

A corporate environment for innovation

**Management practices which support or detract
from corporate innovativeness**

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Topics covered

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 - What do we mean by innovation?
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 - Structuring the corporation for innovation
 - How do you fix the environment – if it is in need of fixing?
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- Innovative companies researched for 25-Factors
 - The Twenty Five factors which can be used to calibrate 25 dimensions of corporate innovativeness.
 - Try the survey at <http://www.corporateinnovationonline.com>

Sources of corporate innovativeness

- **Founder'(s)**; instill, from the very beginning, an environment which has a profound and long-lasting affect on the corporation
- **Leaders**; over successive generations may build on and modify this environment by their actions but what is changed lifts off a base established by the founders
- **People**; a leader or an outstanding person or a group can have a profound effect on corporate innovativeness
- **Folk lore**; stories which are usually supportive of the corporation can grow with time, thus adding even more to the belief that there is an environment unique to the corporation
- **Successes**; successes and failures have a way of wrenching the environment and providing even further definition

Each corporation's environment is unique and reflects a country's culture

Is there a set of management practices and beliefs which impact corporate innovation? You bet there is!

- Some corporations have it, some do not
- Without at least some of these management practices there is probably no innovativeness and no innovation
- Sometimes it is very difficult to describe which practices are best
- If you have the right mix, you know you have it but, if you don't, you don't know what's missing!
- A corporation's environment may be seen to be different from inside than from outside the organization. Different individuals and groups within a corporation can have dissimilar views
- Knowing more about your corporate environment is the obvious starting point

Management practices impact innovativeness!

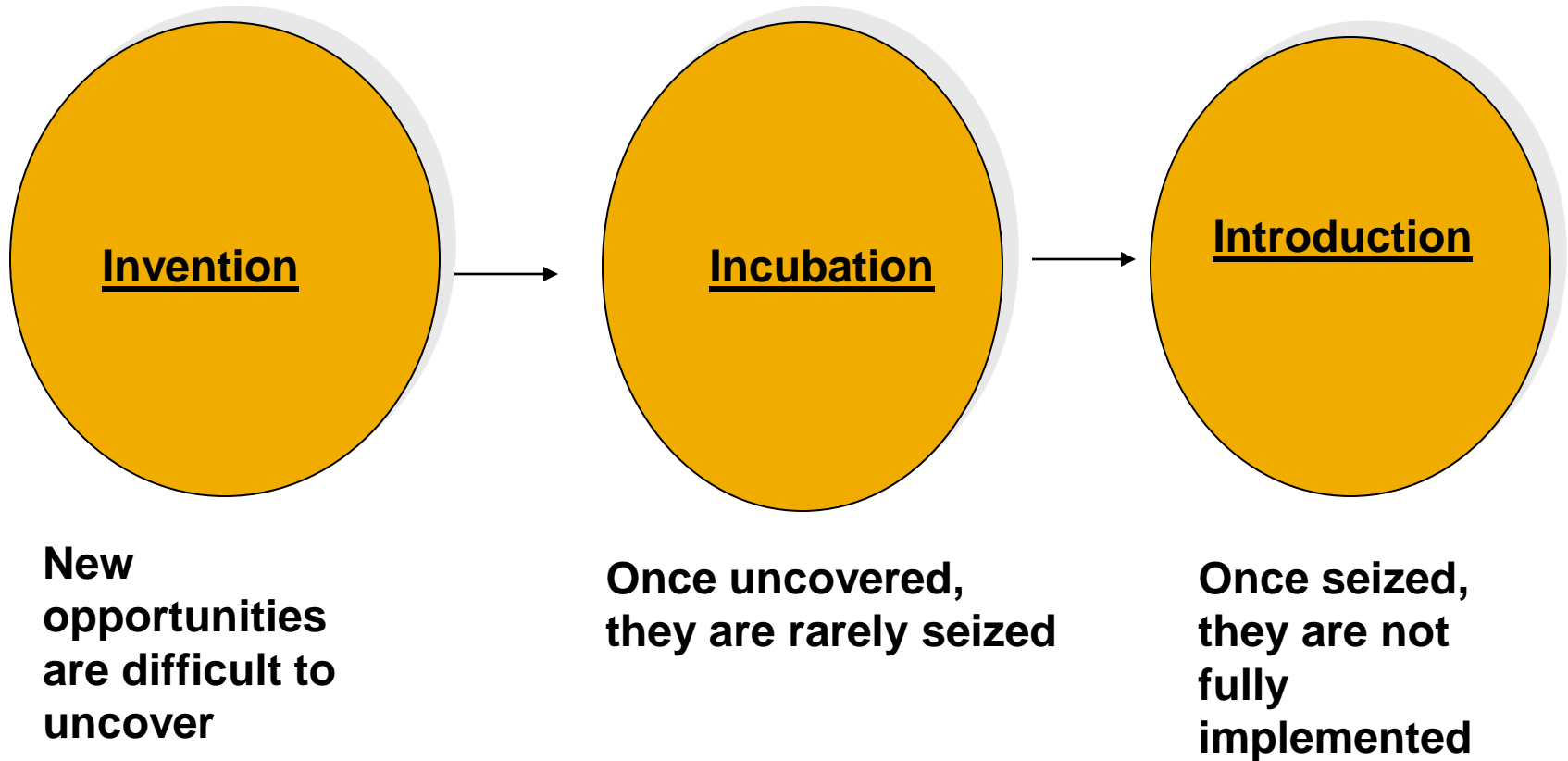
What do we mean by innovation?

- The conception of a good idea
- Innovation means introducing something new, but in our definition, not just anything new
- Innovation means taking a risk by investing time, money and effort in making something happen that is significant
- Innovation is about both ‘breakthroughs’ and also creating a difference such as;
 - developing a new product and making it commercially successful
 - adopting a new business model or strategic thrust
 - acquiring or developing a new process technology not previously patented.
- Something useful

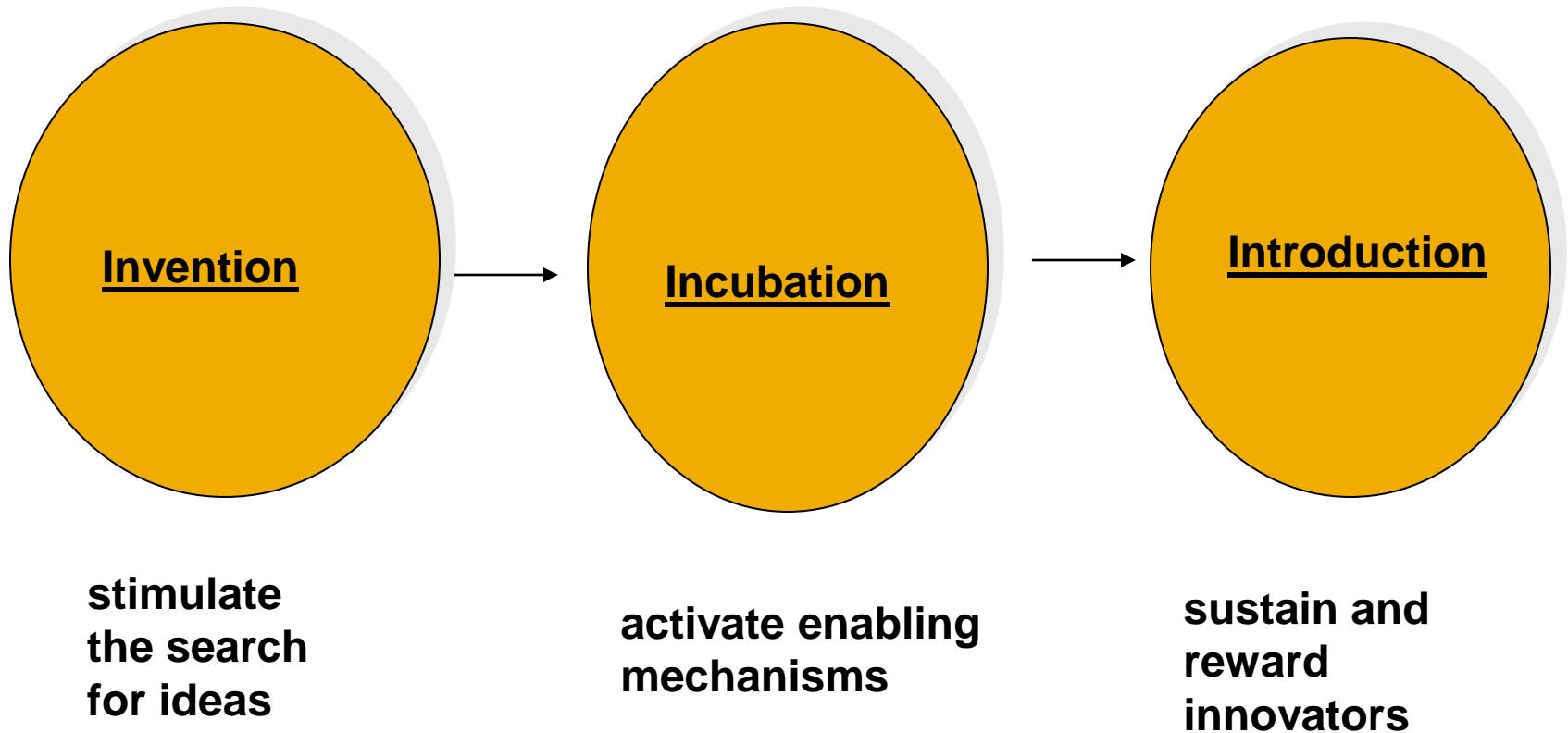
The corporation’s beliefs, values, way of doing business, can encourage or detract from innovativeness

Typical innovation process and management's role at each phase

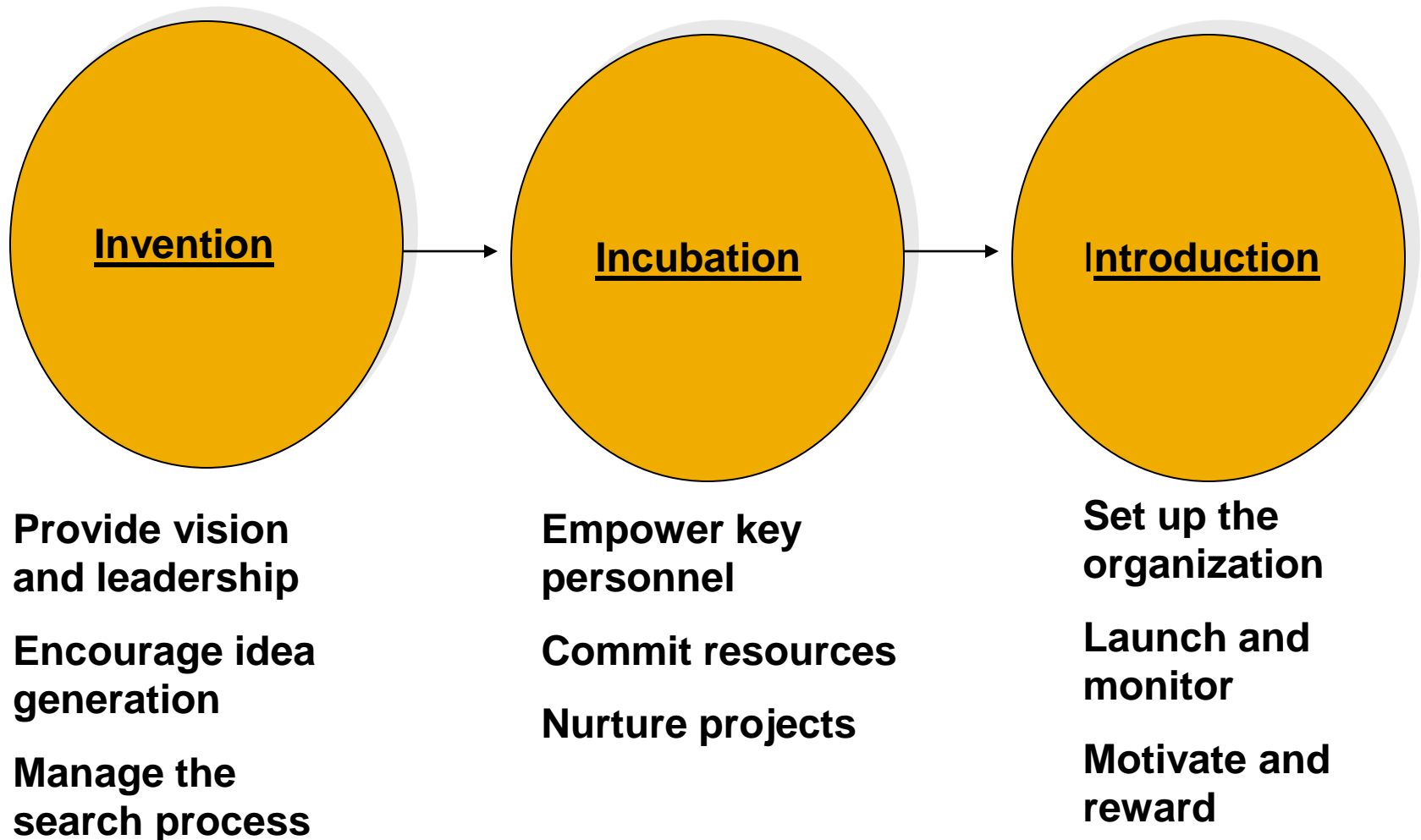
Innovation has 3 distinct phases. Different issues arise at each phase



Innovative companies manage each phase so as to create an enterprising environment They;



Management practices affect the innovative environment at each phase.



What it takes to get the corporate environment right

- Innovativeness is not about the corporation getting only one thing right
- Environment is not ‘climate’ unless you want the weather to change unpredictably!
- Innovativeness is multi-dimensional. A number of ‘things’ have to be working properly to have an environment which supports innovation
- Understanding the environment of a corporation is complex
- Some, but not all, aspects of culture can be calibrated

Structuring the corporation for innovation

- There are many options when it comes to trying to become more innovative. Which ones to choose or not to choose is tricky
- The worst choice is probably to do nothing and to let innovation take its own course. Adopting a ‘laissez-faire’ approach is probably the worst choice
- Since there are so many actions to take and directions to follow to improve innovativeness, there is a need to have as much data as one can on such a vague topic
- The approach presented here is a structured approach to improving the environment for innovation

How do you fix the environment – if it is in need of fixing?

Examples only – which ‘enabling mechanism’ to choose is critical

- Staying close to your employees
- Building a diverse talent base – multi-skilling
- Empowering champions; business, executive, technical
- Hire ‘mavericks’
- Rotate employees
- Use dedicated work groups
- Recognizing the time element in innovation
- Creating a conducive work environment
- Ensuring necessary information is widely available

By making use of carefully-selected enabling mechanisms

An examination* of many corporations deemed to be innovative revealed that;

- there is a strong correlation among:
 - innovativeness,
 - value as a long-term investment,
 - ability to attract and keep talented people,
 - quality of management,

- and that innovative companies do a very good job at managing;
 - people and interactions,
 - time,
 - space,
 - and flow of information.

*Based on research conducted by Arthur D. Little Inc. and White & Partners Ltd.

Calibrating your corporate innovativeness

What to look for?

- **Check list for testing your corporation's current environment for innovation!**

If these things are taking place:

1. Your company **does not have a tradition of innovation** (F#22) i.e. the founders were not innovators, customers do not see the company as innovative, or there are no initiatives and the company follows 'the industry leader'
2. **Innovation** in your company **seems to be going downhill** rather than improving (F#24)
3. **Innovators are leaving** the company (F#21)
4. There is a **scarcity of career opportunities for innovators (f#7)** in the company and little recognition of their work

- **Then you need to know more about how the environment is impacting innovativeness**

F#'s refer to the 25-Factors used in the Calibration Survey at: <http://www.corporateinnovationonline.com>

Leadership – attributes which discourage innovativeness

- **1. Perhaps it's leadership**
- Management (and Board) do not explicitly (F#2) look for innovation. The subject of innovation is not high on the agenda for Board meetings, management meetings, conferences, etc.
- Senior management's emphasis (F#1) is on achieving short-term profit at the expense and priority of long-term goals
- Planning; business/strategic/planning/budgeting all emphasize (F#4) cost cutting or rationing of resources rather than finding opportunities
- There is little tolerance for risk (F#9) assumption in the planning process

Day-to-day organization and management – attributes which discourage innovativeness

- **2. Maybe it's how the company organizes and manages day-to-day affairs**
- Management does not place sufficient (F#6) emphasis on people, on human resources and people interaction.
- There is too high a degree of formal communication (F#10) in the company
- It is not common to use of independent (groups with authority to make changes) work groups to accomplish projects (F#11) and special tasks.
- Decision making is driven from the top (F#12) and there is insufficient input from relevant sources in the company.
- There is too much staff (as opposed to line) involvement (F#20) in decision making.
- The decision process (F#13) is highly formal.
- The organization is highly (F#18) centralized with little decentralization.
- The organization action is moribund in planning (F#15) processes and not action oriented.

Idea generation and realization – attributes which discourage innovativeness

- **3. Maybe it's the approach to idea generation and realization**
- There is little tolerance (F#3) for mavericks.
- Management has a low (F#5) tolerance for failure.
- There is little tolerance for variances (F#8) from a defined or undefined corporation norm.
- Reward mechanisms (F#14) for innovators/innovations are lacking.
- A sense that resources (F#19) are unavailable even if attractive ideas/projects are identified.
- R&D spending levels (F#23) are not at the same level as the competition.

Sustaining innovation – some thoughts

- Motivate and reward innovators
- Measuring results
- Entrust power to the appropriate people
- Provide extensive training
- Tolerate failure
- Base pay/annual raises not necessarily incentives. Look at various types of compensation
- Provide advance compensation at milestones
- Emphasize personal recognition
- Reward success with additional responsibility and new projects

Innovative companies – those initially surveyed to define 25 factors impacting innovativeness

- Apple Computer
 - Bergen Brunwig Drug
 - Charles Schwab (BankAmerica)
 - Chevron (Ortho Division)
 - LA Olympic Organizing Committee
 - MCI
 - Medtronic
 - Merrill Lynch
 - 3M
 - Schlage Lock (Ingersoll-Rand)
- United States

- Canada Trust
 - CGE/Bromont
- Canada

- ASEA
 - Bosch
 - Nixdorf
 - Sinclair Research
 - Debenham's
 - Club Mediterranee
 - Elf Aquitaine
 - Advanced Semiconductor Materials
 - Philips/NKF
 - Societe Generale de Banque
 - Coditel
- Europe

- Asahi Chemical
 - Epson
 - Sumitomo Electric
 - Toray
- Japan

Innovative companies reviewed more recently

- 3M
- Proctor and Gamble
- John Deere
- Nucor
- orgne
- GE
- Starbucks
- Research in Motion
- Toyota
- Reckitt Benckiser
- Massey-Ferguson
- BP

The 25-Factor free survey which can be used to calibrate 25 dimensions of the environment

1. Emphasis on short-term vs long-term profits
2. Extent to which management explicitly looks for innovation
3. Tolerance of 'mavericks'
4. Degree to which planning emphasizes rationing resources vs. identifying opportunities
5. Tolerance for failure
6. Emphasis on management of people and their interactions
7. Use of career ladders and recognition of innovators
8. Tolerance for variances from the corporate norm
9. Tolerance for risk (in the planning process)
10. Degree of formal communications within the organization
11. Use of independent work groups for special purposes
12. Degree to which management decisions with input from rest of organization
13. Formality of decision process
14. Availability of reward mechanisms for innovators
15. Planning orientation vs action orientation
16. Attitudes towards merger, acquisition, joint ventures, and divestiture
17. Management's expectations regarding loyalty to the company vs personal development
18. Decentralization versus centralized hierarchy
19. Availability of resources (budget, personnel, time, etc.) for new ventures
20. Staff versus line involvement in decision process
21. Ability to retain innovators
22. Extent to which company has an innovative tradition
23. R&D budget levels versus competition
24. Perception of innovation as increasing or decreasing
25. Degree to which employee organizations encourage innovation

Try the survey

It's free

Customize the results for your own corporation

For a modest fee

**Contact us at: <http://www.corporateinnovationonline.com>
and go to 'Take the Survey'**