

## Leadership and Innovation

There is no doubt that a company which has a visionary, or innovative leader is more likely to fulfil its innovation dreams than one which does not. Furthermore, a leader too concerned with innovation is likely to result in a rudderless company. So what is the ideal situation? Why does it matter?

We believe that a leader needs to support and nurture innovation, lead by example. It is not enough just to talk about innovation, actions are required to demonstrate such a commitment. You need to be consistent in your approaches, you cannot switch resources between core activities and innovation on a whim. You need to have appropriate resources in place to manage both activities, recognising their differences. What works for managing core activities, are unlikely to work managing innovation.

Why does it matter? Research has shown that organisations see innovation as a top- three business priority. Recognising this, they accept that senior management must be involved, although, as data from the following surveys indicates, to a lesser degree than one might expect.

A 2007 McKinsey report, “[How Companies Approach Innovation](#)” considered innovation and leadership as part of the survey. When questioned as to the ‘types of innovation decisions made by leadership teams’, the responses were as follows:

- ‘We determine where to focus innovation efforts’ – 64%;
- ‘We make commercialization decisions’ – 52%;
- ‘We decide who will work on innovation projects’ – 50%;
- ‘We make go/no-go decisions, release funding at various points during innovation process’ – 47%;
- ‘We define themes, topics for exploration to develop breakthrough ideas’ – 42%;
- ‘We make decisions on mergers and acquisitions’ – 28%;
- ‘We set innovation budgets’ – 24%;
- ‘We set innovation performance metrics, targets’ – 22%.



Of equal interest, the survey also considered ‘ways in which innovation is governed in your organisation’. 36% of top managers reported that it was discussed ‘as necessary among the senior leadership team’. 34% reported that it was part of the regular agenda of the senior management team. Of real surprise, only 10% reported that it was through an ‘innovation council or innovation leadership team’.

Having accepted that innovation is a top management ‘job’, it is disappointing to note the response from the following BCG survey that only just over one-quarter of CEOs drive innovation.

The research conducted by The Boston Consulting Group, “[Innovation 2010 A Return to Prominence – and the Emergence of a New World Order](#)” questioned who is ‘the biggest force driving innovation at your company? Unsurprisingly, the top answer was the Chief executive officer, with 28% of responses. The surprise was the number – less than one-third of organisations noted that innovation is driven by the CEO! The same report also considered obstacles to ‘generating a return on your investments in innovation’ and it is interesting to note that ‘insufficient support from leadership and management’ was only cited by 20%, the tenth highest answer.

Research undertaken by McKinsey entitled “[Innovation and Commercialisation 2010](#)” noted that 27% of respondents reported that ‘gaining leadership alignment’ was a ‘significant leadership and organisational challenge’ faced by companies. Other answers to the same question included ‘aligning human and financial resources’ 35%; ‘overcoming internal corporate politics’ 30%; and ‘lack of a formalised process’ 29%.

Again, this McKinsey research demonstrates that leadership alignment is critical to the innovation process. So what? Future posts will consider leadership and innovation in more detail, and in particular how to inspire the organisation in its innovation efforts.



## **Leadership**

Having reviewed recent survey evidence about the importance of leadership as relevant to innovation. The objective of this post is to look at leadership in more general terms. Future posts will consider leadership as it relates to innovation in more depth.

### **What is Leadership?**

I believe that this is a difficult question to answer, as there are probably as many different opinions as there are economists! A summarised view is:

- Leadership is setting strategies;
- Leadership is thinking; Leadership is being visionary;
- Leadership is getting things done;
- Leadership is being trustworthy and inspirational.

All of us probably think that we are great leaders when we review this list and compare it to how we conduct business and ourselves. If that is the case, then we would not have any bad leaders, and this is clearly not the case.

The question, therefore, has to be this. What makes a leader a good leader?

My simple answer is this. To be a great leader, it is necessary to demonstrate your commitment and understanding of the above points.

### **Setting Strategies, Thinking and being Visionary**

Leaders need to spend time setting strategies. In order to set strategies, they need to spend time thinking. They need to think of where the organisation has come from, where it is now, and, particularly important, where they want it to go in the future. Without this knowledge, the organisation is no different to a rudderless ship, weaving around the seas with no destination in mind, and therefore unlikely to get anywhere at all. Proverbs 29:18: “Where there is no vision people perish”.



Having identified where they want the organisation to go, they need to articulate this to all stakeholders, both internal ones (employees and management) and external ones (analysts, shareholders, etc). Without this communication, the organisation will be pulled in all directions. Leadership is more than merely talking about the strategy. Leaders need to communicate it – they need to lead the stakeholders through said strategy. Good leaders can do this in an appropriate manner which all stakeholders can understand. It is not just about formal meetings, but includes informal one to ones, chats in the corridor, on the way to the car park, near the coffee machine, etc. Consistency is critical, do not give out mixed messages.

### **Getting Things Done**

Any person holding authority can get things done. A good leader will utilise their skills to ensure that things get done, efficiently and effectively. This means that tasks are done utilising the right resources with the right result. Poor leaders, as I said, do get things done, but without being efficient or effective.

### **Being Trustworthy and Inspirational**

This is the most difficult aspect to understand or to develop. In my opinion, this is the facet which really sets great leaders apart from good leaders. These abilities are both critical. One looks inward at the leader (integrity) the other looks outward (being inspirational).

Trust is very difficult to create and extremely easy to lose. As a leader, ‘actions speak louder than words’, do what you say you are going to do. This builds trust.

So what do inspirational leaders share? Four qualities include:

- They selectively show their weaknesses – vulnerability can reveal approachability and humility;
- They rely on intuition to gauge appropriate timing and course of actions – an ability to interpret soft data is critical;
- They use empathy in dealing with employees – they care about what employees do;



- They reveal their differences – they focus on what is unique about themselves.

Being inspirational is all about getting the best from people. It will be noted from the four points that these are all soft things which can be done.

Finally, four popular myths about leadership:

1. Everyone can be a leader - not true. Not everyone wants to be, so do not have the motivation.
2. Leaders deliver business results - not always. If it was the case, stock pickers would pick companies with great leaders.
3. People who get to the top are leaders - not necessarily. Those at the top may have got there on political acumen alone.
4. Leaders are great coaches - rarely. Can someone who is inspirational always impart knowledge?

## **Innovation Leadership**

It is clear that innovation is important to top-management and the leadership team.

### **General Requirements – Top Management**

Senior managers do not generally actively encourage innovative behaviour. At top-management level, leadership should lead and undertake the following:

- Define the kind of innovation that drives growth and helps meet strategic objectives;
- Add innovation to the formal agenda at regular leadership meetings;
- Set performance metrics and targets for innovation.

Reviewing this list, you would be right in thinking that it is not rocket science! After all, any of these could be applied to strategy, with appropriate word changes. So what truly defines a leader who champions innovation? This champion is not necessarily top management. As can be seen from the list, top management can frame how and where the organisation is going, but



other than in exceptional circumstances, top management will not be the innovative leader.

### **The Leader of Innovation (Leading)**

I believe that such a leader needs to be able to, or have, the following:

- To have a vision for change. Without guidance from the leader, team members will not know where they should direct their innovation efforts. In my opinion, this is fundamental.
- Communicate the innovation message. It is critical that actions back up the words. So, more than merely communication, it needs to be a statement of commitment and intent. It needs to be supported through a real demonstrable plan of action which is promoted throughout the organisation. This is the second most important aspect. If, as leader, you do not demonstrate your strongest commitment to innovation, other members of the organisation will not believe in it.
- Set goals for innovation. This is tied in with needing a vision for change. Both of these manage where efforts are directed. The old cliché of what gets measured, gets done is accurate here. So select your goals, and how they are measured carefully.
- Set expectations. Rather than set easy targets, set stretch targets. The latter will ensure that team members will look for more radical solutions, rather than follow the herd.
- Throw down a challenge. This is a successful way of stimulating people's efforts and galvanising action. To work, such a challenge just be just that.
- Overcome the fear of change. People are naturally apprehensive about change. We all fear the unknown. We are all reluctant to take risks, particularly if we are penalised for doing so. We all question the need to reinvent the wheel. Success can often work against innovation! So dealing with a fear of change is a key objective. Messages are critical – 'let's not be complacent', 'we are doing well, but we need to do better', 'if we don't find new ways to reach and delight our customers, then others will do it for us', 'there is a risk in innovating, but there is a bigger risk in standing still', etc. These leaders will not only push such messages, but will also listen and deal with the concerns of their



people.

- Encourage dissent, but get rid of the cynics. Dissent can open up new ideas, as long as it is constructive dissent. Tom Peters: “Innovation comes from angry and driven people”. Balance this encouragement of dissent with getting rid of the cynics. Cynics can be toxic to the innovation process. Such negative energy can undermine the energy and commitment and passion of the whole team.
- Break down internal barriers. Get rid of the silo mentality which often pervades larger organisations. Office politics is also reduced.
- Be passionate. People will not follow an unenthusiastic leader!

### **The Leader of Innovation (Understanding the Problem)**

The leader will be open to using different techniques to understand the problem. The leader will need to undertake the following with their team:

- Analysing and diagnosing the current situation. The vision outlines where the organisation is going. But the organisation needs to know where it is today. An [innovation audit](#) can assist the business to understand what is working well, what opportunities there are to do better and help to identify the [barriers to innovation](#).
- Analyse problems. Before taking action, it is necessary for the leader to thoroughly understand and analyse issues and problems. Various techniques can be used, including ‘why, why, why?’ (see below), and ‘six serving men’, also outlined below.
- Why, why, why? This method is based on children who keep asking why when questions are answered. Adopting as many ‘whys’ can really drill down to the root of the problem being addressed.
- Six serving men. This technique is based on Rudyard Kipling’s poem:  

“I keep six honest serving men, they taught me all I knew’ Their names are  
What and Why and When and How and Where and Who.”

Both positive and negative questions can be posed.
- Redefine the problem. This technique can generate fresh thinking and requires the



problem or issue to be restated using none of the original words.

- What business are we in? This is a crucial question to answer if the organisation is to fully understand its competitive position. For example, airlines do not sell flights. They sell a quick method of getting from one city to another. Railways also sell a method of getting from one city to another – so are airlines and railway companies in the same business? Certainly within the same continent they do, they vary only over the time taken to achieve the objective and cost.

### **The Leader of Innovation (Ideas)**

There are a number of idea generating methods around, and the innovative leader will need to bring their skills to bear to adopt those which are most appropriate for the task in hand. Some examples of different methods are set out in another article.