

Innovation – what is it?

- Innovation is the creative use of what exists or is known to create something new and different.
 - Webster; introduction of something new; a new idea, device or method
 - Wikipedia; new idea applied, something substantially different, positive implications
 - Wordnet; advanced or ahead the times
- Innovation in the service business is fractal; it needs to happen at many different levels in the organization
 - New services (capability)
 - New ways to deliver services (capacity)
 - New ways to understand customer needs and requirements (relevance)
- The innovation paradox; any idea about which we are confident is probably not very innovative
 - If it is truly and substantially new than by definition it must carry with it uncertainty and ambiguity

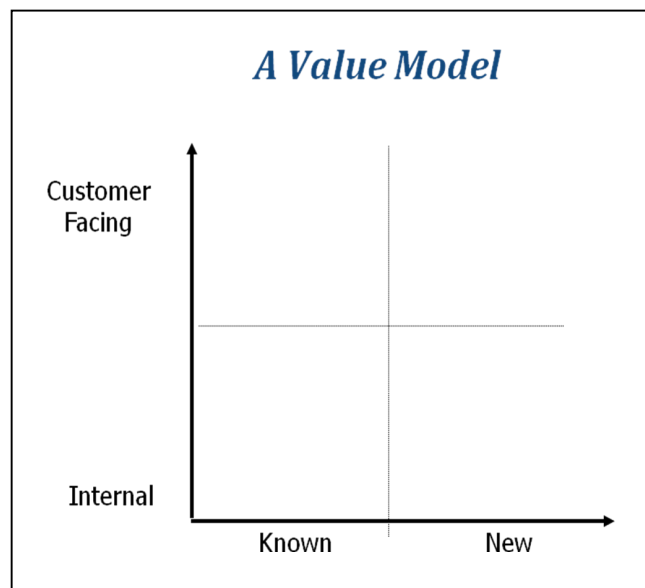
Innovation – why is it important?

- Delivering on predefined service levels is necessary, effectively delivering on unanticipated customer needs is compelling
- Service is a dynamic business, innovation is critical
- Differentiation is about creating more value, faster than others

In looking at value we will consider three things; capability, capacity and relevance. Capability is what we can deliver. Capacity is how much and how efficiently we can deliver it. And, relevance is the degree to which what we deliver aligns with the customer needs and promotes sustainable relationships.

A Value Model - The critical role of innovation in business

A helpful concept in thinking about value is the distinction of new Vs known. “New” meaning a new service offering or new processes. And, “known” meaning something that already exists or a service or a process that is widely understood and practiced. In a world where change is the norm companies and individuals have to be good at doing the “known things” as well as innovating to respond to new opportunities.

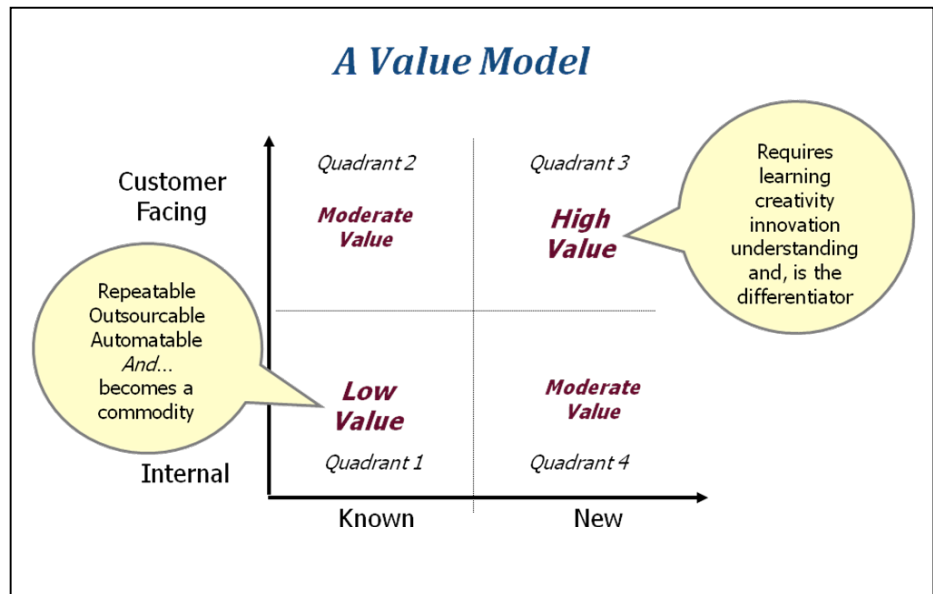


Observations on Innovation

Consider the conceptual model for value; on one axis we have the nature of the interactions, going from internal, meaning the interactions are within the company or between employees, to customer facing. On the other axis we have the spectrum of known to new.

Using this grid we can create four quadrants. Quadrant 1, internal and known, these things are commodities and difficult to differentiate; they are low value. Quadrant 3; customer facing and new, represents high value and are highly differentiated. Quadrant 1 is where most business process outsourcing lives, it is a function of who can deliver on known, well defined processes at the lowest cost.

Examples of internal, known processes are back office functions like accounting or software development. The challenge for both companies and employees is to move to a higher value quadrant where added value creates differentiation and a sustainable business relationship. However, this requires organizations and



individuals to be constantly innovating. What is new today will be known tomorrow. This dynamic reinforces the critical role innovation plays in the service business.

How do we “innovate” - observations about innovation

The best ideas are at first, laughable

The Consortium for Service Innovation has been pursuing the creation of new and better ways to deliver customer service and support for the past 18 years. Following are some of observations about innovation from that journey:

Observation	Attribute
The most creative concepts have often sparked from a laughable idea	A sense of humor is critical
Willingness to try something new and unproven	Tolerance for uncertainty and ambiguity
The initial attempt at something new is seldom successful	Learning, persistence and patients
One idea from one person is necessary but seldom sufficient	Collaboration, the power of collective thinking and it is iterative (not a big bang)
People with similar perspectives are less creative than a group with different perspectives	Diversity and openness
Innovation is not an agenda item	Spontaneity, flexibility
Common interests, people who participate in the discussions care about the topic	Alignment to a purpose

In looking at the attributes in the right column we can see they describe culture and values not a process. Innovation requires a high level of trust; humor is a strong indicator of trust. It also requires respect for diverse perspectives and collaboration; it is about people and interaction. These observations about innovation have been validated by research and a number of recent books on the topic. For more information about innovation see “The Medici Effect” by Frans Johansson, “Wisdom of Crowds” by James Surowiecki or “Group Genius” by Keith Sawyer.

Creating an innovative environment:

Five key attributes of an innovative organization;

- **Alignment**
 - *“Alignment and influence are more powerful than command and control”*
 - Alignment to a compelling purpose and a set of values replaces command and control
 - Alignment promotes trust which enables openness and sharing
 - The fun factor? *“I never did a day’s work in my life, it was all fun”* – Thomas Edison

- **Collaboration**
 - *“Nobody every came up with a really great idea all by themselves”* – Thomas Edison
 - Recognizing the importance of collaboration and focusing on continuously increasing the relevance of interactions as well as the number and the diversity of players; relevance, reach and diversity
 - Relevance – what you need when you need it and only what you need
 - Reach – how big is the population you have visibility to, or that have visibility to you
 - Diversity – the number of different perspectives, points of view or types of experiences represented by the players
 - Termites and architecture
 - In the book *“The Medici Effect”* Frans Johansson develops the idea that dramatic innovation happens at the intersection of different perspectives. It is diversity that drives innovation. Frans tells the story of Mike Pearce, an architect with the challenge of designing an office building in Zimbabwe that required no air conditioning. Zimbabwe has temperature swings from 40 to 100 degrees. Through an interest in ecology and insects Mike came across a study of termites and how they build their nests in the desert to maintain a constant internal temperature of 78 degrees. He designed the building based on the termite nest. The world of architecture said *“wow that is innovative”*. Mike won an architecture award. The termites said So what, we have been doing it that way for hundreds of years?

- **Customer presence**
 - *“The good news is that customer-led innovation is predictably successful. The bad news is many managers and executives don’t yet believe in it”* – Patty Seybold
 - Removing the arbitrary boundary that keeps our customer out of our business and finding ways to make their presence persistent.
 - Use of the web to engage customers and increase presence; Submitting suggestions, voting, commenting, Q&A or forums; ratings and feedback

- **Tolerance for discovery**
 - *“I have not failed, I have just found 10,000 ways that don’t work”* - Thomas Edison
 - Learning is more important than success or failure

Observations on Innovation

- Google – developers are allowed to spend 20% of their time (1 day a week) to work on whatever projects they feel passionate about. This has produced thousands of creative ideas, a few of which are big winners. Those that aren't are viewed as necessary learning opportunities.
- **Knowledge management**
 - *“Knowledge has to be improved, challenged and increased constantly, or it vanishes”* – Peter Drucker
 - Re-discovering things others already know is inefficient; a good knowledge management system can help us benefit from the collective experience.
 - A knowledge management system can help improve our reach and relevance, independent of space and time. (for more in this see the KCS methodology at www.serviceinnovation.org)

Organizational implications

As the Consortium members have implemented various changes in their service organizations a few implications have emerged.

- The hierarchy, as an organizational structure, has out lived its usefulness – an unbounded network structure better serves the dynamic needs of the service business (customers are part of the network)
- People are people first; the role distinction of employee, partner, customer is often not helpful
- Most companies are not worthy of the talent they employ - standardized job descriptions and roles ensures that we get the least common denominator of employee productivity.
- Traditional support metrics are a great source of organizational dysfunction; fortunately, many support analysts do the right thing in spite of them – we need to move from transaction and activity based measures to customer value based measures
- The idea of managers assessing people's contribution is a ridiculous notion, the value created should be assessed by the those who benefit from that value
- Control, predictability and homogeneity are the antibodies to innovation

Closing thoughts on Innovation:

Innovation and customer presence must be integrated into the business process, innovation drives continuous improvement in capability and capacity and customer presence drives relevance.

- *Service innovation is not an agenda item or done in a lab it is integral to everything the organization does*
- *Innovation is about the organizational culture and values more than a process*
- *Innovation is not about being perfect it is about making lots of mistakes and learning from them - “To have a great idea - have a lot of them” – Thomas Edison*

Observations on Innovation

References:

“The Medici Effect” by Frans Johansson,

http://www.themediceffect.com/press/press_downloads/Johansson%20Brochure.pdf

“Group Genius” by Keith Sawyer

“Wisdom of Crowds” by James Surowiecki

“Wikinomics” By Don Tapscott and Anthony Williams

“Ground Swell” by Charlene Li and Josh Bernoff“

“Outside Innovation” by Patty Seybold

“The Only Sustainable Edge” by John Hagel and Roger Seely Brown

“Dealing with Darwin” by Geoffrey Moore

For more information about the Consortium see their web site at www.serviceinnovation.org

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