Dr Kevin McFarthing

Keeping innovation management simple by finding real insights

Speakers:

Nick Skillicorn – Innovation and Creativity Expert and Host of Innovation & Creativity Summit

Dr Kevin McFarthing

Expert Interview transcript:

Nick Skillicorn: Hello everyone and welcome back to another session of innovative and creativity summit 2017. I am very happy to have a special guest with me today Dr. Kevin McFarthing, founder of innovation fixer and voted the number one innovation blogger in the world 2015. Kevin it's very nice to have you here.

Dr Kevin McFarthing: Great to be here Nick, very great superb idea to have a session like this, taking an expert in distilling their wisdom for the benefit of the people that are watching really good idea.

Nick Skillicorn: Absolutely, thank you. Great to have you here. Obviously you are one of the most popular bloggers out there but for the people, who don't know you, what's your background and how did you get into the field of innovation?

Dr Kevin McFarthing: Well I am originally a scientist, a biochemist; I have worked in life sciences, molecular biology, and head of research groups in diagnostics, pharmaceuticals and then consumer products. So all along the way I have been involved in generating ideas for innovation and generating innovation itself. For the latter part of my career, these are all in large companies I was head of strategic alliances doing a lot of work in open innovations. A few years ago I decided to go on my on doing a mix of consultancy, writing, nonprofit, Non-Exec and really the thread that has been going on in my whole career has been about innovation and it's something that fascinates me and really energizes me. So I had a lot of experience, I have seen a lot of different areas both as a practitioner and as a consultant, I think that mix is giving me some very interesting approach and insights to the way to approach innovation.

Nick Skillicorn: One of the things that you are best known for as your views on the fact that innovation as a word by itself seems to be thrown around wilily nilly by certain companies without a sort of clear definition of what is behind it, in your view, what do you classify innovation as actually being?

Dr Kevin McFarthing: Well let's start with what I think it isn't. innovation isn't just about ideas, often you see a company saying we started an innovation program because we are asking for ideas. Ok but did it stop there, is it going to be followed through? Also when innovation is represented in the mainstream media and a lot of the innovation publications as well, the common icon is a light bulb

which implies that innovation is all about that Eureka moment for the individual that the light comes on.

Well its more complicated than that, innovation is not just about light bulbs. Then people are saying well we are spending millions and billions on innovation. Well investment isn't necessarily innovation, how much you put in might influence what comes out at the end but it isn't actually say or it isn't actually what will guarantee what comes out of it. Also saying well we are very innovative because we have got a lot of inventions, we have got lot of patents. Fine yes a very good patent is good foundation for innovation but in a situation where above 90 percent of granted patents are actually never used in any final product or service, you need a lot more than that.

So most of the things that describe the ideas, the investment, convections, these are all inputs. Innovation is output, it's something which is implemented, it's something which adds value to the organization that launches it. So it really has to see the light of the day for it to become innovation,

Nick Skillicorn: That's very interesting case as you said, a lot of companies they talk about it being a valuable part of their company and the company value and in many cases in the mission statement but quite often if you ask different people in the company what they are actually getting from innovation and what they mean by it, they don't really have a view on what it actually means. So in your view, are you saying innovation is essentially the output of several things happening in a company?

Dr Kevin McFarthing: Yes there has to be an output in my view for there to be innovation. One of the challenges that companies face is that most large companies are organized on vertical lines so you have sales, marketing, finance, HR, R and D etcetera. You very rarely see the balance for it in a vertical structure of innovation. So innovation already faces a challenge of going laterally across the organization, of going across different functions, it has to have an influence from finance; it has to have an influence from supply. It's not just about R&D. So essentially for companies to have a common definition of what innovation means for them which has to be common across the whole company

Nick Skillicorn: Is this something that you find in the work that you do? Because obviously you are the founder of innovation fixer and now you go out and help individual companies, what are the sort of struggles that they bring you in for you to help with? Is it always just around the definition or there are things that they need more structured help with?

Dr Kevin McFarthing: It's a variety of things, the definition is part of it, trying to be more creative, work with companies on that, looking at innovation strategies, so how do we actually link innovation strategy to corporate strategy. How do you get more ideas and from the outside, how do you encourage people to approach you with ideas and inventions and intellectual property that already exists outside but which you can integrate into your own company. Doing "made by ally" decisions, so we do actually try to develop something ourselves, do acquire it or do we work with somebody else outside to actually develop it together to mutual benefit. It's actually a wide range of things that I have done in the consultancy area.

Nick Skillicorn: It sounds like there are so many different facets of innovation and different streams that all lead into it, a lot of companies seems to struggle getting the head around all this, you end up with consultants coming in and telling you, you need these hyper complex software solutions to

manage everything. I know you have got some views on innovation management and why don't you elaborate a bit on what those are?

Dr Kelvin McFarthing: It's a good introduction to the point there because quite often you see situations where companies come in with pre developed preexisting solutions which is, this is right for you and it's a bit like the tail waggling in the dog. Well there are some very good systems out there but I think it's important, each company realizes that for their industry, their context, their culture, their structure, their strategy, their objectives, should be the prime determinant of what systems are appropriate for them. Having said that, I think that one of the key things is to try to keep any system of innovation management as simple as possible.

There's a quote of Einstein like in this contest which is everything should be made as simple as possible but not simpler and I think there is something else, if he had more time he will simplify things. He just didn't have the time to keep things simple and whenever you see situations where people try to develop new processes, new systems of innovation it's very easy to add criteria, it's very easy to add activity, it's very easy to add stages and gates but really where I think companies should start with is simple overall structure, the first thing is where do we want to go with the strategy that we have, what do we want innovation to deliver, which parts of our business are the most attractive for innovation, where do we want to put our resources, which businesses do we want to invest in for the future and there's also within that the concept of ambidextrous organization which is having different parts of the organization focused on supporting the business that you have today and other parts looking at generating options for the business of the future.

So First of all understand where you want to go, the second stage is saying what do we need to get there? What technologies do we need, what skills set do we need, what partnerships do we need, what other areas of bettering your skills, technologies, assets to we need to access. Once you have done that then its saying let's go, lets implement, let's get on with it, let's have a very good structured approach to portfolio management.

I think portfolio management is probably the most important part of innovation management and then choose strategic alignment so you are doing the right things for the strategy. It ensures operational alignment making sure that your resources actually go to the places where they having the biggest output. So the classic is the strategic alignment is doing the right things, operational alignment is doing things right, it's developing products and services with a big focus on the quality of execution and sustainability. It's learning from first launching to actually understanding what's working to understanding what isn't working and strengthening the former and improving the later.

Nick Skillicorn: Everything you are talking about just really hits home for me because for many many years I worked with one of the big four consulting company doing program management and portfolio management and the challenge that I always saw is that they are very keen on having a portfolio that is nice and balanced but when they want to manage the project, they want everything planned out to the nth degree using a nice 2000 line giant chart saying "this is when the design is going to be finished, this is when testing begins, this is when consumers first see it, this is when we get our return on investment" and the danger there is if you put that much rigor behind each of this project and the portfolio too early on, it ends up becoming much more complicated instead of becoming simplified. Is that something you have seen as well?

Dr Kevin McFarthing: I have indeed and you are spot on there. It's also another example of what I call the teddy bear principle, which is that you give up this 2000 line giant chart and you think that project is perfectly planned out and I am very happy I will be able to sleep at night.

Nick Skillicorn: I can also guarantee you somebody made those project plans they never stay on track.

Dr Kevin McFarthing: Absolutely, they are actually next to useless, that's what I mean by teddy bear, it helps you sleep but they don't actually help you do anything. So there comes a point when utility is sacrificed in the air for the purposes of just feeling good about things so keeping things simple, keeping things practical, so do the important but keeping things agile because the more lines you heavily gant chart the more fixed it becomes and the more you actually believe that rather than the reality happening outside the project.

Nick Skillicorn: When you talked about earlier on ambidextrous organizations, can you elaborate a bit more on that, are you suggesting that one part of the business just keeps doing what it's been doing the whole time and essentially is in charge of the business as usual and operations and a different separate part of the business is responsible for thinking forward, visionary strategy and innovation or is it more of a merger between the two of them?

Dr Kevin McFarthing: It's trying to make sure that you are actually supporting the business that you have today, you are growing the business that you have today but you also look at new business opportunities for tomorrow and you institute them after. It's very similar to the principle of the three horizons which originally developed by Mckinsey which allows you to focus on those different time horizons and different business areas.

So if you have a system where people are rewarded for delivering sales numbers next year, for launching new products next year, then you are not really going to have time to explore completely new options for business because you are rewarded on your relative short term. So one option is to say well okay we have more projects which look on the longer term, which look at other areas of the industry that we working in that we are not currently competing in.

So you did that, that's fine but the challenges with that approach is that the people working in those area quite often stay rewarded on a short term goals, so the long term suffers. One option is to set up separate independent groups which can focus on the longer term, which can look at new business areas, a good example is DSM, several years ago, they set up what we call BBA's emerging business areas, consciously saying we want to do business in 10 to 20 years we're not in today.

The only way to do that is to have a different structure and in effect become ambidextrous. You can manage the short and the longer term in good separate organization context and the new business areas either becomes independent part of the business organization structure or their businesses transfer into the exploitive engine away from the explorative area. I am actually looking at something at the moment which is looking at some of the criteria that you need to move from exploratory area to the exploitive area. So the real business engine where efficiency dominates and making things with good margins, with good growth is the order of the day

Nick Skillicorn: One thing that a lot of company who try this struggle with is though is that if you end up having these parts of the business that are dedicated to looking at the future horizons, when they

have their prototype systems and prototype offerings and prototype products and want to then integrate them into the main business, there's been a set of mini silos developed and the established business sometimes isn't as receptive to changing the ways they are doing things based on the future requirement and they want to just focus on business as usual. Have you found any ways that businesses can improve that and get over this hurdle of getting new ideas actually integrated into the business?

Dr Kevin McFarthing: Yes it's a very good point, it's something I will call crossing the internal chasm. One very good example is a company I worked with, there was one group charged with developing new ideas which were away from the current strategy and the criteria for that success was it has to be additive to the current strategy which is great, there is nothing wrong with that. The problem was when it came to actually transfer businesses back to the rest of the company; the rest of the company says we cannot actually exploit that because it's off strategy.

So there's an internal catch 22. So it's very important if a company actually sets up an ambidextrous structure to understand what the criteria will be for the exploratory area of the company to transfer business back to the exploitive area of the company unless those criteria are very clear at the start then you will end up with a lot of wasted redundant effort.

Nick Skillicorn: One last thing I wanted to highlight in which you have spoken about offline beforehand. You have got some very unique insights into the concept of insights itself, so innovation obviously a lot of people think it's all about ideas, but you have got a different way of thinking about the concept of insights within companies, can you elaborate on that a bit please?

Dr Kevin McFarthing: it's a concept that is quite common with consumer goods companies but we have a lot talked about with innovations terms and innovation circles about you getting closer to customers and closer to the consumers, that's fine. There's a lot of data on habits, a lot of big data on increasingly these days. So you are going to have a lot of knowledge, you are going to have a lot of understanding but until you actually really get an insight, a valuable insight which in some cases cannot be apparent to you and to your competitors, that's the real nugget when it comes to providing the stimulus for innovation.

An example which I heard about from Procter and Gamble with their Pampers brand of nappies and diapers. Previously they believed that the primary need was to stop leaks, so they tighten the fit, the more absorbent the material, the better it would be for performance for diapers. Once you actually got talking to people and really started submitting themselves with the information and the data observations, e.t.c they realized that this is a clear insight, the real insight, the prime need was for parents to sleep as long as possible at night. So if the baby was a bit wet, if will leak a bit but the baby didn't wake up which means that the parents didn't wake up and everybody was happy. It was less important to have a dry cot or a dry night cloth as long as they have a good night sleep. That changed the trajectory of the innovation program to diapers which focus more on comfort rather than leak proof. Obviously leaks are component of comfort but they are not the primary component for the successful performance of the product.

So it's really digging into the behavior of the customers, what they think, what they feel, what they think they need, what their underlying habits and actions are. Quite a lot of it is done by observation, it's not just data, its ethnographic studies focusing on what people actually do and

quite often it's a world of difference between what people do and what they say they do. So it's important to go to that level and there's nothing wrong with asking customers what they want as long as you realize the limitations of that approach. For a start its better than not asking customers for what they want but after you have to go several levels beyond what the top line responses to those fairly basic questions getting insights

Nick Skillicorn: I said it's such a wonderful example of shifting your mind from a engineering take on the problem and the features that address those engineering challenges like are there no tight elastic or things to prevent leaks, so what the actual perceived value is. That's something I talk about with my clients, it's about perceived value from the end customers perspective because they will never see your ideas the way that you do, they will just see things the way that they do and the parents, what they care about as you said is sleep it's not about tighter elastic or more water proof plastic layers or all of those things. It's a really beautiful example, is there a way in addition to going out and speaking to customers that companies can get more of this insight moments?

Dr Kevin McFarthing: I think in a way it's approaching the development of an insight in the same way as you would approach the development of an idea. So you have all your information and ideally a lot of it comes first hand so that the people trying to come up with the insights to observe what consumers and customers do having spoken to them directly involved in situations which gives them the feelings and intuitive approach not just the bold information. You need the bold information as well, but then to take a creative approach to what you think the insight is, the most logical is what you think the insight is then go and test it to see if it resonates with what the consumers and the customers. It's quite easy for people to understand why you want to take a creative approach to the production of an idea. If less sorted to understand why you would take a creative approach to the creation of an insight I think it's just as important because if you have a valuable unique insight, you then have a competitive advantage in which you can exploit in your product or service.

Nick Skillicorn: Dr McFarthing it's been a pleasure having you on, we are coming up to the end of the session, what I like to do with a lot of the interviewees is if you were to give the viewers and listeners one piece of actionable advice, sort of one thing that they can try out even this afternoon or this week to start getting value out of what we have talked about today, what would it be?

Dr Kevin McFarthing: I am tempted to say that in terms of keeping things simple and in terms of trying to become more agile, remove a gate from your stage gate process

Nick Skillicorn: I can hear screams of anguish around the corporate world when you say that but I can totally see why you mean that, is there any particular part of the stage gate process where you think that's most appropriate to take one away, earlier on or later on?

Dr Kevin McFarthing: I think it's probably earlier on because I think that's where people actually need more leeway to actually stretch their thinking, stretch their creation of ideas. I think there are too many up front gates. So idea program to idea, concept to project, really let functional teams do as much as that is possible in terms of working directly with the consumers to come along with the concept. They don't just need to create ideas because trying to keep too much control of ideas I think limits the potential

Nick Skillicorn: Absolutely and I think a lot of people if they are brave enough, they should go and try that, I can definitely see the value in that as well, before we go we are going to have a link on the screen now linking the description to take you to innovationfixer.com, that's where you put all of your blog articles and insight isn't it, I can vouch for the quality of this, there's a reason why you are called the number one innovation blogger in the world and the number one innovation blogger in 2015, there's really very very good stuff there. Is there any where else that people should go to follow you on and get your insights as well?

Dr Kevin McFarthing: Well, I guess twitter @theinnovationfixer

Nick Skillicorn: Perfect, Thank you so much for being here, it's been wonderful having you and I look forward to speaking with you again in the future.

Dr Kevin McFarthing: I have enjoyed the discussion, Thanks and good luck.