

Shaping Innovation Culture & Context for Sustainable Advantage

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Introduction

The University of Northampton and Whitecap Consulting hosted a successful ***Innovate or Die! Shaping Culture & Context for Sustainable Advantage*** webinar in June 2021, featuring keynote presentations from two Northamptonshire businesses – Medigold Health and Pallite – as well as from Whitecap Consulting.

This event has led to a proposal for a county-wide innovation ecosystem mapping project to identify the key innovation capabilities and resources needed to support the growth ambitions of businesses in Northamptonshire. More information about this project can be found in the [Northamptonshire Innovation Proposal](#) document.

This article summarises Whitecap's presentation at the webinar¹, which explored:

- Crucial behaviours that most innovative organisations exhibit
- Characteristics that make them effective
- Key considerations for developing an innovation capacity

Defining Innovation and Culture of Innovation

Innovation has been defined as follows:

- The translation of ideas into commercial products, processes and services (Bessant and Tidd, 2007)
- Improvement in technology and better methods or ways of doing things – product changes, process changes, new approaches to marketing, new forms of distribution ... resulting as much from organisational learning as from formal R&D (Porter, 1990)
- An innovation is a new or improved product or process (or combination thereof) that differs significantly from the unit's previous products or processes and that has been made available to potential users (product) or brought into use by the unit (process). (OECD, 2018)

In the government's July 2021 document *UK Innovation Strategy: Leading the Future by Creating It*, innovation is defined as 'the creation and application of new knowledge to improve the world.' The word 'application' is key – it is this that distinguishes innovation from 'creativity'.

A simpler shorter definition of innovation is '**something different that has impact**'. It is different to the innovation target (e.g., clients, customers, employees, and society in general) and should have impact in terms of a measurable result, such as return on investment (ROI)/profit; improved performance of a process; and/or having a measurable effect on someone's life.

Innovation does not have to be new to the world, just 'an idea, practice, or object that is perceived as new by the individual or unit of adoption' (Rogers, 1995). Innovation funding schemes work on this basis. Neither is innovation purely the domain of R&D, engineers and scientists. Processes and marketing approaches can also be innovative.

Several research studies on innovation practices and observations through our work, indicate that the most innovative businesses exhibit five critical behaviours. They continuously question existing norms and always search for better ways to get things done. They constantly focus on deeply understanding customers' unmet (stated and latent) needs and wants – i.e. the 'jobs-to-be-done'.

¹ A recording of the webinar and the two case study presentations can be found here: <https://uon.webex.com/uon/lr.php?RCID=c152178b612b484eadbbc1e8c8ab688f> (Access password: JbQ3X35p)

They seek opportunities for collaboration across functional domains within their firms and externally with potential solution partners. They acknowledge that successful innovation requires experimentation, a rapid iterative approach and learning from failures during times of uncertainty and limited information. Lastly, they empower people to take considered risks, express alternative perspectives, and proactively seek necessary resources to develop identified opportunities.

A culture of innovation can be developed such that the behaviours that drive innovation success occur naturally

INQUISITIVE	CUSTOMER ORIENTED	COLLABORATIVE	MANAGE AMBIGUITY	EMPOWERED
Question existing norms and continuously search for different and better ways to get things done.	Constantly focused on developing deeper insights and understanding of unmet needs and the "jobs-to-be-done" by customers, employees and other stakeholders.	Leverage the cross-functional expertise of available resources both within the organisation and externally with solution partners and customers.	Deal confidently with uncertainty and incomplete information. Expect an iterative approach with change. Excel at experimentation and embrace calculated risk-taking.	Seize the initiative, assemble and leverage the resources necessary to develop the opportunity and make decisions confidently.

In combination, these behaviours form the culture of innovation that organisations must develop and nurture to drive innovation success. Individually, none of these behaviours are surprising, but combinations of these five behaviours are less common. As children, most of us were inquisitive, creative, collaborative and risk taking – but as we progressed through school and subsequently entered the workplace, many of these behaviours become suppressed. Our 'innovation muscles' become weakened as we learn and conform to organisational norms/rules, existing processes, operating metrics, decision criteria and performance incentives.

The webinar attendees were surveyed, asking them to describe the barriers to innovation in their organisations – and their responses predominantly pointed to a lack of time. They also indicated a lack of capacity; a lack of innovation skills/training; and a lack of infrastructure to support bringing ideas to life.

Overall, organisational inertia (the inability to make internal changes in the face of significant external changes) is one of the greatest impediments to successful innovation. For leaders in many organisations, the systems and processes that enable success within their current business model are inconsistent with cultivating the behaviours needed for discovering transformative business models of the future. It is important that firms focus on developing their own innovation behaviour enablers/habits i.e. the processes and tools that enable their employees to do something different that is impactful and creates value.

Developing Innovation Behaviour Enablers: Case Studies

Two Northamptonshire based companies provided helpful illustrations and insights on how organisations can break down the barriers to innovation. The five core innovation behaviours we discussed earlier are occurring naturally and appear to be a part of their DNA.

Case Study 1: Medigold Health

Medigold Health was founded by Dr Mike Goldsmith – a pioneer in the field of occupational medicine - and is now run by his son Alex Goldsmith, CEO. Alex mentioned how, after an initial dip of 60% in their traditional business, the pandemic led to a surge in demand from SMEs for a new Covid-19

testing solution that they had never done before. Medigold's customer-oriented approach 'a yes we can' attitude ensured important learnings were picked up to develop solutions.

A new operating system for digital and telephone triage rather than face-to-face consultations was devised and operational with 5 days. A £10m Covid-19 testing service was developed between May 2020 and August 2020 – impressive by any standards. This relied on people at Medigold dealing with uncertainty at various times through the innovation journey and working in an agile manner, where experimentation skills would have been developed and enhanced.

Alex talked about his firm adopting a 'no suggestion is crazy' attitude which is an important part of building a culture of innovation, allowing all employees, not just those in the development team, to be inquisitive, curious to search for different and better ways to do things. Innovation was allowed to flourish because employees were empowered, and, as Alex said, circumstances were such that he had to 'trust his staff and give them responsibility whilst working from home without the opportunity for too much supervision!'

Case Study 2: The Alternative Pallet Company (trading as Pallite)

Pallite was established in 2009 based on an idea to provide alternative recyclable paper-based pallets instead of traditional wood-based pallets. The company is run by Iain Hulmes, CEO. Like Medigold Health, we heard how combinations of the five core innovation behaviours came to the fore at Pallite, with the level of innovation ramped up as a result of Covid-19.

Iain's company was born out of being inquisitive, questioning the norms of using wood or plastic as pallet material, and introducing a more sustainable honeycomb paper board material instead. This inquisitive trait appears to be flourishing - Iain mentioned that the idea for the affordable 'pop-up' desk came from a team member – reinforcing the fact that ideas can come from all parts of a firms' operations, and it doesn't need to be siloed in a 'so called innovation department'.

Again, we see how agile processes and experimentation are being supported, for example building a web shop (online store) within just 2 weeks with total sales of Pallite's pop-up desks now exceeding 15,000 units. Collaboration has been an important part of this success, formalising an innovation process that brings together cross-functional expertise across the business, and in collaboration with external designers and testers to "turbo-charge the creative process" and offer an objective and even critical external viewpoint through the innovation journey.

In both cases, what was interesting was how the 'burning platform' of the pandemic unlocked a more innovative culture, something which has been repeatedly reported in interviews with local business leaders over the past 18 months. (www.podfollow.com/open4business). Both leaders reflected on how their management style was changing as a result of the crisis – realising that their employees were capable of much more than they had previously assumed.

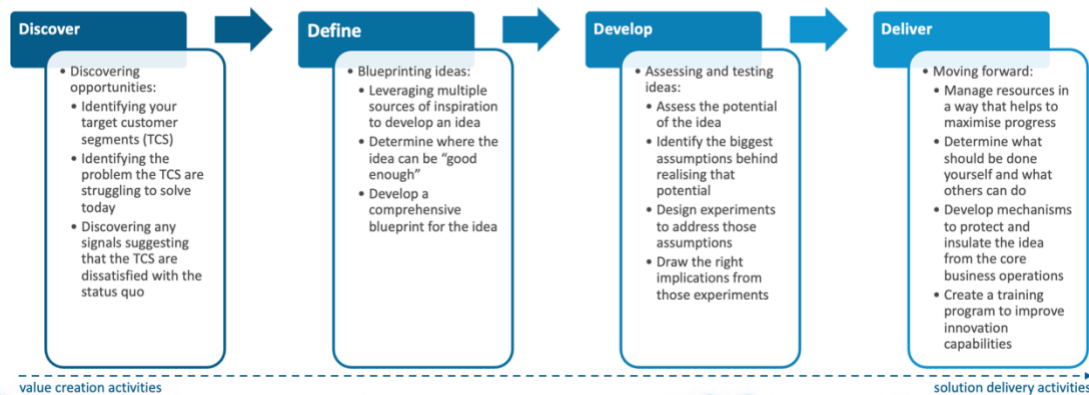
In addition, collaboration was a key element, both internally across departments and with external associates. This reflected the webinar attendees' most frequent answer to the question 'What single word or phrase best describes what is needed in the county to facilitate more innovation?' The answer? 'Collaboration'.

Building An Innovation Process

As mentioned earlier, businesses can formalise a process that encourages and nurtures ideas. There are numerous innovation processes on the market, such as the Blue Ocean Strategy (Kim &

Mauborgne, 2005) framework – and they can all be helpful, so firms can choose an approach that works well for your company.

Innovation can be delivered within a systematic program that involves continuous controlled experiments and refinements.



We like the simplicity of a structured 4D innovation process that involves value creation activities through to solution delivery activities. It starts with a **discovery phase** which is about opportunity discovery, a relentless focus on identifying un-met customer needs. It is necessary to continuously learn about your customers and understand their business challenges (overt and covert) to come up with ideas that challenge the status quo. In this regard *Hidden in Plain Sight* is a good read (Joachimsthaler, 2007).

The **define phase** is about blueprinting ideas – collaborating with internal and external stakeholders to develop the idea and get to a minimum viable product or service. Some authors propose a stealth management approach to innovation i.e. building coalitions of support to test a concept before presenting to senior management (Miller & Wedell-Wedellsborg, 2013).

In the **develop phase**, you continue with testing the idea, assessing its potential and identifying the biggest assumptions associated with realizing its potential. Adopting agile methods based on experimentation is important to draw the right implications.

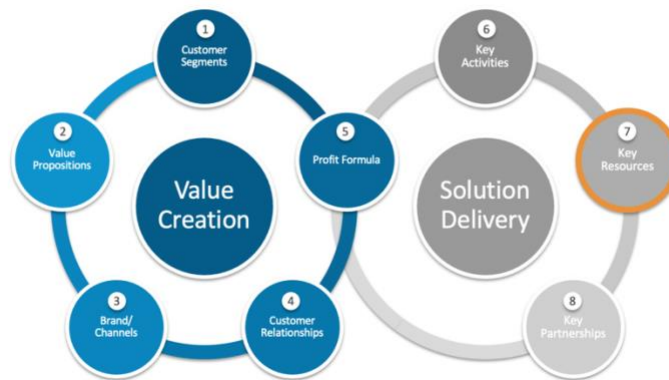
The **delivery phase** is about bringing the right combination of resources to maximise progress e.g. combining your internal capabilities with those of external experts and solution delivery partners. It is important to consider and develop operational mechanisms – i.e., the actual ways that you do things – such that the idea is insulated from business-as-usual activities. Investment in training programs to improve your innovation capabilities may be a critical aspect of the delivery phase.

Although laid out in a linear manner here, this is a continuous and iterative process based on continuous controlled experiments and refinements that ensures the delivery of something different that has impact.

The 8 Lenses of Innovation

Whitecap has adopted the widely known business model canvas (Osterwalder & Pigneur, 2010) as a technique for assessing innovation – a so-called ‘8 Lenses of Innovation’ that involves intertwined value creation and solution delivery lenses.

Organisations that are successful at strategic innovation typically use a combination of value creation and solution delivery lenses.



Through tactical examination of each lens, you can uncover exciting product and service opportunities. Our experience tells us that the ‘**key resources**’ lens (7) is helpful as a starting point for expanding your innovation capabilities. It includes benchmarking your innovation capabilities, setting an ‘innovation ambition’, and embedding new growth capabilities i.e., mindsets, systems, and skills. This may involve leveraging the latest advances in digital technology and analytics to create new sources of value from within your core business.

Defining Your Innovation Strategy

In terms of building your innovation capabilities (consistent with the key resources lens mentioned earlier) we recommend a 3-stage process:

1. **Innovation Audit** - involves performing both internal and external assessments to benchmark your firm’s existing innovation capability. Leveraging the perspectives of an independent external facilitator with experience across different markets is important to strengthen the audit learning outcomes.
2. **Innovation Ambition** - defines the forms of innovation that drive growth and helps to deliver your strategic goals. Here again, your senior leadership team working in partnership with external experts should leverage the findings and recommendations from the ‘innovation audit’ stage.
3. **Innovation Roadmap** - involves developing the framework that supports the channels for innovation to flow through your firm. Innovation should be formalised in the agenda at your regular leadership meetings. Your innovation journey can be tracked by setting performance metrics and targets, including quantitative and qualitative measures that challenge and change current behaviours and norms from an innovation viewpoint.

In his classic book, *Diffusion of Innovations*, Rogers (1995), reported that innovative organisations tend to have the following characteristics

- Positive attitude towards change
- Decentralised decision making
- Informal structure
- Inter-connectedness
- Organisational slack (unused resources)

Well-known American companies such as 3M have these characteristics. Their guiding principles for innovation, as reported by previous Senior Vice President for R&D, Dr. William Coyne, included

- **Vision** - the importance of innovation as part of the company's self-image
- **Foresight** - find out where technologies and markets are going, and identify the articulated and unarticulated needs of customers
- **Empowerment** - hire good people, trust them, delegate responsibilities, provide slack resources, get out of the way and be tolerant of mistakes
- **Communication** - open, extensive exchanges for sharing ideas
- **Rewards and recognition** – emphasise individual recognition more than monetary rewards via peer review

Such a list implies an orderly process, but he was keen to stress that, whilst the efforts are directed at achieving its goals, the organisation, the process and sometimes the people can be chaotic. As Coyne said:

'It's been said that the competition never knows what we are going to come up with next. The fact is, neither do we.'

Innovation Ecosystem

In today's fast-changing and disruptive business environment, to compete effectively organisations must develop their internal innovation culture. It is also important, however, to have a supportive and enabling business environment. Boosting innovation in the private sector is an essential part of the UK's future prosperity.

The British government's UK Innovation Strategy referred to earlier mentions four pillars:

- Pillar 1: Unleashing Business – supporting business who want to innovate
- Pillar 2: People – attracting and supporting innovation talent
- Pillar 3: Institutions & Places – serving the needs of business and places
- Pillar 4: Mission & Technologies – stimulating innovation in key technologies

With reference to Pillars 1 and 3, what are the implications at a county level? How does a county like Northamptonshire create an innovative and collaborative macro-environment for its businesses? How should the local civic, charity, business, finance and academic institutions work together for the public good? What is the current state of innovation in Northamptonshire today?

To answer these sort of questions, Whitecap Consulting and the University of Northampton have put together a proposal for an ecosystem analysis of the innovation capabilities and resources required to support the development and growth of the business community in Northamptonshire.²

Northamptonshire is a highly innovative region with one of the strongest rates of business start-ups in the country. However, the area has been identified as one of nine scale-up "cold spots" requiring specific attention (Scale Up Review, 2017). As firms in the county focus on their Covid-19 recovery plans, developing the right skills and capabilities to take advantage of future opportunities of the fast-changing technological landscape will be crucial.

We are proposing an innovation ecosystem analysis that would be a freely available report. The

² Whitecap Consulting has conducted similar regional ecosystem elsewhere - more details can be found here: <https://www.whitecapconsulting.co.uk/publications/>

objectives of the ecosystem mapping exercise would be as follows:

- Map local innovation capabilities/activity by sector, with examples of best practice
- Engage with all the key stakeholders to obtain qualitative input and insights
- Analyse the capabilities and investment opportunities for innovation in the county
- Understand where areas of current and potential future competitive advantage lie
- Indicate how the region can collectively develop and capitalise on these areas
- Recommend how organisations can collaborate for innovation and growth

We hope this article is thought-provoking and helpful for enhancing your organisation's innovation culture, and that if you are a Northamptonshire business you will support the proposed innovation ecosystem mapping exercise.

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