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Report¹ on Bx's climate for innovation (India-based manufacturing company)

This Report is based on a review of the data made available through your response to the on-line survey at;
<http://www.corporateinnovationonline.com>.

This report has been prepared for the registrant. All information contained herein and in the on-line survey is private with no attribution. Our privacy policy is available on the web site.

Executive summary

- Your 'Delta' score is '108, well above the threshold of '60' at which point, in CIO's view, a company has issues relevant to the management of innovation which need to be addressed. See Appendix for a breakout of the 'Delta' by Factor.
- Bx does not have a strong tradition of innovation and the perception is that innovation is declining. One of the reasons for the decline is attributed to the inability to retain innovators.
- Career ladders, the recognition and rewarding of innovators are not well developed within Bx. The lack of a means to retain (and we presume to attract) innovators jeopardizes the company's innovative climate. There is also little tolerance for risk; a key attribute of innovative companies.
- One of the major concerns is that the company is managed in an hierarchical fashion and issues of open communication, devolution of responsibility, tolerance for failure, and an action-orientation are not sufficiently developed.
- The facility to generate ideas is hampered by the lack of reward mechanisms for innovators, tolerance, and R&D spending which is not up to the competition.

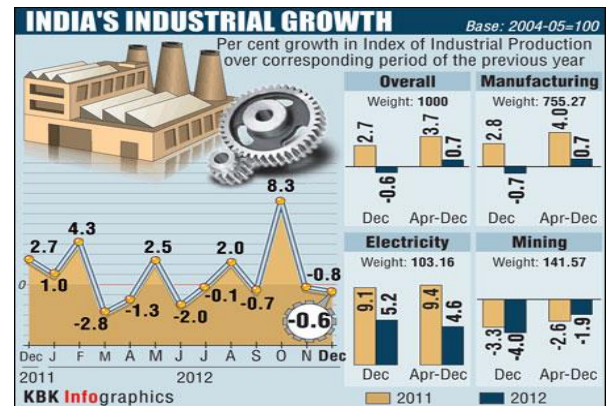


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Appendix

Delta for Bx

¹ Registrant 311

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- As in many organizations with a concern over innovation, there is no one reason for underperformance. Rather, there are several Factors which contribute to the problem. In some cases, a restructuring of the situation can be accomplished in a short time, but in other cases there is a long road ahead to bring about the required change. This analysis by Factor provides at least some indication of the direction for change.

Introduction

The on-line survey² is intended to provide an assessment of a corporation's management practices as related to innovation. Respondent's opinions on 25 Factors which impact innovation are sought. The Factors have been determined as a result of research into the management practices of 28 of the world's most highly innovative companies.

This on-line survey is the only survey of its kind that asks for both the respondent's ideal as well as comments on their actual situation.

Respondents who complete the on-line survey should be aware that the average results provided in the summary report available immediately on completion of the survey are based on all respondents' views; i.e. no attempt is made to differentiate among country, level in organization, industry or size of company. This report is themed under four headings and provides for a next level of interpretation.

1. Outcomes,
2. Leadership,
3. Organization of and management of day-to-day affairs, and
4. Idea generation and realization.

'Outcomes' provides an indication of the overall health of innovation in the organization. Factors are aggregated by the other three themes in order to more easily identify major areas of concern leading more directly to possible solutions.

Methodology

The first step in CIO's analysis of respondents input to the on-line survey is to compare, for each Factor, the respondent's '**Ideal**' with the average for all other respondents and, in addition, with ratings based on our researching highly-innovative companies which we refer to as '**Best of Breed**'. By so doing, one can better understand whether the respondent's view is in line with others who have responded to the survey. The respondent can also compare their '**Ideal**' with '**Best of Breed**' practices³. Knowing the relationship of the respondent's '**Ideal**' to two other benchmarks can provide a measure of the respondent's opinion and whether it is too optimistic or too pessimistic.

² On-line survey is available at <http://www.corporateinnovationonline.com>

³ A collage developed by CIO after researching management practices of over thirty companies.

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The second step is to determine, for each Factor, the difference between the respondent's **'Ideal'** and **'Reality'**. The difference is an indication of the magnitude of the respondent's concern, i.e. the alleged seriousness of the issue, and referred to in this report as the **'Delta'**.

The third step is to provide comment on the incidence of a higher-than-average 'Delta' score indicating, potentially, a situation which could be improved upon through the adoption of 'Best of Breed' practices.

Results are then themed according to the four themes noted. Where out-of-line conditions are identified, respondents may, by visiting the web site, avail themselves of helpful hints on how to close the gap, i.e. close the 'Delta', for their own situation'.

By special arrangements, additional customized approaches designed to elicit more information from a cross section of employees, by division or by level in the corporation, can also be provided. This approach is obviously quantitative and, in CIO's opinion, is best used in conjunction with qualitative interview-sourced information.

Findings

Outcomes

A high 'Delta' indicates problems. Retaining innovators is a big issue.

'Outcomes', i.e. the consequences of good (or ineffective) innovation management practices, is comprised of 3 Factors, and is one measure of the climate for innovation.

F#	Issue addressed	Your 'Delta'
21	Ability to retain innovators	5
22	Extent to which management has an innovative tradition	5
24	Perception of innovation increasing or decreasing	2
Total 'Delta' for 'Outcomes'		12

The total 'Delta' is 12 out of the total 'Delta' of '108' for all four themes. The ability to retain (and we assume to hire) innovators is obviously a major concern. The retention of effective innovators is critical to any organization especially those engaged in advanced systems work or the use of sophisticated sciences. The organization does not have a strong tradition of innovation but the trend in innovation, however, seems of less concern.

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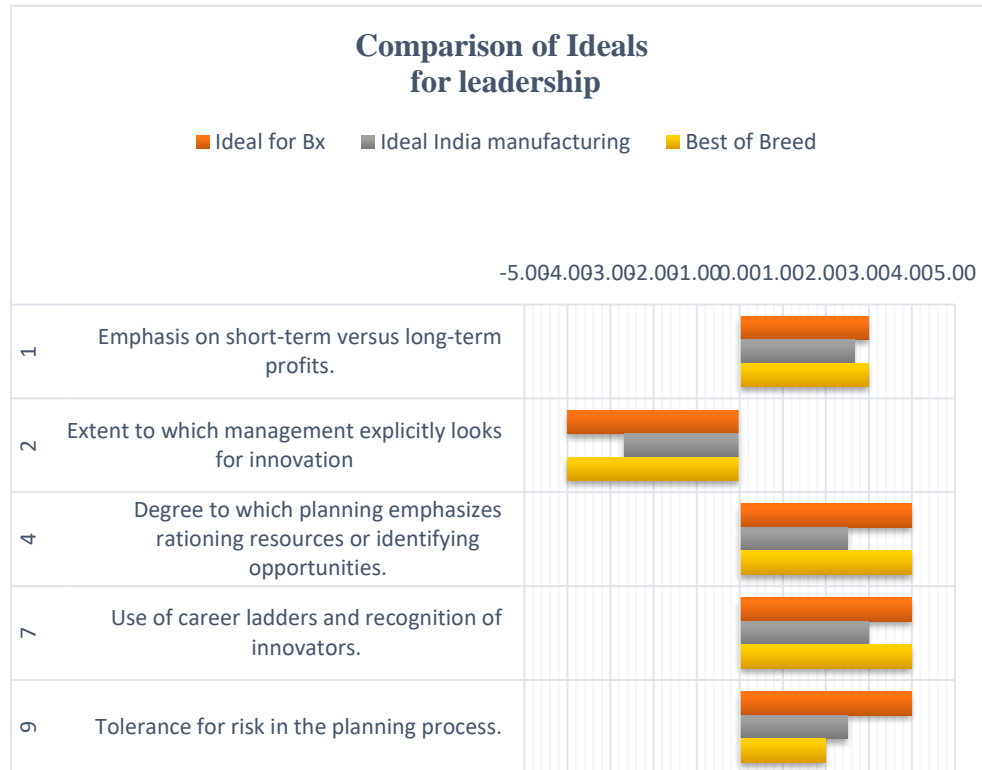
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Leadership

'Ideals' are close to the Best of Breed, but the organization appears to be risk averse.

'Leadership' is comprised of 5 Factors all of which are attributable to the actions and practices of senior management and/or the actions of the Board of Directors.

Your 'Ideals' are closely in line with the 'Best of Breed' except for Factor # 9, tolerance for risk in the planning process which may explain why your 'Delta' for this Factor is so high – at '7'. By the same logic, your concerns around Factors 2, 4, and 7, are re-emphasized.



F#	Issue addressed	Your 'Delta'
1	Emphasis on short-term versus long-term profits	1
2	Extent to which management explicitly looks for innovation	5
4	Degree to which planning emphasizes rationing resources or identifying opportunities	5
7	Use of career ladders and recognition of innovators	6
9	Tolerance for uncertainty in the planning process	7
Total 'Delta' for Leadership		24

Management has little tolerance for uncertainty, a Factor which CIO has found to be well addressed in highly innovative companies. Of great concern to you in this leadership category is the degree to which management emphasizes resource rationing rather than identifying opportunities; Factor #4. The high 'Delta' for Factor # 7 indicates extreme concern for the lack of recognition of innovators and is consistent with the results for 'Outcomes'.

Organization and management of day-to-day affairs

Hierarchy is important with limited up and down communication.

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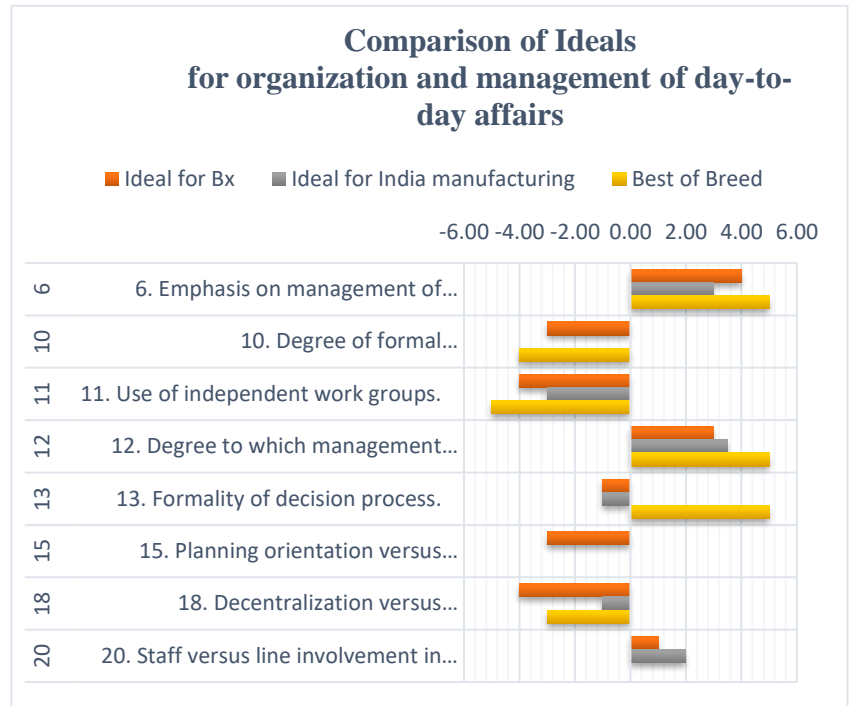
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This theme is comprised of 8 Factors.

Your 'Ideals' are in line with the 'Best of Breed' for 4 of the 8 Factors.

CIO's research has indicated that staff versus line involvement - F#20 – has little relevance in today's management thus there is no Best of Breed comparison to report upon. Further the data which we have regarding F#15 is inconclusive at this time and we cannot provide a measure.

While the senior management and Board are ultimately responsible for management practices, these practices are often the result of a value system and approach to business which has developed over years and has become systemic; for better or worse. Each Factor has an impact on the innovative climate in the organization.



F#	Issue addressed	Your 'Delta'
6	Emphasis on people and their interactions	6
10	Degree of formal communication in the organization	5
11	Use of independent work groups	1
12	Degree to which management decisions are made with input from the rest of the organization	1
13	Formality of the decision process	4
15	Planning versus action orientation	4
18	Decentralization versus centralization and hierarchy	9
20	Staff versus line involvement in the decision process	2
Total 'Delta' for organization and management of day-to-day affairs.		32

Three Factors (F#18, F#10 and F#6) for which you identify a high 'Delta' strongly suggest an organization which is bound by a highly-centralized hierarchy, not much informal communication within the organization and limited emphasis on people management. All these Factors are, however, addressable from within the organization – depending upon managements' (Board and senior management) desire to do so.

Idea generation and realization

Sharing ideas and tolerance are a problem which discourages innovation.

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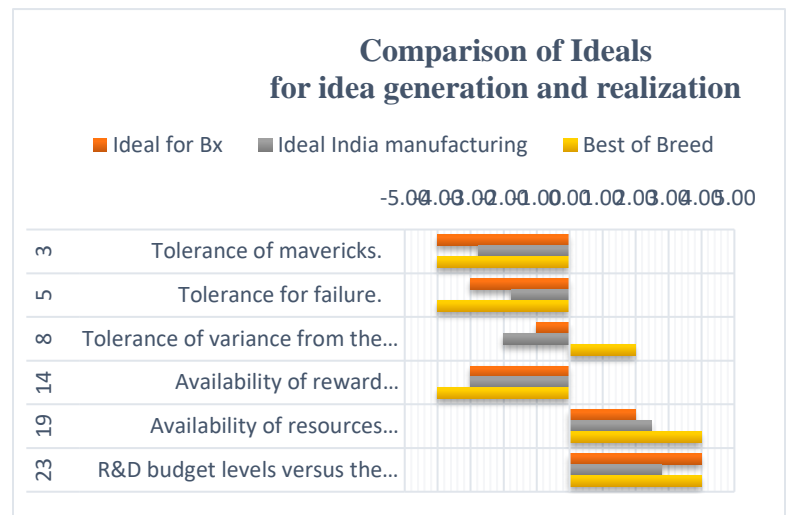
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This theme is comprised of 6 Factors.

Your ‘Ideals’ are closely in line with the Best of Breed in four of the Factors.

The ability for an organization to create a climate for innovation is critical, particularly in the high-tech field and the use sophisticated sciences. Stimulating innovation through the establishment of reward mechanisms, encouraging the sharing of ideas through collaboration, and the linkage with outside research centers for gaining access to new research are but examples of practices which are part of this theme.



F#	Issue addressed	Your ‘Delta’
3	Tolerance of mavericks	6
5	Tolerance for failure	4
8	Tolerance for variance from corporate norm	4
14	Availability of reward mechanisms for innovations	7
19	Availability of resources (budget, time, etc.) for new ventures	3
23	R&D budget levels versus the competition	6
Total ‘Delta’ for idea generation and realization		30

Your ‘Delta’ is most significant for issues relating to the effectiveness of reward mechanisms for innovation. When coupled with the results for F#21, the ability to retain innovators, it is evident that this is a major concern impacting the company’s innovative climate and capacity for innovation.

Additionally, there is a concern about R&D budget levels as compared to the competition. Innovation, by CIO’s definition, includes not only R&D, but the full spectrum of innovation starting from the easiest form to implement, i.e. continuous improvement, though to the adoption of new business models and the development and introduction of new products or product enhancements⁴.

The following Factors are excluded from the above analysis.

F#16: management’s attitude towards mergers, acquisitions, joint ventures and divestitures

F#17: management’s expectations regarding loyalty to the company versus personal development

F#25: degree to which employee organizations encourage innovation

⁴ See web site for a definition of the ‘Spectrum of Innovation’

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These 3 Factors account for ten of your total ‘Delta’. Factor #17 is the most significant to you. Highly-innovative companies such as Google and 3M are explicit about the percentage dedication of time expected of employees – roughly 15%.

Conclusion

This analysis, which is based on the data in our data base and CIO’s research, should be augmented with interview-based information before reaching conclusions regarding any of the management practices identified in this report.

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Appendix

