

Corporate innovation online (CIO)

Measure, yes measure, *the corporate climate for innovation in the financial industry (banking sector).*

The appropriate climate encourages innovation!

Banking hierarchy and limited rewards inhibit innovation. Fintech ideas can come from anywhere anytime. Probe the sources!

October 7, 2019

Executive Summary

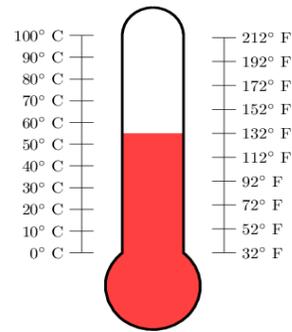
A tool for senior executives and HR professionals

Disruptive forces represented by fintech, artificial intelligence and open banking threaten the staid financial industry globally, and particularly the banking sector of large national and international banks. In response, senior bank officers and Boards should be taking steps to encourage innovation within their institutions. Often regarded as hierarchical and bureaucratic, banks need to adapt to the new reality.

CIO's online survey could well be a starting point for encouraging executives and HR to open a discussion on innovation and the management practices which can encourage innovation and adapt to the rapidly changing business environment.

CIO's online survey, an introduction to which is provided in this paper, could be just the catalyst to start the adaption process. The survey can be undertaken on a pilot basis starting with a small group of employees. Once each member has completed the survey, which takes about 15 minutes, the process of analysing the results and providing feedback to the group can begin¹.

On completion of the survey each participant receives automatically a report of their results including a comparison with all other participants. Or you can choose to have CIO start the analysis and provide a customized report for your own organization.



Contents

- **Executive summary.** *A tool for senior executives and HR professionals.*
- **Background.**
- **Methodology.** *How to measure the climate for innovation*
- **'Ideal' management practices.** *Participants from the financial services industry provide their opinion. Five practices stand out.*
- **Major shortcomings.** *Dissatisfactions are identified*
- **Individual 'A'.** *The situation for one participant might help to better understand the methodology*
- **Summary.** Survey results are but a starting point for understanding best management practices to encourage innovation

Appendices

- A. Participants 'Ideal' along with 'Delta'. Average of participants from the financial services industry. Comments by CIO.

¹ Contact us through the web site; www.corporateinnovationonline.com

Corporate innovation online (CIO)

Background

One of the critical decisions one must make when deciding to assess or improve the management of innovation is to find a starting point. Which of the variety of management practices are most applicable? Which practices are or are not important.

CIO provides insight into an approach to assessing the ‘climate’ of an organization, in this case focussing on the financial industry² – the banking sector – by sharing data from CIO’s online survey.

Participants in the survey provide their insight on the ‘Ideal’ arrangements and additionally communicate their level of satisfaction with the management of innovation. Information is compiled in accordance with CIO’s privacy policy. No personal information or attribution is ever tabled.

Balance is important; too cold a climate discourages innovation and too hot (too much pressure) can lead to dire results! Where is the optimum? Registrants to the online survey provide their opinion. CIO takes responsibility for the analysis and conclusions reached.

Methodology

How to measure the climate for innovation

Its simple. Participants provide, for each of twenty-two Factors (basically management practices), their opinion on what would be their ‘Ideal’ practice – if they had their way. This is done on a scale of one to five.

For each of the same twenty-two Factors participants provide their opinion on their current own situation; i.e. their ‘Reality’. The difference between the two is thus a measure of their satisfaction, or not, with their current situation. The difference is referred to as ‘Delta’. The bigger the difference, the greater is their dissatisfaction.

Not all the twenty-five Factors work this way as three are background information; (F#24) the organization’s trend in innovation, (F#21) whether innovators are leaving the organization, and (F#22) whether innovation has been a tradition or not.

Take an example. Factor One asks about management’s behavior when it comes to the emphasis management places on short versus long-term profit. Participants from the financial industry, see Appendix A, opt for a bit of a longer-term emphasis and not on the short term. Participants’ ‘Reality’ is measured at the opposite distance from a mean position. The larger the difference, i.e. the ‘Delta’, the cooler is the ‘climate’ – the temperature for encouraging innovation i.e. the participant’s ‘Ideal’ is not being met. As the

Caution! *When completing the online survey, left and right have no meaning except for the description for each Factor. This procedure removes any bias which may exist with a registrant believing the moves to the right are better than moves to the left – or visa versa.*

² While these results are not statistically confirmed, the alignment among registrants allows for this analysis. The use of the online survey is encouraged.

Researching and articulating innovation management best practices

Corporate innovation online (CIO)

gap closes, i.e. ‘Reality’ gets closer to the ‘Ideal’, the smaller the difference and the warmer the ‘climate’/temperature is for encouraging innovation.

This is but one of the twenty-five Factors which provide insight into what would be considered an ideal situation and a participants’ reality. Participants receive a report that covers not only their situation but also the average of all participants and this provides further insight into whether the participant is realistic in terms of setting their ‘Ideal’.

‘Ideal’ management practices

Participants from the financial services industry provide their opinion. Five practices stand out.

What does the analysis show?

The chart in Appendix A illustrates those practices which are most important, on average, to participants and those which could be (but should not be) disregarded as a starting point for making improvements. All Factors have some degree of importance and interrelate to the theme of innovation.

Five Factors stand out;

- the need for management to be explicit about importance of innovation (F#2),
- that planning needs to focus on opportunities and not on cost reduction (F#4),
- the importance of HR management (F#6),
- that there is a need for the corporation to provide career opportunities for innovators (F#7) and,
- the need for specific rewards for innovation (F#14).

The ‘Ideal’ rating for these five Factors is above the other seventeen Factors.

This analysis provides insight into which practices are uppermost in the minds of participants but, to take any action, should be taken in conjunction with levels of dissatisfaction noted below.

In another analysis completed by CIO, it turns out that the ‘Ideals’ of participants from the financial services community are closely in line with all participants³ in the online survey – but there are some differences.

Major shortcomings

Dissatisfactions are identified

The ‘Delta’ is the difference between a registrant’s ‘Ideal’ and their ‘Reality’. The larger the difference, the greater the dissatisfaction – on average. See Appendix A.

Dissatisfaction ranks highest on four Factors

³ If readers would like information on this other analysis, please get in touch with CIO through the web site.

Researching and articulating innovation management best practices

Corporate innovation online (CIO)

Participants are dissatisfied because management focusses too much on cost reduction – F#4 - and not enough on identifying opportunities. Similarly, there is insufficient attention to career ladders, powers and titles for innovators (F#7) and there are no specific rewards for innovators(F#14).

Factor #12 ranks as the highest dissatisfier. This is a measure of whether management seeks input from others in the organization as they consider major decisions. Its not happening!

CIO's research into highly innovative companies such as 3M, clearly indicates that these Factors are addressed as a priority. 3M is but one example but probably the best of the companies CIO has researched.

This is valuable information as management moves to take action to address how best to manage innovation and to prioritize the steps that should be taken. The process helps declutter the many options.

There is probably no one specific management practice which can help address a given situation. Rather, there is a cluster or group of practices which, taken together, can focus on the major problems. Dissatisfactions need to be identified.

Individual 'A'

The situation for one participant might help to better understand the methodology

The above results are based on a compilation of all participants from the financial services – banking sector - industry. For further clarification, CIO sets out below, without revealing private information or attribution to anyone, a profile of one registrant; individual 'A'.

Individual 'A' exhibits these characteristics. In terms of 'outputs' – the results of current management practices – are that;

- innovators are leaving the organization (F#21),
- the organization does not have any reputation as an innovative company (F#22) and,
- innovation is decreasing rapidly (F#24).

To put it mildly, if all of this is the actual case, and CIO has no way of confirming this other than the participant's opinion, the organization needs a 'C' change to survive over the long term and maybe even over the medium term.

The total dissatisfaction level – the sum of the 'Deltas' between Individual A's 'Ideal' and 'Reality' for 22 Factors is 126, which compared to CIO's other research results, is very high. CIO's analysis of all participants suggests that a level over 60 should spark concern on the part of management.

Individual 'A's major concerns focus on the following management practices.

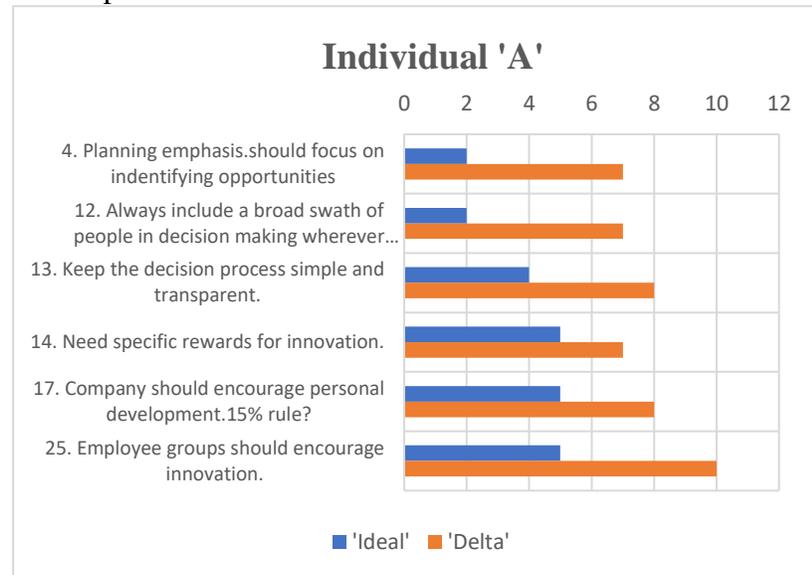
Researching and articulating innovation management best practices

Corporate innovation online (CIO)

- F#4. Planning emphasis is on cost reduction and not on findings opportunities. Emphasis should be on finding opportunities.
- F#12. The need to include a broad swath of people in decision making wherever possible. Not currently happening.
- F#13. Keeping the decision process simple and transparent as opposed to formal and lengthy.
- F#14. Need to have specific rewards for innovation. Not now in place!
- F#17. Company should encourage personal development. Note the often used 15% rule!
- F#25. Employee groups should encourage innovation.

Individual 'A's results are shown in the chart. In total there are 22 Factors on which the participant provides an opinion, but these are the major areas of concern and suggest what might be done to close the gap between 'Ideal' and 'Reality'.

A number of these concerns fall under areas which management should be able to address relatively easily if there is a desire and willingness to change. For example; what is going on with 'employee groups'? What is the reason for the very high dissatisfaction?



Summary

Survey results are but a starting point for understanding best management practices for encouraging innovation

Each organization, group or individual is different. Taking the online survey allows participants to start to engage in a discussion of how to best manage innovation.

Other Factors, not covered by the online survey, might come into play during any discussion of survey results. The survey can be the starting point.

Corporate innovation online (CIO)

Appendix A Participants 'Ideal' along with 'Delta' Average of participants from the financial services industry. Comments by CIO

