Eyes Wide Shut

Leading for innovation in post-recession Britain
About the study

Eyes Wide Shut is based on interviews with leaders from 400 of the UK’s largest companies. Our research sample includes CEOs, directors and senior leaders from ten industries: banking, energy, FMCG, healthcare, insurance, manufacturing, media, professional services, retail and telecoms.

Interviews were carried out by independent research agency Coleman Parkes in 2014.

About ?What If!

?What If! is the world’s largest independent strategic innovation consultancy.

For more than twenty years, we have partnered with organisations including First Direct, Google, Pfizer, Sky, Unilever and Waitrose to create new products, business models and services and help businesses embed innovation capabilities.

www.whatifinnovation.com

Contents

1 Foreword

2 The case for innovation

3 Today’s three critical threats to innovation:
   - Leadership: Built to operate not innovate
   - Structure: Damaged by disconnection
   - Execution: Process paralysis

4 Conclusion

© Copyright ?What If! Holdings Limited 2014.
This report and its contents are the property of ?What If! Holdings Limited.
About the study

Eyes Wide Shut is based on interviews with leaders from 400 of the UK’s largest companies. Our research sample includes CEOs, directors and senior leaders from ten industries: banking, energy, FMCG, healthcare, insurance, manufacturing, media, professional services, retail and telecoms.

Interviews were carried out by independent research agency Coleman Parkes in 2014.

About ?What If!

?What If! is the world’s largest independent strategic innovation consultancy.

For more than twenty years, we have partnered with organisations including First Direct, Google, Pfizer, Sky, Unilever and Waitrose to create new products, business models and services and help businesses embed innovation capabilities.

www.whatifinnovation.com

Contents

1. Foreword

2. The case for innovation

3. Today’s three critical threats to innovation:
   - Leadership: Built to operate not innovate
   - Structure: Damaged by disconnection
   - Execution: Process paralysis

4. Conclusion
There is a story that we all want to believe. The recession is over. Confidence is rising. British business is heaving a huge collective sigh of relief. So now we look forwards and upwards. Now we can invest, innovate and grow. But this story has a sting in the tail.

During a recession priorities are clear: drive costs down, minimise risk and just carry on. Now the economic sun is rising it illuminates a landscape of unprecedented disruption - changed customer behaviours, new technologies, ease of market entry and increased globalisation. Business leaders need to innovate harder than ever to grow and even to survive.

And here’s the rub – our research tells us that British business leaders are confident talking about innovation, but when it comes to rolling their sleeves up and getting on with it they are a lot less assured. We found innovation is a concept we all love to discuss but few of us actually know how to use it to land lasting commercial impact.

Finding this innovation muscle will define the scale and speed with which this country emerges from recession. We need to open our eyes to the reality of what it takes to innovate.

We set out to investigate how UK corporates are meeting the challenges of growth, new competition and disruptive market forces. We interviewed leaders of 400 of the nation’s largest businesses in ten key industries including banking, healthcare, FMCG, telecoms and retail.

We found CEOs and directors acutely aware of the dangers they face. Three-quarters say fast-changing market conditions are forcing companies to reinvent themselves quicker than ever before. Seven in ten fear their company is over-reliant on fading revenue streams. Most strikingly of all, in the current environment more than a quarter of leaders believe their business model will become entirely unsustainable within just three years.

No industry in Britain is immune to the challenges of growth and each sector has its own demons - from the collapse of trust in banks and energy providers, to patent limitations facing pharmaceutical companies and the accelerating shift from the shop on the high street to the shop in your pocket.

Our study reveals that British business is suffering from the mother of all economic hangovers. While able to identify their challenges they are not clear on the solutions. There are clear and present dangers to innovation-led growth; efficiency-focused leadership, disconnected structures and execution paralysed by processes.

Drawing on more than 20 years of innovation expertise we explore how even large organisations with entrenched operating models can make a positive choice to be the disruptor and not the disrupted.

Thank you to the business leaders who participated in this study for their candid insights. We hope you find this report a useful guide in your own journey of growth.
Foreword

Matt Kingdon
?What If! Co-Founder and Co-Chairman

There is a story that we all want to believe. The recession is over. Confidence is rising. British business is heaving a huge collective sigh of relief. So now we look forwards and upwards. Now we can invest, innovate and grow. But this story has a sting in the tail.

During a recession priorities are clear: drive costs down, minimise risk and just carry on. Now the economic sun is rising it illuminates a landscape of unprecedented disruption - changed customer behaviours, new technologies, ease of market entry and increased globalisation. Business leaders need to innovate harder than ever to grow and even to survive.

And here’s the rub – our research tells us that British business leaders are confident talking about innovation, but when it comes to rolling their sleeves up and getting on with it they are a lot less assured. We found innovation is a concept we all love to discuss but few of us actually know how to use it to land lasting commercial impact.

Finding this innovation muscle will define the scale and speed with which this country emerges from recession. We need to open our eyes to the reality of what it takes to innovate.

We set out to investigate how UK corporates are meeting the challenges of growth, new competition and disruptive market forces. We interviewed leaders of 400 of the nation’s largest businesses in ten key industries including banking, healthcare, FMCG, telecoms and retail.

We found CEOs and directors acutely aware of the dangers they face. Three-quarters say fast-changing market conditions are forcing companies to reinvent themselves quicker than ever before. Seven in ten fear their company is over-reliant on fading revenue streams. Most strikingly of all, in the current environment more than a quarter of leaders believe their business model will become entirely unsustainable within just three years.

No industry in Britain is immune to the challenges of growth and each sector has its own demons - from the collapse of trust in banks and energy providers, to patent limitations facing pharmaceutical companies and the accelerating shift from the shop on the high street to the shop in your pocket.

Our study reveals that British business is suffering from the mother of all economic hangovers. While able to identify their challenges they are not clear on the solutions. There are clear and present dangers to innovation-led growth; efficiency-focused leadership, disconnected structures and execution paralysed by processes.

Drawing on more than 20 years of innovation expertise we explore how even large organisations with entrenched operating models can make a positive choice to be the disruptor and not the disrupted.

Thank you to the business leaders who participated in this study for their candid insights. We hope you find this report a useful guide in your own journey of growth.
Our research reveals innovation has never been more crucial - both to the UK’s economic growth and to the survival of its biggest employers.

Almost three-quarters (72 per cent) of directors of the country’s largest businesses admit their organisation is too reliant on fading revenue streams.

Worryingly, leaders of more than a quarter (28 per cent) of these major companies fear their business model will cease to work altogether within just three years.

More than a quarter of leaders of the UK’s largest companies say their business model will cease to work altogether in just three years.

The issue goes much deeper than a demand for new products and services. Leaders have identified a need for continual renewal at the heart of how UK companies generate value.

The case for innovation

“My dear, here we must run as fast as we can, just to stay in one place. And if you wish to go anywhere you must run twice as fast as that.”

Lewis Carroll, Alice in Wonderland

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telecoms</td>
<td>87%</td>
</tr>
<tr>
<td>Retail</td>
<td>80%</td>
</tr>
<tr>
<td>Banking</td>
<td>77%</td>
</tr>
<tr>
<td>FMCG</td>
<td>76%</td>
</tr>
<tr>
<td>Insurance</td>
<td>75%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>72%</td>
</tr>
<tr>
<td>Professional Services</td>
<td>71%</td>
</tr>
<tr>
<td>Media</td>
<td>63%</td>
</tr>
<tr>
<td>Energy</td>
<td>63%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>61%</td>
</tr>
<tr>
<td>UK Overall</td>
<td>72%</td>
</tr>
</tbody>
</table>

72% of leaders admit their business rests too heavily on fading revenue streams

28% of major company leaders believe their business model is not sustainable

Many months after the UK recession ended, most of its businesses are only now on the brink of changing strategy to focus on growth rather than efficiency. Almost two-thirds (61 per cent) are about to make the switch.

With their growth prospects equally dependent on innovation, more than two-thirds (69 per cent) of UK corporates name innovation within their top three priorities.
Our research reveals innovation has never been more crucial - both to the UK’s economic growth and to the survival of its biggest employers.

Almost three-quarters (72 per cent) of directors of the country’s largest businesses admit their organisation is too reliant on fading revenue streams.

The issue goes much deeper than a demand for new products and services. Leaders have identified a need for continual renewal at the heart of how UK companies generate value.

Worryingly, leaders of more than a quarter (28 per cent) of these major companies fear their business model will cease to work altogether within just three years.

More than a quarter of leaders of the UK’s largest companies say their business model will cease to work altogether in just three years.

Many months after the UK recession ended, most of its businesses are only now on the brink of changing strategy to focus on growth rather than efficiency. Almost two-thirds (61 per cent) are about to make the switch.

With their growth prospects equally dependent on innovation, more than two-thirds (69 per cent) of UK corporates name innovation within their top three priorities.

72% of leaders admit their business rests too heavily on fading revenue streams

28% of major company leaders believe their business model is not sustainable

“The case for innovation

“My dear, here we must run as fast as we can, just to stay in one place. And if you wish to go anywhere you must run twice as fast as that.”

Lewis Carroll, Alice in Wonderland
Despite the vital importance of innovation to leaders and the firms they steer, there is a widespread undercurrent of complacency. An extraordinary 94 per cent of CEOs are content with their current innovation pipeline. This flies in the face of data revealing the slow progress of innovation initiatives. The same businesses are taking on average more than 19 months to get an idea to market and a sizeable minority (38 per cent) of leaders admit they do not know where a significant proportion of their company’s 2014/5 revenue will come from.

Where innovation is concerned there is a strange detachment. Leaders recognise the troubling realities of the commercial landscape and the need to change fast. Yet three key barriers are preventing the transformation of great ideas into tomorrow’s revenue streams, and with it diminishing the nation’s prospects of an innovation-led recovery:

**Leadership: Built to operate not innovate**

More than two-thirds (68 per cent) of directors think their leadership team is better at delivering efficiency than growth. Many leaders have grown up in a world where process re-engineering and geographic expansion have produced increased efficiencies and growth. But today, faced with a brutal and disruptive commercial environment, a new pioneering spirit is needed.

**Structure: Damaged by disconnection**

Large companies that deliver steady growth and incremental improvements are particularly vulnerable to market disruption through the very efficiency of their structures, which allow little room for manoeuvre. Most are failing to support the cross-departmental collaboration needed to launch successful innovations and two-thirds (62 per cent) of directors claim it is “almost impossible” to gain support to test and develop ideas. While a level of bureaucracy is inevitable, silos can be broken and shortcuts carved to create true collaboration.

**Execution: Process paralysis**

As the change around us has accelerated, few companies have sped up their innovation processes. More than two-thirds (68 per cent) of companies now take just as long or even longer to launch a new product or service than they did five years ago. Escaping a mindset that demands proof and certainty and entering a world of experimentation and iteration will build better ideas that get to market faster.
Despite the vital importance of innovation to leaders and the firms they steer, there is a widespread undercurrent of complacency. An extraordinary 94 per cent of CEOs are content with their current innovation pipeline. This flies in the face of data revealing the slow progress of innovation initiatives. The same businesses are taking on average more than 19 months to get an idea to market and a sizeable minority (38 per cent) of leaders admit they do not know where a significant proportion of their company’s 2014/5 revenue will come from.

Where innovation is concerned there is a strange detachment. Leaders recognise the troubling realities of the commercial landscape and the need to change fast. Yet three key barriers are preventing the transformation of great ideas into tomorrow’s revenue streams, and with it diminishing the nation’s prospects of an innovation-led recovery:

**Leadership: Built to operate not innovate**

More than two-thirds (68 per cent) of directors think their leadership team is better at delivering efficiency than growth. Many leaders have grown up in a world where process re-engineering and geographic expansion have produced increased efficiencies and growth. But today, faced with a brutal and disruptive commercial environment, a new pioneering spirit is needed.

**Structure: Damaged by disconnection**

Large companies that deliver steady growth and incremental improvements are particularly vulnerable to market disruption through the very efficiency of their structures, which allow little room for manoeuvre. Most are failing to support the cross-departmental collaboration needed to launch successful innovations and two-thirds (62 per cent) of directors claim it is “almost impossible” to gain support to test and develop ideas. While a level of bureaucracy is inevitable, silos can be broken and shortcuts carved to create true collaboration.

**Execution: Process paralysis**

As the change around us has accelerated, few companies have sped up their innovation processes. More than two-thirds (68 per cent) of companies now take just as long or even longer to launch a new product or service than they did five years ago. Escaping a mindset that demands proof and certainty and entering a world of experimentation and iteration will build better ideas that get to market faster.
Almost three in five (58 per cent) business leaders in large UK companies admit their management team is failing to effectively lead for innovation.

So how are leaders holding back innovation?

Firstly, companies are stuck in an efficiency rut: in more than two-thirds (68 per cent) of businesses the leadership team is considered better at delivering efficiency than growth. This rises to 83 per cent in the banking sector.

Well-established businesses naturally strive for efficiency and cost control. Yet a business built for efficiency breeds risk aversion and reductive thinking, which is a fundamentally toxic environment for innovation.

Worse still, after five years of economic stagnation, the benefits of cost reduction and process engineering are all but exhausted. The UK’s leaders know they need to switch from efficiency to innovation and growth, but, so far, resolve is not translating into noticeable change.
Leadership: Built to operate not innovate

“Just keep swimming.”
Disney Pixar, Finding Nemo

Today’s three critical threats to innovation

Almost three in five (58 per cent) business leaders in large UK companies admit their management team is failing to effectively lead for innovation.

Well-established businesses naturally strive for efficiency and cost control. Yet a business built for efficiency breeds risk aversion and reductive thinking, which is a fundamentally toxic environment for innovation.

Worse still, after five years of economic stagnation, the benefits of cost reduction and process engineering are all but exhausted. The UK’s leaders know they need to switch from efficiency to innovation and growth, but, so far, resolve is not translating into noticeable change.
68% of UK leadership teams are better at bottom-line efficiency than top-line growth.

Leadership teams in more than two-thirds of UK corporates are considered better at delivering efficiency than growth.

There is a lack of diversity at all levels, with more than three in five (61 per cent) claiming innovation is difficult because most people in their organisation think in the same way. In addition to the challenge of groupthink, close to half of leaders (45 per cent) say their board is weighted heavily towards accountants with a strong financial skillset and four in five (80 per cent) believe this analytical strength comes at the direct expense of innovation.

More than half of leaders worry their board often talks about innovation, but nobody is clear what it means.

There is a further issue around high leadership turnover. Nearly three in five leaders (58 per cent) are concerned the short tenure of many board members holds back long-term innovation. In a similar way the quarterly reporting cycle compounds risk-averse behaviours. Almost two-thirds (62 per cent) fear concerns about market reaction have a negative impact on innovation decisions.

60 per cent of major company directors admit their leadership team fails to understand their customers.

Finally leaders suffer from being detached from customers, with 60 per cent of directors admitting their leadership team fails to understand its customers. This rises to 70 per cent amongst retailers and 69 per cent in the energy and manufacturing sectors.

Four ways to lead for innovation

Matt Kingdon
What If! Co-Founder and Co-Chairman

1. Champions at the top:
Boardrooms need an innovation champion and ideally more than one. These champions role model breakthrough innovation behaviours and give permission to the rest of the organisation to experiment. Typically these people act as a captain, rallying the troops and showing the way and yet they can seamlessly switch to a more challenging pirate role - subverting the system and breaking the rules, in an all out effort to drive innovation home. These champions are obsessed with outcomes, not process and give balance and power to a board.

2. More ‘others’, less ‘me’:
Leaders need a blend of strong leadership and a high dose of curiosity to make innovation happen. Too often, senior executives unwittingly get overwhelmed with the mechanics of their business and forget that the world is changing rapidly for their customers. Orientating discussion and decisions around a world outside the office, collaborating with outsiders with new expertise – and doing all this with an open mind – these are the hallmarks of great leaders of innovation.

3. Create a compelling view of the future:
Innovation leaders do more than just develop strategy – they create a punchy opinion about how the world should be and use this to explore future directions. They weave the logic of business planning with an inspirational call to arms about how their organisation will make a difference in the world.

4. Experiment more, think less:
Innovation is all about action not argument. It’s very rare to find an innovator who has thought their way to success. Most innovation stories are a rich mix of failures and victories – what holds them together is the ability to try things out and learn as you go. So leaders need to create the conditions and capabilities for experimentation and not give up at the first sign of failure.
Leadership teams in more than two-thirds of UK corporates are considered better at delivering efficiency than growth.

There is a lack of diversity at all levels, with more than three in five (61 per cent) claiming innovation is difficult because most people in their organisation think in the same way. In addition to the challenge of groupthink, close to half of leaders (45 per cent) say their board is weighted heavily towards accountants with a strong financial skillset and four in five (80 per cent) believe this analytical strength comes at the direct expense of innovation.

More than half of leaders worry their board often talks about innovation, but nobody is clear what it means.

There is a further issue around high leadership turnover. Nearly three in five leaders (58 per cent) are concerned the short tenure of many board members holds back long-term innovation. In a similar way the quarterly reporting cycle compounds risk-averse behaviours. Almost two-thirds (62 per cent) fear concerns about market reaction have a negative impact on innovation decisions.

60 per cent of major company directors admit their leadership team fails to understand their customers.

Finally leaders suffer from being detached from customers, with 60 per cent of directors admitting their leadership team fails to understand its customers. This rises to 70 per cent amongst retailers and 69 per cent in the energy and manufacturing sectors.

Four ways to lead for innovation

1 Champions at the top:
Boardrooms need an innovation champion and ideally more than one. These champions role model breakthrough innovation behaviours and give permission to the rest of the organisation to experiment. Typically these people act as a captain, rallying the troops and showing the way and yet they can seamlessly switch to a more challenging pirate role - subverting the system and breaking the rules, in an all out effort to drive innovation home. These champions are obsessed with outcomes, not process and give balance and power to a board.

2 More ‘others’, less ‘me’:
Leaders need a blend of strong leadership and a high dose of curiosity to make innovation happen. Too often, senior executives unwittingly get overwhelmed with the mechanics of their business and forget that the world is changing rapidly for their customers. Orientating discussion and decisions around a world outside the office, collaborating with outsiders with new expertise – and doing all this with an open mind – these are the hallmarks of great leaders of innovation.

3 Create a compelling view of the future:
Innovation leaders do more than just develop strategy – they create a punchy opinion about how the world should be and use this to explore future directions. They weave the logic of business planning with an inspirational call to arms about how their organisation will make a difference in the world.

4 Experiment more, think less:
Innovation is all about action not argument. It’s very rare to find an innovator who has thought their way to success. Most innovation stories are a rich mix of failures and victories – what holds them together is the ability to try things out and learn as you go. So leaders need to create the conditions and capabilities for experimentation and not give up at the first sign of failure.

Matt Kingdon
What If! Co-Founder and Co-Chairman
Today’s three critical threats to innovation

**Structure: Damaged by disconnection**

“The sun shone, having no alternative, on the nothing new.”

*Samuel Beckett, Murphy*

While leaders are concerned that the UK’s largest companies provide a cold climate for innovation, creativity does battle through. 58 per cent of business leaders claim their teams do not struggle to come up with new ideas. But the size and complexity of mature businesses creates inertia that is slowly strangling ideas before they can become marketable products or services.

There is no shortage of imagination in UK corporates, but two-thirds find it “almost impossible” to get support to develop their ideas.

Nearly two-thirds (62 per cent) of business leaders admit it is “almost impossible” to gain support to test and develop ideas.

This means one of two things is happening. Either good concepts are being killed off by poor incubation and development processes, or the ideas being proposed lack strategic alignment; failing to match either the company’s commercial ambitions, or its operational capabilities.

According to 62 per cent of business leaders, it is almost impossible to gain support to test new ideas. So what is it about the UK’s current corporate ecosystem that is choking innovation?

Disconnection is a common concern. Two-thirds (66 per cent) of business leaders claim their organisational structure makes it difficult to share knowledge and understanding. This disconnection is apparent through layers of management as well as between departments.
Today’s three critical threats to innovation

Structure: Damaged by disconnection

“The sun shone, having no alternative, on the nothing new.”

Samuel Beckett, Murphy

While leaders are concerned that the UK’s largest companies provide a cold climate for innovation, creativity does battle through. 58 per cent of business leaders claim their teams do not struggle to come up with new ideas. But the size and complexity of mature businesses creates inertia that is slowly strangling ideas before they can become marketable products or services.

There is no shortage of imagination in UK corporates, but two-thirds find it “almost impossible” to get support to develop their ideas.

Nearly two-thirds (62 per cent) of business leaders admit it is “almost impossible” to gain support to test and develop ideas.

This means one of two things is happening. Either good concepts are being killed off by poor incubation and development processes, or the ideas being proposed lack strategic alignment; failing to match either the company’s commercial ambitions, or its operational capabilities.

While leaders are concerned that the UK’s largest companies provide a cold climate for innovation, creativity does battle through. 58 per cent of business leaders claim their teams do not struggle to come up with new ideas. But the size and complexity of mature businesses creates inertia that is slowly strangling ideas before they can become marketable products or services.

There is no shortage of imagination in UK corporates, but two-thirds find it “almost impossible” to get support to develop their ideas.

Nearly two-thirds (62 per cent) of business leaders admit it is “almost impossible” to gain support to test and develop ideas.

This means one of two things is happening. Either good concepts are being killed off by poor incubation and development processes, or the ideas being proposed lack strategic alignment; failing to match either the company’s commercial ambitions, or its operational capabilities.
Two-thirds of leaders claim their organisational structure makes it difficult to share knowledge.

Banks suffer most from silos, with almost nine in ten (87 per cent) blaming their structure for stopping ideas in their tracks.

More than half (53 per cent) of UK companies are missing out on innovation opportunities because their employees are blind to the bigger picture. This rises to seven in ten (70 per cent) in media companies – showing an ironic failure to communicate.

Nearly two-thirds (59 per cent) of leaders see bureaucracy stopping innovative ideas before they reach fruition. Manufacturing is worst hit with two in three (66 per cent) admitting red tape stops good ideas being transformed into products and services.

Four ways to organise for innovation

Atif Sheikh
?What If! European Business Leader

1. Innovation is a contact sport:
Innovation by definition requires people to step off the path and do extraordinary things. In order to get the courage and the conviction to step out of line, innovators at all levels of the business need to see and feel customer needs. Immersive experiences with customers, often in their own homes, workplace, cars, or whilst shopping drives huge engagement and a passion to make things happen. Leaders that enable this degree of contact are more likely to be rewarded with successful innovation than those that chain colleagues to their desks.

2. Encourage a singular obsession:
A successful commercial launch is the only true measure of innovation success. This almost always involves many people across the organisation all pulling in the same direction. A singular obsession with doing the right thing for customers is a great way to break down silos. Remember that the innovator’s mantra is: “all that matters is the outcome”.

3. Create innovation safe zones:
At an early stage in the innovation lifecycle an idea will need a degree of protection from the corporate machine. Temporarily insulated from the need to prove value, innovators are free to think and experiment in a safe environment. Judging when and how to provide such cover is critical. Too much cover creates resentment and soft ideas, too little and you risk destroying an idea before it has a chance to show its true colours.

4. Train balanced thinking:
Large organisations, by their efficient, process-driven nature, have a tendency to promote reductive, analytical thinking. Innovation requires both expansive and reductive thinking – sometimes from the same person in the same meeting. Switching between expansive and reductive mode is a simple process but it needs to be deliberate, learned and practised to become a natural habit.
Two-thirds of leaders claim their organisational structure makes it difficult to share knowledge.

Banks suffer most from silos, with almost nine in ten (87 per cent) blaming their structure for stopping ideas in their tracks.

More than half (53 per cent) of UK companies are missing out on innovation opportunities because their employees are blind to the bigger picture. This rises to seven in ten (70 per cent) in media companies – showing an ironic failure to communicate.

Nearly two-thirds (59 per cent) of leaders see bureaucracy stopping innovative ideas before they reach fruition. Manufacturing is worst hit with two in three (66 per cent) admitting red tape stops good ideas being transformed into products and services.

Four ways to organise for innovation

Atif Sheikh
?What If! European Business Leader

1. Innovation is a contact sport:
Innovation by definition requires people to step off the path and do extraordinary things. In order to get the courage and the conviction to step out of line, innovators at all levels of the business need to see and feel customer needs. Immersive experiences with customers, often in their own homes, workplace, cars, or whilst shopping drives huge engagement and a passion to make things happen. Leaders that enable this degree of contact are more likely to be rewarded with successful innovation than those that chain colleagues to their desks.

2. Encourage a singular obsession:
A successful commercial launch is the only true measure of innovation success. This almost always involves many people across the organisation all pulling in the same direction. A singular obsession with doing the right thing for customers is a great way to break down silos. Remember that the innovator’s mantra is: “all that matters is the outcome”.

3. Create innovation safe zones:
At an early stage in the innovation lifecycle an idea will need a degree of protection from the corporate machine. Temporarily insulated from the need to prove value, innovators are free to think and experiment in a safe environment. Judging when and how to provide such cover is critical. Too much cover creates resentment and soft ideas, too little and you risk destroying an idea before it has a chance to show its true colours.

4. Train balanced thinking:
Large organisations, by their efficient, process-driven nature, have a tendency to promote reductive, analytical thinking. Innovation requires both expansive and reductive thinking – sometimes from the same person in the same meeting. Switching between expansive and reductive mode is a simple process but it needs to be deliberate, learned and practised to become a natural habit.
Today’s three critical threats to innovation

Execution: Process paralysis

“For a moment nothing happened. Then, after a second or so, nothing continued to happen.”

Douglas Adams, The Hitchhiker’s Guide to the Galaxy

The final barrier to innovation uncovered by our research, is the need to translate ideas into revenue before being outpaced by competitors.

Innovation is slow. UK companies take on average 19.2 months to progress an innovation from idea to market. Worse still, inertia prevails. While necessity is famously the mother of invention, few companies have sped up their innovation processes even as the world around them changes faster than ever. Almost half (48 per cent) take just as long to develop an idea as they did in 2009. One in five (20 per cent) take even longer.

68% of UK corporates take just as long, or even longer, to innovate in 2014 than they did in 2009.

Yet business leaders believe that even if they perfected their processes they could only speed this up to 18 months. Does this mean leaders think their current processes are only five weeks short of perfection?
Today’s three critical threats to innovation

Execution: Process paralysis

“For a moment nothing happened. Then, after a second or so, nothing continued to happen.”
Douglas Adams, The Hitchhiker’s Guide to the Galaxy

The final barrier to innovation uncovered by our research, is the need to translate ideas into revenue before being outpaced by competitors.

Innovation is slow. UK companies take on average 19.2 months to progress an innovation from idea to market. Worse still, inertia prevails. While necessity is famously the mother of invention, few companies have sped up their innovation processes even as the world around them changes faster than ever. Almost half (48 per cent) take just as long to develop an idea as they did in 2009. One in five (20 per cent) take even longer.

68% of UK corporates take just as long, or even longer, to innovate in 2014 than they did in 2009.

Yet business leaders believe that even if they perfected their processes they could only speed this up to 18 months. Does this mean leaders think their current processes are only five weeks short of perfection?
Only three per cent of major UK companies can get a new idea to market in six months or less.

A small minority of businesses are proving this need not be the case. Three per cent of large UK firms can get a new idea to market in six months or less.

So what are they doing differently?

A big distinction is how innovative companies deal with prototyping and testing, regardless of whether they deal in products or services.

An iterative approach using quick, imperfect models and a series of micro-experiments to get feedback from customers is both fast and effective. Making ideas real in this way reduces risk. Flaws are spotted early. Changes can be made without great expense and inherently defective concepts can be ditched quickly, freeing teams up to work on better things.

More than two-thirds of UK corporates take at least a year just to prototype and test an idea.

Yet this nimble method is still the exception rather than the rule. Almost a third (31 per cent) of the UK’s largest companies take more than a year just to prototype and test an idea. This may explain why 18 months is considered a quick journey to market.

Four ways to accelerate innovation

Dave Allan
What If! Co-Founder and Co-Chairman

1. Bring ideas to life:
Innovation can be snuffed out by the way new ideas are articulated at work. Businesses can escape traditional ways of presenting information with fewer word-heavy charts and more rough and ready prototypes. Prototypes come in many forms; storyboards, models or scripts. Anything that encourages someone to react as a customer would react and elicits an emotional response. This approach both creates engagement and accelerates learning.

2. Remember the DNA:
Most successful innovation has a single good idea at its heart. As a concept is developed this single idea can be bent out of shape or shaved, so that what was originally brilliant ends up a distant and pale imitation. Protect the essence that generated passion and enthusiasm in the first place to maintain momentum and energy through development.

3. Experiment furiously:
Create a better, faster result by adopting an experimental approach. A series of low cost micro-experiments reduces the apparent riskiness of innovation and encourages people to try new ideas. Frequent and rapid feedback works an innovator’s judgement muscle and gives them the intuition to back their idea – even when surrounded by doubters.

4. Learn to say no:
Most corporate innovators have a pipeline of opportunities – more than they could ever explore in depth. Getting good at rejecting far out ideas in favour of the achievable idea is a core skill. Too much innovation clogs the system, focussing on just a few well-chosen ideas can be painful but, ultimately, accelerates victory.
Only three per cent of major UK companies can get a new idea to market in six months or less.

A small minority of businesses are proving this need not be the case. Three per cent of large UK firms can get a new idea to market in six months or less.

So what are they doing differently?

A big distinction is how innovative companies deal with prototyping and testing, regardless of whether they deal in products or services.

An iterative approach using quick, imperfect models and a series of micro-experiments to get feedback from customers is both fast and effective. Making ideas real in this way reduces risk. Flaws are spotted early. Changes can be made without great expense and inherently defective concepts can be ditched quickly, freeing teams up to work on better things.

More than two-thirds of UK corporates take at least a year just to prototype and test an idea.

Yet this nimble method is still the exception rather than the rule. Almost a third (31 per cent) of the UK’s largest companies take more than a year just to prototype and test an idea. This may explain why 18 months is considered a quick journey to market.

Four ways to accelerate innovation

Dave Allan
?What If! Co-Founder and Co-Chairman

1 Bring ideas to life:
Innovation can be snuffed out by the way new ideas are articulated at work. Businesses can escape traditional ways of presenting information with fewer word-heavy charts and more rough and ready prototypes. Prototypes come in many forms; storyboards, models or scripts. Anything that encourages someone to react as a customer would react and elicits an emotional response. This approach both creates engagement and accelerates learning.

2 Remember the DNA:
Most successful innovation has a single good idea at its heart. As a concept is developed this single idea can be bent out of shape or shaved, so that what was originally brilliant ends up a distant and pale imitation. Protect the essence that generated passion and enthusiasm in the first place to maintain momentum and energy through development.

3 Experiment furiously:
Create a better, faster result by adopting an experimental approach. A series of low cost micro-experiments reduces the apparent riskiness of innovation and encourages people to try new ideas. Frequent and rapid feedback works an innovator’s judgement muscle and gives them the intuition to back their idea – even when surrounded by doubters.

4 Learn to say no:
Most corporate innovators have a pipeline of opportunities – more than they could ever explore in depth. Getting good at rejecting far out ideas in favour of the achievable idea is a core skill. Too much innovation clogs the system, focussing on just a few well-chosen ideas can be painful but, ultimately, accelerates victory.
Now is the time to find our innovation edge. The ability to redevelop our innovation muscle will create a sustained economic recovery and an advantage for the UK in a world of increased global competition.

Our research shows that UK PLC is in no doubt of the need to grow through innovation. But many of our business leaders are firmly eyes wide shut to the strategies and solutions that will achieve their innovation ambitions.

The good news is that even the most cumbersome of organisations can change. Our current corporates were nimble start-ups once. But to be innovators in today’s age of unprecedented disruption, businesses must:

- Have leaders with passion, able to role model innovation behaviours and give permission to the rest of the organisation to explore, create and take risks;
- Shake up existing inflexible structures and create the conditions for the collision and collaboration that foster innovation;
- Encourage a mindset of making ideas real early and experimenting furiously.

Leaders opening their eyes, recognising and acting on these needs will make the difference between them being the disruptor or the disrupted.

Matt Kingdon
?What If! Co-Founder and Co-Chairman
Now is the time to find our innovation edge. The ability to redevelop our innovation muscle will create a sustained economic recovery and an advantage for the UK in a world of increased global competition.

Our research shows that UK PLC is in no doubt of the need to grow through innovation. But many of our business leaders are firmly eyes wide shut to the strategies and solutions that will achieve their innovation ambitions.

The good news is that even the most cumbersome of organisations can change. Our current corporates were nimble start-ups once. But to be innovators in today’s age of unprecedented disruption, businesses must:

- Have leaders with passion, able to role model innovation behaviours and give permission to the rest of the organisation to explore, create and take risks;
- Shake up existing inflexible structures and create the conditions for the collision and collaboration that foster innovation;
- Encourage a mindset of making ideas real early and experimenting furiously.

Leaders opening their eyes, recognising and acting on these needs will make the difference between them being the disruptor or the disrupted.

Matt Kingdon
?What If! Co-Founder and Co-Chairman
Get in touch

For help with your innovation future, please get in touch:
+44 20 7535 7500
baseeurope@whatifinnovation.com

To receive future reports, please contact:
sarah.dickinson@whatifinnovation.com

www.whatifinnovation.com