

Stephen Shapiro

Why you shouldn't implement the best practices of other companies

Speakers:

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Stephen Shapiro

Expert Interview transcript:

Nick Skillicorn: Hello everyone and welcome to another expert interview at the innovation and creativity summit 2017, I'm very happy to have Stephen Shapiro with me today, Stephen's a fellow innovation expert a good friend of mine and the author of best practices are stupid Steve it's wonderful having you here

Stephen Shapiro: It's great to be here Nick looking for the conversation

Nick Skillicorn: Absolutely now for people who aren't aware of who you are all or the sort of work that you do can you give us a brief background into how you got into innovation

Stephen Shapiro: Sure I mean the short version of the story is I was with Accenture for fifteen years right out of college and sort of at the midway point around 1993 or so I was one of our leads for the business process reengineering practice, so for some of the older people who are watching this you remember reengineering was all about optimizing businesses and so my job was to help companies become more efficient and as a result lots of people were losing their job and I woke up one day and said I don't like to do this anymore. So in 1995 I created an innovation practice we grew it in 1996 to twenty thousand people inside of Accenture and I basically dedicated the past twenty years to only helping companies grow so that's really my passion is helping companies grow, hire more people help the economy be sustainable.

Nick Skillicorn: So it's very similar to the way that I started I was at Deloitte and I was there for eight years and I got frustrated with the fact that I was doing predominately program management and just helping companies do the same thing over and over again and I also had this desire to help the companies actually grow which is why I started up my consulting practice so I feel a lot of kinship between what you're talking about and the way that I feel as well. so let's talk about best practices are stupid because that seems to fly completely in the face sort of this consulting idea which is all about let's find out what best practices we can apply to whatever companies we go into what do you mean by that.

Stephen Shapiro: So I want to be clear sometimes titles of books are sometimes slightly provocative to be provocative, never best practices are useful in some situations but there's a couple of issues actually three issues that I find with best practices, the first one is that if you're using it as an innovation strategy it's going to fail because replication is never innovation. So what we need to recognize is that copying someone else by the time that you implement their best practice they run to the next practice. so that's like that's relatively obvious, is the other two which I find more interesting the second reason is that what works for one company may not work for another company so for example I've done a lot of work over the years with three M they have their fifteen percent rule that everybody knows about, companies that try to implement three M's fifteen percent rule often fail miserably because they don't understand what it really means and the people inside the organization don't really understand it, three M does and they've been doing for decades and then the last reason is sort of my favorite it's called either survivor bias or the under sampling of failure. Basically all this means is we tend to study the successes but how many times have we studied the company that implemented the best practice and failed to achieve the result and my belief is that for pretty much every best practice out there, for every success we've seen there might be a thousand failures but we don't know about those so it's really important just to understand why you are using the best practice, how you are using it, where you are using it inside organization. They're not the worst thing in the world but you have to be very skeptical in using.

Nick Skillicorn: I love this concept of the survivorship bias, it's something that you and I have actually talked about over email a couple of times and a lot of people don't really know what it means but can you give us a bit of insight into survivorship is not only in business but maybe with a story to help bring it to life for people

Stephen Shapiro: Well I did this as a fun experiment once, I was giving a speech I felt in a very silly mood so it wasn't what I would normally do, so I identify five things I think all successful people do and what I did was brought the five most successful people in the audience up on the stage and I gave them a sheet of paper and I tell the audience I've been studying for the past ten years the traits that all successful people share and I want to share them with you by bringing the five most successful people in the audience up and have them tell you how many of these five they actually implement. All five people implemented all five, so everyone was like this must be really important and they were things like they brush their teeth every day, they wear pants to work, you wear your clothes to work things like that. so what happens it was we don't look at the people who brush their teeth every day and didn't fail we just are saying now that's a really silly example but I think it makes an important point which is most people who are successful don't really know the reason they are successful and I would say my best advice is to ignore all advice because I really do believe especially when it comes to successful people it's a combination of something they did but in many cases it's someone they met, it's the timing I had the right offering at the right time. So we just need to be careful when replicating things to recognize that context really matters and there's usually a lot more behind the scenes that we're not aware of.

Nick Skillicorn: I know there are so many examples like the fact that people always can name a number of entrepreneurs who were successful after they dropped out of college like Mark Zuckerberg, Bill Gates and so there's a lot of bad advice in my view out there which essentially says these people did something therefore if you do the same thing you'll get the same results as them and I wouldn't recommend that everyone who's at university drop out of university because that's not going to turn you into a billionaire

Stephen Shapiro: And so it's a great example and it's also you brought up in Bill Gates which is a real another great example, you know Bill Gates could have easily it's one of these you know the movie Sliding Doors to place and to place in London so I love that movie Sliding Doors because sometimes like it just a very small shift in action can change the results. So like Bill Gates when I.B.M. was looking for an operating system Microsoft was not the first choice, but the guy who had the technology for the first choice I don't know where he is, is off golfing or flying somewhere and his wife couldn't find him and so they didn't want to wait so they went to Bill Gates was number two now if that person was available Bill Gates would not be look he's a smart guy don't get me wrong but Bill Gates would not be the Bill Gates we know and so there's all of these things that happen behind the scenes which is very challenging for innovators because if we start looking at what another company does and say hey let's copy what they do, that's usually the worst path toward success

Nick Skillicorn: Isn't that something that you see happening in businesses because I know in London at least there's a lot of companies that are trying to be the next blank or the blank for blank or the Uber for dogs or the Amazon for hair dresses and they just think we've got this model of a company that was successful let's just sort of tweak that a bit and just try and copy someone else's business model.

Stephen Shapiro: Again it comes back to context so that is a nice innovation technique so I do believe that one of things a company should be looking at is outside their industry so I do like that but the problem is a business model that works you know in transportation or hospitality like an Uber or an RB and B doesn't necessarily translate into other services, it might but there's probably not that has to change in order for it to work. so I do think that and I work with mainly larger companies, so the larger companies they are not looking to be the Uber of anything but they may look at what somebody is doing and say this whole peer to peer thing that's very interesting how do we take advantage of it and I think that's useful, I think sometimes the challenge though is that if you wait too long on these things everybody else sort of hopped on to the bandwagon and it's hard to sometimes differentiate or distinguishes a fad from a true business trend and that's what we always need to be very careful. So I think like for example the business trend is that people are moving away from ownership and more towards a rental or access model. so if you look at you know the music industry since the beginning of time we had you know cassettes eight track tapes albums, album C.D's, Mp3 but we owned them even with I Tunes We owned it and now obviously you know

Apple music is moving towards a rental model and we're seeing that more and more as a shift end thing. So that's a slightly different situation I think, we need to be aware of those types of disruptions that are taking place

Nick Skillicorn: And let's take this idea of disruptions and innovations to the next level then, I know that you through your talks and your consulting you've got a couple of key things that seem to help innovation more or less consistently across organizations and one that you and I have spoken about previously was differentiation, What do you mean by that.

Nick Skillicorn: So you can't be the best at everything as an organization, so what you need to do is you need to figure out what is it that you want to focus your energies on and put your efforts your innovation efforts there so your differentiator is an a nutshell the thing which is the reason why people do business with you that's the simple shorthand version of it. If you understand that then you can use that to drive your innovation strategy. So what I always say is that inside of organizations we have three different categories of activities that we perform, we have activities that are supporting nature, activities that occur in nature and activities that are differentiating in nature. so if there is support this is basically something that we do we need to do, it's important for the business but it's not something the market values, so these would be things like payroll as an example we need to do it but people aren't willing to pay for it as a consumer or a if you're in a business to business environment, this is not something we value. The second level is sort of the interesting one because core are the expectations of the market, these are the reasons why someone will do business with you, and these are the reasons why someone would probably stop doing business with you because you're not meeting their needs. This is actually a great place for best practices coming back to what we talked about before. Actually best practices Lean Six Sigma optimization technology partnering are great for things that occur and if we start if I look at most companies innovation portfolios, they spend eighty or more percent of their time on innovating things that are support or core and if you basically say I'm going to partner with others or I am going to replicate for those first two levels and I shift my resources towards differentiation, we've seen a massive increase in a company's ROI because they're focusing on what sets them apart rather than the things that make you them

Nick Skillicorn: So differentiation is about figuring out the next level after that which is how do you innovate where you can add different value to what the market is I'm not quite sure I understand

Stephen Shapiro: What I say is first of all innovate where you differentiate so you want everybody in your organization innovating just not everywhere and your differentiator is the thing which helps you stand out in the market. So it's the reason why people do business with you and it has to be something that's going to stand the test of time, it has to be difficult for somebody to replicate, it has to be something which is not going to be disrupted by a new business model and a number of other things but it has to be which is desirable obviously because if they're not going to pay for it, it

doesn't matter. So this is and I find this is your core element so if we look at Apple for example, everybody likes of talk about Apple, their technology is not really their differentiator, I don't think people buy Apple products because Apple products are necessarily the best technology I think people buy Apple products because of the ecosystem, the integration and the fact that they have such a fanaticism. So as long as they keep that ecosystem or the I think they are going to struggle in the future if they think of themselves as a product company because Samsung is a great product company and there are so many product companies out there and so what makes them special, why would people do business with them over someone else and it's going to evolve over time obviously but if you're constantly changing a differentiator like some companies I work with think that they come up with an app that's a differentiator. I don't think that app is usually a differentiator because as soon as you do it everybody else replicates it which then means by my definition it's not a differentiator. If everybody else can replicate what you're doing it's not setting your path.

Nick Skillicorn: I think Apple's a very interesting example to talk about right now as well because what I see is Apple used to have this differentiation that you talked about with it being the entire ecosystem and design that just works beautifully and it seems like over the last couple of years they are regressing slightly in some ways like there's been quite a lot of negative press in the technology circles around the newest iPhone not being able to plug into the newest Mac and this whole cohesive ecosystem might not be as cohesive as it used to be, so there must be some cultural aspects there as well about companies not getting too comfortable and actually continuing to think what do we need to do to continue innovating

Stephen Shapiro: Yeah and look at the at the end of the day the test of time will be how successful is Apple as a company in terms of revenue stock and things of that nature so I don't think of innovation as a one year horizon, it's a multi-year horizon, decades horizon and when I look at the most successful companies they're the ones that you know because this is if you really look at it Apple is still a company that's only ten years old. Even though it existed before then it was really 2008 when the iPhone came out, the iPad and iTunes and all that when it really got its resurgence and so it's still in my from my perspective a relatively new company now removing headphone jacks and going to U.S.B.C and all that, I mean I don't think those are necessarily bad I think maybe sometimes they're a little head of themselves but I actually don't have an issue with some of those changes maybe some people do but I think in the long run there are actually a step ahead of everyone else and the question is you know are they too far ahead than everyone else are they in the right spot and I guess time will tell

Nick Skillicorn: Another thing related to innovation which you and I talked about briefly before and it was this concept of re framing innovation, what do you mean by that.

Stephen Shapiro: Well first of all I've done so many studies on this work with so many companies where they start off with this mentality that we want to get everybody's ideas and the biggest issue

that I find is everybody has an idea, everybody has an idea, an opinion, suggestion it doesn't mean that they're good so what happens is companies that use idea driven innovation as their platform which is what a lot of companies do to start off is asking ready for their ideas or you know letting them work on whatever they want to work on, we create a lot of noise in this system what I find is the most successful way to drive a high performing innovation effort especially when it's brown collaboration instead of asking for ideas we ask for solutions to well framed questions and the question that I think is more important than the answer. so I want people through a process of saying what do you think you want to work on, what's the problem you're trying to solve and then I have a methodology which allows them to change that question to come up with something that's similar but in fact so different that the range of solutions are going to get are completely different. So I really do think the question is the most important part of the innovation process, we get the question wrong the answers are completely irrelevant.

Nick Skillicorn: I can probably already hear some of the viewers and listeners screaming can you tell us a bit more about this methodology so if people want to actually try it out obviously not giving away all of your secrets but can you give us a bit more insight into how that might work.

Stephen Shapiro: Sure, so the first thing for people to understand is this concept of thinking outside the box is a myth, it has nothing to do with innovation, it was a brain teaser and so in fact there's so much evidence that thinking outside the box actually kills innovation. I think that creativity has killed innovation that's a conversation maybe for another day I think that what we need to do is recognize that constraints are a very powerful part of the innovation process and that constraints, the right constraints actually have very positive effect so the way that we do this is first of all the people understand the constraints our friend when it comes to innovation and then I have actually a list of about seventy five different lenses that I use with my clients to help reframe their challenges. So if they're working on a problem which is all around how do we increase revenues, you know they may want to use the leverage lens, the leverage lens is basically all about well what's the one factor that's driving the greatest like what's the one factor that will have the greatest impact on this result, now that requires us to go back get some data so we can't just sit around like this and say ok wait, well let's reframe it no we need data. So challenges beget challenges so I have a list of the seventy five lenses that people use to reframe challenges on my website, there's twenty one is just a very short snippet of each of the seventy five just like a quick example of it in action and those you know even something as simple as that especially for people who aren't naturally good at ambiguity or naturally you know good at thinking that way they need structure. So even in defining structure I give them structure with my lenses and that helps them through the process.

Nick Skillicorn: Is this how companies can then start getting these breakthroughs that you seem to allude to, how do breakthroughs actually happen.

Stephen Shapiro: So there's two parts, the first part is to ask the right question and sometimes in asking the right question we get breakthrough. one of the big questions that I always like to focus on one of the lenses is the basically who has to solve this problem plans but that requires us to reframe and that's really to me the key source of breakthroughs like one of the examples that I love to use is toothpaste company wanted to create a whitening toothpaste, didn't want to use abrasives or bleach they went off trying to find a solution to it didn't get anywhere until somebody asked the question who else to solve this similar problem, so they asked question who else makes whites whiter when they're not using abrasives or bleach of course the answer is laundry detergent, the company was working on this unilever has a laundry detergent division and when they ask them how do you make whites white or when you're not using bleach they were told that we don't we make whites bluer. Blue dye creates an optical illusion that prevents the reflection of yellow, so your clothes are still dingy yellow you just can't see it and they thought this is a cool idea and so they went off and created a toothpaste with a blue dye in it that creates the illusion of whites, that's about two three hours it happens instantly and I don't use this example because I think it's the greatest product in the world but it's the greatest thought process if you ask yourself who else has solved a similar problem and reframe that problem in particular way, the odds are especially in a larger company somebody inside your organization has already solved this problem and I've got literally hundreds of examples of massive breakthroughs that companies have developed by just asking that one question by changing the question to abstract it from the specific problem teeth whitening to anything getting whiter it's an amazing process very simple.

Nick Skillicorn: What about though if you go through the entire company with this challenge and you've been struggling with it for a while and no one in the company has had a related idea on how to solve a related challenge, is there a way that you can go about that

Stephen Shapiro: Yeah so there's a couple things one is that you might have the wrong question which is part of it because if you don't have the right question then you're not going to get the right solution but the other thing which I'm a big fan of and you know that I'm a big fan of this is open innovation, I do think that when we have these types of problems, in fact a lot of the companies I work with now I strongly urge them when they're working on a problem instead of starting internally actually start externally. I'm trying to solve a problem how can I frame the problem in a way that I can ask however many people whatever community for their solutions outside my organization and then I can use that as a nugget of information to help accelerate my internal innovation process but I'm a huge fan of open innovation and crowd sourcing all of its various forms if it's done right and I think that's an important thing is crowd sourcing gets a bad reputation because crowd sourcing is typically done not based on a well framed question but is more like just a huge suggestion box. Crowd sourcing is brilliant when you have the right question frame the right way and you're asking the right people for the solutions.

Nick Skillicorn: So you suggesting that when you're doing these open innovation challenges you should always go out with the target of finding a solution and the reason I ask that is quite a lot of

companies go out and they'll just try and find insights from people outside the organization without necessarily asking those people what's the solution to the problem.

Stephen Shapiro: I think it's in hand and I think you need both and I think it depends on who you're talking with. so when for example partnerships with think tanks universities, trendsetters, that to me is about insights because if we're going to ask the right questions, we need to know a little more about what's happening in the world. So I believe that expertise is the enemy of innovation so the more we know about a topic the harder it is for us to think differently about that topic and so what happens is the questions we ask typically tend to be passed based questions, these are questions that we thought about these are problems we've had but if the world is changing outside of us we don't really react very positively because so I think it's important that those insights for the question but let's have the question then I want solutions, I don't want just insights I really do want solutions and framing the question properly will help us accelerate the finding of those solutions.

Nick Skillicorn: So what sort of things help a company frame a question to actually find out what's the crux of this

Stephen Shapiro: Again it's a process; I mean part of it is to make sure you solving the right problem because if you're not solving the right problem again it doesn't really matter. You always have the answers, they just sometimes answer the wrong problem and I think that's actually really brilliant as I think of most companies if you think about how we spend our time we're running around solving problems that are probably not the most important problem so we need to make sure solving the right problem then once we have the right problem and it's focused on a differentiator then we go through my process of the lenses and other things that I do to look at it from a different angle and in the world of innovation and design they'll call this a boundary object. A boundary object is a thing which everybody looks at like it's a clay model or something else and everybody looks at it from a different angle from designing a car and on the windshield manufacturer I can look at this boundary object the clay model of it and understand my piece of it, well the challenge, the frame challenge with owners, sponsors and resources and evaluation criteria well that becomes the boundary objects so that people with different experiences can look at it in a way that will help them see things that maybe other people don't and the reason why this is so important is there's so much evidence out there that breakthrough is coming back to your original question breakthroughs happen almost solely from other people outside your industry or when we get multi disciplinary teams coming together, rarely is it an expert within that area of expertise that solves a problem.

Nick Skillicorn: Are you suggesting that companies actually involve people from various departments in these challenges or maybe even move people in between departments.

Stephen Shapiro: Possibly I mean it really depends on the culture there's, I mean I was just with a company the other day where you know we had that conversation in culturally it's a very difficult

thing when you go to a company like 3 M, It's actually extremely easy because they have a lot of fluidity they have all their different product lines but they encourage people to collaborate across their silos. so really depends on how siloed you are, sometimes that will help but it's important recognize that just throwing two people together with different experiences doesn't necessarily give you a breakthrough. I really believe it's in the framing of the question which is going to help us identify where we even want to look for the breakthrough. So it's not just five people coming together it might be the right five people coming together because they have insights around it. I call it sort of a purposeful tangent, it's how we spend our time on things that are connected to what we do but they're not exactly what we do and it's sort of a vague explanation but it's a very powerful concept.

Nick Skillicorn: Steve it's been wonderful speaking with you, we're coming up to the end of the session but one thing I like to ask all the experts is if you've got one tip or one actionable insight that people watching and listening can try out to become better at getting these innovation breakthroughs, what would you recommend they try.

Stephen Shapiro: The one that we haven't talked about is this over glorification of failure. Scott Cook once said from Intuit he said that for each of our failures we had spreadsheets that looked awesome and I love that expression and the reason is confirmation bias and basically confirmation bias is the brain's desire to confirm what it believes to be true. So if you are running an experiment for innovation my tip is to make sure that first of all if you're running the experiment, you're only going to find reasons to support your beliefs, get other people involved and instead of trying to prove your concept to be true make sure you put a concerted effort into disproving your hypothesis, disproving a hypothesis in an experiment is not failure that to me is actually success because we stop investing in things which are going to drain us of our energy because the yeah but it's not the enemy of innovation it's the wow this is a great idea that's what kills innovation because we get so with our ideas

Nick Skillicorn: That's really insightful insight, I love that and I'm sure a lot of people are going to be able to go out and use that and then finally we're going to have links to all of your work and your books and everything on the screen but just let the people know if they want to find out more, what the what the links are going to show them and where they're going to take them

Stephen Shapiro: The easiest place is just Steveshapiro.com that'll take you right to my website and on there you can learn about personality poker which is my card game for collaborating around innovation and anything else that's out there so that's the easiest place

Nick Skillicorn: Perfect, Steve it's been wonderful having you here and I look forward to speaking with you again soon.



Stephen Shapiro: Thanks Nick I had a blast, thank you.