Customer Research

Organizational Consulting

Strategic Leadership and Change

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Is Organizing for Innovation an Oxymoron?

Stories about innovation always include the CEO who has a flash of creative brilliance in the shower or the juvenile delinquents who build the next life-altering machine in their garage. Sometimes, innovation happens this way. But not always.

Another common tale is the hot start-up whose creativity vanishes as soon as the policy manual is published. It is true that some organizations become less innovative as they add bureaucracy to cope with growth. But that doesn't make organizing for innovation an oxymoron, a contradiction in terms like a "plastic glass" or "business ethics."

In fact, firms like Motorola, 3M, Hewlett-Packard, and Sony have excelled by shaping their entire organizations around the need to innovate. Innovations in technology or in business processes create the increased agility that leads to competitive advantage in the current mind-blurring environment.

So, what is innovation anyway? Innovation in business is the process of creating unique value for customers by developing new ways of doing things. Innovation is a "whole-brained" process; the "right brain" generates ideas while the "left brain" makes decisions and plans for action. In an organization, innovation thrives when cross-fertilization between functions occurs - for example, when the customer focus of marketing meets the technical focus of the lab or the process focus of production.

So, to organize for innovation you need to align all the elements of your organization to ensure the widest possible scanning for opportunities, the greatest cross-fertilization between functions, and the most generous nurturing of both the right and left brain processes that bring innovation to life. Everything about the organization must support innovation. A client of mine, an architectural firm, has had considerable success incorporating the concepts of cross-fertilization and nurturing incubation into facilities design for innovative firms.

Start by considering the transformational elements of an organization: strategy, leadership, culture, structure, and systems.

Strategy

Innovating firms often have specific strategies to innovate. One of 3M's strategies is to have "25% of business revenues attributable to products which are less than five years old."

Leadership

The behavior of its leaders is the single most powerful influence on an organization's ability to innovate. There's a Pittsburgh consulting firm led by owners whose very different interests mean that the firm has a wide opportunity scanning horizon and the resultant reputation for creativity in products and services.

Culture

One way leaders direct their organizations on the path to innovation is by setting the culture. Culture is the air an organization breathes, its beliefs, values, behavioral norms, "the way we do things around here." It's a critical element for success of an organization and can support or impede innovation.

Sometimes, culture is embodied in slogans. Michael Sinyard, CEO of mountain bike leader Specialized, Inc., has placed INNOVATE OR DIE signs placed all around his operations. But cultural values go beyond slogan ink. Honda motorcycles succeeded in relegating Yamaha to number two position partly because Honda employees internalized the gut-driven mantra "We will crush Yamaha."

The norms of the organization must also recognize and nurture the different kinds of thinking involved in the innovative process. When the team is creating, "no idea is bad." Judgement is suspended. When the team is evaluating, deciding, or implementing, the culture must support a tough-minded "let's get it right, let's get it done" approach.

Organization success stories perpetuate innovation. Today, any Sony employee can tell the story of Akio Morita finding a one-column inch story about the invention of the transistor. Morita flew to the U.S. and licensed the technology from Bell Labs for $25,000. The rest is history.

Structure

Most startups have very little formal structure. Everybody does everything. Entrepreneurial businesses are often very innovative; bureaucracies aren't. This leads many to conclude that structure is the enemy of innovation. This isn't necessarily true.

A business grows because it finds a repeatable success pattern. In order to replicate this success, functional specialties develop. There is the customer contact guy, the tax-specialist, the hiring person and so forth. Functional specialization inhibits innovation only when specialists view their expertise as a power base to be hoarded and cease to share knowledge.

Innovative organizations have *informal* and *formal* structures. Informal structures include the Silicon Valley beer blasts and after hours "skunk works." Examples of formal structure include Motorola and 3M, who set up independent new products organizations. Chrysler and Ford both created successful cross-functional design teams. The cross-functional team is the structure of choice for innovation. These teams work very well if the goal is clear, money available, and if you "have the right people."

Systems, Policies, and Procedures
This is a big category. It includes not only how information flows but also how you hire, promote, and fire; how you reward; how you design your work; and how you create employee influence.

Alignment of every system is the goal. However, two systems - selection and reward - are particularly powerful. You can't beat hiring innovative people. Someone once shared a great interview question with me: "What's your latest obsession?" He went on to say, "If the person quibbles about the word 'obsession' he's out. I want fanatics, people who know what it's like to stay up half the night because your idea keeps you awake."

Most organizations reward only results. Innovative organizations also reward innovative activity. W. L. Gore, maker of Gore-tex, used to have a large cash award each year for the "idea which looked the best on paper but was the most dismal failure." The late Bill Gore used to talk about that award with pride. He said, "It buys us well-thought out ideas...and it lets people know that it's okay to make mistakes."

Finally, the innovative organization should embody these words of wisdom:
- Don't get stuck in your own success. Believing your press is quicksand.
- Think Big. Don't be satisfied with minimal results.
- Innovate for your customers.
- Innovation takes practice.
- Organizations don't innovate. People innovate. Keep the organization behind them or at least out of their way.