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# The ABC Of Innovation And Why “The F Word” Should Not Offend

by **Ashley Yeo**

Organizations need to adopt a “disruption mind-set,” whatever kind of innovation they are pursuing, and the most successful innovators realize that innovation is not just the province of the R&D department but the whole company. So say executives at PA Consulting, whose recent report, “Innovation As Unusual,” highlights the importance of the “Innovation Leader” role, and has useful advice for life science and health care innovators.

- Embedding an innovative culture in an organization is vital, but it cannot be done overnight. However, it should not be viewed as unrealistic, even if it means challenging convention at the very heart of an organization, according to UK-based PA Consulting.
- Health care technology expert Frazer Bennett shares his “ABC of Innovation,” and draws on findings from the PA survey and his own views on leadership qualities.
- Creative companies tend to do a lot of “Borrowing” – the “B” in the “ABC” – which PA sees as a good indicator of innovative behavior and solutions-oriented thinking. Elsewhere, companies should not be coy about the occasional “F.”
- Leadership is key to identifying, pursuing and developing innovation, and the strategies an organization employs – including the ability to look outside its immediate industry for ideas – are crucial to market competitiveness.

Does your organization have an Innovation Leader? Leadership is the most important element in setting and fulfilling the business plan. “If you have people who have a passion for innovation and can lead, that is 80% of the battle won.” That is the view of Ian Rhodes, the CEO of McLaren Applied Technologies (design, technology and simulation solutions for diverse industries). He was interviewed as part of a report by consulting, technology and innovation firm, PA Consulting.

The report, “*Innovation As Unusual*,” surveyed 751 executives. It takes a UK-biased view of a global theme – how to maximize the benefits of innovation to both corporate and wider society’s advantage. One headline figure is that UK organizations are wasting over £64 billion (\$85.8 billion) on ideas that have failed but that could have succeeded.

Indeed, “a striking 47% of people polled viewed innovation as possibly a costly failure, and fully 50% has seen innovation fail for reasons that could have been avoided.” This is the view of PA Consulting health care expert Kate Woolland, who outlined the thrust and tenor of the PA report at a Westminster Health Forum meeting in London in October 2015.

Some months later, In Vivo interviewed Woolland’s PA Consulting colleague Frazer Bennett on the significance of the findings for health industry professionals (see below).

The basis for the report was a global survey – these 751 business leaders from the UK and 14 other countries in nine business sectors, including health care and life sciences. The aim was to gauge attitudes to innovation, and policies used.

## Behaviors That Thwart Success

Innovation often fails because of bureaucracy and over-zealous risk management, Woolland suggests, saying that the drive for cost savings is trumping the greater good – even patient outcomes. Some of the other sobering findings to emerge from the PA report include: “Small-picture thinking is perpetuated”; Too many organizations don’t have a clear innovation strategy”; and “There is a lack of ongoing investment.”

It is easy to be critical, but constructive criticism is the basis for change. The report also states the consensus view that too often investment is piecemeal and/or hand to mouth. Instead of this, business leaders should be allowed the freedom to experiment, break the rules and move away from justifying costs up front, it recommends.

This is where leadership has its true value – in the need to back highly and potentially highly radical ideas, and to ensure the right mix of skills to make innovation happen. (See sidebar, “*Good Leadership Is Key In Medtech Innovation Strategies*.”)

It calls for champions.

In the UK context, Woolland extends the concept to the debate surrounding the UK National Health Service (NHS) and the seemingly eternal conundrum: what more can be done? The answer is to set bold ambitions from the top, and have them filtered down through the NHS organization, she says.

### ***Good Leadership Is Key In Medtech Innovation Strategies***

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This is an example of where leadership and working together are required.

In the UK, innovation is key to delivering the NHS' Five Year Forward View. This is the 2014 plan for NHS care delivery transformation and the brainchild of NHS chief executive Simon Stevens, a person who, in just 25 months in charge, has shown the requisite leadership skills that could change an entire national system.

18 Jul 2016

Innovation is often viewed as the solution to the global productivity crisis, but getting innovation “right” is more complex than it may seem.

[\*Read the full article here\*](#)

Stevens would share the consensus view conveyed in the PA report of the need to invest in innovation – be it at NHS level or in the corporate world. Woolland sums up her position as follows, “Embedding a more innovative culture cannot be done overnight, but it should not be thought of as unrealistic or an imprecise goal. Innovation is achievable, but it may mean challenging convention and ‘the done thing’ at the very heart of the organization.”

That is the epitome of strong leadership.

### **A Q+A With PA: What Makes Effective Leadership In Matters Of Innovation**

PA Consulting's Frazer Bennett, a health care technology expert, agrees with those sentiments. Speaking to In Vivo in spring 2016, he said passion, determination, leadership and follow-up are essential if innovators and innovation are to be effective. But Bennett added a clarification, “People often confuse innovation and invention – innovation is broader than just the technology.”

These and other thoughts are contained in the following wide-ranging interview with Bennett, on the broad theme of how organizations should approach innovation.

#### **Q In Vivo: Is or should “innovation” be a defined role in a company?**

**A** Frazer Bennett: There are mixed views on that. We've tried to help people understand what they might do. One way of giving importance to something is to give someone the dedicated role. Others may say that precisely what you can't do is go give someone that dedicated role. Innovation is a mind-set, a behavior and an attitude. And because of that, you can't have an “innovation department,” rather innovation has to permeate the whole business.

**A** But the concept is being taken up and becoming established. And more and more conferences are being targeted at CIOs – chief innovation officers. Whereas five years ago there were probably just a small handful per year, now they are almost a weekly event.

**Q** PA says getting innovation right is more complex than it may seem. Can you elucidate on that?

**A** Innovation is seen as a solution to the productivity crisis. It's a mind-set as much as it is a process. One reason for this is that you need determination, especially when a return on your investment is not an instant thing. Companies are all under pressure to deliver in-year results, so there is a certain bravery associated with having the conviction to do something that is transformative in terms of the product or the way the care pathway is changed. So, quite often, people tend to shy away from an innovative approach. They may view an incremental approach as producing only a marginal improvement – but one that is shown in-year.

**A** They may think, "If I'm accountable for delivering results in-year, I might be better off delivering 2% this year rather than 20% next year." Arguably, you should take the long-term view, and 20% next year should be the preferred course.

Frazer Bennett, PA Consulting

**Q** Leaders typically encourage innovation, but is it a difficult step to take?

**A** It speaks well to a person's attitude to risk and attitude to failure. If we, say, inspire a culture in our organization that rejects failure, and that marks someone down for recording that failure, then we'll never instill a culture of innovation. But if we take the view that failure is a way of learning, that is, that "next time we'll get



better,” we develop a more agile approach that lends itself better to a culture of innovation.

**A** At PA, we found that attitudes to risk inspired behaviors that precluded innovation. This is not a bad thing, necessarily, but we can’t be a slave to the plan when we talking up agility and open innovation.

**A** It’s almost an oxymoron, but innovation has to move beyond the R&D department. In reality, innovation exists throughout the whole life cycle of a product, and throughout an organization’s infrastructure. The biggest innovation in the Internet in the next 10 years will be in business models, not in the technology itself: Google, Airbnb and others are using years-old technology, but are innovating in their commercial models.

**A** We see a lot of developments in the diagnostics field too, where testing is moving out of the lab and into the GP surgery. Innovative pay-per-use models are being adopted where a primary care physician is billed on how many times the tool is used, rather than having to pay in the thousands for the kit in the first place. Here is an example of commercial model innovation, first and foremost.

**A** And innovation can also be bought in – it doesn’t all have to come from within. Open innovation is an established concept, but it remains a great example of how companies have access to a wide community of innovators. We now live in an outcomes-based world, and the future is bound up in partnerships.

## **Q** How do you typically identify an innovative organization?

**A** I see three concepts in the most innovative organizations, and they’re what I call the ABC of Innovation, where “A” is Agility, and, as mentioned above, not being a slave to the plan.

**A** “B” refers to the outward-looking quality – Borrowing, that is, taking ideas and technologies from one industry and applying them in another. Quite often the innovation you are looking for has already been achieved, but simply in another

industry. It's another way of saying: why work this out with a blank sheet of paper?

**A** At PA, we've developed medical devices, where, for example, we've borrowed technology from hearing aids and applied it to next-generation connected patch technology; and mobile phone touch screen technology to detect and measure skin hydration levels. We've borrowed algorithms from high-frequency trading and applied them to technology that can show the early warning signs of a heart attack. We do a lot of borrowing, and we see borrowing as a good indicator of success and innovative behavior. It shows that a company has broad thinking and is looking widely for where solutions might be.

**A** "C" is for Collaboration, and is the point organizations reach when they realize they can't do it all. So they design their business around collaborations for the elements they cannot do. It's not just about finding great people to partner with, it's about designing your business and your product in such a way that you enable that collaboration to work. A good example in this space is Novartis, an opinion leader in pay-for-performance, entering a tie-up with Google. [Novartis AG](#) did not really know every last detail of what that future relationship was going to be, but it had worked out what each partner is good at, and said something akin to "Let's let each excel in its own domain." [\[See Deal\]](#) This is a clear example of recognizing and respecting each other's strengths.

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*"As the late Steve Jobs would say, 'Innovation is saying No to a thousand things.'" –Frazer Bennett*

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**Q** And "F" is for Failure, but "Innovation As Unusual" advises a mature approach to projects that don't make it, for whatever reason?

**A** The report tells innovators to be ready to admit failure, to encourage "innovation

time” among staff, to praise – and even highlight – near misses. And to “Fail Fast, Fail Frugal.”

**A** It’s a very hard decision to say, “This doesn’t work,” so the decision can tend to be delayed and delayed. Meanwhile, more money is being spent. Whereas a better approach is to be agile and adopt an open attitude to failure. The ability to turn things off as quickly as you turn things on is one of the keys to preventing waste.

**A** The PA report also focuses on attitude to risk and agility. Most waste comes about from projects that do not get abandoned soon enough, and thus organizations are betting their futures on large, risky and expensive investments. As the late Steve Jobs would say, “Innovation is saying No to a thousand things.”

**Q And you list some well-defined “Innovation Killers.”**

**A** The report speaks of five innovation killers, with Fear being the biggest factor. The survey discovered that one in two organizations does not aspire to radical thinking.

**A** There can also be a lack of focus, and people might just be using innovation as a talking shop, wasting energy and resources. The prime need is for legitimate, sustainable ideas that fit within a strategy.

**A** “Engine failure” can strike some aspiring innovators, and this means they have difficulty scaling up.

**A** Some companies will chase the wrong ROI, and introduce an accounting mind-set that can kill creativity. Here, we say don’t plan around ROI up front too hard – wait for your ideas to settle.

**A** And while most will blame failure on lack of budget, people or skills, some companies are simply too reluctant to invest.

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*“Traditional companies could become completely disintermediated. Quite simply, they will have to change or die.” – Frazer Bennett*

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**Q** Where will the new competition come from and how should medtechs adapt to it?

**A** Looking at the competitive situations in the medical technology industry, existing players' new rivals are currently in a completely different industry. So we can expect the existing players to be attacked from the side, as the new real value will come more from the data and connection to the patient than from the device itself.

**A** Innovation has to come from the top and be done at the center. If it is, then everything else will follow. The big challenge for the traditional companies is that they could become completely disintermediated. Quite simply, they will have to change or die. Medtech is going to have a role to play, absolutely, but it might be that the thing that it is brilliant at today might not be the most valuable tomorrow. Where is the value going to be? Where should the medtechs move to? It all comes back to building the right relationships as well as the right product. And that will also have to include a relationship with the patient – not an easy thing to do in the heavily regulated health care sector.

**A** Companies will also have to go beyond token digital. This takes time, and it can be very successful where there is a single health condition. Here, the business case stacks up on its own. What is more difficult is having to deal with co-morbidities. If the business case is easy to understand, then the technology has a much greater chance of survival.

**A** Of course, one of the big drivers will be keeping people out of hospital. The convergence of health and social care makes it more possible to offer people health



care at home. This lends itself to a better service model. A good example here is [Monica Healthcare Ltd.](#), a UK company that has developed a fetal heart rate monitor that enables mothers with a history of pre-eclampsia to stay at home, rather than have to go to a clinic during pregnancy. This is because the baby's vital signs can be monitored remotely.

**Q** Aside from the manufacturing industry, where else are the biggest innovations to be seen in health care?

**A** Exciting things are happening in the pharmacy and surrounding its role. There is plenty of innovation going on there, and the public's perception of it is changing to the extent of enabling the pharmacy to be seen as the first point of contact for a patient, and as complimentary to the primary care physician. This is especially relevant for long-term condition (LTC) sufferers who have frequent touch points with the health service.

**A** Pharmacies have already developed the patient relationship, and so seem ideally placed to take on a greater role in patients' well-being. There is lots of innovation there, including in how patient data held at the pharmacy can be used to spur innovation. Over time, the relationship will cease to be a transactional one (patient-physician's prescription) and will become a sustainable one where the patient is constantly connected to the clinician.

**A** The climate is definitely changing, and now we're in a situation where we have to reduce costs and focus on core capabilities. But none of this is counter to innovation. People are realizing that innovation is not just about spending more money and creating new things, it can also be about saving money. You can still be innovative even in an existing market.