

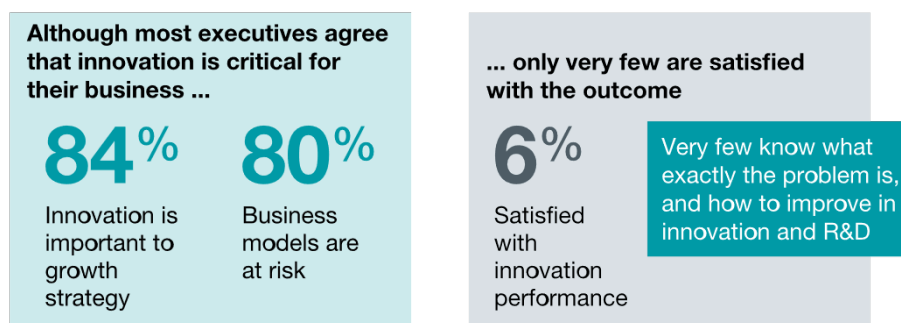
Britannic's Way: Embracing Change to Change the Way to Innovate

"Everyone thinks of changing the world, but no one thinks of changing himself"

Leo Tolstoy

We all know that innovation nowadays is a key to the success of all but every company. Yet many studies show that while senior leaders do recognise the importance of innovation, only few are satisfied with the outcomes of innovation projects.

Executives agree on the importance of innovation but are often dissatisfied and lack clarity on what the problem is and how to improve.



McKinsey&Company | Source: McKinsey Global Innovation Survey, McKinsey analysis

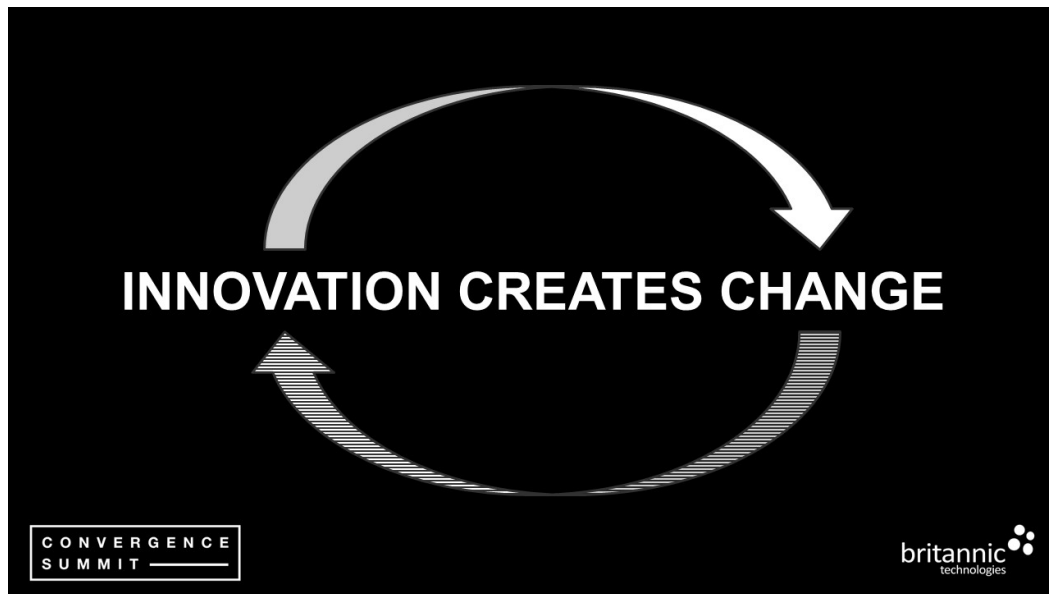
So, what is the reason for such a low satisfaction rate and can the situation be improve?

Our world is becoming more and more nonlinear – things happen not just fast, but at different speed and on different scale, and it is often possible to understand the cause-and-effect relationship only retrospectively. Moreover, most of companies' leaders were brought up in a very different era, when the business context was less complex and much more stable, and traditional stage-gate process and top-down approach worked well. That is why today, when you are trying to bring about a positive change into this world through innovation and secure successful innovation outcomes, understanding the nature of change and revealing the intimate link between innovation and change is imperative for choosing the right approach.

Innovation & Change

For centuries people have been trying to find answers to questions like: What are the universal laws of change? Can we avoid change? What is the link between Change and Innovation? How to manage both and how to achieve the outcomes we hope for?

Starting with the question about the link between innovation and change, in my view the answer here is straightforward. **Innovation always creates a change. But change does not always trigger innovation.** For example, if the culture of your company changes in such way that blame culture becomes a norm then surely this change will not lead to innovation. Innovation, however, is by nature a change process. Of course, the extent of change brought through innovation can be quite different – from small (incremental) to big (transformational) – but there will always be a change.



That is why I prefer to use this definition of innovation:

Innovation is the change process by which new ideas are successfully exploited to create economic, social and environmental value.

It highlights the fact that innovation is a **change process** and encompasses 2 other key elements of innovation – **new ideas** and **value creation**.

INNOVATION – KEY ELEMENTS



Now, if we agree that innovation is a change process, it makes sense to gain a deeper understanding of the nature of change, as it will help find the best approach to innovation management.

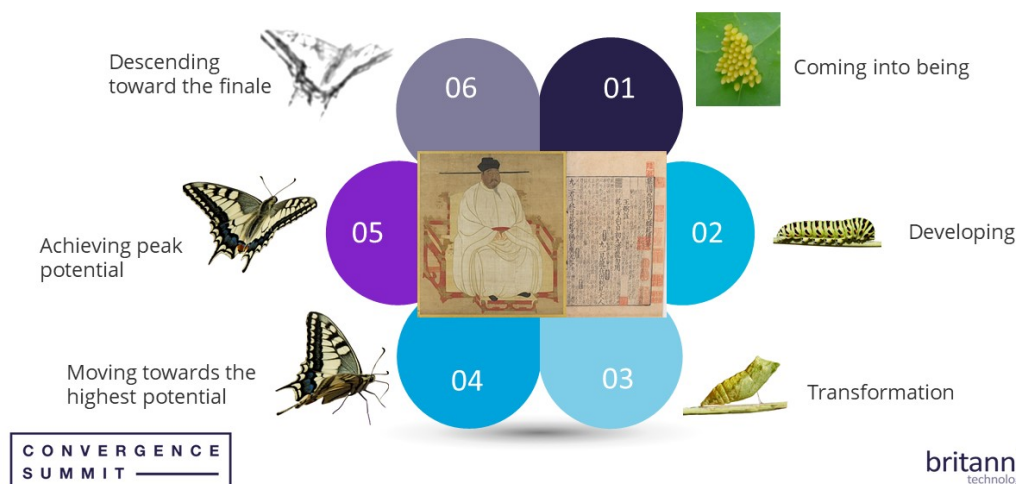
The Nature of Change

Since ancient times, people have realised that change is an inescapable element of life, quoting Heraclitus: “the only constant in life is change”. However, change has always been accompanied by people’s fear of change. That is because many people do not necessarily know why change is happening and how. In other words, change can push people into the unknown and has usually some degree of uncertainty in what it can bring. The fear of change, perhaps, helped our ancestors to survive in the past, warning them off from doing risky things and making them more cautious when confronted by new frontiers. Yet, **fear is a mind-killer** and, I think, it was the desire to control fear that encouraged people to find the patterns and laws that would help them understand and navigate through change.

Even as early as 2,500 years ago people realised that every situation in life went through a 6-stage cycle. That observation was captured by the Ancient Chinese text “I CHING”, translated as “The Book of Changes”. Those mutable but predictable stages were:

- Coming into being
- Developing
- Transformation
- Moving towards the highest potential
- Achieving peak potential
- And descending toward the finale

I CHING: THE 6 STAGES OF CHANGE



Those who understand that **change is the rule, not the exception**, have a much higher chance of seizing the opportunities brought by change.

It is easy to see that all of those 6 stages are also applicable to many processes in the business world. Take, for example, a **product life cycle** – it features every stage, from a product idea to an end-of-life stage.

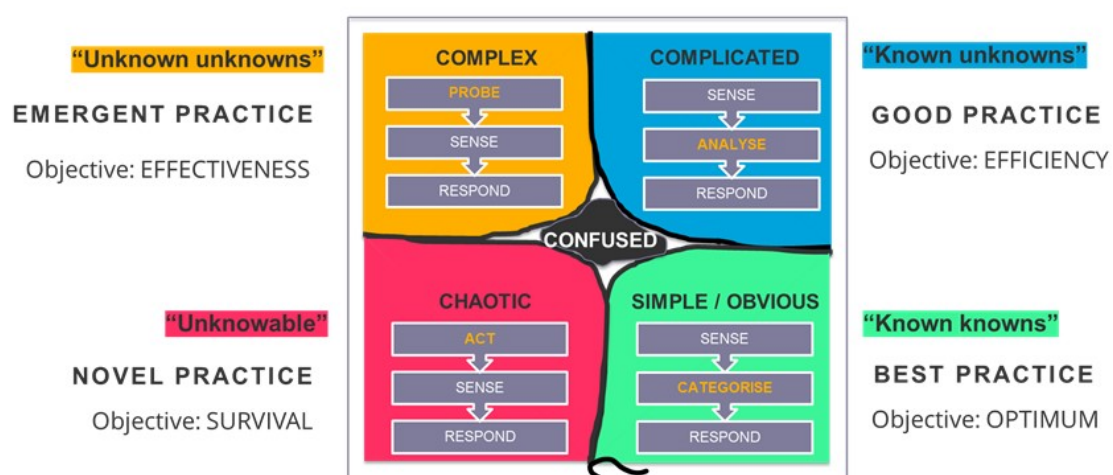
If all changes follow the same 6-stage process, why is it so difficult then to find a single way of managing change for all situations? The reason is that one change can be quite different from another considering its scale, speed or complexity. That is why the best course of action is to use a **systems thinking approach**, since it takes into account the environment and various elements of a given system (e.g., the appropriate system's boundary). As a result, it will enable you to choose a better action mode for managing change.

One of the most fundamental laws of physics states that any change has its cause. Hence, one way of looking at change is to consider the cause-and-effect relationship, which in turn will help you determine the appropriate action mode. This is exactly how it is done in Cynefin® framework created by Dave Snowden – an expert in knowledge management and complexity science. In short, his framework considers a number of decision-making system states determined by the cause-and-effect relationship and shows how to match your management approach to the level of complexity of a given situation:

- Two ordered states, where the cause-and-effect relationship is clear:
 - SIMPLE (or OBVIOUS) state. It represents “Known Knowns” and is characterised by the stability of the situation. The cause-and-effect relationship is simple and predictable. That means that there are often clearly defined steps in a process based on the **best practice**. When you are in this domain your objective is the **optimum, perfect solution**. The action mode is “*Sense-Categorize-Respond*”: first, assess the facts, then categorize them, and then respond by following the best practice, which usually gives one established “correct” answer.
 - COMPLICATED state. It represents “Known Unknowns”. While the cause-and-effect relationship is still clear, there are many casual factors at play, and so the correct answer is not self-evident and multiple solutions can exist. You will likely need help of experts to decide what to do. That's why it is also called “Domain of Experts”. The action mode here is “*Sense-Analyse-Respond*”: first, assess the situation, analyse what is known and then decide on the best response using **good practice**. The focus in this domain is on **efficiency**.

- Two non-ordered states, where the cause-and-effect relationship is unclear and non-linear:
 - o COMPLEX state. It represents “Unknown Unknowns”. The cause-and-effect relationship is entangled and non-linear, and so is very difficult to determine. You can understand why things happened the way they happened only in retrospect. “Safe to fail” experimentation becomes the essential tool to identify what works. **Emergent practice** would be the best approach here with the action mode “*Probe-Sense-Respond*”, aiming to achieve **effectiveness**. These days many business situations fall into this domain.
 - o CHAOTIC state. It represents “Unknowable”, as it is simply impossible to establish the relationship between cause and effect. This domain is domain of crisis and emergency situations. The primary goal here is **survival**. The action mode is “*Act-Sense-Respond*”, which may develop a **novel practice**: first, act to address the most critical issues and bring some order, then, sense whether stability has been achieved and then respond, trying to move the situation to COMPLEX state.
- CONFUSED represents the situation, when it is not yet possible to determine the exact state. The action here is to **gather more information**.

THE CYNEFIN® FRAMEWORK ACTION MODES

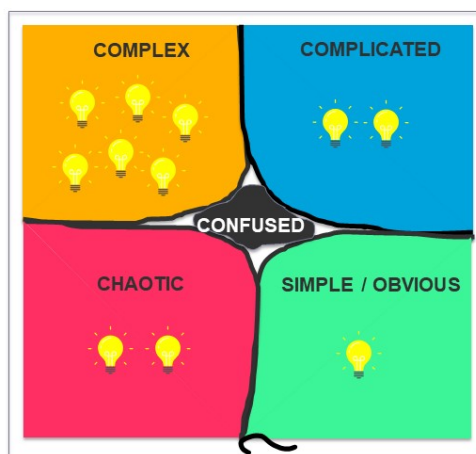


Considering change as a trigger for innovation, the highest innovation potential is in the COMPLEX state, as constraints there are limited. Innovation may be happening in other states too but not as readily. For example, in the OBVIOUS state the innovation potential is low, since you will be highly constrained by the established processes and standards.

It is not always possible to choose what change domain you want to be in. Sometimes changes in the environment are beyond your control and you can be pushed into a crisis or emergency situation (i.e. the CHAOTIC state), as it happened to many companies at the beginning of the pandemic. Even in that case you should not overlook innovation opportunities. While you don't want to spend too much time in this state, there can still be an opportunity for you to develop a Novel Practice, which may become disruptive or transformational innovation. As Dave Snowden said, "in a crisis, you should always deploy an innovation team alongside the business recovery teams to capture the novel practice". In times of crisis innovation function is often one of the first to slaughter, but if your innovation team is working alongside your business recovery team the chances of seizing innovation opportunities are higher. In some cases, you may enter into the CHAOTIC state deliberately to 'break the mould' and boost innovation, but you do it in a controlled way and for a short period of time.

When you are on top of the situation, you can control innovation activity by consciously loosening or tightening constraints and connections between the system elements or, in other words, giving your team more freedom to explore or imposing more order.

INNOVATION POTENTIAL & CHANGE DOMAIN



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If you think about innovation as a change process, then you could associate different types of innovation with different change domains. For example, incremental innovation would fall into OBVIOUS domain, where the changes triggered by innovation are small and well understood, so you can apply the decision-making approach that suits this domain. For transformational innovation, when the chance of entering “unknown unknowns” realm is high, it would be best to apply the COMPLEX domain decision-making approach. If you are developing a new generation of an existing product or service, then the best suited action mode would be that of the COMPLICATED domain. In that case, while you still appear to be in the ordered state, you will likely need the help of experts to bring your innovation to the market.

Almost any innovative product or service will engage different types of innovation over time. For example, you may start off with an innovative product, which involves a number of transformational innovations and has the main focus on effectiveness of the solution being developed. With time you gain a better understanding of the business and technology context, and the focus of the most of innovation efforts (typically 80%-90%) will then shift on efficiency and the best possible solution. This means that the bulk of innovation will become sustaining and incremental. The key point here is that the approach to managing innovation should always be chosen based on the type of innovation (e.g. incremental, sustaining, transformational).

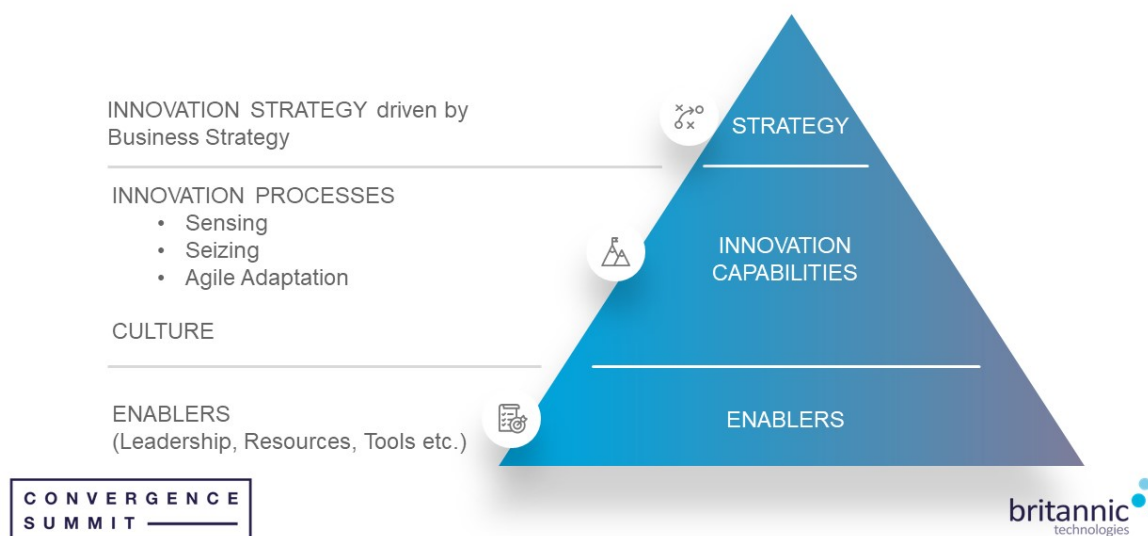
Britannic's Approach to Innovation

Britannic has always had innovation in its DNA. That allowed the company to successfully bring its own breakthrough products and services (and those of its partners) to market, and deliver fit-for-purpose holistic solutions to customers. The leadership team didn't need to wait for insights from McKinsey and Gartner alike to realise that a key element needed to ensure that innovation would always be in the company's blood was the leadership support for innovation. The team also knew that apart from talking about innovation their support should come in the form of real investment in the development of innovative technologies, building strong relationships with the most innovative partners and customers.

However, the current perfect storm fuelled by the pandemic and ever increasing rate of digital technologies development has forced Britannic to look at its approach to innovation and change management holistically. As a result, the company embraced a systems thinking approach to innovation management, which, in turn, was chosen based on deeper understanding of the nature of change.

Britannic embraced the Innovation System that brings together 3 key elements: **innovation strategy** driven by business strategy, **innovation capabilities** required to deliver the strategy (including innovation processes and organisational culture) and **enablers**, like leadership support and resources, which are needed to make the system work smoothly.

INNOVATION SYSTEM – KEY ELEMENTS



Britannic's overall approach to managing innovation, which is being currently developed, adopts the same 6-stage change process as discussed above. Yet, the process will be made flexible and responsive, so that it can accommodate different type of innovation and change.

Moreover, Britannic is building its own Innovation Hub – a framework, which allows the company to create an open innovation environment, where internal and external stakeholders can generate ideas, collaborate, co-create and prototype. This Hub has the following primary goal:

- to make sure that the developed solutions are fit-for-purpose and add value to all stakeholders;
- to protect Britannic's market position and support the company's growth through continuous innovation and positioning Britannic as a thought leader in digital communications;
- to foster culture of innovation by building a robust innovation system and strong innovation capabilities.

The framework is based on design thinking approach. It allows rapid but controlled progress from an initial idea to the delivery of the solution to the customer, while tapping into the strong ecosystem of partners and customers. It consists of two phases – Research and Design, each of which includes 3 steps.

INNOVATION HUB FRAMEWORK

RESEARCH PHASE

1. Discover

Look at areas where innovation may bring business benefit by:

- Solving an existing issue or problem
- Exploiting opportunities (e.g., market, new technologies, new business processes, new business models).

2. Define

Define the opportunity or the problem and verify it with the key stakeholders.

3. Ideate

Generate and shortlist the ideas for capturing the opportunity and/or resolving the problem.
The output will be a list of prioritised ideas for the Design Phase.



DESIGN PHASE

4. Collaborate

Engage with the Innovation Hub community to develop possible solutions for the prioritised idea/problem.

5. Prototype

Develop the selected prototype solution(s) and test it.
The output will be a validated solution – a minimum viable product/service.

6. Integrate

Ensure that the developed solution is integrated into BTL's business with all appropriate support and training to guarantee that the anticipated benefits are truly delivered.

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While the operation of Innovation Hub could be seen as being a linear process, it is, in fact, an agile process as it allows for collaboration with key stakeholders, continuous improvement and flexible response to changes at each step.

So, this is how Britannic team is changing its approach to innovation in order to accomplish the company's mission of **empowering customers and partners with best in class, value-added, tailored communication and information systems and innovative solutions and solving today's challenges and positively underpinning strategic change and business transformation.**

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