

Innovation growth through systematic innovation management

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Abstract

The main focus of an innovation program is to build further competencies in creative thinking, understanding and supporting the innovation process itself. Quality in innovation is how we deal with and how we manage complexity. We see both clear scientific vision and organizational culture as important enablers of innovation. A clear vision helps to focus on relevant issues and appropriate culture in support of, knowledge sharing, team work, learning and problem solving.

Under global competitive pressure we are aware that the need for leadership and management of both **innovation and people** has never been greater. The first task of the innovation process is to transform the way we work as an organization and embrace a much more flexible, much more organic mode of operation that in many ways follows the principles of complexity science.

With our systematic approach and implementation of an innovation program, we would like to achieve the utmost purpose; a supportive and spontaneous environment in which everyone's full potential can be released.

The key principles of our approach are:

- Innovative companies are led by creative leaders due to the fact that our business model is founded on innovative management,
- Innovative leaders implement the mental model: "We are all innovative"!
- To support "high tech" we develop a "high touch" and creative thinking.

Within that new holistic platform for innovation management (IM) we framed three interdependent levels of training to contribute to deployment of new vision, knowledge and experience, for **researchers and project**

managers, top management and mentors of innovation.

The content of those programs and results are presented, briefly.

The innovation process is complex and at the same time it faces various paradoxes; due to this we need a far more reliable and responsible way to manage it and reach excellent business and scientific results for a better life and sustainable success.

Keywords: innovation, program, holistic, competences, organic growth

The innovation Imperative

So why do companies continue to invest more in innovation? Judging from the BCG Report (1), many companies already have more ideas than they can effectively pursue. In addition, the investment profile is far from perfect: substantial sums of money are involved, the outcome is highly uncertain, and past performance is generally poor. What's more, executives' dissatisfaction with the return on investment in innovation isn't a new story—a similar percentage of executives were unhappy with innovation's ROI in last year's survey, and a look across history shows the same picture. Even Thomas Edison had more failures than successes.

To a certain extent, executives expect to lose money on innovation—but only some of the time, not in total. People like to say ten ideas are needed for every one success. And even with the poor performance many companies report, they are unwilling to stop or, in most cases, even reduce their commitment to it. Even small cuts in spending are often perceived by analysts, investors, and employees as a sign of weakness.

The big reason for the almost unwavering commitment to innovation is of course

growth. Fully 87 percent of the participants in our survey said that organic growth through innovation had become essential to success in their industry.

That finding corresponds to the needs of the pharmaceutical industry, and equally applies to the healthcare sector (HC) (figure 1). No less than 54 percent of the participants said they “strongly” agreed with the statement: “Organic growth through innovation is essential for success in my industry”. What such responses tell us is that, in the long run, most technological companies feel they must

find ways to generate growth on their own, rather than through acquisitions alone. Indeed, acquisitions obviously are not always an option, nor always a good one. In the computer industry, for instance, Hewlett-Packard has struggled since its acquisition of Compaq, yet Apple has grown well on its own thanks to the iPod and other successful new products. More recently, the success of the merger of Procter & Gamble and Gillette—two highly innovative companies with many potential synergies for new products—is by no means a sure thing.

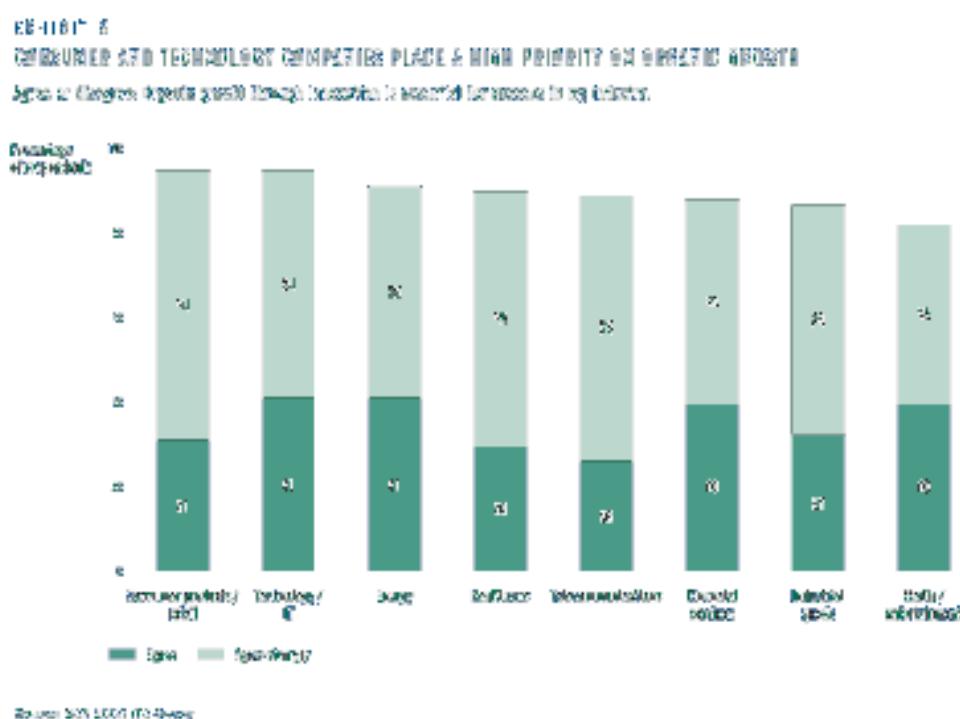


Figure 1: Companies place a high priority on organic growth

Internally, our strategic direction was clear: in current business we have to improve the efficiency and cost control, which is certain; on the other hand, the product of the innovation process is uncertain, as an ultimate prerequisite of efficacy and sustainability. The consequence has been reflected in holistic, ambidextrous organizational approach and structure of our innovation program.

As Tushman and O'Reilly proposed to successful leaders of innovation to create ambidextrous organizations: it is organizations that can “get today's work done more effectively and (also) anticipate tomorrow's discontinuities”. These are two

seemingly very different capabilities. Organizations that have them are capable of excelling in the present even as they create the future. They define their current products or technology position through incremental innovation while simultaneously developing new ones that will either displace current offerings or address new markets (2). Not many executives can operate successfully in these two very different worlds. Most are absorbed with the current business that the future business is treated as a stepchild. The best way to create an ambidextrous organization is to do the following:

- Assess where you are in terms of innovation trends. Are your current

products and technologies on rapid upward slope of S/curve, or are they in the mature phase of the curve? Do new technologies have the potential to undermine your business?

- Assess your company's operations. Are they effective, fast and efficient? Are major cost improvements possible?

Getting the right inputs is important for getting innovation preparedness. We look to our industry to understand where others are focusing their efforts. Sometimes this suggests where not to go; we study competitors to avoid copying them.

The foundation of the innovation program¹

We stopped asking the question "should we innovate?", but asked rather "where should we start?"

As the organizations we asked ourselves:

- How can we make our company more innovative place to work?
- How can we help people to think more creatively and have more ideas?
- How can we help professionals to work on their ideas, suggestions and proposals?
- How can we help people to develop and implement those ideas ...?

We have focused our approach first on structure and competences needed and not on the behavioral and culture changes that are mostly focused on, by majority of radical or breakthrough innovation programs.

Our strategy outline is that we still persist on two levels of performance improvements, doing things better and doing different things.

We wanted to nurture both levels on both personal and group creativity.

Within every individual, creativity is a function of three components: expertise, creative-thinking skills, and motivation. Certainly, management influences these components for better or worse. So we put into our program for innovation management

three different categories of skills and motivation tools to enable leaps to innovation breakthroughs at our business:

- Innovative-leadership/management for top management,
- expert level skills, techniques for researchers and project managers
- mentors skills for company-wide mentors of innovation

We understand the importance of creating dream teams, full of different and contrasting skills. We wanted everyone to ask him/herself: What position do I "play" in? Am I a part of a "strike force" requiring creative genius? Do I need "defensive" skills to stop others impeding our performance? Or am I one of a central core of multi-tasking all-rounders, the "mid-field" of my team? Have a think about which areas of your expertise are currently being shown the yellow card...

Also we wanted all individuals to be aware of the paradoxical characteristics of creative groups:

- beginner's mind-experience
- freedom –discipline
- play-professionalism
- improvisation –planning
- divergent-convergent thinking
- discontinuity-continuity

The paradoxical combination is confusing and disturbing to managers who have a need for order and linear activity. Accepting it is a first step toward success. We strived to achieve the blend of those contradictory characteristics that a group or team must have in order to maximize its creative potential (2).

Gradually we wanted to overcome short term thinking and short-cut techniques, which never produce the long-term results we expect from the well established innovation process. It leads us to see that leadership is everybody's business and that each person needs to take an inside out approach. Primarily we wanted to benefit from the power of innovation focus, where conscious efforts to increase innovativeness will be

¹ Designed for Lek, a middle-sized pharmaceutical company

governed by vision, discipline and passion of our leadership, which endures and changes the company direction on the way to sustainable success...

With that new, more balanced leadership/management initiative we have implemented more empowerment and personal responsibility for key makers of innovation i.e., top management, responsible mostly for the business model, innovation climate and recognition system and for

technical experts (researchers and project managers) as key drivers of scientific innovation, our main strategic purpose.

Over the years it has become so evident in mature companies that most of them are vastly over-managed and desperately under-led. Due to this we emphasize the difference between those two practices and consequences in our education program accordingly:

Management vs. Leadership focus on innovation:

FOUNDATION	INNOVATION
Management	Leadership
Strategy	Strategy for innovation
Opportunity scanning	Innovation opportunities
Marketing	Climate for innovation
Operations	Core innovation process
Administration	Measure & maintain

MANAGEMENT	LEADERSHIP
Managers are people who do things right. - WARREN BENNIS	Leaders are people who do the right things
Management is about coping with complexity - JOHN KOTTER	Leadership is about coping with change
Managing is about 'handling' thinks, about maintaining order, about organization and control - KOUZES AND POSNER	Leadership has about it a kinesthetic feel, a sense of movement
Managers are concerned about how things get done - ABRAHAM ZALEZNICK	Leaders are concerned with what things mean to people
Managers are the builders - JOHN MARIOTTI	Leaders are the architects
Management is the design of work ... it's about controlling... - GEORGE WEATHERSBY	Leadership focuses on the creation of a common vision

Leadership creates an environment that makes people want to do, rather than have to do. For the ultimate success of the innovation process it was business imperative to create that environment, as well as an innovation centered climate. As Covey pointed out (3), only those people, who are allowed to tap into the needs and motivations of all parts of their nature-physical, mental, emotional, and spiritual, will find their voice and volunteer their highest contribution. For the body, the need and motivation is survival-economic prosperity; for the mind- growth and development, for the heart- love and

relationships; and for spirit-meaning, integrity and contribution.

The organization has the same four needs:

1. Survival- financial health (body)
2. Growth and development-economic growth, customer growth, innovation of new products and services, increasing professional and institutional competency (mind)
3. Relationships-strong synergy, strong external networks, and partnering, teamwork, trust caring, valuing differences (heart)
4. Meaning, integrity, contribution-serving and lifting all stakeholders:

customers, suppliers, employees and their families, communities, society-making a difference in the world (spirit)

Connecting those four needs of the individuals with the needs of organization is the key to unleashing the power of the workforce into innovation process. We involved some of those drivers in our holistic approach of the program setting.

New competences needed

The preliminary work, reported at previous STIGE events (4), enabled us preparation of a more holistic innovation program, which involves top down and bottom up integration of innovation activities on personal and organizational dimensions covered by those three levels of development and education activities, as follows:

A) Innovative leadership-management for top management included:

- Sustainable growth and innovation potential in pharma industry, 1,5 day seminar
- Creative thinking, de Bono, 2 days workshop
- TIM, team innovation management, 2 days workshop

B) Expert level skills, techniques for researchers and project managers

- Creative thinking, de Bono, 2 day workshop
- TRIZ, techniques for technical problem solving, 5day seminar
- TIM, team innovation management, 2 day workshop

C) Mentor's skills for company-wide mentors of innovation

- Idea management system, 1 day workshop
- Continuous improvements, 1 day workshop
- Creative thinking, De Bono, 2 days workshop

This development program was fulfilled partly in the first year after Board approval (2003). At the same time a new procedure for the rewording of innovations , ideas and use full improvements was introduced with a more supportive and flexible recognition scheme for different innovative contributions.

The results of this prepared innovation program, increased the level of innovative proposals for 24% and 27% in following years (2004, 2005). Besides, we got gold recognition for the innovators of the Year at the national competition run by the Slovene Chamber of Commerce.

Summing up

In our new challenge of building an innovation program we explained what capabilities and competences we added to stimulate creativity and increase the pace of innovation. According the pre established strategic direction it was our responsibility to:

- develop and nurture the creativity and innovation
- be active participants and in the process from idea generation to commercialization
- be open to new ideas and maintain scientific skepticism
- improve the existing processes
- put the right people in charge

For the successful innovation process we point out and demonstrate the faith in creativity, openness and people flexibility, and confidence in their capability to face current problems and new innovation challenges.

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