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Turning your Business 'Outside In'

“Managers who have an extra-industry view bring to their business ‘new to industry’ ideas, innovative solutions to old industry problems, and over time, altogether new strategic directions.”

It is a common mantra that innovation is the only true source of competitive advantage, and that most new thinking comes from outside one's own industry. But if by that we mean a vibrant R&D pipeline or the much vaunted 'blue ocean' strategy, the pickings may be slim. Best-selling products and breakthrough innovations that take us into uncontested waters are rare. Real 'innovation' means acquiring a critical, thought-provoking perspective on the fundamentals of your business model, market practices and core processes. Such a detailed analysis of your organisation can lead to rich possibilities which can be turned into performance enhancing advantage.

Put it to managers that an external perspective is essential to the success of their business, they will always concur. Ask them how much time and energy they invest in creating that 'outside in' view and the answer is usually 'not enough'. What does this tell us other than that we sometimes say one thing and do another? Our research at Cranfield demonstrates that businesses need to have clear answers to two key questions: how much of an external view is needed, and what are the best methods of creating this perspective? Once we have the answers, deciding who in the business should be offered what development opportunity naturally follows.

Consider the question, what breadth of external perspective is needed? For managers, it is important to distinguish between three levels: 'business', 'industry', and 'extra-industry'. A business level perspective takes us beyond the functional boundaries of many managerial roles into the world of the customer; the market and the financial issues facing our business; in other words, towards an understanding of the underlying drivers of the business. The result? Better quality operational decision-making enhanced functional core competence, and improved contribution to business strategy. These are all possible, once managers have a business level perspective.

In contrast, an industry level perspective demands that we consider the impact of factors beyond the boundaries of your own business, taking us towards a wider knowledge that extends the range of possible business solutions and performance levels. The prize is 'new to organisation' ideas leading to increased business performance together with greater 'within sector' competitive advantage. At a broader level still, the extra-industry perspective contains the potential to create a sophisticated strategic understanding of the business lifecycle: 'what leads to what' in the business environment; and a leadership mindset that may change the 'rules of the game'. Managers who have an extra-industry view bring to their business 'new to industry' ideas, innovative solutions to old industry problems, and over time, altogether new strategic directions.

As one would expect, each of these levels of external perspective requires different development approaches or processes. All of them demand managerial time and commitment.

Developing a perspective beyond functional managerial boundaries requires initiatives such as cross-functional career moves, cross-functional networking, and company specific (customised) development programmes. Creating an industry level perspective is best achieved through such opportunities as: inter-company career moves; exposure to the supply chain and other key industry components; attending industry forums and networks or benchmarking industry competitors.

In terms of development commitment, the extra-industry level is the most demanding for managers. To be effective it requires initiatives such as cross-industry career moves, doing an MBA or attending a business school open programme. Any of these development routes hold the potential to be nothing short of a fundamental personal challenge and a true eye-opener.

So for those who want to introduce and sustain innovation into their business, an external perspective is a key ingredient.

That is not in question, but how to create it certainly appears to be problematic. The immediate and sustained demands of running a business absorb our full attention, representing a major time barrier; and opportunity cost that managers can 'ill afford'. As with the fundamentals of all management activity, a disciplined approach helps. In terms of the framework outlined here, a starting point is to ask what level of exposure to an external perspective is required and what development approach or process would be the most cost effective. Ignore these questions at the peril of your business. **MF**

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