

# THE CREATIVITY ADVANTAGE – IS YOUR ORGANIZATION THE LEADER OF THE PACK?

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## Abstract

Success in product and service innovation depends on creativity as a key input. Without a healthy and continuing supply of ideas, most organizations would cease to exist. A fundamental challenge facing leaders in the twenty-first century is how to profit from individual potential and then leverage it so that it produces organizational innovation and excellence. This article takes a strategic view of creativity as a key element of competitive advantage. It outlines the conditions for creativity to flourish and is supported through the use of a number of case studies. Creativity is not predominantly something that can be “forced” through creativity “techniques”. It depends crucially on the setting of an appropriate context for ideas to emerge and their subsequent mobilisation into innovative products and services. When the context is right techniques can play their part in raising the level and type of creativity within organizations.

## Introduction

Creativity is no longer a “nice to have” quality within a few “cranky” individuals – it is mentioned in the contexts of business survival and the need to stay ahead of the game within leading organizations. It is particularly mentioned as a source of competitive strength within organizations that face discontinuous or chaotic environments or where there is little or nothing to differentiate the product or service from competitors.

In “Corporate strategies of the top 100 UK companies of the future”, the Corporate Research Foundation lists six key drivers of future success:

- (1) Structural flexibility;
- (2) Innovative power;
- (3) International orientation;
- (4) Human resources;
- (5) Growth markets;
- (6) Quality of management.

Creativity is at the heart of structural flexibility and innovative power. This strategic capability can be seen within leading creative organizations, such as Hewlett Packard, The Body Shop, Psion, First Direct Bank and 3M. These organizations harness the ability to think and act differently in ways that make sense to their current and future customers. In other words, organizational creativity is about being different and appropriate. It therefore differs from traditional viewpoints on creativity, which tend to consider ideas for their own value, independent of any commercial application.

An example of the exceptional performances that can be achieved by thinking and acting differently is that of First Direct Bank, which has shown consistent rapid growth as the UK’s first telephone banking service. This is especially impressive since First Direct was started by a traditional banking organization. Some key milestones illustrate the rapid progress made by the organization:

June 1988	Project team initiated, code named Project Rain-cloud.
October 1989	First Direct is officially opened.

December 1990	50,000th customer joins First Direct.
May 1991	100,000th customer joins First Direct.
March 1993	250,000th customer joins First Direct.
December 1993	First Direct moves into operating profit for the first time.
December 1994	Achieves break-even for the financial year.
April 1995	500,000th customer joins First Direct.
January 1997	Number of customers rises to over one million, following the take over of Forward Trust Personal Finance.

First Direct have rewritten the meaning of distance banking and have created a significant advantage that is visible through a number of indicators:

- 👤 87 per cent of First Direct customers were extremely/very satisfied with their service compared with an average of 49 per cent for the high street banks;
- 👤 87 per cent of customers have recommended First Direct compared with an average of 11 per cent for the main high street banks;
- 👤 94 per cent of customers believe that First Direct is better than most other banks;
- 👤 It takes on average 20 seconds to answer an incoming call to First Direct;
- 👤 First Direct is recommended every five seconds.

Whereas creativity has been thought of in terms of a divine quality or luck, it can be studied like any other discipline, and organizations must learn to think of creativity as a core capability. This article summarises some of the research that I have conducted in the area, which has led to the publication of the book *Best Practice Creativity* by Gower.

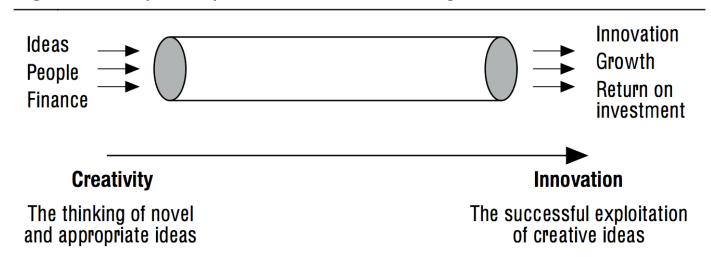
## A strategic view of creativity

### Linking creativity and innovation

Organization creativity can be seen as a process where creativity is the input to the processes that lead to innovation, competitiveness and returns on investment (Figure 1).

The time spent in the “pipeline” varies for different industries e.g. in software applications it

Figure 1 An input-output view of the creative organization



may be months and in the aerospace industry it may be decades. Any shortening of the pipe “length” or improvements in the number of ideas converted to innovations will produce financial benefit. In not-for-profit organizations, the notion of increased market share or return on investment may be replaced by more appropriate outcomes, such as contribution or enhancement of strategic positioning.

To make progress through the pipeline requires that the organization has a strategy for converting creativity into innovation. My own research shows that the creativity in organizations has much more to do with an appropriate “context” and rather less to do with “creativity techniques”. This can be summarised by the 80:20 creativity “formula”.

### The 80:20 creativity “formula”

*Creativity is 80 per cent context and 20 per cent technique*

In reality, the 80:20 “formula” is not a universal recipe. However, it does give the correct emphasis to the balance between “context” and “technique”. In my experience as a research and development leader and consultant, too little emphasis is placed on setting a suitable context for creativity, and this has consequences for the successful exploitation of techniques and tools. This article explores the 80 per cent.

### What is creative context?

Creative organizations have strategies that are built on a flexible but firm context, which includes some or all of the following elements:

- 👤 Culture, leadership style and values– is about the “way we do things here”, the leadership role and style and the espoused and realized values that the organization lives and breathes.
- 👤 Structure and systems– is about both the formal organizational structures, the informal structures (networking, information structures, and the shadow side of the organization). Systems include

rewards, recognition and career systems.

👤 **Skills and resources**— is about the attraction, development and retention of creative talent, supported by information, finance and an appropriate climate for creativity.

These elements must be aligned to provide the necessary synergy. An analogy for this is that of a three-legged stool (see Figure 2).

Some of these elements are more important for creativity in different types and sizes of organization. What is particularly important is that the chosen strategies are ones that fit the particular organization.

### Creative organizations in practice

Creativity is valuable in both product and service innovation. The following case studies illustrate the three-legged stool analogy in action in product and service based organizations.

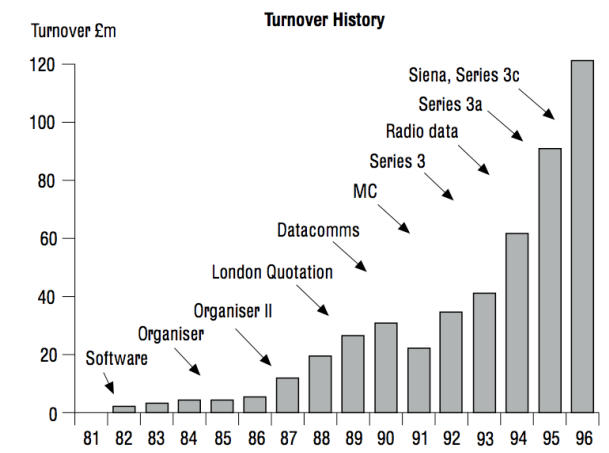
#### Psion computers plc

Psion's principal business role is to design, manufacture and supply products that serve customer needs for portable computing and data communications. Their key values are quality, innovation, self-belief and a "can-do" attitude. Psion has consistently demonstrated a commitment to creativity in its new product development process and the results of this are shown in Figure 3.

#### The innovation process at Psion

Psion regards innovation as doing something that someone else has not done before. This includes having new ideas (creativity) and implementing

Figure 3 Psion performance data



them (innovation). It requires conception + invention + exploitation. Psion sees innovation as providing the basis for survival and sustained competitive advantage, especially through two of the four marketing

Ps:

- (1) Product differentiation through product innovation leading to higher gross margins.
- (2) Price leadership through manufacturing process innovation.

#### How Psion arranges innovation

In terms of the three legged-stool analogy, Psion places particular emphasis on culture, leadership style, values, structure and resources. Psion believes that the essential requirements for innovation are those shown in Figure 4.

#### Resources – “good people” are:

👤 Driven and energised “creatives”. These people are both talented and hard working.

Figure 2 A strategic and systemic view of the creative organization

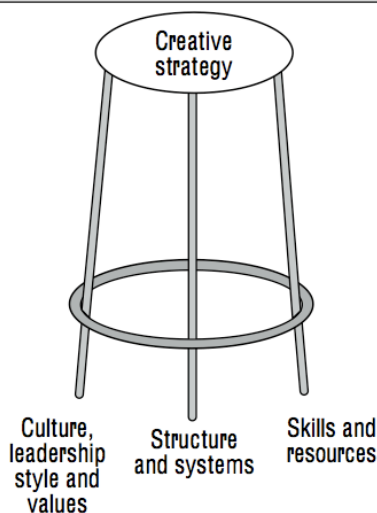
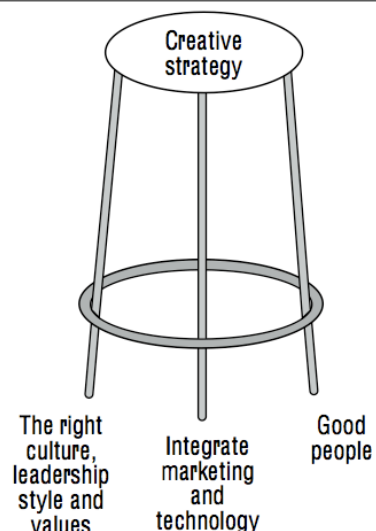


Figure 4 Creative strategy at Psion



They possess analytical and deep thinking capabilities and the ability to reflect.

- 👤 People who are passionate about what they do.
- 👤 People who develop themselves.
- 👤 Free thinkers.

#### Culture

- 👤 Different personality types – bio-diversity.
- 👤 Uncertainty tolerance.
- 👤 Risk taking is encouraged.
- 👤 Natural authority rather than positional authority – intellectually tough, creative.
- 👤 A desire to do things – an ambitious quality – “insanely great” – a desire to delight the customer rather than just meet expectations.
- 👤 Passion is an accepted cultural norm.

#### A leadership style that lets things happen:

- 👤 Not too much command and control – avoiding bureaucracy, loose ambiguous structures, lots of dotted lines, getting people to question the status quo, need to tolerate and even encourage the right kind of confrontational behaviour, paradoxically a bit of discipline sometimes helps.
- 👤 A tendency to leadership rather than management – stretch goals, risk taking, trust, giving people their head, leading by example – creative leaders.
- 👤 Get the different specialists to work together on problems.

Along with the positive features, there are some challenges. For example:

- 👤 The need to kill unpromising projects.
- 👤 Too much innovation can lead to an unbalanced view.
- 👤 The tension between innovation and planning – innovation, almost by definition, cannot be planned for.
- 👤 Chaos, confusion and informality are the seedbeds of creativity.

#### Structure

One strategy that Psion considers to be a consistent winner is the one that integrates marketing and technology. This must be coupled with a recognition of customer demand for successful innovation.

In terms of design, Psion believes that this should be left to engineers. Design involves the translation of requirements (benefits) into a product specification (features). Marketing speaks the language of benefits and engineering speak the language of features. Good engineers should learn

the language of requirements and translate it into features, which add the desired value.

Contrary to conventional wisdom, Psion does not see the marketing department as having sole responsibility for customer input and market estimation. This is because marketing people may emphasise less risky new products that are minor improvements in existing products and product managers tend to produce incremental range extensions to maintain existing lines rather than breakthrough new business opportunities.

This case study illustrates the following themes about creativity:

- 👤 Giving tangible example to the need for tolerance of failure.
- 👤 Integration of functions that need to communicate and the tolerance of conflict.
- 👤 Using diversity to produce ideas.
- 👤 The need for ambiguity tolerance and opportunity spotting (seeing the glass half full rather than half empty).
- 👤 Passion and persistence in action.

#### National & Provincial Building Society

The following cameo illustrates the use of creative leadership to influence the culture of a whole organization. The example is that of the National & Provincial Building Society, who faced the challenge of the changes created by the Financial Services Act which effectively exposed building societies to the commercial world. Under the leadership of David O'Brien, the organization realigned itself to meet the external challenges in a highly effective and efficient way. Part of this process was a creative communications approach to sense and respond to the issues that presented themselves as the organization embraced an environment of continuous change. National & Provincial can be seen as an example of a real-world approach to becoming a learning organization.

An important part of the culture change was the “understanding process”. This was initiated within a week of the latest Executive Management Direction event and was a very effective means of two-way understanding.

Each understanding “event” would commence with the team leader/manager facilitating the team through four considerations:

- (1) What has gone well that we can learn from since our last event?
- (2) What has not gone well that we can improve?
- (3) What ideas have we thought of?
- (4) What concerns have arisen?

The considerations could be within the teams' direct area of influence or anything happening in the organization at that time.

The facilitator would then update the team on the output from the latest Executive Direction Management event. This would in itself either cause more considerations or answer previous questions raised within the teams or by other teams.

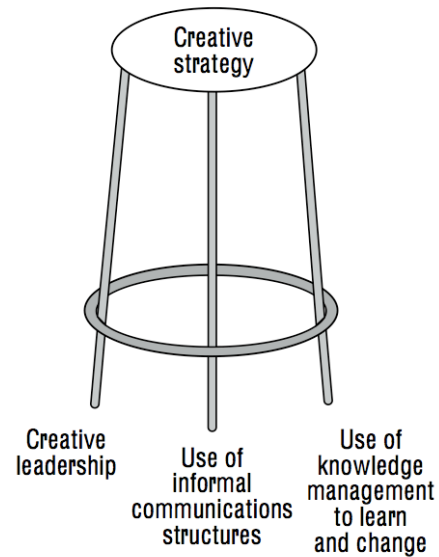
The team would then decide what actions they would take to resolve issues or improve results where the opportunity was within their area of responsibility. At the same time they would decide what output should be created to raise questions that other parts of the organization should consider plus any positive feedback the team wished to give others in the organization. This recognises the interdependencies within an organization and encourages other teams to be proactive and aware of the value of recognition.

The output would be collated with all the other teams' output and captured in the organization's "issueometer" and "progressometer". The content, patterns, dispersions and trends of these two qualitative measures were then used by the Executive team to understand the dynamics of the members in the organization, how much people understood/misunderstood/welcomed/feared/developed and contributed to improvement and creativity.

The frequency of the understanding events were geared to the management process cycle and occurred every two weeks. The frequency would be geared to the degree to which an organization needs to be "on the ball" and clearly retail needs a more frequent cycle than, say, engineering.

The National & Provincial example is an illustration of how a large service-based organization can stimulate creativity and learning by designing and implementing an appropriate organization design and complementary leadership. In terms of the three-legged stool analogy, it particularly emphasises creative leadership, the use of informal structures and knowledge management as a resource to achieve whole organization change (see Figure 5).

Figure 5 Creative strategy at the National & Provincial



## Conclusions

### Factors that make organizational creativity more probable

Whilst there is no universal prescription for encouraging organizational creativity, a number of factors may be identified that make creativity more probable. Broadly speaking these subdivide into the following areas:

- 🌟 Setting an appropriate culture, leadership style and living values that encourage people to think and act beyond current wisdom.
- 🌟 Focusing more on informal structures and communications than trying to formalise these features.
- 🌟 Devising systems of reward and personal growth that fit with the strategy and minimise the use of systems for their own sake.
- 🌟 Encouraging diversity of people and skills. Tolerating the conflict that may result, provided that this is over ideas rather than being of a corrosive nature.

### Creative leaders do it differently

Common attributes required for creative leadership include:

- 🌟 The ability to set a direction that excites others, rather than bland "mission" statements. In practice this often involves the ability to be specifically vague.

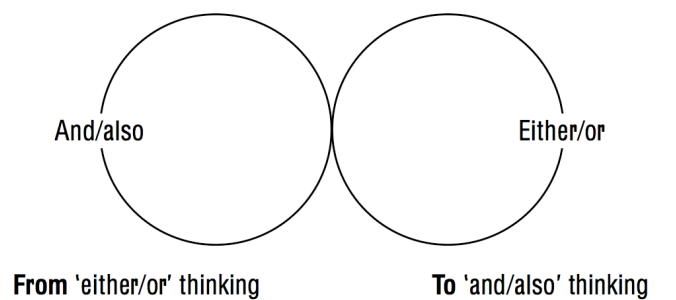
- 👤 Leaders as idea advocates, sensing and moving ideas around the organization so that they attract resources and gain acceptance.
- 👤 Giving a tangible example to the concept that failure is a learning opportunity and encouraging risk taking.
- 👤 Building teams that have high levels of trust. This includes the ability to have conflicts and recover from them.
- 👤 Giving freedom to “bootleg” by providing encouragement, mental and physical resources to spend on speculative projects.
- 👤 Enabling others to make meaning and sense out of their environment.
- 👤 Leadership styles, ranging from coach through counsellor, conflict generator, comedian to hero. An ability to move rapidly from one role to another without losing credibility.

### Not only but also....

A shift in thinking is required to generate a more creative climate in organizations. This may be summarised as shown in Figure 6.

The formal structure must be supplemented by informal learning structures that allow for cross fertilisation of learning across professional disciplines, through placing people in situations where they have to think “outside their box.” This tends to facilitate and/also thinking.

Figure 6 Not only but also



### Creativity “toolkits” are insufficient

Whilst some organizations make use of proprietary creativity “toolkits”, these are insufficient to generate more creative behaviour.

The balance of focus needs to shift towards the generation of contexts where people’s innate creativity can emerge. Techniques have their place when an appropriate context has been created, but these cannot be used to “force” creativity out of people. Where techniques are of value, a wide menu is recommended, so that people may fit techniques to the problem/opportunity, rather than having to force fit problems to techniques.

### Reference

Cook, P. (1998), *Best Practice Creativity*, Gower, Aldershot.