



THE EAST
OF ENGLAND
IDEAS AUDIT 2

BY ANNE MILLER

Creative expert and inventor

THE EAST OF ENGLAND IDEAS AUDIT



FOR THE SECOND EAST OF ENGLAND IDEAS AUDIT IN MARCH 2005, CREATIVITY EXPERT and inventor Anne Miller met with leaders of three very different organisations where innovation ranks high on the agenda.

In-depth conversations with:

TONY HOOLEY, PRESIDENT AND CHIEF SCIENTIST OF 1 LTD

SIMON LOFTUS, CHAIRMAN OF ADNAMS BREWERY

**PROFESSOR ALISON RICHARD, VICE CHANCELLOR,
UNIVERSITY OF CAMBRIDGE**

were used by Anne to explore leadership and ideas: how different personalities and approaches can work to encourage and support an ideas culture.

In the Audit 2 report, insights from the meetings are complemented by results from a survey of 350 business leaders regarding innovation in their organisation and personal plans for developing an ideas culture.

Anne Miller presented results and led a debate on leadership and innovation at a space for ideas event attended by more than 70 senior businesspeople.

The Ideas Audits are part of the East of England – space for ideas campaign, which aims to create a climate of stimulating discussion on the process of generating and utilising ideas for businesses in the region.

THE HISTORY OF INNOVATION SHOWS REPEATEDLY HOW TRUE INNOVATION, THE KIND OF DISRUPTIVE SHIFT IN THINKING THAT transforms markets and threatens the existence of other firms, so often comes from small, under-resourced companies. They grow under the noses of the dominant players and then, seemingly from nowhere, bounce into a lead. Take Virgin Banking for example, an outsider that revolutionised UK retail banking with the idea of a combining savings accounts and mortgages.

Disruptive innovations come “out of the blue” because our past experience influences our mental models of the world, our ways of making sense of what happens, and makes it hard for us to notice activity that doesn’t fit with the recognised, more comfortable models. That is, until it’s too late. In the late 1930s intelligent people who’d been through the horror of the First World War asked themselves: how could we have been so blind? With hindsight they had realised they had been focussed on the hope of economic recovery after the horrors of the recession, which blinded them to the growing threat of totalitarianism and war.

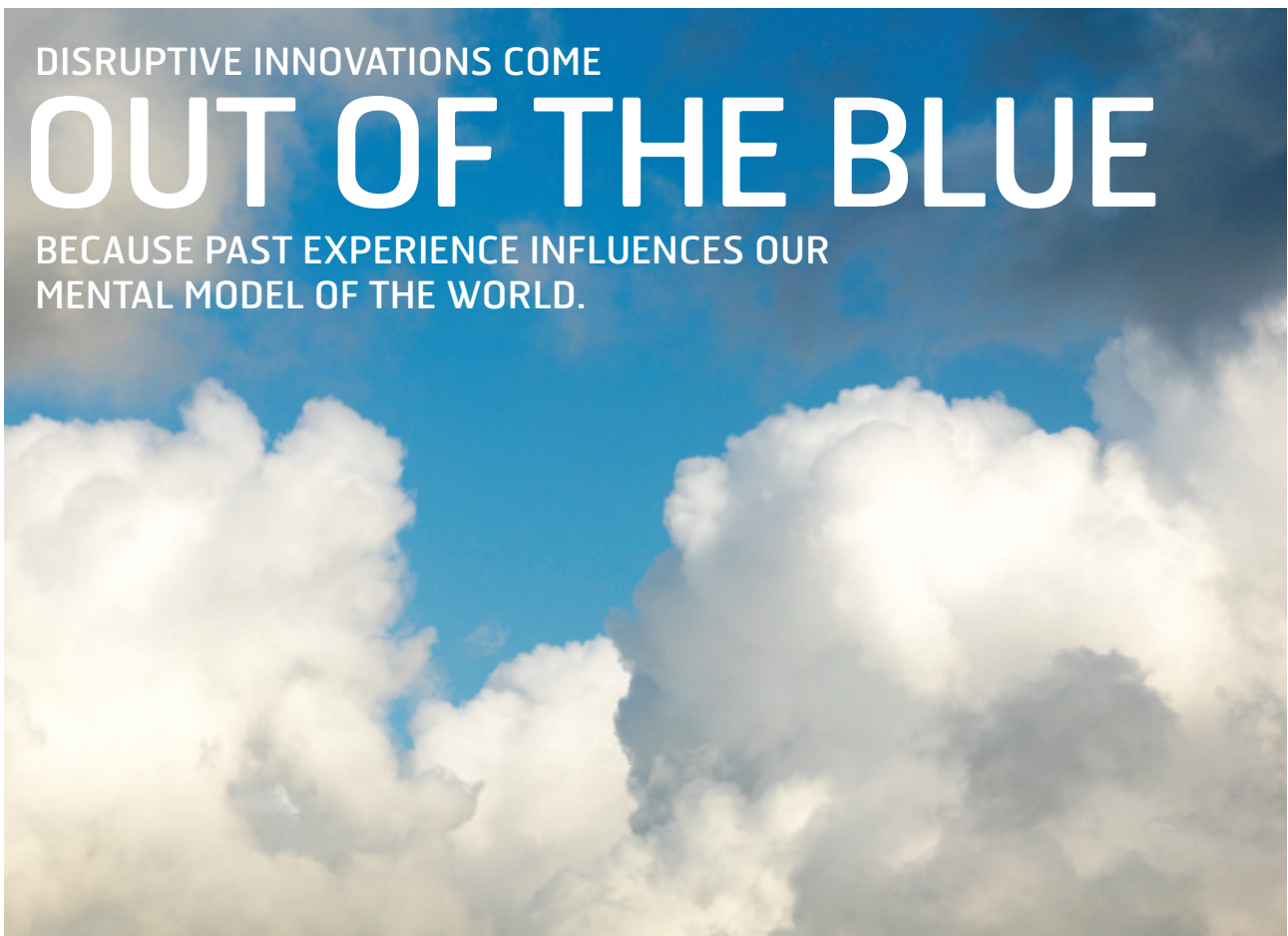
The same problem arises when we are trying to spot innovation opportunities: we tend to seek out information that confirms that we’re doing just fine so we don’t see the opportunities. A major high street bank currently has a questionnaire out asking customers if they are happy about branch cleanliness. This is not an effective way of finding out their customers are actually fuming over how hard it is to access their money and ready to run off with a sharp-eyed competitor.

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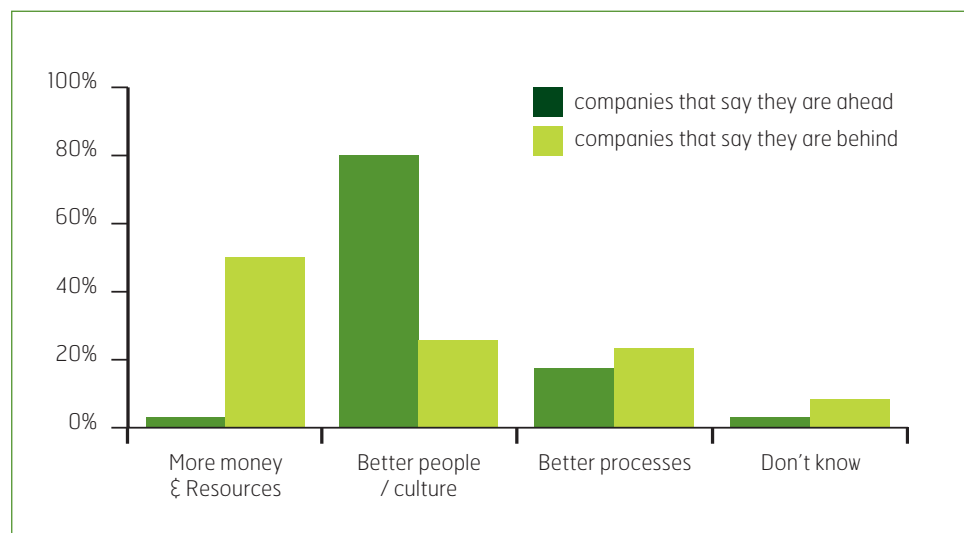
As part of the East of England - space for ideas campaign, we surveyed 350 business leaders in the region on how they were performing relative to their

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competitors and why they thought this was. The difference between organisations that were ahead of the competition and those behind was staggering. Overwhelmingly, 82% of the leaders of organisations that were ahead put their success down to their people and culture. Less than 2% thought it was having more money and resources. In contrast, 47% of the leaders of less successful organisations thought that they were behind because their

competitors had more money and resources.

They were probably wrong. Although it's often a comfortable excuse, we can't always blame a lack of competitiveness on a shortage of money and resources.



Innovative companies usually put a lot of work into developing their people and culture. They want drive and enthusiasm, but also an open, diverse and questioning culture, in which people feel comfortable to share daft ideas (because some will later turn into good ideas) and discuss problems (or innovation opportunities) for which there is as yet, no known answer. This process of incubation, "holding the space" not jumping at the first "obvious" solution is a vital part of the innovation process.

Some personality types do this process of incubation naturally (and sometimes to excess). Others really benefit from learning tools and techniques to help them release their natural creativity and that of people around them.

Innovation can be about transforming an industry, transforming an organisation, or even maintaining stability in the face of external change. All create different opportunities and challenges.

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INNOVATING FOR DISRUPTION – 1 LTD

INNOVATION CAN BE ABOUT DEVELOPING NEW PRODUCTS AND TECHNOLOGY. TONY HOOLEY IS THE FOUNDER, PRESIDENT AND CHIEF SCIENTIST, of 1 Ltd, the inventors of the technology behind one of the most exciting consumer electronics products launched this year.

His innovation principle is to try to solve a really hard problem. As he says: “If you succeed there will be no competition and the rewards will be great.” His original observation was that “Loudspeakers are wooden boxes with a transducer glued in that’s basically unchanged since 1925. Surely one could do something better?” As a digital electronics engineer he knew that digital signal processing was getting cheaper and cheaper, driven by cell phone business. He asked himself: “If you had free processing power, how could you make a better loudspeaker?”

In Jan 2005, after 10 years’ hard work, 1 Ltd’s technology formed the basis for the Yamaha Digital sound projector. This was awarded Best in Show at the Consumer Electronics Show in Las Vegas; the world’s top award for a consumer electronics product. 1 Ltd only has 30 employees, which nicely makes the point that it’s not the money and resources that count in innovation. They do however have the people and culture that allows them to identify the hard problem, spot the enabling trend and then keep pushing for years as they morph their ideas.

For a technology innovator like 1 Ltd, vision is essential. As Tony Hooley says “We’re at year 10 now. In this sort of business you have to have a really strong driver behind you to keep going past the point where it’s too hard to go on.” Staff, investors and customers get enthused by the vision and this all helps reinforce the innovative culture of the organisation.

As is the case with many technological entrepreneurs, Tony Hooley still plays a key role in generating and supporting the development of technical ideas. He heads their recent patent list, but his door is literally open and innovators regularly squeeze into his office to debate ideas. As in many innovative companies, this sort of regular creative sparring is a key part of the process of morphing initial seed ideas into real prospects.

Tony Hooley is very comfortable with using intuition to guide the innovation process. As he says, “it was all based on a hunch, we’ve never spent significant money on market research” This skilled use of rational and intuitive insight is a common characteristic of fast moving innovators. It is one of the reasons why they can outstrip much larger competitors mired in “analysis paralysis”.

Many small technology innovators stall before they succeed in commercialising their technology. This is because it is rare that the same person has the ability to start a company round an idea, as well as the business and marketing expertise to exploit it. Many other small high tech start-up companies could usefully follow Tony Hooley’s example: two years ago he handed over the CEO role to become President and Chief Scientist. This was personally very tough to do, but far sighted.



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INNOVATING FOR STABILITY – THE UNIVERSITY OF CAMBRIDGE

INNOVATION DOESN'T HAVE TO BE ABOUT CHANGE. IT CAN ALSO BE ABOUT MAINTAINING STABILITY IN A CHANGING EXTERNAL ENVIRONMENT. THE University of Cambridge was founded in about 1230 and is one of the top handful of universities in the world. As its Vice Chancellor, Alison Richard says, "The university is capable of brilliant feats of continuity, even as it has changed radically over the centuries."

Recently all UK academic institutions that want to charge "top-up" fees have been required by the Office of Fair Access (OFFA) to show how they will safeguard and promote access from low income groups. Although this impacts on a wide variety of stakeholders, colleges, the students, and departments they succeeded in developing a policy that was "more than unanimously" agreed by the university stakeholders and was approved by the OFFA within a record breaking two weeks' later.

Alison Richard leads in an environment in which, as she says, "most of the people didn't come to be led". She sees vision as "getting the right people thinking hard about the right questions".

When faced with the challenge of developing an open access policy, she started by making her values very clear. She said: "Very early, before I was officially in office, I made very clear my own deep commitment to the idea that a university should not function like a private club. We are the better and the richer for having a diverse student body."

One of her five Pro-vice chancellors, Malvina McKendrick, then undertook a progressive process of consultation and revision, with a steadily widening circle of more than 200 stakeholders. This took two months, but resulted in the "more than unanimous" support.

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Alison claims that she "didn't do a lot", but her staff disagree. They say it was very important that the Vice Chancellor was being visibly enthusiastic and supportive. I asked one of her staff afterwards if it was true she didn't have vision, and he said "of course she does, she just pretends she doesn't!". I also noticed that although she was very modest about her own role, she was explicit and fulsome in her praise for others.

In this sort of environment, often labelled as "change resistant", this kind of inclusive leadership style is very effective at encouraging innovation and change.

INNOVATING FOR EMPOWERMENT - ADNAMS BREWERY

INNOVATION CAN BE ABOUT TRANSFORMING AN ORGANISATION. EIGHT YEARS' AGO, ADNAMS BREWERY HAD TO INNOVATE TO SURVIVE. AS THE Chairman, Simon Loftus, says: "We had a great product but no brand and we were doing the wrong things in a rapidly changing market place. We were also a rather old fashioned, hierarchical and divided organisation – there was a lack of energy and trust. We had no option but to bet the company on a radical change of strategic direction, involving a simultaneous transformation of business, brand and culture."

Often it takes a shock to notice a blind spot. In Adnams' case this happened when the head of IT started asking Simon about security passwords for the different teams. This made him realise that the company was excessively paranoid about access to information. They decided that anything that didn't obviously need to be secret should be open, that transparency was critical to trust.

In business terms the result of the transformation has been that they've almost doubled beer sales in a falling market, increased profitability by a factor of 3 and given impressive returns to shareholders.

Simon Loftus and the board of Adnams needed to transform the business and culture. They restructured the business, got out of wholesaling and spent a fortune developing a very daring brand. Nevertheless, Simon feels the most important innovation relates to the transformation in their culture.

"Eight years ago we decided we were going to overtly make this a values-driven organisation. We believed this could be a real motivator and could lead to better business achievement."

They moved from being hierarchical and secretive, through using formal suggestion schemes, through to informal and genuinely open ideas exchange. Their aim was not to abandon the concept of leadership, but to have a genuine commitment to empowerment. As just one example, Simon and his MD each do 44, one hour sessions a year with small groups of staff. Just as with the University of Cambridge's consultation process, these aim to be genuine two-way conversations. As a result they are much more effective at encouraging innovation than the conventional format of a presentation and questions.

Much of the cultural transformation has been about taking pride; in the beer, the brand and the way they do things. This is improving business performance because there is now increased drive and motivation. The sense of pride also leads to high standards so there is now huge peer pressure about doing things right, doing things the "Adnams way".



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They are very active in their social and environmental engagement. This is in part because it is “just a wonderful thing to do”. However, they also believe that it is important to be able to justify the business case for any project. They are part of the business, not just bolt-ons to make a Corporate Social Responsibility report look good. They have a major involvement with a pioneering enterprise education programme for underachievers at a local school. This benefits their staff, because their kids go to the school. It benefits their local community and hence provides good PR. Working on the project helps employees develop new skills. They find that it also supports the sense of pride; at a recent review one staff volunteer said: “I like it, because I now have something to talk about in the pub that I’m really proud of”. This all adds to the energy and commitment of employees and correlates with improved business performance.

This improvement is measured through their very detailed employee survey. In typical Adnams fashion, this allows quantifiable results, but also includes

lots of space for employee’s comments and suggestions.

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Adnams’ decision to be overtly values-based has been very effective in transforming their culture and business. As with the University of Cambridge’s open access agreement, a genuine focus on values is a very valuable way of encouraging an open and innovative culture.

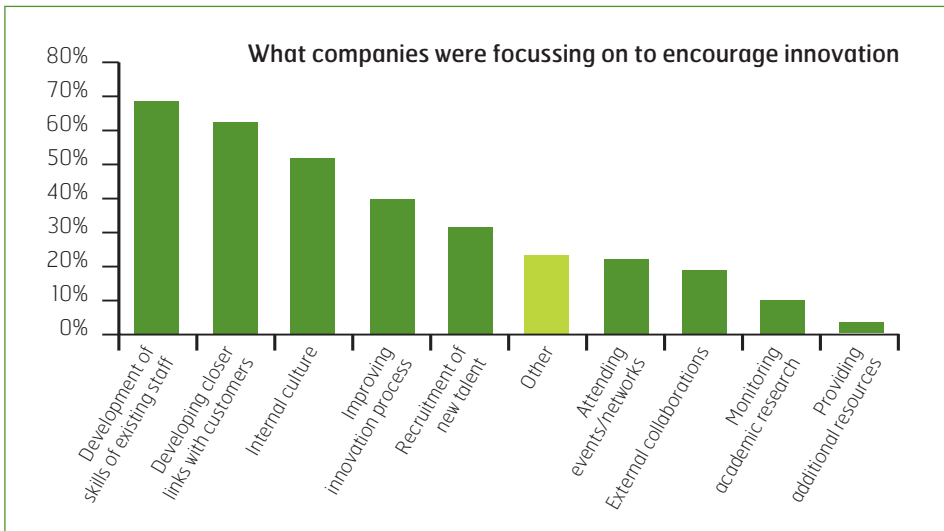
This is because it provides a supportive framework which helps people make sense of changes and feel good about them.

ANALYSING AND CONCLUDING

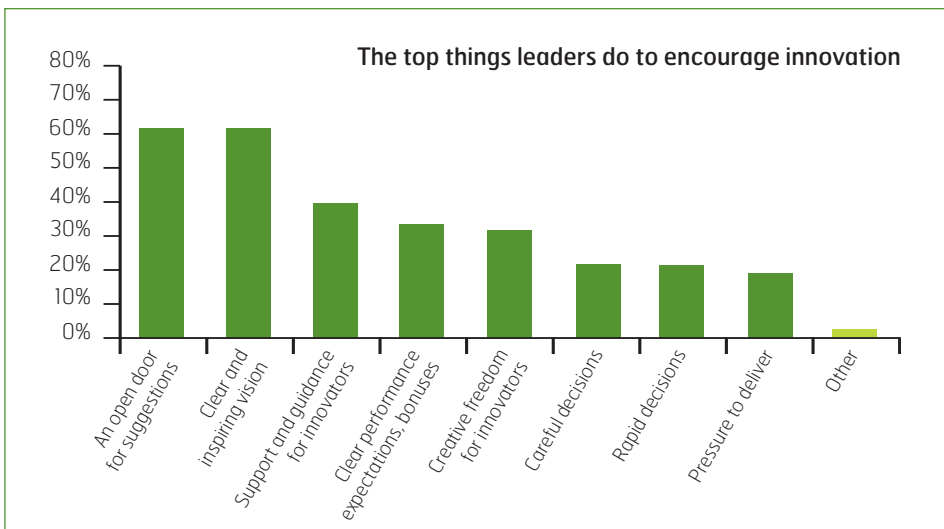
I STARTED BY REVIEWING OUR SURVEY TO UNDERSTAND THE DRIVERS FOR INNOVATION WITHIN THE EAST OF ENGLAND'S COMPANIES. HAVING reviewed our case studies it's worth going back to see what other leaders in the region are doing about the issues involved.

Our survey asked business leaders what their companies were focussing on to encourage innovation.

The top three are developing existing staff (68%), developing closer relationships with customers and suppliers (63%) and the internal culture (53%). All are very effective ways to encourage innovation.



When we asked leaders what three things they personally were doing to encourage innovation, the top activities were developing a clear and inspiring vision (66%) and having an open door for suggestions (65%).



Balancing vision with openness is always vital in developing an innovative organisation.

The three organisations are very different, working in different sectors and with different leaders. However in all cases, the leader's enthusiasm and active support for change has been important. A leader's actions are more important than words.

KEY LEARNINGS

- 1 The secret of success is in your people and culture not money and resources.
- 2 We're often blind to our opportunities, until they become threats in the hands of our competitors.
- 3 Innovation can be about different things: transforming an industry, transforming a culture, or maintaining stability in the face of external change.
- 4 Leading innovation is about providing total sincerity and enthusiasm, while balancing an inspiring vision with having an open door for suggestions.
- 5 Vision can be about creating a driver that allows you to keep going past the point where it's too hard to go on, or getting the right people thinking about the right questions.

This document provides the detailed report of Anne Miller's interviews with Adnams Brewery, 1 Ltd and the University of Cambridge. Further copies are available at www.eastofengland.uk.com/ideas or by emailing the East of England – space for ideas branding team at: campaign@eastofengland.uk.com.

At www.spaceforideas.uk.com you will also find a series of original essays from leading thinkers including Dr Edward de Bono, Baroness Susan Greenfield and Sir Jonathon Porritt that have been commissioned by the East of England Development Agency as part of the East of England – space for ideas campaign.

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For more information about the East of England - space for ideas campaign, the initiative to promote the East of England nationally and internationally, visit:

www.eastofengland.uk.com/ideas or contact: campaign@eastofengland.uk.com

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