CEO and COO thinking about what it takes to have an innovative culture - a view from the top.

Here are what CEOs and COOs worry about when it comes to innovation! Survey results to date!

September 5, 2012.

Which Factors do senior executives (Chief Executive Officers and Chief Operating Officers) consider to be most important contributors to creating and sustaining a culture for innovativeness?

Our analysis of the latest survey results (See http://www.corporateinnovationonline.com[1]) found some answers. Respondents to the on-line survey, who stated that they are COO/CEOs, identified **7 Factors** as most important**,** out of total of 25 Factors.

We offer some ideas for responding to their severest concerns. You can find some additional thought-starters on the web site and organized by Factor!

Findings

Rewards for innovators and innovation, (**Factor #14**) ranked highest when we compared respondents' Ideal with their Reality. **All other Factors ranked well below this concern.**

> **F#14; Management practices of innovative companies.**
>
> Highly-innovative companies advocate the use of specific rewards for innovation.

Supporting this view was a concern over the retention of innovators (**Factor #21**), which was also rated as a concern. CEO/COOs were also vitally concerned over whether there was a career path for innovators in their organization (**Factor #7**).

> **F#21;Management practices of innovative companies.**
>
> In the ideal culture for innovation, innovators should stay with the corporation.

> **F#7; Management practices of innovative companies.**
>
> It is important to place emphasis on recognizing innovators.

The message is clear. If an organization is to be innovative it must ensure that the reward system for innovators is soundly structured.

A second category of concern revolved around issues related to **management's emphasis on planning and their explicit focus on profits and innovatio**n within the organization.

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1. [1] *Survey results may differ somewhat from those received on-line as the results, above, are based on a statistical analysis of the on-line results.*

- Respondents ranked the emphasis on longer-term versus short-term profits, **Factor #1,** as a concern. In other words, management should not be just looking for short-term profits but should take a slightly longer-term view.

> F#1; **Management practices of innovative companies.**
>
> Management is prepared to wait a reasonable time for a payout from innovation, but not too long, Management is not looking for short-term profits.

- Management's view on the importance of innovation, (**Factor #2**), ranked high perhaps reflecting a concern that their own management – as opposed to the view of the respondent – did not have as much fervor for innovation as they should.

> F#2; **Management practices of innovative companies.**
>
> Management explicitly and aggressively looks for innovation.

- The availability of resources and capital investment for new ventures for the implementation of new ideas, (**Factor #19**), was of grave concern to respondents. Our earlier research provided evidence that the notion of having, or even being seen to have resources (budget, time, etc.) for new ventures, is a motivator and a very important contributor to a positive culture for innovation. Respondents, as measured by the difference between the ideal situation and the reality faced by senior executives on this issue, were clear that this was an area where they were least satisfied with the status quo. In other words, generally, there is a concern that insufficient funds (relative to desire) are available for new ventures and this may act as a disincentive to innovation.

> **F#19: Management practices of innovative companies.**
>
> The indication, or past evidence, of resources being available for innovation is a definite incentive to be innovative.

- Respondents, on the question on whether the firm had an innovative tradition, **Factor #22**, indicated that this too was an area of concern. Senior executives believe that having an innovative tradition is, in itself, important to creating a positive climate for innovation. Obviously the first step is to create the climate, but the second step is to take actions which will sustain innovation.

> **F#22; Management practices of innovative companies.**
>
> It is quite important to be seen to have a tradition of innovation; hard to get, perhaps easy to lose.

Of some surprise to this reviewer is that the rankings for **Factor #6** - people management and their interactions and **Factor #4;** whether management's emphasis during planning is on cost reduction or opportunities identification, did not rank highly with the CEO/COO group.

Of least concern to CEO/COOs were two Factors;

- whether mavericks (**Factor #3**) played a role in the organization, and
- whether a culture for innovation was at all related to employee attitudes to mergers, acquisitions and restructuring (**Factor #16**).

Neither seemed important nor concerning.

Ideas for rewarding innovation and innovativeness

Highly-innovative companies such as 3M, P&G, Deere, and other companies which we have researched concerning innovation management practices have a comprehensive approach to providing rewards for innovators. While each approach is different in the specifics there are themes and principals which are common. Whichever approach is taken there should be an

awareness that all types of innovation should be considered; not just rewards for product development. To illustrate, we will make use of information on 3M's approach to innovation.

Innovation Component[2]	Examples of 3M's rewards and recognition in place for innovators
Business/continuous improvement	
- Alpha grants for non-technical innovation were introduced in 1986. 3M's drive to improve energy efficiency provides an example of the inclusive nature of how the company approaches innovation. Established in 2003 to boost employee participation in the company's energy efficiency efforts, the Annual Energy Recognition Program has enabled 3M to implement more than 1,900 employee-inspired projects from 2005 to 2009. The Program boosts employee participation and provides an individual sense of accomplishment in its manufacturing plants. The program formulates a four-level rating system ranging from Bronze to Platinum. Winning teams are rewarded with a variety of prizes ranging from certificates to dinners with 3M management. - The company allows employees to spend 15 percent of their time on any idea that could benefit 3M. 3M supervisors are instructed to respect the concept. 3M also supports innovation with small grants.	
Product extensions and new products	
3M stays ahead of the curve by regularly conducting empirical research and maintaining strong relationships with customers and consumers on a regional, national and global scale. 3M has more than 20 Customer Innovation Centers around the world. - Salaries and promotion are tied to the successful shepherding of new products. - The company fosters these ideas through regular New Product Forums and makes funding available for employee projects through Genesis Grants.	
New products	
Examples of some of the more direct awards include the Golden Step award that recognizes the whole team for a successful product launch.	
New Business models	
An idea generated can lead to leadership responsibilities.	
Technology, research	
McNerney capped R&D over his term ending in 2005. Historically, this area has been a focus for 3M. Investment in R&D 'fuels the innovation pipeline'[3]. The commitment to R&D is a motivator to innovation.	
Technologies, emerging, differentiating, and common-use.	
45 technology platforms in use covering 55,000 products. 30 research labs globally.	
Science; Fundamental and applied.	
- Establishment of a Central Research Laboratory in 1937. - One of the first companies to offer a dual career ladder for scientists and managers – i.e. technical personnel separate from corporate management. - Circle of Technical Excellence and Innovation award that recognizes major business-building technical achievement. - The Carlton Society, intended to award lifetime technology building achievements was established in 1963 to honor top 3M scientists. There are 160 inductees to date. - Technical Forums were founded in 1951 and now unite 9200 members with the purpose of cross pollination.	

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[2] For further information on these comments please see http://www.corporateinnovationonline.com and review the profile of 3M.

[3] A Culture for Innovation – 3M publication.

Peer recognition is at the heart of 3M's approach[4]. 3M has evolved its structure of rewards for innovation over a century.

> *3M wants to avoid employees hoarding new ideas and failing to collaborate. Instead, 3M employees share ideas for peer recognition. This recognition includes the Technical Circle of Excellence award in which innovators, selected by coworkers, receive a trip to the company retreat in Minnesota. For technical promotions, the ability of somebody to work with others inside and outside their laboratory is very much a part of the promotion criteria, especially at the higher levels.*

3M desires to have its employees share their ideas, while at the same time tracking those responsible for innovations. Their process emphasizes collaboration but also keeps track of individual contributions.

One of the organization's criteria for promotion is knowledge sharing and successful project leadership. Knowledge sharing and creation is a promotion criterion at senior technical levels. Successful project leadership not only is for new successful products or ideas. Recognition that an idea would not work and the decision to shut down the project is also noted. Lessons learned are articulated and thereby contribute to 3M's knowledge base. This is explicit recognition that failure is necessary for ideas to be nourished.

APQC[5] sets out the basics of establishing rewards for innovation. 3M's approach draws the following APQC principles.

- Consistently acknowledge those who contribute ideas, knowledge, and time. Senior management may recognize innovative design teams and champions, whereas peers typically nominate and recognize teammates for their contributions to the overall effort.

- Provide special recognition to volunteers, change agents, and model innovators. Keep names associated with contributions.

- Disseminate success stories concerning invention of a successful new product or approach.

- Make innovation self-rewarding.

- Link innovation to the core cultural values of the organization.

- Explain the justification behind rewards and how meeting goals will affect overall and individual outcomes.

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[4] See American Productivity & Quality Centre for further information.
[5] Ibid.