

# Creating the Space

Why the right conditions  
for innovation are key to  
business growth



Oaklin

# Introduction

**There is an undeniable constant in business and society, that innovation is a relentless wave bringing consistent change and disruption.**

**From the 19th century, where the likes of the locomotive revolutionised transport and trade, through to today's breakthroughs in fields like carbon capture and hydrogen-powered systems.**

**Tasked with not only keeping pace with this change but driving it, businesses and their leaders have a hefty job on their hands. Yet waiting for employees to conceive of, and create these pioneering products, systems and services during their already demanding work schedules, is unrealistic. Innovation at pace and scale (the kind required by the ever-changing marketplace that businesses currently operate in) requires space, time to think, to explore and to experiment.**

**So, the question facing business leaders today isn't, can we afford to invest in this space; it's whether we can afford the consequences of not doing so.**



**Introduction**

2

**The Innovation Illusion**

4

**Why Time Matters**

5

**Balancing Innovation with Financial Viability**

6

**Let's Create the Space**

7

**An Investment in your Future**

8



# The Innovation Illusion

Organisations everywhere trumpet the importance of innovation. They talk of lofty technology goals, they appoint Chief Innovation Officers and invest thoroughly in technology transformations. Yet without the foundational step of creating time and space for employees to ideate, innovation will stumble.

Peter Drucker said it best, articulating that innovation isn't down to serendipity nor is it the preserve of a select few with Steve Jobs-esque clairvoyance, rather innovation is a discipline where innovations "result from a conscious, purposeful search for innovation opportunities"<sup>1</sup>. Innovation is real work that can and should be managed like in any other corporate function, and its success is more likely to result from the systematic pursuit of opportunities, than from a flash of genius.

Consider this analogy: if you want your allotment to bloom and provide you with some tasty seasonal vegetables, you don't just buy the best plot, plant the seeds in May, and come back in August expecting luscious runner beans. You create the space, you provide good soil, you water at regular intervals, and ensure that there is enough sunlight. Fostering innovation means providing your employees with the right conditions necessary to grow their ideas, and it starts with time.

Google has long held a policy that encourages its employees to spend 20% of their working time on initiatives they are passionate about.<sup>2</sup> This policy led to the development of AdSense, Gmail and Google News, each proving a huge boost to Google's product portfolio and revenue.

Another example is 3M, they have the 15% rule, delivering such innovations as Optical Films for LCD Televisions, the Ultra-Compact LED-Illuminated Projection Engine and even the Post-it Note. Bill Coyne, former Senior Vice President of Research and Development said "The 15 percent rule is unique to 3M. Most of the inventions that 3M depends upon today came out of that kind of individual initiative..."<sup>3</sup>

A recent study published in *Frontiers in Psychology* suggests that when time pressure is combined with high levels of developmental feedback, innovation performance undergoes a 'J-shaped' increase. The findings underscore the importance of balancing time with structures and systems to support those aiming to deliver the new or the innovative.<sup>4</sup>

These examples and findings highlight the fact that innovation isn't something that happens spontaneously, it's not going to happen just like the lightbulb that appears above the main character's head in your favourite cartoon. Innovation comes about as a result of an organisation's conscious decision to dedicate time and resource to its future.

2. Shetty, K. (2018). Google Tapping Into Workplace Actualization With Their 20% Time Rule - Eaton Business School. [online] Eaton Business School. Available at: <https://ebsedu.org/blog/google-tapping-workplace-actualization-20-time-rule>.

3. Company, 3M (2002). A Century of Innovation. 3m Company.

4. Song, H., Gao, R., Zhang, Q. and Li, Y. (2023). The nonlinear effect of time pressure on innovation performance: New insights from a meta-analysis and an empirical study. *Frontiers in Psychology*, 13. <https://doi.org/10.3389/fpsyg.2022.1049174>.

# Balancing Innovation with Financial Viability

You may be reading this thinking “Right, yes that’s great, but this is a luxury that I can’t afford. Especially in the business and market I’m operating in...” Yet evidence suggests the contrary; organisations that prioritise innovation consistently outperform their competitors in financial metrics.

A McKinsey report from 2023 suggests that 50 organisations deemed as more innovative or ‘innovative growers’<sup>5</sup>, had a median excess annual shareholder return of 11 percentage points higher than that for 2000 other Global companies over a 10-year period.<sup>6</sup> Similarly, a report from GlobalData suggests that innovative companies have a 2.2 times higher future earning potential compared to less innovative companies, they go on to say that this out-performance is typically sustained and consistent over long periods of time.<sup>7</sup> The reason for this is simple, businesses that innovate create value; they generate new products that capture untapped markets and revenue, they redefine processes that find cost savings, they reimagine service models that delight and retain their customer base.

Creating space for innovation doesn’t have to mean spending millions in R&D or overhauling your existing operating model, the first steps towards becoming an innovative organisation can be as simple as an innovation hour, an innovation toolkit, or interdisciplinary brainstorming sessions. These simple steps can yield major advancements without disturbing normal business operations or incurring significant cost.

5. Jong, M., Marston, N. and Roth, E. (2015). The eight essentials of innovation | McKinsey. [online] [www.mckinsey.com](https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/the-eight-essentials-of-innovation). Available at: <https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/the-eight-essentials-of-innovation>.

6. McKinsey (2023). Innovative growers: A view from the top | McKinsey. [online] [www.mckinsey.com](https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/innovative-growers-a-view-from-the-top). Available at: <https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/innovative-growers-a-view-from-the-top>.

7. [www.globaldata.com](https://www.globaldata.com). (n.d.). ShieldSquare Captcha. [online] Available at: <https://www.globaldata.com/data-insights/macroeconomic/do-innovative-companies-outperform/>.



# Let's Create the Space

So how does one create the space needed for innovation to flourish? It starts with leadership establishing innovation as a priority, then facilitating an environment that celebrates creativity, collaboration and exploration. This means setting clear expectations from innovation work and providing the support employees need to make that work successful.

1. **Allow time:** Allocate structured, dedicated time to innovation. This doesn't mean you have to implement a 15 or 20% policy; it could be an 'innovation hour' for a specific department or even a process by which individuals or teams need to 'apply for time' via an assessment that funds the best ideas. Whatever you do, it has to be thoughtful, and signify that innovation is a priority, not an afterthought.
2. **Be clear:** Innovation often feels like a buzzword and with this comes misconceptions, doubts and naysayers. Leadership must communicate what they mean when they say innovation and subsequently lay out why it is a priority. Allocating time to innovation is a first step, but by setting out clear focus areas for innovation and performance metrics you can align efforts toward meaningful, strategic value creation.
3. **Connect employees:** Facilitate your employees' ability to work with departments outside of their own. Diverse perspectives lead to better ideas. Create brown-bag sessions, hackathons etc., any gathering where colleagues can come together to share ideas, discuss and explore without fear of failure.
4. **Provide the resources:** An innovative idea, unless properly nurtured, will stay that way, as an idea. You need to surround the idea with the right conditions to make it come to life. This means tools, training and the correct amount of investment to take an idea to a prototype, a prototype to a solution, a solution to an asset, and so on.

# An Investment in your Future

Taking steps towards being a more innovative organisation or department is not difficult, likely what will prove to be difficult is winning the hearts and minds of those around you. When looking to win these minds and hearts remember, innovation is not an indulgence; it's an investment in your future, and providing the space for your employees to begin to unlock ROI from that investment is the first step.

The organisations of today and their leaders cannot rely on serendipity, they must create the conditions that allow innovation to flourish. Businesses that empower their employees to explore and innovate will be the ones that emerge as market leaders and shape the competitive landscape. In the end, the cost of inaction far outweighs the investment needed to create the space for innovation.

It's realistic and possible to achieve a significant innovation in your organisation, provided you make the first move; by creating the space.



# Let's have a conversation...

At Oaklin, we are passionate about helping our clients realise their business potential.

There is so much more to discuss, please do get in touch with this article's author, Joe Thomas.

90 Whitfield Street

London

W1T 4EZ

+44 (0)20 3855 5865

[joe.thomas@oaklin.com](mailto:joe.thomas@oaklin.com)

