



CRITICAL EYE

The peer to peer Board Community

Safeguarding Innovation

A range of business leaders talk to **Mary-Anne Baldwin** about how companies can protect their fledgling innovations from being squashed by the weight of the organisation



When Google gave birth to its own parent company, Alphabet, in late 2015 it may have been onto something. By creating an umbrella company it was able to separate not only Google and its web-related products, but also Google X, its experimental research division.

"They recognised that you can't set up innovative ideas in a mainstream business so they're allowing them to be separate. I think that's probably the only way that you'll overcome the gravitational pull of the big organisation," says **Martin Hess**, VP of Enterprise Sales for the UK & Ireland at Hewlett-Packard.

In Criticaleye's recent Global Conference Call, Building a Culture of Innovation, held in association with BDO International, leaders agreed that pockets of innovation are often more effective than trying to reshape the entire organisation. But support is needed if those green shoots of creativity are to grow.

Edd Read, Co-founder and Chief Technology Officer at snacks company Graze, explains how, like Google but on a smaller scale, it has fenced off its sapling ideas. "In the last few months we put a focus team together to resolve a particular problem we had with the business. We gave them a mandate to do their own thing. We were really clear on the objective but ultimately left them to it," he explains.

It meant not only separate KPIs but also a different room in which they could talk freely about their ideas without colleagues listening, assessing and infiltrating.

Even such simple things as the relocation of desks can get colleagues working together on creative ideas. "There

“Companies must protect and nurture their innovative side projects”

are lots of interesting things from companies like Spotify and the way it lays out its business," **Edd** explains.

Spotify has created what it calls 'autonomous squads,' which are cross-functional, self-organising teams of no more than eight people that have end-to-end responsibility for their projects. "It's made us think about how we structure our open plan office and how we form cross-functional teams sitting across different verticals to solve different problems," he says.

However, he also realises that there are limits to this approach: "We can't keep putting people into rooms to solve problems. We need to learn from the process they've been through to understand how we can make changes in the business."

If the innovation behind a skunkworks is to grow outside the context of its own silo, it must find something to stick to, or have what **Martin** calls "corporate Velcro". Skunkworks have a finite life, so this 'Velcro' is essential if innovative ideas are to "overcome the organisational antibodies that come out," he reasons.

Martin gathered a team of 12 people at HP to create an independent digital practice within the company. The remit

was to build a new revenue stream and to reposition the brand. The success of the skunkworks became its own burden. Everyone wanted a piece of it, which threatened the project's autonomy.

"Digital crosses the organisational boundaries," **Martin** explains. "For example in HP, we have an analytics practice, security business and integration division – digital is a theme that weaves its way through all of those organisational entities and they each wanted to grab it as theirs. Although they probably didn't realise they were doing it, they were fighting against it being a separate entity."

Martin explains that by year two the skunkworks had built a revenue of \$10 million, but even success of this size can be swallowed by a larger parent. "It's very hard in an organisation the size of HP to make the numbers seem relevant; \$10 million, even within the context of the UK business, is almost a rounding error so you need a different set of metrics to measure that skunkworks," he says.

Failing With Fortitude

Recreating your company in the image of an innovative virtuoso like Google or Graze can be a daunting task, but it's a crucial one.

Andrew Minton, Managing Director at Criticaleye believes that "companies must protect and nurture their innovative side projects if they're to benefit on a wider level and stay competitive".

This principle, says **Andrew**, must come from the top of the organisation: "Only if leaders voice and continually champion the company's need for innovation will those lower down live by that ethos." >



David Hollander, CEO of Aqualisa Products Ltd advises that companies “keep the team small but multi-talented and draw personnel from diverse areas of the business, including the most unlikely.”

He also agrees with Andrew that the company's leaders must champion the cause. “CEOs and management are vital in nurturing and supporting innovation. Confidence from leadership is what drives fledgling ideas. But leaders must also be selective; not all ideas are good ones, so confidence and risk-taking must be balanced by the judgement and commercial acumen that comes from experience,” **David** says.

Simon Pringle, Head of Sustainability and Innovation at BDO agrees that backing from the company leaders will be needed and adds that this should come in the form of a clear mandate. “In the absence of a really well explained purpose and intent, a systematic approach to innovation can lead an organisation to march briskly in completely the wrong direction,” he explains.

SIMON'S PRACTICAL TIPS ON NURTURING INNOVATION

1. Have a strong mandate and a clearly defined purpose

Many leaders are good at answering the 'what' and 'how' behind something being done, but not why.

2. Understand where innovation sits within the organisation

Should the whole company embrace it as a philosophy or small teams as a priority?

3. Demonstrate innovation as a leadership team

Don't just demand innovation, show that it's core to the business. Make it part of the agenda, objectives and KPIs.

“*Confidence from leadership is what drives fledgling ideas*”

In addition, it's not unusual for people to become too close to the projects they're working on, which can lead to optimism bias – an unreasonable expectation for what can be achieved, notes **Simon**. As such, he advocates a sturdy corporate governance structure that “knows when to pull the plug on things, and when to be persistent and robust”.

When things do go wrong it's important not to penalise people despite their efforts. Indeed, failing is part of the process, but the trick is to recover quickly and learn from it. “We talk about failure a lot and it's something we try as hard as possible to embrace,” says **Edd**.

It was part of the reasoning behind Graze's problem-shooting skunkworks, he says: “The feedback I've had from that team is that the fear of failure was significantly diminished by the fact they have this mandate and isolation to work independently. This has allowed them to be more creative and ultimately build a better product.”

Simon illustrates this point with the story of a major steel company which gave out a 'heroic failure award' – a pat on the back for someone who had failed but learnt through the process. “That one got the biggest cheer of the night. I thought that was a tremendous way of encouraging people,” he says.

KPIs and financial incentives are another way to encourage creative ideas, but only if you get them right. In a former role at an engineering organisation, **Simon** realised the targets were actually stifling experimentation with staff hitting, but never exceeding them.

“We'd unconsciously placed a constraint within the business; people were beginning to fear the consequences of missing the target by being bold... so they played it very safe,” he explains.

The tincture was to reassure staff that even without success, a valiant attempt would be recognised rather than chastised.

To get all this right, you need a CEO who's continuously signalling for change, says **Martin**. “Unless it's set in your objectives, you probably won't see it happen.” ■

Featuring Commentary From:



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