

## Innovation Lecture

Good evening

It is a tradition for the High Sheriff of Hertfordshire to organise a law lecture during the term of office but I feel this would be inappropriate for me because I simply know nothing about the Justice system and there are far more able and suitable folk to do that.

Having served for the year in a role that has not formally changed for over 100 years I thought it might be more interesting to talk about change today in this very fast moving world we live in.

This century has been named 'the internet century' and it's not a bad description.

Many of you will know Moore's law which predicted in 1965 that the number of components in an integrated circuit would double every year and predicted that this growth would continue for at least another decade. This exponential development has been applied in turn to computer memory, to battery life, pixels in cameras and the evolution of apps and features in mobile phones. It tends to hold true.

The world is moving forward faster than ever before and much of this is driven by technology.

Professor Yuval Harari wrote Sapiens in 2011, laying out the history of the human race (highly recommended by the way); his second book Homo Deus, published in 2016 is the one most relevant here.

He argues that the main pace of change will be technology driven. Humans will increasingly rely on Artificial Intelligence and robotics to run the more mundane parts of our lives and use technology in warfare, medicine, food production and entertainment to produce results none of us will be expecting.

At the centre of this analysis is the knowledge that we actually cannot predict the future. Where previously futurologists have seen the world firmly from the lens of the present, today the future is being moulded by forces often outside the predicted pattern. In many cases these are not even controlled by the humans who designed them but have been set loose as machine learning or artificial intelligence with its own pattern of thought and evolution.

We discussed Homo Deus at a Board meeting where a Google insider told us that they simply work on the basis that the future cannot be predicted and that the only way forward will be moving in as fast and in as agile a way as possible.

For all of us this is probably the right way forward. Of all species humanity benefits from the learnings of past generations and there is no question that the technology advances we are

seeing will continue apace – and probably apace exponentially. The genie is out of the bottle and we need to pursue our endeavours in that knowledge.

The other aspect of the internet century is the internationalisation of everything! No longer can we assume we work in a marketplace with borders, that we can source what we need from onshore suppliers or that our own staff should come from the UK. We compete in a global market for everything and cannot hide from whatever is being done around the world.

When Jeff Bezos started Amazon in 1994 he already had the vision that it should become the 'everything store' even though he only started with books. The Adaptors for our Swiss holiday that I bought on Amazon last week came from a supplier based in china and arrived with me within 24 hours. The tea urn I ordered in the Summer came direct from China by DHL and arrived in 6 days. All free of carriage charges.

In no way are we isolated from competitors or innovation in any part of the world. The God that is google will show us all products, ideas and enterprises from all over the world taking on anything and everything that we are looking at or setting out to do.

In my real life I invest in start ups and little companies, mostly under the tax umbrella set up to encourage this – the Seed Investment scheme SEIS or the larger scheme EIS. I meet many founders who have a great idea and a scheme to solve an obvious need. The trouble is that now we have to assume that there are at least another 40 plus little companies wanting to do the same in the UK but also 40 plus in 64 other countries in the world. There is no privacy, no hiding place and nothing unique any more!

In this world of technology evolution and internationalisation there is really no going back. We are all taking the lessons from previous generations and other operators and applying them to our lives. The pace of change is not going to slow down and it is certainly not going to stop.

So how do we respond to this? What do we do in our own endeavours, in our own lives and in our own organisations?

My own career has largely been in retail. We have seen as much change in our industry as probably any other. Shops have given way and online is where most of the growth comes from. It is now possible to obtain pretty much any physical product from an online source as well as many services previously only obtainable in a physical place.

Look at banking. My age group used cheques for pretty much everything. When was the last time anyone here has written a cheque? There was something called a bank manager who we used to meet to discuss our financial affairs. Now we transfer money using a thumbprint and look for financial management and advice from a myriad of sources online.

And now we have contactless cards what is going to be the future of cash? What is money going to be? Everything points to us all developing a totally different relationship with money where it is no longer about cash in the wallet but all about a digital experience and transfer.

The banks that are disappearing join many other retail stores that are closing all over the world. Our local high streets in Hertfordshire cannot remain as they are and must change.

Throughout the post war period, particularly in the seventies and eighties, retailers demanded and landlords developed 'boxes' with wide frontages and retail footprints that allowed locals to come and view as wide a range of items as possible in a branded environment based largely on self service and parking the car nearby.

It has meant lots of town centres have ended up with residential disappearing from the streets, shop units that no longer fit the needs of the retailers and gradual loss of image, atmosphere and joy from the locality.

This can be illustrated from my Whittard of Chelsea experience – when we wrote the business plan in 1988 we planned to open over 100 stores in the UK. Today we would do the same job with a great internet site and probably 20 stores - maybe not even that.

How can this enormous change be shifted? Local planning rules make innovation and evolution really hard. Planners do not see the streetscape as where it might go in the next ten or twenty years - but they see it as it exists now. So often we are told that the shopping streets people know now are the ones they want for the future.

Steve Jobs expressed this issue brilliantly: "You can't just ask customers what they want and then try to give that to them. By the time you get it built, they'll want something new."

To me the great high streets of the future will have local residents living there; the privately owned car will cease to be the main method of access, so we can create a far better place for pedestrians (think how lovely walking around central St Albans would be if the vehicles were removed from St Peter's Street altogether); shops will cease to offer standard ranges of product but will mix in experiences and great customer service; the big sheds and out of town developments will reintroduce residential and offices into a mixed environment where the bulk of household shopping and goods arrive from a digital source and the shops will be a convenience to add or top up what came in their online delivery. In all these scenarios there will be lots off eating , drinking and entertainment.

Planning departments really do need to look forward not backwards.

Given the pace of change and inevitable move into an unknown future – how do we run our enterprises and organisations to be 'future ready' – they will never be 'future proof'!

We all hope we can build for the future in property, systems and people. On the basis that the future is too uncertain for even google to call – how do we make the investments we know we need without wasting time and money going in the wrong direction?

Our enterprises need to be as flexible and adaptable as possible.

The start-up world has a great expression – to pivot. What this means in extremis is to completely change the business model and plans because it has become obvious that the plan used to raise the money is flawed!

What it can teach us is that we have to build in flexibility and change into our worlds and allow for what the future will bring. Since we cannot predict that future, we need our systems and culture to be fluid enough to accommodate whatever turns up.

We have all been hugely assisted in this by the way in which hierarchies are starting to fall away and non hierarchical structures take their place. In your own organisations you will have a wide variety of cultures – most often based on the leadership style of the boss or the style that has been ingrained over many years.

Most of you will have a clearly set out vision and mission but often it stops at that. Given how the world has changed the young in particular want to see greater freedom in the world of work. Pretty much everyone has recognised the benefits of a far more fluid workplace with a mix of team members working onsite and offsite, part time and full time. For those workplaces with far flung departments and personnel, the old model of command and control is now entirely inappropriate.

Great organisations are run to make the most of diverse talents recognising the differences in the way folk work best and allowing freedom in the way they are expected to do things. This freedom and diversity is the only way to promote flexibility and therefore innovation into the world.

Innovation comes along not just through serendipity but most often by the intentional evolution and application of good ideas. Ideas which can only be developed given a sense of freedom for the team member to explore and experiment.

From the outset Google did this by allowing 20% time to be used on projects outside the main thrust of a googlers role. This has now fallen away but the philosophy remains where there is recognition that the best performers should be allowed to explore projects outside the norm and encouraged to develop ideas and innovations alongside their regular work.

None of this will get anywhere unless the concept of freedom to experiment is genuinely built into the world of work. It is no good playing lip service in a values statement, but only gets anywhere if the behaviour on a daily basis of the team members and their bosses reflects a sense of flexibility, freedom and empowerment.

For work cultures to allow such freedom, they need to accommodate an acceptance of a certain degree of risk. Many of us here are parents and watch our little darlings grow and develop from total dependence in early childhood to flying free at some point twenty something years later (we hope).

During that time we allow controlled risk where a fall on the pavement ceases to be a massive issue and drama, but just one of life's moments which the child needs to learn to overcome and build resilience in doing so.

So it is at work.

A good culture will set boundaries and then let the team get on with it. If they fail, a good culture will accommodate such failure, then allow the individual to openly discuss the issues involved and never ever bring blame into it.

Blame is toxic and ruins a great workplace. It ruins a home. It ruins a community.

Many individuals are incredibly risk averse and this pervades many organisations, in particular in the third sector. It is the biggest killer of innovation.

Should we want to see evolution and innovation in our enterprises the team members need to be allowed to take risks and to make mistakes. It is in part fear of failure, in part fear of being blamed and in most cases fear of the consequences of something going wrong that leads people to avoid change and avoid risk. You cannot innovate without an element of risk and you cannot have an innovative culture without the team understanding where they stand when things go wrong.

The best balance comes where there is built into the culture an element of downside analysis and protection. Evaluating the downside of any action is built into our daily lives – do I walk on that icy pavement to get there quicker; do I take that winning shot on the tennis court or wait for the other guy to make a mistake?

At work it is easier not to avoid risk and just live the easy life. Very rarely does anyone get into trouble for doing all the stuff they did last week and last year in the same way. It is easier and familiar.

Meanwhile all of our competitors and the world are moving forward at an inexorable pace. Let's say we have an internal process for capital expenditure where when we started the charity ten years ago we required permission for any spending over £200. Ten years later we are ten times the size but the top down culture means that we do not give permission for anyone to spend over the same amount. Is that where we want our team spending time?

And this comes down to the nub of the issue: if you want a team to innovate they have to have the space to do it – not just being allowed to take risks but also the time to do so. In so

many of our organisations time flows away day in, day out, week in , week out with very little happening outside the daily routine.

Time management is at the core of so many issues in the capabilities of enterprises. Part of the internet revolution has been the progressive narrowing and reduction in the attention span of everybody. We think this is confined to our children flashing from app to app, sound bite to sound bite and rubbish video to rubbish video. But I am afraid this is now the way of the world.

If you want a team which wishes to innovate they will need space and you really have to examine how everyone spends their time.

The biggest killer is meetings. Do you really need so many? Look at the diary of a middle manager in most organisations and they are full of meetings where they attend for spurious reasons, usually because their boss says so. Bad meetings have no agenda, lots of unfocussed chat, no timescale, lots of powerpoint presentations, poor chair or leadership and folk who have not read the papers in advance.

Ask yourself how many of your team are spending how much time endlessly discussing and meeting and how much actively fulfilling what is really needed for their job.

To accommodate the shorter attention span all over the world we do need to look at our internal processes and examine how to give space to those we want to be innovating not reporting.

There is a great quote attributed variously to Blaise Pascal, Mark Twain, Winston Churchill and even Cicero. 'I am sorry I wrote such a long letter, I did not have time to write a shorter one'. How often have you been presented with what is really a brain dump and endless powerpoint slides rather than a short one pager with reasoning, conclusion and call to action.

Your innovators need space – put them in meetings all the time and they won't have it.

The American Gore Company has 9500 associates and famously allows any one of them to refuse a meeting request if that meeting will not advance their own KPI's.

In fact the entire Gore culture is well worth examining and emulating where you can. They publicly espouse the culture that allows innovation to be built in with small teams, rare top down intervention, hiring only those who might fit that culture and then working hard to keep what is good and thriving.

Their mantra for work life and innovation is well worth a full reading. To summarise here they espouse freedom, fairness, commitment and what they call waterline – which is their jargon for protecting the downside though collaboration and discussion.

They call their company organisation a lattice structure rather than a hierarchy.

Gore illustrate another facet of innovation in any outfit – what really matters is the daily activities and behaviour of those involved, not what is printed on the mission statement. This means hiring the right people for whatever attitude and behaviour you want internally.

Gore have eight questions they ask applicants – every single one is related to attitude, behaviour and character: not qualifications and past history or performance (although one assumes they are a given or they wouldn't be interviewing at that stage!).

This seems to me a clear outline and recipe for the sort of people who are most likely to innovate and thrive where innovation is important.

Where do you stand internally on the sort of people who surround you and the readiness of your organisation to allow change and challenge?

I struggled with this when I took over as Executive Chair at Heals. There were endless meetings with power point slides and meetings about meetings. In the end I had no choice but to replace the entire leadership group who ran the business based on top down, highly hierarchical principles. Even when we had a new team, there were many habits that proved incredibly hard to break down and replace.

Such fundamental shifts and turnarounds are incredibly hard and hopefully wherever you are involved, will not require such dramatic change.

There are however a number of steps to take which can improve performance, change and innovation in any organisation or to take on board.

To start one needs to recognise the way of the new world and that standing still and doing what we did yesterday is simply not going to work over the next five or ten years. The new world is simply unforgiving and all those in your space all over the world are snapping at your heels. For the third sector this has been forced by the cuts in public spending since 2008 and the reduction in monies available. For commercial organisations this has been increasingly true since the internet really took off in the late nineties.

Your team needs to know this and that sets the scene for change.

The first step is always the hardest. Google 'make your bed speech' and watch Admiral McRaven's commencement address on getting going – start with one positive small step and then go from there. But you do have to take that first step.

The best place to start is to audit where you are now. This is pointless as a form filling exercise and might require outside help to do it. The real problem so often is getting stakeholders to be honest and getting feedback that is useful and not just done for the sake of it. Starting with your own team is obvious and setting the scene with them on innovation and culture is best – and much better than appointing an innovation leader or tsar.

Then the chief stakeholders who are likely to be service users or customers, and for most of the third sector those providing the money. How do you get them to be honest?

That is probably the biggest barrier alongside attitude to risk. Too often all that is heard or discussed will have been edited and become 'political' in the context of the organisation. We all speak about being open and honest but rarely do it.

Communication is not about meetings and works best one on one or in small groups. I don't believe you can achieve much with more than 8 or 10 people in the room and if its brainstorming and ideas you want to dig out, then it should be even fewer.

Read the book out in May 2017 on Sports team Captains – called Captain Class by Sam Walker. His analysis finds that it is not the coaches or the stars who make for extraordinary performance, it is a captain who is a 'water carrier'. What Walker means by this is that the great captains facilitate, endorse and support – they are not the charismatic star performer who scores all the goals and appears in all the headlines. The great captains work behind the scenes.

Where this is relevant to innovation is that one feature of the world class teams and group is that they communicate verbally and non verbally all the time. Endless small conversations and words with everyone on the team and related to the team. Chat, chat , chat

Teams that succeed do so best informally with shared goals, clear accountability and ownership. Innovation comes most often from the work of small teams working hard at a clear goal and making it happen through shared values and mutual respect.

A great tool for work teams is a daily 'stand up'. This means a brief session where the team leader gathers the group for a quick review of what happened yesterday and what we will all do today. Best done without sitting down!

Leadership really does determine culture in pretty much every organisation. Start ups generally come about from a founder or two with a passion to do it – solve a need, replace the 'old way', disrupt an industry or conquer the world! In my portfolio of start ups and investments the only real correlation to success or failure has been people. Great people make it succeed. A bad team will fail.

Ashton Kucher – well known as an actor – he played Steve Jobs in the movie of that name – is also a highly successful investor. He made the following quote at a tech conference:

Leapfrog innovation - consistent, constant, ridiculous leapfrog innovation - only happens within a dictatorship. Any time you try to do something really innovative, most people aren't going to understand it until after they experience it. So when you're developing in innovation, you have to be a dictator.

I do not really agree. I am invested in 2 or 3 start ups led by a passionate founder who wishes to push their dream but simply will not listen to his or her team, customers, Board or any other stakeholders. Such leadership really does not help the world evolve.

During a discussion on this, I was told that one leader is a dictatorship, two an argument and three a consensus. The person who made this point argued hugely in favour of consensus.



My own view is that two leaders is probably best – ying and yang, with complementary skills and a great personal relationship. Something like a good marriage!

This happened to me at Tie Rack – I had an older Chairman there who had the business experience and imagination but was very bad with people and implementation. He chose me for this role and we worked really well together. Our timing was also amazing because there was the boom of the late 80's and the young team (everyone except the Chairman was under 30) were allowed to flourish as we innovated in the world of speciality retail.

I thought that the most useful way to conclude this lecture is to run through the main learnings from my own experience. I know you all come from a massive range of organisations and perspectives but there are a few points that might be regarded as universal truths.

First of all, why innovate? I think in the modern world we have no choice. There are competitors out there all over the world, and in any of our own worlds there are changes in technology, in funding, in competitive pressure. Most of all time spans are getting shorter: we used to be able to build a product or a system and say 'well that's ok for a few years – done that now'.

Now that simply doesn't work. Our customers and stakeholders expect us to evolve and change things as we go. Take retail: the old model of lots of shops all over the country is simply no longer viable as folk go faster and faster online. This means that shops we do take, need to be on much shorter leases and even better temporary leases. So developers and landlords cannot just sit there with the old model and think that they will get away with it.

In reality, none of us can avoid change. We need to acknowledge the need for continuous change and the innovation that brings this about. Should our organisations just carry on with business as usual, there will be a competitor out there with a lower cost base and fleet of foot who will ruin it for us.

Once we have decided that change is necessary and innovation part of our future, it is worth taking an honest look at how we are doing already. What is the culture like - how much do the stakeholders and particularly all our colleagues believe in the benefits of change, in the process of innovation or desire for continuous improvement? This can be done by surveys or hiring an outside body to help, but can just as easily be undertaken by a seriously committed leadership group.

Often such realisation comes at a crisis moment – often funding, often from a trauma hitting us from outside. The 2008 financial crisis was a seismic moment for many when the good old ways simply were not going to work.

Even if there is no crisis, leaders really do need to pause now and again to consider the wider picture of their world, to assess strategy and behaviour properly. Most good organisations have an annual budgetary process but alongside that a review of strategy and the wider culture is a useful part of such planning.

When I arrived at Heals it was obvious that business as usual was impossible and because I was new I looked at everything end to end. The reality was that the customer was not the prime consideration for the team running the business nor for those doing the day to day work. The systems and processes were a nightmare to navigate and made the customer service personnel spend much of their days filling in bits of paper and forms rather than their real job which was looking after customers and selling products.

Talking to those on the front line and spending time talking to customers and experiencing how it is to be the customer is vital. Known as management by walking about it is an irreplaceable leadership tool but very often leaders are so busy in meetings and in the office they fail to do this.

Most organisations have a culture that has grown up over many years or reflect the leadership style of a founder or the current team. That culture is what drives behaviour internally and part of that will be the attitude to change and innovation. It is so often easier just to do what we did yesterday.

Worst of all leadership styles is the domineering 'my way or no way' approach which often comes surprisingly from lack of confidence. It is no different for those of us who are bringing up children or who have already bought up children. We start with the very young by imposing our values and codes of behaviour but then there comes a moment when this becomes increasingly wrong.

Teenagers and young adults will rebel at the old ways and ask 'why' which elicits the traditional parental response of 'because I said so'. Just as this is no longer possible or appropriate in modern family life, so it is true in the world of work. Good teams are led by open minded leaders who will listen to their staff and to their customers and be open to change.

Culture is really about behaviour. The reason that the Gore Company succeeds so well is that their hiring processes concentrate on attitude rather than on experience or cv. Leaders need to set an example and promote and encourage positive behaviours: active listening, mutual respect, no bullying, no blame, management by walking about, saying thank you, only meetings that matter and not those which are there to flatter the boss, keeping close to the customer, doing what is right for them and all stakeholders. There is a long list but it is really about basic human decency drilled into the workplace. Good behaviours lead to great culture.

One facet of great culture is collaboration. The openness of the modern world should lead us all to welcome partnerships and the creation of teams that are diverse and productive due to complementary skills and not stuck in the rut of 'business as usual'.

To collaborate you need the right people in the room. Best to have as diverse a group as possible and those nearest the front line and the customer really must be there. There is a huge advantage in having the customer clearly defined and the team to include some of those from that target group. Include the young: Larry Page from Google speaks about 'the

optimism of youth’ and goes on to talk about ‘having a healthy disregard for the impossible. He says ‘this is a really good phrase. You should try to do things that other people would not.

As we push on there needs to be a welcoming attitude to change, freedom to evolve and try new things. Eliminate ‘we’ve always done it this way’ from the mantra.

To get ideas I have always looked at others and been inquisitive and nosy. Ask others how they do it. Read. Travel. Look online – in three of my investments we manufacture product. I was introduced to the lean manufacturing movement pioneered in many ways by Toyota. As I explored, there is a raft of good ideas and lean manufacturing material sitting for free on the internet.

Nothing can beat constant curiosity, lifelong learning, energy and the drive needed to make things happen.

I guess the best description I read while preparing this talk came from Walter Isaacson’s book called the Innovators about the history of the internet.

Talking about the creation of Wikipedia, Isaacson writes about whether it really was Jimmy Wales who was the founder – or his collaborator Ben Kovitz. Ben talked about being a bumblebee. I suggested the idea but I wasn’t one of the founders, I was only the bumblebee.

To adapt Isaacson ‘That is the way that good ideas often blossom: a bumblebee brings half an idea from one realm, and pollinates another fertile realm filled with half formed innovations. That is why it’s useful to trawl the web, try different things, drink coffee and go to the pub with colleagues – it’s about pollinating and then helping the idea flourish into a full grown flower.

My own work life has been about looking forward, discovering new things, having fun, putting diverse groups together and enjoying the results of teamwork. I would be proud to be called a bumblebee!

Unless we move on and change, we allow our organisations to wither and die, we allow our competitors to take over our space and we disappear into oblivion.

None of us want that

Thank you

### **Further Reading**

The Nordstrom Way	Spector and McCarthy	The ‘bible’ for customer service
4 Hour work week	Ferriss	Good manual on new ways of working
Lean In and the rest of us!	Sandberg	Encourages women in the workplace –
Option B	Sandberg	Coming back from trauma

Team of Teams	McChrystal	Teamwork thoughts from the military
The Captain Class teams	Walker	What makes great leadership in elite
How Google Works	Schmidt and Rosenberg	Inside story from 2014
Doing good better effectiveness	Macaskill	How charities need to prove
The Toyota Way	Liker	The lean manufacturing handbook!
The Innovators the computer	Isaacson	Fascinating history of the evolution of
In the plex learn from this!	Levi	Google history written in 2011. Lots to
Sapiens	Yuval Harari	Excellent history of the human race
Homo Deus Really good food for thought	Yuval Harari	Thoughts on tomorrow and the future.