



A corporate culture for innovation. What is it anyway?

Management Practices Which Support or Detract from a Corporate Culture for Innovation.

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The Sources of a Corporate Culture

- Founder'(s); instill, from the very beginning, a culture which has a profound and long-lasting affect on the corporation.
- Leaders; over successive generations may build on and modify the culture 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 the culture.
- Folk lore; stories which are usually supportive of the corporation can grow with time, thus adding even more to the belief that there is a culture unique to the corporation.
- Successes; successes and failures have a way of wrenching the culture and providing even further definition.
*****T
- The 'Culture' of a Corporation Results from a Variety of Sources
– Thus Making Each Corporation's Culture Unique.

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

- Some corporations have it, some do not.
- Without a culture there is probably no innovation.
- Sometimes it is very difficult to describe a culture.
- If you have it, you know you have it. If you don't have a culture, then you don't know what's missing!
- In some cases a corporation's culture can be seen to be different from inside and outside the organization. Even different groups within a corporation can have dissimilar views.
- Knowing your corporate culture – as best you can – is the obvious starting point.

- Management practices impact innovativeness!

What do we mean by innovation?

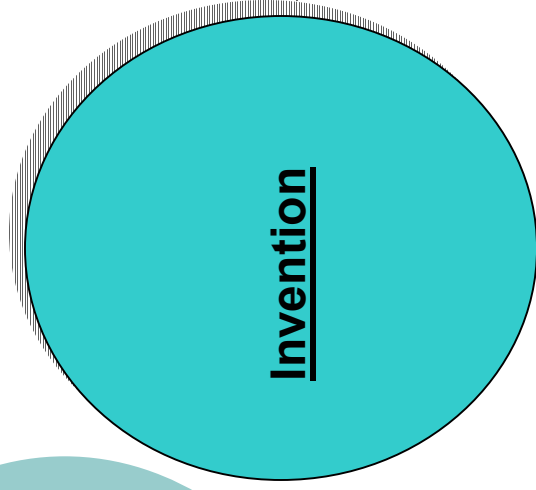
- The conception of a good idea.
- Innovation means introducing something new, but in our definition, not just anything new.
- Innovation means taking a risk by investing time, money and effort in making something happen that is significant.
- Innovation is about both ‘breakthroughs’ and also creating 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 culture; it’s beliefs, it’s values, it’s way of doing business, can facilitate and encourage or detract from innovation .

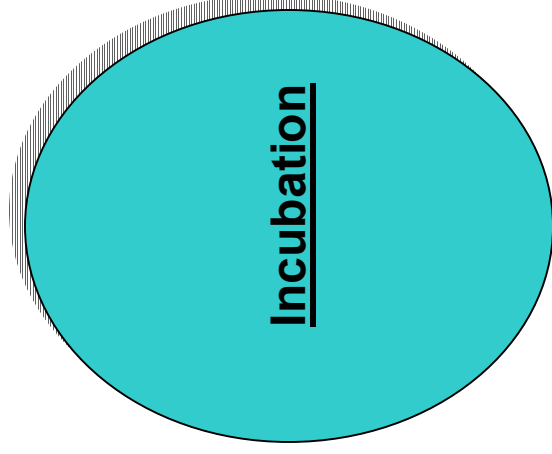


Innovation Process - Typical

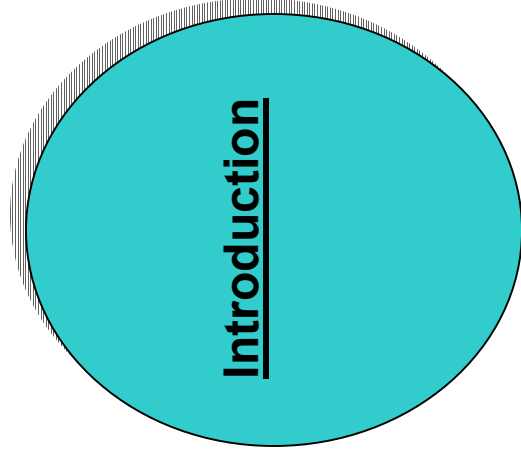
Innovation has 3 distinct phases. Different issues arise at each phase



New opportunities are difficult to uncover

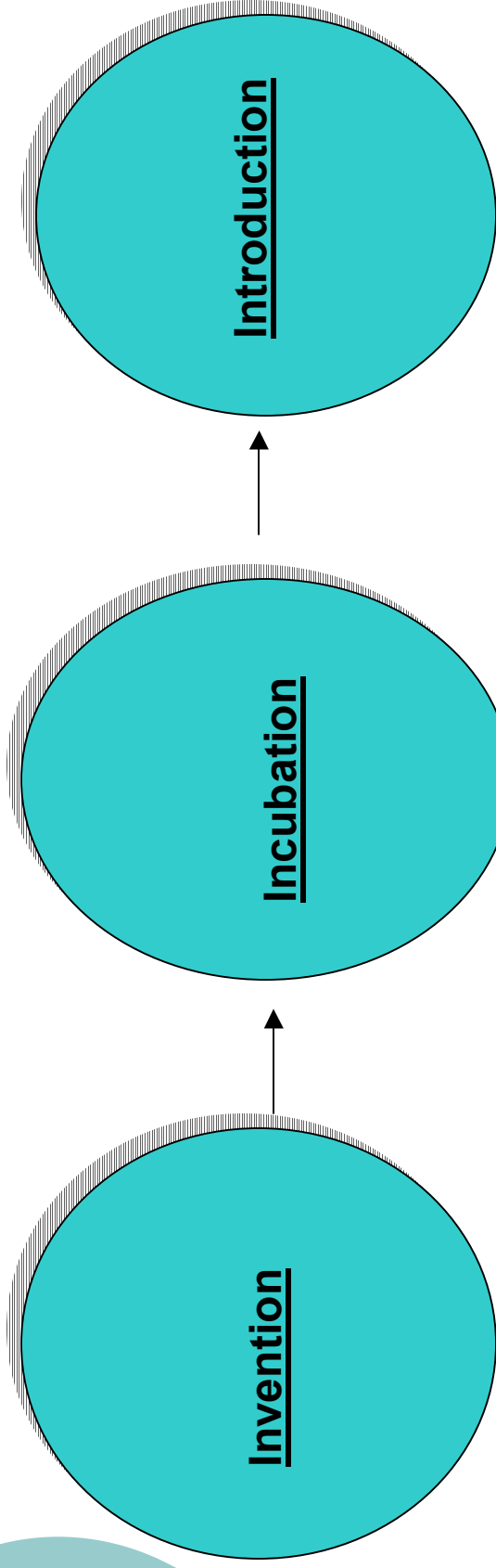


Once uncovered, they are rarely seized



Once seized, they are not fully implemented

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

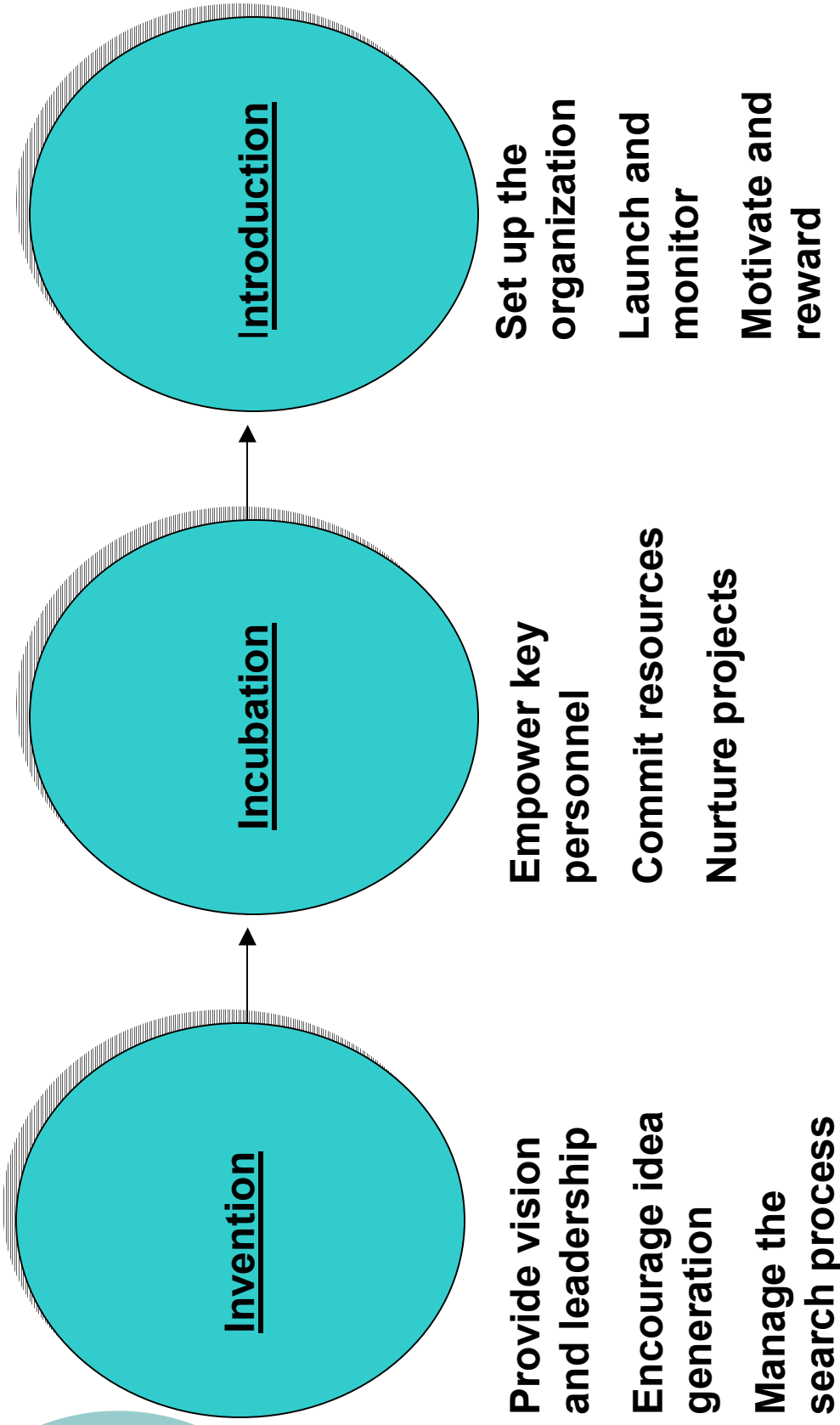


**stimulate
the search
for ideas**

**activate enabling
mechanisms**

**sustain and
reward
innovators**

Management practices affect the innovative culture at each phase.



What it takes to get the corporate culture right.

- Culture is not about the corporation getting only one thing right.
- Culture is not ‘climate’ unless you want the weather to change unpredictably!
- Culture is multi-dimensional. A number of ‘things’ have to be working properly to have a culture which supports innovation.
- Understanding the culture 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 a dereliction of duty and responsibility.
- 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 innovative culture in an organization.

How do you fix the culture – if it is in need of fixing? Examples only – which to choose is critical.

- Staying close to your employees
 - Building a diverse talent base – multi-skilling
 - Empowering champions
 - 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.

Why spend the time to learn about your corporate culture?

- Innovation takes place in a corporation for many reasons.
- The 4 key elements which lead to a supportive culture are;
 - a people-oriented management system,
 - a faculty to encourage and manage ideas
 - the fun part of corporate life
 - the ‘must-haves’ [a set of pre-requisites] since without these attributes little of no innovation is ever likely to take place. More later!

Innovativeness, innovation, can be managed ‘in part’ by putting the right ‘blocs’ in place and choosing the appropriate Factors for taking initiatives.

The 4 Building Blocs of Corporate Culture

- The Must-Haves
- A People-Oriented Management System
- A Faculty to Encourage and Manage Ideas
- The Fun Part of Corporate Life

The 4 Building Blocs of Corporate Culture.

Bloc #1.

Numbers refer to Factors used to describe a corporate culture.

The Must Haves. Without these attributes little or no innovation will ever take place.

- a leader who aggressively seeks innovation; #2
- management who demonstrate a tolerance for failure; #5
- management and a supportive Board of Directors who look at least at the ‘mid-term’ horizon, not always short-term, nor certainly not looking to the quarter for financial results; #1
- a corporate focus on identifying opportunities; #4, #19
- investment in R&D or for the adoption of new technologies early in their development; #23

The 4 Building Blocs of Corporate Culture.

Bloc #2.

Numbers refer to Factors used to describe a corporate culture.

A People-Oriented Management System #6

- seeking openness and transparency; #13
- having an appropriate level of informality; #13
- seeking participation; #12, #20
- maximizing delegation with accountability and responsibility; #18
- encouraging informal communication; #10
- use of independent work groups; #11

The 4 Building Blocs of Corporate Culture.

Bloc #3.

Numbers refer to Factors used to describe a corporate culture.

A Faculty to Encourage and Manage Ideas

- enabling resources for new opportunities; #19
- a tolerance for individual risk taking; #5
- having an acceptable risk profile for new investments; #9
- planning but with targets established for innovation; #15

The 4 Building Blocs of Corporate Culture.

Bloc #4.

Numbers refer to Factors used to describe a corporate culture.

The Fun Part of Corporate Life

- a tolerance for mavericks; #3
- an attitude which encourages loyalty; #17
- encouraging differences from the corporate norm; #8
- having rewards for innovators; #7, #14

Sustaining Innovation

- Sustaining superior performance means having a culture that fosters and rewards innovations.
- A faculty which manages innovativeness.
- Finding a starting point for action?
 - Calibrating and fixing the culture based on an assessment of the current situation.
 - Fixing the idea generating system?

Sustaining Innovation – Some thoughts

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

Reference Sources

Innovative Companies – Those initially surveyed to define Innovative Factors

- Apple Computer
- Bergen Brunwig Drug
- Charles Schwab (BankAmerica)
- Chevron (Ortho Division)
- LA Olympic Organizing Committee
- MCI
- Medtronic
- Merrill Lynch
- 3M
- Schlage Lock (Ingersoll-Rand)
- Canada Trust
- CGE/Bromont
- ASEA
- Bosch
- Nixdorf
- Sinclair Research
- Debenham's
- Club Mediterranee
- Elf Aquitaine
- Advanced Semiconductor Materials
- Philips/NKF
- Societe Generale de Banque
- Coditel
- Asahi Chemical
- Epson
- Sumitomo Electric
- Toray

Innovative Companies Reviewed Most Recently

- 3M
- Proctor and Gamble
- John Deere
- Nucor
- orgne
- GE

The Twenty-Five Innovation Factors that Can be used to calibrate innovativeness.

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