

A Culture of Innovation

Building on the Insights and Ideas of Those Willing to Think Outside of the Box

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Savvy leaders shape the cultures of their departments to drive innovation. They know that culture—the values, norms, unconscious messages, and subtle behaviors of leaders and employees—will either enhance or limit performance. This type of creative thinking can be encouraged and rewarded, or discouraged. What's important is that we take the steps to get it right.

It's the power of open minds that often leads to the greatest and most productive results. In fact, we need not look any further than our own loss prevention community for answers. Whether originating with our peers across the industry, our solution provider partners, or from within our own teams, the past, present, and future of loss prevention will be built on the insights and ideas of those willing to step up and think outside the box.

So how do you develop a culture of innovation? For perspective and input we turned to executive leadership from three leading solution providers to discuss their thoughts on the subject.

What do you see as the greatest motivation to encourage the loss prevention industry to be more innovative?

HOANG: The retail industry is going through some dramatic changes. Technology has presented consumers with more options on how and where they can purchase products and services than ever before. Competition is no longer restricted to the vertical or market arena that each individual retailer has been competing in. In an effort to maintain market share and increase sales, retailers are trying new ideas and redirecting efforts toward customer-facing initiatives. This can leave AP with less money to invest.

Today's AP leaders are tasked with being more productive while using fewer resources. They will need to find ways to add value throughout their entire companies in order to stay relevant and avoid significant budget cuts, taking on more responsibility while embedding



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themselves in areas that may not traditionally be associated with asset protection. Simply put, doing the same things AP has always done won't be enough. With dwindling resources and refined investment strategies, being creative and driving innovation will become the norm.

SELL: Some \$50 billion is still stolen or lost in retail annually, which is an increase from previous years. This is the market reality that should automatically motivate us. Until this number is much closer to zero, we will need better ideas and solutions. Not trying new things is not an option, even in a mature industry like ours. In his book *Only the Paranoid Survive*, Andy Grove of Intel

said twenty years ago that “sooner or later, something fundamental in your business world will change.” In retail, we see change almost daily that requires new thinking.

DUNN: The retail industry may be one of the fastest-changing industries in the US. Siloed technology solutions are a thing of the past. Amazon has redefined the nature of competition in retail around technology and data, and every retailer needs a response. The only way to navigate a path through this environment is to be constantly testing, learning, and innovating.

We see some companies where innovation thrives and others where it’s nowhere to be found. As a solution provider, what are the conditions that make disruptive innovation most likely and productive?

SELL: Innovation starts with people. The naturally curious tend to feel that the more things stay the same, the more it’s like running in sand. So first you need to have people with the right mindset. Then you need to build a structure that allows trial and error. This means having meaningful motivators to reward the turning over of rocks and the challenging of status quo. It also means accepting a certain failure rate and not punishing innovators who are trying to produce something new.

It doesn’t hurt to have a process that fosters regular attempts to innovate either, such as allowing employees a certain number of hours per week to

work on projects of their own choosing or having cross-functional teams that meet regularly to brainstorm. Ideas don’t come from the genie in a bottle; they are almost always the result of a multistep process that requires time and discipline.

DUNN: The biggest factor that distinguishes innovative retailers from those that aren’t are the quality of “change agents” within the organization. Change agents are able to see a better future, articulate that future in clear and convincing ways, and gather the resources to make that future the organization’s new reality. Change agents have deep respect for the organizations they work for but are willing to break the rules in order to help create a better future.

HOANG: Courage and necessity drive innovation. Sometimes AP leaders are inspired to think differently in order to create solutions and solve problems. However, it takes a bit of courage to try a new way of doing things, especially if there is any chance of failure. At the end of the day, it’s about the company’s leadership and the culture that they create.

Fear and lack of empowerment are probably two of the biggest innovation killers in retail today. As a solution provider, I look for leaders that want to be different and are not satisfied with the status quo. They not only want the best out of themselves but also the best out of their teams. These particular individuals look at innovation as a key performance indicator used to

differentiate themselves from the rest of the pack.

How can we help loss prevention leaders think in more innovative ways?

DUNN: LP leaders of the future will need to be able to demonstrate not only how their strategies and programs help the organization “lose less” but also how it helps them “sell more.” As retailers work to make their interactions with shoppers more “frictionless,” the LP leaders of the future will need to know how to enable that without forfeiting all of their LP controls.

HOANG: As a technology company, we pay particular attention to what our clients need rather than sell them what we have. Sometimes this requires us to innovate new ideas and technology together. I would also ask AP leaders to place real meaning behind each and every initiative. In other words, stop doing what has always been done simply because it has always been done. AP leaders sometimes fall into this pattern, and the fact is that some shrink reduction techniques are no longer effective or applicable in today’s retail environment. AP leaders should strive to implement programs and technology that actually show a measurable impact and desired result rather than using technology they are comfortable with.

I personally surround myself with problem-solvers who do not necessarily think like me. I recommend that leaders go outside of their businesses and learn from others. Recently I went to China



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for two weeks to learn about how retail has changed there. I learned that China is going through similar changes in their retail segment. I saw an eighty-year-old merchant on the street selling baked potatoes, but instead of taking cash he pulled out his phone to settle the payment with his customer using mobile payment. I saw the effects of financial technologies on brick-and-mortar stores. These experiences have given me a greater understanding of what the convergence of technology and retail could be like here. I encourage AP leaders to look outside their industry, outside their countries, and give themselves the ability to wonder and dream of the possibilities.

SELL: Since I work for a security technology company, the starting point I'd suggest is to engage with your solutions providers and ask some tough questions. The "what if" questions should be discussed separately from the "what we get from you today" conversation and can lead to a strategic breakthrough.

Second, share more insight and then define what innovation really means and how it will be measured. Like in a doctor-patient relationship, nontransparency hampers the treatment of the problem. Innovation is a mutual dialogue, not always a surprise delivered to the doorstep by somebody.

What do you consider to be the greatest innovation killers in the business?

HOANG: Fears of failure and change are the greatest innovation killers. Innovation takes courage! I recently

asked a group of colleagues if they like change; most raised their hands. I then asked if they would be willing to move out of their office for a month, and most said no. Change is very difficult for most of us, and to some, impossible. If you want innovation to thrive within your business, you must first look at yourself and see if you are willing to change. Then you must convince others why they need to change. This will take some time, but once the group is convinced, you will be able to start the transformation. You may face many challenges along the way. But keep focus, and you will get there.

SELL: Not setting aside enough time and money for it. All businesses are "busy." The focus on short-term goals seems to gobble up the resources for innovation that would benefit the long term. I recall Mike Schroepfer, Facebook's chief technology officer, once saying, "I have one hand in the day-to-day and one in the future." I think he was saying that innovation can't be a part-time hobby. It must be part of the culture where feeling "noninnovative" is like feeling not profitable. Innovation should be in schedules and budgets, and it has to genuinely become a part of the company strategy.

DUNN: The greatest innovation killer is past success. One of the hardest things in business is to change before

the company is broken. Books have been written about the "innovator's dilemma" (Clayton Christensen) and why innovation in successful companies is so challenging.

What traits do you look for in an innovator?

DUNN: The most important traits for an innovator are "wonder" and "perseverance." An innovator must be deeply curious about the world around and capable of forming new and testable hypotheses. An innovator also needs to be able to overcome all of the obstacles that will try and prevent a change from the status quo. Innovation is not for the faint of heart, but it is some of the most satisfying work a person can do. Knowing that you're making a difference and helping create a better future for your organization is deeply rewarding.

HOANG: The traits I look for in people who could be great innovators are someone who is a problem solver, who complements my weaknesses, who is not satisfied with the status quo, who is striving for excellence, who exhibits strong leadership skills, and people who want to win.

SELL: You simply can't be afraid to be wrong. I have a sign in my office that says, "If you're not prepared to be wrong, you'll never come up with anything original." Being wrong in a thoughtful, prepared manner as we advance original thinking needs to be accepted, rather than expecting perfection in every initiative. After all, sometimes we land on the moon after we make mistakes, analyze them, and learn from them.

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