

## Conference Report

Igniting Innovation and Ideas

Featuring Kjell Nordström and Chris Baréz-Brown

Wednesday 14<sup>th</sup> September 2011 – Hilton Deansgate Manchester

Ideas are king when it comes to separating successful companies from failures. The ability to innovate, create and think differently is paramount to setting your company ahead of the rest. Kjell Nordström and Chris Baréz-Brown took to the stage at Benchmark for Business's Igniting Innovation and Ideas conference in Manchester to explain how to do just that.

### Session One: Kjell Nordström

There is a new normal. This 'normal' world in which we inhabit today is completely awash with paradoxes.

We are consistently being reported to and informed about crises across the world. Even in this morning's newspapers news regarding the financial meltdowns in both Greece and Portugal are helping to fuel the population's underlying feelings of uneasiness and fear. That's on the one hand. Looking at this global situation from a different perspective – we are currently in the biggest growth period in human history and this growth period is comparable to nothing that has ever come before it.

Similarly you could be mistaken for thinking that Multinational companies run the world. Looking in magazines, newspapers and on television the big brands are everywhere, bombarding us from all angles. They even have a loyal bunch of resisters fighting their dominance. In reality the story is very different.

Looking at the last 10 – 15 years the percentage of total GDP that Multinationals are responsible for is less than ever. The world's top 100 companies account for less than 20% of global GDP. Out of all new jobs that are created, only 8% are by Multinationals with over 90% originating in small or medium firms.

Even the overall feeling of doom and gloom in a time when life expectancy is long and life is safer than ever highlights this paradox. He went on to explain that this underlying uneasiness prevalent among the population is all part of something that he has labelled as "Liquid Fear", an ever-present fear without an identifiable root cause.

Kjell then posed the question: So how have we got to this situation? He says the answer is simple. There are two major forces that have transformed our lives today: Globalisation and Information Technology (IT).

In terms of Globalisation the world is no longer a collection of nations. We have broken out of the nation state and all of human activities now transcend borders. As for Information Technology it has enabled us to distribute information far and wide at no cost. This one innovation in communications

has transformed society fundamentally and has had implications with regard to the transfer of power over to those who previously did not have a voice.

The result of both these forces is that the world's innovations and knowledge pool is growing exponentially. This is great on an individual level as it means each generation is fundamentally 'smarter' than the last. However as we grow individually the growth of 'all knowledge' is rapidly increasing – at a faster rate. This results in a knowledge gap which increases every day.

This information gap has various implications. On an individual level – we know less every day. At a country level, small countries will now have to consider more carefully than ever how best to allocate the few resources they have in order to keep up with global innovation. At a company level it means that organisations will have to collaborate externally with other organisations in order to remain competitive. They can no longer keep everything in house as they will risk falling behind the pack. A world that could once be described as bi-polar e.g. East and West is now best described as 'Multi-polar' and is a world which is full of liquid fear and uncertainty.

This mindset has been labelled "Genuine Uncertainty" taking its name from the phrase biologists use to describe nature's random events. The overriding principle is: you can't make any predictions. This logic for dealing with uncertainty has moved into business and our culture's fabric.

Kjell explains that without this ability to make long term plans there is little point in businesses focusing on producing budgets and rigid strategies. Instead organisations should experiment. This is how Nokia operate. We are all experiments of nature and have managed to thrive for thousands of years. The future organisation is one which experiments. Kjell gave the example of Svenska Handelsbanken a Nordic Bank that has been successful with no budgets or plans. Kjell explained this further in Session 2.

As for Capitalism, Kjell claims it is really a machine and not an ideology. This machine can be super sophisticated or on the other hand super simplistic. In its super simplistic form it does one thing - sorting things into two piles – efficient and inefficient. The capitalist machine, (or Innovacism machine) will sort out businesses into the two piles. The whole world has the machine working 24/7. It is a very powerful machine that no one can control – so we need to relate to the machine. What is efficient and inefficient changes over time as do the things that affect the machine. Currently Kjell feels that demographics, food and water, gas and art are some of the effects.

He then moves on to comment on the growth of women in universities – commenting that in his view women study and men do not (in passing he comments on the undesirability of having young uneducated unemployed men hanging around together). He then provides examples of the way in which women tend to pay money back and suggests that women have a different attitude to risk (what would have happened if it had been Lehman Sisters?). For him the rise of women in business will change the underlying logic of decision making.

Kjell then put forward the view that in the future the nature of the family will change and that businesses will arrange themselves around cities rather than countries.

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In Kjell's opinion, innovation equals creative destruction, and this will be the one thing that will keep China from progressing as they are not inherently creative. This opens up a competitive advantage to liberal, democratic and open nations such as the USA and Europe (so perhaps all is not lost to China after all).

### **Session Two: Kjell Nordström**

Following session 1, Kjell answered a number of audience questions including "how do you explain Chinese innovations" and "if a company doesn't have a plan, how do they know where they are going". He answered that there were few Chinese geniuses and Nobel Prize winners and that you do not need a plan to know where you're going. Businesses are ultimately aiming for wealth, profitability, prosperity; businesses have a vision and react to incoming signals, like a pilot in a cockpit.

Kjell likens China to an ice-cube in the desert, all be it a very large ice-cube. He explained that the Chinese hierarchical traditions with central control are counterproductive for innovation and that the Chinese advantage (cheap mass production) is disappearing.

The second question was in relation to Svenska Handelsbanken, a bank which scrapped its budgetary planning process and focussed on a simple objective, higher profitability than its competitors and constantly benchmarking itself to its peers to maintain its market position.

### **Where does competitive advantage come from?**

In the context of session one - globalisation and internationalisation - using the analogy of countries and cities, Kjell described the ideal environment to stimulate innovation and competitive advantage. The US is an innovative place in terms of entertainment, technology, Nobel prizes, companies (Google, Apple etc) and that this was set to continue. The US is different - it is not a country or a nation state - it is an idea. Anyone can become American, you can plug into society and play. It will only take 5 years maximum to become American, whereas in Finland it is three generations; France is 100 years; and Japan, never!

This means the US mops up all the good people. In Silicon Valley 80% of people are not born in the US, yet it is an extremely innovative place. Stanford University alone has received 26 Nobel prizes. It is colourful. It is diverse.

Conversely, Europe cannot handle immigration. It cannot integrate, harness diversity or inspire. People cannot be made innovative. Companies (and countries and cities) can only bring people together, bring people on board and be open.

IKEA is a closed system and as a result will not be at the forefront of innovation. IKEA is good at doing more of the same – exploiting opportunity – but not good at creation. There are companies that are not good at creation but exploit concepts.

However a company that creates and exploits, in parallel, will yield competitive advantage. Yet the flow of innovation and creativity is needed. Flow is equal to exploitation. It has to flow continually because companies copy and then exploit. IKEA still have a monopoly after 67 years.

### **What type of environment generates innovation?**

Answer: An environment that celebrates and rewards failures.

In the business world, it is all about success. However, if we want innovation we need to experiment. This is trial and error. Therefore we should not punish failure; we need to reward failure. The military is a good example. If you lose two legs, you receive a medal and you are celebrated.

Kjell then went on to comment on his experiences in Silicon Valley where people openly talk about failure. The mantra is: I try things, I experiment, I am proud of my failures. The US has created a place where you are free to know, free to go, free to do and free to be. Ultimately free to fail and free to succeed and each breeds the other. Organisations should not hide failure.

### **Where does success (money) come from?**

Money boils down to ideas; some good and some bad. The idea has to stand a test. The test is: can the idea provide me with a temporary monopoly? Examples include the iPad, iPhone and Lady Gaga. You have it, but it's temporary. Most companies are one hit wonders. The monopoly (albeit temporary) is innovative – this all equals money. Kjell explains that the system is cyclical; you get an idea, you innovate it, create a temporary monopoly then reap the reward (money), then start all over again.

It is difficult to have a temporary monopoly in technology due to the distribution of information.

Some innovations are necessary but this is not sufficient for success. Kjell indicated that there are three possible directions for organisational success:

1. Survival of the fittest (not the strongest or the fastest) – this is the ability to change and adapt to your environment and situations.
2. Sexual selection – “peacock theory”, chosen for beauty and attraction (the peacock cannot fly, run, or hide therefore it should not exist – it is “anti-fit”)

The above two principles are “fit” and “sexy”. Fit = responds to signals; can change; is adaptable. The system is around the principles of being a fit business. Sexy = stands out; looks good; is a piece of art and people are willing to pay – everything is designed from the sound and smell to aesthetics. Apple never professes that its hardware is better than the competition, but it creates a “lickable” technology culture where IT does not even come into the equation.

3. The final possibility is the creator (Mozart) – breaks new ground and creates again and again. This is a company free from silos and barriers. The organisation looks laterally.
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Kjell then raised his final topic of the day which was: **What does a super modern company look like?**

The critical dimensions of the **Future Firm**:

- Super focussed – masters one, two or if you are a genius 3 knowledge areas and focuses on them, think of HP that has now removed itself from the PC market to focus on what it sees as its core areas. Multinationals are divesting to focus down.
- Narrow & Hollow. A business can have a \$1.6billion turnover, but only 6 employees by putting a greater focus on partnerships, joint ventures and outsourcing.
- Heterarchical – a flat network structure like the Internet where it is easy to share knowledge and communicate. An organisation will be nodal rather than silos based.
- Open system – no boundary of the company in terms of information and knowledge sharing and transfer. Here he gave the example of “do you think that Apple would have been able to create 500,000 apps in just a few years?” No, they created a platform whereby people outside the organisation could contribute and create. Meanwhile, Nokia itself could only create 200 because everything was done in-house.
- Tribal - in the anthropological sense - it's about shared values. Companies hire for attitude and train for skill. In a tribal company you separate action, precision and knowledge. For example a CEO could work on a project under someone with greater knowledge. The knowledge is also circular. Kjell uses McKinsey as an example. They bring in specialists from various departments and cities and create a temporary team to serve the client and then return to their respective nodes. Everything is projects and temporary.
- Leveraged. If you are world class on one, two or three areas you grow through internationalisation; through exploiting and leveraging knowledge. Firms take that knowledge and apply it in other business areas. For example BMW design centre becoming a company on its own – designing bath tubs, bicycles and hotels etc.
- Strong leadership is required for this type of firm. In 95% of cases, Kjell's students come to the conclusion it will be a woman at the top of this system because it is complex, its people driven, temporary, and organic.

We live in an optimistic world in spite of the problems in Greece, in spite of global change- it's the best it's ever been - capitalism produces value, but the real name of capitalism is innovacism.

### **Sessions Three and Four: Chris Baréz-Brown**

The afternoon sessions with Chris Baréz-Brown introduced us to another take on innovation. As befitted the after lunch slot – the sessions led by Chris were more active. Chris explained that he had started life as a soldier and for him innovation is about energy.

At this stage he got us to stand up, sing and finally hug each other.

His emphasis was on the human factors in innovation. He explained that for him there were three stages of innovation – insight, ideas and impact. The Nike example of intelligent running shoes (Nike Plus) was given as a way in which Nike can always communicate with their customers in a whole new innovative way.

Insights – people need to run, they also tend to run alone.

Ideas – why not create a product that taps into people's desires to run and the fact that this is one of the only times Nike actually gets to directly speak to its consumers. Hence they created a running system that linked with an iPod, tracked your pace, distance and calories burned and allow you to upload this information online and compare with your friends, colleagues and professional runners. Impact – Nike had created a system that allowed it to communicate with its clients on a more regular basis and also an environment that people would enjoy using.

For Chris the magic comes from people – structure and processes do not create this magic. To that end he uses the image of a waterslide, conveying no friction and much fun.

Chris then got us to get into pairs and have 60 second discussions around – strategy, innovation strategy and finally the connection between the two. Following this, the audience were asked where they got their best ideas. Answers included: in bed; while running; in the pub; chatting; in the car; in the shower and whilst exercising.

Chris then took us through the various states of the brain. There is the Beta state – where multi-tasking occurs, but only a small part of the brain is being used. There is then the Alpha state where the subconscious is giving the answer (the creative state). The Theta state is when we are sleeping in the rapid eye movement phase. Finally the Delta state is when we lose consciousness. This, Chris explained, was the genesis of the phrase 'the penny drops' – when Eddison put a penny between his knees and only dropped it when he went into the delta state. It is the Alpha state that needs to be encouraged so we feel relaxed and having fun – and therefore can be more creative and positive minded.

The audience then undertook another exercise in pairs. This time one person had to feed new words into the story their partner was telling. The idea was that through this activity new ideas would emerge that might otherwise be suppressed. It was much harder to feed the new words in than it was to adapt the story as the new words arrived!

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Chris pointed out that we do have to be negative sometimes but we need to be clear about when we are being positive and when we are being judgemental.

The audience were then encouraged to make a paper plane, see how it flew and then asked what they would do differently if they could make a second one. The moral of this exercise was that if you make it real – you can then adapt it next time. The theme of experimentation echoed Kjell's comments in the morning. Chris related the story of the Chief Imaginator at Disney who wanted to have a wildlife theme park in Florida. The board would not engage with the idea stating that there was no technology and no special effects in the concept and the business had 'been there' and 'done that'. That was until he brought a Bengal Tiger into the Boardroom which immediately allowed the board to experience fear and excitement and understand what was being proposed. Chris then told two other stories to illustrate the importance of making things 'real'. One concerned his decision not to have a child – this made things very real and soon he and his wife decided they really did want to have children. The other story concerned the seemingly dry first aid instructor who, while teaching the candidates how to cope with someone choking, actually choked himself so that the candidates had a 'real' experience.

The next audience participation exercise got each table to name as many songs as possible with love in the title. This exercise was to be done fast in order to keep the passion going. He explained that if he had asked us all 2 weeks earlier to come up with the list of songs, the energy would not have been in the task, people would have taken their time and dwelled over the answers. Chris exhorted us to focus on the things that count and chuck resources at them. It is important to clear the decks so that people will have energy. It is also important to do something different – such as sleeping on the other side of the bed or take a different route to work!

Chris then got us to, again in our pairs, talk about something very quickly for 60 seconds. This he termed 'talking it out'. This was followed by a longer exercise where each person had to talk about a project and their partner had to note where there were changes in the state of the narrator – indicating a change in level of enthusiasm.

As his session came to an end he warned us to be beware of stereotyping, that we were hard wired NOT to be creative, the importance of being fresh and that we need to take a different perspective. A final illustration was the Virgin Media store manager, who thought that a taxi driver would be the sort of person to help people find their way around, what is acknowledged to be a difficult store.

This eventually led to the idea of students on roller skates being used in, for example, Walmart. Chris's talk was about actively encouraging us to be creative through experiencing real situations and experimenting. His approach was a fresh utilisation of creativity methods.



With thanks to MMU Business School's MBA students for contributing to this report.