



Leading innovation means riding three horses at once: generating ideas, creating something new, and getting it to the customer – and you can't afford to let any one of them run unchecked

THREE-LINE



In 1904, at the World Fair in St Louis, Missouri, Syrian immigrant Ernest Hamwi is selling *zalabias* (hot, round, Persian waffles). It's a hot day and nobody is buying. A few metres from his stall, Arnold Fornachou, the ice cream man, is doing a roaring trade – so much so that he is running out of tubs. Ernest notices Arnold's problem. He takes his now warm, unsold, hardening waffles, slits them, rolls them into cones and sells them to Arnold as containers.

The ice cream cone is born. Within 10 years, a third of all ice cream sold globally comes in a cone. Hamwi not only survives; he creates a new category.

But the world has changed since 1904. Arguably, little but the spirit of entrepreneurship that drove Ernest remains. Yet his story is still relevant. Whatever you do, wherever you trade on the globe, whether you are in a company or not-for-profit organisation, however long you have been doing what you do and under whatever market conditions, this story illustrates the principle of business success.

In memory of Hamwi and Fornachou, let's call this the ICE principle. Any business survives if it manages to align three elements: idea, creation and execution.

- Idea generation – your ability to imagine the future with your stakeholders – constantly;
- Creation – your ability to mobilise your resources behind your business agenda – seamlessly;
- Execution – your ability to deliver against your commitment to stakeholders – flawlessly.

Miss one of these and you are under-performing. Miss two and you are in serious trouble. But each of them requires different processes, different structures, different measurement systems, different everything.

The challenge of innovation is not and has never been coming up with new, groundbreaking ideas. Rather, it is doing this while mastering the core organisational competencies that help you build a product or service and execute against your promise. It

is staying alive in a rodeo, riding three horses at once (idea generation, creation and execution).

When writing my first book, *The Connected Leader*, I examined why some organisations are more agile than others in responding to change. I wanted to find lessons for leaders.

I concluded that any organisation is, in fact, two organisations. One is the formal organisation with its structures, processes, rules, roles and economic incentives. This is the layer of efficiency. The other, which I call the “real organisation”, contains the networks, relationships, and social and moral obligations that make a formal organisation work. This is the layer of agility.

To succeed, leaders must learn to connect and channel the agility of the real organisation towards the delivery of the formal objectives of the organisation.

At the time, I didn't realise that what I was actually saying was that an organisation that only generates new ideas is a start-up waiting to die; an organisation that only executes old ones is an irrelevance; and an organisation that is only able to create new products and services without flawless execution is a target for all the efficient, low-cost copycats prowling the world in search of their next prey.

These ideas were not revolutionary. But while they made sense, they were far from common. So I found myself travelling from conferences to consulting assignments talking about how organisations could become more agile. And the more I did this, the more I found “innovation” cropping up in the conversation.

Discussions always revolved around leaders' omnipresent belief that some people and parts of an organisation are places of ideas (for example, marketing) while others are places for execution (for example, production).

This flawed belief comes from years of management education that put creativity and productivity at opposite ends of a continuum. Most leaders build a series of process steps, values and norms to link them.

In addition, most business leaders believe erroneously that business is about two

BY EMMANUEL GOBILLOT

WHIP

Further info

Emmanuel Gobillot is director of Leadership Services at the Hay Group and author of *The Connected Leader* (Kogan Page). He will be speaking at the CIPD's annual conference and exhibition in Harrogate on 18-20 September. To request a brochure, call or email the CIPD.
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» www.cipd.co.uk/ace





horizons: the long term where transformation happens, and the short term where transactions take place. The constant pressure for short-term results, and the tendency to separate creativity from productivity, means that innovation efforts seen as requiring complex, non-sequential and long-range activities are pushed back in favour of transactional activities.

On the face of it, the idea of the ICE elements operating independently of each other is logical. Yet Ernest's story shows how simplistic this is. When you walk through Ernest's thinking process, it is hard to deconstruct each of the elements. Innovation is neither a random nor a linear process. It is our ability to change, underpinned by our ability to learn.

So innovation is not so much a question of managing opposites by building bridges between organisational silos, as creating conditions for learning and change to emerge simultaneously and continuously. Driven by a sense that innovation was ripe for innovating, I set out to study how leaders add value to an organisation's ability to go from ideas to profits.

Leaders' actions fall into three categories: those that add no value; those that add limited or temporary value – often at the cost of future value or value-added opportunities for others; and those that add sustainable value. Innovation initiatives involve all three.

Visits to museums and other "groovy" venues by senior executive teams to "immerse" them in new thinking add no value. Endless "free thinking", "brainstorming" and other "ideation" sessions almost always add no value. Idea boxes and other idea-generation devices add value only to the idea-generation process, but destroy creation and execution value as the pipeline becomes clogged up with ever wilder suggestions. Processes that contain gates and gatekeepers add temporary value, but stop innovation from being truly game-changing as gate decisions are made with current parameters in mind. In fact, it is rare for leaders to create sustainable value out of innovation initiatives.

This is because leaders seldom look at innovation in its total ICE form. To many, innovation is a mysterious mist, a vapour having to be caught and packaged. It is not even water, never mind ICE.

Successful leaders look at innovation differently. Rather than think about it as an activity, process or core competence, they see innovation as an outcome of a process of change and learning.

They also understand that learning and change are rooted in people's relationships

FEATURES OF OLD AND NEW

APPROACHES TO INNOVATION

'Innovation 1.0'	'Innovation 2.0'
Inside out and outside in	Boundary-less
Creativity versus productivity	Learning and change
Functional roles	Networked communities
Research and development	Experiment and experience
Process	Occurrence
Return on investment	Investment on return

and networks – the real organisation. This means thinking about the organisation in a different way, moving on from their former approach, which we can call "innovation 1.0". I have come to call this new approach "innovation 2.0" (see panel, above).

In this new context, leaders need to re-engage and re-energise people to create conditions for sustainable value.

Re-engaging means creating conditions for both investors and customers to be involved in opportunity-generating relationships, going beyond data mining to real dialogue. Re-energising involves ensuring that employees seek out dialogue inside and outside the organisation to generate learning and operate beyond boundaries to generate change.

This is all about making connections. Leadership in this context is a full-time job – not just an accountability added to a role – and it's not focused on products and services but on the entire value chain.

To ensure healthy relationships lead to learning opportunities underpinned by change execution, leaders need to pull three levers: trust, purpose and dialogue.

To truly connect with others, a leader must become a trusted channel, a conduit of information that facilitates others' effectiveness. The connected leader also exerts thoughtful influence. Rather than making pronouncements, the leader prepares to make a contribution, recognises the impact of their approach on others, demonstrates sensitivity to others' feelings, and builds support for their case.

To establish purpose, connected leaders engage others in co-creating shared meaning so that an individual's vision and the organisation's objectives can be aligned. This eliminates boundaries blocking the flow of energy. Connected leaders refuse to

acknowledge "formal" boundaries as limits to dialogue. Instead, they encourage others to speak out, and they offer unsolicited feedback, advice and criticism. This is not done randomly, however, as connected leaders are methodical and well organised. They are also tenacious. They keep people focused on a goal, but are flexible in how it is achieved.

Traditional leaders are evangelists who often find dialogue is a one-way exercise. But connected leaders substitute storytelling for evangelism. They incorporate others' contributions into their own approach. They admit their shortcomings and seek support from experts. Connected leaders are enduringly passionate, and they understand that dialogue is the key to successful innovation.

One challenge remains for all who set out on the road to "innovation 2.0". That is the realisation that a leader alone has little impact on a system. Those who set out to climb the dizzy heights of executive pay scales often believe the individual leader is critical to the system's successful function. For the many sacked after only four years, evidence that leadership alone does not make a system comes too late.

Without a built-in ability to learn and change, the organisation is doomed to remain static in an ever-faster moving environment. But success requires a rethink of the organisation's structure and operations. Many of the roles, rules and incentives that underpin an organisation's design will need to be reworked. After all, even Ernest Hamwi had to rethink his organisation in support of his new-found partnership. ■

Further info

Gobillot is speaking at the Hay Group International Conference in Budapest on 9-11 May
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