HORIZEN SOLUTIONS

THE CASE FOR INNOVATION

The next 5 - 10 years will see increased change, uncertainty and shifting business priorities. A key skill for navigating this period of uncertainty and opportunity will be that of innovation. At both organisational and individual levels, the ability to innovate in a structured manner will be the difference between organisations that thrive and those that will struggle.

The world is always changing, but rarely are changes as sudden or unpredictable as they might seem.

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A brief look at the future

So, if we were to take a hypothetical journey into the future, we would start with what is going on in the world today, looking for changes that will have far reaching, long term impacts we can predict:

1. aging populations
2. major shifts in social and technological arenas
3. increasing labour force automation
4. rising economic inequality
5. an increasingly globalised world

Longer lives mean an aging workforce. Some people do retire, but typically later than would have been the case in previous generations. Many of the lower skilled roles will be targets for automation - leading not only to a smaller workforce, but one in which entry level positions are at a premium whilst senior/influential positions will be yielded more slowly. These trends reduce opportunities for younger generations to progress their careers, climb the property ladder, etc. This creates a delay in the generational handover.

Economic inequality becomes inevitable

Labour forces in organisations have to compete with the prospect and reality of automation: Rules and regulation increases, mistakes are stigmatised and creative solutions are overshadowed by the cost risks of inefficiency in a global business model. Competing with automation stagnates the wages of a shrinking workforce, while retirees increase national pension and healthcare costs at the same time as liquidating assets - capital value is reduced and inflation rises.

Signs of recession begin

Governmental regulation of industry has reduced effectiveness in a global economy, and raising business taxes has limited viability against a backdrop of increasing political separation, which enables businesses to relocate to more economically favourable tax regimes.

Recession looms large

The growing healthcare and pension costs associated with an aging population increases the 'fixed' proportion of public budgets, further reducing capacity to influence the economy. Government / public spending must address rising healthcare and pension costs, whilst taxation incomes reduce with increasing automation and shrinking of the workforce.
The internet enables more free and self-regulating market environments, whilst the rise of virtual businesses on a global scale reduces the viability of traditional "spend" solutions to economic recession. The opportunity to increase government spending to stimulate economic growth is limited when the consumer spending flows overseas out of the economy, challenging the wisdom and potential of this strategy in a world of virtual services and global business is debatable at best.

Economic depression sets in

We see major paradigm shifts in social views where "Smart" is replacing "Green", digital and real life, work and private identities are increasingly integrated, information is democratised through the internet but machine learning and micro-targeting breeds distrust. Social opinion becomes a currency more valuable than 'news', social responsibility migrates from governmental to corporate driven led by consumer behaviour (not necessarily fact). Inequality, distrust and dissatisfaction breed social and political unrest.
The impact of new fields like genomics and nanotechnology become increasingly widespread areas of opportunity and growth, while traditional technologies have been optimised to the extent that new competition is all but impossible due to the investment required. New discoveries or efficiencies start to enable new products, and avenues for service improvement.

The cycle changes

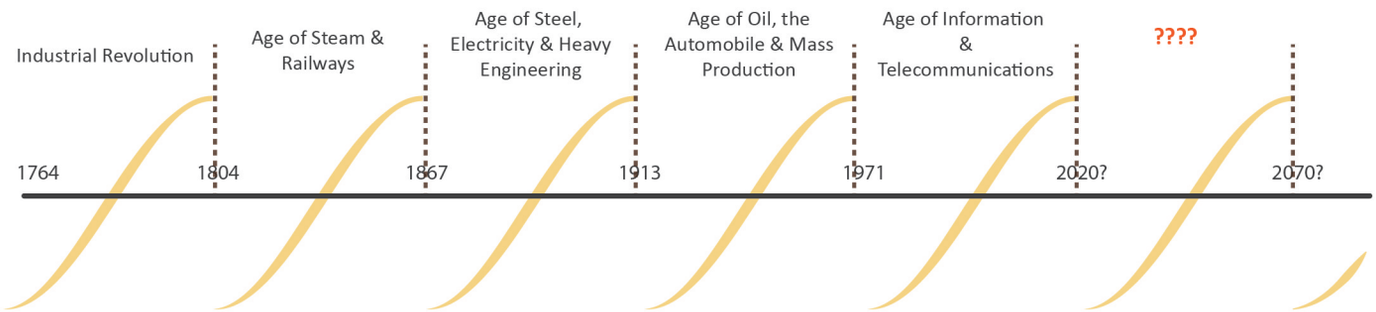
A turning point is reached, where new technologies, solutions, products, and services, create new opportunities and sources of value. Fundamental technologies (batteries, semiconductors, etc.) approach theoretical limits and become near universal constraints wherever they are used. In the example of batteries, these become a limiter on the design and development of all sorts of products from mobile phones to cars. The old ways of doing things fail the challenges set before them.
The overspecialisation of the past 50 years hinders organisational adaptation and speed of adoption, creating conflict between efficiency goals and adaptation. This creates the space for new market entrants and becomes the major driver of generational handover. Adaptability, speed, and innovation become crucial touchstones.

Organisations strive to adapt, while new businesses step in without the inertia of existing enterprise and lead the way into new domains, changing the very basis for competition and creating new market leadership positions.

This brief journey into the future may seem like a dystopian flight of fancy, a cynical glance in a 'crystal ball' but it's not all conjecture.

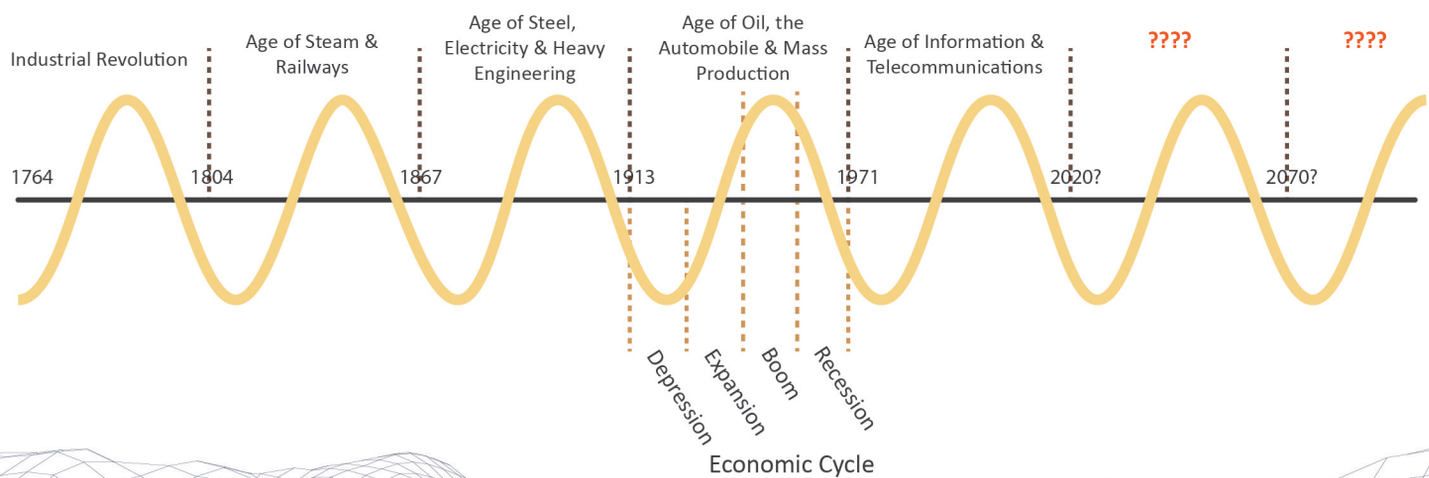
There is established economic theory and research to support that this hypothetical journey is not only possible, but probable, cyclical and consistent.

Back in the 1920's, economist Nikolai Kondratiev described repeating cycles. These are generally referred to as Kondratiev cycles or technological cycles, primarily driven by technological change and inequity. As existing technologies reach limits, inequity is created by high barriers to competition, and new innovations enable new sources of value, creating revolutions that change the basis for how things work, and opportunities to bypass traditional competitive barriers.



We are well into the maturity stage of the current age, and innovation has been stagnating since mid-2000's, despite increased R&D spending. Either it's getting harder or we are getting worse at innovation, or perhaps a combination of both… A major change is imminent.

Looking at the past, it's not hard to correlate rough dates where cycles change, with aspects of the future we described, or with the history of past cycles: Think of the post-war depression the UK suffered from 1919-1926, the growth enabled by mass production leading to the golden age of the 50's and 60s followed by the recession of the 70's initially arising from the energy crises, but compounded by inequality and social unrest leading to strike action and the infamous 'three-day week'. This was then followed by the 80's where computers and mobile phones were the poster children of renewed economic confidence and expansion. It's now pretty apparent that these technological cycles have a pretty clear impact on, and overlap with traditional economic cycles.



So if the past repeats, what comes next?

A transition period, uncertainty & confusion, rapid and fundamental change, fluid priorities, new opportunities, and a major risk of economic depression.

Business will continue as it always has, and we will adapt, won’t we?

Think of the defining businesses of these cycle periods and how they enter on the capabilities that define the cycle and then typically struggle in the next.

Consider the railway mania consolidation of the 1840s, giving way to the dominance of business like Carnegie Steel, displaced by the incoming ‘corporation states’ that were General Motors and Ford, which have in turn been pushed aside by the ascendance of silicon valley’s big 5: Amazon, Apple, Facebook, Google, Microsoft, whose positions currently seem unassailable.

The most critical ability for business in the next 5-10 years will be innovation.

Innovation drives and capitalises on change, adapts to new opportunities, creates new value.

Failure to innovate will result in organisations that do not adapt to new opportunities, lose markets to new competition, find themselves overextended and overleveraged without the consumer base that they need to support their infrastructure, losing business whilst trying to justify reinvestment and change.

To mitigate the risks, organisations must:

- Be flexible, respond to change rapidly
- Balance organisational abilities - efficiency vs innovation
- Break down silo thinking and overspecialisation
- Create environments for innovation to happen

How prepared is your business to innovate?

Does your organisation offer staff _____ to encourage and enable innovation?

- appropriate incentives?
- autonomy to explore ideas?
- space to think and work their way?
- freedom to get out of the building?
- freedom to make mistakes?
- freedom to fail?
- access to internal specialists?

If you are struggling to say yes to the items above, your business has a competence gap.

The list of questions should also show how enabling innovation can require you to consider and adopt practices that run counter to the way business works to deliver your products or services efficiently. This is the primary reason for organisational failure to create a sustainable innovation competence. All too often the competence is seen as impractical or unachievable, behind a barrier of major culture change and restructuring but this does not have to be the case.

Innovation can be difficult, but it's not an arcane practice:

- It doesn't have to involve an individual in a shed, working in secrecy for years in the unfailing hope that other people will see value as they do.
- Nor does it have to involve restructuring your entire business or compromising your culture and systems.

Individuals can learn how to innovate in a structured and repeatable manner in any industry or environment.

Key principles for effective innovation:

1. Invest the time and energy to fully understand the trinity of Problem – Customer – Value. This will make sure you are working on something worthwhile, and that you understand the value your product or service must provide
2. Work systematically to understand the compromises, limitations and assumptions of existing alternatives. Identify contradictory objectives, product evolution trends, and apply design thinking to the customer experience
3. Consider innovation across entire business models: product/service, your commercial and operational model, how you connect with and how your customer experiences you and your product or service
4. Understand how big your customer market is, how you will grow commercially, what different markets will need to receive, and what you will need to do differently to grow
5. Constantly put your thinking and assumptions to the test. Let go of anything that doesn't pass the tests. Fail small, fail fast and fail often: It's the fastest route to success

Organisations can create innovation capability that does not compromise their existing business model or require business-wide culture and operational change as a pre-requisite.

Key principles for creating an effective innovation environment in an established business:

1. Create separate spaces for innovation vs. continuous improvement. They are not the same!
2. Align scope, goals, and targets to the types of innovation you want, and the activities that will be required to deliver
3. Define the relationship and the way in which your innovation system and people, will interact with business as usual functions
4. Agree a structure for managing, reporting, and assessing performance of innovation projects
5. Design an appropriate resourcing model (consider people & commercial/activity resources)
6. Plan if and how customers can be engaged and communicated with
7. Prioritise opportunities and cut slow moving or vanity projects
8. Consider the future of each innovation project independently, transition to business as usual is only one possible future
9. Be prepared to revisit any and all of the above if it is a barrier to progressing even one project

Developed from decades of experience managing and working with many industries and organisations through disruptive change, developing innovation competencies internationally, Horizen Solutions offer a practical framework supported by experience, application and theory.

Innovation as organisational competence

Resources & Capability

Environment

Training Programme
(Knowledge & understanding)

Facilitated workshop programme
(Application & experience)

Consultancy Programme
(Business Architecture & operational framework)

We utilise lean startup practices as a core activity framework, which are then linked to a variety of tools and techniques from an array of other fields including behavioural science, innovation research, design thinking and more. We bring these together with business and commercial realities using our innovation business architecture model – a model that has been developed and iteratively tested in our work over many years.

By building and aligning resource knowledge and capability with an environment designed for success, the framework offers and supports your organisation where you need it. Creating:

- individual knowledge and understanding of innovation as a practical, repeatable, and structured process
- individual experience of using the process, applying tools, and building competence as an innovator
- organisational environments that enable real innovation in a sustainable way, without the need for organisation-wide restructuring or culture change before benefits can be realised

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