

# **Position Paper**

## **Creativity and innovation**

### **A short and long term strategy**

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## Introduction

I was recently asked to work on a development program to transform a conventional organization into an innovative and creative place to work in. As the title of this paper implies, there are many strategies to generate innovation, and that's precisely what we will be discussing in this document.

## A distinction between Creativity and Innovation

We are obliged for clarity's sake to make a distinction between creativity and innovation. There are three important reasons to do so. Firstly, because these concepts are often mistaken for one another and shouldn't.

Secondly, because of the confusion generated by the misunderstanding of these two concepts, managers are unwilling, incapable or indifferent to encourage or manage creativity and innovation in the workplace. It's too complicated, risky and unpredictable! Not only will managers shy away from creative ideas and innovations, they will mismanage those who consistently present creative and innovative objects to their workplace colleagues.

Thirdly, there are alternate definitions and relationships between creativity and innovation.

## Long-established understanding

Traditionally the term creativity is typically understood and associated with the act of generating new or original ideas, viewpoints (another way of seeing things), beliefs, methods and actions. Occasionally creativity is referred to as divergent thought, better known as the creative process, where a person's thinking takes off from one single idea or separate unrelated ideas and leaps to the creation of an entirely new object never before seen or heard of. The creative approach is clearly opposed to convergent thought in that the former is empirical and practical while the latter is undisciplined, disorderly and difficult to replicate. Convergent thought is essentially about a deductive approach to solve problems, a step by step method to find the best answer to a problem. Through logic, observation, analysis and deduction, we come to a solution. Different people going through the same process will in all likelihood come to the same answers. Convergent thought being the more common thinking process observed, it dominates business environments worldwide.

On the one hand, we refer to creativity as an *out of the box* thinking process through the building of new concepts or the association of ideas into new objects. On the other hand the innovation concept is still understood as a process of employing creative thinking in some specific real world context. We still understand innovation in organizations as a transformation process where new ideas are developed and industrialized. We incorrectly understand the innovation process exclusively as a practical way to bring to life creative objects already developed by inventive individuals. In this context innovation is relegated to a mere transformation process where organizations use new objects and turn them into new products, processes, technologies, services and art forms.

To summarize and conclude this section of the Paper, the term creativity is traditionally understood as a thought process. Some draw on creative people to generate original ideas in order to solve problems, enhance human development, improve human efficiency and at

times unintentionally put us and nature in jeopardy.

Creativity is understood as a compulsory step or input in the innovation process. Without creativity there can be no innovation! Therein lays the confusion and the unwillingness of managers, educators and leaders to promote these two magnificent concepts (understood as one) in their rightful surroundings and network.

Paradoxically despite our inability to clearly understand and differentiate these two concepts from one another, we have as a race managed to evolve tremendously through creativity and innovation.

### **An alternate understanding of Creativity and Innovation**

Creativity should be clearly understood as a personality trait or a personal attribute. A person's personality is generally described as a set of qualities that make individuals distinct from another. We strongly believe that a person's personality can direct and impact behavior and outlook on life as much as environments can. Accordingly a personality trait is about a person's specific and distinguishing qualities such as being creative, intuitive visionary, curious, cruel, paranoid... Whether or not these traits are inherited characteristics or developed through behavior modeling or experience is of course another issue that I will not deal with in this Paper.

At this point it should be said that innovation is a business process, stemming possibly from an advanced problem solving process. This process business does not rely on creativity nor does it require a creative individual to come up with innovations. These two concepts work amazingly well together but they do not require the presence of each other to function well.

This Paper will attempt to present a new outlook and understanding on the innovation process. As a business process, it is unquestionably required to succeed in the 21<sup>st</sup> century and for that reason we will strive to provide a few insights into that a process that drives and hastens innovations.

### **Strategies to Generate Innovation**

Some rely on serendipity or luck to generate new ideas while others have a plan, an innovation process, a set of organizational values and a distinct management style. Unfortunately many organizations wait for innovations to happen (serendipity). Others, design new work environments, management styles and new talent combinations to generate innovative breeding grounds. However at the end of the day most organizations get their innovations through their problem solving practices, not realizing that in those very processes lay a wealth of unrealized innovation material.

Accordingly the object of this paper is to present innovation from a few different perspectives specifically from the long term and short term results point of view. I will conclude that bringing an organization into the 21<sup>st</sup> century (in terms of innovations) will require people to innovate and quickly adapt to change. I will also speculate that organizations, in their quest for innovation, should first look to their clients before attempting to change their internal culture, structure and management philosophy.

Although the concept of innovation can cover a broad and complex landscape, let's agree

for the purpose of this paper on simple definitions of innovation from different perspectives.

### **Definition elements**

Innovation is the act of introducing new ideas, products, processes, technologies, services, and art form to the world. It's also about the successful use of these new ideas in the real world.

In business, something new should be considerably distinctive, although unimportant changes have been known to be called "new and improved". From a financial perspective, innovations should increase value to shareholders by decreasing risk and increasing profit. From the customer's perspective, innovation is about feature enhancements, user satisfaction and lower costs. While innovations are intended to make humankind better off, many innovations have been developed for military purposes and to date have not overall improved humankind.

Whereas the genesis of most innovations is pragmatic in nature, some have been justified for economical, political and national grounds. The accumulation of several innovations generally allows organizations to grow and dominate their markets.

The terms creativity and innovation refer to both small improvements and significant changes to products, processes, technologies, services and art forms. Finally, innovations will most often be used to solve problems, dominate the market place and in some instances, the political landscape.

### **A manager's definition**

For managers, innovation is about another business process: the fusion of knowledge that professionals combine to generate new perspectives and ways of doing things. The combination of ideas refers to the process of bringing together elements previously unconnected and making something new of them. When employees, who hold different levels or kinds of knowledge, begin to combine ideas, they create new potential knowledge. In an innovation driven environment, ideas are quickly transformed into business opportunities.

### **Innovation: new credo**

Microsoft's internet page (Business & Industry 2007), author P. Harper states: "Innovate or die is the new (*business*) credo". Since innovation is considered a major driver of the economy, the factors that lead to innovation are also considered to be critical to policy makers.

But what's in a credo? The Latin word credo is by definition a set of fundamental beliefs or guiding religious principles. Today they are commonly found in business's value statements. For example, Sam Walton, founder of Wal-Mart, established the following three basic beliefs or corporate values as his company's credo: (1) respect for the individual, (2) service to our customers and (3) strive for excellence. For an organization such as Wal-Mart, a credo is like a guiding light. We find similar statements presented in corporate journals and training programs.

## **Why a new credo?**

Creativity and innovation form a new credo mainly because organizations around the world can reproduce (or poach) for next to nothing products and services others have developed at a high cost. In that context innovations are required to stay a step ahead of the competition and retain customers.

More than ever we are encouraged to become an innovative organization: to turn a can't do mentality into a can do state of mind. It's meant to be a challenge to management's prevailing beliefs and conventional wisdom. However we have come to believe that contemporary management structures, organizations, processes and practices often obstruct innovation and creativity. Paradoxically managers are reminded that they cannot afford to let rivals beat them to the next great service or product breakthrough. To achieve this new level of performance, we must become managers that innovate, exceeding performance standards and maintaining a competitive edge.

Some management consultants claim that most conventional organizations cannot really become incubators for constant innovation and creativity. They feel they are doomed to fail and eventually disappear like the dinosaurs. Other consultants and academics profess reorganizations and reformatting mentalities, all required to create a fertile management environment for innovation. They will recommend a change in management philosophy, structure, organization... and so on.

Regardless of our beliefs, organizations are anxious to understand what is required of them in the 21<sup>st</sup> century:

- (1) What do we need to change?
- (2) How long is it going to take us to achieve those significant changes?
- (3) Do we have the right people on staff now?
- (4) How much money are these changes going to cost us?
- (5) How many clients are we going to lose while in the process of transforming ourselves?

Important questions that involve quite a bit of intuition and risk!

In this ongoing saga to survive the next innovation or technology, managers are questioning their abilities to lead people, make thoughtful decisions and add real value to their customers.

## **The creative employees and their place in organizations**

That said why are creative people in most organizations misused or mismanaged? One answer lies in the very foundation of our organizations: work processes and why we need them.

From a business perspective, work processes speak about the sequence of [HYPERLINK "http://en.wikipedia.org/wiki/Operation"](http://en.wikipedia.org/wiki/Operation) \o "Operation" operations, [HYPERLINK "http://en.wikipedia.org/wiki/Time"](http://en.wikipedia.org/wiki/Time) \o "Time" time, [HYPERLINK "http://en.wikipedia.org/wiki/Space"](http://en.wikipedia.org/wiki/Space) \o "Space" space and [HYPERLINK "http://en.wikipedia.org/wiki/Expertise"](http://en.wikipedia.org/wiki/Expertise) \o "Expertise" expertise which would lead to the optimal production of a service or a product. A

work process is there to ensure that the *red mobile phone* production line is assembling identical units meeting pre-defined specifications.

So the processes put into place by managers are there to insure that what the production line does well today and tomorrow.

One would not accept any *pink colored units* coming out of that assembly line. If that would unfortunately happen, the production supervisor would review the work processes in play and make corrections where required. In that manufacturing environment, employees would be trained to maintain process integrity and ensure that all inputs into the production line adhere to manufacturing specs and standards. However the *pink unit* accident begs the question: what about the pink unit? What's so wrong about a pink colored unit? Wouldn't that unit sell incredibly well?

The *pink unit* may present a wake up call in as much as a good idea comes into conflict with well laid out plans, line supervisors' objectives, and production engineers and marketing executives' strategies... all of whom are committed to manufacture and assemble red units as per the client's specifications.

Wake up calls are about rebooting our thinking process, challenging plans and testing whether or not our strategies are still going to succeed in an environment that's constantly changing the numbers. But, what if the red cells won't sell? What if the client is wrong?

So when can a good idea become a useful innovation in a business setting? How should we understand innovation and its relationship with those people responsible to generate services and products?

As you may already know, most creative types are not considered good employees! What I'm trying to say is that people who are truly talented to see things differently have not yet found their place in conventional organizations. They are depicted as immature, undisciplined, clearly unmanageable.

Managers are simply uncomfortable around them and basically have no practical way to process their "off the wall" ideas. Conversely some high tech organizations have created unique work environments where creators can perform effectively, are appreciated for their original ideas and unique contribution. In these unconventional organizations, innovators are encouraged to push the limits of what's possible with unusual management practices.

In both cases, the processes put into place to generate conventional and innovative results have their own unique set of demand systems and traditions to cope with. In both cases an employee's commitment to company objectives is not an option. In both situations, real change is difficult and presents challenges to management.

However if any significant changes were to be implemented in either environment, we would observe resistance, annoyance and stress. This means that it takes time to build either form of organization and it will also take time to modify them.

One interesting change that we have all observed is the introduction of innovators in a conventional setting, and conversely the introduction of practical step by step types in unconventional environments. Both changes would generate unrest and stress.

Both environments, conventional and innovative, require a balance of strengths; call it a

blend of talents, personalities, intuition and knowledge. That said, the development of a specific organizational culture requires years of steady and consistent reinforcement. And because we work in a changing and evolving business environment, conventional organizations are required to become more innovative where as innovative companies need to master the more mundane financial, manufacturing, distribution... concerns.

Both types of transformations take time. They are also complex, sometimes impossible to achieve with resources at hand and they are always expensive to implement.

### **The Customer Innovations**

While people are seeking to transform their organizations, customers continue to baffle us with never-ending demands, requests, complaints and volatility.

Today's organizations face hard questions every day:

How to satisfy my customers in a tough, intricate and changing segmented marketplace?

How to expand my business and take care of my current customers?

And finally, how do I deal with agile and innovative competitors who show no signs of fatigue in coming up with new ideas?

To deal with those issues and to continue to be competitive during long and arduous organizational transformations, we are required to understand where innovations come from.

In my opinion, a lot of innovations come from our customers -not our innovators. If we listen carefully to them, if we pay attention to the little whispers of protest, anger and frustration, they will lead us to what I call Customer Innovations. These *source innovations* or innovation drivers are usually in line with client needs and plans for their future. Contrary to common belief, most innovations have their origins in customer transactions with our front line employees. If the data collected from customers is properly analyzed and recognized as critical to the business, the information gathered will lead us to develop new and innovative services and products. Capturing this vital information is important and is done by your employees with no special talent or need to create or innovate!

As we have stated earlier, powerful ideas usually come from our experience with customers. For this to happen, we require a normal or positive organizational climate: essentially one that will allow multiple contacts or discussions (formal & informal) between employees, usually around customer issues requiring immediate resolution. This is the beginning of a customer based innovation process.

If changing an organization's culture takes years, identifying customer based innovations takes a few months at most. Moreover, these innovation drivers should directly be related to client needs; think of them as need extensions. When identified, designed and properly developed, these innovations should strengthen customer (and employee) retention and address important satisfaction issues.

### **The customer based innovation process**

This is what we know currently about customer driven innovations: the world is a consumer

economy, with interchangeable products and services. It's also a zone inhabited by customers who are now resistant to advertisement, unaware of our market segmentation and unaffected by brand proliferation. The zone is mostly about competition, organized citizenry for consumer rights, concentrated channels made of distributors with a lot of power and an experience-based marketing model. Customers will be clear about what they like and dislike.

As we know, most organizations operate inside a specific market definition, applying segmentation and positioning, adapting current products and services in order to create varieties. It's a practical process that goes from the macro toward the concrete – through a sequential and logical thinking process. We know that different approaches are required to punch through the barriers of estimating future consumer needs and emerging markets. However, we now know that customer feedback is a primary source of information when an organization wants to plan its next steps in terms of business development. What we contend in this Paper is that a business plan should also include a list of innovations required for development: based on client feedback and analysis.

To achieve this level of customer knowledge we need to be more customer-intimate and bring a new perspective to the way we understand our customers and how we can reach them. We also need to discover unsuspected problems, detect unrealized potential, and understand the dynamics involved to reach into the customer's layers of needs.

Projecting your business into the future also requires a few signposts that structure possibilities and assumptions.

Signposts, better known as traffic signs or road signs, impart information to employees such as danger warnings, priorities, prohibitory or restrictive actions, etc. Since signposts attract attention and help focus people in the right direction, corporate signposts offer insight and understanding, warning and time to rethink strategies. Signposts are developed through an organization's business cycle and critical economic events that impact a company's ability to survive and grow. Signposts should take into account segmentation and customer issues on economic, energy, environment and ecology, health, mobility, politics, religion, science and social trends.

One way to do this is to submit to a number of resources including marketing, sales and service specialists, reviewed and vetted customer feedback. We then create short stories with customers' input. Within a series of socio-economic signposts that depict economic and social events scheduled between now and 2015, customer reactions and needs in relation to their changing environment are translated into customer needs and innovations. Marketing, sales and service specialists then proceed to extrapolate the potential business opportunities, the capabilities required for each innovation identified and their potential impact on the bottom and top line performances.

### **The B2B and B2D innovation processes**

By definition, business-to-business (B2B) and business-to-distributors (B2D) are terms normally used to describe commercial transactions between business organizations, as opposed to those with other groupings, such as business to customers, better known as (B2C) or business to government (B2G). These terms also describe products and services

used by corporations.

The usual issues related to innovations such as going through barriers to estimate future and emerging needs found in B2C environments are also found in B2B and B2D landscapes. However B2B/ B2D difficulty levels are far above the levels found in B2C transactions. They are vastly more complex and intricate because of institutional barriers, competition, a need for secrecy and perhaps a corporation's inability to see beyond the short term.

That would be the case mainly because no one individual representing a corporate customer or distributor would be able to correctly demonstrate or relay the real needs and wants of the corporation. Similarly talking to very senior personnel may not guarantee any significant, relevant or reliable information about their needs and wants. Also, a larger sample of people surveyed would not automatically add up to form clear answers. And if one did surface, would it be correct because a majority said so? Nor does a segmentation strategy within a corporate client make any sense either. The B2B/ B2D innovation processes should adapt to the size and complexity of a corporate client's profile. In many instances, a corporate client should be understood as a grouping of semi-autonomous organizations. Within a business's organizational structure, functions could be dealt with separately. There should be an awareness that innovations can emerge from different sites within a unit, a grouping, a function or a division. The first step would be to map out how many different sources of innovation would be appropriate and doable.

### **Emerging markets and emerging customer needs**

By definition, new markets are the stuff business successes are made of, especially when they can be detected and then turned into business opportunities. While the opinions presented in this Paper do not pretend to identify through a customer based innovation process, all emerging markets and new customer needs, it nevertheless presents an operational definition of innovation from a short term perspective.

Consider customer feedback as a basis for the development of an annual innovation strategy. The following approach has proven useful in identifying and designing strategic customer innovations:

- (1) Find customer needs that strongly emerge.
- (2) Develop signposts
- (3) Identify the business capabilities required
- (4) Assess the impact of emerging trends on organizations' bottom and top line performances.

The completion of an innovation process a few times within a certain period of time will help establish a new awareness for innovation's place in corporate strategy and when appropriate, help change and transform the business at every business cycle.

As we know, cycles vary from one business concern to another. However it is worth mentioning that although planning cycles are event driven and run pretty much on an annual basis, innovation cycles are time driven and are particularly sensitive to the speed with which a competitor can copy or retro-engineer innovations. We call it catch-up time.

We suggest scheduling an innovation process every eighteen months.

### **The killer edge mindset and innovation**

A killer edge mindset is all about being aggressive with regard to your customers. It's about knowing who your customers are, what they want, what they need now and what they will need in the future and how your organization will change. Change being the key word to continue to attract new customers and keep the ones you have already!

As I just mentioned, a killer edge mindset should serve only one purpose: to know the customer's needs, to understand his plans and to want to help him deal with his current issues.

Obviously we cannot earn above-average profits for any significant period of time based on a single innovation or product feature, nothing stays the same!

Indeed, a changing environment eliminates a long-term advantage based on a single idea. It also opens wide the door to a whole host of potential rivals who will use a variety of technological and managerial platforms to further change the market in which you operate today. That's why we need to re-learn everything about the customer, on a regular basis.

With unexpected client behaviors, relentless change has become a constant in the marketplace, generating unforeseeable outcomes. These outcomes are nothing less than business treasures... if acted on.

### **Conclusion**

Let's conclude by affirming that bringing an organization into the 21<sup>st</sup> century will require people to constantly innovate and adapt to change. The challenge of course will be to predict what will sell.

I also propose that organizations wanting to generate innovations for their clients should look to these clients as their essential source of inspiration. Before attempting to transform your internal culture, structure and management philosophy into an innovation breeding ground, check out what your customers need now from your organizations.

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