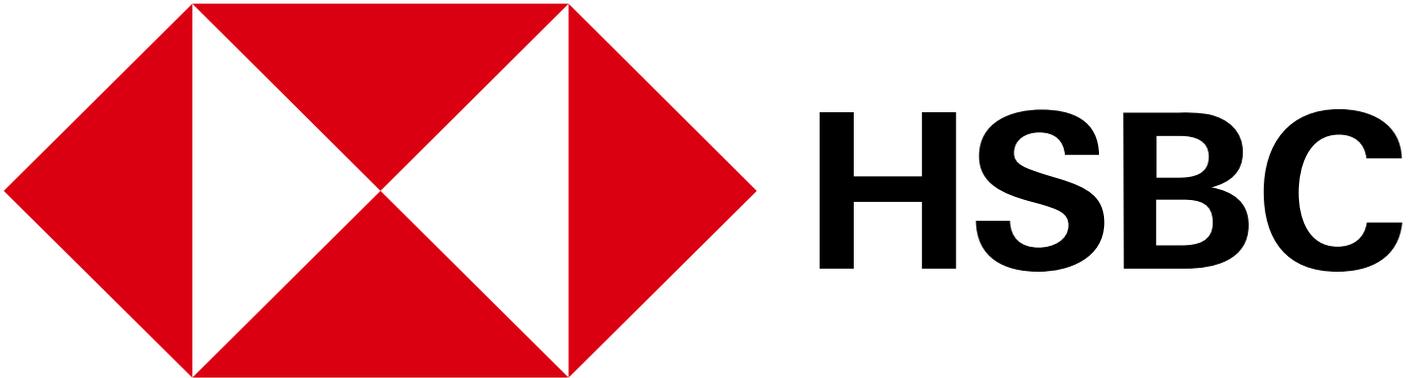
---

## How to become more innovative (cont.)

---

### Case Study: Big corporates don't have to be corpulent.

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 happens to be Britain's biggest bank. With over 40 million customers, HSBC is one of the largest banks in the world. It is also one of the most innovative.

If this strikes you as counter-intuitive, you're not alone. We also had serious doubts. Can a global behemoth really be an agile organisation? To find out, we spoke to Steve Suarez.

Steve is the global head of innovation for Global Functions at HSBC. With 28 years of transformation experience spanning consulting, telecoms and financial services as well as stints at Stanford University and MIT, his experience is formidable. But it is Steve's contagious passion for innovation that shines through most forcibly. And this explains why we quickly invited him to be our guest speaker at an 'Innovation Talk' webcast.

Watched by senior business leaders, this Clustre video recording is a true masterclass. With characteristic candour, Steve reveals the four foundations on which HSBC has constructed its global leadership in cross-border banking: Focus on Strengths... Energise for Growth... Digitise at Scale... Transition to Net Zero. But, in the same breath, he uses Justin's Trudeau's quotation – *'the pace of change has never been this fast, yet it will never be this slow again'* – to reveal the fragility of market leadership and the dangers of corporate complacency.

Steve sees his priorities clearly: *"my imperative is to change mindsets to approaching problems... to make learning and experimentation fast, cheap and frictionless... to share everything and to hide nothing"*. And true to this maxim, Steve openly shares his innovation insights. He describes his approach to fostering a free-thinking environment where people can experiment with sandboxes and iterate ideas at low cost. He also emphasises the power of crowd sourcing, the value of idea diversity and the importance of inclusivity – *"innovation is not a spectator sport"*.

From this motherlode of rich content, though, we have selected one surprising and often overlooked truth. *"Some of our best proof of concept examples have come from thinking that first failed"*. Initial failure is not the end of the road for ideas. It often leads to a surprising diversion that delivers astonishing value.

**In this short video, Steve illustrates the hidden value to be found in recognising and recycling inspired thinking.**

---

---

## How to become more innovative (cont.)

---

### Case Study: from War Room to Boardroom – lessons from the front-line

Let's switch focus away from one commercial colossus to an even bigger institution: Britain's armed forces. Groucho Marx scathingly described military intelligence as a 'contradiction in terms.' Military innovation would probably come in for the same dismissive ridicule. Can our lockstep military really march to the 'trendy' drumbeat of innovation? Well, prepare to be surprised. Meet Pete Williams...



Pete is one of the youngest Lieutenant Colonels in the British military. In July 2019, he was selected to lead 'jHub' – the innovation arm of UK Strategic Command, one of the main branches of the UK military. It was an inspired decision. As a frontline officer with experience of leading high-intensity combat operations, Pete is acutely aware of the threats and tensions in our deeply polarised world. He is uniquely qualified to prioritise and accelerate projects that are core to our nation's defence capability. He also – and this is a rare quality in business – brings a refreshingly different set of skills and perspectives to major project management.

This became very evident when he agreed to speak at a recent Clustre 'Innovation Talk'. His subject was 'From War Room to Boardroom – business lessons from the front-line of national defence'. But 'Bonfire of the Vanities' might have been a rather more appropriate title. Pete brings a shrewdly honest intelligence to the whole subject of innovation. He is not frightened to question perceived wisdom and to consign sacred cows to the funeral pyre:

*"I am not a fan of some existing models such as tech readiness levels and innovation horizons. Gartner-style moon shots and game-changers certainly have a role in innovation. But the greatest and most immediate value frequently comes from re-purposing mature technology, not horizon scanning. This holds especially true for software where you can shift from low proof of concept to full deployment so quickly that the linear progression to horizons just doesn't make sense."*

---

## How to become more innovative (cont.)

---

Pete also shared his guiding principles for innovation. Four fundamental truths that shape his thinking:

- **Select ‘Generalist’ leaders to harness multi-disciplinary teams.** In many instances, companies pick highly technical people – such as Digital Transformation experts and Scientists – to head-up innovation teams. This is problematic. Although you undoubtedly need high-level specialists, leadership calls for people who can command respect, motivate teams and decide mission-critical priorities. Those are not always the skillsets of specialists.
- **Excellence is getting the basics done well.** Focus on getting the fundamentals right – the rest can fall naturally into place.
- **Culture eats strategy for breakfast.** No plan survives first contact with the enemy. This basic Staff College lesson holds equally true for business. Reality is unpredictable and capricious – cultural strength, team cohesion, flexibility and adaptability win out where strategies fail.
- **Continuous competition below the threshold of war.** Wherever you look in the world, we can see a relentless pushing and probing of boundaries. Defence capabilities, cyber security, democratic systems, religious and ideological tolerance, economic resilience – everything is being challenged to find and exploit weaknesses. Business is no different. Remorseless competition drives the need for constant vigilance and innovation.

**We will leave you with this short video of Pete’s parting shot. It’s a lesson learnt in the frontline of conflict that has deep relevance for the frontline of business... when you’ve chosen the right person for the job, give them the space to get on and do the job.**

### 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 is 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...

---

## How to become more innovative (cont.)

---

This was the pragmatic approach adopted by the Head of Innovation for another global bank. Prior to meeting us he held discussions with his functional heads. 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.

Interestingly, the next stage of finding innovative solutions to these high priority issues, is a particular area of strength for one of our Clustre members. This firm is the master of tapping into the creative inspiration that often lies dormant within large companies. It has developed specialist tools that motivate and empower global employees to share and develop their ideas. And it doesn't stop there. This team has also developed a unique capability for tapping into the creative energy and inspiration of the global innovation community.

This firm is now helping some of the largest corporations in the world to tap into the hidden talents and ingenuity of their people. Just as importantly, this success story proves that many global companies are now shifting away from their reliance on traditional large suppliers to embrace smaller, more agile, niche specialists. 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 – a previous winner of the coveted 'CIO of the Year' Award. His name is Richard Warner and he was the COO 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 created 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.

---

## Five

### Practical next steps

---

Every day of every working week, we sit down with the most senior executives of major enterprises. And we start by asking them one simple question: what's keeping you awake at night?

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. They have given them the all-important authority to make change happen. And here's the critical proviso: the most successful companies also remove the hierarchies that impede innovation. As a simple rule of thumb, the more levels of management between the Head of Innovation and the CEO, the less likely you are to see success.

With the right backing, buy-in and absence of bureaucracy, 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 most) two issues that are prime candidates for fast, innovative resolution. Win the support of senior management peers. Talk to Clustre and we'll help you find the right partners to make change happen. And then go for it.

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

#### How we can help

Throughout this Point-of-View, we have made frequent references to our eco-system of Innovators. In every area of game-changing development, we represent what we regard as the best-of-breed solution providers. Firms we know extremely well and trust implicitly. If you would like to learn more and explore the value they can deliver for you, reach out to us. We would be delighted to – freely – introduce you to them. Here are just some of their special skills and strengths:

- Innovation ● AI and IA ● No Code Apps ● Net Zero and Sustainability
- IoT ● eLearning ● Big & Small Data ● Digital at Scale ● Complex Software Engineering ● Hybrid Working

All introductions are without fee or obligation. Simply email: [innovation@clustre.net](mailto:innovation@clustre.net)

## **The Updated Innovation Issue**

April 2022

**Clustre - The Innovation Brokers**

**w: [clustre.net](http://clustre.net) t: 0203 427 3507**

**e: [innovation@clustre.net](mailto:innovation@clustre.net)**