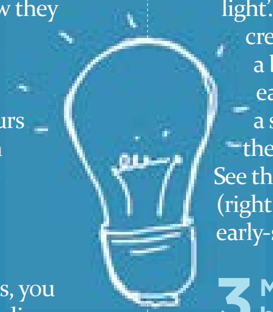
LIGHT-BULB MOMENTS

Transform your treasury function from a team of naysayers to one that generates and nurtures ideas. Matthew Cushen explains how

Too often FDs and treasurers are tarred with the brush of being the bean counters who look after the pennies. They are the folk that anyone with an idea needs to stealthily navigate past. Yet there is heaps of potential to innovate in finance. UK retailers Hotel Chocolat and the John Lewis Partnership have been high-profile examples of financial innovation with their respective chocolate and partnership bonds. And it is important that you and your team are central to the organisation's innovation effort, helping to come up with good ideas and pushing them to become great ones.

Annual strategy and budget planning processes inevitably have a part to play in idea generation. But in our experience of creating innovation in large companies, it is much more important how individuals rub along with each other, how they yearn for time with customers and how they 'lean in' to each other's half-crazy ideas with a smile. Here are some behaviours that we have seen work well in terms of driving innovation:



1 Experience the customer's pain

Long before you focus on ideas, you need to have a deep understanding of a problem (or opportunity) – in other words, you must look at the world through the eyes of your customers.

Getting face-to-face with customers is incredibly valuable, but it happens rarely, especially in finance and other functions, such as HR or IT, where employees can think of themselves as being 'non-customer facing'. Direct customer interaction builds empathy and confidence.

Recently, we took senior executives from a grocery retailer to meet their customers. One executive rushed the experience: he met his customer at the store, trailed around with her and hightailed it after her goods had been paid for. One of his colleagues was determined to 'feel' the experience. He met his customer at her home, explored how she planned her shopping mission, took the bus with her to the shop and home again. He noticed how she was limited to lightweight goods and that some packaging was difficult to carry. It led him to champion the development of low-cost, easy-carry packaging.

2 'Needs tight', but 'execution light'

In the late 1930s, Pierre Boulanger, Citroën's chief designer, told his team he wanted a vehicle capable of taking a French farmer and his family across a ploughed field to church. They must be able to wear hats and not break a basket of eggs in the boot. It should cost less than half the amount of any comparable vehicle. Thus was born the 2CV, one of the world's longest-running production cars with revolutionary suspension and engine design.

The brief was 'needs tight', but 'execution light'. It was open enough to allow creative ideas to flourish. Putting a budget on something too early is presumptuous on how a solution will be executed and therefore becomes self-limiting. See the box Measuring Innovation (right) on alternative ways to control early-stage innovation.

3 Make the heart beat faster

Innovation demands that we do extraordinary things. It needs us to be brave to take corporate and personal risk. Apple founder Steve Jobs told his engineers to build products so beautiful you wanted to lick them. Spice Girl Victoria Beckham told the world she was going to be as famous as Persil Automatic. These are exciting expressions that are worth personal effort. So, when sharing numbers internally, ask yourself: Can I humanise this? What can I do to make the context clear and exciting?

4 Collaboration – a contact sport

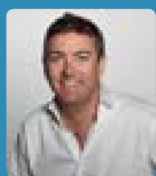
Often, teamwork looks like polite people making minimal progress, whereas effective collaboration is a robust – and sometimes uncomfortable – mindset that doesn't tolerate mediocrity. True collaboration means that all parties open up and make themselves a little more vulnerable. In collaboration, you're saying: "I can't do this alone. I don't have all the answers. Can we mix our thinking up and see what happens?" Make it clear that you are open to possibilities, ready to think expansively and able to delay being reductive and financially analytical until a stretching and provocative range of options has been explored. This will help others to value your early involvement in innovation.

5 Deliberately seeking provocation

Many of us have routines. We become stuck in a comforting groove, getting better and better at repeating today what worked yesterday. How many meetings do you turn up to, without questioning the purpose, looking at the same metrics this week as last week?

Inventor Albert Einstein said: "We cannot solve our problems with the same thinking we used when we created them." To make new connections and to have new ideas, our minds need fresh stimulus. This can be as simple as flicking through an unusual magazine or chatting to a new colleague in the canteen. Or it can be more deliberate.

If we are creating ideas to increase customer loyalty, we might explore different entities that 'crave loyalty'. For example, UK newspaper *The Sun* adapting to a digital world where customers are less wedded to their daily newspaper routine; charity Oxfam moving to encourage regular giving, not just one-off donations; and the UK Conservative Party responding to a fall in political activism and subscriptions. Digging into any of these strategies would give us useful principles and examples that would stretch us to some different perspectives and ideas.



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MEASURING INNOVATION

Like all commercial activities, innovation needs performance metrics. But innovation isn't like all commercial activities, it carries significantly more risk – and reward – than something that's been done many times before. Standard accounting can be a blocker to innovation.

Investment cases

When early-stage initiatives are burdened with making overly precise financial cases, the calculations are artificial, innovators are demoralised and the naysayers win out ("We told you it wouldn't work"). Working out how much it costs to get to the next significant stage of the project, the end of a pilot or a soft launch, and understanding that potential downside, is a pragmatic simple control that gives more space for new ideas.

Antony Jenkins, the CEO of Barclays Bank, believes that "when it comes to early-stage innovation… spreadsheets have too many assumptions to be useful". The real question is not: "How much money will we make?" It's: "How much do we need to spend to find out if this works?"

Return on innovation effort

Innovation takes effort and capital. Tracking the impact and measuring the contribution of the innovation portfolio to business growth could include monitoring the percentage of sales coming from products that are less than three years old, the percentage increase in new customers or our share of innovation in our market.

Innovation portfolio

A balanced portfolio of incremental and more disruptive innovations keeps shareholders happy in the short and the longer term. When looking at the health of an innovation pipeline, it is helpful to split by lead time to market and the impact a product or service will have upon reaching the market – for example, fast growth (new variants of existing products or services), sustained growth (brand extensions, new products or new channels to market) and delayed growth (new businesses, new brands, new geographies).

Innovation culture

Innovation is as much about behaviours and leadership as it is about process and structures. We can – and should – measure the health of the innovation culture. For example, the proportion of executive time spent on strategic innovation versus business-as-usual operations. How can we expect 15% of sales to come from new products if we are only spending 5% of our time on innovation? We can use employee surveys to track internal excitement around new ideas, or how receptive the business is, and we can track how we are developing our people with new skills and knowledge areas that will lead to innovation.