The Interplay Surrounding Innovation

A series of posts supporting two 'White Papers' on what makes up the Interplay and why Innovation has to change

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Six articles written to support two "White Papers"

The critical interplay among innovation, business models and change

Why innovators need a new change paradigm

Both found within http://paul4innovating.com/insights-thinking/

Series of Articles

The Interplay Surrounding Innovation

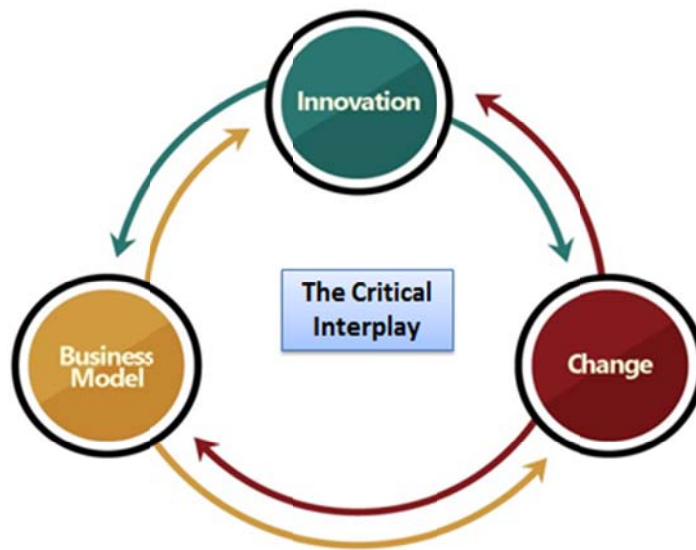**The Interplay in 3 Essential Change Points for Innovation**

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The Interplay Surrounding Innovation

Innovation should be the primary source of real change. Often when exciting new innovations occur they have the power to significantly change our habits, and choice of product, preferences and ways we set about our daily lives. Yet why is it we often ignore the power of change when we design innovation?

We often fail to fully appreciate the changes that are occurring from the innovation we produce, it often seems an afterthought, there is this lead and lag effect and needs, firstly recognition and then addressing in how we manage innovation going forward.

The emerging concept of "interplays"

Jeffrey Phillips of [OVO Innovation](#) and I **Paul Hobcraft,** through my consultancy work at [Agility Innovation,](#) would argue that we are failing to manage the different and multiple interplays that are constantly taking place when innovation occurs. We are often ignoring them and failing to extract the best or optimal value out of the innovation we are introducing.

In a White Paper we have just written called *"the critical interplay among innovation, business models and change"* we provide a foundation document that highlights the important interplay between innovation, business models and change. In this whitepaper we discuss the dynamics and focuses of its impact on all three constituents involved when innovation occurs; that of the customer, the market or industry itself and on the innovator itself. We used the "lens" of the three horizon model to demonstrate the interplay between innovation, business models and change.

The concept of the interplay- a brief introduction

In this post we introduce the concept of the interplay of innovation to provide a short understanding of this emerging thinking between us and hopefully this encourages you to read the White Paper that is available on our web sites ([Agility](#) and [OVO](#)) to download and read. We both feel it only starts our thinking and begins our journey to find new ways to frame this 'interplay' so it becomes a management discipline to think far more broadly about the innovation you are designing today.

A series of subsequent posts will delve deeper into specific interplays going on following this introduction which link further with the whitepaper (links for downloading are shown below).

There are interplays constantly at work around innovation we are failing to fully recognize, manage and leverage.

The vital interplay between innovation, business models and systemic change isn't fully appreciated; we are failing to appreciate the amount of change that is occurring by innovation and as such failing to leverage it to its most optimal.

We specifically chose the word 'interplay' as it means "reciprocal actions, reactions or interactions" and that is exactly what innovation imposes in potential change, to something new, and in altering the existing state, with new business model potential. It is 'exerting an influence' and it is this potential for 'reaction' comes from thinking more about the recognition of the value within change and looking to design new business models. One affects the other or has the real potential to, if it becomes an integrated part of the innovation execution process

Any innovation creates change but we have constantly failed to recognize each of the constituent parts this can and does have impact upon.

Understanding the interplay and why it matters

We tend to understand more and more about a capability as we work with it and learn its capabilities and power. Over time humans have mastered many technologies, from fire to the splitting of the atom. We believe we are still in the first stages of fully understanding the scope of innovation. Until we recognize the interplay between innovation, business models and change, we cannot fully grasp the potential impact innovation has across horizons, to customers and markets, and most importantly, to the innovator themselves.

Corporate innovation has, to date, been relegated for the most part to incremental improvements, which have little impact on the market or the innovator. We know this because of how much emphasis we place on the few stories of true disruption – the iPod for example, or how NetFlix destroyed Blockbuster. Increasingly, however, many people are realizing how much power and capability innovation has to offer, and how innovation can create exceptional change, to each of the three constituents noted above.

Further, as we expand the scope and breadth of innovation outcomes, we'll quickly see that many innovations aren't simply products, but also new channels, new services, new processes and new business models. As these new innovations emerge more consistently, they will create great change. This becomes part of our need for the interplay

We see different interplays

The first interplay is between innovation, business models and change.

As innovation increases, we will see far more variation in the impact and outcomes, which will force business model changes. As industries and competitors adapt to the increasing pace of innovation, the pace and scope of change will increase as well, leading to more business model shifts and more potential innovation activity. These three factors create a virtuous (to some) or vicious (to others) cycle, depending on the organization's ability to sustain innovation, change and evolve business models.

The second interplay is between the three primary constituents involved

Innovation has impact on at least three constituents: customers, the markets and the industries themselves but also internally on the innovator themselves.

1) The customer as the first constituent

These are at the customer, where the 'job' your product or new service is seeking to resolve often requires very different actions, behaviours or beliefs, firstly to adopt the innovation but then to 'extract' the advantage gained in making the change. We believe we fail to provide enough of the *positives* of this change, often they are discovered through trial and error or through a newly forming community that shares their knowledge. Customers experience change from any innovation they adopt.

2) The Market and your competitors as another constituent

Each industry has established 'norms' that are increasingly under attack from new business models, new competitive threats that are not bound by these norms. We are seeing many conventions previously established being challenged not just by innovation itself but by the clear use of the business model to explore all the options available. New innovations often create change for competitors or the industry at large.

3) Then we have the innovator themselves

What is so staggering to us is how many innovators are refusing to recognize that innovations always create change that has a significant effect on the innovator themselves. We must ask - why is that the case? Often by not understanding the scope of change they are attempting to create they totally miss the business opportunities that could come with it. Change is still seen internally as something to be avoided, often at all costs, but we would argue *most strongly* to embrace change, before a lack of change destroys you. Innovators are not immune from the change they create.

Then we have the third interplay- the three horizons to manage innovation and change

To explain the impacts of innovation and the change it creates, we'll use an accepted framework (the Three Horizons) to consider the impact innovation has on change capabilities and business models. What's important to understand is that every innovation creates change, and the amount and impact of change scales out across each of these three horizons into different business model opportunities

Change today is without doubt a constant.

We need to create a new interplay design. Before we can embrace constant change we need to see the effect of change certainly in more positive ways. There is really no "steady state" any more, change through innovation will become the predominant state. Change and innovation become constants, as business models continually evolve.

It is reducing the fear and uncertainty of change by taking a totally different view of the value of innovation that we can alter today's change perspective. Organizations need to become more excited in pursuing new business opportunities, looking for new business models to change the existing dynamics. It is totally energizing to try out new things, to design a more holistic innovation experience that accounts for the customer and the market and constantly experiment with all that does 'interplay' around innovation.

Managing the interplay of innovation, business models and change
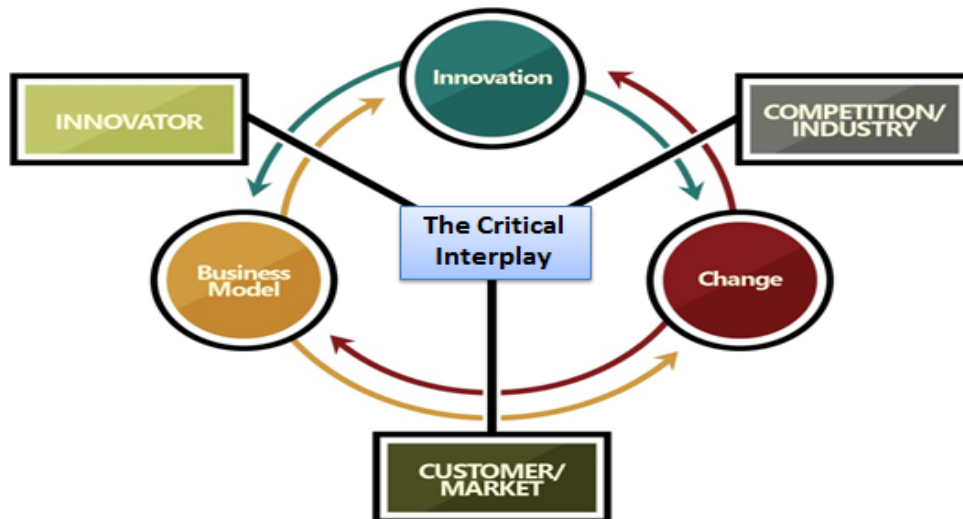
You do need to pass through different phases of understanding, of awareness and recognize the increasing interplay undertaken by combining innovation, business models and change across all three constituents of the customer, the market and yourself as the innovator, through a lens that sees emerging opportunity across different horizons.

In our white paper "*the critical interplay among innovation, business models and change*" we provide a foundation document that highlights the important parts of a new interplay that needs recognition, framing even more and a fresh approach to building the competencies, capabilities and capacities to manage the interplay of future innovation opportunity. A place where you are seeking the power and impact of innovation lies in the interplay in change and new business designs.

To obtain the Two White Papers in the Interpaly you can go to

https://ovoinnovation.wordpress.com/thought-leadership/ or

http://paul4innovating.com/insights-thinking/

The interplay in 3 essential change impact points for innovation

There is always a certain impact that innovation brings, it should change habits, alter perceptions, improve our lives or alter the way we work and think. Each change brought about by innovation does have different impact effects upon three important market constituents: customers, the markets and the industries themselves but also and often totally underappreciated, internally on the innovator driving the change.

Until we understand the scope and impact of innovation we can't fully grasp the nature and amount of change that innovation can unleash. It can alter businesses, shift markets and challenge customers to move away from their existing thinking into adopting this new product or service.

Following on from our **opening post** that introduced the Interplays surrounding innovation this post explores the three essential constituents that are impacted by new innovation and are most likely going to have to make some form and level of change.

Jeffrey Phillips of **OVO Innovation** and I, through my consultancy work at **Agility Innovation,** would argue that we are failing to manage the different and multiple interplays that are constantly taking place when innovation occurs. We are often ignoring them and failing to extract the best or optimal value out of the innovation we are introducing.

We are beginning to 'flesh out' beyond a White Paper we have just written called "*the critical interplay among innovation, business models and change"* the important interplay between innovation, business models and change.

Here in this post we are exploring the three primary constituents that are impacted by innovations

The customer as the first constituent

The first constituent is the customer, where the 'job' your product or new service is seeking to resolve often requires very different actions, behaviours or beliefs, firstly to adopt the innovation but then to 'extract' the advantage gained in making the change.

Imagine fully designing and working with the community as part of your innovation offering and what additional value this can bring in dialogues, learning and potential for future enhancement. Of course, a number of organizations already do this but designing your innovation business model deliberately seeking out the understanding of change provides a growing rich sustaining advantage over your competitors.

You are exerting influence through encouraging interactions, you are encouraging the interplay. Of the three constituents the customer is the most obvious. As innovators we seek to provide products and services that address unmet needs. The customer and his or her needs should be the primary focus when we innovate. Engaging with the customer is our greater value adding point

The Market and your competitors

Each industry has established 'norms' that are increasingly under attack from new business models, new competitive threats that require a far greater understanding of the interplays going on.

We are seeing many conventions previously established being challenged not just by innovation itself but by the clear use of the business model to explore all the options available. We need to look no further than how the music retailing industry began to be disruptive not just be an innovation, but by superb product design and the ability to build a platform so our choice of music could be downloaded at anytime, anywhere (with a connection) and listening too on our phone, tablet or desktop.

Apple dramatically altered the music industry and built their unique understanding of all the connected interplays to leverage and exploit. The huge difference was their growing understanding of what can be put together that achieves this diffusion and rapid adoption that shifted an entire industry.

We see this occurring more and more but it is the value bundle built around an innovation that is driving such change and how much is 'held within our hands' or simply allowed to evolve through a lack of appropriate design or forethought?

A secondary goal when we innovate is to have a significant impact on our competitors, to force them to respond or change due to the nature or value of the product or service often created. Yet often in doing so, we often introduce other changes, that impact in channels, services and business models, which in turn may require changes by the innovator itself. The changes we 'force' on competitors requires response and then this creates further change across the board.

Then we have the innovator themselves

Often by refusing to open up the thinking and challenge the conventions and established processes and practices within organization we can totally miss the business opportunities that could come with it. Internal change is still seen internally as something to be avoided, often at all costs.

Whenever you seek to modify behaviour or change the industry expectations you need to be as ready to adjust within yourselves to this new reality and seize all its potential. What needs to be thought through deeply in our minds is changing the perceptions of internal change. Any interesting innovation will create change – for the customer, for the competitors or markets, and for the innovator. Yet few innovators are fully aware of the amount of change they themselves are unleashing or required to undertake.

Change today is without doubt a constant, existing systems need challenging constantly. We need to see the effect of change in more positive ways. There is really no "steady state", constant change through innovation will become the predominant 'ongoing' state.

It is reducing the fear and uncertainty of change by taking a totally different view of the value of innovation that we can alter today's change perspective into one where the organization is excited in pursuing new business opportunities, looking for new business models to change the existing dynamics simply because it is energizing to try out new things, to design a more holistic innovation experience that accounts for the customer and the market and constantly experiment with all that does 'interplay' around innovation

Change and innovation is all around us- these need to be the constant companions

Undergoing any change requires dramatically rethinking on the effects it is causing to customers, markets and on the competitors and within ourselves. We also need to constantly ask what effect any new innovation will have on the operating and business model . We often pay so much attention to "getting the innovation out of the door" we do not pay enough attention to its change effect and what this will mean on its 'total' effect. We can't escape change; it is challenging us all constantly. Nothing is stable; through our learning, it is highly dynamic full of greater promise than we often realize.

In our white paper "***the critical interplay among innovation, business models and change"*** we provide a foundation document that raises the importance of different interplays. Innovation lies in the interplay in change and new business model designs.

To obtain the White Paper you can go to either

https://ovoinnovation.wordpress.com/thought-leadership/ or

http://paul4innovating.com/insights-thinking/

This is the second in a series introducing the interplays around innovation, change and the business model.

Most Innovation is Becoming Business Model Innovation

As we consider the interplay between innovation, business models and change, it becomes clear that many companies have a definition of innovation that's far too narrow. Increasingly we need to rethink the scope, depth and breadth of innovation possibilities, as well as the secondary implications of innovation.

Ignoring this broader definition of innovation means we can never achieve all of the possible benefits innovation has in store. We believe ignoring the breadth and depth of innovation can also allow competitors and new entrants to disrupt your position or industry. Fortunately, some of these definitions have been created for us. Our responsibility is to understand the definitions and their implications, not stay constrained but seek and explore the broader options this can provide.

Following on from our **opening post** that introduced the *Interplays surrounding innovation*, this third post explores the increasing importance placed on business model innovation which is becoming more central and certainly far more exposed to broader change, providing greater innovating impact.

Paul Hobcraft of Agility Innovation and I, Jeffrey Phillips of **OVO Innovation** would argue that we are failing to manage the different and multiple interplays that are constantly taking place when innovation occurs. We are often ignoring them and failing to extract the best or optimal value out of the innovation we are introducing.

We are beginning to 'flesh out' beyond a White Paper we have just written called "*the critical interplay among innovation, business models and change*" the important interplay between innovation, business models and change.

First, we can think about innovation scope

From the Three Horizons framework that takes a more portfolio perspective we can say that innovation can span a spectrum from "incremental", defined as small changes to existing products and services, to "disruptive", meaning to create completely new products or services that render the old products or even markets obsolete.

Doblin has also created another way to think about innovation outcomes. Their "Ten Types" of innovation represent different outcomes, illustrating that innovation isn't simply a new product. Their Ten Types of innovation outcomes include products, services, channels, brands, value networks and business models, it is a framework that explores a 'greater' innovation set of opportunities. An innovation project can create incremental products or disruptive business models, or anything in between.

We need to shift our innovation thinking

While a wide range of innovation outcomes are possible, companies are still primarily focused on improving existing products, limiting innovation's potential. A cramped deployment of innovation leads companies to create new products or services that don't fully address the needs of consumers. Businesses do need to start with a much larger goal in mind, and when they do, they'll realize that *any really interesting innovation, regardless of its original intent, is also a prospective new business model innovation*.

We introduced this idea in our white paper *The Critical Interplay of innovation, business models and change*. This concept deserves further investigation, which we are planning, for several reasons and the main reason for emphasizing this broader engagement and interplay we are suggesting.

The contribution business models contribute into the interplay needs greater understanding

While the interrelationship between innovation and change is evident, the interplay between these two factors and business models needs far more investigation and understanding. As David Teece has described, a business model "defines the manner in which the enterprise delivers value to customers, entices customers to pay value and convert those payments to profit". Note that Teece suggests it's the business model that delivers value to customers, not individual products or services. No matter how much we focus on "innovative" solutions, the business model is intricately bound up in innovation and change. As innovators and change agents reflect on the importance of the business model, several factors will emerge.

The emerging factors we need to consider

First, it's important to realize that even the most incremental innovation has impacts on internal processes, operations, packaging and channels. In this regard even incremental

innovation can impact existing operational and business models. An innovation may create subtle shifts or drastic changes to an existing operational or business model, but those models are typically shared by the other market constituents we've identified: customers and competitors.

If the innovation has an impact on the business model and requires changing, then all parties involved (customers, markets and the innovators themselves) will all need to evaluate the effect and impact. The choice is adoption or rejection but the changes it might require often needs greater assessment and understanding to extract or optimize the best value from this changed model. This is where the interplay needs to be considered.

Second, change management becomes as much a consideration as the value of the innovation for what it can entail. Whether it was planned or not, if an innovation does impact the business model, through changing a channel, or reconfiguring the revenue stream, or changing the dynamics of customer service or support, then the innovator is faced with a choice. The innovator must either embrace the change which requires revising its internal operating or business model, or ignore the change and retain the existing models.

Most innovators we find are following the second approach. If this is the case, we need to understand the rationale. Is it a conscious decision to avoid changing existing conventions and methods, or an unconscious choice because they don't understand the change impact of a new innovation? The approach is probably a blend of both outcomes. Business models evolve over time as competitive forces change and new channels like the internet emerge. Innovators are aware of the need for business models to evolve, but don't understand the scope of change innovation introduces.

Some may also naively believe their business models can be insulated from the change their innovation creates. They fail to grasp the broader opportunity or change impact picture. Their failure to adjust or adapt models creates work-arounds or gaps that the customer must bridge, markets must accommodate on less than optimal levels or other competitors fill.

Third, innovators who understand that any interesting innovation impacts a business model will plan for and address the impacts on the business model, leading to complete solutions that are difficult to copy and which create more value for the innovator and for the customer. These innovators are fully exploiting the interplay of innovation, business models and change.

As innovators recognize the potential scope and breadth of innovation and its potential outcomes, the innovator is challenged to think more deeply and more completely about how it defines innovation and the impact a new innovation should have, for customers, on the market and on the innovator, and across the Three Horizons. As innovators understand the potential impacts of innovation, across all of the market constituents, new products and services will be far more complete and successful in the marketplace.

Today we are facing a growing reversal

What we can take away from this analysis of innovation, business models and change is a complete reversal of perspective about how innovative products and business models interrelate. Today, innovators create innovative new products and services that accidentally or incidentally create change in existing business models. That is, many innovations create unintended change in business models or operational models. We believe that this perspective should be reversed.

Perhaps the best way to think about innovation in the future is to focus on the desired impact on the business model, and treat innovative new products and services that emerge as by-products of a business model transformation. In effect, the vast majority of innovation should be focused on business models, which will result in understanding the value of the business model and the necessary products, services, channels and experience to achieve the desired new model.

This approach has benefits when we consider the different constituents involved (customer, market and innovator) and the Three Horizons within which *change* innovators operate managing the transformation from a product centric position into a business model one that in the future engages with all the constituents of customers, markets and the innovator's ecosystem. Rather than accidentally influencing business models with incomplete innovation, innovators should focus on business model innovation that results in new products, services and experiences across each stakeholder's perspective and changing need.

Innovators need to become real change agents: not focused just on internal change but agents of change that consider and design innovation through new business models, delivering new innovations into the interplay of customers, market participants and their organization. It is taking change to a different level of understanding, delivering to a stakeholder's perspective.
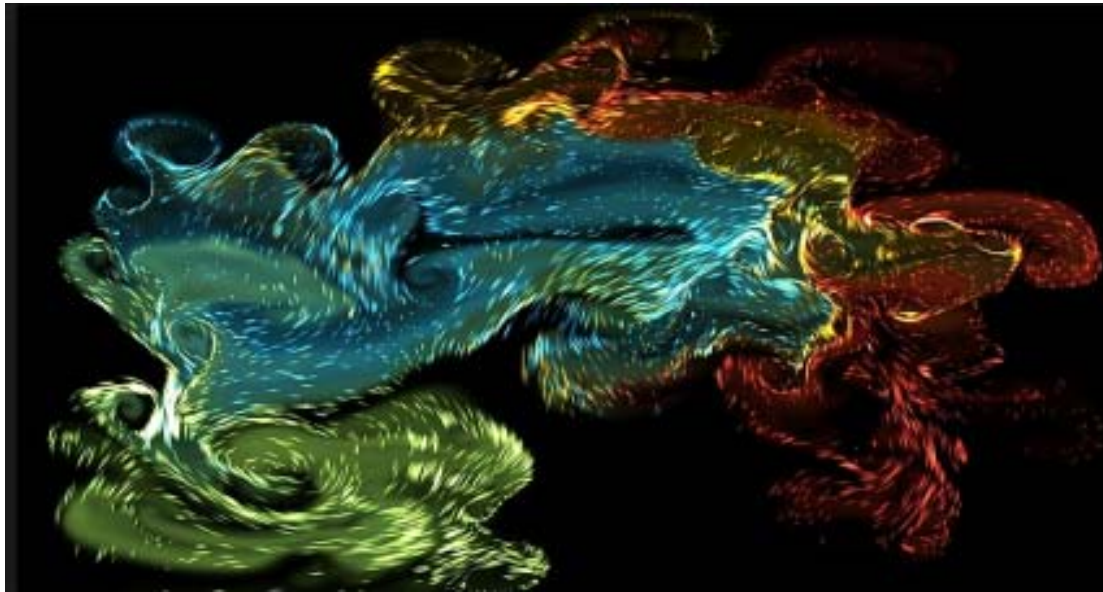
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This is the third post in a **3-part series** introducing the interplays around innovation, change and the business model.

A new innovation perspective – change to fluidity

Today most innovation is focused on creating new products or services. These new innovations frequently change or modify operating models and business models, often not by deliberate design.

We'd stipulate that most innovation should be focused on updating and changing business models constantly and with increasing focus. With this focus new products and services become by-products or outcomes that support or sustain new business models for driving greater lasting sustaining competitive advantage.

In short, most innovation should be focused on creating new business models, with new products or services serving as enablers to intentional business model innovation, rather than the other way round. This is what we mean by flipping perspectives.

Critically we have to become far more comfortable with constant, ongoing change and aligning this into new innovation and business models. This move to positive change is discussed here, recommending a movement that allows the changes we need within our organizations to become more fluid in their adaption, for leveraging and exploiting innovation in new, far more compelling ways.

This is the fourth in a series discussing the interplay around innovation, so to recap

In a recent series, introduced initially on **www.innovationexcellence.com** with this one being the fourth post**,** originally published on June 25, 2015, we discussed the importance of the emerging interplays and how all innovation has the potential to be a new business model and creates change. This series is re-produced here as it is a important concept to consider all the aspects within any innovation interplay.

Both myself, Paul Hobcraft of **Agility Innovation** and Jeffrey Phillips of **OVO Innovation,** co-authors of this series**,** would argue that we are failing to manage the different and multiple interplays that are constantly taking place when innovation occurs. We are often ignoring them and failing to extract the best or optimal value out of the innovation we are introducing.

In a White Paper we have just written called *"The Critical Interplay among Innovation, Business Models and Change (6-2)"* we provide a foundation document that highlights the important interplay between innovation, business models and change.

A new white paper *"Why innovators need a new change paradigm"* takes this even further by looking more specifically at emerging models and the competencies required to react to this change in more 'fluid' ways. You can find the download links at the bottom of this post.

The Interplay is Demanding Change and New Models

If innovation continues at a high pace, and forces change across customers, the market and the innovator, as well as creating new business models, then we can easily accept that innovators must be good at planning for and executing change. Innovation and change are somewhat symbiotic: sustained innovation cannot occur without good change capability, and innovation creates demand for change.

When we add in the interplay across innovation, business models and change it's evident that change is a constant, and will only increase. Yet there is a significant problem: existing change models that describe how we think about and implement change no longer seem valid, given the nature and the pace of change.

Innovators need a new change model

We innovators need a new model of change, for at least seven important reasons:

1. As innovators we aren't simply responding to external change, we are creating change, both for customers and for our companies and markets. (inside, proactive change vs external, reactive).
2. External change is far more unpredictable, in global markets new threats emerge from anywhere, at any time and often delivered in totally unpredicted business models.
3. The pace and nature of change isn't slowing, but is accelerating and will continue to accelerate. (increasing pace, frequency and amplitude of change).
4. As we've demonstrated, most innovation has the potential to be business model innovation, which will require change. (As more innovation becomes focused on business model innovation, this will create even more change).
5. We recognize that change is no longer an occasional threat but a constant companion (shift from the idea of change as a threat to change capacity as a competitive advantage).

6. The idea that companies can achieve a protected steady state where change won't affect them doesn't seem to apply anymore (long periods of stasis, or standing still are no longer possible. Must be able to change/evolve constantly).
7. We need to think of change as a capability that we constantly deploy, rather than a threat we typically avoid. (Need to develop change as a capability, to build skills, reduce barriers).

For these reasons the concept of unfreezing and refreezing does not seem appropriate anymore. As change becomes more constant, and as we ourselves create change through innovation and business model development we must be much more open to, and welcoming of, change. Rather than viewing change as an occasional nuisance or hurdle, we must build capabilities that allow us to implement change constantly, building barriers for other companies that don't embrace change or can't change quickly and capably.

Factors that must change

Perhaps the biggest change to status-quo thinking about change is the concept of a protected steady state where the organization can "freeze" and resist or deflect change for a long period of time. The nature of competition is so fierce that we cannot wall off a market, a segment or a company and avoid change. Rather we need to create capabilities, systems and knowledge that allows us to embrace change and use it to our advantage, whether we create the change through new innovation or the change is thrust upon us from external factors or competitors.

Another concept that must be **_rejected_** is the idea that change is difficult, distracting and problematic. In the older unfreeze-refreeze model the goal is to experience a significant amount of change in the shortest amount of time, moving as quickly to the new steady state as possible. This signals a lack of engagement, resistance to change and avoidance. Why would we reinforce avoidance of change when the winners in the future markets will be the firms that can embrace and manage change, who are constantly creating change through new innovation? We need to create the belief that change is a positive experience and change capacity creates a positive differentiator for those who invest in the skills and methods.

The old change model indicates signals that a company must endure a brief change activity to win a long period of quiet in the new operating state. This promise of eventual stability is misleading and based on historical data, not future trends and indicators. The older model makes promises that competitive forces contradict. New realities suggest that we need to be constantly adapting to emerging opportunities and threats, and building change capabilities. Perhaps a new model for change is:

Unfreeze the Rigid – Build change capabilities/reduce cultural barriers – Create change/Promote Fluidity

In this suggested change model we recognize that rather than adapting to a new reality, we need to build and sustain change capabilities to be prepared for any eventuality. In the new

"state" we don't expect to sustain a new status quo but to create change and remain capable and be constantly fluid, embracing change and innovation consistently.

To succeed in future markets that will possess far more change, at a much higher rate than before, with far more innovation, we need a new model for change that shifts the concept of change from an occasional, painful interruption to a consistent, evolving capability. First we need to understand the existing barriers and challenges associated with change. Then we'll need to build change capabilities, and finally create a new operational and cultural structure to sustain change.

Fluidity is becoming our growing need of understanding today

There is considerable discussion around changing structures and models to become more adaptive, agile and fluid. With such an increasing level of complexity and environmental turbulence that organizations are having to master, most of their existing systems, processes and approaches are facing increasing challenges. The solutions of fluid, agile and adaptive are aiming to develop highly flexible and fluid organizations as an attractive answer to move towards.

There is so much change being undertaken, the growing call for quick improvisation and ad hoc responses all needs to take us away from those rigid processes into open and fluids ones.

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Supplementary Supporting Series

The ongoing challenge is making change our constant

Thinking about the managing of change has been occupying my mind in recent weeks. It will continue into the next few weeks as Jeffrey Phillips of **OVO Innovation** and I have co-authored a White Paper called "***the critical interplay among innovation, business models and change"*** as it rolls out.

In this we provide a foundation document that highlights the important interplay between innovation, business models and change. To launch this, we have kicked off our thinking with a feature of the week on Innovation Excellence introducing the themes that have multiple interplays we often fail to exploit when it comes to innovation. The opening post is entitled "***the interplay surrounding innovation***". Please take a **read**

Our opening argument resolves around the recognition of change as part of interplay

We argue that we are failing to manage the different and multiple interplays that are constantly taking place when innovation occurs. We are often ignoring them and failing to extract the best or optimal value out of the innovation we are introducing. The change effect is often being ignored.

You can **download this whitepaper** on this site within my newly created "**Insights and Thinking**" tab on this site. In this paper we discuss the dynamics and focuses of its impact on all three constituents involved when innovation occurs; that of the customer, the market or industry itself and on the innovator itself. We used the "lens" of the **three horizon model** to demonstrate and frame the interplay between innovation, business models and change.

We are providing a series of posts on this through Innovation Excellence in the coming weeks which build from and on this White Paper. We both feel this has far more to explore in practices, frameworks and thinking and we hope you share this view, as it builds.

We initially chose change over transformation.

Clearly the emphasis is to encourage transformation to meet the unrelenting disruptions going on all around us makes sense. I certainly believe we have to become far more comfortable with change, before we attempt anything transformational and that in itself is not easy at all. We seem hard-wired to resist change until we are forced to accept it and that is a real pity and loss within ourselves. We need to see change in different ways, through the lens of discovery and learning, then we transform.

Change always feels painful.

Change is notoriously hard to achieve both within ourselves and especially in organizations. The reality is we want to resist change, it makes us feel uncomfortable, often raising the fear of the unknown. We form habits that we find hard to shake free of. Often we invested a fair amount of time in learning, it then becomes even tougher to start unlearning but that is what we must do, unlearn, to then open up our minds to relearn. We worry about are we losing something of value, is the change going to feel better or just increases our insecurity even further.

The level of failed change or transformations undertaken has been put at somewhere between 70 to 80% in failing short on their initial targets or aspirations that drove change. The value generated from change often falls below the expectancies visualized when the organization embarked on the change program. So why do we put ourselves through this level of pain, disruption, uncertainty and potential risk of failure?

We do get caught up in interchanging change and transformation and believe it is the same.

It is not! In my research on change I altered my own understanding with a range of thinking I explored.

Change tends to focus on making the existing system better.

You use this as your framing point and the level of efficiencies and improving effectiveness is judged as the success or not of the end result. You actually are ending up with a reconditioned model of your past as you have mainly dealt within the boundaries and constraints to make this (often) well-defined shift in the way things have worked.

Transformation is a different matter. You are attempting something far more radical and disruptive.

It is aiming to reinvent the organization, significantly challenge and change the practices that are in place. It places far more at a higher risk as it is more unpredictable, iterative and often a series of experiments to learn and adapt. It often feels you are entering the unknown as it can become a real process of discovery, experimentation and adjusting execution.

Transformation is far more dynamic and far-reacting. It is often looking to design for the future as you release the shackles of the past, bound up in existing processes, behaviors and thinking. You are looking to invent far more as you learn, clearly more radical new business models would have this 'transformational' effect.

Both change and transformation need to deeply understand the "as is" and those committing to make a change or transformation need to share the goals and understand the reasons for undergoing such a conversion from the existing state to a different one. There are considerable risks associated with both.

What might help flip the odds?

I would argue that most change or transformation initiatives attempted are far to piece meal, they address only certain known parts and fail to address the 'whole' that is actually affected by change.

Any change program needs a far more holistic approach than often we give this, we get caught up in the project management, we focus too much on one side of the change equation and either get caught up in the people side or favour the structural side of processes and functional design.

Undergoing any change required dramatically rethinking the reasons for this, the effects this will seem to have on the operating and business model. Will the effort yield a more positive result?

We are facing unprecedented disruption

Externally we are seeing increased volatility, complexity in regulations, the impact of geopolitics, constant pressures in public spending and shifts in demand, the digital disruptions and social media influences forcing a greater need to dialogue with stakeholders, customers and new entities and finally, our employee base is questioning and demanding in unprecedented ways. All of these are having a significant impact on our organizations and they have not responded and are often stuck in those past times where these forces of real change were simply not built into the system.

Equally most organizations are losing any significant competitive advantage as the competition has intensified, the design and adaptability of others to challenge the existing incumbent is being made easier through the internet, reducing global barriers and high level of mobility, operating often at much lower operating costs, free from legacy.

The final imperative for change comes from our present poor levels of growth and innovation.

Innovation requires managing differently, to function and yield those higher results we would like and this becomes part of the dilemma within organizations. Yet innovation is also badly constrained because change is not considered as having this symbiotic relationship

with innovation. Innovation being designed and produced are mostly new to the world (or should be) and these confront customers, markets and the innovator themselves in making change.

The higher the scope of impact of innovation the more we do need to address change yet we can't often grasp the nature and amount of change that the innovation unleashes. We should think about innovation and change together. This is where Jeffrey and I are focusing our thinking at present

Change is all around us as a constant- we need to simply get use to it

We can't escape change; we can't transform ourselves without a clear holistic model of its impact across the whole organization. Change and transformation requires us to be dynamic, constantly exploring, adapting and learning, it cannot be refrozen as was the thinking of the past. Nothing is stable; we need to build it as fluid, agile and constantly adapting through our learning.

Generating a higher dynamic environment

We need to generate a far more highly dynamic environment, one where we are constantly being challenged and seeking out answers through discovery, experimentation and constant execution. We need to become excited about change, each of us becoming innovation change leaders.

Change today is about building a change capacity that is constant evolving.

We need to see change as pursuing new opportunities, explore different horizons and thinking. We need to become far more energized in trying out new things, in experimenting or prototyping, to learn and advance.

We must retool ourselves as change not only leads to transformation but it will allow us to explore all the interplays we can find within and around innovation and those can lead to great things.

To obtain the White Paper you can go to my **insights-thinking page,** where you can download or view the white paper "***the critical interplay among innovation, business models and change" or the follow on one of "Why innovators need a new change paradigm***

Fluidity – the growing need of organizations today.

*** Extended Version ***

Posted by [paul4innovating](#)

Organizations are facing increasing a dilemma in how they organize and manage within their systems and structures.

They are being forced to deal in increasingly complexity and environmental turbulence and 'adapting the appropriate response' remains increasingly a difficult one to master, within the existing regime and structures.

On the one hand the value in stability is still essential; working within specific routines and practices gives a clear 'path dependence.'

This allows for efficiencies and effectiveness to be constantly at practice, constantly building the problem-solving processes, so as to master tasks in complex environments to resolve 'known' problems in 'given' ways.

Yet there is considerable discussion around changing structures and models to become more adaptive, agile and fluid, to react and deal with this increasing turbulence occurring all around us. We need to react and become more responsive, becoming more adaptive to changing environments and business challenges, that are often unknown, unexpected, or not yet explored or exploited.

The call is for a different innovation 'interplay'

In a recent series, of [introducing the innovation interplay](), co-authored with Jeffrey Phillips of [Ovo Innovation](), we discuss how change needs a higher appreciation and focus within any innovation design. We go on and suggest the importance of thinking new innovation design is increasingly coming through the business model and this requires increasing undertaking of change.

This change thinking is not just for the innovator, but for the customers and markets that any innovation is channelled towards but also in how it has a real impact on the dynamics of current competition and the potential effect on competitors. Designing deliberate change into innovations eventual outcome, increasingly through new business models, is a powerful point of real advantage that needs greater recognition and leveraging.

Yet today our organizations are far too rigid, they are not adaptive or agile enough to really exploit innovation to the full. They struggle with this organizational constraint imposed by the singular, or dominating pursuit of efficiency and effectiveness at the cost of 'fluidity.' Organizations and individuals see change far to often in negative terms, not in the way innovation can bring- positive change that seeks constant, ongoing adjustments to deliver the best, optimal solution.

So we have this dilemma of needing stability but trying to build increasing fluidity.

How can both work alongside each other? Many theorists have suggested, of having in place the 'ambidextrous organization.' This would require organizations to be design organizations in their structures, people and processes to either be focused on 'being efficient' or being 'change orientated'.

I have been drawn to this dual system of ambidextrous as it helps resolve one of the consistent stumbling blocks for innovation to 'take hold' and evolve. Innovation is constantly fluid, needing to be adaptive as we learn and adjust to new learning and this is constantly requiring a very change orientated approach. Often innovation comes up against a rigid system and for many "just seems not to fit"

Innovation struggles as it often remains outside the prevailing system. Innovation constantly challenges against the dominant mind-set within organizations, who like the idea of innovation but are mostly measured to drive efficiency and effectiveness, keeping highly focused on the short-term performance as their role, reward, advancement and key to ongoing career success, so innovation 'sits outside' their domain of focus. Something needs to change if innovation is really important.

Yet the very essence of our stability in organizations is under threat.

There is so much change being undertaken, the growing call for quick improvisation and ad hoc responses all needs to take us away from those rigid processes into open and far more fluids ones.

The solutions of fluid, agile and adaptive are aiming to develop highly flexible and responsive organizations as an attractive answer to manage in more uncertain times as the way to move forward. The ability to make this very defining and shaping move in any organizations does seem very fraught with risk.

We do need to extend our thinking about fluidity far more, so let's initially step back to see if we can then move forward into a more fluid organization..

There is no doubt a classic change model that needs an update

The classic "*unfreeze > change > refreeze*" approach to change just does not work anymore. This still remains one of the most classic change models as a three phase model, introduced by Lewin in 1947, and became the basis for many subsequent change models. Lewin's change model seeks to "*unfreeze*" the existing conditions, in order to allow "*change or transition*" to occur, so as to then arrive at a new state of hopefully higher capability or competence, at which point the operating model is again "*frozen*" or "*refreezes*" into its new state.

Certainly this model is becoming very outdated and somewhat dangerous from an innovation perspective, for two reasons. First, the model anticipates resistance to change rather than engagement with change. Second, the model assumes an eventual "refreezing" state, where the company remains in stability, without change. Today we are in need of being in a state of constantly improving our operating model and exploring growth through far more business model evolution to influence markets.

Shifting to a different change model needs a high level of transition

We need to '*unfreeze*' through **recognition of our present rigidity** > We should make a **'***transition' through experiment and exploration** > Finally we should **_not_** '*refreeze*' as the recommendation of past views have suggested, **we should build the adaptive, agile and fluid abilities required for today** from learning, collaborating and embrace a constant change mentality.

To achieve a more organic fluidity, moving from hierarchies to networks, from formal rules and high levels of coordination into far more spontaneous interactions, improvised processes that resolved specific issues and the constantly forming and dissolving project teams where far more lateral organization-wide communications take place is a set of real challenges.

Everything seems to be flowing faster and we have to respond

We are seeing far more fluidity in relationships where the knowledge is flowing within, across and between organizations. The boundaries are blurring, that increasing fuzziness needs shifting our style of decision making and solution finding.

There is also this growing sense that innovation is endless, it never stops but simply shifts from one stage to another, often looping back to be re-evaluated and thought through. The

old linear process is not working, learning and adjusting is a constant all along the pipeline development process and requires a higher level of fluidness to deal with it.

There is this nagging feeling of relentless destruction or disturbance, the very opposite of the stable equilibrium we seemed to enjoy in the past. Those that become capable of managing the constant change and disequilibrium will thrive.

Yet we need to face this paradox of fluidity and stability.

Those growing conditions of uncertainty and complexity also need boundary building, identity formation and problem solving architectures that are stable and can provide replication of essential actions or activities. We need to seek out and maintain yet constantly challenge to "undo" and redesign.

We are still struggling with the dominant linear logic of much of what we do in organizations, and often this constrains innovation, restricts us to provide radically different business models and limits our abilities to change fast enough. We are learning to be far more adaptive in our learning but this is constantly meeting up with resistance of this linear logic.

What would help us build a higher fluidity into the design of our organizations?

Firstly what makes up the competencies of fluid?

Here we provide a list that has many aspects or enabling attributes to them you might recognize. Embracing all of them is not the answer but taking a more detailed and thoughtful approach to those capabilities, competencies and capacities to build fluid into your organization becomes important.

Today we are all on the search for new adaptive infrastructures. We should be participating in platforms and building our ecosystems to extract outside knowledge to learn how to recombine it in new ways. Nothing today stands still; we are in that need to constantly redefine, to build in flexibility and this adaptive skill.

We should encourage thinking and challenging present orthodoxies and explore ways to rewire and rethink much of the prevailing system and processes as it has far too much built in rigidity built in.

Today we are losing predictability on much that was a constant within the past; we have a speed of development that needs to constantly be reduced down, for gaining competitive advantage and getting our innovation to market earlier.

So can we identify competencies that would help embed a more fluid way of working?

We need to look for or deliberately design into our thinking the following:

We are all becoming far more digital, fluid and fast, we are absorbing and responding at faster rates and we are adapting to a constant, multifaceted world of connections, systems and knowledge piecing to combine up into different 'wholes'.

• To get there we need to be far more nimble, we need to learn navigation skills far more, we are increasingly assignment driven, less exploratory in many things, and technology is taking on this role.

• We need to become increasing agile, iterative, be experimenting, and constantly determined to execute to drive our results and value-add.

• We need to seek empowerment, focus on delivery and collaboration outcomes far more resolutely.

• We need to grasp the make-up of value creation and why innovation is becoming new business models in its potential.

• We need to establish within ourselves and the working environment we operate within a sound conflict resolution pathway and strive for authenticity and trust within the places we operate.

• Lastly a real willingness to seek out diversity, to be visible, and be wanting to have this constant entry and exit to project and challenges to drive our personal satisfaction and worth up.

What is around us already that help us in building a more fluid organization?

Firstly we have to recognize that major shifts require that skills, capabilities and cultures become more capable for change, more consistently, what we've defined as "fluid".

Let's identify a few enablers and define what they can provide to develop fluidness or how their absence restricts companies in maximizing performance because we remain too rigid and tied to established ways.

Platforms are increasing where we are managing external relationships, we are participating as these platforms have a more likely complexity and participation is partly to reduce and share this across many. We are dealing with a greater horizontal entrepreneurship where each party is bringing different skills, ideas and commitments to the platform. As these evolve they open up possibilities often beyond the existing concept of the platform that lead to the ability to extend and explore a number of adjacencies that add increasing value to our thinking and business, they give us a higher fluidness.

We are learning to apply platform thinking as a new lens of business, society and organization change in a connected world. Using these lenses of Platform engagement allows us to re-frame more and re-imagine solutions from a globally accessible network contributing potentially a sum greater than the whole of your own organization, contributing the network effect.

Ecosystems are becoming the "new sum of" much for us to reach out and tap into expertise up and down the value chain and we can move across the horizontal by appreciating growing dependencies and exploring or exploiting so much easier through the technology frameworks available to make the connections. Working in a world where the value is appreciated in the connections.

A world where we need to appreciate the values of working and collaborating across industries, institutions, entrepreneurs, citizens, customers, government and centers of excellence. Working in an environment where we can all interact alongside each other, exploring the lines of complexity, cooperation, competence, competition and communication to produce the 'right' interaction to turn ideas into solutions.

The essential point is they need to interact fluidly as open networks, searching for bolder, more creative thinking, stimulating cross-collaboration. Here you seek to interconnect and gain complimentary knowledge or new insights to turn into greater value to what you are seeking to do, ones that require that broader universe.

Connectors are those people inside and outside the organization. We are seeking out to extend our networks. The more we tap into them the more we adapt and learn, we absorb, capture, translate and defuse knowledge faster than before. These flows of knowledge grow the more we form relationships, establish diverse networks and tap into the technology available to us for making this global.

Digital and Cloud are radically altering our ability to switch and adapt and influence the rate of adoption. We can undertake far more low cost experimentation through the use of the cloud and tapping into the digital power so we can increase the flow of data and apply improving analytical methods, we can set up for more option-based strategies and design alternative portfolios of options.

The impact of new systems, the ability to tap into different and diverse platforms of opinion and knowledge, to draw into deepening conversations with customers and stakeholders gives us a higher fluidness. We can adopt, learn, adapt, experiment, adjust, explore in so many faster ways but this fluidness can still work within selected existing boundaries and systems.

These shifts are shaping new forms of organization design, based on a growing fluidity, adaptive and agile skill set but still framed with the organizations boundaries. We will increase our abilities to absorb and translate this into new knowledge (absorptive capacity) for improving the innovation potential. It certainly does partly depends on the organizations readiness to push the boundaries of innovation and that lies in the interplay appreciation.

Finally, we should examine characteristics or factors that create barriers for fluidity

Over reliance on past models – when the near future closely resembles the recent past, relying on existing models to determine appropriate actions and investments is rational. Given the increase in the pace of change and the amount and impact of innovation and its

impact on business models, it's evident that the near future does not resemble the recent past, which means that we cannot rely on past models. Instead companies must assess the amount and amplitude of change, driven from external factors and created by internal and external innovation, to understand the importance of change and to allow employees to reduce the reliance on existing models.

Change proficiency/capability – in most companies, people receive training and develop skills based on their specific roles and responsibilities, but rarely develop skills that enable or accelerate change. We cannot expect companies and cultures to change frequently and capably if people don't have the skills, capabilities or proficiency to change effectively.

Preferences for stability over change – people, organizations and cultures prefer stability to change. Change is uncertain and demands new learning and new expertise, while stability reinforces existing knowledge and skills. Over time, the desire for stability leads to inertia and active resistance to change. Companies must create a preference for more change, reducing inertia and building change capabilities.

Focus on short term profits rather than longer term viability – Since change is uncertain and distracts from efficient day to day operations, and there is an ever increasing focus on short term profitability, change always takes a back seat to efficient operations and short term profits. Longer term viability suffers because of an over reliance on an increasingly out of date business model, infrequent innovation and a lack of change capacity.

In summary

We need to relentlessly challenge and push out our own boundaries and knowledge and adapt these to be designed to exploit constantly. The mantra of adapting, exploring and simply responding to the need seen in rapidly changing markets and across our customer base- past, present and future.

The need for being fluid across our organizations to respond to those different demands being faced today requires a far more adaptive and responsive business to work in increasing parallel . The dual need of maintaining stability in the force of resisting shocks and keeping existing optimization yet working alongside responding to changing markets, resolving increasing challenges and delivering more innovation that meets the changes occurring requires both fluid and stable thinking and approaches.

Additional material to explore

For a more extended discussion on change, its impact, its force within the interplay of innovation, change and business models there are two White Papers you can read written jointly by Jeffrey Phillips of Ovo Innovation and myself.

In a White Paper "**Critical Interplay Innovation Business Models Change** 6-2" we provide a foundation document that highlights the important interplay between innovation, business models and change.

A further white paper "**Why innovators need a new change paradigm**" takes this even further by looking more specifically at emerging models and the competencies required to react to this change, in these more 'fluid' ways. Here the paper is laying out more of the discussion for building the case of fluidity as discussed here.