

**Andrew Saunders, deputy editor, MT** We have a long tradition of innovation and inventiveness in this country but there are some signs that we might be flagging a little on that front. I'm interested to hear what you have to say about the role of innovation in securing what looks like a pretty long, slow and uncertain economic recovery. But, first, how are we defining innovation?

**Samantha Bell, head of marketing, The Royal Bank of Scotland, Corporate & Institutional Banking** To me, innovation is about finding a new way of doing something, of creating value. It involves looking beyond your own business and sector to see how other people solve problems. People talk about innovation being brainstorming or inventing products but innovation for me is when you take a new approach and wrap a robust commercial framework around it to identify the commercial opportunity and how it's monetised early on. Innovation should deliver value for customers and differentiate your business. If you like it's about turning ideas into income.

**Danny Wootton, UK innovation director, Logica** I more or less agree. But innovation can also be an old idea taken to a new market or new situation, it doesn't have to be something that is brand new. Just repurposing an old idea in some way can generate a huge amount of value. I agree with the notion of commercialisation of the process and I think there is a timing issue of when you bring innovators and implementers together.

**Andrew Saunders** Because the implementers will kill the idea or spark if they are brought in too early?

**Danny Wootton** Maybe the spark. I think you do need to have that mix of skills as you go through the process.

# HOW DO YOU PUT INNOVATION TO WORK?

What are the ingredients for successful innovation? Is there a 'secret sauce' for getting it right? Just some of the questions *MT* put to a panel of respected corporate leaders over some buffalo mozzarella and linguine

**Neil McDougall, executive chairman, Modern Water** There are lots of good ideas out there, but very few of them are successfully commercialised. That is an area where I think the UK has been particularly poor.

**Terry Sweeney, chief executive officer, RM** When I became chief executive there was already an innovation scheme at the company, so people could submit their ideas to win a prize.

I changed that to an entrepreneur of the year scheme, because of the monetisation issue. There is a business case for probably only five out of a 100 ideas. I wanted people to think not just about the idea but the innovation turned into commercial reality – because that's what is going to add value.

**Neil McDougall** We deal a lot with universities where there is a huge amount of money, expenditure and time spent on developing ideas, but often little attempt to commercialise them.

We know one or two academics who actually take pride in their ideas never coming to market. However, the majority of people do want to see their ideas, their concepts and their products getting into the market.

We have been quite fortunate in that we have a relationship with a very interesting professor who is very commercially focused. However, he is a rarity. The best minds in the UK are locked up in these institutions – they are coming up with loads of ideas but no one is actually following up on them.

**Richard Topliss, managing director, Corporate & Institutional Banking North, The Royal Bank of Scotland**

One of my concerns is around the plc environment, the amount of investment and the time given for return. I wonder whether big corporates, particularly quoted ones, eventually reach a size where they have to spin out innovation into a joint-venture because they have to focus on business as usual and cannot cope

with any distractions. They allow the JVs to develop the idea, but bring them back in to implement at the right time.

Can innovation actually thrive within a big corporate environment or does it need to be lifted out and incubated elsewhere?

**Terry Sweeney** The best innovation that I have seen in

my organisation comes at the business unit level and it's often in companies we've acquired, where we have provided them with the capital they needed to bring their ideas to life, and we have given them a bit of freedom and space. We have nurtured them, not big brothered them and the innovation is electric.

In other cases, we take some of the good ideas and instead of pushing them back down to business units we put them in 'skunkworks'. We have taken the best people from around the business and put them in an office to the side, because it is really hard to drive innovation in a very large organisation.

**Fiona Czerniawska, joint md, Sourceforconsulting.com** I see the reverse problem for consultancy firms.

## "Can innovation actually thrive within a big corporate environment?"

RICHARD TOPLISS



**LEFT TO RIGHT**

**TERRY SWEENEY**  
chief executive officer,  
RM

**SAMANTHA BELL**  
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**DANNY WOOTTON**  
UK innovation  
director, Logica

## LEFT TO RIGHT

**CHARLES NASSER**  
chief executive officer,  
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**ANDREW SAUNDERS**  
deputy editor,  
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**FIONA CZERNIAWSKA**  
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**NEIL MCDUGALL**  
executive chairman,  
Modern Water



Innovation is clearly important to consulting, however, consultants are not necessarily good at being innovative. They are very good at taking the idea and working out how to apply it and who would make use of it – the application of the innovation. However, from time to time they need to feed the machine, so they need new ideas coming in. So they push people out into skunkworks and into separate groups. The problem that they then face – and it might be interesting to know how you get over this – is how to integrate the innovation back into the business, because there will always be that, ‘not invented here, so it must be rubbish’ attitude.

**Danny Wootton** It depends on what you want innovation to be in your business. If you are a product company, I think feeding the capital but leaving the team in isolation works. But if, like Logica, you are providing services to clients on a daily basis, then it’s about continually improving that service. You need that to happen within the space. I think you have got to have a clear view about how you want to use innovation and how it forms part of your company strategy.

**Charles Nasser, chief executive officer, Claranet Group** I am an entrepreneur, so for me innovation is what I do every day. However, innovation in the service industries is very hard to get right. The best answer I have so far is that it has to sit alongside all the other managerial functions, to become a process to catch the ideas and relentlessly turn them into value adding changes. That’s the nitty-gritty of everyday business. We have a continual service improvement team – which should really be called the continual service innovation team – that sits

alongside everybody else and reports to the MDs. Their job, every day and every week through regular meetings, is to catch these ideas and see how they are implemented and measure what difference they make.

Eventually you get the spark that says: ‘Right, this is so good it cannot live within the current operational infrastructure. It has to be a separate business.’ That then requires a top-level decision to say: ‘Right, people, here is some money.’ The level of excitement you get when you do that is ridiculous. Sometimes the innovation fails and sometimes it succeeds, but in my experience the hit rate is about one in three.

**Neil McDougall** The other interesting side of all this is the risk element, because to act on the spark is a risk for the company. You don’t want to have too many of these things developing at any one time because it doesn’t look right for the management and it

doesn’t look right for external investors. Risk is a key part of a successful, innovation commercialisation process. The question I always have in my own mind is, who is better taking that risk?

Our whole business is based on innovation, finding interesting technology and then commercialising that technology. For us, the real challenge is going out and figuring out how to get our technology adopted across the world. We are almost overwhelmed with people coming to us with ideas. The question is, how do you bring those down into something that you can actually focus on?

**Charles Nasser** I think the big danger with large organisations is that you reward along the management chain for

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NEIL MCDUGALL

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DANNY WOOTTON

controlling risk more and more and determining good quality outcomes, which is actually the opposite of innovation.

**Danny Wootton** I think it’s important to have the right mix on the management team, so you have people who will manage the risk and people who will be more entrepreneurial to spot the things that will turn into something that is commercially viable.

**Samantha Bell** Does your organisation measure benefit purely in pounds and pence? Do you need to show a return on investment for all the ideas that get pursued?

**Danny Wootton** We haven’t quite cracked that one yet, because it’s client relationships that drive our business. We could have

somebody who comes up with an idea as part of a team and sees that idea through to generating £300m of new business. We could also have somebody who takes an idea to the client about how it can improve its process. Three years down the track, the client

comes back and says: ‘I’ve got a really good relationship with you guys, here’s a £300m deal.’ Both are equally important to us.

**Terry Sweeney** I’m really keen to drive more numerics in our business and to get people to think, well actually, my idea has got a cost, it has a revenue profile and it has a profit profile. Even on the initial submissions they have to do an outline business case.

**Danny Wootton** That’s interesting because we don’t do that until a little bit later on. We provide a bit of seed funding to remove this block on people’s time, based around the idea of the insight and what the benefit would be, but not a numerical one. We try to create a little bit of time for people to go and explore their idea.

**Samantha Bell** The challenge is how do you convince senior leadership to sustain the innovation programme if they take a risk and it doesn’t pay off or if the return on the investment isn’t immediately obvious? I think a successful innovation programme needs clearly defined goals, permission to test and learn and senior leadership sponsorship. It’s also important to agree success criteria and metrics early on. Support from senior leadership gives an innovation programme credibility and longevity and that helps engage people and really encourages them to step forward with their best ideas.

**Andrew Saunders** Can I touch on this issue about what we do

with our innovation. Do we close the walls around it and look to exploit it as much we can, or do we open source it? Does collaborating and innovating in partnership work in practice or is it better to be guarded about our innovation?

**Terry Sweeney** Part of our business is traditional software development where you protect and license your intellectual property to ensure you protect the business. But we also bought a business 18 months ago that designs specialised education furniture. It’s run by an entrepreneur who has half a dozen designers and he makes the most incredible layouts for new schools with brilliant innovation. I had an argument with him about getting in the lawyers to patent his ideas. He told me: ‘Come on, by the time somebody has caught up, I’m already three ideas ahead.’ His strategy is probably the best one – ‘Don’t weigh me down, let me crack on. I’m a moving target. I’m confident in myself and in my ability to out-innovate the competition.’