

INNOVATION: GROWTH FROM UNCERTAINTY

Spurred on by crises such as the pandemic, work, technology, economics, education, geopolitics and society as a whole are changing at an unprecedented pace. Change brings uncertainty, and uncertainty can be paralysing. Too often, we fear uncertainty rather than seeing its possibilities – such as the potential to innovate new products, services, and ways of working.

On 28th April, CRF members gathered in person and online to explore why crises spur innovation and how to replicate those successes in a more 'stable' environment. Investigating the issues from an organisation, team and individual perspective, we looked beyond our own organisations and industries to learn about the factors of success.

These Post Meeting Notes summarise the day's sessions.

KEY TAKEAWAYS

HR has to rethink its role; how is the function going to lead the organisation in customer-centric innovation if it can't do it itself? This means moving beyond command and control, and becoming comfortable and skilled with navigating uncertainty.

1

Customer insight is key to innovation – if you don't get that right, the rest is nonsense. Always be careful to check your assumptions about your customer's insights.

2

A customer's experience and feelings, not the product, is the new battleground for innovating to gain competitive advantage.

3

We are not taught how to deal with uncertainty, and yet new things tend to come from uncertainty. Therefore, learning how to manage uncertainty is critical. Key to uncertainty management is learning how to turn uncertainty into possibility.

4

We need to act from the future – today's assumptions and behaviours won't get us to tomorrow's world (necessarily); so imagine the future world and how we will need to think and act in that world.

5

Conventional wisdom holds individuals and organisations back. By surfacing and acting on our assumptions, we can move from conventional to breakthrough thinking. Breakthrough thinking is at the heart of innovation.

6

Innovation requires new qualities of leaders. Leaders need to move from hierarchical, command and control models of leadership to shared leadership, in which they acknowledge, create, and empower networked decision making.

7

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MEANINGFUL INNOVATION: A CUSTOMER-CENTRIC APPROACH WITH HAMISH TAYLOR



HAMISH TAYLOR is a former CEO of Sainsbury's Bank and Eurostar. Following an outstanding career and 10 years assisting some of the world's leading organisations, Hamish is an expert in Innovation/Change, Customer Focus/Brand Management and Leadership/Performance. He is also known as the 'master thief' based on his record of innovation transfers.



**CATCH UP OR RE-WATCH THIS SESSION:
INNOVATION FOR THE SAKE OF WHAT?**



In his sessions, Hamish explored the question, "Innovation for the sake of what?", arguing that the most effective innovation is that which centres on the customer.

Across industries, businesses are facing similar external challenges – such as digital transformation, increased regulation, the pandemic, more knowledgeable and challenging customers, the demands of sustainability, and increasing competition. Uncertainty and risk are simply part of the business environment now.

These external challenges are beyond an organisation's control. But the organisation's own environment, and its understanding of the value of customer-centricity, are within its control.

So where does an organisation start with customer-centric innovation?

Organisations tend to be good at statements of intent – aligning strategy and values around customers; they tend also to be good at some degree of measurement – assessing customer satisfaction, market share, Net Promoter scores, and so on.

What tends to get lost is the middle part – actually doing customer-centric innovation. To get started, the organisation needs to identify its customers – both internal (leaders, teams, colleagues) and external (end consumer, suppliers, shareholders, and partners). It is internal customers that pose the biggest challenge – to execute customer-centric innovation, the whole organisation is needed, and HR is critical to bringing the whole organisation along on the journey – supporting the workforce to gain the skills and motivation needed for innovation.

Hamish shared the lessons he's learned over decades of putting customers at the heart of innovation.

BE CLOSER TO THE CUSTOMER THAN ANYONE ELSE

Data is not insight. The organisation's task is to put itself – not in the customer's shoes – but in the customer's head, to gain soft insights (feelings, stories, language).

- For example, Sainsbury's Bank was initially built on customer insight data, such as the social groups that would comprise the customer base and their financial product needs. But analysis of soft insights led to a critical understanding of the importance of mood – are customers in a good mood? This insight allowed the business to innovate around the environment and customer service, in order to enhance customer mood and business outcomes.
- Another example comes from Eurostar. When it first launched, the company was losing money, although the service was excellent. Soft insights led to the realisation that the service wasn't capturing leisure travellers, and that this was a brand management issue. The company needed to finesse its offer. It wasn't selling railway tickets, it was offering the excitement of a trip to Paris. This insight changed the whole business model, with entry into joint ventures, expanded destinations, and a broader offer. These customer-centric innovations greatly expanded Eurostar's market share and business performance.

Being inside the customer's head also means understanding his or her expectations. People don't buy based on how good a product is; they buy based on how good it is relative to what they expected. Therefore, it's crucial to understand and influence those expectations. But it is equally important not to set an expectation if it cannot be delivered.

How does the organisation get inside the customer's head, to gain the new, different, and vital insights that can drive useful innovation? Hamish suggested the following.

- **Try things.** We learn more by trying than discussing. Remember that you're not solving a business problem, but addressing a person with a business problem.
- **Keep a loose structure.** The biggest insights come from a blank sheet of paper, not a questionnaire. Observe the customer and avoid putting boundaries around those observations in the form of a questionnaire. Remember that perceptions are the enemy of insight.

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- **Look broadly for insights.** Don't just look at what your competitors do around customer experience; today, we have a much broader spectrum in terms of where we can learn lessons for good customer service.
- **Sharing is key.** The most senior people in an organisation are potentially the furthest away from the customer, which is a problem. The solution is to develop mechanisms and processes for connecting insights from your own people (which is often where the best insights come from).
- **Gather insights in real time.** The organisation needs to have the right people in front of customers in the moment. Who are the right people? Those who can listen, absorb insights, and share them with the organisation, in addition to being good at their job. They are listening experts as much as technical experts. This, of course, has implications for recruitment in terms of the qualities the organisation should be looking for.

CREATE A NEW CUSTOMER VALUE PLATFORM FOR EVERYTHING YOU DO

This means obsessing about the customer, not the product. Don't base your pitch on one aspect of your product; instead, use the customer benefits – speed and ease, economy, convenience, confidence – as your platform. Build up the customer benefits you are trying to achieve in the form of a customer promise.

Hamish shared an example from his time at British Airways.

The company had previously innovated to have the largest seat of any airline. This was a product-centric innovation, that became outdated quickly – another airline soon came out with a slightly bigger seat.

A soft customer insight – that British Airways' business travellers often arrive feeling exhausted after a red eye, led to customer-centric innovation, which asked a different question: How can we help the customer arrive ready for business? This focus on customer needs led to an understanding that less hassle, more sleep, and refreshment were key to helping customers arrive ready for business.

Everyone inside the organisation was activated to answer this question; ideas started coming from everywhere. IT looked at how to remove hassle from the process of checking in (British Airways became the first international airline to remove check-in). Desk staff at JFK International in New York innovated the idea of offering dinner in the business lounge before boarding, so that customers could get more sleep on the flight. 85% of customers accepted this offer.

Changing the question – using customer insights to conceptualise the product and service in terms of customer benefits – entirely changed the face of the innovation(s). Along the way, the business was redefined. Just as Eurostar is not in the railway business, but in the 'Paris business', British Airways was no longer in the transportation business, but the hospitality business.

BRING FRESH THINKING TO YOUR CUSTOMERS (INTERNAL AND EXTERNAL)

Customer-centric innovation takes ideas from other places. If you want a breakthrough, look outside your current environment. Why? Because your current environment is steeped with assumptions. People are simply more open to new ideas and principles when you take them out of their home environment. Thus, break the mould to bring fresh thinking to your customers.

For example, when British Airways became the first airline to offer beds in airplanes, the company looked to luxury yacht designers for help, not aircraft designers. Why? Because designers of luxury yachts are experienced and knowledgeable about how to create luxury in a small space.

WIN THE ENGAGEMENT BATTLE (INTERNAL AND EXTERNAL)

Innovation is not just about new products and services but also about how we engage with customers (internal and external), which is about people. How do we engage with our people and develop their thinking – in other words, how do we take them with us? Hamish offered the following insights.

- Communication is critical, but it tends to get too much focus while other aspects of engagement get too little focus. With respect to communication, tone of voice is often a big challenge when getting messages across the business.
- Linked to communication is how we organise ourselves and how we set ambition – we need to communicate ownership, but then also make it easy for people to take ownership. Hamish formulated this as: solution + ownership + make it easy. Remember that people are more likely to change their behaviour in the way that you want if the behaviour change makes sense to them and the steps for doing it are clear.
- For example, British Airways launched an initiative called 'Project Interact' which encouraged cabin crew to spend more time interacting with customers on long-haul flights. The company communicated ownership; cabin crew didn't do it. The company altered its communication strategy and tried again; still, cabin crew didn't do it. Hamish shared his experience of being on a flight and going to ask a flight attendant to interact more with customers. "You're going to tell me to interact with customers, aren't you?" said the flight attendant. 'Well, yes, I'll tell you what', said the flight attendant. 'Stand there'. The flight attendant then pulled back the curtain and 50 business class passengers were sitting there, staring. 'Go on then, interact', said the flight attendant. Hamish interacted with the curtain, shutting it quickly. The lesson in the story is that sometimes we think the barrier to behaviour change is that people haven't got the message, when the barrier is that you are asking people to do something differently to how they did it

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yesterday, but you haven't articulated the 'how'. Make it easy for people to take those first steps. The solution for Project Interact? Giving out hot towels at the start of the flight gave crew an excuse to interact with customers.

- HR has a responsibility to make and keep internal customer promises (for example to Marketing, Finance), just as the business makes customer promises to end consumers. In both cases, the simplicity of the customer promise is important. Focus on a bold statement of the benefits/outcomes for the customer.

THE UPSIDE OF UNCERTAINTY FINDING THE POSSIBILITIES WITHIN WITH NATHAN AND SUSANNAH FURR



NATHAN FURR is Professor of Strategy and Innovation at INSEAD and a recognised expert in the fields of innovation and technology strategy. He earned his Ph.D. from Stanford University where he studied how innovators commercialise their ideas. His bestselling books include *The Innovator's Method*, *Leading Transformation*, and *Innovation Capital*. And has been published broadly in *Harvard Business Review*, *Sloan Management Review*, *Forbes*, and academic journals. An Innosight Fellow, he has been nominated for the Thinkers 50 Innovation Award, and works with companies such as Google, Microsoft, Citi, ING, and Philips.



SUSANNAH FURR is an entrepreneur, designer, art historian, and contrarian. She founded a women's clothing line inspired by her research on the intricate embroidery Dutch women found the time to painstakingly render on their otherwise unadorned uniforms – details often invisible to all but the wearer – and its significance in their daily lives. She has also founded a design firm that provides commercial design services to retail and commercial operations.

In their sessions, Nathan and Susannah explored uncertainty, its downsides, and its possibilities, focusing on how both individuals and organisations can build their 'uncertainty ability'.

Uncertainty is defined as anything unknown – an ambiguous state where you may not even know what to pay attention to, much less all the ways it could play out. Compared to risk, which involves taking a small chance on knowable outcomes, uncertainty is about stepping into the unknown.

Uncertainty is a barrier to change. We fear its downsides, which include anxiety, stress, exhaustion, confusion,



**CATCH UP OR RE-WATCH THIS SESSION:
THE UPSIDE OF UNCERTAINTY**



frustration, and grief. But it is only by going through a period of uncertainty that we can change, create, transform, and innovate.

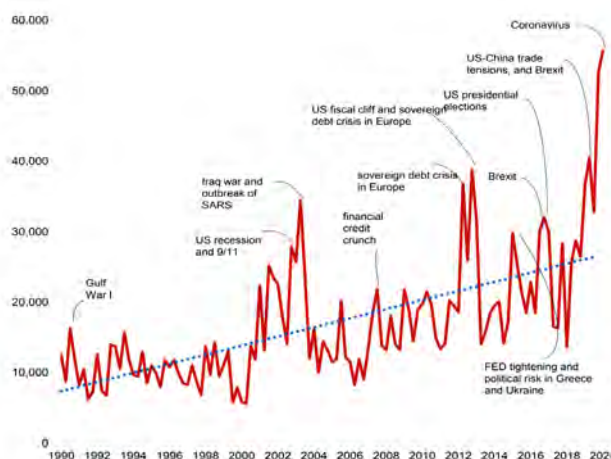
Thus, while too much uncertainty is a bad thing, for both individuals and organisations, it is also a fact of life, and both individuals and organisations need to learn how to navigate it, in order to discover and harness the new and great possibilities it offers. These possibilities are the upside of uncertainty.

Nathan and Susannah shared the following key points about uncertainty.

- Uncertainty is increasing. According to the World Uncertainty Index (*below*), which captures economic and policy uncertainty, uncertainty has been rising steadily over recent decades. Technology is exacerbating uncertainty – it lowers the barriers to participation in many industries, which in turn increases the pace of change. If you are looking for a linear way forward, forget about it.

World Uncertainty Index

GDP Weighted Average of 140+ Countries



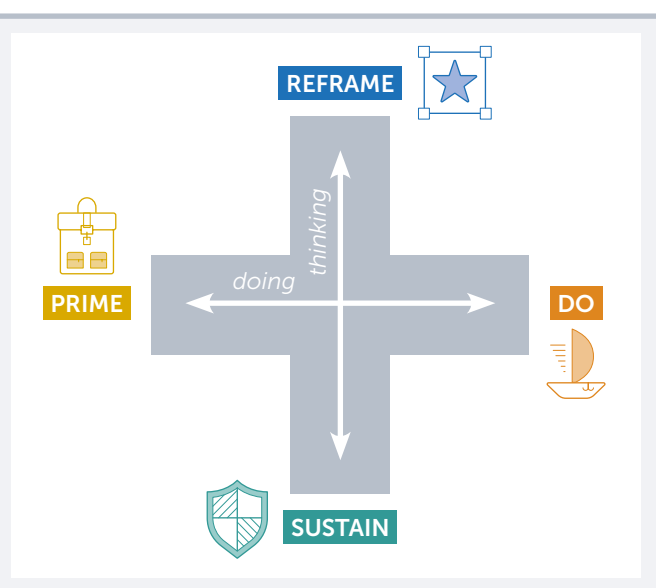
Source: Ahir, H., Bloom, N. and Furceri, D. (2018) World Uncertainty Index

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- We do not learn how to navigate uncertainty as part of education, yet learning to face the unknown well is critical to our ability to survive and thrive. Studies across academic disciplines suggest that people comfortable with uncertainty are more creative, more successful entrepreneurs, and more effective leaders.
- Without the right tools for navigating uncertainty, we might maladapt to it – being overly rigid, ruminating too much, engaging in premature certainty, and/or coming up with the wrong solutions.
- No one is immune to uncertainty – not even those at the top.
- We need to develop our ‘uncertainty ability’, which is the skill to navigate unknowns both planned and unplanned. By developing a healthy relationship with uncertainty, we increase our possibility quotient (the likelihood that we see and seize new opportunities).

So how do we do navigate uncertainty? People who are good at navigating uncertainty feel the same anxieties as the rest of us, but meet it with greater courage, resilience, and skill. While each of us has differing capacities for handling uncertainty, shaped by genes, environment, and learning, research on ambiguity tolerance, uncertainty avoidance, and resilience show that uncertainty ability can largely be learned.

Nathan and Susannah introduced four groups of tools that increase uncertainty ability. The tools inform each other and overlap; they are not meant to be used in a linear process, but instead one should use the tool that resonates in a given moment.



REFRAIME

Reframe tools enable and strengthen a perspective shift (how we see something shapes how we think about it and act), motivating you to look creatively for all the possibilities and to believe in an upside that you can't see yet.

- ‘Infinite game’ is one example of a reframing tool. Those who see life as a finite game – it's about winning and has set rules – will ask ‘how do I win and get the most?’. This is a very bounded way of thinking, and uncertainty threatens it. Others see life as an infinite game, the point of which is to play, do more, and explore more. This kind of thinking welcomes uncertainty because it changes the rules and opens up possibilities. It encourages people to challenge the rules, look for uncommon partners, and find ways to work across boundaries to find new solutions.

PRIME

Prime tools prepare you by encouraging projects that matter to you, and taking into account your personal uncertainty landscape to enable satisfying outcomes when it's time to act.

- ‘Knowing your risk’ is a priming tool. There are many types of risk – financial, social, intellectual, and emotional, to name a few. It's useful to know which types of risk are your triggers. Those to which you have an aversion, you should try to fortify. This means taking small risks to expand your risk profile and get more comfortable with taking risks. Those risks with which you have an affinity, you should embrace.

DO

Do tools describe how to thoughtfully unlock the rewarding possibilities hidden in the uncertainties you face, in order to promote a future you want to live in.

- ‘Activate and unlock’ is a do tool. We have a predilection for control, but things go better when they are activated as opposed to controlled. How do we take action? By taking small steps through uncertainty, and taking those steps one step at a time (rather than all at once). The key is to break the uncertain down into small steps and learn how to juggle between those steps.

SUSTAIN

Sustain tools give comfort and remind you why and how to keep going, or how to pivot when things don't go as planned.

- ‘Reality check’ is one example of a sustain tool. A reality check involves frustration management – allowing yourself to feel the frustration for a few days or hours, then focusing on next steps. It's important to become resilient at handling the frustration that comes with uncertainty. Then, reframe the obstacles (obstacles can be reframed through a learning frame, game frame, gratitude frame, timing/evolution frame, values frame, or hero frame). Don't interpret obstacles as a sign to stop but as a sign that you're heading in the right direction.

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Turning to organisation uncertainty, Nathan and Susannah argued that the number one thing holding companies back from renewing themselves is fear of taking risk.

This fear leads organisations to try to eliminate uncertainty. But innovation plummets when uncertainty is eliminated. Thus, trying to eliminate uncertainty is a way for an organisation to inadvertently sow its own demise.

The essence of innovation is putting different ideas together; uncertainties in the world-at-large, such as the changing nature of education and technology (both of which lower boundaries for participation) and demographic changes (such as the geographic concentration of creative people in cities), provide new possibilities for different kinds of people to put different ideas together.

To build uncertainty ability at the organisation level, it is useful to look to the design sciences. While the natural sciences seek to describe the world and its causal mechanisms (what variable causes what outcome?), the design sciences focus on designing tools and methods to deal with the world (how do I design a solution?).

Tools from the design sciences include the following.

- **Frontiers.** There are many kinds of frontiers – customer, product, leadership, growth, thought leadership, employee relationship, process, and sustainability – and some of the most important frontiers are hidden in plain sight. Innovators see frontiers differently. They recognise that they have to be at the frontier when they want to do something new. This means taking a risk by stepping into that frontier, and authorising your people to disobey the rules.
- **Uncertainty balancers.** Innovators seem to love uncertainty. They often say bold things, like ‘I eat uncertainty for breakfast’. But the bold statements made on the ‘front stage’ are balanced by actions taken ‘back stage’. Innovators often have habits, routines, and rituals that create certainty in some areas of their life, so they can embrace uncertainty in other areas of life. For example, think of Steve Jobs and his choice to wear black turtlenecks every day, thus taking the uncertainty out of dressing. In short, if you want people to do new things, the organisation has to help them balance the uncertainty that doing new things entails. Other uncertainty balancers that organisations, not just individuals, can use include:
 - Outsourcing and simplification – how do we simplify our lives in certain ways?
 - Humour and sarcasm – for example, using gallows humour to deal with uncertainty and loss.
 - Relationships and communities – provide support through uncertainty. For example, at one organisation, teams gather to discuss their emotions and learnings once a week, then go for drinks together. This team ritual of the weekly debrief provides a community of support and is highly valued.

- **Activate and unlock.** Organisations, like individuals, have a predilection for control. Instead of trying to control people and events with barriers and borders, try to activate and unlock what’s already there. For example, Microsoft innovated desks with wheels, so that people could move themselves to where they needed to collaborate as those needs shifted.

WHAT IS THE HEART OF INNOVATION? WITH MIKE STRAW



✉ EMAIL

MIKE STRAW is the CEO and founder of Achieve Breakthrough. For two decades he’s been working with CEOs and senior business leaders to help their people and organisations develop, change and make ground-breaking improvements in performance. Mike founded Achieve Breakthrough to unlock his client’s ambitions: making the seemingly impossible, possible. These include industry leading blue-chip corporations across Pharmaceuticals, Technology, FMCG, and Retail sectors. His clients include: Microsoft, Coca-Cola, Roche, Novartis, PepsiCo and Duke CE. Mike is co-author of *The Little Black Book of Change* and is an international speaker and thought leader on transformational leadership.



**CATCH UP OR RE-WATCH THIS SESSION:
MAKING INNOVATION HAPPEN BY DESIGN**



Mike’s interactive session explored the question: **how do we create innovation and growth from uncertainty?**

Innovation requires new ways of thinking and acting – you cannot expect unconventional thinking to come from convention. In other words, you cannot get innovation by looking at the new through the lenses of the old. But only by letting go of the need for certainty, can people and organisations embrace fresh thinking.

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What is the heart of innovation?

Mike highlighted gaps and opportunities in our thinking that can allow us to make innovation happen by design.

1. Beware the power of your assumptions. We delete, generalise, and distort those things that are in the periphery, so we need to be very aware of our assumptions. How do we get access to our current set of assumptions that are no longer true? Innovation breakthrough is an opening that allows us to shift from Conventional Thinking to Breakthrough Thinking. This mental opening occurs when we become *loudly* aware that the current assumptions about something are not the truth. At that moment of awareness, we have a choice – do we own our assumptions or do they own us?
2. With this insight we can either act on that assumption, or the collective conditioning in our organisation will determine what is and is not possible. For example, think about Netflix's early offer to sell itself to Blockbuster. Blockbuster, limited by its conventional thinking, let the opportunity pass, and the rest is history.

Muscles to develop to make innovation happen by design

There are three muscles to develop to allow for innovation by design.

ESCAPE GRAVITY

This means gaining freedom from the conventional wisdom that surrounds us. The greatest obstacles to innovation breakthroughs are people's 'logical', self-limiting beliefs about what it is possible for them to achieve. Basing today's actions on past experiences seems to make sense: your decisions of the past enabled you to succeed this far. But using your past binds you to possibilities beyond those which you already know. The past is a super magnet, even in enlightened organisations. New ways of thinking and perceiving allow us to see the grip of our conventional thinking so we can move outside of it.

- Be mindful of the power of the little voice. The little voice inside our heads is omnipresent, active, constantly interpreting, deciding what is and is not possible. People's actions are correlated with their assumptions, but people aren't usually aware of this. So the call to action is to be able to tune into the little voice in your team and organisation. It will show you everything that needs to be reframed. This is why psychological safety is so important; it allows you to get under the skin of what people are really thinking, so that you can address it. Be present to the little voice and what it's saying.
- Recognise how uncertainty, fear, and risk mix together to limit thinking. How does conventional wisdom become so solid? Human beings are addicted to making meaning out of everything – something happens, we have an interpretation about it, that happens a few times, and it becomes the conventional wisdom. It's a vicious cycle.
- Break out of the grip of conventional wisdom by harnessing the power of conversations. It's conversations that surface other interpretations and possibilities.

DEVELOP A BOLD MISSION

In organisations, there is typically a vision gap. But an essential element for innovation is a bold mission (North Star) that guides our every move – without this innovation is sourced by circumstances alone. The alternative to leading from the past is to lead from the future. For real innovation to occur there must be an absolute commitment to a future achievement for which there is no reasonable evidence at the time the commitment is made – an achievement we would normally consider to be impossible. Individuals or organisations that become committed to a 'seemingly impossible' future innovation will produce extraordinary results in the present.

- Harness the power of declaration and acting – plug the vision gap and embrace a willingness to be uncomfortable and to go for it.
- See the connection of bold vision to using imagination and curiosity.

ACT FROM THE FUTURE

This encompasses using the North Star to drive our daily actions, which means having a level of boldness from the outset. This approach allows us to evaluate the present from the perspective of a dramatically different future, rather than our more typical approach of evaluating the future from the point of view of the past and present.

- The capability to innovate and grow through uncertainty comes through the practice of acting from the future.
- Acting from the future requires an environment in which it is ok to experiment. This, in turn, demands new things of leadership. Leaders have to move from hierarchical, command and control models of leadership to shared leadership, acknowledging, creating, and empowering networked decision making. In other words, the organisation has to help leaders at all levels reinvent what they believe is possible, and their role.
 - McKinsey has distinguished the type of roles for an innovative environment. With a focus on innovation in uncertain times, we see leaders starting to play four new roles – those of visionary, architect, coach and catalyst. These roles are in addition to, not in place of, the traditional roles of planner, director and controller. At the same time, these traditional roles can evolve quite significantly, with leaders enabling planning, directing and controlling to happen at much lower levels within the organisation.

Mike closed his session with three guiding principles at the heart of innovation and breakthrough thinking.

1. Uncover the organisation's hidden DNA – content and assumptions.
2. Hold people accountable for what is missing and essential.
3. Create an environment in which every conversation is future-focused.

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FURTHER READING

Session [slides](#) available upon request.

CRF. 2019. **HR Leaders' Discussion Paper: No More Tinkering with Innovation.** <https://www.crforum.co.uk/research-and-resources/hr-leaders-discussion-paper-no-mere-tinkering-with-innovation>

Furr, Nathan and Susannah Harmon Furr. 2022. **The Upside of Uncertainty: A Guide to Finding Possibility in the Unknown.** Forthcoming (July 2022). *Harvard Business Review Press*

crf UPCOMING EVENTS

-  **IN-PERSON AND ONLINE:**
[The Realities of the New Working Environment](#)
 **10th May, 9.00 BST, Central London**
() **10th May, 10.00 BST, Online**
-  **IN-PERSON AND ONLINE:**
[Making a Paradigm Shift in Leadership Development](#)
 **24-25th May from 15.00 CEST, Lausanne, Switzerland**
() **25th May, 15.30 CEST, Online**



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