CIO - Innovation management best practices
On-line user results analyzed by Factor

'Thinking about' series
On-line lab results analyzed by Factor along with other references

Factor #3 - tolerance for mavericks

Factor #5 - tolerance for failure

Factor #8 - tolerance for *'outside'* the corporate norm

Factor #9 - tolerance for uncertainty in the planning process

The four 'tolerances'

May 14, 2017

Four Factors address the issue of management's tolerance; i.e. for mavericks, for failure, working outside the corporate norm, and for risk in the planning process.

On-line lab results
Tolerance is important but perhaps not as much as CIO thought

The desirability of employing mavericks, addressed by Factor #3, is given second place importance than the other Factors in this group of 'tolerances'. The average 'Ideal' is at -1.2 which indicates that users do not feel that this is as important an issue as other Factors.

In the early day's – shortly after the on-line lab was established - users of the on-line lab placed an average value on this Factor at -3, indicating a greater importance than currently. As user data has been added, the trend has been down.

Summary of contents

On-line lab results. *Users give a low ranking for tolerance*

Notes from 3M and P&G. *3M has always emphasized tolerance while P&G has struggled*

Comparison to the importance of other Factors. *On-line lab data shows that tolerance Factors rank below several other issues*

	Average 'Ideal'	Median 'Ideal'	Mode 'Ideal'	Median 'Delta'	'Delta' Average
F3- Management's tolerance for mavericks	-1.2	-2	3	3	3.5
F5 – Management's tolerance for failure	-0.5	-2	-3	3.5	3.4
F8 – Management's tolerance for variances from a corporate norm	-0.8	-2	-3	3	3.9
F9 – Management's tolerance for uncertainty – risk - during the planning process	1.55	2	3	2	3.5

While the tolerance for mavericks seemed not that important, the 'Delta' average was 3.5, suggesting that users were less than satisfied with managements' tolerance for mavericks.

Building, sustaining and articulating innovation management best practices

CIO - Innovation management best practices
On-line user results analyzed by Factor

Although the differences are small, users placed a greater importance on F#9, indicating that their 'Ideal' was more important than other Factors. The 'Ideal' situation was for management to take more risks during the planning process; to be more adventurous.

The highest 'Delta' was logged against Factor #8, indicating that users wished for more latitude within their organization.

The median and mode results are used for this analysis. The median – the number in the middle of a given set of numbers – for F#3 as an example is -2 and the mode – the most frequently occurring, or repetitive, value in this array of numbers, is 3. The mean and mode data is used as it better portrays the results than the calculation of a simple average which can be compromised by extreme ratings.

Notes from 3M and P&G
3M has always emphasized tolerance while P&G has struggled

3M[1]

Having 'mavericks' in the organization can be controversial. Of the companies researched by CIO, 3M is the only company which has made a point, over the years, of encouraging mavericks. 3M's history suggests that for over 100 years, the company was supportive of the views, often strange views, of its innovative employees. 'Tolerance for Tinkerers' is how this is referenced in the material reviewed.

'A Century of Innovation' makes reference to the 'Dream Team' and in so doing gives credit to, not just the idea of a 'maverick' per se, but also to the benefits which can occur where the congruence of skills (often from several mavericks working together) makes a difference. Each of the three members brought their own 'personalities to 3M; one was an optimist, go-getter, calculated risk taker and a leader, another was also an optimist, unconventional, innately curious, a rule-breaker and a leader who had his own distinctive style, and the other member was a consummate inventor, open to new ideas, resisting limits, probing the impossible; obviously, an unbeatable combination.

To quote: 'unlike most companies – then and now – 3M demonstrated a wide tolerance[2] for new ideas, believing that unfettered thinking would pay off in the end' referring to one of the early mavericks at 3M by the name of Francis G. Okie. 3M keeps its spirit alive by 'encouraging inventive zealots like Francis Okie'.

---

[1] For the full report, go to www.corporateinnovaitononline.com and look under IM (Innovation management) reports
[2] Business Week, June 11, 2007,

Building, sustaining and articulating innovation management best practices

CIO - Innovation management best practices
On-line user results analyzed by Factor

There is a lack of anecdotal evidence in 3M's most recent history to suggest, one way or the other, that the 'tolerance for mavericks' continues to this day. Employing 'mavericks' per se just might not be as big an issue today as it was during 3M's early days.

Historically, 3M has established a culture that tolerates failure. Over the period, 2001 to 2005, however, the emphasis on the need for predictable outcomes implicitly meant that there was also a lower tolerance for failure. Under Buckley, tolerance returned. Thulin has not altered the return lead by Buckley.

'Innovation is generally an untidy process'. 'When this (referring to the failure of the majority of ideas) happens, the important thing is not to punish the people involved'. Two quotes attributed to Pint, and Lehr, respectively from 'A Century of Innovation'.

McKnight put his faith in the good judgment of 3M employees. He warned against micromanagement and the chilling effect that accompanies intolerance of failure. His basic rule of management was laid out in 1948. "As our business grows, it becomes increasingly necessary to delegate responsibility and to encourage men and women to exercise their initiative. This requires considerable tolerance. Those men and women, to whom we delegate authority and responsibility, if they are good people, are going to want to do their jobs in their own way". "Management that is destructively critical when mistakes are made kills initiative. And it's essential that we have many people with initiative if we are to continue to grow."

3M relies[3] on a few simple rules… 'Tolerate failure. By encouraging plenty of experimentation and risk taking, there are more chances for a new-product hit.

For 3M, there has always been a clear indication from the top level that challenging the corporate norm was to be encouraged. More recently, with the introduction of new approaches to management which 'systemized' most procedures, the traditional culture may have changed.

From 'A Century of Innovation'; 'People who know the company best point to four key ingredients that foster a culture of innovation at 3M:
- attracting and retaining imaginative and productive people,
- creating a challenging environment;
- designing an organization that doesn't get in people's way; and
- offering rewards that nourish both self-esteem and personal bank accounts'.

Most recent management changes, under Buckley and Thulin, may have altered the culture but there is little anecdotal information available.

---

[3] Business Week, June 11, 2007

Building, sustaining and articulating innovation management best practices

CIO - Innovation management best practices
On-line user results analyzed by Factor

P&G[4]

P&G's culture over decades has been built on hiring recent college graduates and promoting from within. Mid-career hires, according to Lafley, are (or were) considered disruptive to the P&G culture. In spite of this historic norm being so ingrained in the company culture, P&G hired '150 midcareer designers' in order to tap into designers' thinking and acting, i.e. more intuitive and less linear. These designers were akin to mavericks in the sense that they were different from the norm. Equally disruptive to the norm was the fact that P&G also enlisted design talent from outside the company.

P&G does not mention mavericks per se nor their importance or otherwise within the organization.

P&G believe that being a big company gives them an advantage over seemingly nimbler smaller companies. These advantages build on; scale, management capability, and the resources to take risks, but also, since the company is global, provides a 'built-in innovative edge' due to the cultural diversity which 'is a great driver of ideas and innovation'; mavericks, or disrupters of the norm, in a sense.

P&G has shifted dramatically in its attitude towards handling failure. Failure is seen as a 'regular visitor'. An overall success rate for new ventures is 50% and if that rate drops, there is a sense that not enough risk is being taken.

P&G's attitude to risk and possible failure is exemplified by its rejection of the notion that 'Innovation can mean sticking your neck out'. Rather, in its place is the opposite; that 'a courageous, connected culture means it won't get chopped off, and you are not alone in taking risks'[5]. 'Exploring the frontier' is 'becoming a way of life' according to Lafley.

It is not that failure is glossed over or that it passes unnoticed. P&G does after-action reports on failed innovation initiatives. 'It (failure) is the job of management to ensure that everyone knows where failure can and cannot be accepted'. There are several examples aired in the book, The Game-Changer, which provide an illustration of how P&G seeks to learn from its failures.

P&G, by placing innovation at the center of its business and, at the same time, adopting a highly collaborative approach to planning has, to a great extent, diffused the sense of risk in the planning process. The individual assumption of risk has given way to a collective assumption of innovation and risk. The result is a reasonably large tolerance for risk.

The 'yield from the process of innovation has risen from a 15 to 20% success rate to 50 to 60% over the past several years' according to Lafley. That percentage is 'about as high as P&G wants to go' since a higher rate would signal that the 'company is playing it too safe'[6]. By stating an

---

[4] For the full report, go to www.corporateinnovaitononline.com and look under IM (Innovation management) reports
[5] Page 222, The Game-Changer
[6] Page 178, The Game-Changer

Building, sustaining and articulating innovation management best practices

CIO - Innovation management best practices
On-line user results analyzed by Factor

acceptance of 50%, Lafley is communicating not just a target for success but the acceptance (not that one wants this!) of a significant failure. Without failure, there is no evidence of experimentation and risk assumption.

P&G has placed emphasis on its ability to manage risk. Recognizing that failure is an inherent part of the innovation process, it has learned from its failures how to better manage associated risk.

By linking innovation with the planning process; budgetary revenue growth and cost targets, resource allocation and reallocation, people development and promotions, and performance appraisals and rewards, there is a 'systemic way of moving from concept to commercialization'. Innovation is a discipline and not seen as a random or serendipity process. 'Innovation leaders are comfortable with uncertainty' partly because they have an 'entirely different set of skills, temperament, and psychology'.

P&G has introduced a range of mechanisms which bring together a consensus of risk assessment which in turn probably creates a sense of togetherness and the joint sharing of risk which would not otherwise be inherent in the process. In this regard, risk is jointly managed and not so much associated to any one individual.

'[7]For a company with $84 billion in sales and 126,000 employees, change won't be easy. P&G's strength is its hierarchical brand management system, and a philosophy geared to avoid mistakes, not one that embraces risk taking. But that rigor and discipline come at a cost, slowing speed to market and letting more nimble competitors capture market share.

To get P&G to adapt to new market demands at home and overseas, Lafley will have to pare down P&G's bloated cost structure and create an organization adept at moving at the speed of technology.'

---

[7] Reference remarks by Avi Dan

Building, sustaining and articulating innovation management best practices

CIO - Innovation management best practices
On-line user results analyzed by Factor

Comparison to the importance of other Factors

On-line lab data shows that tolerance Factors rank below several other issues

How important are the 'tolerance Factors'? Using the 'Delta' Median for not all, but several of the other Factors, the results provide further insight into user's priorities. Those ranking as a greater concern are;

- the need for management to focus on opportunities and less on cost reduction

- the need to provide career ladders and other rewards for innovation and for innovators

- a call for greater collaboration throughout the organization and

- more emphasis on action and less, relatively, on planning

Delta' Median

Building, sustaining and articulating innovation management best practices