

# Creative Advantage – Business Strategy in the Modern World

Martin Smith

*A previous version of this paper appeared on the Alterativus website as “Why Creativity Counts” in April 2004.*

*It describes the need for organisations to develop creativity as a core competence if they are to be competitive in the modern business world.*

The need for organisations and individuals to be creative is greater now than it has ever been. Primarily, this is due to the accelerating pace of change we are facing – both in our business and our personal lives.

As individuals, being able to think creatively better equips us to deal with rapidly evolving challenges, to spot and capitalise on fleeting opportunities. Because we have the faculty to deal with change, we – in turn – feel better about change and are more likely to be able to deal with the emotional demands. Creativity allows us to visualise potential futures and thus lay plans to capitalise on opportunities and deal with the threats.

It has become axiomatic that organisations now live in turbulent times. The business wisdom that evolved in more stable times no longer has the value it once did.

By enhancing their capacity for creativity, organisations can achieve the following key benefits:

- Improved competitive positioning
- Increased adaptability to change
- More ability to attract and retain the right people

## Improved Competitive Positioning

To some, the idea that *being more creative* delivers competitive advantage may seem strange and hard to grasp. After all, will customers buy more of your product or pay more for it just because you are “creative”? Will it make your business more efficient?

However, creativity needs to be developed as an underlying capability – a core competence that confers on organisations the ability to identify and achieve advantage.

The once fashionable notion that an organisation could achieve sustainable competitive advantage through positioning is now somewhat discredited. Recent history shows us too many examples that there is no such thing as a *sustainable* advantage. Meaningful sources of differentiation rarely last for long – they are soon either emulated or made redundant by the next big, bright idea.<sup>i</sup>

Therefore, we need to accept that any advantage we achieve through our actions or positioning can only ever be transient. We need to look beyond this and grow the competences that allow us to continually create sources of advantage - and allow us to adapt and respond when the competition beats us to it. These two facets, of innovation and adaptability are closely related and require the same underlying capability – the ability to think and act creatively.

If an organisation is to be visionary – if it is to shape the future and set the rules rather than just be a participant (or worst still, a spectator) – then it needs to be creative. Experience shows us that the future is not like the past. Organisations that assume the behaviours that led to success in the past will lead to success in the future frequently come unstuck - and spectacularly so. So, analysis of trends does not equip us for the future. Instead we need to *imagine* what the future *may* be like.

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Further, we need to be bold, to envisage a future that we would like to see happen and define the role that will play in making it come to pass.

Creativity gives organisations an edge by allowing them to bring the element of *surprise* to their competitive strategy. If you are entirely logical, then your competitors will be able to predict your actions and they will be ready for you. If you can surprise them with the bold and the unanticipated, you steal a march *and* gain time to plan your next move while they play catch-up.

## Increased Adaptability

What causes well-run businesses to fail or run into trouble?

Naturally, some organisations encounter problems because they are not as well-run as they would like to think. It happens. Organisations become complacent. They forget to do the basics well.

But what about organisations that do run themselves well; that serve customers well; run efficiently; manage, motivate and develop their people effectively – why do they sometimes fail?

Some would argue that they still were not doing the basics well enough – that they could still be more efficient, more customer-focused and so forth. However, there is a growing school of thought that says these businesses struggle because they fail to recognise and deal with change.<sup>ii</sup>

Once they have a strong, established position, organisations have a tendency to run by the *rule book*. There is a tacit assumption that they are operating in an essentially stable environment - that the issues they face, the threats the opportunities, are similar to those faced before and are, therefore, amenable to the same analysis and rationale.

The problem with this is that, from time-to-time, the rules change. Situations arise that are not the norm. Environmental factors have evolved, competitors and customers are behaving differently and the world has moved on. Because these major shifts tend to be made up of a lot of smaller, less perceptible changes, they are often hard to spot until they are well underway. What makes things worse, for the organisation trying to cope, is these changes are happening more and more frequently.

Essentially, when the world changes, there are basically three ways you can deal with it:

1. Carry on as before – applying old thinking to new problems
2. Copy what other people are doing
3. Work out new strategies and approaches

The first of these may be tenable if you are planning to wind down the business. The second is not unreasonable. It assumes, of course, that other people have managed to define an effective (or, at least, acceptable) response to new issues. If they have, then you are clearly in catch-up mode. That could be a stop-gap position while you work on the third way.

The third approach is necessary if you are to regain the initiative in a situation or if you need to respond rapidly and effectively.

By definition, new solutions to new problems need creativity. If you have not nurtured a capacity for creative, original thinking and initiative taking, then you will find it hard to be creative “to order”.

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Being creative provides you with alternatives. It allows you to see a wealth of possibilities beyond the obvious. This applies to solutions but also to potential events, opportunities, threats, enablers and barriers. As a result, you are likely to have more robust plans and good contingency plans should your initial approach go awry.

The term *agility* is very fashionable in business circles at present. Often it is being used in relation to new technology solutions and business processes. However, the most important *agility* derives from the mental and behavioural flexibility that result from a creative mindset.

## Attract and Retain the Right People

So do you need to staff your organisation with artists, writers and musicians or perhaps with nuclear physicists?

The good news is that everybody is capable of being creative, given the right stimuli and support. There is also evidence that suggests great business creativity tends to result from a group process as opposed to isolated bouts of individual inspiration. Furthermore, we know that ideas that have been incubated in a group environment are far more likely to be taken onboard and implemented.<sup>iii</sup>

Some research suggests that people at work can be categorised in two broad groups. Those that are radical *innovators* and those that are more incremental *adapters*. Both are important to the creativity of an organisation. The former are perhaps most comfortable in an overtly *creative* environment but by harnessing the creative potential of the latter we get ideas that are robust and workable.<sup>iv</sup>

The type distinction is a crude one but serves to illustrate the point that an effective creative organisation requires people with a range of personalities and thinking styles.

Nurturing creative thinking requires certain enabling factors in management style, these include:<sup>v</sup>

- Encouraging initiative-taking and willingness to take some risks
- Acceptance of ‘honest’ mistakes and using these as learning points
- Allowing people time to *think* as well as *do*
- Encouraging informal networks inside and outside the business
- A willingness to allow challenge and questioning – no ‘sacred cows’
- Setting stretching but relevant challenges requiring solutions
- Allowing individuals and groups space to organise and manage their own work and define aspects of their roles
- Encouraging diversity, individual expression, humour and fun in the workplace
- Recognising and rewarding teams and individuals that generate ideas
- Continual reinforcement of the above through management actions as well as words.

Clearly, there is a case for balance in all things. There needs to be some control and management of risk. You can only afford so many “big” mistakes – but by encouraging honesty about mistakes, they will be raised when they are still small, rather than being hidden until they are large. Individuality and expression is good but it needs to be done with due regard for the needs and feelings of others.

Interestingly, the attributes of a more creative workplace bear striking similarities to the conditions many management writers prescribe to ensure improved motivation.

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So, by nurturing a more creative environment we are also incubating a workplace that is more attractive, enjoyable and productive.

## Developing the “C-factor”

So, how does an organisation go about developing the all-important capacity for creativity - the “C-factor”?

The key lies in cultivating and supporting the appropriate behaviours in leaders at all levels in an organisation. These leaders, in turn, inspire and support these behaviours within teams. The ten core behaviours are:

- Connect & receive
- Explore
- Play
- Construct
- Adopt & encourage different perspectives
- Use both logic & intuition
- Provide time & space
- Inspire & motivate
- Provide focus
- Reflect & learn

A detailed description of each of these ten core behaviours can be found in the document: “[The AlterativUs™ Framework](#)” and at the website: [www.alterativus.com](http://www.alterativus.com).

Critically, these behaviours are intended to enable creative action as well as thinking.

In addition, the development of skills in creative planning and problem-solving needs to become a core element of the training and development curriculum.

There are implications for various aspects of the organisation’s infrastructure. The most critical of these are in processes for reward and recognition. These may need to change to ensure that the correct behaviours are encouraged. For example, performance measures that are based purely on financial performance (particularly profit percentages and costs) tend to promote cautious, risk-averse behaviour.

## Summary

Creativity allows us, as individuals, to cope better with the increasing change and uncertainty in our world. We are more likely to spot or create opportunities. We identify solutions to problems. We become more flexible and resilient.

By extension, organisations can realise similar benefits by enhancing their capacity for creativity. In particular, they can enjoy:

- Improved competitive positioning : Creativity provides an engine for continually generating new strategies, products and services to gain an edge in a world where *sustained advantage* is a thing of the past

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- Increased adaptability to change : Creativity allows organisations to spot changes in the environment, to recognise the potential (for pain or gain) and formulate a meaningful response
- More ability to attract and retain the right people : Creativity makes the workplace fun. It makes work more energising and more intrinsically rewarding. Your company becomes a more attractive place to work.

Organisations can develop the capability for both creative thought and action by nurturing and supporting the right leadership and team behaviours:

Connect & receive, Explore, Play, Construct, Adopt & encourage different perspectives, Use both logic & intuition, Provide time & space, Inspire & motivate, Provide focus, Reflect & learn

Further, skills in creative planning and problem solving need to feature strongly in training and development.

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## References

<sup>i</sup> For a strong perspective on the changing face of the competitive environment see : *The Innovation Explosion* (Quinn, Baruch & Zein) , Free Press, NY, 1997

<sup>ii</sup> *The Innovator's Dilemma* (Christensen), Harvard Business School Press, Boston, 1997 gives a lucid account of how great firms fail to spot and deal with new trends

<sup>iii</sup> *Creative Management* (Henry ed.), Sage, London, 2001 is an excellent collection of perspectives on creative management

<sup>iv</sup> *Adaptors and Innovators* (Kirton) in *Creative Management* cited above

<sup>v</sup> Goran Ekvall has conducted some enlightening research into the conditions in an organisation and its impact on creativity – see, for example, *Creativity and Innovation Management*, Blackwell, London, 1997