

*How can employees take the lead in innovation? Julian Birkinshaw and Lisa Duke went in search of employee-led innovation and found some inspiring examples.*

Most chief executives view innovation as a key imperative. And increasingly, they also recognise that innovation doesn't just happen through top-down investment in Research and Development — it involves people across the company identifying and acting on opportunities, and it manifests itself in a wide variety of outcomes, from new products and services to new business models and new ways of working.

But employee-led innovation, while alluring in principle, is difficult to manage in practice. Sure, everyone has ideas about ways their company's products and internal

processes could be improved. But the reality is that most of these ideas never even get out of the starting gate; and those that do often get bogged down in formal procedures, or held up by short-term oriented and narrow-minded bureaucrats.

We set out to find some companies that had made progress in employee-led innovation. Our study was motivated by *Engage for Success*, a UK government-backed initiative led by David MacLeod and Nita Clarke ([www.engageforsuccess.org](http://www.engageforsuccess.org)), that is seeking to help companies increase the engagement of their employees. Our part in this initiative was to ask, how does employee engagement help companies to innovate? Clearly, engaged employees tend to put in more hours, and they bring more of their creative juices to work every day. But we were interested in the bigger prize: evidence of employees going out of their way to develop entirely

new products, services or ways of working that made a real impact on their company's long-term success.

Our research found some great examples of companies that have made employee-led innovation part of their *modus operandi*. But it hasn't come easy to them: it requires systematic programmes and activities to reinforce the desired behaviours, and it needs constant monitoring and championing from the top.

#### Four enablers

Why is employee-led innovation such a challenge? For the simple reason that we give employees clearly-defined jobs to do, then we put managers in place whose job is to oversee the performance of those employees in those jobs. Everyone's first priority is to make a success of their official jobs. And the bigger a company grows, the more systems and processes we build around them.

## WHERE GREAT IDEAS COME FROM

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# EMPLOYEE-LED INNOVATION

Innovation, as a bottom-up activity, is about trying to do things that go beyond our job description. By definition, it is about taking time away from what we are officially being paid to do, in order to try something that offers uncertain pay-offs, at some time in the future, to someone else. Even if we convince ourselves that we can find the time and resources to do it, we also have to persuade those around us, and we have to push against all manner of formal procedures and systems that were designed to maintain the status quo.

All of this is well known. But companies still struggle with how to overcome these obstacles without compromising today's business. The companies we studied didn't have all the answers. Rather they had put in place an array of interventions or enablers, often used in combination, to provide the necessary resources — time, money, permission — for

employees to take their new business ideas forward. We grouped these enablers into four categories:

- *Time Out* — to give employees the space in their working day for creative thought
- *Expansive Roles* — to help employees move beyond the confines of their assigned job
- *Competitions* — to stimulate action and to get the creative juices flowing
- *Open Forums* — to give employees a sense of direction and to foster collaboration.

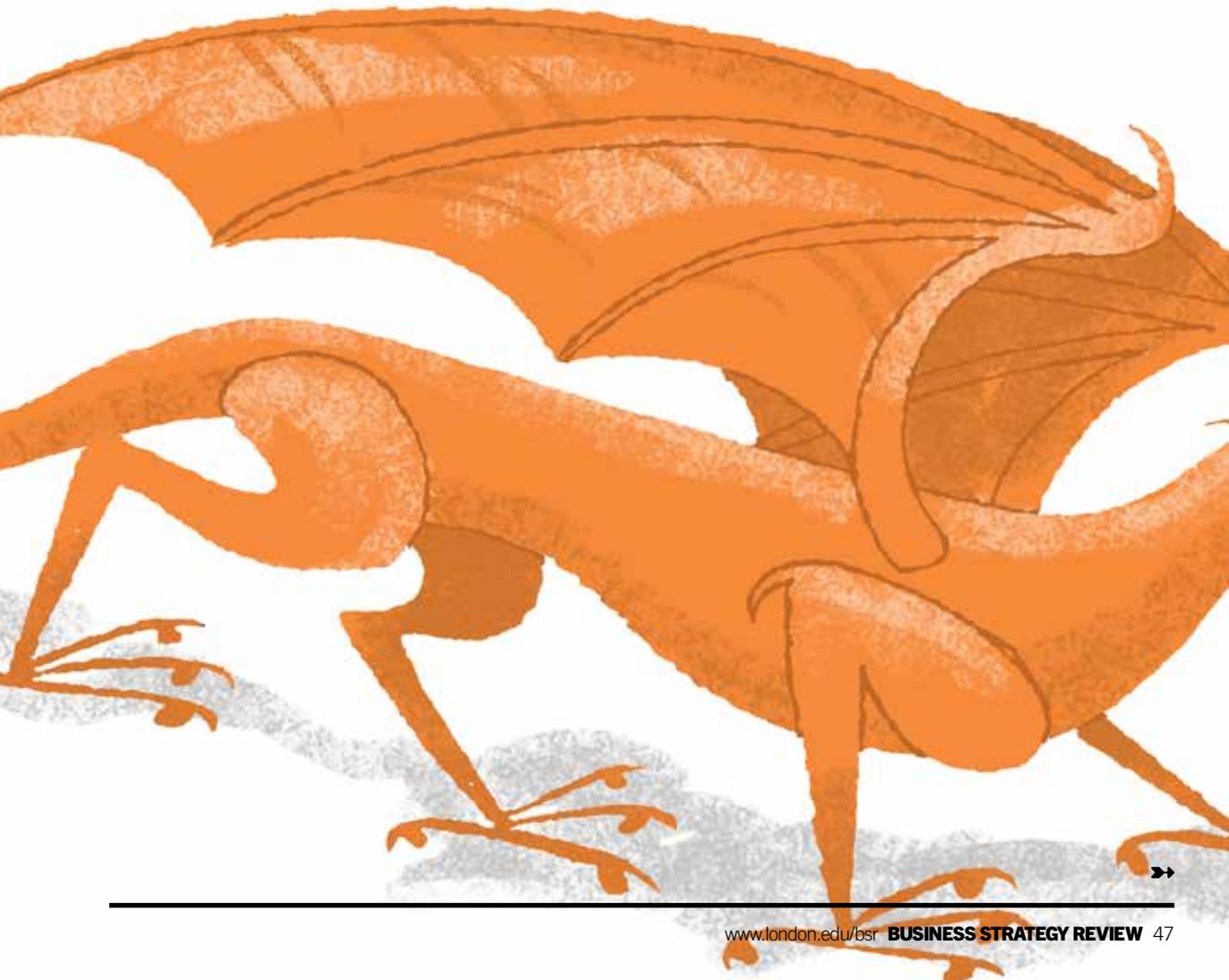
Let's look at each of these enablers in turn, and discuss some examples of how they were used in the companies we studied.

#### **Time Out**

Even the simplest innovation projects need a bit of "slack" time and some additional resources. So

over the years, many companies have experimented with the idea of formalising this sort of arrangement — 3M, the Post-it Notes to medical products company, popularised the notion of 15 per cent innovation time, and Google rebranded it as 'Innovation Time Off', whereby its software engineers are allowed to spend up to 20 per cent of their time on pet projects. There is nothing wrong with this model, but it is hard to implement. People we know at Google, for example, say the 20 per cent 'Innovation Time Off' is applied very inconsistently across the company — it depends, in essence, on how good your relationship is with your boss. So to overcome this problem, we saw several companies in our study applying the principle of Time Out in a more creative way.

Consider Red Gate, the Cambridge software company founded by Neil Davidson and



Simon Galbraith in 1999. The company produces simple but effective database tools for technology professionals worldwide.

Aware that they needed to be proactive to change their employees' habits, Davidson and Galbraith came up with an initiative called 'Coding by the Sea.' A volunteer team of coders were sent off to the Suffolk coast for a week on an expenses-paid trip with the challenge to develop a product that could quickly be shipped to customers. The result was SQL Search, a new plug-in tool that became available to customers just three months later. Four months after its launch, customers had downloaded over 10,000 copies of the tool.

With the success of 'Coding By the Sea,' the two founders decided to expand the idea to the entire company. They came up with 'Down Tools Week' — a designated week when all employees would put their regular jobs on hold, and work with any colleagues they wanted to on a project of their choosing. They could generate new commercial products, fix problems, learn new technologies and skills, or just try new things out. Expectations were kept low, but

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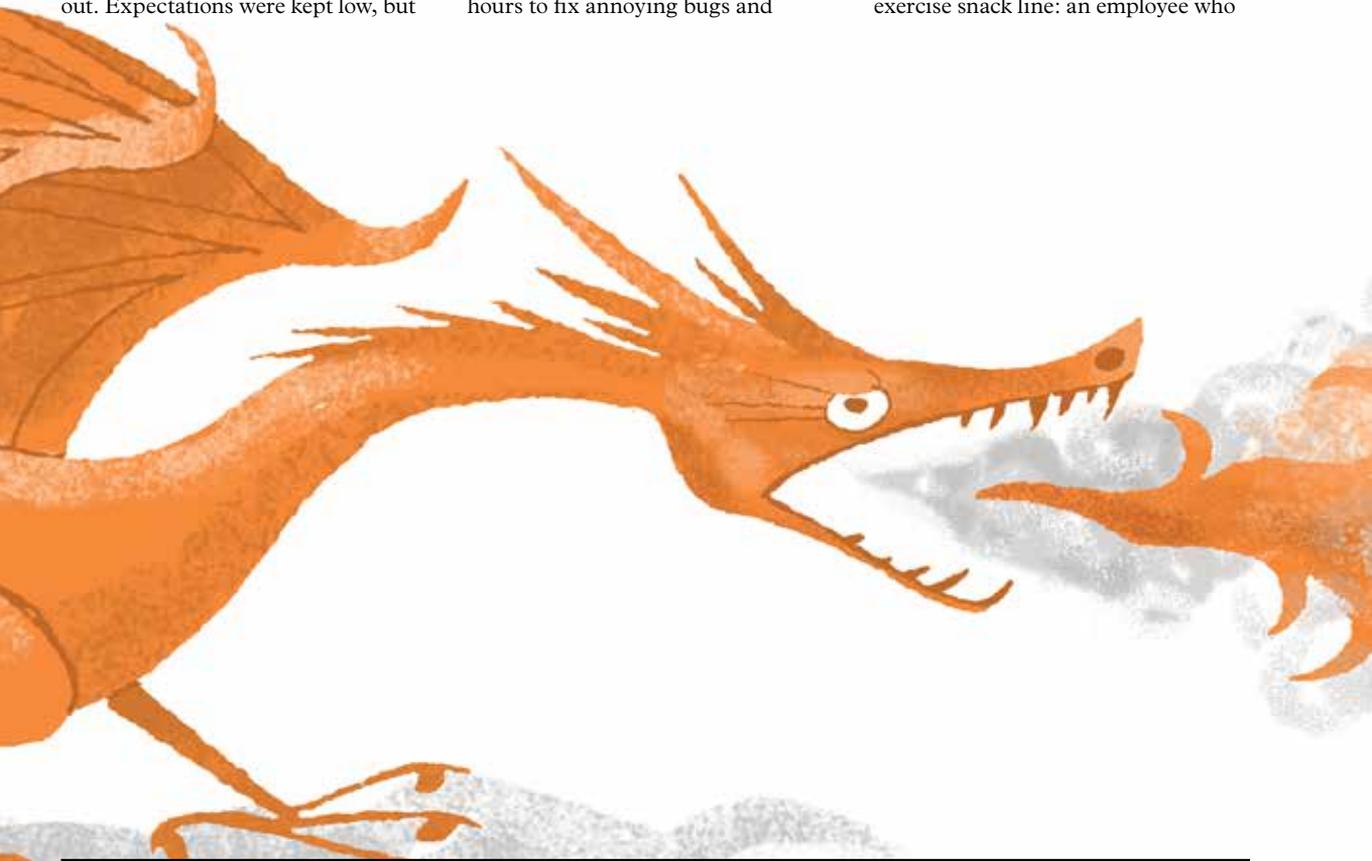
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a number of innovative products resulted from the week: one was a new tool for testers to track their software tests; there was also an app for simple talk called “simplepod” that worked on different mobile platforms, and an Exchange-Space Analyser Tool, which helped administrators understand their space utilisation to maximise space on exchange servers.

'Down Tools Week' was a big success, and became an annual event. Davidson and Galbraith used the same principle for an initiative called 'Sweat the Small Stuff Day,' where employees were encouraged to set aside their daily work for 24 hours to fix annoying bugs and

physical defects in their offices or just tidy up accumulated mess. Some of the fixes that were put in place included optimising Search on the Red Gate website, changes to the end-user licence agreement, changing all the clocks in the building to display the same time, and erasing out-of-date information on the project whiteboards.

A company in a very different sector is Ella's Kitchen, a producer of organic baby and toddler food. Founded in 2006, it has achieved revenues of £31 million across eight international markets. One of its signature practices is called 'Give it a Go' — an initiative to give employees the time and the freedom to think beyond the confines of their own role, and to consider the company holistically. For example, in 2011, employees watched kid's swimming classes, visited nurseries, talked to parents at shopping centres about their attitudes to feeding their children, and visited suppliers to understand their perspective. This was the stimulus for several innovations for the company. For example, the development of a post-exercise snack line: an employee who



saw the sugary/salty snacks parents gave to their kids after swimming classes suggested Ella's Kitchen launch a new range of healthy snacks that were still fun and energy-boosting.

Time Out is a simple notion, but it doesn't just "happen". Many employees are fearful of working on tasks that haven't been formally allocated to them. They need some sort of top-down intervention to provide them with permission and encouragement, and Red Gate's 'Down Tools Week' and Ella's Kitchen's 'Give it a Go' are great examples of how this can work.

### **Expansive roles**

A different solution to the same problem is the idea of giving employees much less specific job descriptions. If Time Out is about setting aside some time for people to work outside their formal role, the principle of Expansive Roles is about eschewing the formal role description in the first place. A celebrated example of this principle comes from the American company, W L Gore, manufacturer of Gore-Tex fabrics. In *The Future of Management*, Gary Hamel describes how new recruits at

Gore are deliberately hired into broad roles, such as "R&D Engineer" or "Business Development Leader" and in the first few months they circulate among several teams, seeking to find the best fit between their skills and the needs of the business.

Expansive Roles help employees to make connections, and to see the bigger picture, and these are vital ingredients in the innovation process. Consider Innocent, the smoothie and juice drinks producer founded by three friends, Richard Reed, Adam Balon and Jon Wright, in 1999. From a stand at a music festival in London, the company now sells its products all over the world. Although Coca-Cola now owns 58 per cent of the company, Innocent still feels like a small company, with the vast majority of its 240 employees based in Fruit Towers, a funky converted warehouse overlooking the Grand Union Canal in West London. The company recruits entrepreneurially minded people — "We are looking for people who want to leave us" was the line used in one job ad — and employees are encouraged to continuously improve how they do their job, and how it makes an impact on the whole

company. Another principle is 'Just Go With It,' which is all about moving ahead without permission, as long as you are 70 per cent confident your idea will make a difference.

While the original line of smoothies was created by the founders, subsequent lines of new products have typically come up from below. For example, an employee called Douglas joined Innocent in 2007 in a new opportunities role, and decided to revamp the Juicy Water line. The product had never really fitted with Innocent's image, as it had added sugar. Douglas rebranded it as This Water as a separate entity a few months later. Sales quickly increased from £8 million to £30 million. Another example is Claire,

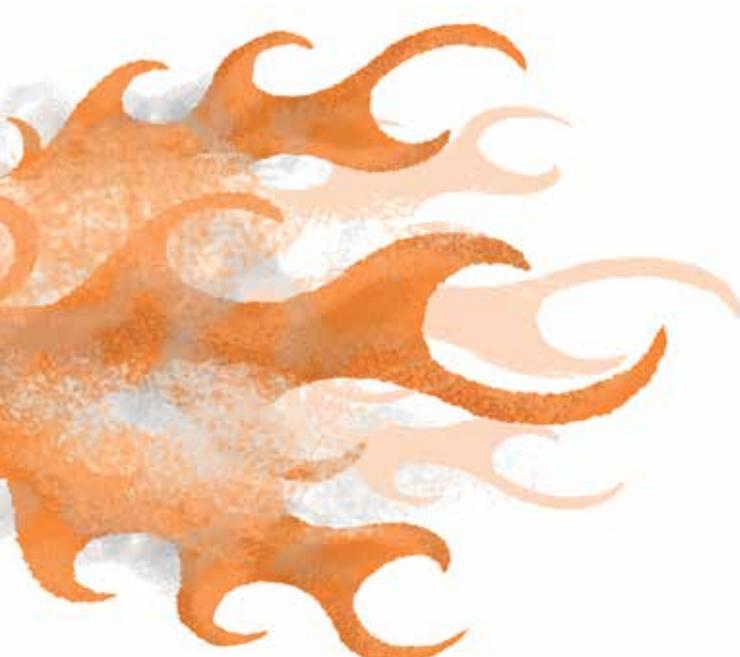
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who arrived on secondment from consultancy Bain & Company in 2008 and was given the brief to find the "next big thing" for Innocent. She suggested that Innocent could do for vegetables what they had done for fruit, and she began developing her idea by pulling in people and resources from across Innocent. The company's Veg Pot line is now worth £30 million at retail.

Another company that embraces the notion of Expansive Roles is Instant Offices, founded by Rob Hamilton in 1999 to "bring the fragmented serviced office market into one online market place". Hamilton has created an egalitarian culture at Instant in which employees are encouraged to run with new business ideas, wherever they might lead. For example, in 2008, one employee suggested a new line of business offering clients the possibility of outsourcing the provision of offices to Instant, an idea that proved so popular that today it is the largest source of revenue for the



company. In another case, an existing client needed complete confidentiality for a proposed overseas expansion, so the Instant employee suggested an intermediary service. Instant took 100 leases on offices around the world on behalf of the client, allowing the client to remain anonymous until their expansion plans were fully implemented. Instant later rolled this service out to other clients.

Innocent and Instant Offices have the advantage of being relatively small companies — 240 and 80 employees respectively — so it's certainly easier for them to create informal and expansive roles for their employees. But there is nothing to prevent larger companies from experimenting with such a model. We have seen versions of it in parts of Microsoft, Infosys and HCL Technologies, companies with more than 80,000 employees

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each. But just as with Time Off, the principle of Expansive Roles requires an underlying assumption of trust, a belief that employees will use their greater degrees of freedom for the good of the company, and not as an opportunity to shirk.

### Competitions

A third enabler was the use of Competitions as a way of getting employees' juices flowing. The success of the TV show *Dragon's Den* over the last decade has helped people to relate to the idea that innovation in business involves trial-and-error, competitiveness and even a little showmanship. But of course the idea of using competitions and tournaments to spur innovation is an old one. The classic story here is clockmaker John Harrison, who developed the first chronometer for measuring longitude at sea as a response to a competition established by the UK government in 1714. More recent cases were the Ansari X Prize for private spacecraft development in 2004,

and the Netflix Prize for improving movie recommendations in 2009.

Many companies have piggy-backed on the success of *Dragon's Den* to create their own internal competitions for spurring employee-led innovation. Instant Offices, for example, runs a *Dragon's Den* competition where individuals volunteer to join a random team who then go away and brainstorm ideas. Their best ideas are then presented back to top management. About 50 per cent of the company has taken part in this process, and lots of small ideas have been generated as a result but also one or two new businesses.

Red Gate, the Cambridge software company, runs an event called '9 Postcards,' which won *The Sunday Times* Best Companies special award for Innovation in Engagement Practice two years ago. '9 Postcards' was used to find out what everyone at Red Gate thinks of the company. Each employee was given nine e-postcards, three to suggest ideas on how/where their individual performance could improve, three for how their area/department could improve, and three for ideas on how/where the whole company could improve. The exercise resulted in ideas big and small. Many small improvements were made, such as putting a hook in the shower room, and addressing the issue of noise from the canteen. Two or three larger ideas were also pursued, for example a revamp of the corporate website which many employees considered wasn't what it should be.

Another example is Serco, the UK's leading provider of outsourced services. Serco holds a market stall event every six months for staff and partnering contractors. Organised during the working day, individuals are invited to showcase their work and achievements and inspire colleagues in other areas. Employees put themselves forward, decide on a theme, and then invite specific functions to present. The events are well attended with typically between 200 and 300 people. Although there is no winner per se, when other employees see what their colleagues are doing it can inspire them to achieve as well as enhancing their understanding of other parts of the business.

Most medium-sized and large companies today have some sort





of idea fair, on-line forum or competition along these lines. Unfortunately, we have seen many of these companies manage them badly. There are plenty of things that can go wrong, including defining the challenge too broadly, a failure to follow up on promises made to the winners, and a lack of feedback to those whose ideas are not taken forward. But with advance planning and careful follow up, they can work well, especially as a way of kick-starting an innovation process.

### Open Forums

The fourth enabler was the old-fashioned notion of a Town Hall meeting or Open Forum, in which information about the company is shared with employees, and they in turn are encouraged to ask questions, challenge the senior executives, and take responsibility for helping to improve things.

Several of the companies we studied used Open Forums to enable employee-led innovation. Every month at Innocent, the founders hold a company-wide meeting where they give a financial update, sharing with employees all the key finance figures on how the company is doing. Everyone is encouraged to ask questions, to challenge, give feedback and most of all, understand how the business works. Innocent believes that transparency with employees encouraged people to get involved at a deeper level than just performing their roles.

Instant Offices has a range of initiatives that gives employees time to interact and talk with the CEO. Once a month six or seven people are randomly chosen to have lunch with the CEO and brainstorm how things could be done better. The weekly CEO Question Time is another small group (six to seven people) opportunity for employees to openly question the CEO on any issue they like.

Red Gate uses a similar model: informal, weekly Q&A sessions with one of the CEOs held in the canteen and open to everyone. The joint-CEOs take turn to host and answer questions on anything. Each session is then written up and circulated to the rest of the company.

Why do we need these Open Forums? It has been widely shown in studies of social structure that once an

organisation starts to grow beyond 50-100 people, it becomes very difficult for the top team of executives to know everyone, and formal rules start being introduced to compensate for the lack of personal connections. So Open Forums are a vital way of retaining the personal touch, and creating the transparency and trust that is necessary for innovation to take place. So these forums aren't actually where employee-led innovation happens, but they are critical to the creation of a supportive culture, one that reinforces the importance of innovation, experimentation and risk-taking.

### Small is bountiful

When seeking to make their company more innovative, many executives fall back on structure and process: do we have an efficient stage/gate process for evaluating and reviewing our

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innovation projects? Have we allocated money to the right types of activities? Do we have a board-level sponsor for innovation? These are all valid approaches, but they slightly miss the point because they don't encourage the spontaneous development of new ideas from the bottom of the organisation.

This is why we deliberately studied smaller and mid-sized companies for this research. We wanted to try to understand companies where innovation was still in their DNA, where people from top to bottom were fully committed to taking responsibility for new product and service development. Through a set of linked enablers, these companies were able to consistently generate high levels of employee-led innovation, with very little in the way of formal structures or processes to support them. Of course, larger companies cannot entirely throw out their existing ways of working, but the basic principles that work for these smaller companies are still valid whatever the size of the organisation. ■

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