

SPOTLIGHT



Four Innovation

According to Wikipedia, 'a mindset is a set of assumptions, methods, or notations held by one or more people or groups of people. It is so established that it creates a powerful incentive within these people or groups to continue to adopt or accept prior behaviours, choices, or tools. This phenomenon is also sometimes described as groupthink or paradigm.'

Regardless of which term you use, I have found four different innovation mindsets among leaders in Australia and Asia. I will explain each mindset, their pros and cons, and the importance of identifying the sort of prevailing innovation mindset in an organisation.

I have come across a fundamental insight about how leaders approach innovation over the course of my research and consultancy work. These leaders believe there are (only) four ways to innovate:

1. Top Down,
2. Bottom Up,
3. Inside Out, and
4. Outside In.

These approaches are not mutually exclusive but the leaders I work with often have a prevailing mindset about their preferred approach. But here is the rub—their chosen approach is never made explicit. It is simply a shared, collective set of beliefs and assumptions that revolve around 'how they innovate around here'.

Each of these approaches has their strengths and weaknesses:

Top Down

Think of the late Steve Jobs and Apple or Jeff Bezos at Amazon. I love the story in Steve Jobs biography (written by Walter Isaacson) of how he would ask leaders for their top 10 priorities at Apple's annual planning conference.

After much wrangling, various leaders agreed upon a list only for Jobs to dramatically cross out the bottom seven and emphasise on achieving the top three.

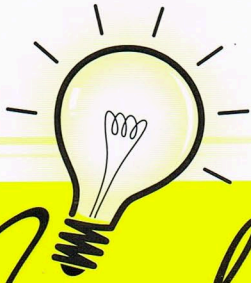
In this approach to innovation, the chief executive officer (CEO) or a small leadership team decides where, when, and what to innovate. It is fast, dramatic, fully-resourced, and risky; but often with big pay-offs.

The disadvantages are that it is disruptive and does not engage the ideas and creativity of anyone outside the leadership team. The other big disadvantage is that when the leader most responsible for innovation moves on or dies as in the passing of the late Steve Jobs, a standstill in the innovation results of an organisation occurs as everyone waits for the next big move by a key leader. This may explain what is happening at Apple at the moment with their new CEO, Tim Cook.

Bottom Up

The bottom up approach is the complete opposite. As its name implies, it refers to the belief that innovation best happens when it is left to front-line staff or formal or informal teams (for example, Roche or Baxter Health Care). This approach is more democratic than others. It leads to lots of small, incremental changes; involves less risk; and improves processes and services in addition to new products.

The downside is that most of these bottom-up programmes are neither funded, nor have any accountability or decision-



Mindsets



Used by Leaders *by Dr Ken Hudson*

making authority. Furthermore, they often lack focus and can run out of steam.

Inside Out

With this approach there is a belief among the leadership team that if they place enough smart and creative people in a room, magical products or services will emerge (for example, Google or Dyson). It is often a hit or miss affair but when it takes off, it can potentially disrupt a market (for example, Dyson Fans or Google Maps).

The assumption is that customers do not know what they want until it is shown to them. The advantages of this approach are that it can lead to a step-jump leap over a competitor and it engages the creativity of all employees. Think of Google's "20 per cent time" which enables engineers to spend one day a week working on projects that aren't necessarily part of their job descriptions.

The cons of such an approach are that it is messy, chaotic, and results in numerous pet projects and scarce resources that are spread too thinly.

Outside In

As the name implies, this is the belief that the customer is king and their needs, wants and expectations drive innovation (for example, Procter & Gamble, Unilever). This orientation ensures that the voice of the customer is heard, competitors are keenly followed, and that external ideas and perspectives are encouraged (for example, IBM's Idea Jam).

An often-neglected downside of this approach is that it is slow and tends to focus only on product innovation. It often leads to incremental, me-too product improvements and expensive market-share battles.

Why it Matters

The important point for leaders about the four different innovation mindsets is this: There is no one single, best approach for innovation. It depends on the personality of the leaders, their growth goals, culture, history, and perhaps industry. What is vital however is to deliberately choose between the four options and to avoid dabbling in all of them. If the approach is 'outside-in' for instance, then the company should seek to be the best in class at that. Leaders should study other companies that follow similar approaches.

Once leaders agree on their approach, they should make their innovation mindset decision explicit. They should tell the rest of the organisation which approach they believe is best and why. If it is a 'top down' one for example, then this should be stated clearly. This approach might not suit all employees but they at least know where they stand.

Deciding what innovation mindset is most suited for a company is one of the most important challenges facing any leadership team. It dictates who to hire, how to develop them, where to look for ideas, and which companies to keep an eye on. ■



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