

# Innovation Management: Creating the Conditions for Success

by Susan Abbott, of Abbott Research & Consulting for Schulich Executive Education Centre, Schulich School of Business, York University. Roundtable discussion moderated by Alan Kay of the Glasgow Group and Rick Wolfe of Poststone.

This is one of a continuing research series that has been bringing senior managers and executives from diverse sectors together to uncover the best practices in managing innovation.

## Executive Summary

In this first segment of a research program sponsored by Schulich Executive Education Centre and conducted by Poststone and the Glasgow Group, a panel of executives from diverse sectors identified organizational culture and leadership as the necessary and essential foundations of innovative organizations.

The home run innovation is less important to business success than continuous innovation that touches all business processes. Too much focus on creating breakthrough product innovations is actually detrimental to building an organization climate where innovation in all its forms can flourish.

Innovative organizations create a climate that supports open sharing of ideas as a daily expectation, where there is sufficient transparency, visibility, and support that individuals at all levels are motivated to move the status quo.

Executives need to spend more time at all levels of the organization to be informed, and to focus on customer needs and outcomes as a mobilizing force for innovation. The fast pace of business tends to encourage people to stop too soon in the development stage: executives can support innovation by suggesting the longer time frames necessary to develop substantial improvements.

As a label, *innovation* carries considerable baggage; *doing things better* in every dimension is a better description of the path of the innovative organization.

*“Culture is really the issue; getting people engaged in speaking what they know is true to management... We need to focus on the underpinnings of culture, human purpose and interaction”*

*"People say to me  
'We don't want  
another one of  
those Kum-ba-ya  
experiences'...*

*The language of  
business is  
business; it isn't  
the language of  
Psychology,  
Sociology and  
Anthropology that  
pervade the  
Organizational  
Behavior  
discipline."*

## Innovation is all about culture

Innovation is a hot topic in business today, but it has more to do with culture and discipline, not breakthrough products. At the inaugural session of new research on innovation sponsored by Schulich Executive Education Centre, executives gravitated over and over to the foundational role of organizational culture and leadership in creating the conditions necessary to support innovation.

While the business literature is rife with models of innovation – “the Venn diagrams”, as one put it, there is relatively little about how to actually implement. Doing innovation well means getting past the myths, eliminating the organizational barriers, and focusing analysis and attention on the customer. Innovation is much less about the breakthrough idea than it is about evolution and execution.

## The Innovative Organization: People in Dialogue

Asking people to be creative and innovative “on demand” at special events is not a shortcut to building an innovative enterprise. The challenge for leaders is to get people talking and to keep them talking as part of the day-to-day activity:

*“Historically, we've seen innovation as a strategy. It should be seen as a dialogue, a process. People's ability to think and relate become the sustainable competitive advantage, not the specific innovation.”*

Executives in innovative organizations focus on setting the conditions where people can make their best contribution appropriate to their level in the organization.

### *Conversations across the organization are critical*

One executive noted that a side-benefit of his occasional smoking habit was the opportunity to interact informally with all levels of the organization, and learn “what's really going on”. Walking across the shop floor every day isn't enough – there must be real conversations that bring fresh perspectives to leaders.

By opening the door to staff to speak off the agenda frequently, a leader can get past the information filters that the organization sets up:

*“At the end of every meeting, I ask, 'are there any other conversations we should be having'. I always get something.”*

*"I might have 1000 ideas in a year, only three of which are worth doing. The idea is not as important as the execution."*

## De-bunking the Myths of Innovation

The executive panel saw little merit in much of the conventional wisdom about innovation, and de-bunked the myths for us:

### *The new product myth*

There is a strong tendency to focus on product innovations, however executives generally see this type of innovation as highly visible, but not necessarily critical to business success.

Much more important is the steady focus on improving all operations, all business functions and all areas of the enterprise in a consistent and sustained fashion.

### *The breakthrough idea myth*

While creating the environment where "your staff will speak and tell you their ideas" received considerable emphasis, the idea itself is rarely sufficient. Canada was noted as the home of many good ideas that have not had enough sustained effort, persistence and resources to achieve results.

Adapting to environmental changes, and imitating good ideas found in other domains are more important to successful innovation than thinking of things that have never been done, and more likely to be successful in execution:

*"A lot of innovation is imitation. You need to think big enough, and then use the tools to get there, not figure out a new way to do things."*

### *The creative chaos myth*

Many business processes support innovation better when they are consistent and measurable. With a consistent and known process, ideas for change can be implemented in a way that employees can understand and execute successfully. The new process can then be integrated into routine and evaluated.

Without a consistent baseline to build on, it's difficult to see if a new idea would work, and just as difficult to implement successfully.

Measurement is actually central to motivation; by measuring how long processes take, and seeing how much things cost, we are encouraged to seek new ways.

*“Organizations, as they mature, forget that the voice of the customer is what they should be listening to...”*

*“I want to turn up the volume of the customer’s voice so it’s all we can hear”*

### *The creative individual myth*

The power of creative individuals with insight is rarely enough to move the organization, regardless of the level of seniority. High-potential young managers cannot sally forth as ambassadors for a new order and meet with success. The whole organization needs to be mobilized, through accountability at all levels.

Leaders recognize that they themselves may generate exponentially more ideas – not all of them good ones – than the organization can execute. The critical issue is to select key priorities and resource them appropriately.

## **What Works**

### *Focusing on Customers*

Executives acknowledged that business has had to learn these lessons many times, and the need to create a culture where innovation can thrive is not new. A big part of the leader’s role is to “distract the organization away from itself” and its own inner workings and dynamics, and shift the focus to customers, creating the openings where innovative ideas become possible.

### *Allow enough time*

The rapid pace of business tends to create an overload of initiatives and a rush to complete projects as quickly as possible, and creates a significant barrier to sustainable progress.

*“Business moves too fast; you need tenacity to innovate”*

One approach recommended is for leaders to lengthen the time for goal achievement, and encourage staff to spend the necessary time thinking deeply about a problem, gathering data, and moving forward in a thoughtful way:

*“People tend to give up when they can’t get results quickly. You need to give longer goals, give people time, and ask them to do it slowly and thoughtfully”*

Generating good ideas is not always the issue: prioritization and resourcing of a few key initiatives is often more important in making significant progress.

### *Find the metrics that drive the business*

An abundance of reporting and data can sometimes mask the important trends and patterns. The ad-hoc measurements that individuals create for

"Unlike in sports,  
in business you  
actually never lose  
by time running  
out on the clock.  
You get to sell  
when you're finally  
ahead."

~

"We stop too soon"

themselves often reveal more about key drivers of the business than standardized reports. Pushing for greater sophistication and perspective in data analysis is another way leaders can demonstrate the need for fresh thinking about customers, products, processes.

Return on investment (ROI) is not the right measure to drive innovation, and emphasizing ROI can shut down needed investment in innovation. Executive teams must find ways to focus on harder-to-define measures, often customer focused, that are more critical for the future of the enterprise.

Organizations must engage the struggle to find the right measures, and also find the right ways to communicate the measures, in a way that people can understand. Forget the flash: focusing on sharing the measurements in a straightforward, clear consistent way with all levels in the organization is important to sustainability.

### *Keep a sustained focus*

With so much focus on the cultural underpinnings of innovation, effective management of organizational change was a recurring theme.

Senior managers can lose interest in major cultural transformation efforts after a few years, especially if they haven't seen much impact. But cultural change efforts can take five to seven years to take hold. Even getting the message out to a large and complex organization can take two to three years – just as the change is gaining traction, the temptation to change course is strong.

By developing scorecard metrics that measure the culture change desired, leaders can help people stay on course with longer term efforts.

### *Tenure helps sustainability, turnover doesn't*

Organizations where executives have longer tenure may be able to more consistently stay on a path to success: Tim Horton's and Apple Computer are instances where executives of longer tenure have created cultures that can sustain consistent innovation.

By contrast, organizations that habitually move and promote managers within short time-frames can be rife with *promotionalism* – where managers motivated to get promoted aim for visibility rather than sustainability.

The governance traditions of military organizations, governments and crown corporations tend to make these organizations exceptionally good at perpetuating the status-quo, and may lack the clarity of metrics that is

*"The biggest challenge is to get your staff to speak and tell you their ideas. Many know what they need. And then you have to control the naysayers"*

often used by the private sector to mobilize change. Where leaders think people are "waiting them out", they need to address this issue directly.

### *Visibility and accountability*

One of the remedies for organizational inertia is creating sufficient visibility and accountability for innovation among managers that people feel motivated to take risks:

*"Anonymity in an organization is not a good environment for innovation"*

### *Get gentle, not tough*

Stereotyped get-tough leadership approaches are a barrier to innovation and effective implementation of change. Enlisting genuine support for new ideas is critical:

*"It's not enough to tell people; you need to sell them on the strategic thinking behind the change."*

One executive described it as "leading gently": being clear about the direction, but also providing as much support as possible.

Toyota is noteworthy for their ability to return to first principles and rethink basic assumptions, in part because they normally solicit input from all affected levels of an organization in how to make things work better.

### **Let's stop calling it innovation**

Innovation is a word with considerable baggage that deflects people away from the central challenge of doing things better and better. Leaders need to provide a new context, a better framing, so that people stop seeking the home run innovation, and have the confidence to move forward.

Being attuned to the environment, then "molding and melting" the organization to adapt to those changes, is the critical organizational skill of innovation. Innovation is less like revolution than evolution.

“How many CEOs  
come into a  
company and think  
they can change it  
single-handedly?  
That isn’t  
persuasion, it’s  
intimidation”

## Acknowledgements

Any conversation is only as good as the participants and panelists, and we thank the executives from these organizations for taking the time from their schedules to add to our collective understanding:

- Atomic Energy of Canada Ltd.
- Campbell Company of Canada
- Dundee Realty Management Corp.
- Investment Dealers Association of Canada
- JDS Telnet Services Inc.
- Sigma Strategic Solutions
- The Globe and Mail

Schulich Executive Education’s Research Partners in this project include:

- Abbott Research & Consulting
- Poststone
- The Glasgow Group

Research conducted July 19, 2005.

## Resources mentioned by panelists included:

Levitt, Steven D. and Stephen J. Dubner. *Freakonomics: a rogue economist explores the hidden side of everything*. New York: Harper Collins Publishers, 2005.

Soto, Hernando de. *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*. New York: Basic Books, 2000.

Collins, Jim. *Good to Great*. New York: HarperCollins Publishers, 2001.