

Transcript: How to Make It New - Fostering a Culture of Innovation in Turbulent Times

Deloitte Insights podcast

Host: Welcome to another edition of Deloitte Insights, a production of Deloitte LLP. Deloitte Insights is an audio news podcast that looks at important business issues. Today's program: [How to Make It New: Fostering a Culture of Innovation in Turbulent Times](#).

Every day seems to bring a new shock to the global economy. The markets are swinging wildly, savings have evaporated, consumer spending is down and unemployment is up. In such turbulent times, many businesses might understandably be focused on getting through the crisis of the week rather than growing for the future. But for organizations looking at long-term sustainability, perhaps the most important question is: How do you develop fresh ideas that create value? How do you create a culture of innovation?



Innovation is a continuous process. A journey that sometimes takes giant leaps and sometimes moves ahead in small steps. But at Deloitte that journey never comes to an end.

Here today to discuss why innovation is vitally important in these challenging economic times and to tell us how Deloitte is working to develop and encourage a culture of innovation among its people and clients throughout the world are Jim Quigley, Giam Swiegers and Ruwayda Ebrahim. [Jim Quigley](#) is global CEO (chief executive officer) of Deloitte Touche Tohmatsu. [Giam Swiegers](#) is CEO of Deloitte Australia and a member of the Deloitte Global Innovation Network. And [Ruwayda Ebrahim](#) is a partner from Deloitte South Africa and leads Deloitte's Young Partner Advisory Council. Welcome to Deloitte Insights.

Jim Quigley: Delighted to be with you today. Thank you.

Giam Swiegers: I'm really pleased to be here.

Ruwayda Ebrahim: Very excited to be here.

Host: We're living in a time of unprecedented volatility and turmoil. So the obvious question is, how, when the temptation for many companies is to hunker down and wait for the storm to pass, can you possibly be talking about innovation?

Jim Quigley: I think in turbulent times innovation is actually more important than ever. It isn't something that we should innovate when we've got good times and we're trying to actually sustain momentum, but I think when our clients are experiencing some challenging times it's an opportunity for us to innovate to deliver value and help them in these very turbulent times.

Giam Swiegers: Yeah, I couldn't agree more. We've defined innovation as fresh ideas that create value. This is the time when our clients are looking for fresh ideas. The old solutions won't solve the new problems. The faster we can get to those new solutions, the more we are going to help clients weather the storm.

Ruwayda Ebrahim: I think that even in the financial crisis that we do find ourselves in, there are plenty of opportunities, in fact, opportunities that didn't even exist six months ago. We really need to harness those opportunities, grow those opportunities. In fact, successful businesses while focusing on the short term also have the long term in mind, and that goes far beyond the current financial crisis that we find ourselves in.

Host: When people think about the Big Four professional services organizations, they usually don't associate them with an innovative culture. What should they know about Deloitte that might cause them to reconsider their impression?

Jim Quigley: Well, it's obviously a myth that they're holding – because I think innovation occurs very broadly through our organization and I think the most fundamental unit is the individual client team.

When we bring a team together and they're in the team room working and focusing on those client issues, they're enormously innovative. And our clients, when they come in and participate, they know that there is going to be a solution emerge from that process that wouldn't have otherwise been there had the Deloitte professionals not been in the room.

Giam Swiegers: We have a careful look at the services we provide today and we see if we provided them two or three years ago. I don't think we even appreciate how innovative we are and how many new services we come up with year after year because of unique client problems. We have just not always labeled it as innovation. I reckon a proper analysis of our services will indicate that we are probably one of the most innovative professions and a very innovative firm and we just need to continue down that path.

Ruwayda Ebrahim: Yes, I would like to give you an example of innovation at Deloitte, which, in fact, I'm a part of, and that's really the Young Partner's Advisory Council, or YPAC for short. This is really a group of 23 or 24 partners from across the globe and it's under the executive sponsorship of our own CEO, Jim Quigley. And really the 23 partners come together to act as a think tank for ideas or for initiatives that are challenging us at Deloitte. Now in the prior year an issue that was quite topical, and still is, in fact, was talent. So the prior YPAC focused on talent and came up with proposals that could help the global executive in implementing talent initiatives in our firms. In fact, this year, which is the YPAC that I'm involved in, is on innovation. This is really a very exciting topic for us and we are hoping to give guidance and propose new things that our global organization can do by way of innovation. So really I'm fascinated and amazed to be part of an innovation in itself at Deloitte.

Jim Quigley: I'm delighted with the work that Ruwayda and her colleagues are doing. Even this week they had a chance to spend one hour with our executive where we just simply focus specifically on ideas that were coming from this group of young partners and challenges to our organization. What can we do to institutionalize innovation and drive it ever more deeply into the fundamentals of our organization? I think it's a, frankly, another evidence of this innovative firm called Deloitte, when we think about putting together a group of young partners and giving them access to the most senior leaders of the firm to challenge us on this business fundamental.

Host: One of the keys to innovation is anticipating what's down the road. Deloitte's network of member firms has approximately 165,000 people who work with clients on a daily basis. Has that been an advantage when it comes to understanding what the business environment will look like in the future?

Giam Swiegers: I think it's an advantage because we have so many people talking to so many clients. What has been a disadvantage is trying to get 100,000 people to share those ideas with each other.

I reckon that if we can solve that challenge of getting people to communicate faster, more effectively, using the modern ways of communication, we will really be able to anticipate the future. We've created a whole innovation network to see if we can't find another way of getting the information to flow faster. However, having said that, considering the large number of people we have working for us, the communication is remarkably fast, and good ideas do flow through the firm.

Jim Quigley: How do we institutionalize it becomes the challenge for us as leaders and definitely as the CEO, a challenge that I feel in a very personal way. But the key point that I would try to add to the dialogue and the suggestions that Giam just put on the table, when you think about many organizations who identify themselves as innovative, one of the things they do is customer focus groups so they'll bring some customers together to talk about those products or their services or their offerings. And what's magic about Deloitte is we have those customer focus groups going on every single day, tens of thousands of times, and it is the challenge of – how do you then collect from that distributed network those best ideas that you want to really truly leverage and commercialize and then drive even more efficiently into the market? But we have customer focus groups going every day, thousands of them.

Ruwayda Ebrahim: I think being part of a global network of firms is an amazing advantage and I think that the reason for this is partly because many of our firms at varying stages of maturity, and often really good ideas that are evident in one firm can be driven across the globe.

Let me give you an example of what I was part of. Our U.K. practice many years ago talked about potentially buying an actuarial services business. That was at a time when having an actuarial service business as part of a firm like ours wasn't really the thing to do, but they went ahead and did it – with focused leadership and attention to that business that has been quite profitable.

In the South African practice that I'm a part of, we heard about this opportunity and, in fact, went out and joined forces with an actuarial services firm and as we moved toward fair value accounting, that synergy or that partnership actually started to make sense. And, in fact, years on now in South Africa our actuarial service business is quite profitable and very respected in our market.

Host: You've described innovation in terms of Deloitte's role in delivering value to clients, to encourage new ways of thinking and new ways of serving customers, as well as helping them to become more effective in their business operations. Could you explain the ways in which innovation can deliver value, not just to clients but to your own people and the community?

Jim Quigley: I think there's no question that innovation has to be part of what you do in the talent market, just focusing on that market in particular. Ruwayda commented on that earlier. But there's no way you're going to be able to attract the current generation of talent in Gen X and Gen Y without demonstrating that you're willing to think about new ways to connect, think about new ways to create those networks because our people are coming to us from a world where that's, in fact, how they communicate, that's how they interact with one another. So that's what we're doing at Deloitte by creating our own social networks and our own ability to really bring together that have common and shared interests. It's what they experienced when they were in school and it's what they want to experience when they join Deloitte. I think it is a demonstration of innovation, again, this time not in the client's space but rather in the talent space.

Giam Swiegers: I agree with Jim completely. We keep repeating to people that talent needs these challenges just like human beings need oxygen. They will go to wherever those challenges are. So one, we have a responsibility to create those environments. Secondly, we have the advantage of having people like that. All you need to do is get the problems onto the table, for people to have [discussions], debate it. But I believe that our big challenge is going to be to look at the communication techniques, the social networks as Jim describes, but we are working with different generations. Jim and I come from a generation that's – we don't Twitter every day. How do we predict –

Jim Quigley: How about we don't Twitter ever, at least in my case.

Giam Swiegers: I will definitely also be in the nontwittering category. But we want to watch Facebook, Twitter and all of those tools to see if there isn't a more effective way of connecting the people globally.

Ruwayda Ebrahim: Yes, I mean I'm a little younger than Jim and Giam and I think I can speak on a personal basis, I can't imagine life without my cell phone. I can't imagine life without DVD players. And I want to work for a firm that is innovative. I want to work for a firm that challenges me and I guess this is what will really attract and retains good people within our firms.

Host: Innovation doesn't have to be sweeping. Could you talk about how innovation can also work incrementally, a principle the Japanese call *kaizen*, which roughly translates as continuous improvement?

Jim Quigley: I think sometimes when we think about innovation we allow ourselves to believe it is – can I come up with something like the iPod, some new product that really, truly is going to transform how some fundamental part of our life is actually delivered? But I actually think that there's innovation in the incremental world you're describing that is far more important, and that is – how can we become more efficient at our ability to deliver this engagement to this particular client, and are we willing to challenge what we've done historically and see if there's a way that we can be more effective in this particular area of that engagement?

And that's what I think our client teams are doing repeatedly, where I think we're seeing huge benefits from innovation. But it is a series of small steps rather than discovering some silver bullet that represents a gigantic leap. That doesn't mean we shouldn't look for those opportunities for a step change and a dramatic move, but I think if we ignore those incremental steps we're really missing the boat in terms of how broad innovation can apply, if it is as simple as Giam described at the beginning. A fresh idea that actually delivers value or could be converted to value. That fresh idea is something that I want all 165,000 of the Deloitte professionals to feel empowered and even obligated to try to bring to bear in our value proposition.

Giam Swiegers: That whole concept of the fresh idea is so important because we need to convince our people when they come up with the fresh ideas that they're actually part of the innovation process. So often they just believe that's part of their task, and innovation is the iPod. I reckon that over the next year or two if we want to create a truly innovative firm that believes [it's] innovative, we're going to have to teach people that what they are doing is pretty innovative. And we're going to have to find ways of proving it because we've got to capture the hearts and the minds of our people.

Host: How do Deloitte member firms collaborate with their clients and others outside the organization to develop new ideas?

Jim Quigley: Well, I believe that the innovation, in terms of with clients, occurs every single day. Sometimes there's a new idea that actually will be commercialized in a collaborative fashion with the client or the client will take an idea that we have developed and they will be willing to become that referenceable "qual" [qualification] on how this idea could be applied broadly through either their industry or in other industries, and it helps them, it enhances their brand, because they get some visibility as well, in terms of being part of a leading edge idea.

Giam Swiegers: What makes professional firms different to other organizations that manufacture goods like a glass or a pen is, in most instances, whatever we manufacture gets consumed immediately. We are sitting across the table from the client; our professional advice is consumed immediately. So there can't be a lot of other industries that have 165,000 people in constant contact with their clients while they're producing whatever we produce – reports, solutions – and it's that client interaction that makes it so powerful, and our clients demand it from us – fresh resolutions every single day.

Host: How do you take good ideas that are generated locally and make them scalable across a large organization? Are you finding that a good idea in Singapore is also a good idea in Sao Paulo or San Francisco?

Jim Quigley: Well, there's no question that the good idea in Singapore has the potential of being valuable in Sao Paulo, and that is the gigantic challenge in an organization like ours. How do you collect those ideas, decide which you want to truly incubate and then scale and push through our network? We rely on industry networks to accomplish that objective. And our industry networks are very effective and very efficient at being able to develop an idea that you can then distribute through an industry network, and our functional networks do the same thing. Where we have, for example, in tax our transfer pricing specialists are connected together as a single network and an idea that has the potential of delivering value in several locations quickly finds its way through that network.

Giam Swiegers: If we could create a culture where everybody borrows with pride and grabs those ideas and rolls them out, we will create a very exciting culture. Because at the end of the day the shedding of those ideas, I think, is more about culture than it is about process and about system. When you realize that it's OK to go out there and it's OK to find ideas that [weren't] invented here, that's when the ideas really flow very fast.

Host: Jim, we've been talking about all the ways Deloitte has made innovation a priority. How will you know if you've been successful?

Jim Quigley: I think the best measure is how do we compete with our very best competitors. If you find that you're taking market share, I believe that's going to be one tangible demonstration that you're making progress and driving innovation into your business model and making it a part of your culture and making that experience repeatable. We have some terrific competitors. And innovation has to be fundamental to what a professional services firm does. So one of the ways that I think we will know if we're succeeding is how we're competing.

Giam Swiegers: I agree with Jim. But we need to add to that that we will now be successful if the very best young people want to join us because they know this is where they're going to get the experience, where they will grow, where they will solve problems. So it's about serving the clients and directing the talent.

Jim Quigley: And Giam has a wonderful example of that in Australia because he's widely viewed in Australia as the innovative firm, and it's making a difference as he competes for talent and who is attracted and wants to be part of the exciting story that is evolving with Deloitte Australia.

Giam Swiegers: That is interesting because we have some very good market research on what students think. We have moved from position 12 to position 1 within a year. The key driver has been the fact that they see it as the most innovative, and that's compared to not only our traditional competitors but to some very exciting other competitors, which I never would have thought that in the Australian market an accounting firm would be rated higher in the choice for the graduates. It's just been an amazing journey. But you had to get all our people to believe we are innovative, then we do become innovative.

Jim Quigley: Giam is a wonderful example of tone at the top, with respect to the importance of innovation, and then the energy from the top to drive it deep into the organization. And then, as he's pointed out, more broadly into other stakeholders, i.e., potential students who want to join. They want to be part of an organization that is on the move, that has a future. Therefore those number one rankings from campuses are critical. I think a demonstration that innovation is being driven in to the enterprise.

Host: The eminent scientist Linus Pauling said that the best way to have a good idea is to have a lot of ideas. Could you each talk about some of the ideas that have gotten your attention and interest recently and tell us what kind of potential value you think they can deliver to Deloitte and its clients in the near and long term?

Ruwayda Ebrahim: One of the topics that [is] certainly heating up, excuse the pun, in South Africa is the issue of global warming. Corporate South Africa has now sort of risen to the fact that there's a need for us to report on things like carbon emissions. I think that that is a huge opportunity for a professional services firm like Deloitte where we can really partner with our firm [...] system in reducing carbon emissions and then also to come up with ways on reporting valuable information to stakeholders who are interested to know about such information.

I know that our U.S. practice has done quite a bit of this already with their clients where the topic has been hotly debated for many years now. We can certainly learn from our U.S. practice as to what we can do to assist our clients in South Africa.

Giam Swiegers: I think it's quite right to say that to have good ideas, you have to have many ideas; to know if they're good ideas or not, you have to test many ideas. So you have to have an acceptance of failure. I think that's become a really big challenge for us in Australia, is to make people used to failing and making them realize it's OK to fail because you've tried. A simple motto of fail quickly, fail cheaply. We have produced some really good ideas because we have failed quite often. It's really that failure that you learn [from] and you give people the confidence to think but you can never put the firms' brand at risk, so it can never be a professional failure, but you need to try some stuff. We tried some solutions on the Internet and they seemed really good ideas but we failed cheaply and they didn't work.

But at the same time we discovered that we know a lot about Internet security and doing business on the Internet. We also know a lot about how to encourage businesses to do Internet security. We were fortunate that the experts in those two fields came together. We ended up producing a credit card that could potentially change the way people do business on the Internet. We took it out to the credit card show in Paris in February this year, where it was awarded the best product on show for this year. Quite amazing if you think that [it] was produced by an accounting firm down in Australia.

We are now test marketing it with one of the big credit card companies in Europe. The impact of this test is so big that as we speak we are negotiating with that credit card company to buy a stake in our company. It has taken us into a whole new field, but it was built on the adjacent space of really deep expertise that we had. That's what we need to do; we need to challenge people because there will be more of these cards out there.

Jim Quigley: Another idea that I was fascinated by recently, and I realize that it's not new perhaps to everyone, and that is this concept of Wikis as a way to collaborate and use a technology platform to build thought leadership. I could see the quick analogue for Deloitte in terms of how we might be building and developing thought leadership that we would be providing to the marketplace. So these new ideas, some of them perhaps in an organization with 165,000 people, it is the communications challenge again and how do you build a platform that actually is ubiquitous, works all the way across the network and can become the vehicle that we use to collect these ideas.

Giam Swiegers: One of the interesting things we have done with the client is, one of the major airlines had an issue on revenue generation. We said to them we would like to see if we can have an impact on their business. So we took the Deloitte Australia internal Innovation Zone, which is our collaboration software, and we said to the airline – we will spend a whole week and get our 5,000 people brainstorming your revenue generation ideas. It was just an experiment. Amazingly enough we [had] 1,000 ideas submitted to us in only five days. We worked through that. We cut it down to 20 very good ideas. I went along with the LCSP to present it to the CEO. He took one look at it and they have implemented 10 of our 20 ideas.

The relationship with the airline changed dramatically in next to no time. We're now going to do it with one of Australia's biggest retailers and then we're going to do it with one of the major financial institutions just to see what we can do.

I think it's a really good idea to challenge our own people to see if they can have such an impact on the client's business that they will always remember us and see us differently.

Jim Quigley: I feel it's more of an aspiration than something that we've actually tangibly created value. It's part of a networking that we have going. Maybe we should say that we've got a global innovation network that brings together some innovation champions in each of our member firms and they, on a monthly basis, come together and exchange ideas on what they're seeing in their network that might be scalable and leveragable across the network.

Giam Swiegers: But it is an interesting challenge and one that we will have to be innovative about, is, how do we get to energize their team and how do we get the ideas to flow far more freely? Because I really do believe if we crack the solution to that, we are going to have a huge impact. But that's part of the challenge of being innovative, is, you have to find innovative ways of solving these problems.

Ruwayda Ebrahim: I think that one of the things that Giam does quite well in Australia is that he's declared it a "no alibi zone." Pardon me for stealing your phrase, Giam, but essentially what it means is that businesses should have a mind-set that every obstacle can be overcome and we should stop finding limitations to innovation. So he's declared it a "no alibi zone" and I guess our challenge is to do that globally.

Host: Thank you for joining us today on Deloitte Insights.

Jim Quigley: Delighted to be with you today. Thank you very much.

Giam Swiegers: Really pleased to be here.

Ruwayda Ebrahim: Thank you very much.

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