

CIO Corporate Innovation Online

Innovation management best practices

Measuring a consulting engineering firm's culture for innovation

Hatch¹ as an example

The genesis of this web site was the research undertaken by the world's oldest and much respected international management and technology firm, Arthur D Little, headquartered in Cambridge, Massachusetts. Part of their research delved into the management practices and policies which contribute to innovation – or not. Companies included in the research were a broad cross section of industries and four geographic areas; the U.S., Canada, Japan and Europe. Companies of note were; Apple Computer Inc., GE, 3M, Epson, Medtronic, Bosch, and Sumitomo.

Introduction to the methodology

The on-line survey, based on the earlier research, poses 25 questions. The responses provide a perspective on the following management issues.

- management and Board expectations regarding innovation
- tolerance for new ideas, mavericks, failure, and out-of-the-box thinking
- seeking opportunities versus a focus on cost reduction
- attention to people management
- incentives and rewards for innovators
- internal communications and openness to ideas
- use of independent work groups to get things done
- the hierarchy in place and decentralization of decision making
- availability of new venture financing

Respondents are asked to identify, for each Factor, their value attached to the 'Ideal' management practice and also their 'Reality'. The difference between the two is referred to as the 'Delta' and represents the degree of satisfaction/dissatisfaction with their current situation. The total of all 'Deltas' is an overall measure of the satisfaction or dissatisfaction as the case may be.

An example of the application of this research to a Canadian consulting engineering firm is set out. The survey, which is available on-line, is one approach to better understanding an organizations culture for innovation. One of the purposes of the methodology is to establish a starting point so that initiatives can be focussed on identified issues.

Hatch as an example

For the application to Hatch, White & Partners has used a measure referred to as the Best of Breed (BofB) which draws on in-depth research into management practices of highly-innovative, idea-intensive companies.

¹ Hatch is a major, highly-respected Canadian-headquartered engineering consulting firm employing approximately 10,000 people world wide.

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The first level of results for Hatch as set out in the attachment, 'Comparing Hatch to Best of Breed, Question and response', and shows a rating of Hatch versus the BofB. In all Factors but one, Hatch's responses are not up to the benchmark, BofB. This is to be expected since the hurdle is a significant challenge for most firms. Where Hatch meets the benchmark is for Factor #6, the attention given to people and their interactions.

Perhaps the more useful information is set out in this chart – Hatch's Delta – the absolute difference between the Best of Breed and a ranking for Hatch provided by our partner once employed by Hatch. The 'Delta' analysis identifies six Factors where a numeric value is two or more. Six areas where the need for improvement is indicated.

Factor #5; tolerance for failure

Factor #12; whether decision making is broadly based or not.

Factor #13; the formality of the decision making process.

Factor #14; the availability of rewards for innovators and innovation

Factor #23; budget levels for R&D.

Factor #25; the perception of whether the trend in innovation is up or down for the organization.

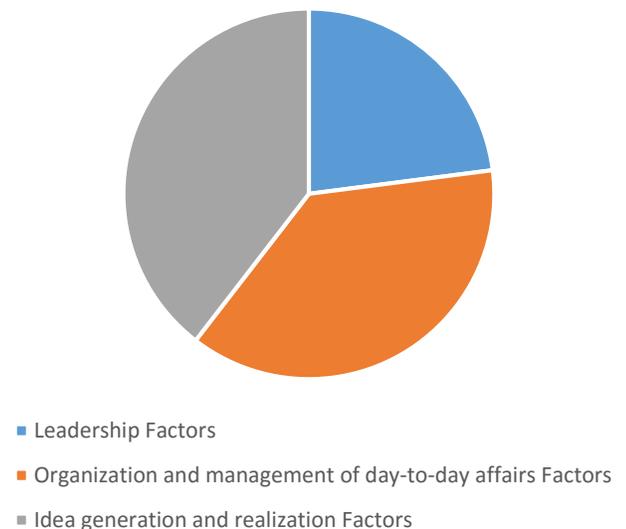
Also useful, is to note that the total 'Delta' for Hatch is '44'; a level which, when compared to other firms which have contributed to the data base, would be more than acceptable. In other words, Hatch does not have a major problem with innovation but could, as identified with the above noted six Factors, undertake some improvements to close the gap.

Further insight can be gathered by breaking out the Factors into three top level topics;

- Leadership Factors
- Organization and management of day-to-day affairs Factors and
- Idea generation and realization Factors

Most of the 'Delta' is attributed to 'Organization and Management'; Factors such as intra-firm communications, whether the organization is sufficiently decentralized, is decision making on major issues contributed to by all relevant staff, and whether the organization's management come across as trigger happy or lost in an ever-long planning loop. The good news is that most of these Factors can be relatively easily corrected either by communicating on the issues or by actually restructuring with a view to addressing the issues.

Distribution of 'Delta' by major category



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Leadership Factors include the Factors identified in the chart opposite. For Hatch, one could be concerned that management is not seen to have a priority for innovation. Knowing the organization, the respondent's own view would be that Hatch does in fact place a high priority on innovation but perhaps the message is not getting through to a sufficient number of stakeholders. Factor #1, dealing with the emphasis put on either short-term or long-term profit, shows a balanced position and not a concern to the respondent.

Not all organizations have the same results. For example, an analysis of results based on researching 3M's management practices show that there are several Factors which set it apart from most companies. Most often it is not one Factor which makes for a difference and relative uniqueness, but rather it is a combination which makes for good management practices and a favorable response.

Leadership Factors



Factors of greatest importance to 3M and a comparison with Best of Breed

