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LEADERSHIP IN THE HEADLINES

Insider insights into
how leaders lead

A selection of the best FINANCIAL TIMES
columns from award-winning journalist

Andrew Hill

With a Foreword by Charles Handy

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Praise for Leadership in the Headlines

‘A fascinating and highly readable account of leadership, in all its forms, from one of the most perceptive observers on the scene today.’

Paul Polman, CEO, Unilever

‘Anyone imagining that business news stories date quickly should read this book. A treasure trove of great business stories coupled with exquisite, practical insight, it is essential for any business leader seeking to stay challenged and up to date. A lifetime’s sceptical inquiry gives Andrew Hill a clear view into the critical sources of business success and failure.’

Margaret Heffernan, CEO and author, *Wilful Blindness*

‘Who better than Andrew Hill to insightfully guide us through the important lessons of the “8 acts of leadership.” Skilfully analysing both current and historical cases, he provides a refreshing take on leadership in an age of rapidly changing pressures on companies, where preserving competitive advantage is undermined by “fluctuating competition, short-lived opportunities and constant challenge.” The result is a perceptive and engaging book that helps leaders transition from “default management” to empowering and enabling their managers to be as effective as they can and should be.’

Mohamed A. El-Erian, author, *When Markets Collide* and *The Only Game in Town*

Chapter

3

Making

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Innovation, production and marketing are the core of what companies do. When companies say they ‘make’ something, the product is the combination of all three of these elements, and leaders that starve innovation, bungle production or misdirect marketing will not last long.

Theories about how to encourage innovation are confused and the practice of innovation is riven with contradictions. Invention is often mistaken for innovation. Innovation is assumed to apply only to technology, or to hardware, when the greatest innovations – think of the idea of management itself – are often new ways of doing business. Critically, innovation is misperceived as being exclusively about the production of something entirely novel. Yet it could equally consist of weaving together existing practices in new ways or mining old ideas for new situations.

Even when a great new product has emerged, manufacturing it and getting to market are fraught with risk. Leaders of innovative companies must still run an efficient production line, navigate the complexities of stretched supply chains, and tackle branding and marketing in ways that appeal widely but avoid controversy. All this needs to take place in a world where what looks right for global customers may clash with local tastes.

In one of my first attempts to tackle the subject of innovation in my column, I started with the problem of definition. What exactly *is* innovation?

The tight controls needed for creativity

By Andrew Hill

Financial Times May 30, 2011

In 2008, Samsung ran a print advertisement picturing a lissom young couple next to a forest road. They have dismounted from their mountain



bikes to tend to an injured young deer. Mr Lissom has unfurled a flexible electronic display from the side of his mobile phone and is consulting a website about first aid for fawns. Samsung researchers are ‘inventing new technologies one could only imagine’, the copy boasts, ‘so getting real-time interactive first-aid instructions for a wild animal at a moment’s notice becomes a real possibility’.

I cut out the page and stuck it above my desk: a warning of what could happen if innovation were allowed to run amok.

Keeping innovation useful is a constant challenge for big companies, partly because it is so hard to pin down. Asked to pick from four definitions of innovation at London Business School’s Global Leadership Summit last week, 58 per cent of the audience selected the shortest and widest (from *The Economist*): ‘fresh thinking that creates value’. But such a broad definition could be applied not only to the technology that may give the world the mobile emergency veterinary information service it has long desired, but also to the service itself, to the way it is conceived, developed and sold, and even to the business model of the company that came up with the idea.

No wonder virtually every business with a public face includes the word ‘innovation’ in its mission statement, making the term as meaningless as ‘shareholder value’ and ‘sustainability’.

Yet I still agree with the broad view laid out decades ago by management thinker Peter Drucker: that innovation is one of only two basic functions of business (the other being marketing). Without innovation, as George Buckley, chief executive of 3M, pointed out at the LBS conference, most companies would never beat a benchmark growth rate. Yet even Mr Buckley, a hard-headed Yorkshireman running a global manufacturer, says the greatest innovations benefit from a sprinkling of hard-to-define ‘pixie dust’. Try putting that in a spreadsheet and determining its return on investment.

How to foster innovation is easier than deciding what it is. Academics and executives agree that freedom – including freedom to fail occasionally – is one key to creativity. Small, flexible, diverse groups of workers will generate more ideas than hidebound hierarchies. Managers should encourage staff to talk to each other and share ideas, increasingly with inventive third parties from outside the company.

They should also give reports space and remove barriers between divisions – sometimes literally. A new report out on Tuesday from Microsoft says shared workspaces and open stairwells all help encourage chance encounters that generate fresh ideas. It says GlaxoSmithKline and Philips are examples of ‘hybrid organisations’ that have reaped the benefits.

Finally, innovators need time. Google is known for allowing its engineers ‘20 per cent time’ – one day a week to work on their own projects. 3M has offered its staff ‘15 per cent time’ since 1948 (although,

interestingly, it works out more like 5 per cent when staff who decline the offer are taken into account).

Applied loosely, these suggestions would be a licence for laxity. Companies need to focus. Procter & Gamble's attempt to 'systematise' innovation gets star billing in the latest Harvard Business Review.³⁸ Half its projects now meet profit and revenue targets, up from 15 per cent in 2000. ArcelorMittal, which boasts that innovation 'is a mindset', concentrates its \$280m research and development budget on automotive steel, where it can add most value by improving the high-margin products' ability to compete against carbon-fibre or aluminium alternatives. One of the biggest challenges for chief executives and boards is to know when to kill off developers' ideas, says Martin Smith, who specialises in technology and innovation at PA Consulting.

That leaves a final problem of how to gauge what is – or will be – a success. Here consensus eludes the experts. Even Drucker framed the appraisal of innovation performance as a series of questions and admitted that it came down to 'assessment rather than measurement'.

Which gives us a final, overarching definition of innovation: the throbbing headache the chief executive takes home at the end of the day.³⁹



Source: Hill, A. (2011) The tight controls needed for creativity, *Financial Times*, 30 May 2011.

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Creative people are difficult to lead, as this early column hinted. A year later, a fascinating piece of research about 'creative deviance' confronted me with the first of many apparent contradictions: allowing truly creative innovators too much freedom might actually be counterproductive.

How to conform to creative deviance

By Andrew Hill

Financial Times April 30, 2012

The 1993 invention of a high-brightness, blue, light-emitting diode, which opened the way for the now-ubiquitous white LED, is often told as



a tale of against-all-odds innovation by a maverick genius. When Nichia of Japan ordered researcher Shuji Nakamura⁴⁰ to stop the expensive work on the project it had initially funded, he ploughed on. He secretly sought patents for his breakthrough. He even triggered several explosions in his laboratory.

But what if the intransigence of Prof Nakamura's superiors helped to fuel his burst of radical creativity? And what if companies could harness such a force?

Babis Mainemelis, of Greece's ALBA Graduate Business School, suggests it is possible to reconcile the evidence that managers can build frameworks for creativity and the apparently contradictory finding that staff working in direct breach of managerial edicts sometimes achieve great imaginative leaps.⁴¹ Prof Nakamura is one example of the latter, he says. Others include Francis Ford Coppola, whose film *The Godfather* 'violated Paramount's directives about plot, cast, budget and location', and Charles House of Hewlett-Packard, who defied orders from David Packard himself not to develop large-screen displays.

A new study backed by Adobe says six out of 10 adults consider themselves to be 'someone who creates', but that much of our ability to create is untapped (the survey comes up with a suspiciously precise figure of 41 per cent).⁴²

Another, from FutureStep, part of recruitment company Korn/Ferry, says creativity now ranks above customer focus and strategic agility as the quality most sought-after in managers hired for long-term impact.⁴³ Jonah Lehrer's book *Imagine*, which explains the science of creativity, from Bob Dylan to Procter & Gamble, is topping bestseller lists.

This flowering of interest in creative people could be a signal that the recession's survivors are now refocusing on growth. It could be merely the latest reflection of a human desire to be recognised as autonomous producers of novel ideas, instead of helpless grunts, at the mercy of martinet managers at work and television tastemakers at home. It could be a sign of spring.

Whatever has triggered the appetite, corporate executives are desperate to sate it. The classic examples of creative good practice are 3M or, latterly, Google. They are regularly praised for setting aside free time for free thinking by staff. But companies could also encourage 'creative deviance', says Prof Mainemelis. Early evidence from his follow-up studies – for instance, at an advertising agency – seem to support the proposition that managers could spark deviants' imagination with a combination of tolerance, reward and, occasionally, punishment of their rule-breaking.