

MANAGEMENT OUTLOOK



7 STRATEGIES FOR SUSTAINED INNOVATION

The need for constant reinvention is a given in today's business environment. And while a breakthrough product or concept can catapult an organization ahead of its competitors, in these fast-paced times, that advantage is often short-lived.

While major product or service breakthroughs make headlines, it's the steady incremental innovations made by employees every day that give an organization the sustained growth it needs.

Sustained innovation comes from developing a collective sense of purpose; from unleashing the creativity of people throughout your organization and from teaching them how to recognize unconventional opportunities.

As innovative ideas surface, a clear sense of mission empowers front-line employees to act on new ideas that further your company's purpose.

It starts at the top

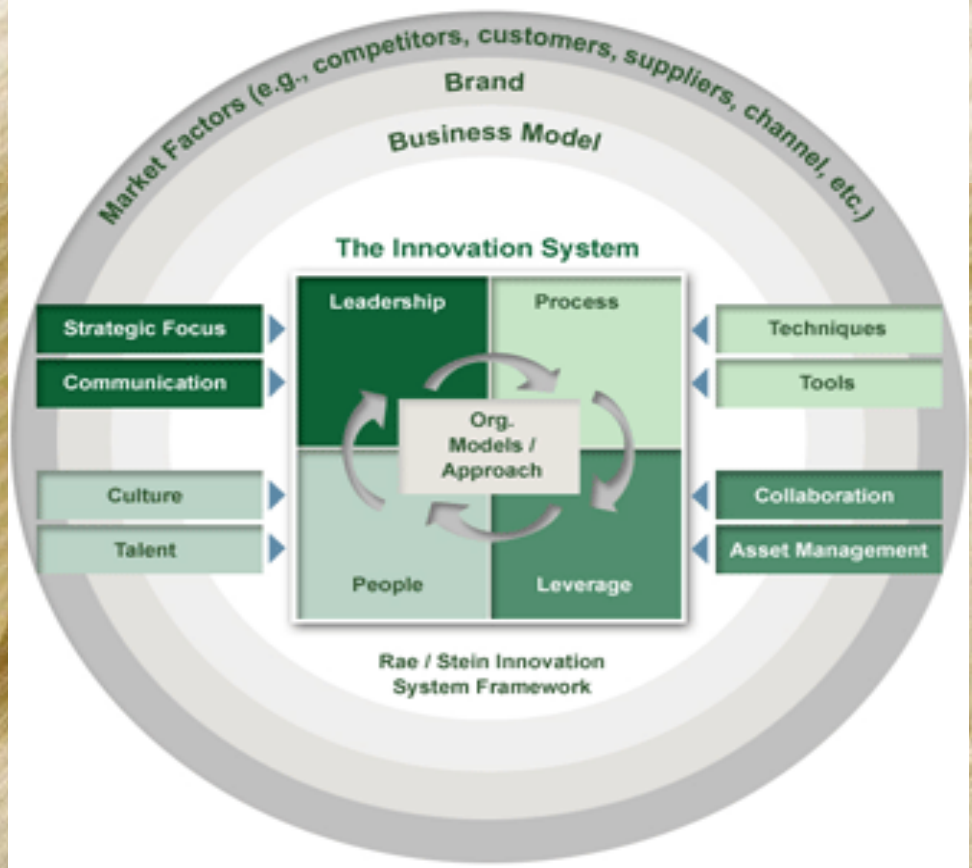
Leaders create the psychological environment that fosters sustained innovation at all levels. The challenge is that as an organization grows, management structures and bureaucracies, designed to chan-

nel growth, tend to create barriers to small-scale enhancements.

While there are exceptions, in larger organizations employees tend to feel removed from the function of innova-

tion and are less likely to take independent action or offer revolutionary ideas.

The commitment to establishing the right psychological conditions



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for innovation needs to start at the top. This means that, as a leader, you need to consider your own assumptions about innovation and their role in creating and changing your organization's culture.

You need to appreciate the value of incremental as well as major innovations, understand the psychology of innovation and take the lead in promoting an innovative culture. Otherwise, it's just not going to happen. While your organization's innovative capability depends on multiple factors, there are several steps you can take to create the psychological conditions that favor inventive thinking, regardless of your industry or the size of your organization.

1. Establish A clear sense of direction

Changing cultures involves changing minds, and that takes time. But as with any initiative, a clear sense of the target helps to speed the journey. Your organization's mission helps to organize and direct the creativity of its people. What is the purpose of consistent innovation in your enterprise? Is it to add customer value to existing products and services... to speed delivery... to increase on-time arrivals?

Having a clearly articulated message allows everyone to focus on innovation where it can deliver the greatest value. Innovation, as Peter Drucker has defined it, means creating a new dimension of performance. A sense of mission clarifies the direction of performance and helps determine which new ideas to focus on.

2. Open communication

Open communication between management and employees sets the stage for an atmosphere of trust. But if you want to establish a new, more trusting culture, you can't expect employees to take the first step.

Company leadership initiates the

process of open communication by sharing information with employees on a regular basis. This includes good news and bad.

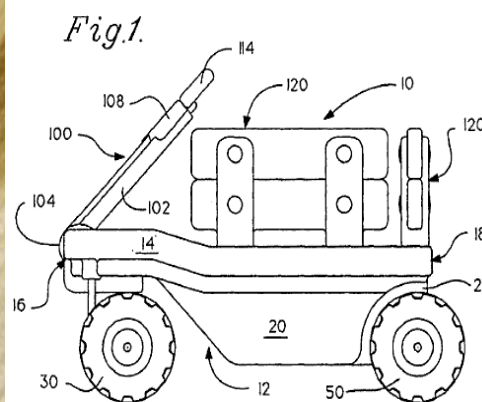
Southwest Airlines' policy of sharing information enabled the company to weather the sudden increase in fuel costs during the 1990-91 Gulf War. The company kept everyone informed as fuel prices soared. Southwest's CEO Herb Kelleher sent a memo to pilots asking for their help. Through inventive thinking, the pilots found ways to rapidly drop fuel consumption without compromising safety or service.

Leaders of organizations that sustain innovation offer multiple opportunities for communication.

While not every company can offer an open-door policy for its senior executives, or even a chance for regular face-to-face contact, every organization can institute programs that enable front-line workers to feel heard. From CEO lunches with cross-sections of employees, to monthly division meetings between employees and the general manager, to open intranet forums for idea sharing and feedback, leaders can communicate their openness to hearing innovative ideas from those who are closest to the customer.

3. Reduce bureaucracy

While larger organizations are often



considered less entrepreneurial and inventive than their smaller counterparts, it's not the size of your company that inhibits innovation -- it's the systems. Bureaucracy slows down action and is a serious impediment to innovation.

Smaller organizations can often move faster on implementing innovative ideas because they have less bureaucracy. When Jack Welch was reengineering General Electric he said, "My goal is to get the small company's soul and small company's speed inside our big company."

Faster implementation encourages further inventive thinking. Think for a minute. If you had an idea for an innovation, and it required 6 weeks to clear channels and another 3 weeks to get funding, would you have lost any impetus for further contribution?

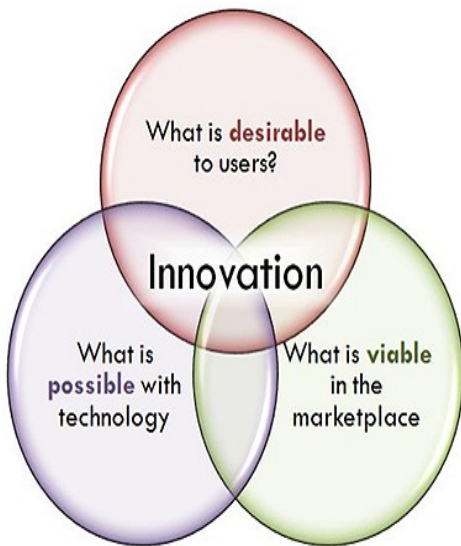
4. Instill a sense of ownership

An ownership mentality creates a powerful incentive for inventive thinking. When an individual is clearly aware of how his or her interests are aligned with those of the company, he or she

has a strong reason to “go the extra mile” to further the mission. Stock ownership is a significant, if not essential, incentive for employees. However on its own, profit-sharing doesn’t guarantee your employees will think like owners.

When employees don’t see how their individual efforts affect company profitability, they tend to be passive and reactive. To encourage greater involvement, make sure each employee knows how his or her work affects company performance.

Southwest gave pilots the freedom to design and implement a plan to reduce fuel consumption because they were in the best position to determine what would be effective. Pilots pitched in enthusiastically because they understood the impact their actions had on the bot-



tom-line and ultimately, on their own futures.

5. Make sure recognition and rewards are consistent

While financial rewards are often tied to innovations, rewarding only the individual or team responsible for the “big idea” or its implementation, sets up a subtle competitive

atmosphere that discourages the smaller, less dramatic improvements.

Even team-based compensation can be counterproductive if teams are set up to compete with each other for rewards. These incentives discourage the cross functional collaboration so critical to maximum performance.

Companies that successfully foster an innovation culture design rewards that reinforce the culture they want to establish. If your organization values integrated solutions, you cannot compensate team leaders based on unit performance. If your company values development of new leaders, you cannot base rewards on short-term performance.

6. A tolerance for risk and failure

Tolerating a certain degree of failure as a necessary part of growth is an important part of encouraging innovation. Innovation is a risk. Employees won’t take risks unless they understand goals clearly, have a clear but flexible framework in which to operate and understand that failures are recognized as simply steps in the learning process.

Toyota’s Production System transfers quality management and innovation authority to front-line plant workers. Workers are able to make adjustments in their work if they see an opportunity for improvement. If the innovation works, it’s incorporated into operations, if not, it’s chalked up to experience.

A major psychological benefit of Toyota’s method is the development of trust. Employees who trust their bosses are more likely to take intelligent risks that have potential benefit for the company.

7. Eliminate projects and processes that don’t work

As your organization innovates you need to practice what Peter Drucker calls “creative abandonment.” Pro-



jects and processes that no longer contribute should be abandoned to make room for new, progressive activities.

While no organization wants to squander financial resources on unprofitable activities, it is actually the irreplaceable resource of time and employee energy that is wasted if a company holds on to the old way of doing things.

Innovation requires optimism. It’s about an attitude of continually reaching for higher performance. You can’t expect employees to maintain an optimistic attitude if they feel compelled to continue in activities that are going nowhere.

By Dr. Robert Karlsberg & Dr. Jane Adler

