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Corporate Innovation - the Role of Internal Revolutionaries

A thesis submitted in fulfilment of the requirements of the degree of Doctor of Philosophy

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Declaration

I certify that except where due acknowledgement has been made, the work is that of the author alone; the work has not been submitted previously, in whole or in part, to qualify for any other academic award; the content of the thesis is the result of work which has been carried out since the official commencement date of the approved research program; and, any editorial work, paid or unpaid, carried out by a third party is acknowledged.

Signed:

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Date: 21 February 2008

Abstract

This integrating essay reviews three books, *Inclusive Leadership*, written with a co-author, Brian Hirsh, *Ronin and Revolutionaries* and *The Ronin Age*. The essay explores the idea of the internal revolutionary, or Ronin, and examines various models of leadership and influence that have characterised organisational thinking over many years, and the challenges that Ronin pose for leadership and effective management. It also explores the extent to which the focus on innovative thinking is increased by the growing importance of knowledge as a key competitive issue.

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Summary

This integrating essay reviews three books. The first of these, *Inclusive Leadership*, was written with a co-author, Brian Hirsh. The other two, *Ronin and Revolutionaries* and *The Ronin Age*, were written by me alone, and they are the particular focus of this submission.

In recent years, there has been a great deal of interest in innovation, particularly as this seems to play an increasing role in the successful competitive performance of organisations. Much of the research that has been undertaken has looked at the factors that internally and externally help to create a climate in which innovation can flourish. This research has looked at organisational structures, the relationship between innovation and product life cycles, and the internal processes and systems of organisations. There has also been a great deal of research on creativity. However, relatively less attention has been paid to those individuals who are often a potent source of innovative ideas, people sometimes referred to as internal revolutionaries or activists.

In looking at such people, the term Ronin was adopted, drawing on the role that Ronin played in Japan during the time of the Industrial Revolution taking place in Europe. They were people who were willing to look and travel outside, and bring back new and revolutionary ideas – offering an analogy with the role that some companies now see as important in obtaining revolutionary thinking. At the same time, Ronin also were not anxious to overthrow the feudal system in Japan (in other words to be true revolutionaries) but rather wanted to help achieve the goals of the country, and were willing to do so by advocating novel and different ways of acting. Again, this captures another organisational need, which is to have innovators who share the ends the organisation is striving to achieve, without being committed to the current means.

In exploring the idea of the internal revolutionary as a Ronin, *Ronin and Revolutionaries* and *The Ronin Age* explore a number of themes. They look at the various models of leadership and influence that have characterised organisational thinking over many years, and the challenges that Ronin pose for leadership and

effective organisational management. The books also explore the extent to which a focus on innovative thinking is being increased by the growing importance of knowledge as a key competitive characteristic.

This initial overview is then explored in some detail in looking at a case study, the introduction of an innovation system in a major company. From this case study, a project undertaken by the author over a three year period, a number of themes are examined which appear to be important in supporting innovative thinking and its application.

The last part of this essay then examines some tools that Ronin can use in order to focus their interests. It looks at an approach that concentrates on *how* a business runs, rather than what it makes or offers to customers, and provides a framework for effective 'Business Concept Innovation'. This framework is set within a broader framework concerned with how to assess, review and implement innovative approaches. Finally, the essay then explores some of the skills that are required to be successful as a Ronin, as well as the attributes that managers require to successfully harness the skills of Ronin skills within the organisation.

Introduction

From research in the 1950s and 1960s on the management of research and development operations, through to extensive research on R&D, commercialisation, innovation and entrepreneurship today, there is a vast literature that refers to the challenges facing organisations seeking to develop and implement new and creative approaches. Given this, it is not surprising to find that there are many areas that been extensively studied, and that there are few that represent entirely new avenues to explore.

Broadly viewed, and as examined in some more detail below, a very significant amount of management research on innovation and entrepreneurship in organisations in recent years has been concerned with three themes –

first, the structural issues that face larger companies seeking to be innovative, with models ranging from the 'skunk works' approach (Peters and Waterman, 1982, page 201), through to the ambidextrous enterprise (O'Reilly and Tushman, 2003), the innovative company (these models and approaches are well summarised in Leifer et al, 2000), and management imperatives (most recently reviewed in a key essay by Kuratko, 2007);

second, the relative success of different approaches to innovation in relation to the life cycle of the product or service a company offers, either focussed on an emphasis on changing the underlying business concept, (as Hamel has explored in detail through his analysis of business concept innovation (Hamel, 2000)), or an examination of the product life cycle, and the relevance of different types of innovation (see, for example Christensen and Raynor, 2003),

- it should be noted that more recently – and since the publication of my books – there have been a number of approaches to bringing these first two themes together, as for example the work by Moore (2004) which suggests that innovation types and market life cycles interact in a systematic way);

third, and finally, the importance of organisational culture, and the extent to which the nature of the systems and processes inside organisations are themselves an inhibitor in relation to creative and innovative thinking. Again, this point has been

well explored by Hamel (2000) (see also Hamel and Valikangas, 2003; Hamel and Getz, 2004), and recently re-examined by Hellman (2007).

At the same time, there is an extensive body of research, mainly in psychology, that has looked at creativity and the factors that influence this (Gardner, 1993, summarises much of the research in this area; Miller, 1999, exemplifies much of the thinking on what encourages creativity), and on creative thinking in organisations and the techniques that can aid this (see, for example, Rickards, 1988, De Bono, 1995, and Buzan, 1993).

However, relatively less attention has been paid to the capabilities required of creative and innovative thinkers to operate effectively inside organisations, and the dilemmas and challenges they face in working within essentially bureaucratic and risk averse systems and structures.

This seemed to be an area that deserved attention, and that linked with another theme, which also became a focus for attention in the 1990s, and this was the rethinking of companies, their purpose and how they operate (Handy, 1990). In fact it was this issue, and in relation to this the specific topic of new approaches to leadership in organisations that had first drawn the attention of this author, and as a result led to the publication of the first of the three books covered in this overview, one jointly written with Brian Hirsh (Hirsh and Sheldrake, 2000).

In particular, *Inclusive Leadership* was written in response to the emerging discussion that was taking place on the importance of developing organisations that were inclusive in relation to all their stakeholders, an approach that had emerged from the work of the UK Royal Society for the Arts in its 'Tomorrow's Company' project (Goyder, 1998).

However, *Inclusive leadership* did not centrally address the importance of innovation, nor the issues that arise when organisations seek to encourage and sustain innovative and entrepreneurial thinking. As a result, the author completed two other books – *Ronin and Revolutionaries* and *The Ronin Age* (Sheldrake 2003a and 2003b) that looked directly at this area. As a contribution to thinking about innovation and

entrepreneurship, these two books drew on reading, consulting and research undertaken by the author over a number of years, and were concerned with the challenges of encouraging creative thinking and new business development in larger organisations. Using the Japanese Ronin as a metaphor, the two books explore the ways in which such companies need some staff that are often described as 'internal revolutionaries', and the skills and techniques such people might employ.

The first book, *Ronin and Revolutionaries*, is the more analytical of the two. It explores the relation ship between:

> (external) revolutionaries, who topple existing practices and organisations from the outside, in order to introduce new ways of behaving, and
> Ronin (internal revolutionaries) who seek to find new ways of working within the context and objectives of the organisation.

The second, *The Ronin Age*, provides a more practical focus, setting out tools and strategies for Ronin to use.

This essay seeks to explain the context in which these books were written, and to introduce the main themes. It is in four parts.

First, there is a literature review, which gives a background to the books, explaining from where they originated, and how they relate both to other work the author has undertaken, and to the work of others.

The second section examines the leadership theme within the books, especially in the first half of *Ronin and Revolutionaries*, and links that theme to some contemporary literature on the relationship between leadership and change, as well as some more classical writing.

The third section examines the importance of innovation for larger organisations, and the challenges they face in trying to support and sustain innovative and entrepreneurial thinking. This contains a brief discussion of one major project with which the author was engaged, and which was the source of some of the material that is used in both books.

The fourth, and longest, section looks at the role of the internal revolutionary, and the techniques that such people might employ. It draws on recent work on business concept innovation. This is an introduction to a theme that is explored in detail in *Ronin and Revolutionaries*, and then summarised, and simplified, in the more practical second book, *The Ronin Age.*

While the first book was a joint endeavour with Mr Brian Hirsh, the other two are entirely the author's own work. Nonetheless, as is always the case, all three draw on ideas, discussions and suggestions that have been made by many people. At the same time they reflect an inheritance that goes back to early philosophy on the one hand, and to contemporary research and practice on the other. They are exercises in the scholarship of integration, seeking to bring together and develop ideas formulated by others, but in a way that is intended to provoke thought and encourage practice.

While this integrating essay is concerned with these three books, the author has presented a number of papers and given talks at conferences over the last five years on the same themes. These will not be separately discussed here, but are included in the list of references (see Sheldrake 2000a, 2000b, 2001a, 2001b, 2003c, 2004a, 2004b, 2005a, 2005b, 2005c, Sheldrake, Becker and Hurley 2000, Sheldrake and Hurley, 2002, Sheldrake, Chen and Ji, 2003).

Literature review

There are two areas of literature that provide the context for these books. The first is concerned with re-examining the nature and purposes of organisations, and this is of particular relevance to *Inclusive Leadership*. The other area of the literature that is relevant is that concerned with innovation and entrepreneurship in organisations, and this is of particular relevance to *Ronin and Revolutionaries* and *The Ronin Age*.

Re-examining the nature and purpose of organisations

In looking at the first of the two areas identified above, rethinking organisations and their purpose, there is, of course, a vast literature. A particular focus to the many issues within this topic was given in his Presidential Address to the Royal Society for the Arts, Commerce and Manufactures (more commonly known as the Royal Society for the Arts, or the RSA); when Charles Handy asked the provocative question "What is a company for?" (Handy, 1990). His intention was to raise a number of important issues about the nature of an enterprise in contemporary society. Given the increasing importance of knowledge and the challenges being raised by sustainable environmental and economic thinking, he explored the issue of the 'place' of the company in society, the extent to which treating a company as a 'natural person' still made sense, and he also challenged the notion that companies could 'own' people. Handy suggested some new themes to explore, and in particular the idea that companies might be more like membership organisations.

The lecture was an important one. In the UK it led to a project being undertaken by the Royal Society for the Arts, Manufactures and Commerce (RSA) under the direction of Mark Goyder. The 'Tomorrow's Company' project looked at the issue of the responsibilities a company has to its various stakeholders (advocating that success comes from meeting the needs of all stakeholders – at least to some extent) rather than just focussing on a few. It also saw that the existing focus on shareholders and their rewards was having a distorting effect on the ability of companies to achieve their goals (RSA, 1995). The report led to the decision to 'spin out' the project, and the Centre for Tomorrow's Company (CTC) was formed, which has continued to explore these issues (Goyder, 1997), more recently reporting on financial assessment issues

(CTC, 2004). The current work of the Centre is now focussed on the global company of the future, again addressing the role of such companies in the contemporary world.

Charles Handy's paper (1990), and the subsequent RSA 'Tomorrow's Company' project, as described above, had a major impact on thinking about organisations, their purposes, structures and governance. Among many areas in which this 'rethinking' has had a number of consequences are the broad areas of business strategy, and, for the public sector, public policy analysis.

It became clear in the 1990's that the context for developing business strategy was changing. In part this was a function of the increased pace of competition. Rapid rates of technological change, globalisation and customisation were all increasing the intensity of competition. At the same time, the sudden burst of developments in the IT arena were leading to a re-evaluation of the strategic models that had dominated thinking over the previous two decades (these issues are well explored in Brown and Eisenhart, 1998).

At the same time, in an almost contrarian fashion, writers were finding relevance in the thinking of great writers from the past, especially in relation to such complex matters as values in organisations (Ciulla, 1998), the nature of human behaviour (Denby, 1996, Gress, 1998), and leadership (O'Toole, 1993). The recognition of the relevance of these writers over the centuries had been recognised over many years, of course, especially through the work of bodies like The Aspen Institute in the USA, which was established in 1949 in order to bring the discussion of their work into a forum that brought together managers, leaders and thinkers (the development of The Aspen Institute in its earlier years is described in Hyman (1975), and the underlying humanistic movement, developed at the University of Chicago, is carefully documented by Allen (1983)).

The Aspen Institute has conducted seminars for over 50 years that introduce – or re-introduce – practising managers to the writing of philosophers, political scientists and historians from Ancient Greece though to the 20th Century. The key seminar is the 'Executive Seminar' which introduces participants to a carefully chosen selection of texts from the 'great writers' and then explores them in a Socratic style (the origins of

this approach as described in Allen (1983, pages 236-239). Those attending these seminars have been struck by the contemporary relevance of much that was being explored by these writers – from Plato and Machiavelli on human nature and behaviour in organisations, through to Confucius, Locke and Marx on systems and structures and their impact on the individual. Some of the key writers advocating this approach include, for example, Hyman (1975), Allen (1983), and more recently Denby (1996), all of whom have described the impact of analysing a number of carefully selected readings. An overview of the readings that have typically constituted the core program of The Aspen Institute was published in a two volume set of extracts (The Aspen Institute, 1997).

There has been a very significant body of research that has re-examined many of these great writers, and the dangers of accepting their frames of reference – particularly since the development of post-modernist critiques (a topic well summarised in Harvey, 1989). However, while accepting some aspects of the important critiques that have been developed, there is a continuing strand of analysis that considers the fundamental issues to do with ethics, integrity, values and human nature are still well examined by these writers, and provide an important platform on which to assess current arguments about the nature and future of organisations and their role in society (see, for example, Gress, 1998). A particularly eloquent advocate of the Aspen approach, and its relevance to contemporary organisation has been James O'Toole (see, especially, O'Toole, 1993).

One theme that this literature illuminates is accountability, and this was an area that the author had given some attention to some years ago, when he had looked at accountability with particular reference to higher education (Sheldrake and Linke, 1975). In the light of the provocative questions raised by Charles Handy in his 1990 lecture, the theme of accountability in organisations was given fresh life, and this was reflected in subsequent publications that returned to the ideas of 'stewardship', as with the seminal work undertaken by Peter Block and reported in his book *Stewardship* (Block, 1993). There was also a resurgence of interest in the concept of 'servant leadership' which had been advocated by Robert Greenleaf some 20 years earlier (Greenleaf, 1977).

Key to this emerging set of ideas was the central emphasis placed on the view that companies were accountable not just to their shareholders, nor just to all of their stakeholders, but also more generally to society. The importance of triple bottom line reporting (Elkington, 1997), and importance of the development of new models of corporate accountability (as noted above in the work of the RSA and Centre for Tomorrow's Company) has led to an interest in what came to be described as the "inclusive approach" (described and examined in Goyder, 1998, pages 79-103).

This was the background to the author's interest in the concept of inclusive leadership, and resulted in a review of this topic, complemented by a number of case studies of companies that had successfully developed greater stakeholder and social awareness, and which described the ways in which this had contributed to their business effectiveness. That book, *Inclusive Leadership*, was published at the end of the decade (Hirsh and Sheldrake, 2000). It examined the importance of business success models that were more complex than is often considered in business strategy analysis, and sought to achieve goals and outcomes that benefited all the stakeholders in the organisation, rather than just a narrow focus on profitability and shareholder returns.

However, while this is an important theme in contemporary business, the book did not address the source of new business initiatives, and the role that new business development needs to play in the success of established enterprises. The importance of new business development becomes even more evident in an increasingly globalised and competitive world. Indeed, while a rapidly changing competitive environment requires a rethinking of strategy, and the consideration of business models that examine the relevance of stakeholders and even triple bottom line reporting and corporate responsibility, there have been other important factors at play. Such an environment also places increased emphasis on the importance of corporate innovation and entrepreneurship.

Innovation and entrepreneurship in organisations

The theme of innovation has been an important one for many decades in management theory and practice. However, as with most words in the management lexicon, there are many different definitions, and many writers have highlighted the problems this causes (eg. Hitt et al, 2002; Shane and Venkatamaram, 2000; and Garcia and Calantone, 2002). Usually the word 'innovation' is restricted to ideas that have been realised in the form of a product or service for which there is a potential market. More broadly innovation is also taken to include changes in the processes and systems of the organisation itself (Innovation Summit Implementation Group, 2000). Following recent general practice, innovation here is taken to include product innovations, process innovations (which may be internally focussed or relate to customer service processes), and business model innovations (see Hamel, 2000 for an important analysis of this last category within this framework). Further, innovations may be incremental (or sustaining, or continual improvement), or radical (discontinuous, revolutionary or disruptive) (see, among many others, Christensen, 1997; Christensen and Raynor, 2003; Tushman and O'Reilly, 2002).

In some cases, innovation is defined to include the process of actually developing a business around that innovation. Here, the word 'entrepreneurship' is used to refer to the process of building a new business, based either on an innovation, or on an existing product or service (cf. Timmons, 1999; Stevenson et al, 2000). Entrepreneurship in this sense has had a more chequered history in the literature, as the term is sometimes viewed with concern (especially in relation to the ethical practice of entrepreneurs), and sometimes with favour (as at present when entrepreneurial skills are more valued – as was shown in the emphasis placed on this area in the Innovation Summit in 2000, and the subsequent report of the Innovation Summit Implementation Group (2000)).

As noted in the introduction, the field of innovation and entrepreneurship is vast, and within this there has been considerable attention to these capabilities and their exercise in larger organisations. In general, the literature falls into the areas of structural issues, different approaches to innovation, and the importance of organisational culture. Relatively less attention has been paid to the nature of those

people who are the sources of innovative thinking, although there is a long research tradition in looking at the management and support of research and development staff in organisations (see, for example, the classic key research of Pelz, in Pelz and Andrews, 1966).

a. Structural issues

In relation to structural issues, the major issue that has drawn attention has been whether it is more effective to establish separate innovation units or project teams (see, for example Mintzberg and Quinn, 1991; Tushman and O'Reilly, 2002), or to establish innovation as an organisational compatibility that should be found throughout the organisation (Christensen and Raynor, 2003; Hamel, 2000; Utterback, 1994). Case studies of successful innovation reveal that to a significant degree organisational structures are more important in inhibiting innovation, rather than promoting it, and this has led a writer like Hamel to comment on the importance of what he calls 'activists' (Hamel, 2000). Hamel's identification of the key role played by activists was an important starting point for the development of the Ronin model.

b. Approaches to innovation

A striking recent development in the literature has been an increased sophistication in understanding the relative success of innovation in relation to the life cycle of products and services – especially with the work of Christensen and Raynor looking at the factors that seem to predispose successfully opening up new markets (Christensen and Raynor, 2003). While this work does not address the sources of innovative thinking, it has added a new dimension to the effective implementation of innovative ideas. While this research was not available when the two books on Ronin were published, the work of Christensen and Raynor adds strength to the importance of treating the customer element of systematic business concept innovation as a key and distinctive area (cf. Hamel, 2000).

c. Organisational culture

However, it is from research on the culture of organisations that a particularly important impetus was given. Clearly, some perspectives on organisations see them as a portfolio of resources and competencies (e.g. Hamel and Prahalad, 1994), and this leads to a highly rationalistic model of assessing environmental and industry requirements and competition and the use of resources and competencies to achieve maximally effective competitive positioning. Drawing on Porter (1980), there has been an extensive development of systematic approaches to competition and the use of competencies (see, for example, Christiansen, 2000; Zack, 2002; Shapiro, 2001; and Brown and Eisenhardt, 1998).

While this approach has been a driver of sophisticated strategic analysis models, a second approach has been to look at culture in a broader framework, setting the values, ways of behaving and values that characterise the priorities and focus of the organisation. This has led to a number of studies looking at the 'internal environment' of innovative companies, ranging from seminal work by Drucker (1985), through to more recent studies by Tushman and O'Reilly (2002), Collins and Porras (1996), Clarke and Clegg (1998), and Brown and Duguid (2000).

A particularly important study was undertaken by Kuratko, Montagno and Hornsby et al (1990), which surveyed a number of leading firms and identified five factors that appeared critical in establishing a climate conducive to innovation:

- senior management commitment
- a willingness to take risks
- structure
- incentives and rewards
- resourcing.

In a similar fashion, Tushman and O'Reilly conclude that both structure and culture must be aligned to ensure effective innovation (1997). Again, while these are clearly important factors, they sidestep the question as to who is going to make use of this environment, and the challenges facing a creative and innovative person working within a well- structured organisation. Once again, activists seem to flourish in spite

of (and sometimes in opposition to) organisation cultures that are far from conducive to creative thinking and ideas.

Another response: the Ronin concept

As the unfolding challenges of the 1990s become clearer, it was evident that there were two emerging and critical issues:

> Corporations needed to be more innovative and entrepreneurial, as the ability to remain successful by continuing to undertaken business in the same way as in the past became less tenable, and
>
> Creative and entrepreneurial thinking was more usually found outside of organisations.

A key to this was given to the author by a colleague, who told him about his interest in the Japanese Ronin. For him, Ronin were the prototypical 'outside' change agents, living on the margins of Japanese society. As this colleague had discovered, Ronin were samurai who no longer were tied to a feudal lord – often because their leader had been defeated. Under Japanese feudal tradition, samurai were expected to do as they were told – trained fighters who fought as directed, and died in the service of their master. However, the 'master-less' samurai, the Ronin, became independent – in thinking and in behaviour. As outsiders, living by their wits, some travelled – even outside Japan. During the Meiji period – in the 18th and 19th Centuries - they found themselves in unexpected and unfamiliar situations, and discovered that in the West the Industrial Revolution was taking place. Many of those who travelled came back to Japan, and shared what they had learnt. They were an important source of change in Japan.

For this colleague, the notion of the Ronin was a metaphor for the independent thinker. Beverly Potter's book (Potter,1984), had been the source for some of his thinking, and her analysis of the ways in which it is possible to both survive and enjoy being a revolutionary is both perceptive and interesting. However, it focuses on the individual. An alternative theme is to see the concept of the Ronin as being a metaphor for an 'internal revolutionary', a person who is a member of the organisation, but lives on the edge, always striving to see new, different and better

ways to do things. Ronin can be key elements in enabling organisations to be innovative and entrepreneurial – but the life of a Ronin is always likely to be marginal and challenging.

In summary, the approach set out in *Ronin and Revolutionaries* and *The Ronin Age* derives from two sources. The first is that initial exploration of the idea of the Ronin, triggered by discussions with the author's colleague some years ago. The second was the publication of Gary Hamel's book *Leading the revolution* (2000), which set out the elements of the business concept innovation process. Hamel's research linked with my own ideas to form the basis of a new approach to sustaining organisational innovation – through supporting and enabling 'internal revolutionaries'.

There are three themes that relate to the two books that are discussed in the remaining sections of this overview:

1. exploring ideas to do with the nature of the enterprise,
2. examining the importance of innovation and entrepreneurship for organisations, and the tension between organisations and revolutionary change, and
3. developing the role of the 'outsider' as the source of radical thinking

Rethinking companies

When we stand back and look at the nature of the enterprise in the 21st Century, as others have observed, it has a number of flaws, (see, in particular, the critique by Handy, 1990, as discussed above, which is further developed in his later book *Beyond Certainty,* 1995). These derive from the history of the corporation, created as a legal entity in order to raise money for projects that could not be met out of the pockets of individuals, allowing risk to be shared as well as finance to be raised (Micklethwait and Wooldridge, 2003). As these authors document, from these beginnings, companies developed and proved to be a very efficient way to manage knowledge, control processes and harness technologies. From their instrumental starting point, corporations have come to dominate the lives of individuals, and the structure of society. However, as enterprises have grown in size so this inevitably has led to a situation where major efficiency gains have been more difficult to achieve given the inevitably bureaucratic nature of the large organisation. There are two issues that are of particular importance to the approach the author has taken.

First, there is the assumption that people need to be convinced – even coerced – to act in the way that the corporation wishes. This is predicated on the view that people act in their own self interest, and usually with a very narrow focus. Based on this assumption, organisations create a network of rules and regulations, and exercise power in a hierarchical and authoritarian fashion. It is not surprising that many managers find Machiavelli's book *The Prince* insightful about their role and responsibilities (even if the language has to be modified to replace murder with outplacement and lateral moves!).

The second issue derives directly from the legal formation of companies, and this has as its starting point assumptions about ownership: there is a presumption that people can 'own' a company (as shareholders), yet as knowledge becomes more important, this implies that the key element of what is owned is the people, in other words that shareholders 'own' the staff. In many mergers and acquisitions in recent years, a particularly valuable element of the purchase has been the key employees that have been 'bought'. Is this a necessary way to think about companies? Given his own background, the author was interested to explore the works of the great thinkers over

the last few millennia as a guide thinking about some of these issues – and this was the starting point for the *Ronin and Revolutionaries* book.

Models of leadership

When we turn back to those great thinkers, we find that 2,500 years ago three of them developed three quite different themes in reflecting on power and leadership: Plato, in *The Republic*, was interested in the enduring importance of absolute values, and the importance of the disinterested pursuit of these; Kautilya, in advising the great emperor Chandragupta, focussed on what he saw as the realities of obtaining and maintaining power; and Confucius, as a teacher concerned with ensuring the stability of society and the obligations of the better off to the poor, emphasised the idea of service. As we look back over the centuries since these three were alive, it has been the image of leadership as being concerned with the exercise of coercive power that has been the most potent (and, as a corollary, the view that individual self-interest is the core of human nature). Even today, most books about leadership are about how you can ensure others will follow your path. A particularly striking example is in Kotter's work on change, which draws on the research of many other authors to explain how to bring about change by ensuring you are taking people with you: "The central challenge in all eight stages is *changing people's behavior*. The central challenge is not strategy, not systems, not culture. These elements and many others can be very important, but the core problem without question is behavior—what people do, and the need for significant shifts in what people do" (Kotter, 2002, page 2).

As an illustration of this, when we look at many of the famous figures of the past, it is clear they have tended to accept views espoused by people like Kautilya – making change is about seizing power, and then keeping it. When it comes to seizing power, one of the great observers of this process was Machiavelli, whose observations have been influential in western thinking for the last five hundred years. Incidentally, in thinking about the ideas espoused by Machiavelli and others, the author realised there is a subtle but important distinction to be drawn here between revolutionaries who seize power to change the system, and rebels, who seize power in order to take over – but don't change the system – a point to which we will return later in this essay.

In thinking about the continuing dominance of this approach, the author was struck by the mismatch between coercive leadership and the challenges organisations are facing at present. It seemed that at the level of organisational practice, in a world of increasingly rapid change and uncertainty about the future, the dominant managerial and organisational models were not working well. Through most of the last century, we perfected the hierarchical 'command and control' organisation, where tasks are specified in great detail (the division of labour) and a complex pyramid looks after the operation and control of these tasks to ensure effective delivery of goods and services. This logical extension of Machiavelli's views has proven to result in an extraordinary system: it has produced telephones in the home and in a pocket, jumbo jets, and an unparalleled increase in the standard of living for the developed and much of the developing world. It is advocated as the solution for the rest of the world - to boost standards of living, and increase global wealth.

However, as the continuing evidence of company failure in the past decade has shown, many organisations that thrived in a less turbulent world find it less easy to survive as the environment is characterised by rapid change and when uncertainty is rife. The failures and successes of recent years suggest that those types of organisation and approaches to management that are flexible, responsive, and adaptive and allow those that deliver services to change what they do as circumstances require are more likely to be sustainable through an environment that is less predictable and more volatile. There have been many responses to this situation. One theme has been to turn the pyramid on its head, and instead of talking about 'command and control' to talk about 'servant leadership' (Greenleaf, 1977). Another approach has been to argue that instead of being focussed on setting the five year plan, we should be concerned with adaptation and values based leadership (perhaps one of the most interesting exponents of this view is Terry, 1993).

Second, at the level of management practice, the demands are equally dramatic. Managers are expected to be consultants, coaches and facilitators, 'enabling' staff, rather than directing them. We are witnessing a great deal of rhetoric about 'empowering' staff (although so far it seems the rhetoric exceeds the real change), and managers are expected to become team leaders, or even just team members.

Despite the dominance of the coercive model, the idea of service has been growing a small but increasing band of supporters: servant leadership (Greenleaf, 1977) and adaptive leadership (Heifetz, 1994) are among the more recent views of leadership that have been gaining support, as contemporary developments of a line of thinking that can be traced back to Confucius.

At the same time, there is also a growing concern about the importance of values in leadership, not as part of the banner under which the company is led, but as part of the authentic expression of ideas central to each person. A critical writer on this has been Terrey (1990).

Knowledge and people

The second challenge that was of particular interest to the author was that concerned with the increasing importance of knowledge and its consequences for organisations. Clearly, one change that has taken place in the past few years is an explosion in available information through access to information technology and the associated changes taking place in telecommunications. The consequences of this explosion in available information are evident. As a result, and partly because information in itself is of no value, the assessment of information – knowledge - is becoming a very valuable asset. However, while recognising knowledge is an important asset, this still leaves us with many challenges regarding how to collect and assess the knowledge that a company possesses. While it is fashionable to try to develop ways to measure the 'stock of knowledge' of a company, (it seems to be the latest way to boost the share value of an enterprise, now that we have extracted the last dollar out of brand and reputation), the task of 'capturing' knowledge remains formidable.

Explicit knowledge is readily accessible, of course, as the name suggests (even if some of it is challenging to understand!). Universities live by codifying knowledge and then passing it on to students. Textbooks and academic monographs represent the codified knowledge stock of a society. Far more interesting are the other two categories.

Tacit knowledge is a hidden asset in most companies, and one that is most often overlooked when efficiencies and improved productivity become the order of the day. The explosion of information that is available compounds lack of understanding of the importance of tacit knowledge. Many senior managers confuse the two, and feel comfortable that they have 'all the information', without realising that they don't know how to use it. In other words, we often don't know what we know, and we don't know when we have lost it. Recent work on tacit knowledge, particularly in Japan, has addressed ways in which this organisational resource can be made available (see, for example, Nonaka and Takeuchi, 1995; Sakaiya, 1991; and Takeuchi and Nonaka, 2004).

Despite the long history of philosophical exploration of epistemology, knowledge about knowledge is another key category of knowledge that is poorly understood in companies. Drucker was an early exponent of its importance in thinking about business (Drucker, 1980), and this was a theme that was developed by Senge (1990) in exploring the models that managers use. The world of business is just beginning to catch on to the fact that all this might be relevant to them. Even today, we describe those few analysts who try to see the world in different ways as 'mavericks', dwelling in the 'age of unreason'. However, knowledge about knowledge (epistemology, or perhaps we can just call it wisdom) is also critical. As enterprises seek to reinvent themselves, it is those who have the ability to rethink and imagine the new that are the most important contributors. This knowledge is even less codifiable - and the people even more important (see the work of Varn Allee, 2002, in redefining this area).

Charles Handy expressed this much more cogently when he suggested that knowledge was 'sticky', 'tricky' and 'leaky'. It is sticky because it can't be alienated when you sell it; it is tricky, because it is not easily measured. It is leaky, because it walks out of the door with your staff when they leave the organisation (Handy, 1995, pages 200-201).

This suggests, then, that we face two challenges in looking at knowledge and knowledge work. First, while knowledge can be bought and sold, it cannot be alienated, and the seller 'keeps' what he sold. Second, knowledge workers cannot be treated like traditional factors of manufacturing production. Insofar as business is built upon the principle of creating value through economic exchange, then these two challenges lead

to the conclusion that either a `knowledge business' is impossible or else it must be organised so as to contain these challenges.

This latter is exactly what we have seen. The development of knowledge businesses has been characterised by transitional forms of enterprise, and experiments in relation to the application of property laws and patenting. These approaches are transitional because we need some new models with which to make sense of the knowledge economy and to manage knowledge based enterprises. The knowledge economy poses us with a number of critical challenges, and these are being made all the more pressing as many businesses are in the process of becoming knowledge businesses willy-nilly (see Brown and Duguid, 2000). As physical labour is increasingly being taken over by machines, the workers that are left are becoming `knowledge workers' without a sufficiently clear idea of what this means (Rifkin, 1995, and Bridges, 1995, have written some seminal books on this topic, and Fukuyama, 1995, has addressed issues in what he describes as 'the great disruption').

One of the obstacles to developing some new models is the idea that knowledge and material production are somehow separable. Yet in the history of mankind initially, knowledge was inextricably bound up in material production, in physical labour, because everyone had to work in order to live. It was only with the development of knowledge within the production process, whether this was in agriculture or in hunting and gathering, that a surplus made it possible for some people to live without doing physical work. Only then was it possible to begin to think that knowledge was somehow separable from material production, that knowing and doing were not aspects of the same thing: myths and legends became important to help people make sense of the world in which they lived, and shaman and other 'interpreters' helped people analyse situations and problems through their access to specialised or sacred knowledge.

Because the heart of the industrial era is material production, and because business performance is evaluated quantitatively according to categories rooted in the exchange of commodities, this historically determined theoretical separation of knowing and doing has become embedded in the frame of reference of business. As knowledge work expands while physical labour diminishes, these categories, and this theoretical separation becomes increasingly untenable.

In summary, there are two problems inherent in the emerging knowledge economy. First, the nature of knowledge and knowledge work does not fit within the traditional – and prevailing – industrial paradigm. Given these two problems, it seems likely that managing knowledge work in Second, the mistaken belief that knowledge is separate from action is no longer sustainable. organisations require a different approach from that to which we have become accustomed.

Ronin and Revolutionaries

These two themes – models of leadership, and the emerging importance of knowledge – formed the basis of *Inclusive Leadership* and the first part of *Ronin and Revolutionaries*. This area continues to be 'work in progress', and the author hope to return to these themes in future writing, as there is a great deal more to be said about the nature of the organisation, and the form the corporation might take in the 21st Century.

Corporate innovation and entrepreneurship

It has long been recognised that innovation and entrepreneurship are critical for established corporations, as well as being the basis for many new companies to become established. However, the last decade has seen a flurry of publications on the themes of corporate entrepreneurship and corporate venturing. Leifer, McDermott, O'Connor and Peters (2000) alone refers to more than one hundred studies in an overview of radical innovation, and Christensen and Raynor (2003) include more than fifty case studies in their analysis of innovation. The reasons for this are complex, but at least one driver has been the increasing pace of technological change, and the impact this has had on the life span and viability of organisations.

Many writers have explored the ways in which innovation and entrepreneurial activity within larger enterprises can be encouraged and sustained. A particularly helpful summary of much of this work is presented in *Radical Innovation*, (Liefer et al, 2000). While reading that literature has been a key input into the author's thinking, the major driver was the experience of working on a project to bring about major change in an Australia company.

The Orica Live Wire Project

In 1999, the author had a unique opportunity to explore this issue when he was invited to work with a team at Orica Australia. Orica, a chemicals, explosives and paints company, was formed in 1998, from the former ICI ANZ company (a subsidiary of the UK based ICI). An Australian manufacturer, Orica was structured around a number of divisions – one of which was Chemicals. In late 1999, three managers in the Chemicals division were in a team in the company's management development program, together with a staff member from the Corporate HR area.

As part of the program, the team had to undertake a project, and they had looked at the extent to which the company was building new businesses, and retaining the innovative staff they saw as necessary for the future. Their diagnosis was that the business in recent years had only managed to stay effective by constantly cutting costs, and there was a critical need to become more entrepreneurial to be effective in the 21st Century. At the same time, they saw keen graduates joining the company, only to leave after a few years concerned that it was too bureaucratic and inflexible.

The outcomes of this project formed the basis of a presentation to a panel of senior Orica managers, and the project and its conclusions were well received in late 1999. However, the response of one of the senior executives was to throw out a challenge to the group, and they were asked what they were going to do to address the issues they had identified. The task for the team was now to work out a way to address that challenge. They knew they needed to come up with a proposal to have innovative and entrepreneurial business ideas supported – the task was to do this. The author was invited to join the team. We started with the careful analysis of a paper by Gary Hamel, *Bringing Silicon Valley Inside* (Hamel, 1999). Hamel saw Silicon Valley as a

thriving hotbed of innovation and entrepreneurship, and had noted that some companies – especially Shell through its GameChanger approach – had managed to create internal markets for new ideas. This was the core of the idea that eventually became the Live Wire program.

The Live Wire program went through two iterations, the first very successfully, and the second only reaching a limited stage of development.

Live Wire Stage 1

There were four key elements to the initial approach that was developed in order to establish an internal innovation system with the Chemicals Group.

First, a mechanism was developed to reward staff who came up with exciting potential new business ideas. To do this, a two stage process was proposed:

> staff who submitted a 'one-pager' idea that was accepted by a panel would get recognition for their successful submission, and
> those who managed to developed their initial idea to a complete business plan, and this was accepted, would receive a higher level of recognition.

The recognition was seen to be two-fold. There would be financial rewards for getting through both stages of the Live Wire process. Equally important (more important in the view of the group) would be the company recognition for the person as a successful entrepreneur.

Second, intrinsic to the approach were the requirements that a successful Live Wire proposal had to meet:

> they had to put forward an idea for a new business for the company (not merely the extension or development of existing businesses);
> they had to be businesses that would fit with the existing range of Orica capabilities; and,
> the proposer had to identify their potential contribution to the idea if implemented.

These criteria were seen as critical from the outset – the Live Wire process was not to be an alternative source of continuous improvement ideas, nor to duplicate much of what business development managers in the company already did, but was to be a source of new business possibilities. This was seen as central to the longer term goal of the initiative, which was to ensure the survival and growth of the company.

A third element of the proposal was that the review of ideas had to be undertaken by a panel that comprised both company staff and outsiders. This was seen as essential if the company was going to avoid 'group think' and dismiss potentially promising ideas because they could not see their potential. In the event, the panel comprised three outsiders (including the author) and three insiders, together with a Chairman who was also an Orica staff member.

Finally, the Live Wire approach included a corporate venture funding element. It was proposed that money be sought for two reasons:

to assist staff in getting proposals up to business plan level, and
to provide seed funding (angel funding) for accepted ideas.

The development of the ideas went hand in hand with the process of seeking support. The approach, as set out above, was proposed to the management team of the Chemicals Group in the middle of 2000. The management team agreed to support the establishment of Live Wire, and funding was agreed: this was matched by each of the business units, thereby seeking to ensure their interest in the project as it developed.

In its operations, Live Wire had two staff, an operations coordinator who commenced early in the second part of 2000, and later (in October 2000) a manager. Live Wire was launched in July 2000, and this was followed by the first of a series of 'creativity workshops'. The initial proposals started to be submitted soon after that date, and in September/October 2000, the first panel meeting was held. Eight one page ideas had been received, and of these five were selected as ideas worth pursuing by the panel.

With the program under way, a number of reviews and enhancements took place. Further creativity workshops were held, together with occasional speakers at 'Twilight seminars'. A significant further step was taken in making use of the

company's management development program: participants in the program in 2001 were encouraged to take on new business development projects, and these were then woven into the Live Wire process. A third and important task was the mapping of the total Live Wire Process from initial idea through to a fully-fledged new business in operation. This process mapping revealed a number of issues about how ideas would flow, and how the various stages would be supported. This led to the recognition that some other processes to encourage rethinking might be required, a theme that is further explored in the discussion of Live Wire Stage 2 below.

At the end of 2000, Live Wire won the inaugural CEO's Innovation Award. Moreover, 14 one-page ideas had been accepted. However, the process was not without challenges, and by early 2001 not one of those who had been selected to work on a full business plan had advanced to the second stage. On reviewing the situation, it appeared that no one was confident they knew how to do this, and the range of supporting programs had to be extended. Courses were run on business planning, and others planned on topics like market research. The role of mentors for each of the Live Wires became a priority. In some cases, a Live Wire was paired with someone who had more capability in business planning.

By the end of 2001, projects were beginning to go through the second stage, and some were being taken up by business units. However, in early 2002, a change of CEO led to a number of staff and funding cuts, and progress on projects was slowed at that stage (the theme of the importance of support from the top – 'political support' – is discussed later). The innovation process began to move forward again in 2004, as part of the company's "creative customer solutions" strategy, and continues to receive support, even though the Live Wire name has been abandoned.

Live Wire Stage 2

In looking at the development of Live Wire, it was clear to the author that internal innovation programs of this kind often face challenges – the staff who work in units like Live Wire are often seen as elite, or removed from the business, and tensions between operating units and innovation units are common (see Liefer et al, 2000, for a

summary of the models and issues that have arisen in this area). Recently there has been some discussion as to the possibility of creating 'ambidextrous organisations' that can manage both ordinary businesses and innovation arms (Tushman and O'Reilly, 2002, page 32).

In looking at these issues, the author believed there was scope for a different approach, which was to develop a broader organisational capability in innovation. It seemed there was considerable potential in the idea of 'business concept innovation' as advocated by Hamel (2000), and this approach was turned into a development program, that was run first for the Chemicals General Management Team, and subsequently for one of the business units. This proved to be a very successful initiative, but was also stopped in 2002 as the company made a number of changes following the appointment of the new CEO.

However, the author has subsequently used the business concept innovation approach with a number of companies in Australia and overseas, and it was these experiences that led to the development of the Ronin approach.

Live Wire Review

In reviewing the Orica experience, it was clear that corporate innovation and venturing are seen as key business initiatives at the beginning of the 21st Century as means to assist companies deal with rapidly changing competitive environments, where the premium on new ideas is significant. The idea is not new, of course, and companies like 3M have been extremely successful in establishing systems that make the development of innovative and entrepreneurial approaches work inside companies (Hippel et al, 1999). However, it has been a relatively new area of development in Australia, with a small number of companies developing models like Live Wire in the last few years.

There are a number of elements of the Live Wire approach that are worth examining.

First, the model to establish an *internal market for ideas* had much strength. By promoting Live Wire throughout the Division, and by encouraging one page proposals that captured the essence of a new business idea, the market was clear and easily accessed by anyone. Moreover, the combination of real financial reward with recognition for an idea that was accepted by a panel was clever way to meet both areas of achievement need – people in organisations like rewards, but they also like being given esteem within the company.

However, there was continuing debate among staff involved with Live Wire about the nature of the specific rewards and motivation. For many people, the really exciting opportunity was to be in on the ground floor of a new business, to play a role in its development, and to get equity in the new venture. Orica was unwilling to allow equity to be a possible incentive, and the processes to get a new business off the ground made it difficult for the originator to stay with the new business. The most successful Live Wire project has provided very limited opportunities for the Live Wire who developed the initial concept.

The debates about rewards and motivations continue all over the world. Some companies – like 3M – place great emphasis on individual drivers. Others – like Shell – place more emphasis on making sure the right capabilities are in place to drive a new business forward, and pay less attention to meeting the needs of the individual. While this debate is unlikely to come to quick resolution, it is likely that Generation X and Y staff will be less willing to commit without personal recognition and reward, and this may influence programs in the future (see Martin and Tulgan, 2001; Tulgan 2000; Zemke, 1999).

A second feature of the Live Wire program was the *need for support programs and mentors*. The point has already been made that organisations drum much of the entrepreneurial capability out of individuals – as they acquire a learned interdependence. Live Wire developed an excellent set of supporting programs, and gradually built up a mentoring support scheme as well. It was noticeable that once these declined, so did the activity of Live Wires, and the rate of new ideas being proposed.

It is well recognised that the supporting infrastructure of an organisation must match the programs it is trying to develop and sustain. The implication from the Live Wire project is that a great deal of work has to be done to understand the nature of that underlying infrastructure, and how much may need to be done to ensure that the program will be adequately supported. In practice, too much of this was left to the program staff, and they often took on responsibilities that should have been addressed by mentors, line managers, or even the Live Wires themselves.

As companies seek to be more adaptive and flexible, the greater a challenge this will be. Supporting infrastructure is influenced by the external environment. Proponents of markets are prone to ignore the essential role that government plays in controlling the environment within which the market operates (in establishing the legal system, market operation rules, etc). In relation to innovation, government policy over investment in research and development, priorities in IP protection, and building broader systemic support through the establishment of Cooperative research Centres, industry parks and other centres of excellence have an important impact. While many argue that the government should not 'interfere' in the market, the establishment of a framework of rules and regulations is essential to ensuring markets work effectively. Organisations need to build a systemic capability to support innovation and sustain entrepreneurial people – and systemic capabilities take time and resources to be established, and rely on a conducive external environment.

A third key issue in the Orica Live Wire program was that of *ensuring political support*. Companies are political arenas (for a full treatment of this position see Heifetz and Linsky, 2002, pages 75-100). In a political world, ignoring the political character and the political forces is to choose oblivion. Live Wire was launched on the basis of a great deal of political sophistication, and its return to an active role will only occur if the new politics of the company are understood and addressed.

On reflecting on Live Wire and its progress, it is clear that political sensitivity is an ongoing requirement. This is partly about focussing on the key senior players (the CEO, direct reports, and other key power brokers), but it is partly about local politics, understanding how the ebb and flow of local power struggles and manoeuvres are affecting the resourcing a support that exists for a program.

There are many other specific issues that can be explored in relation to Live Wire. The need to retain flexibility, to allow for projects and ideas that don't fit the existing systems; the need to have a long term plan to change company culture; the need to capture learnings, and to support those staff who are really entrepreneurial; the need to communicate, and then to communicate again, to staff, to senior management, and right around the company; and, the need to promote successes. Above all, one very simple lesson – corporate venturing is like any other innovation, in that it requires continuing attention, focus and support. (The Orica Live Wire project was presented at the Corporate Innovation and Entrepreneurship Conference in Melbourne, 2003 – Sheldrake and Fazzino, 2003).

Thinking differently: the sources of innovative ideas

During the course of the work with Orica, the author became increasingly interested in the role of the 'outsider' as a source of innovative thinking in companies. In this case, the author was not so much interested in the role of the consultant (a role which often validates more innovative thinking, or is a source of new ideas) as the internal staff member who is willing to think and act differently.

In many ways, organisations – especially larger ones – are systems designed to prevent innovation. They establish rules, procedures, systems and policies with the intention of making clear the correct way to proceed, to eliminate variations and problems, and to discourage illegal or improper behaviour. Indeed, in dealing with organisations, we rely on such an infrastructure existing, to ensure that we will be dealt with fairly, and to reassure us of the quality and efficacy of the products or services we are seeking.

However, that very necessary bureaucracy is inevitably a source of discouragement for the person who wants to strike out in a new and different path. People who are willing to do so, and yet work within and for an organisation, are both distinctive and important when innovation is required. The author was struck by some of the people

the author met at Orica (and subsequently in a number of other companies) who were willing to keep on battling against rules and regulations *in order to improve the effectiveness and success of their organisation*.

In his book, Gary Hamel called these people 'revolutionaries' (Hamel, 2000: he also used the term 'activists', see pages 151-154, 209-211, 313-314). The author felt that this was an interesting terminology, because revolutionaries are often seen as people who want to overthrow an existing institution from the outside in order to replace it with something entirely new – as opposed to rebels, who seek to topple those in charge, in order to replace them, but not to fundamentally change the system. As noted above, the author was drawn to the term 'Ronin' to describe people who are loyal to an organisation, but willing to break rules and precedents to find better ways to achieve the overall goals.

There is, of course, a long tradition of writing about the tension between revolutionary thinking and the need to develop efficient and effective systems – well illustrated in the differences between Socrates and his 'biographer' Plato. Socrates always wanted to question and re-examine, whereas, as was made clear in *The Republic*, Plato believed there was a right way to do things. We have 2,500 years of writing since then that has battled with the tensions between individual liberty and the need for equality and efficiency, and the importance of the community (O'Toole, 1992). In the first of the author's two books on this theme, *Ronin and Revolutionaries*, some of this territory is explored before going on to set out a series of ideas that might help a Ronin be effective within an organisation.

A second issue that was identified was to answer the question as to whether we need people in organisations to be innovative and entrepreneurial. This issue has seen a vast literature in recent years, to the point that the case is probably overwhelmingly proven by now. However, a useful point in summarising this came with the Innovation Summit held in Australia in 2000, and the subsequent work undertaken by the Innovation Summit Implementation Group (2000), together with the associated report by the Chief Scientist (Batterham, 2000). Indeed, this is not just an Australian concern, but on echoed around the world by academics and business analysts (see again, for example, Hamel, 2000). Perhaps the simplest data is the most convincing,

as with the research showing that the average life of larger companies has plummeted in the US from 65 years to 10 years (Foster and Kaplan, 2001; Skarzynski and Williamson, 2000). Innovation is both the source of quickly growing new companies, but also the death knell for others that have not responded to change.

In order to look at what innovation means for practice, and the role of Ronin in organisations, there were some definitional issues that needed to be addressed, particularly in a context where entrepreneurship had joined that long list of words condemned by association. In Australia, when we use the word, it conjures up memories of the late 1980s, greed, paper empires, and people making money by sleight of hand.

In this essay the term 'innovation' has been restricted to the creation of new ideas and their application to possible products or services. Again, following conventional practice, a distinction is drawn between continuous improvement innovation (usually just called innovation), and radical innovation in which the new approach changes the underlying business in a fundamental fashion.

Moreover, since innovation here is restricted to the creation of new ideas that can be developed to possible products or services, this does not entail successful implementation. Given this, we follow the practice of others in using the term entrepreneurs to refer to those people who are good at "making innovative ideas work". In business, this tends to refer to those people who create successful small businesses out of some innovative or new product, or can see a need for a service that is not being provided at present. The definition used here encompasses more than small business entrepreneurs; however, as here it is important to make it clear that entrepreneurs exist in large companies as well as small ones, and as much in the public sector as in the private - and they positively flourish in the not-for-profit sector.

Ronin share many of the characteristics of both innovators and entrepreneurs – they are both good at seeing the potential of new ideas and their applicability to practice, and they understand how those new ideas can be successfully implemented within a large organisation.

There is an interesting confluence between the author's work on Ronin and his earlier work on inclusive leadership. Some people have argued that there is a need to ensure that innovation is not just focussed on successful business opportunities, but that it should also be oriented towards the 'triple bottom line' (Dunkin, 2000). In other words, through maximising performance in three areas:

1. financially, by showing that they utilise the funds with which they are provided to add value in a financial sense (the financial bottom line - or profits, if you like)
2. environmentally, by showing that the environmental resources they use are returned back to the environment in a better state than when they were taken (the environmental bottom line - or cleaner air, cleaner water, and an improved ecological environment), and
3. socially, by showing that the social resources on which the organisation draws are also enhanced by its activities (more fulfilled, capable individuals, contributions to individual and community wealth, etc).

In the case of the projects the author has undertaken in recent years, and in the framework espoused in the two books on Ronin, this perspective has been an important one. Indeed, the author has been struck by the focus that many young Ronin show on sustainability, alongside and in association with a similar recognition of the importance of the bottom line.

Radical Innovation and Business Concept Innovation

When exploring the literature in relation to the concept of the Ronin, it was obvious that there is an extensive literature on innovation and entrepreneurship, (e.g., Timmons, 1999; Stevenson et al, 2000; Shane (2003); and, in Australia, Carnegie and Butlin, 1993; Legge and Hindle, 1997). Much of that literature has been concerned with the importance of innovation as a source of new business opportunities (e.g. McFadzean et al, 2005; Shaw et al, 2005; Rutherford and Holt, 2007; Wolcott and Lippitz, 2007), with corporate entrepreneurship and entrepreneurial orientation (e.g. Lumpkin and Dess, 2005; Covin et al, 2000; Krueger et al, 2000; McMullen and Shepherd, 2006), and with the relationship between new venture creation and business

models and systems (e.g. Arthurs and Busenitz, 2003; Amit and Zott, 2007; Lumpkin and Dess, 2001).

However, the author found the work of Hamel of particular value (Hamel, 2000, 2001), because of his focus on the importance of radical innovation and business concept innovation for larger companies – and his particular interest in the processes by which established companies can be encouraged to 'reinvent themselves'.

Hamel (2000) cites a number of examples of companies that have adopted a 'revolutionary' approach. One is Sephora, which turned the conventional wisdom regarding the retailing of cosmetics on its head. Traditionally cosmetics were sold in department stores by staff working on commission for each of the manufacturers, and with each company's stand offering incentives to the potential customer. Sephora has staff paid salaries, with no customer incentives, and sells the products by category (lipsticks – arranged by colour, perfumes by fragrance); they sell through their own stores (very funky and modern in style), and also on-line.

Another is Kodak, which, when contemplating the costs of cameras – as compared to the film they sold – went back to the idea of the cheap 'disposable' camera. By that means they were able to reduce the cost of a camera by 95% (rather than the traditional business aim of reducing costs by 5%). To do so, incidentally, required a great deal of work, especially on the optics – but the result was to change the way in which many people think of cameras and photography.

There are so many other examples that could be given, but since the author has been working in the hotel industry, the third example will be taken from that area. Recognising that customers often want choice, and also convenience, some hotel groups (predominantly in Europe) have started to change the basis on which you book for a hotel. It is now possible to go into some hotels and go straight to your room and open the door with your credit card (thereby avoiding slow reception desks, and those interminable forms). Others allow you to choose your room and thereby often encouraging you to move yourself up to a higher cost room, rather than the hotel staff trying to 'up sell' the customer).

Clearly, as these examples suggest, there are companies that are moving beyond a focus on continuous improvement and small scale innovation to quite radical changes. The particular area of interest that forms the justification for these two books was in the ways in which this process of radical change was actually happening, and in particular the people who played a key role in the radical innovation process: in Hamel's book he cites a number of case studies of activists who meet the definition of Ronin (Hamel, 2000, pages 154-184), and the two Ronin books draw on further case studies drawn from the author's own experience.

Having identified the case for, and the role of, internal activities or Ronin, the next section outlines the contribution made in the author's books to the ways and means by which Ronin can operate and flourish in a corporate environment.

Tools for Ronin

Five stages can be identified in terms of the tasks to be undertaken by Ronin in order to bring about a successful radical innovation – five stages that are not necessarily sequential in actual practice.

These five stages are:

- understanding the organisation as it currently operates,
- looking for opportunities,
- assessing opportunities and innovative ideas,
- developing action plans, and
- implementing a changed approach.

1. Understanding the environment

It may seem trite to suggest that entrepreneurial activity starts with knowing what is being done now, but experience has shown that this is essential. It is hard to make

significant changes inside an organisation if you do not understand it well. In order to provide a simple but useful framework for describing an organisation, initially the author decided to base this framework on four groups of factors - strategy, resources, customers (or clients, or users), and stakeholders. This model is one that is based upon, and largely mirrors Hamel's approach.
These four areas were:

Strategy - mission, goals and objectives; the market or population of clients; the competitive arena (others working in the same field); and the current strategic path(s) being followed

Clients - logistics (how you reach clients); their characteristics; their relationship to you; and cost structure (how what you do is paid for by your clients)

Resources - core competencies (things in which you are exceptional); critical assets; and critical processes

Stakeholders - suppliers; partners; the environment; the broader society; and others (including employees, unions, the government, the local community, shareholders, directors, governing councils, etc)

These 'building blocks' of an organisation are linked: strategy and resources come together through strategic intent and alignment; resources and clients come together when we look at positioning; resources and stakeholders are linked through decisions about out- and in-sourcing activities; and stakeholders and clients are all linked through the value that an organisation produces and how it is allocated. This model is used in the more practical of the two books, *The Ronin Age.*

However, while this proved to be a useful starting point, the eventual model the author developed, and which is described in detail in *Ronin and Revolutionaries* has become more complex. That book advocates a framework for analysing organisations using the 'CORE' acronym. The acronym CORE was deliberately chosen – as it makes it clear that this framework is aimed at essential information – rather than trying to be too ambitiously inclusive.

The CORE model has four parts:

Character which includes:
Strategy
Resources
Structure
Intent and
Alignment

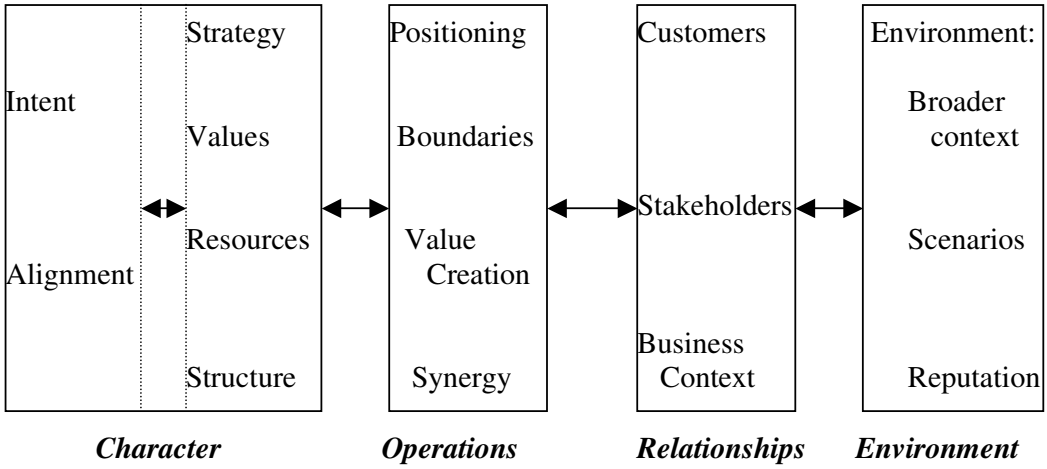
Operations which includes
Positioning
Boundaries
Value creation and
Synergy

Relationships which includes
Customers
Stakeholders
Business context

Environment which includes
Broader context
Scenarios
Reputation

All these are interlinked, as the following figure shows. However, while the terminology may seem rather daunting, the intention is simple – a Ronin needs to know how to make sense of the world in which they are operating. Moreover, the model is a framework for understanding – the central task is to use the framework to gain an understanding of how an organisation works, and the result may be summarized in a few paragraphs. It is not intended as a prescription for a detailed examination that leads to a 100,000-word thesis. Knowledge is for action, and the key knowledge required about an organisation is as a basis for being able to see how to change it (and what barriers may have to be addressed).

Figure 1: The CORE model



2. Looking for opportunities - systematic innovation

The evolution of thinking about looking for sources of innovation within an organisation also went through two stages.

In the first phase, again as used in *The Ronin Age,* the author adopted a fairly simple approach. While this recognised the key role that creativity techniques can play, such as brainstorming, the author focussed on the idea of taking the key elements of the initial framework for analysing a company -

the four elements within strategy,
three in resources,
four in customers, and
the three major groupings of stakeholders -

and suggested that each of the elements could be used as a basis for 'rethinking', and identifying possibilities for radical innovation.

As there are 14 such elements, this led to the idea of the 14 key points of revolutionary business change:

1. Replace a core competence, or use an existing one in a new area
2. Dispose of an asset, or outsource it
3. Develop a new process, or use an existing one in a new way
4. Change the logistics of getting to the customer
5. Acquire new information about customers, or use existing information for new purposes
6. Change the relationship with customers
7. Change the pricing model
8. Change the mission of the company
9. Change the market, or abandon the existing market
10. Change the competitive arena
11. Adopt a new approach, or use the existing approach in a new context
12. Make suppliers into partners, staff into suppliers
13. Change partners into suppliers, or suppliers into staff
14. Change the relationship with any other stakeholders.

This is the framework used in *The Ronin Age*.

In *Ronin and Revolutionaries,* a more complex process is explored, which embraces at least three approaches:

1. using scenarios,
2. monitoring trends and developments – both in technologies and processes, but also among customers and clients, and ,
3. rethinking the underlying business.

The first of these is scenario analysis. Scenario analysis is a powerful way to help us imagine how the future might unfold, to assess possible likely futures and their implications, and to determine preferred futures, and seek to pursue these. Scenarios are also a great source of ideas about innovative practices and procedures - they allow us to imagine new ways of doing things, and to assess developing technologies and their implications.

There are very good descriptions of the scenario approach in many books (see, especially, Schwarz, 1997).

The key steps are:

monitoring information (trying to foresee where changes and developments are likely to occur),
lateral thinking (and being willing to explore quite different outcomes and processes of change, rather than extrapolating on the basis of what we have seen before),
building coherent pictures of possible futures (potential scenarios),
refining and rehearsing choices (to identify a limited set of scenarios for use in strategy and opportunity development), and
ongoing review.

The second source of innovative ideas proposed was based on the suggestion that managers should keep in touch with science and technological developments both within their own industry and more broadly. This was seen as an important approach, given that it covers both the importance of trying to ascertain technology trends, but also encompasses a way of coming to terms with the fact that sometimes it is technologies outside the mainstream that have significant (and disruptive) impacts on an industry.

The approach also places emphasis on the importance of understanding clients - of trying to get inside their 'skins' as it were. There are many illuminating and interesting ways of doing this. One is simply to follow a client around; from the first time they contact an organisation through to the end of the process (it is relevant to point out that this might take a very long time in some cases - so it is often a good idea to include some short cuts!). Another is to look at where in the clients' life cycle they contact a business, and what they do all the rest of the time. Yet another, of course, is to find out what clients say - or don't say - about a business.

Finally, however, the third and most important source of innovation is re-examining the basic building blocks of the organisation as it is. This refers to two levels of

'rethinking'. The first level has been described above, and is based on asking the simple question "what would happen if we did this differently?" - whether the 'this' refers to a relationship with a stakeholder, a shift in strategy, or a changed relationship with clients. As listed under the 14 points of change, asking these questions can lead to significant changes - like outsourcing activities that are not critical, while allowing the organisation to focus on those that are central to its charter.

The second level refers to re-examining the underlying 'business concept'. By business concept the author means the underlying business model. The author's work to date suggests there are a relatively small number of core business models that keep recurring in companies – bearing in mind this is only indicative – some of these are:

(a) Manufacturer
(b) Enabler
(c) Personal service provider
(d) Educator
(e) Validator (tester, accrediter)
(f) Developer/Investor
(g) Impresario
(h) Custodian
(i) Retailer
(j) Entertainer

Again, the essence of this approach was to start by defining the existing basic nature of the activity in which an organisation was engaged, its business model, and then ask if that could be rethought. Asking that question has led some organisations to change their business model, for example by moving from providing services or products to customers to offering a solution to customer's problem - and often seeing that many of the services or products they previously provided could be delivered quite differently.

3. Opportunity assessment

The third stage of the process was concerned with assessing opportunities. This is traditionally a key skill of entrepreneurs, many of whom seem to have a particular

skill in sensing which opportunities or innovative ideas to pursue, and which have less promise.

While these issues are explored further in the two books, the author founded his approach on the basis that the critical issues fell into six groups:

client interest and accessibility - will this idea make a difference to/your clients' lives, and is it a service or a product for which they will be willing to pay?

the cost equation - does this represent a good use of resources (compared to existing activities), and will you be able to finance what you want to do?

functionality - are you the best people to do this, or would it be better done by an outsourced group, or another agency?

capability - do you have the skills and knowledge to do what is being proposed?

value - is this contributing to our triple bottom line, and if not, what can be doe to ensure that it does?

impact - if you go down this path, will it change the nature of your organisation, and are you willing to make the changes required, and be different in some way?

4. Developing action plans

The next stage of the process is concerned with turning opportunities into activity – the focus of the 'entrepreneurial' element of the Ronin's activities. The core of this is seen to be the development of an effective business plan – based on the recognition that action plans serve the purposes of:

rigorously testing whether or not an opportunity can be turned into a viable business,

providing a basis for others to assess whether or not the opportunity is worth pursuing, and

helping other members of a team understand the approach, strategies, plans and thinking of the Ronin so that there is an effective shared understanding to assist in effective implementation.

5. Making change

Finally, the last part of the approach was concerned with the planning and the implementation of change. While there is a vast literature on which to draw, the author chose to adopt a fairly programmatic approach, emphasising that what is critical for an entrepreneur, and hence for a Ronin, is this ability to turn innovative ideas into practice. The choice was deliberate, as it was felt the characteristics of Ronin were such as to make them unlikely to want to explore the inter-personal complexities of change and change management.

Both *Ronin and Revolutionaries* and *The Ronin Age* suggest that being an agent of change, especially revolutionary change, requires support. There are some things that Ronin can do that can help in ensuring they are not left in too isolated a position, and others to ensure that the change processes they advocate are more likely to work. This theme is the focus of the last part of *The Ronin Age*, and the following comments pick up on some of the topics discussed.

One example that is used is that of 'choreography'. In developing a ballet, choreographers have to work carefully to ensure everyone is placed correctly, and that each move leads naturally into the next. This is in such sharp contrast to experiences in many organisations, where changes are frequent, but seldom are they carefully arranged, and even more seldom does one change naturally slide into the next. We don't choreograph organisational change. We tend to make changes. They have consequences, and often we do not work hard at trying to anticipate them, and we seldom plan for dealing with their outcomes.

Ronin stand out like 'square pegs in round holes'– and for that reason, they need to be very careful in making sure that whatever they do, thinking about consequences is part of their repertoire. Part of this is through avoiding potential problems, and the technique of 'potential problem analysis' explored, involving:

1. Anticipating and prioritising potential problems,
2. Anticipating causes,
3. Taking preventive or contingency actions,

4. Setting triggers,
5. Implementing actions as required.

Finally, as an internal revolutionary, Ronin have to try to ensure they have some degree of internal protection or support – to avoid being thrown out or excluded. In this regard, champions and mentors are of critical importance, a theme explored in the last part of *the Ronin Age,* using a perspective which draws on the work of Heifetz (1995). :

> *Champions:* A champion is a supporter, and Ronin need champions. These are people within the organisation who are willing to ensure that the Ronin is protected, given resources, and even is kept 'hidden'. One particularly important source of champions is servant leaders (Greenleaf, 1970). Servant leaders tend to nurture and protect those who don't fit, and Ronin who find servant leaders gain a source of support as they seek to change the organisation.
>
> *Mentors:* Mentors are also very important. They are not insiders, but people outside the organisation who are a source of confidential advice, counsel and encouragement. Without a vested interest in the Ronin's organisation, they are able to provide an independent perspective on what is happening, and what might be done.

Process and structure

There is one element of the approach in the two Ronin books that deserves final mention. The great majority of the literature on innovation and corporate venturing in larger enterprises tends to focus on the structural issues, as noted at the beginning of this paper. Writers have identified a variety of models, from 'skunk works' (Peters and Waterman, 1982), through to the ambidextrous organisation (Tushman and O'Reilly, 2002). In focussing on the people, and especially on those 'activists' that seek to bring about innovative and effective change in spite of the organisation, structures appear less important than the capability of, and the support networks for,

Ronin themselves. While structure clearly plays an important role, these two books are directed towards the individual capabilities that actually allow revolutionary thinking to occur and be put into practice in organisations. In that respect, the author's debt to Hamel (2000) is considerable, for his work on the activist and the importance of business concept innovation was a critical impetus for the Ronin approach.

Conclusion

While *Inclusive Leadership* was written to take stock of the stakeholder approach, and illustrate the conceptual model with Australian case studies, the other two books, *Ronin and Revolutionaries* and *The Ronin age,* were intended to be both provocative and practical.

They were intended to be provocative in the sense that they encouraged those who read them to see an alternative way to encourage innovative and entrepreneurial thinking. Most books focus on creating a culture of innovation, or some kind of innovation cell or team within the enterprise. My intention was quite different, and rather to suggest an alternative approach is to focus on the people, and in particular those unusual people who are both committed to the goals of the company, and yet willing to rethink how it sets about its tasks.

They are intended to be practical in the sense that both contain techniques and systems that the author believe will help Ronin sustain their commitment, and enhance their effectiveness. They draw on practice, and try to distil some essential frameworks that help the process of radical innovation develop in the workplace.

Looking back over the books some years later, it is clear that much remains to be done. Having established the basis for understanding the nature of the Ronin and Ronin thinking, one of the clear limitations in the work these books cover is that some of the more operational issues are still to be addressed. There is a need to develop a number of associated processes, particularly with regard to the identification and recruitment of Ronin, their support within an organisational context, and the structural

and strategic issues the employment of Ronin bring. The books were written with a focus on Ronin themselves, and today we can see that recognition of the need of people with these skills is not balanced by a sound approach to using them effectively. Finally, as a basis for future work in this area, there is a pressing need to do more research on Ronin themselves, how they operate in organisations, and what they seek to be more effective in the future.

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