

Innovation starts with **Culture**

SEI New ways.
New answers.®



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How do we define **innovation**?



Applied Creativity



Novel Idea



Implemented



Delivers Value

Innovation and
creative problem
solving can be
messy



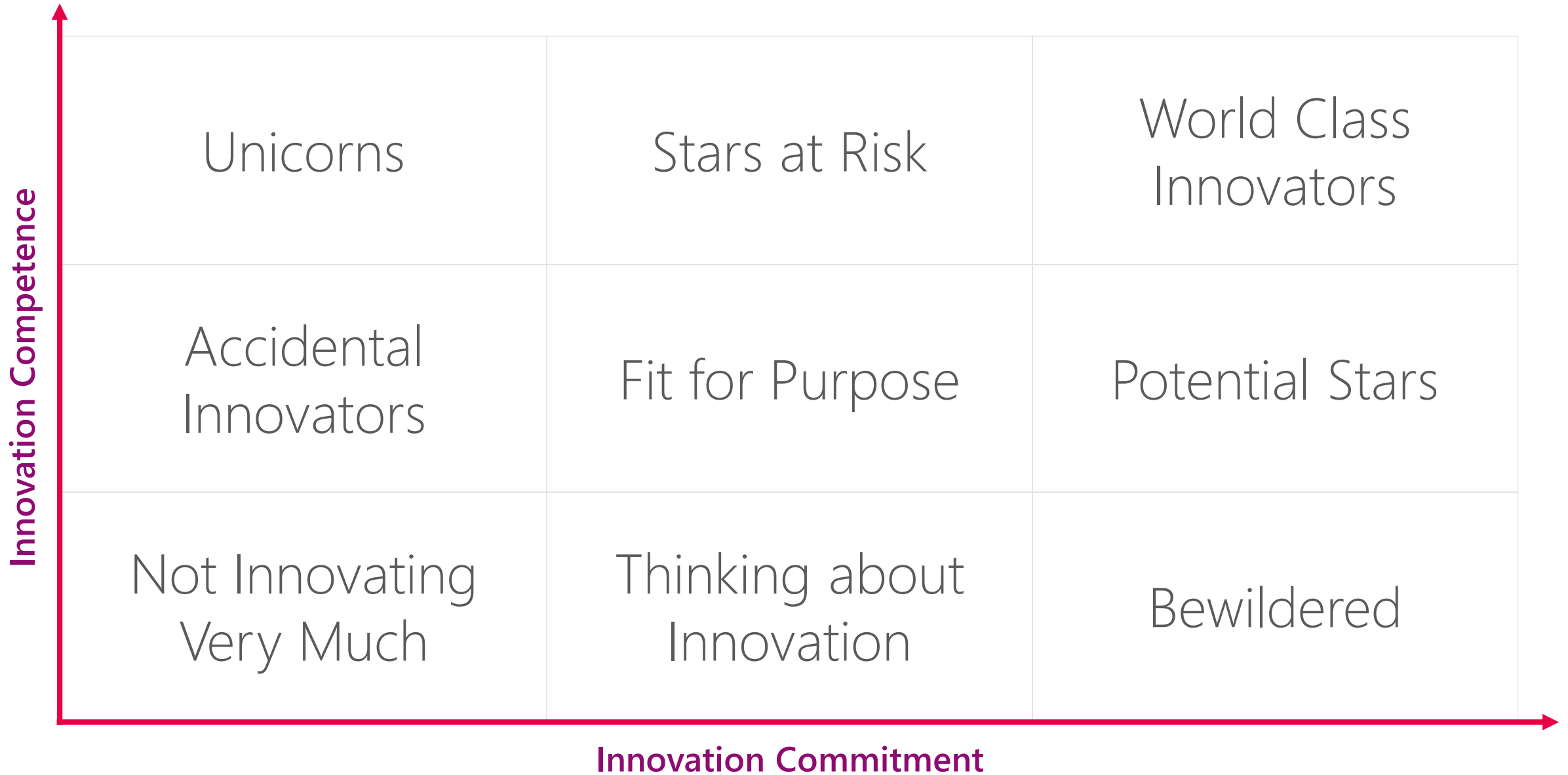
Innovation and creative problem solving need

CULTURE & PROCESS



FIRST

Assess your firm's
innovative
competence &
commitment



Unicorns

Stars at Risk

World Class
Innovators

Accidental
Innovators

Fit for Purpose

Potential Stars

Not Innovating
Very Much

Thinking about
Innovation

Bewildered

Innovation Commitment

How does your firm drive innovation?



Is your firm a...



Creator

We know best

Typically lead by a visionary, creators disrupt markets and make focused, big bets



Solution Builder

We're listening

Solution builders win by understanding and delighting the customer



Leverager

We do it best

Leveragers innovate their core business model to drive ongoing advantage



Expander

We seek adjacents

Expanders use a core capability to enter and dominate adjacent markets



Defender

Protecting our turf

Defenders focus on points of advantage in a mature or slow changing sector



Fast Follower

Ready to react

Fast followers optimise their capabilities to react rapidly to competitive innovation

KEY CHARACTERISTICS

- › Closed innovation approach
- › Deliberate life cycle management
- › Limited number of big bets

- › Excellence in customer insight
- › Customer at the center of innovation
- › Full customer journey focus

- › Concentration on innovations that can speed expansion of the model
- › Focus on continuous improvement
- › Emphasis on staff continuity

- › A mandate for growth
- › Focus on one or two advantaged capabilities
- › Consistent in-market experimentation
- › Open, empowering, innovative culture

- › Continuous improvement to maintain edge of current offerings
- › Rigorous defensive monitoring of potential disruptors
- › Use of M&A to keep pace

- › Focus on sensing and speed to improve on competitive innovations and lower risk
- › Investment in go-to-market excellence
- › Flat organisation to facilitate rapid decisions

EXAMPLE FIRMS

- › Apple
- › Tesla
- › Netflix

- › Nike
- › Starbucks
- › GoPro

- › Costco
- › Toyota
- › Zara

- › Amazon
- › Gilead
- › Danaher

- › Allstate Insurance
- › Pfizer
- › AIG

- › JP Morgan Chase
- › Tancent
- › Rackitt Benckiser

How should you
organise to drive
innovation?





Centralised

Centrally Staffed and Funded

PROS

- › Enterprise leverage
- › Specialisation and strategic focus
- › Focus tends to be evolutionary and disruptive
- › Creates cost and efficiency
- › Limits P/L constraints

CONS

- › Cultural isolation/what do “they” do
- › Can stray from business strategy
- › Disconnect from market drivers
- › Increases risk



Decentralised

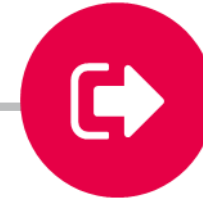
Staffed/Funded within Business Units

PROS

- › Drives employee engagement
- › Alignment to business needs
- › Increases likelihood of success
- › Focus tends to be more incremental and evolutionary
- › Limits risks

CONS

- › P/L constrain impacts
- › Limits leverage across enterprise
- › Limits best practices, scale, efficiency



External

Externally Located/Multiple Funding Options

PROS

- › Independence
- › Speed
- › Access to high skilled talent
- › Access to emerging technologies
- › Unencumbered by enterprise constraints

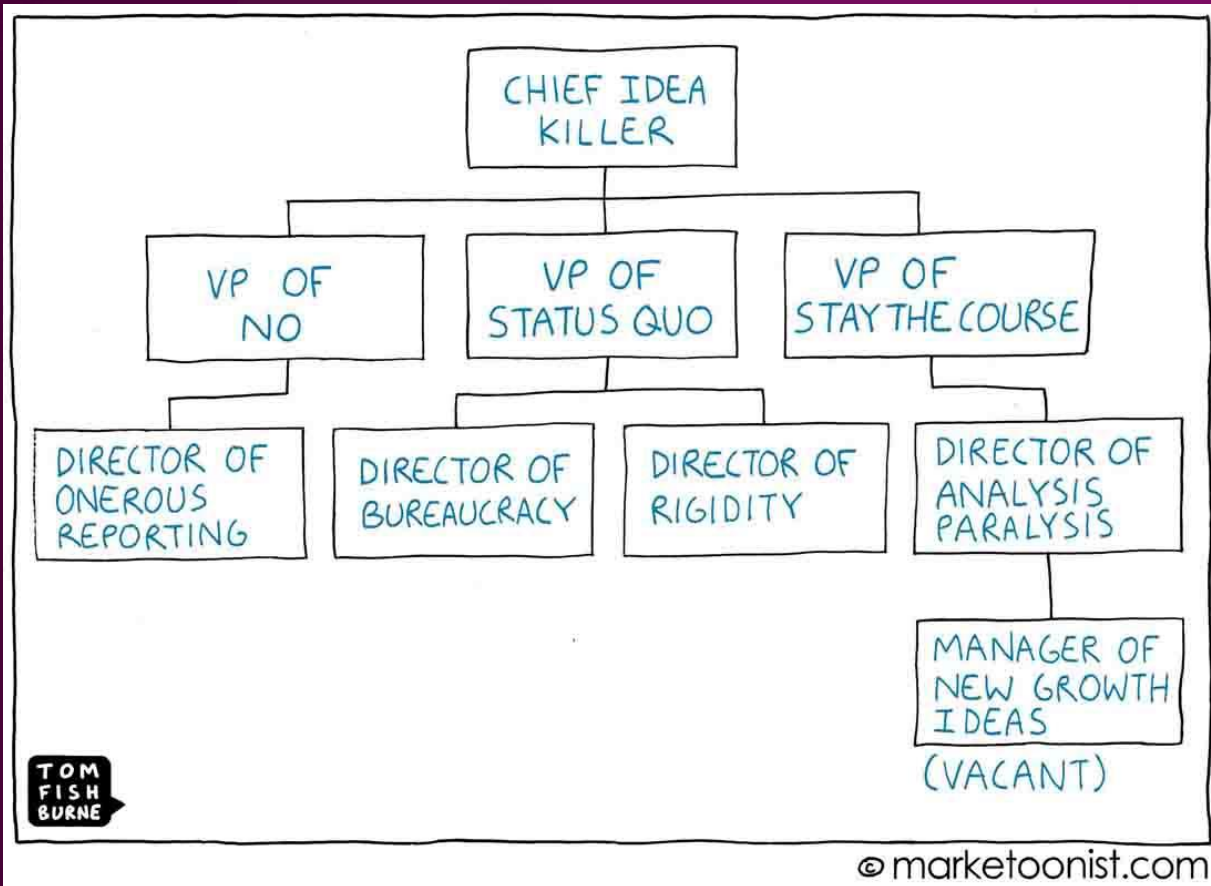
CONS

- › Focus tends to lean towards disruptive innovations
- › Cultural misalignment and challenge to integrate ideas

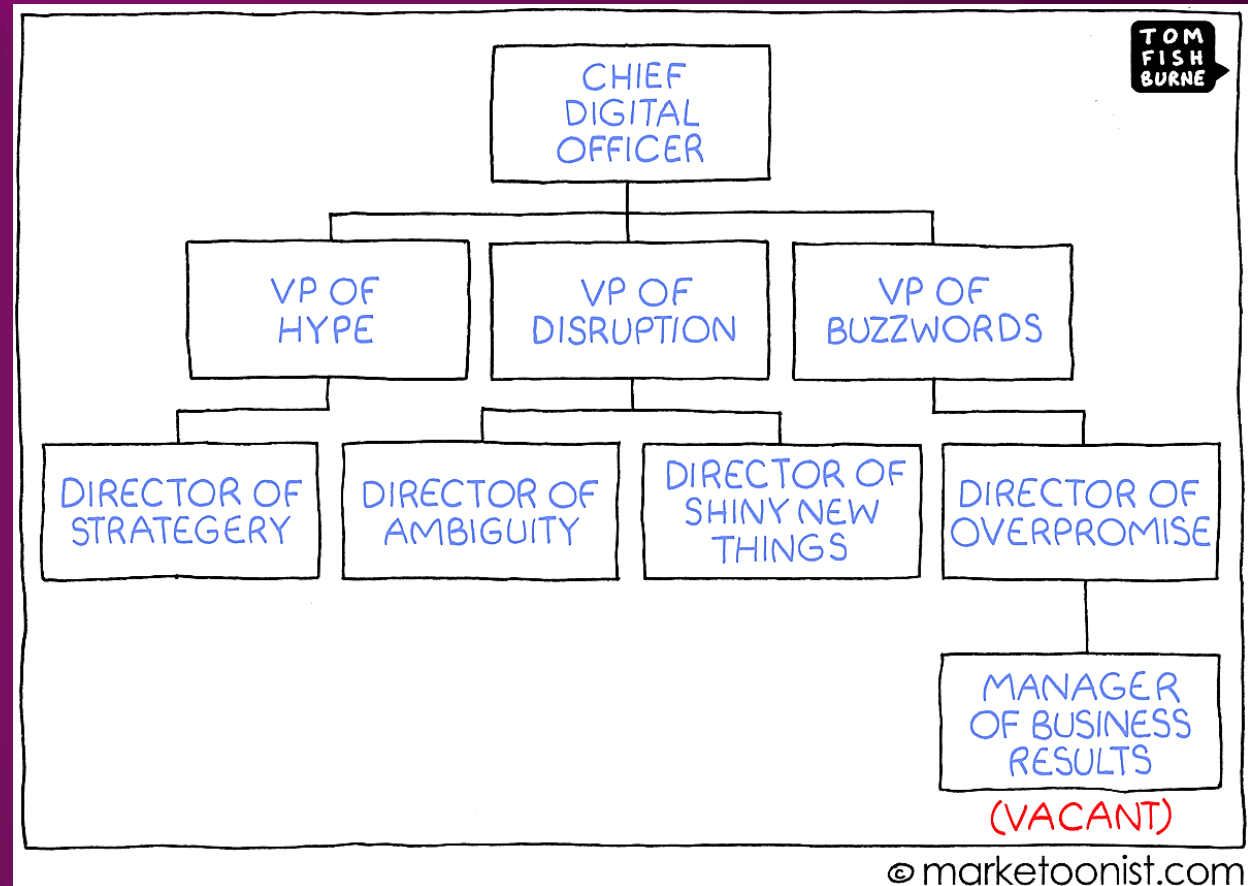


Creating a culture of innovation


Be careful of the cultural pendulum



From this...



...to this

- 
- An empty theater with rows of red seats facing a stage with a red curtain. The theater has a balcony on the right side. The lighting is dim, with some spotlights visible on the stage.
- › Idea capture software or contests with unframed problems
 - › Innovation labs that are more for show-and-tell aimed at visitors
 - › Hack-a-thons that produce no tangible business results

Avoid innovation theatre

Create authentic learning opportunities

16-week design thinking course with real-business challenges

Create authentic learning opportunities



Focus on the learning and key principles derived from the activity

Exploit your
employee's
superpowers





Develop
innovation
champions

- › Lack of creative confidence
- › Belief they are not innovative
- › Barking at what we don't know
- › Antibodies to innovative ideas
- › The corporate 'slow no'



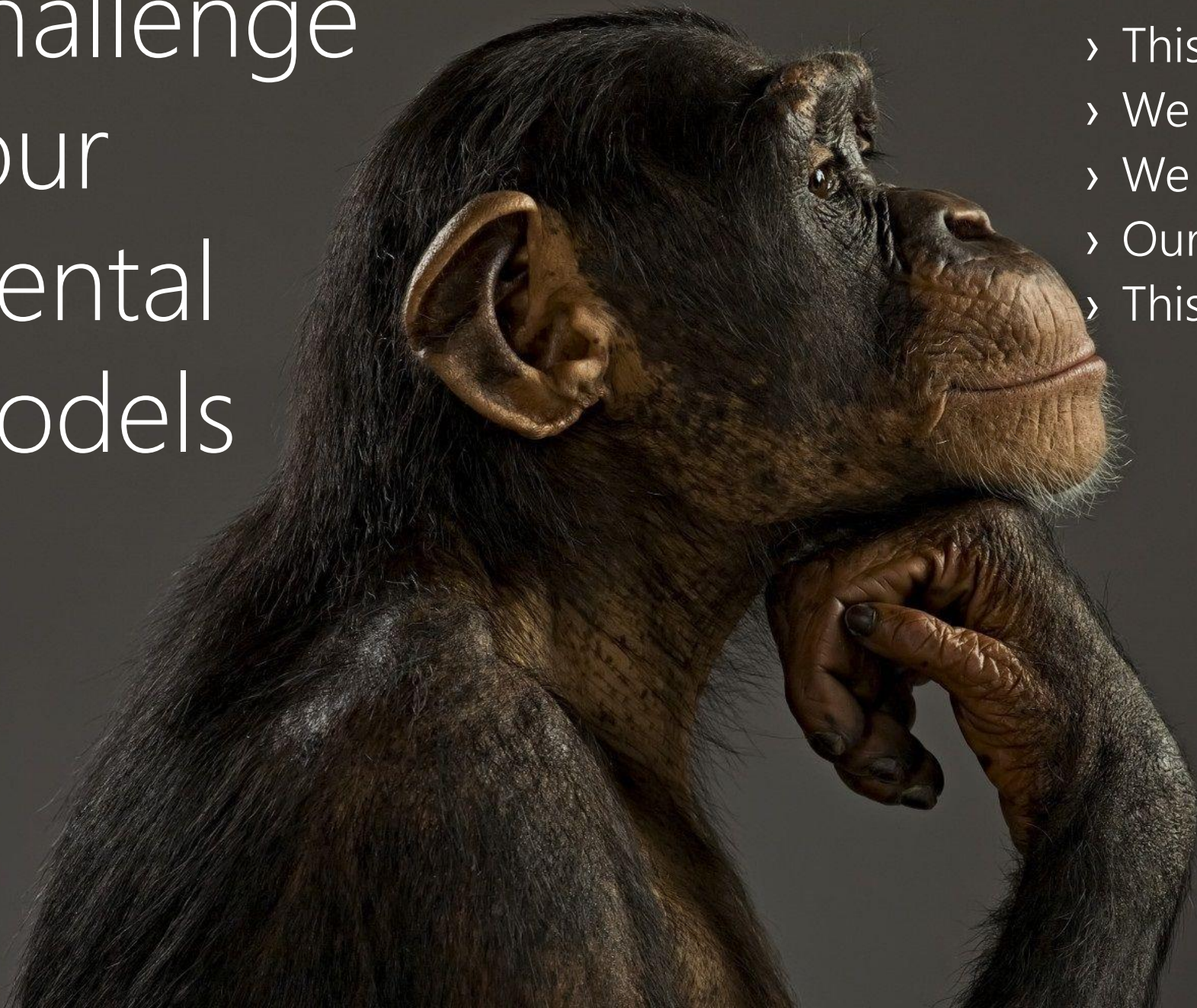
Reveal sticky floors

Adopt an
experimentation
mindset...

..but with discipline
and repeatability

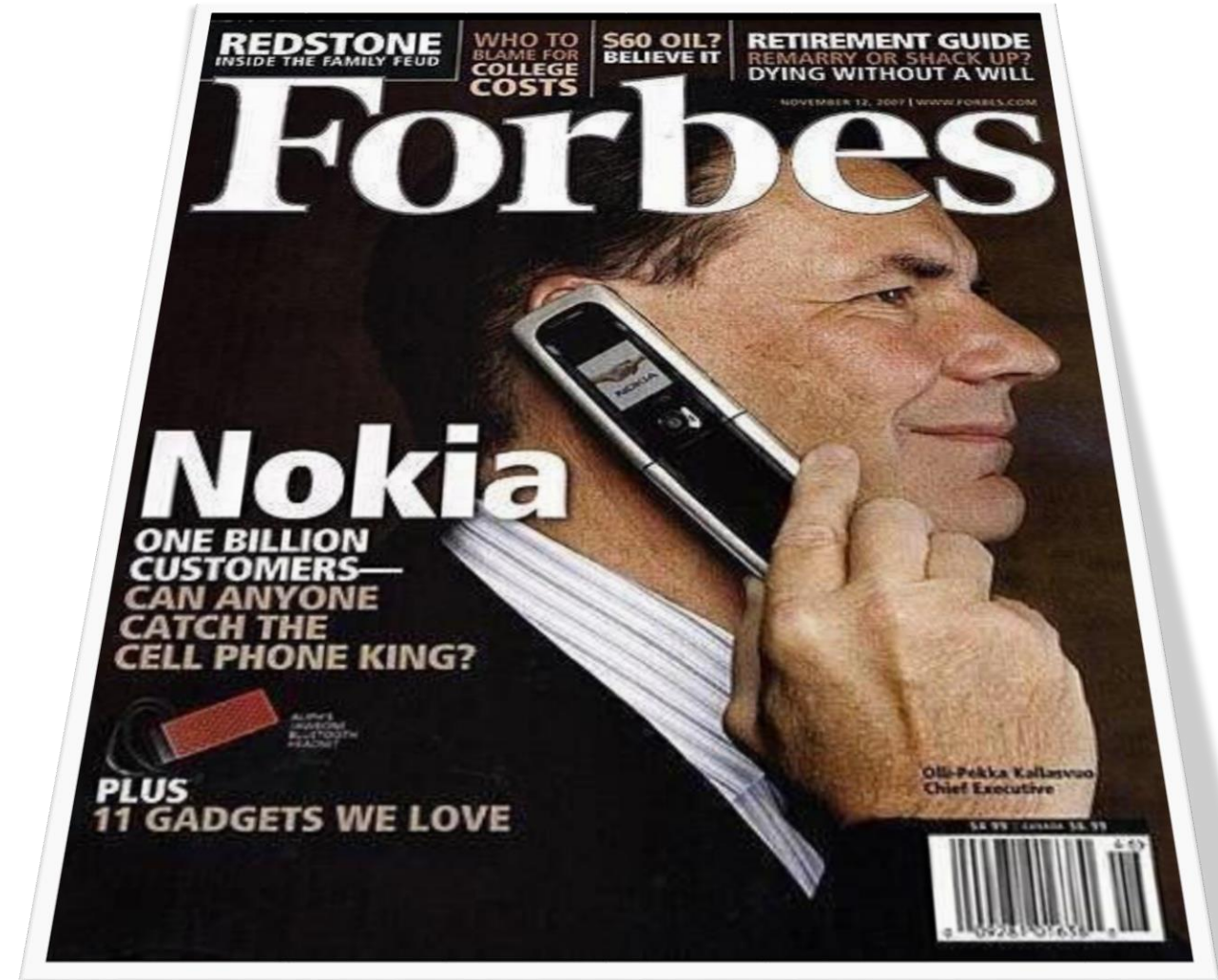
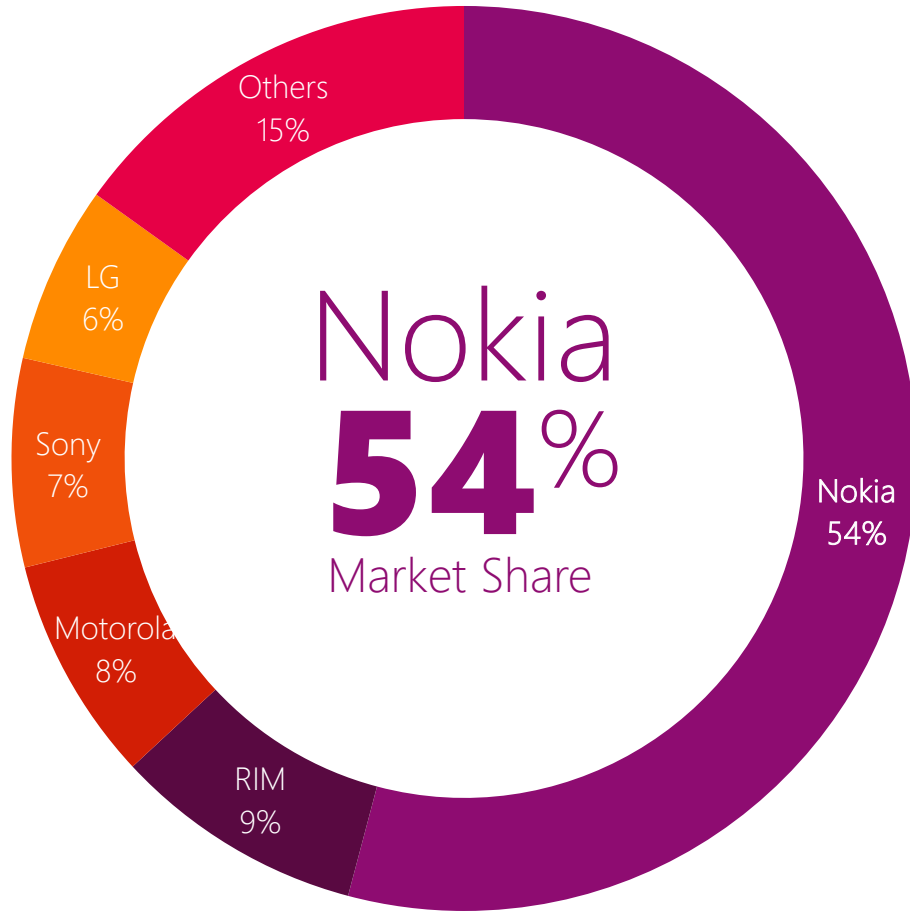


Challenge your mental models



- › This is how we make our money
- › This is who our competition is
- › We are the market leader
- › We know our future customer
- › Our customers know best
- › This can't be done because...

In 2007, the year Apple launched the iPhone, Nokia had 54% market share of the mobile market





Provide
psychological
safety and...



...be brutally
candid

"You can't use up what you
The more you always get
the more you always got."
-Maya Angelou

Provide an environment that **inspires creativity**



Provide an environment that **fosters collaboration**



Provide an environment that **challenges convention**

CONSTANTLY ASK

What are we doing to impede innovation?

- › Complacency and/or Hubris
- › Fear of failure
- › HIPPOs and/or Big Egos
- › 'Desire to be liked' culture
- › No safe space to experiment/take risks
- › Groupthink
- › Fear of the unknown
- › Impatience, no appreciation of horizons
- › Curse of knowledge (expertise)
- › Not invented here syndrome
- › Lack of diversity
- › Too much process rigor
- › No appreciation for the messy nature of innovation
- › Micro-management of talent



Innovative cultures need to embrace

FAILURE



Failure
provides line
of site to
success



Embracing failure
doesn't mean you
tolerate incompetence

39 Failures



1997...



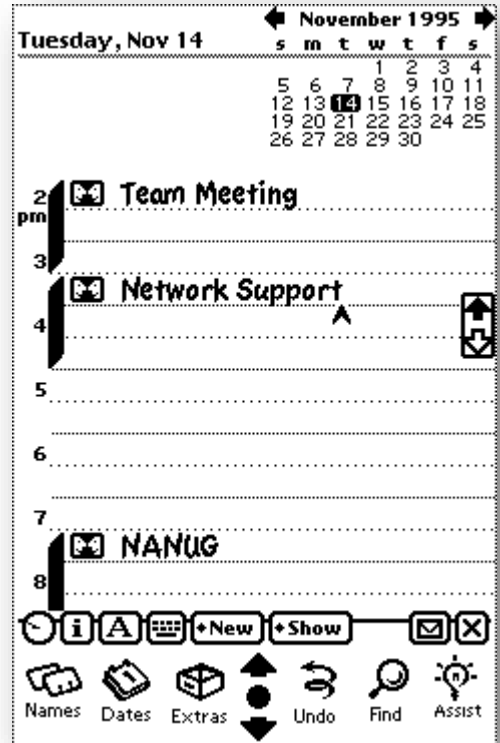
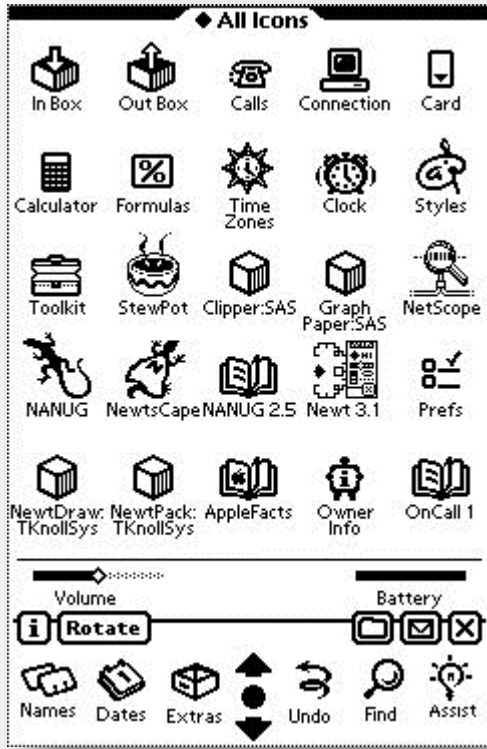
2008...



2012



1993...



September 2005...



June 2007



To create sustainable innovation, you need a

PROCESS

Process for innovation and creative problem solving

INNOVATION DEFINED



Applied Creativity



Novel Idea



Implemented

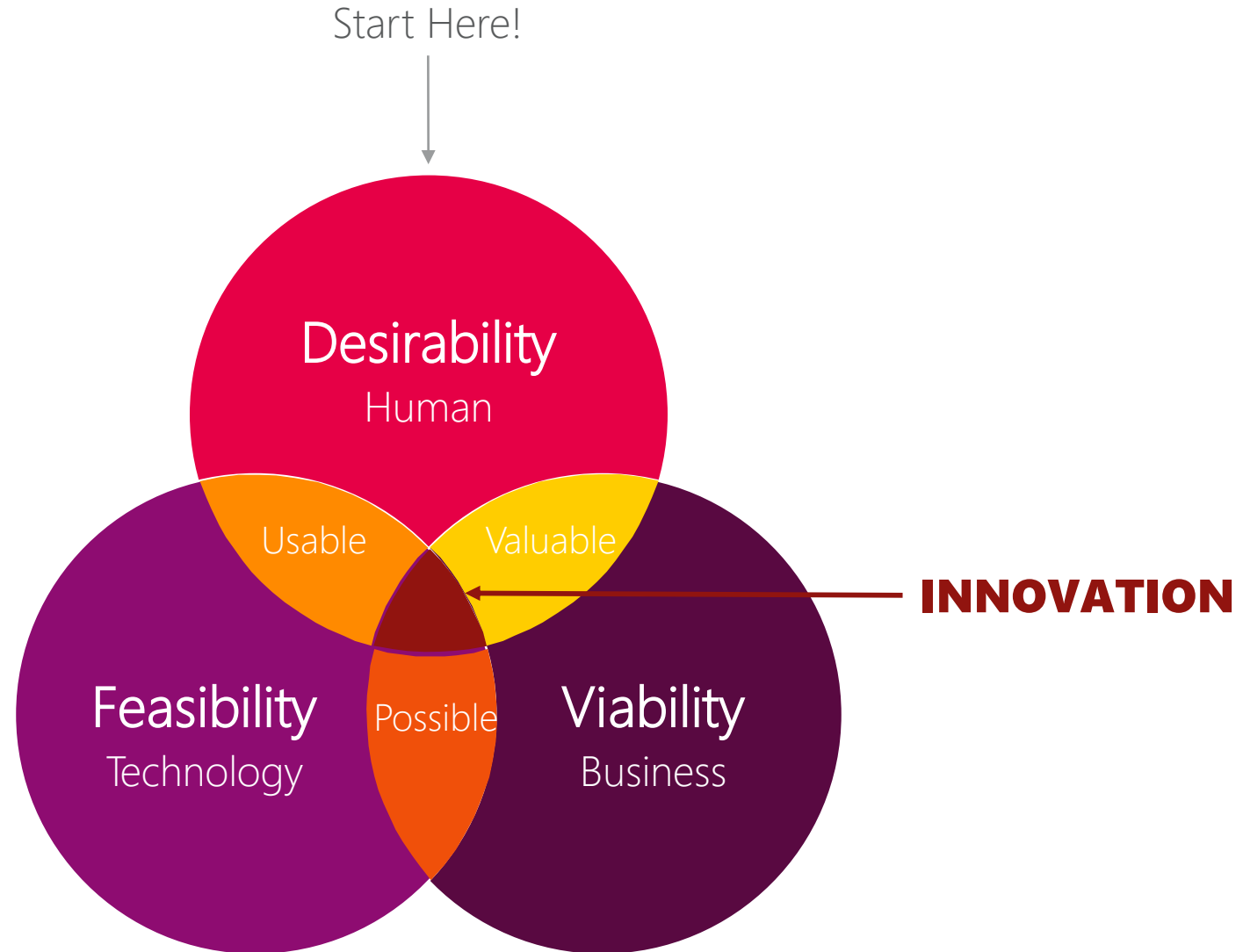


Delivers Value

DESIGN THINKING

It is both a **process** and a **mindset** for enabling **innovation**

How design thinking drives innovation

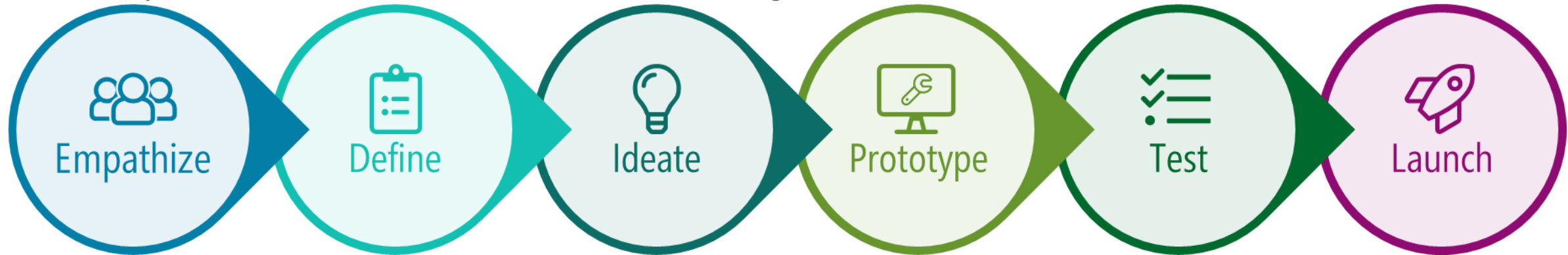


Using design thinking to drive innovation

- › Beginners Mindset
- › Interviews
- › Observations
- › Shadowing
- › Questionnaires
- › Subject Matter Experts
- › Secondary Research

- › Divergent thinking
- › Brainstorming
- › Categorisation
- › Reframe, Refine
- › Use "yes and..."
- › Evaluation
- › Prioritisation/Voting

- › Engage real users
- › Role play
- › Understand impediments
- › What works?
- › Iterate quickly



- › Personas
- › Empathy Maps
- › Goals/Objectives
- › Desired Outcomes
- › Journey Maps (current)
- › Pain Points
- › Framing the Challenge/Opportunity
- › Using "How might we..."

- › Journey Maps (future)
- › Storyboards
- › Simulations/Models
- › Sketches
- › Wireframes
- › Clickable Prototypes
- › Proof of Concept
- › Experiments

- › Minimum Viable Product
- › Alpha Users
- › Beta Users
- › Friends & Family
- › Market Launch

Programs and initiatives to drive

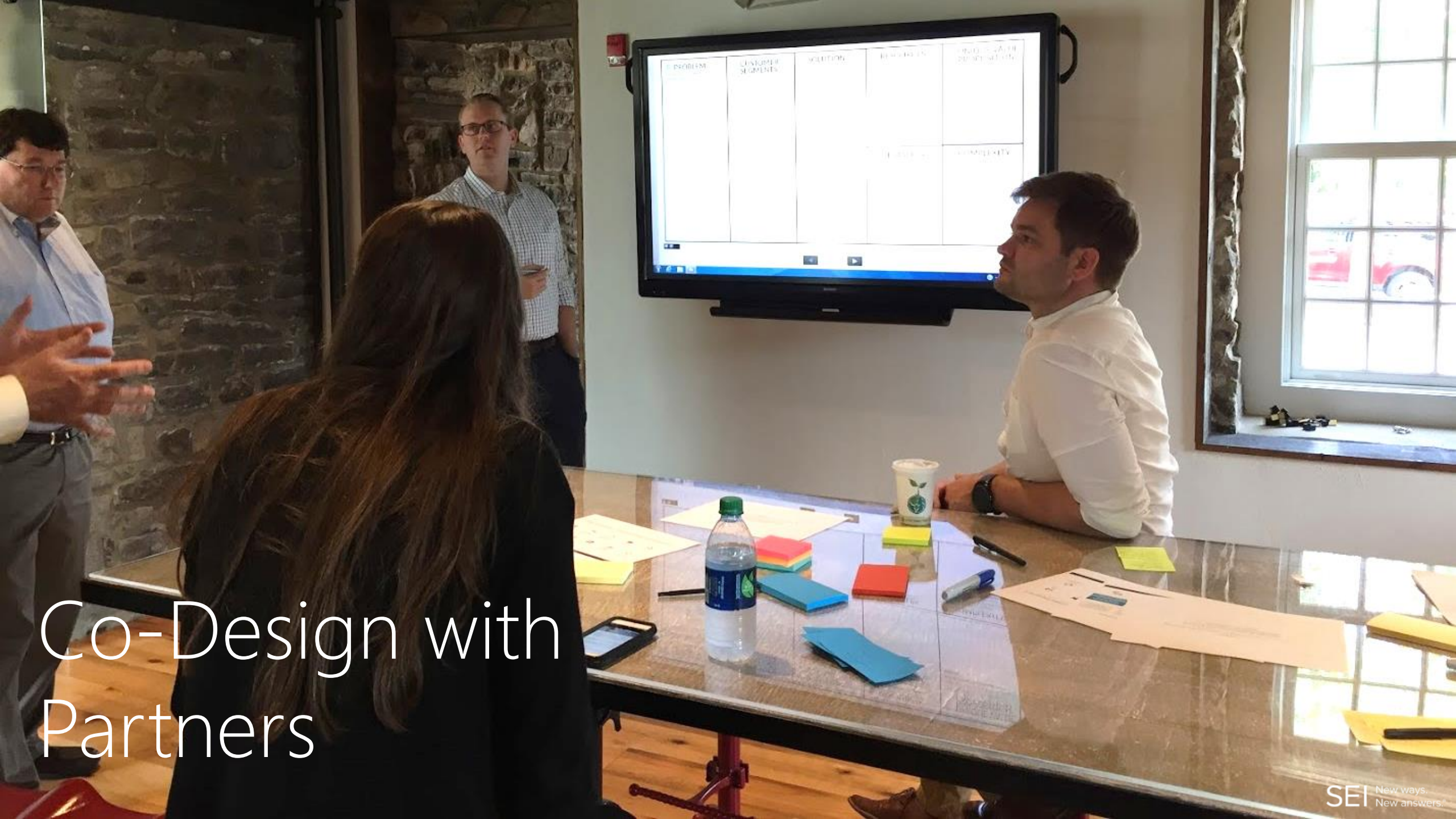
CREATIVE PROBLEM SOLVING



Off-site design thinking sessions with clients

Strategy brainstorming sessions with all employees





Co-Design with Partners

Innovation starts with **CULTURE**

1. Assess your firm's innovative competence and commitment
2. Decide on the type of innovative firm you are
3. Determine how best to organise your approach to innovation
4. Look out for the cultural pendulum and avoid falling into the "innovation theater" trap
5. Create authentic learning opportunities
6. Exploit your employee's super powers
7. Develop innovation champions
8. Reveal "sticky floors" for individuals and the firm
9. Adopt an experimentation mindset, but with a disciplined approach
10. Challenge your mental models
11. Provide psychological safety coupled with brutal candor
12. Provide an environment that inspires creativity, collaboration, and challenges convention
13. Embrace failure, but not incompetence
14. Constantly ask – what are you doing that impedes innovation?
15. Leverage design thinking as both a mindset and process for driving innovation

Innovation Starts with Culture **Thank You!**

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New answers.®



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