

# How Innovative is Your Organisation?

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## Abstract

How innovative is your organisation? Does it encourage creativity? Can the conditions that facilitate organisational creativity and innovation be identified? Is it possible to identify obstacles to creativity and innovation within organisations?

Creativity is essential in all organisations, regardless of the sector within which they operate. But although most organisations pay lip service to creativity and innovation, it is often the case that not enough concrete action is taken to make organisations truly creative and innovative.

This presentation will discuss the factors that distinguish a creative and innovative organisation from another where the status quo is taken to be acceptable. The links between innovation, foresight and entrepreneurship will be explored. It is an accepted fact that organisations that do not take action now to address factors that enable innovation will not continue to exist in the future.

**Key words:** Creativity, innovation, foresight, entrepreneurship, organisations, strategy

## 1.0 Introduction

‘If we have a mind, why not use it’? Edward de Bono, who invented Lateral Thinking, often gives this precious piece of advice to his listeners and has spent most of his life stressing the importance of improved thinking ability and designing methods which improve human cognitive ability.

The human brain is composed of over 2 billion neurons – each neuron having connections with approximately 10,000 other neurons. This is truly amazing but how much of our thinking potential do we actually use? Generally, it is said that we use approximately ten percent of the total capacity of the brain.

In today’s day and age, however, due to competitiveness, globalisation, scarce resources, environmental problems, and other similar matters, everyone should do their utmost to capitalise on the amazing potential of their brain. It is, after all, humans who generate ideas within organisations – and not the organisations themselves.

I will always remember an image which John Edwards, one of the keynote speakers at this conference, used in the early nineties when he would describe Australian people as being very creative in their private lives – they built houses, boats, repaired things – but, as John Edwards would say, ‘they would hang their brain on the gate when they went to work.’ His research in those days was based on designing training programs which would encourage people not to act as ‘robots’ but rather as creative individuals at their place of work and he often used the de Bono methods when training the employees of large organisations in Australia.

A great deal of progress has been made since then. Here in Europe most countries have moved from an economy based on manufacturing to one where knowledge management plays an increasingly important role. Most organisations today are more flexible and less rigid – and more aware of the importance of creativity and innovation – than they were in the 1990s.

It is important to emphasise that by organisations I do not only mean privately owned profit making entities. The term organisation, taken in a broad sense, also incorporates non-profit organisations, educational institutions, government

departments and public authorities. Those of us present here today who engage in any sort of productive activity are involved with an organisation of one type or another.

There is no doubt that both creativity and innovation are essential ingredients for organisational success in today's day and age where the accelerated rate of both technological and social change instigates the necessity for adaptation, pro-activity and foresight. Creativity and innovation are however not synonymous. Innovation requires creativity and it is creative ideas that feed the innovation process in any organisation.

Innovation involves the introduction of something new within an organisation – which may relate to a product, a process or a service. Innovation may be radical (or 'paradigm-shift' innovation such as the introduction of mobile phones) or incremental (offering an improvement to the present product, process or service, such as an increase of services offered by banks through internet banking).

In this paper I shall first discuss the importance of innovation in organisations today. This will be followed by a discussion of some factors that could be considered as barriers to organisational innovation and how these could be overcome. The link between creativity, innovation foresight and entrepreneurship will then be considered, followed by recommendations which some organisations may consider adopting to become more creative and innovative.

The background for this paper is research which I have conducted together with both undergraduate and postgraduate students at the University of Malta on the subject of 'Organisational Innovation Audits'.

## **2.0 The importance of innovation in organisations today**

'Companies that are not constantly pursuing innovation will soon be overwhelmed by it.' (Hamel and Skarzynski, 2001: 2) This quotation encapsulates the question 'Why should organisations be innovative?' Innovation makes use of valuable resources and involves risk taking – risks that may not yield profitable or efficient outcomes unless a feasible or well-thought out strategy is outlined for successful innovation management.

Innovation management is concerned with identifying innovation opportunities and facilitating their implementation. Innovation management does not only encourage innovation which concerns technical or R & D development. Innovation management gauges impact assessment and sustainability, managing both the demand and supply variables over medium to long-term time-frames, while also exploring ancillary opportunities within a wider context. As Tidd, Bessant and Pavitt state, it involves

developing both the ability to scan for signals about change and a readiness to move into new areas – and let go of old ones. Above all it suggests that the primary task is one of managing knowledge – developing and building distinctive competence in particular fields, adapting and absorbing new and different knowledge sets when it becomes necessary and moving out of particular knowledge areas when they become redundant. (Tidd, Bessant and Pavitt, 1997: 12)

Medium to long-term strategic planning and foresight are essential for innovation to be successful. When this is lacking, piecemeal processes that may be introduced risk being diluted with the result that they may be ineffective in cases such as when the competition reacts with different and possibly better innovations.

Innovation does not only involve ground-breaking, radical or paradigm shifts which result in what is often termed as ‘first mover advantage’ within an organisation, although this is also possible. Innovation within an organisation may be incremental, and it is often the incremental innovations that give organisations the cutting edge and which enable them to move ahead beyond the competition.

Incremental innovation has its merits where sustainable competitive advantage is concerned, as Robinson and Schroeder cogently remark in a publication that advocates the utilisation of ‘the virtually free, perpetually renewable source of employee ideas.’ They state, ‘Small ideas are also the key to creating sustainable competitive advantage from big ideas. While big ideas may be readily copied or countered by competitors, the small ideas that exploit them are part of the organization’s learning, and remain largely proprietary. The sustainable competitive advantage created by these smaller follow-up ideas may well be *greater* than that of the big idea itself.’ (2004: 43)

It is today an accepted fact that innovation is essential in all organisations. The EU places a great deal of emphasis on the importance of innovation and research. According to the EU’s update to the Lisbon Agenda, ‘Europe also needs a climate which lets Europeans’ creativity flow by offering a more attractive place to invest, innovate and work.’ The Lisbon strategy insists that Europe needs to generate concrete incentives to achieve an adequate research and innovation environment. Moreover, ‘Research and innovation policies are key priorities for all member states.’ Competition, globalisation, employment and entrepreneurship are important elements in this document which expresses concern regarding the present situation and emphasises the synergy that could be attained from information sharing, joint initiatives, integrated policy, investment in R & D and benchmarking.

In a nutshell, improved organisational innovation translates into increased competitiveness, mainly because successful and strategic innovation management implies increased efficiency and cheaper products and services which are more cost-effective than those offered by competitors.

### **3.0 Barriers to organisational innovation and how they can be overcome**

How can organisational innovation be facilitated? It is important to first identify barriers which exist within organisations and to explore how these barriers can be overcome. Understanding these barriers is a valuable input to the ability to overcome them.

**1. Lack of organisational slack:** People need space, time and permission to be creative and to generate new ideas. The absence of slack can act as a barrier to the successful implementation of a strategy involving creativity and innovation. Organisations that allow a certain level of slack are in a better position to harvest the ideas that their people generate and to identify, develop and implement valuable innovations.

**2. Bureaucracy:** Bureaucracy is the antithesis of flexibility which is essential for creativity and innovation to flourish. Unfortunately, organisations often introduce bureaucracy under the misguided notion that it is a way of ensuring administrative effectiveness and productivity (clear procedures, appropriate forms, etc.)

**3. Structure:** It is not easy to identify an ideal organizational structure that would allow creativity and innovation to be nurtured within an organization. Small (or family-run) organisations seldom have major organisational problems. They may function extremely well without a formal structure, mainly because everyone knows what is going on and can respond and take practical decisions.

**4. Lack of Communication:** An effective system of communication – both lateral and vertical – is essential. Effective communication in an organisation is a manifestation of a cooperative and purposeful group of people at work. Creativity and innovation can flourish in organisations with effective communication, otherwise the chances for creativity to flourish are very slim. A simple question that can be asked is: ‘What do you do with a good idea when you have one?’ Effective communication allows for the harvesting of good ideas, some of which may become profitable innovations.

**5. The ‘imported talent’ syndrome:** A serious barrier to the development of a climate in which creativity can develop and flourish is the notion that progress and innovation can only be achieved through the importation of external talent. But the notion that the only creative individuals are the ones that exist outside the organisation can demolish both the confidence and motivation of staff.

**6. Financial aversion to risk taking:** The fact that one’s plans, decisions and activities are constantly analysed and evaluated in financial terms is not encouraging. Creativity and innovation demand a certain level of intellectual adventure and financial risk. Innovation, by definition, seeks to ensure that selected activities will entail ‘*doing things differently, better, cheaper or more aesthetically.*’ When those responsible for finances breathe down one’s neck, it is difficult to be creative.

How can these barriers be overcome and what steps can be taken to facilitate and encourage creativity and innovation amongst staff at all levels? Some suggestions could include the following:

- Remove fear and increase trust – staff who fear failure will not innovate
- Make innovation part of everyone’s performance review system – ask each member of staff to reflect and to propose suggestions on what they will create or improve in the coming year – encourage the use of foresight
- Build in enough looseness for staff to explore new possibilities and collaborate with others both within and outside the system
- Train staff to scan the environment for new trends, technologies and changes both within and outside the organisation
- Encourage staff and raise awareness on the critical importance of diversity of thinking styles, experience, perspectives and expertise. Expect diversity in all activities related to innovation
- Develop an idea management system that captures ideas in a way that encourages staff to build on and evaluate new possibilities

The question arises as to whether an organisation’s innovativeness is the function and the result of creative employees or, possibly, of the creative management, or is it the climate and culture of the organisation which provides the stimulus for creative output? Although a top-down approach to instilling a culture which promotes creativity within an organization certainly helps, it is the symbiosis between ‘creative

organisations' and 'creative people' that produces innovation. It is the interplay between individual creativity and environmental creativity that is the driving force of innovation in any organisation.

Intrinsic motivation is often said to play an important role where creativity and innovation are concerned and Teresa Amabile has done a great deal of research on this topic. Amabile claims that people are mostly creative when they are primarily motivated by interest, enjoyment, satisfaction and challenge of work itself. Creativity may be inhibited in a highly structured environment where employees are dictated on how they ought to go about accomplishing a task. (Amabile et. al. 1996)

During the course of research I have conducted two concerns consistently arise. Both issues are closely linked to the 'creative climate' which is considered as an essential element within organisations that foster and value creativity and innovation.

The first issue concerns the contradiction that is often evident in organisations that pay lip service to the importance of organisational creativity and innovation, yet fail to develop a strategic plan or to use foresight methodologies to design measures that sustain and maintain organisational creativity and innovation. Two important concepts need to be reflected upon in this regard – exploring the mis-match in perception between managers' views on creativity and innovation and those existing in the literature on the subject, and creating stronger links between researchers and decision makers. There is certainly a great deal to be learnt from an investigation into the manner in which key people within organisations perceive the role that creativity and innovation play within their organisation. It is only by means of a thorough understanding of existing perceptions and practices within organisations that researchers in the field of organisational creativity and innovation can work towards better dissemination and adoption of the results of their research.

The second issue concerns staff training and development. It questions why organisations generally fail to reap the benefits and value gained from staff training in spite of a strong awareness of its importance, in particular where so-called 'soft' skills such as communication, motivation and creativity are concerned. We are undoubtedly bound to hear a great deal about methods which enhance creativity during the course of this conference. Unfortunately, however, it seems as though the benefits of such staff training may at times simply fizzle away within a day or two when staff return to work. The value of evaluating the medium and long-term effects of such training and exploring the benefits of follow-up programs needs to be given due consideration in an attempt to harness and exploit potential benefits.

Organisations need to go further than merely view staff training as motivating and empowering. (Tidd, Bessant and Pavitt, 2001: 328) Training is valuable as it develops in staff the 'habit of learning' which is essential in today's organisations where major innovations involve resistance to change which can only be overcome through staff training in the required abilities or skills together with education concerning the strategic rationale for change which innovation necessarily brings in its wake. (Tidd, Bessant and Pavitt, 2001: 329)

Training staff could be strategically planned to foster skills and attitudes that are essential in today's fast changing world. One possibility could involve encouraging and developing the entrepreneurial spirit of staff. Entrepreneurship is closely linked to creativity and innovation. Entrepreneurs are prepared to recognise opportunities and to take risks. As one particular author writes, 'The entrepreneur is a maker of history, but his guide in making it is his judgement of possibilities and not a calculation of certainties.' (Shackle, 1982) As I have worked with Edward de Bono's methods over the past fifteen years it is obvious that 'judgement of possibilities' is not sufficient for

entrepreneurship. Possibilities first have to be generated, designed or created, and the Lateral Thinking techniques for which de Bono is so well known provide excellent methods to achieve this aim, mainly because of the importance they attribute to 'possibilities'.

Possibilities for de Bono counteract what are often experienced as judgemental and conservative tendencies where at first it may seem to be the case that no alternatives are available. This is where the entrepreneurial spirit can be viewed as being nurtured and developed through the use of simple and effective methods such as de Bono's Lateral Thinking techniques.

There is no doubt that people are an organisation's most valuable asset. However employing 'creative people' does not necessarily make an organisation creative. Other enabling factors are more influential and a creative person within a stifling climate will certainly not be as effective as expected. A two-fold strategy can be adopted to foster creativity and innovation within organizations which involves:

- Ensuring that organisational structures and processes optimise the creativity of the staff;
- Developing the creative capacity of staff through training.

How can this be done? It is essential that all those who are involved – regardless of their position within the organization – need to have a good understanding of creativity and innovation and to understand:

- Exactly what is involved in the situation;
- What kind of behaviour needs to be fostered;
- What supports and what inhibits creativity and innovation in the organization.

Before moving on to see how this can be achieved it is important to dispel some false assumptions:

- Some people are creative while others are not;
- Creativity is something people have or don't have;
- Creativity at work is disruptive and counter-productive;
- Creativity is only relevant in certain departments (eg design, publicity, marketing)

These are all false! Creativity and innovation involve optimising the performance of every person and every department within an organization – everyone has a role to play in the process. Creativity is an essential feature of human behaviour. Most people are capable of a lot more creativity than they or their managers realise. Everyone can learn to be more creative and to generate more ideas within their organizations.

Creativity can no longer be seen as a mysterious 'gift' that some people possess while others do not. Edward de Bono has gone a long way to demonstrate that everyone can improve their creativity if it is viewed as a skill that can be learnt.

Whether creativity is fostered or hindered within an organisation depends to a great extent on motivated individuals whose potential for creativity is nurtured by means of the cultivation of a climate or environment conducive to creativity, as Mauzy and Harriman (2003) clearly state: 'Individuals need to build a climate to nourish and protect their own creativity from the indifference or hostility of the larger

climate. Companies need to transform the larger climate into one that actively supports creativity throughout the organisation.’ (Mauzy and Harriman, 2003: 7)

Organisational climate, according to Hunter et. al, consists of ‘the individual’s perception of environmental factors shaping the expectations about outcomes, contingencies, requirements, interactions in the work environment.’ (Hunter et. al. 2005)

Three specific elements which incorporate both individual and contextual elements should be present in an organisation with an effective system for managing innovation:

- The climate for creative thinking must be right;
- An effective system of communicating ideas must exist at all levels;
- Procedures for managing innovation must be in place.

This is in line with a statement by Tidd, Bessant and Pavitt on the creative climate: “Building a creative climate involves systematic development of organisational structures, communication policies and procedures, reward and recognition systems, training policy, accounting and measurement systems and deployment of strategy.” (Tidd, Bessant and Pavitt, 2001)

#### **4.0 Linking creativity, innovation, foresight and entrepreneurship**

‘What enables the wise sovereign and the good general to ... achieve things beyond the reach of ordinary men is foreknowledge.’ This statement by Sun Tzu, quoted from *The Art of War*, encapsulates the link between foresight and achieving the extraordinary – which is what adherents of creativity and innovation strive to achieve.

Foreknowledge is a valuable asset through which errors of judgement may be avoided. However the future is often obscure and planning ahead generally involves risk taking and uncertainty. As Michel Godet states, futures thinking represents ‘an art which requires many talents, e.g. non-conformism, intuition and common sense’.

A great deal of effort has been accomplished in recent years to design practical methodologies through which we can develop scenarios or visions to forecast the future which we can never know with certainty.

Foresight is often conceived as a methodology to counter uncertainty and reduce complexity. It involves thinking about the future, creating and sharing alternative scenarios and visions, planning and acting now to ensure a better future. Through foresight we create and explore alternative future scenarios in an attempt to clarify the potential future implications of present action. Subsequently, we take steps to formulate policy to make a desirable future occur or to optimise unfavourable circumstances.

Foresight is closely related to creative thinking as it involves the use of the imagination, the cultivation of a sense of enquiry and inquisitiveness, and the motivation to make the necessary leap to a future which is still unknown and uncertain. This is essential in today’s day and age when both technological and social change has become so pronounced – the rate of change accelerates to a greater degree as time progresses.

Entrepreneurship is closely linked to foresight, creativity and innovation. Peter Drucker maintains that ‘Innovation is the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or a different service.’ (Drucker, 2001 :17) Entrepreneurs look towards the future, recognise opportunities and take risks.

Entrepreneurship comprises a broad array of activities. Starting any sort of association that brings something that people did not think possible into a community counts as entrepreneurship. There are social entrepreneurs, civic entrepreneurs and commercial entrepreneurs. Most people will benefit by adopting a basic set of entrepreneurial practices in their working lives and, where possible, applying them to the social, civic and commercial institutions within which they are active. Competitiveness today applies not only to institutions but also to individuals and the acquisition of entrepreneurial skills is essential in today's knowledge society.

Flores and Gray (2000) draw attention to the fact that the decline of careers as traditionally perceived constitutes the principal economic challenge facing the working majority which necessitates new thinking about individuals' economic lives. They predict the emergence of two different forms of life, the wired life and the entrepreneurial life, as a consequence of the decline of the career.

They describe the wired (fast, globally networked, project-centred) life as relating to the form of productivity which is emerging in high-tech and media centres. Wired productivity creates new social goods and ethical values which replace and diminish esteem for the traditional values related to careers.

On the other hand, the entrepreneurial life accentuates new values and supports the traditional social goods of the career in new ways. Many working lives today are both wired and entrepreneurial.

This leads to a shift in the concept of entrepreneurship from that of an individualistic way of life motivated by financial gain towards the recognition of opportunities and acting upon them with commitment and creativity. This is in line with Peter Drucker's statement, 'everyone who can face up to decision making can learn to be an entrepreneur and to behave entrepreneurially.' (2001: 23)

Entrepreneurship is a skill that can be learnt and which should be fostered by people who are employed and those who operate independently. If work is to be meaningful in the future, it is necessary to take concrete action to encourage opportunities for commitment, innovation and entrepreneurship, both for those who are in employment and others who are entrepreneurs in the more traditional sense of the word.

## 5.0 Conclusion

A quotation from Edward de Bono aptly sums up the importance of thinking about the future through a flexible mindframe – which is something that his world renowned methods help us to achieve. de Bono states, 'In the future, instead of striving to be right at a high cost, it will be more appropriate to be flexible and plural at a lower cost. If you cannot accurately predict the future then you must flexibly be prepared to deal with various possible futures.'

I would like to conclude with a word of caution - those individuals and organizations that are not open to innovation, entrepreneurship and foresight and that are not receptive to opportunities, possibilities and change are the ones who risk becoming obsolete in the short-term – a scenario that is diametrically opposed to the one where economic and social development thrive. What is needed for improved organisational innovation and subsequent economic development is an increased awareness of the importance of recognising opportunities, the generation of possibilities together with the development of skills for generating ideas and for creatively thinking out of the box.

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