



# Setting the stage for creative performance

Improving creativity in business by measuring creativity

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# A creative business needs a creative ecosystem

IN MARCH 2020, Scott Morrison, Australia's prime minister, announced a ban on gatherings of more than 500 people. This could have spelled doom for Sydney-based Stagekings, a builder of stage sets for some of the country's biggest events. But instead of folding, Stagekings mounted a creative response that turned adversity into triumph. The company pivoted to making flat-packed, assemble-yourself furniture aimed at the suddenly huge market of people who needed to work from home. The venture, branded IsoKing, grew so quickly that the firm had to hire workers rather than lay them off. With revenues of AUS\$3.6 million in its first year, the new business is now larger than the old.<sup>1</sup>

Why did some organizations manage to respond creatively to the pandemic's existential threat, while others failed to adapt? Some reasons are obvious: astute leaders, adaptable workers, flexible governance processes, and the like. However, creativity depends on more than what an organization does within its own four walls. IsoKing, for example, markets itself almost

exclusively through Facebook<sup>2</sup>—but what if Facebook, or other platforms that allow for easy, low-cost publicity, didn't exist? And what if the demand for build-at-home furniture hadn't burgeoned during the pandemic, creating a favorable market?

Examples like this show that organizations pursuing creativity have an interest in fostering an ecosystem—an industry and market environment—conducive to creativity, one that is receptive to new and useful ideas, and which enables the operational flexibility required to bring them to market.

The challenge for organizational leaders is to know what they can do, and how much they *should* do, to shape that ecosystem, to provide the space for their organization to be creative. After all, an organization can't control an industry or market in the same way as it can control its own internal workings. Leaders need to think carefully about where to focus their and their organization's efforts to create a more creative ecosystem, and how to be sure that these efforts are worth the investment.

## DEFINING CREATIVITY

Decades of research into creativity have arrived at the consensus that creativity is not an ineffable thing. It can in fact be defined: It's the creation of something novel and useful, a *creative work*, where *work* can be taken quite broadly to include physical objects, theorems or strategies, systems for understanding the world, stories and narratives, or music that can be performed again and again.

Novelty on its own is not enough. A creative work must also be seen as useful, helping the community move toward its goals. Defining creativity in terms of novelty and usefulness implies that creativity is contextual. Novel and useful to whom? Where? When? This relativity also implies that while the individual or team is important to creativity, other factors are also, and sometimes even more, important.

# It takes a creative ecosystem to innovate

CREATIVITY IS TYPICALLY seen as the work of a team or individual—the product of a group (even if it’s a group of one). The focus is on producing a *creative work* such as a film, novel, or fashion line—treating creativity as a thing, a noun. But we should also consider creativity as a verb, as *creative acts* where we engage in new ways with other teams, partners, collaborators, or even the market, as Stagekings did. While creativity as a noun is concentrated in groups—*centralized creativity*—creativity as a verb is spread across the firm and the ecosystem that surrounds it—*distributed creativity*.<sup>3</sup>

## CREATIVE WORKS AND CREATIVE ACTS: WHAT’S THE DIFFERENCE?

All *creative works* are the result of *creative acts*, though not all creative acts result in something that we would immediately recognize as a creative work. Creative works are the *nouns*, the things, that result from creativity. Creative acts, on the other hand, form the *verb*, the act of being creative.

In business, we focus on creative works, assuming that a creative work is the result of an act of creation, the product of a creative marketing, design, or innovation group. What is often forgotten is that bringing a creative work to life will likely require many creative acts across the organization and across the organization’s ecosystem.

Centralized and distributed creativity are not separate—they’re interdependent and intertwined. For instance, a restaurant chain’s marketing team might come up with the idea for a *burger of the week*, a creative work produced by centralized creativity. But turning the idea into a real-life campaign will depend on many other creative acts across the business, acts distributed among other teams and ecosystem partners. The procurement team might, for example, need to develop lightweight vendor-vetting and -onboarding processes if the *burger of the week* is to be successful. To accomplish these distributed creative acts, the marketing team and the groups it works with will likely need to find new ways to engage with each other.

The success of firms such as Stagekings during the pandemic relied not just on the creativity of individual groups, but on these groups finding new ways to work together as well as on the firm finding new ways to work with other firms and with the market. One could even argue that it is the creative acts that distinguish successful innovation from less noteworthy efforts.<sup>4</sup> Indeed, the inability of many otherwise creative firms to respond creatively to the pandemic might be attributed to a surplus of centralized creativity and a dearth of distributed creativity.

# A group's creativity depends on organizations, industries, and markets

WHEREAS CENTRALIZED CREATIVITY is the product of a group, distributed creativity is a different beast, working at multiple levels within and outside the organization (figure 1). This is important because each level shapes the creativity of the level below.

FIGURE 1

## Creativity operates at multiple levels within and outside an organization

	Level	Who it covers	Creativity is ...
 <p><b>Outside the organization</b></p>	<b>Market</b>	Consumers, customers, and clients	Innovation: the creativity of products and services in the market as a whole
	<b>Institutional</b>	An organization's external ecosystem: partners, suppliers, and the institutions it interacts with	New and valuable approaches to engage with the ecosystem across an industry or sector
 <p><b>Inside the organization</b></p>	<b>Organizational</b>	The organization within its four walls	Finding and enabling new and effective ways to engage across the organization
	<b>Group</b>	Individuals and the teams they belong to	The creation of a new and useful thing: creative work products

Source: Adapted from C. M. Ford, "Theory of individual creative action in multiple social domains," *Academy of Management Review* 21, no. 4, 1996, p. 1112-1142.

An organization that encourages its teams to approach problems creatively—and which provides the space for them to be creative—will inspire more creativity among its teams than one that measures its teams on strict adherence to predefined specifications, budgets, and timelines. Teams that can, when necessary, request and obtain modifications to their original project plan are more apt to engage in the experimentation and iteration that leads to more creative outcomes than teams obliged to deliver to specification no matter what.

Similarly, if industry norms and practices discourage operating outside a strict set of conventions, organizations will have little incentive to develop creative approaches. For instance, quantity surveying conventions in the construction industry, which historically rely on onsite inspections, can make it difficult for construction firms to move work to offsite locations where they can realize safety and productivity benefits.<sup>5</sup>

Finally, idiosyncrasies in how a market functions can create headwinds for the adoption of a novel product or service. Particularly novel products and services can face incredible obstacles in part because they lack legitimacy with consumers.

An immediate insight from this layered model is that it is not enough for an organization to invest in improving the creativity of groups. Leaders must also invest in improving the creative potential of the higher-level layers: organizational, institutional, and market. Additionally, they must resolve mismatches between these layers if creative potential is to be maximized. A decision or convention in a layer above might unnecessarily constrain the layer below, as with the quantity surveying example described above where institutional conventions hinder efforts to develop a new approach to operations. Management, and possibly even an organization's senior executive team, might need to invest time in working across organizational and institutional divides to collaborate on developing new conventions and approaches that will provide the firm with more creative freedom.

# Investment/opportunity connects creative potential with creative performance

**T**HE KEY TO determining whether an investment is worth it is through metrics.

Investments in creativity are directed toward increasing *creative potential*, the factors that influence how creative the outcome might be. A range of factors at each level of our layered model can influence the potential for creativity. Choosing to only operate in a single, tightly regulated industry, for example, results in less creative potential than working across a diverse range of industries as this means that novel ideas have a greater chance of finding a useful home. (W. L. Gore has leveraged this strategy to great effect.)<sup>6</sup> Even if a firm chooses to work within a single industry, its leadership might actively engage with the industry's institutions and members to find new and more flexible approaches to working together to create more room to be creative.<sup>7</sup>

***Creative potential* refers to the factors that influence how creative an outcome will be. *Creative performance* is the creative outcome itself, the new object, idea, or behavior that results from creative potential.**

*Creative performance* is the creative outcome itself, the new object, idea, or behavior that results from creative potential. Importantly, creative performance is not binary, with some outcomes creative and others not; it's a continuum. Metrics for creative performance tell us where on this continuum a particular outcome lies.

Metrics for creativity are a little different from the more standard calculation of costs and benefits, because while creativity comes at a cost, it is not a sure thing. It's a numbers game, in which even if we have all the right ingredients, sometimes creativity just doesn't spark. Thus, investments in creative potential are just that: investments in improving the *potential* for a creative outcome. Creative performance, on the other hand, represents the opportunity, the value of the outcome that *could* arise out of creative potential.

We can connect investments to improve creative potential with the outcome's creative performance via an "investment/opportunity" metric to make this relationship tangible.

## Measuring the investment

Measuring investments in creative potential is a matter of determining how much time, money, and effort it would take to enable a group, organization, industry, or market to be more creative. For groups—teams and individuals—this investment might be used to create space in (usually tight)



schedules to investigate and experiment with alternatives, before being forced to arrive at a solution. Investments may also be made to pull in a more diverse set of perspectives or to provide training in methodologies, such as design thinking, which can be useful when seeking novel and useful solutions. The payoff, if the investments in improving group creative performance are effective, will be an improvement in the organization's creative performance—its ratio of creative hits to misses should increase. If this isn't the case, then the organization can dig into the detailed data to see which investments had the higher payoff and adjust the creativity investment strategy to suit.

If group creativity plateaus, then organizational leaders might also need to consider investing in the creative potential of the organization as a whole. Recall that the creativity of groups is affected by the governance processes and management practices imposed by the organization they work for. Investments at the organizational level thus likely entail evolving these governance and management practices to provide groups with more flexibility, more room to be creative. This might require, for example, factoring investment/opportunity metrics into program and project portfolio governance processes, so that a project or program's creative potential and performance, not just its cost and benefit, are formally considered. Or risk management practices might need to be reconsidered to enable the development of a new, lightweight approach to vetting suppliers for new ingredients—for instance—to support a *burger of the week* initiative.

If we move outside the firm, where organizational leaders have less control—industry conventions and regulation will determine what is easy and what is difficult for an organization to achieve. Quantity surveying in the construction industry is one such example. In addition to one-on-one negotiations like this, organizations can also influence creative potential through forums that

the industry uses to gather and discuss things not directly related to a shared project. In some industries, such as health care, this is done mainly through industry associations or regulatory intervention; other industries, such as consumer goods, rely more on the vendor ecosystem itself.

Finally, at the market level, organizations need to invest in novel (to them) and useful methods of engaging with and selling to customers and clients. IsoKing's ability to go from zero to AUS\$3.6 million in a year depended on both the firm's ability to reach out and connect with new customers, and the customers' need and willingness to buy its products. IsoKing got its first product out to the market quickly—designing and constructing its first desk within 48 hours of the ban on large gatherings<sup>8</sup>—then adjusted rapidly as it learned what its customers wanted. It directed investments toward experimenting with new products, channels, delivery methods, and new ways of connecting with customers in a market where all the rules had changed.

## Measuring the opportunity

It's difficult, maybe even impossible, to measure creative performance objectively, as we do with weight or distance. However, a range of reliable subjective methods have been developed to gauge the creativity of particular outputs.<sup>9</sup>



At the group level, these methods can be used to assess the degree to which the output of a group's work is in fact novel and useful as well as how much value it provides. These techniques rely on qualitative assessments that gauge creativity by asking an appropriately chosen group of observers to score a creative work. We can then gauge the creative performance of an organization by aggregating the group's creativity measures, creating a metric for the organization as a whole.

The same qualitative techniques can be used to measure creativity at the market level—the novelty and usefulness of the products and services in public circulation. We can aggregate creativity measures for individual products and services to create a measure for the market’s overall creativity.

An industry metric can be created by only aggregating the measures for products and services associated with a particular industry. A creative performance benchmark could also be developed by comparing the creative performance of one firm’s products against those of a select set of peers.

FIGURE 2

### Investment/opportunity ties creative performance to creative potential

	Level	Creative potential The potential for creativity	Creative performance Realized creativity
 <b>Outside the organization</b>	<b>Market</b>	The degree of consumer and client interest in and acceptance for novel and useful products and services	How creative is a particular product or service provided by the industry? How creative, on average, are the products and services in the market?
	<b>Institutional</b>	Industry and institutional conventions and arrangements—what it means to be a “good” representative of an industry	How creative, on average, are the products and services representative of the industry?
 <b>Inside the organization</b>	<b>Organizational</b>	The metrics and governance processes instituted by an organization	How creative, on average, are the work products created by groups in the organization?
	<b>Group</b>	The group’s people, process, and culture	How creative is a particular work product created by a group?

Source: Deloitte analysis.

# Investment/opportunity is cost/benefit's essential complement and partner

WE PUT CREATIVITY on a pedestal. Keynotes at conferences and opinion pieces in business media extol creativity's benefits. The World Economic Forum has even positioned creativity as the third most important skill in the Fourth Industrial Revolution.<sup>10</sup> But for all this talk, many organizations treat creativity as a “nice to have.” A useful tool, creativity attracts investments when times are good. However, in troubled times (such as global pandemics), when belts are tightened, creativity is considered to be optional. This is because creativity comes with a cost that many don't recognize as an investment, and while it generates value, this value can be hard to account for.

In a shootout between creativity and efficiency, efficiency will win every time. This is counterproductive, as it's when times are tough that creativity can generate the most value. If we want to put creativity to work in troubled times—if we want to leverage creativity rather than relegating it to being a nice to have—then we need to address two challenges.

The first is that we need to encourage creative acts and not just creative works. In an uncertain and rapidly changing market, it is an organization's capacity for creative acts, the ability for the entire organization to engage with industry and market,

and each other creatively, that determines how successful it will be. While this is particularly true during existential threats, it is also true in the ongoing volatile, uncertain, complex, and ambiguous (VUCA) business environment that digital technology has created.

The second is that we need to put creativity on an equal footing with efficiency in our operating models, governance processes, and performance measures. Rather than reacting to an unexpected threat by rushing to constrain *all* spending, we need to channel our spending to create new and better opportunities, to find new ways of working that will enable us to maneuver through the crisis rather than simply preparing for a war of attrition.

Doing these two things means investing in the organization's creative potential to drive improvements in its creative performance, while also balancing this investment against investments in scalable efficacy. If cost/benefit represents the organization's scalable efficiency, then investment/opportunity represents its creativity. The two metrics need to be considered together, informing the organization's operating model, performance indicators, and governance processes. Only then can executives have informed discussions about their organization's creative performance, and how they should approach improving its creative potential.

## Endnotes

1. Sarah Sharples, "Sydney furniture company IsoKing made \$3.6 million after COVID-19 launch," *News.com.au*, May 7, 2021; Vanessa Croll, "Stage builders transform business with aim to help more Aussies," *News.com.au*, October 16, 2020.
2. Jeremy Fleming and Tabitha Fleming, "How we started a home office furniture company in 48 hours after Covid19 forced us to rethink our business model," *My Brand Journey*, September 1, 2020.
3. Vlad Petre Glăveanu, *Distributed Creativity: Thinking Outside the Box of the Creative Individual* (Cham: Springer International Publishing, 2014).
4. Cameron M. Ford, "A theory of individual creative action in multiple social domains," *Academy of Management Review* 21, no. 4 (1996): pp. 1112–1142.
5. The loosely coupled nature of the construction industry—where individual actors work freely within a web of building standards, conventions, and institutional arrangements—makes it particularly resistant to systemic innovation and change. See: Anna Dubois and Lars-Erik Gadde, "The construction industry as a loosely coupled system: Implications for productivity and innovation," *Construction Management and Economics* 20, no. 7 (2010): pp. 621–631.
6. W. L. Gore's approach to creativity and innovation is widely admired. Analyses typically focus on the firm's interior, how it organizes operations within its four walls—its *culture of innovation*. (See: Jay Rao, *W.L. Gore: Culture of Innovation* (Harvard Business Publishing Education, 2012). This is only half the story though. Gore's internal culture of innovation could not exist without an external partnering strategy that enables the firm to operate across a broad range of industries and sectors—everything from jackets and shoes, mobile electronics, testing equipment, and aerospace through to guitar strings. The firm does its best to provide novel ideas with the opportunity to find them a useful home. Without this cross-sector strategy, Gore's creative potential would be severely limited.
7. As we demonstrated earlier with the quantity surveying example.
8. Fleming and Fleming, "How we started a home office furniture company in 48 hours after Covid19 forced us to rethink our business model."
9. These subjective metrics are typically called *consensual assessment*. For examples, see: Teresa M. Amabile, "The social psychology of creativity: A consensual assessment technique," *Journal of Personality and Social Psychology* 43, no. 5 (1982): pp. 997–1013; David H. Cropley, "The Creative Solution Diagnosis Scale (CSDS)," *Creativity in Engineering: Novel Solutions to Complex Problems, Explorations in Creativity Research* (San Diego: Academic Press, 2015), pp. 78–85; Susan P. Besemer and Karen O'Quin, "Confirming the three-factor creative product analysis matrix model in an American sample," *Creativity Research Journal* 12, no. 4 (1999): pp. 287–296.
10. Alex Gray, "The 10 skills you need to thrive in the Fourth Industrial Revolution," *World Economic Forum*, January 19, 2016.

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