



Agile Innovation

The Path to Agile Innovation

Learn to focus on future opportunities and roadblocks to keep your business agile and avoid slipping into the past.

By Mike Richardson,
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Innovation, most would agree, is the secret of sustained success. But maintaining innovation for the long haul is hard. Just look at companies like Blackberry and Sony, who used to be among the most innovative companies on the planet and now aren't.

What caused these companies to fall? Their approach to innovation wasn't agile enough.

GE recognized this when its share price was in the doldrums. Despite a long history as one of the most innovative companies on the planet (making everything from aircraft engines to CAT scanners to washing machines), GE recognized it had to pivot in how it approached innovation, shifting from lean to agile. Since changing course, GE's share price has started to bounce back.

To follow GE's lead, start by looking at your share price. If your company is private and doesn't have a publicly listed share price, it's still worth calculating the value equation, NPV: DCF (QQC). Calculate the Net Present Value (NPV) of your share by doing a Discounted Cash-Flow (DCF) analysis and comparing it with your current share price to make a buy, hold or sell recommendation accordingly. Investors are interested in the Quantity, Quality and Cadence (QQC) of your cash flow.

A leading indicator of cash flow is conversation flow. I call it C2C: Conversation-Flow to Cash-Flow. Your cash flow and share price also follow the trajectory of your conversation flow. Indeed, as GE has adopted an agile approach, it has shifted the QQC of its innovation dialogue and changed the trajectory of its conversation flow — and its cash flow and share price have followed. You must do the same.

Taking the following steps can change the trajectory of your C2C and get you on the path to agile innovation:

Revolutionize your business model

Let's call your current business model 1.0. It's the only thing you have to work with this week, this month and this quarter; it pays the bills and keeps the lights on. You are no doubt continuously evolving and improving the model to version 1.1, 1.2, 1.3 and so on. That's sustaining innovation.

But in an increasingly fast-paced world, you have to be more revolutionary with discontinuous improvement, advancing to business models 2.0 and 3.0. That's disruptive innovation. This involves a journey, during which you must reinvent some combination of the content, process and context of your business and its equation of efficiency, effectiveness and efficacy. It will test your agility.

Focus on the future more than the present

Most of us prefer to focus on dangers and opportunities that are clear and present – this our comfort zone. Consequently, we avoid the discomfort of working on unclear and futuristic dangers and opportunities. In other words, it's easy to shift your attention from working on the future of your business (e.g., version 3.0) to working on your business at it presently stands (e.g., version 1.2). However, if you let that happen, your company may suffer the same fate as Blackberry or Sony — faster and sooner than you think.

Watch out for:

- **Excuses.** Statements like “I don’t have time, I am too busy, I don’t know how” are excuses that rob you of your agility every day.
- **Wishful thinking.** Don’t believe that “hopefully our industry won’t be disrupted.” Hope is not a strategy!
- **“Stupid simplicity.”** “Stupid simplicity” ignores complexity, while “elegant simplicity” embeds complexity.
- **OR dialogue.** Avoid thinking in terms of, what I call, “OR dialogue.” It focuses on dividing who’s right, us or them, me or you, left-brain-analysis or right-brain-intuition. By contrast, “AND dialogue” emphasizes whole-brained design thinking, systems thinking and an agile mindset.
- **Overly planned, traditional project management.** This is often called “waterfall” and it sets the feel-good pretense that you are going to do something complex without experiencing failure. It contrasts with “agile,” which emphasizes experimentation, testing, iteration, willing to fail early and often, and learning as you go.

Write your ‘fragility epitaph’

Innovation that lacks agility can cause a business to flatline or die. To help companies avoid this fate, I often put CEOs and teams through an exercise: I ask them to write a “fragility epitaph” for their company, which serves as a eulogy to the inevitable when innovation isn’t agile enough. It typically reads something like this:

We failed to innovate with sufficient agility, falling behind the pace of industry disruption. We ended up being the disruptee not the disruptor because we tolerated excuses, wishful thinking and stupid-simplicity. We had plans, but they were way too waterfall, in a futile attempt to avoid failure, rigidly sticking to one view of the future rather than testing, verifying and learning from failure as we went along. We had eternal debates about who was right about which was the right future and the best direction to go, unable to resolve the chasm between left-brained analysis and right-brained intuition. Our trajectory as a business derailed in the chasm.

We produce a poster-sized version of this “fragility epitaph” and put it up on the wall alongside the company’s core values/behaviors and excuses posters. Then, when anyone sees those behaviors playing out, they can use the poster as a mirror, pointing out complacency and promoting productive paranoia. Only the paranoid survive!



About Mike Richardson

Mike Richardson is an agility pioneer, dedicated to cracking the code of organizational agility for ordinary people to achieve extraordinary things, making possible tomorrow what seems impossible today. Whether with his own members as a Vistage Chair, other members as a Vistage Resource Speaker, his clients as a facilitator, his audiences as a keynote speaker or his readers as an author, he is pioneering new understandings, new strengths and new intelligences for organizational agility. He helps CEOs, executives, managers and their teams master the whole challenge, the whole problem and the whole solution of being In the Driving Seat of their businesses, translating strategy and execution into traction while avoiding wheel-spin (www.mydrivingseat.com). Mike is the author of 'Wheel\$pin! Regaining Traction in a Fast Changing Business World by Maximizing Your Organizational Agility' (www.wheelspinbook.com). Mike is a scientist, turned engineer, turned manager, executive and CEO, with 25 years in the Oil & Gas, Aerospace and Automotive industries, running small-to-medium sized and fast-moving businesses and ending up on the management team of a British public corporation, running the Aerospace Division. He is British turned American with an MBA from London Business School and diverse international experience.

About Vistage Worldwide

With 21,000 members in 16 countries, Vistage facilitates confidential peer advisory groups for CEOs and key executives to help them refine their instincts, improve their judgment, expand their perspectives and optimize decision making. Vistage members become more effective leaders and deliver better results. In fact, CEOs who joined Vistage grew their companies at three times the rate of average U.S. companies.

Learn more about CEO peer advisory groups at vistage.com.