

A model for innovation management. These policies and practices are the ‘must haves’!

White & Partners have researched over 40 large and highly-innovative companies which have built and sustained innovation over decades. The question posed was ‘how have these companies maintained their innovativeness for so long?’

We believe there are very specific reasons for being able to sustain innovation. Essentially, the answers lie in a company’s policies and management practices supported by its culture, which is often very difficult to articulate let alone really understand. Seldom, if ever, is success due to only one idea or a single policy or practice. We count 24! No wonder sustaining innovation is a challenge!

As but one example, John Deere¹ has a longevity – since 1837 - which is the result of having an initial founder-influenced culture and a set of beliefs about managing which have carried through generations. While the beliefs, such as integrity and innovation remain as core values, management’s policies and processes have changed over the years to match new challenges brought on by growth and diversity. As such, and if you take a close look at this evolution, a model of one of the best ways of managing innovation becomes much more evident. In this model of ‘must haves’, we tease out and articulate the most effective practices.

We have drawn on the well-documented policies and practices of our researched set of highly-innovative companies² in order to set out a model of the best practices for managing innovation.

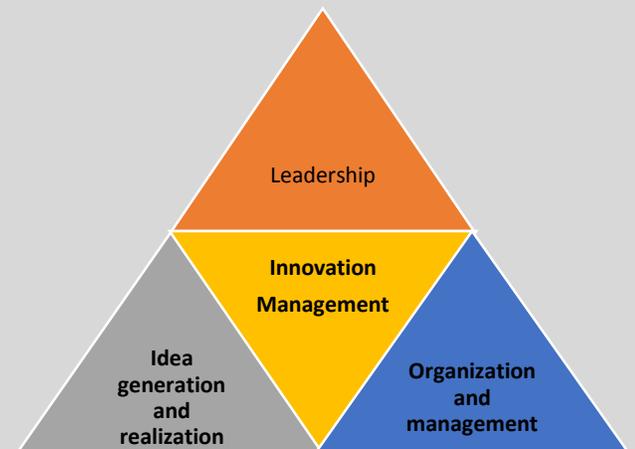
The model provides building blocks from which to build, or assess, your own innovation management process.

These blocks, we believe, are the ‘must haves’ for maintaining innovation over the long term. The building blocks are organized under three main headings; leadership, organization and management of day-to-day affairs, and idea generation and realization.

Corporate Innovation Online

- Benchmarking innovation
- Building and sustaining innovation
- Articulating innovation

Innovation Management Center



¹ See more detailed profile of John Deere at; <http://www.corporateinnovationonline.com>.

² GE, 3M, Nucor, Apple, RIM (now Blackberry), P&G, John Deere, HP, Starbucks, Toyota, BP, Massey-Ferguson. A list of companies partaking in earlier research by Arthur D. Little Inc. is set out in the same webs site.

Leadership

- The Board and CEO maintain, over decades, a balance between achieving **both the short and long-term objectives**.
- Having a **CEO, with active support from the Board** on this objective, which **aims to be the best in class** [Best of Breed].
- A CEO and Board which **explicitly call for innovation** as a key contributor to corporate success. 
- A **strategy** which assumes calculated, carefully considered, risks in growth markets and industries. A strategy which invests **in new products/services** and less so in 'legacy' products.
- Having a **deep understanding and appreciation of the organization's culture**; i.e. recognizing the importance of the culture of the organization and its potential subtle impact on decision making.
- A healthy regard to the **impact of culture on acquisition practices** – making *culture* an important criteria when considering a potential acquisition.
- While **organic growth is the first choice** for achieving growth and profit, making acquisitions which are essential to technology or market growth are embraced. 
- Ensuring that **industry knowledge and its complexity are well understood by a percentage of the Board of directors**. The term 'adaptive Board³' is relevant i.e. having an active, involved and knowledgeable Board of Directors.
- Suitable **succession planning** in place in order to avoid the need to hire from outside for the key CEO position. This is a Board responsibility, but often overly influenced by the CEO. 
- **Continuity and longevity** of senior management; promoting from within and ensuring there is time for CEO and senior management to make progress. 
- Avoiding a sense of **arrogance** which can often arise from too much success.

Organization and management of day-to-day affairs.

- **Having a strong financial management system.** This provides stakeholders with a sense that the company's financial house is in order and that investment decisions meet certain well understood criteria. 
- An approach **to providing non-monetary and monetary group-oriented rewards** which focusses on collaboration as well as rewards for achieving

³ See Nortel report. An Overview of the Demise of Nortel Networks and Key Lessons Learned. Telfer School of Management, 1014.

outstanding success and for meeting agreed-upon goals.

- Instituting a **system of managing human resources** which aligns individuals with corporate goals and leads to measuring individual and group performance which is supported by a fully transparent approach to recognizing rewards. Having well-articulated and understood **performance measures** for people.
- A focus on **regular and repetitive communication of corporate policies and management practices**, as well as appointments and matters impacting individuals and groups within the organization. Making people constantly aware of new developments. Emphasizing the importance of **intra-company communications**, both down and up.
- A company which values **broadly-based input into decision making but without slowing down the speed of decision making**.
- Cohesion **and a commonly-held vision of the future** is facilitated by meetings/gatherings of senior managers at key points in the development of the company.
- **Centralized financial management but with maximum decentralization** for other functions throughout the organization.

GE's Crotonville is a good example.

Idea generation and realization

- A consistency in the **company's spending and approach to spending on research and development**. Maintaining, year after year, a **significant investment and interest in those activities which drive new ideas** and successful commercialization.
- **Maintaining a watch on developments at the customer level** and overall end-user and the demographic and economic shifts which eventually impact product/service demand.
- **Keeping an eye on the competition by continually monitoring competitor developments** globally.
- **Having a tolerance for risk and failure** both in the planning process and in the execution of plans. Making failure a part of a learning process.
- At ease with **adopting ideas from outside the organization** through acquisitions or through mid-career hires.
- Having a **reputation for producing reliable products or services** and thereby imbedding trust with all stakeholders but particularly with customers. Delivering what a company says it will deliver to customers **builds a sense of trust between company and customer**.

Deere's customers are both dealers and workers of the land

RIM ignored Apple's growth.

P&G's 'Connect and develop'.