

PRESS RELEASE

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Don't force ideas out of employees, says new report

- **Forced initiatives to create new business ideas fail to provide a justifiable return**
- **Successful new ideas are far more likely to come from a natural flow of ideas**
- **New business 'targets' don't work**

Management initiatives to force ideas for new products and services are unlikely to reap rewards, according to new findings from H-I – the network, research and strategic advisory group. Research published in H-I's latest report, *Winning Ideas for Strategic Growth and Venturing*, highlights that in an in-depth study of 50 successful new business initiatives, not a single project was the result of a management desire to 'get more ideas onto the hopper.'

The report, which in total studied 150 international corporate venturing efforts, warned against quick fix solutions and concluded that there is little evidence to suggest lots of ideas lie hidden in the minds of shy managers waiting to be released by stimulatory interventions. In contrast, the report argues, companies need to create a culture which promotes a natural flow of ideas. Evidence shows that this often comes as a result of concentrating on developing a strong core business.

Andrew Gaule, co-author of the report, *Winning Ideas for Strategic Growth and Venturing*, commented:

"The challenge of unlocking new ideas in an organisation is not easy and something which frustrates many directors. However, it is quite clear that innovation needs to be a part of the natural operating processes of a business, not a hastily fashioned bolt-on. So many businesses set up specific corporate venturing units, which invariably produce a lot of ideas. But more often than not, these ideas will not work within the existing business and therefore won't produce any tangible value."

"The best ideas come from a corporate culture where innovation is encouraged and co-exists happily with the day to day operational side of the business."

"There is a fine line between attempting to force innovation and ensuring that there are systems and processes in place to both capture and capitalise on good ideas, but companies

need to find that balance. In short the flow of ideas should be natural; the process for capturing and developing those ideas should be systematic."

The report offers some guidance for companies to meet the difficult, and somewhat conflicting challenge, of improving 'top-down' processes to help the natural flow of ideas.

Andrew Gaule says:

"Often the best ideas come from people that are close to the market and understand both the competition and their own core skills, but have the 'sponsorship' of a senior member of the company. Innovation by its nature needs a certain amount of ambiguity and leeway. However, directors also need to know where to put a stop to a project that is not going to deliver value."

In the report, H-I also identifies the eight most common pitfalls for companies attempting to innovate:

- 1. Targets and innovation are a fatal mix.** Managers under the pressure of 'new business targets' work to reach that end and that end alone, meaning that the viability and levels of risk in opportunities aren't given due consideration.
- 2. Too much thinking 'outside the box'.** In the quest for creativity, not enough attention is paid to why the company is likely to do better than average in the opportunity identified. Managers need to think about what the business can offer the new venture and what the new venture will offer the business.
- 3. Carpet bombing.** Too many companies launch into numerous schemes instead of pinpointing a lower number of quality targets. Based on the research, companies that choose only a few new business ventures and are selective in their approach are more successful.
- 4. Being ignorant of ignorance.** Too many managers fail to consider the learning costs (i.e. the costs of making mistakes from inexperience). Most successful new business initiatives examined in the research were in situations where either the sector was 'new to world', meaning that all competitors had an equal amount to learn, or where the company had sufficient knowledge of the new sector to keep learning-costs low.

- 5. *Betting on the track, and not the horse.*** It is a common error for companies to get excited about the next big thing without considering whether it is right for their business. A classic example of this was the dot.com era, where for many companies normal business sense was ditched in favour of hype.

- 6. *Ordinary managers equal ordinary results.*** Innovation needs exceptional and unusual managers. If insufficient attention is paid to the comparative quality of managers leading the project against market competitors, then the project is unlikely to succeed.

- 7. *Burning the candle at both ends*** can be detrimental to an organisation's health. Too many companies fail to take account of how the core business will suffer as attention shifts to the new business. The negative impact on the core must be taken into account before plunging into a new venture.

- 8. *Pride comes before a fall.*** Successful companies can be overly confident in their abilities and unable to assess clearly whether a new venture is right for the business and the business right for the idea.

Andrew Gaule concluded:

"If you look at some of the best new ideas in recent history, a fair number came as a result of being in the right place at the right time. There's no amount of planning that can legislate for the element of chance, but certainly companies can do more to make their own luck."

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Notes to editors

About H-I Network: H-I is a network and research organisation committed to fostering innovation and growth for its members.

The network provides thought leadership and learning and seeks to:

- Actively promote innovation and new business ventures
- Set the standard for innovation within organisations
- Provide a collaborative framework for best practice
- Form a strong business network

For more information please visit www.h-i.com

About the report

The research for the report was conducted in three stages:

1. Surveying the successes and failures of corporate venturing units and corporate incubators. In combination with a project at London Business School, more than 100 corporate venturing efforts were examined through interviews and questionnaires.
2. Assembling a database of over 50 success stories. The database is biased towards 'improbable' successes.
3. Shadowing managers responsible for finding and entering new businesses. Over a period of four years ten managers were shadowed. Every three or four months they were questioned about what they were working on and what successes and failures they had had in the previous period.