Sustainable Innovation as a Corporate Strategy

M. Rashid Khan and Mohammed Al-Ansari

Intellectual Assets Management, Saudi Aramco, Dhahran 31311, Saudi Arabia.

1. Introduction

Something amazing happened in the corporate world. The idea to innovate has captured our imagination. As an example, in 1996, Lucent Technologies' award winning "Creativity Center" was industries state-of-the art that provided leadership, passion, outstanding marketing, training and communication. Similarly, Enron was the industry "darling" for its innovation program; Enron's major intranet program "eThink" was recognized with awards for excellence in communication. Yet four years later Enron went bankrupt, the programs of many companies were in ruins joining the ranks of Polaroid, DuPont, Reynolds, Ford and many others.

What happened? We watched many companies failed while other organizations remained successful. What made the difference in the innovation process? While many companies failed, others were successful adding value fostering innovation and creativity. Many companies such as 3M, IBM, Disney, Microsoft, and Sony continued to innovate. This paper attempts to explain the reasons behind the failures and successes.

2. What is Innovation?

Innovation is discovering new ways of creating value. Innovation serves as the lifeblood of many organizations whose survival and growth depend on developing new technology, products and services. A successful organization is a creative organization because creativity is the single most important contribution employees can contribute for its success. Innovation is of benefit only if it creates value. In a successful organization, innovation is sustainable and on-going, rather than a process characterized by succession of "boom and bust" events. A creative organization is "lead," rather than "managed."   A sustainable innovative organization must be fluid and "organic", almost biological in nature to foster the constant creativity vital for the success of a modern organization. Innovation is not "business as usual" as it may challenge the existing system, "rocking the boat." There must be good reason for doing so. A degree of security and stability is essential to "incubate" creativity.   The model to foster sustainable creativity is drastically different from the innovation programs developed by many that failed. While many did not survive, there are examples of organizations that successfully added value. Some organizations have been able to come up with fresh ideas again

and again leading to continuous revenue generation. Is there a secret or pattern to these company's successes?

Innovation is the lifeblood of the modern competing organizational environment. In the fiercely competitive 21st century marketplace, innovative ability is essential for survival. The following are major ingredients for sustaining innovation:

<u>Creating value</u>: Innovation is a process of creating value and to stimulate the survival and growth of the organization. Ideas can come from anywhere. Too many companies become embroiled in the ideas generation process or where they came from. Ideas by themselves do not add value. It is the ownership of results (i.e., implementation an idea into action) that can create value. Successful innovative companies, therefore, cultivates creative ideas that add value.

<u>Dynamic process</u>: Innovation for the company is as "oxygen for a living body." Oxygen must be delivered to all cells for survival of the whole body. The innovative organization includes everyone in the loop to generate ideas. Like the individual cells serving the body, in a truly innovative organization, the individuals are empowered by releasing their untapped potential and creativity. Successful innovation is a dynamic process that sustains itself.

<u>**Innovation is anything but business as usual**</u>: Innovation is getting people to overcome their ego and to recognize that business as usual is not the best approach to solve a problem. Helping people to broaden their perspective, think "out-of-the-box," allows one to be creative. Getting people to see a different point of view is an ego issue. People tend to think that the way they have always done business must be the best way.

<u>Innovation versus invention</u>: Invention is discovering things that have never been discovered before. Innovation, on the other hand, is the discovery of new ways of creating value. Not everyone can be an inventor, but everyone can be innovative. While not all innovations are inventions, all inventions are innovative.

There are two basic types of employees, implementers and innovators. Implementers prefer to work within the existing rules, "doing the right thing." They represent the status quo and serve important roles in the company. On the other hand, innovators seek out new ways and often break the rules or past "best practices" to solve problems "doing it differently" and some cases doing the "impossible." Innovations are something to be fostered in a carefully controlled atmosphere.

Both types of employees are valuable, but implementers can enhance their productivity and become innovative. The key is to drive implementers to the front-line.

3. Old paradigms and failures

Why did some companies fail while others succeeded? Number of books on innovation escalated in late 1980s and in 1990s. The corporate world reinvented "innovation" as a buzzword. Various activities as part of innovation campaign were launched to foster "out-of-the-box-thinking."

Many companies that failed were focusing narrowly on the mechanisms of innovation. For example, with the support of upper management, self appointed agent of change or activists focused on training and idea generation tools and techniques with ideas gathering sessions. In addition, ideas were placed into "suggestion boxes" or computer systems for consideration. This led to product naming sessions and often to a series of unproductive management meetings. When the ideas were actually implemented, individual recognition with monetary benefits followed. Ideas campaigns continued even though a system for capturing and evaluating those ideas lagged. The cost benefit analysis of ideas was not in place. The successes were measured by the number of people trained and/or number of ideas generated, with little regard to adding value to the company.   Furthermore, the innovation programs lacked long term focus or corporate dedication. Consequently, when difficult times emerged in the economy or the corporate "idea champions" moved, programs fostering innovation were among the first to go in many companies.

An example of a company that had an extremely successful "innovation" program that failed catastrophically along with the rest of the company is Enron. The energy giant of Houston captivated the industry with its innovation that was actually translated into practice. Enron's major intranet program "eThink" was awarded four silver Quill awards for excellence in communication. "eThink" was designed to get all of the company into a "virtual room" to share ideas and experiences within an aim to cultivate an atmosphere of open communication. Yet the company was an extraordinary exhibit for "creative accounting" and misleading guidelines. This led to one of biggest bankruptcies in the US corporate history. Although the company was successful in its innovation program, it lacked core values in its "creativity" process.

The model of the traditional organization is strongly top down, too much inward focused. The traditional hierarchical organization of Plan, Organize, Command and Control model controls people, information and provides rigidity. In a changing business and corporate world, the status is often faced with tough competition from a dynamic and changing competition. Fixing or tweaking of this hierarchical model does not generate a creative organization that can compete with the rapidly changing business environment.

4. Anatomy of a sustainable innovative organization

Innovation process, to be effective, must be sustainable. The organization must provide an environment to "incubate" ideas which mature and translate through implementation into products or services. These elements were lacking in the innovation programs of most of the failed organizations.

Nothing is less productive than "non-innovating," with the exception of cultivating and nurturing confusing ideas that do not add value.

An innovative organization is lead, not managed.   A sustainable innovative organization is fluid and "organic", almost biological in nature to foster constant creativity vital for the success of modern organization. The sustainable innovative organization foster creativity by following a variation of the model discussed below:

- **Organizational mission is defined and aligned to incorporate widespread trust and respect for individuals.**

- **The Corporate mission is communicated throughout the organization.**

- **A successful creating organization is a constantly changing dynamic organization to create new practices, processes, services and products of value to itself and its customers.**

Successful companies add value by fostering sustainable innovation and creativity, following the model below:

Sustainable versus Old Model of Innovation

Types of program	Old Paradigm	Innovative organizations
Core values	Physical innovation center, no core value defined. Success at any cost	Innovation as part of business policy and core value of the company; Dedication to truth and honesty
Leadership	Passive leadership	Leaders actively participate
Focus	Employee oriented	Customer oriented
Process	Stagnant, process oriented	Dynamic, fluid or organic In nature. Evolutionary.
Measure or source	Numbers of ideas are counted. "Out-of-the-box" thinking absent.	Focus on creating value. "Not-invented-here" syndrome not present. Does not matter where the ideas come from.
Training	Number of sessions/people counted Counts quantity, not quality	Coaching and feedback. Competency-based development.
Context/Culture	Individual oriented	Group oriented
Environment	Internally competing	Collaborative
Implementation	Lacks focus	Value oriented
Motivation	Extrinsic or none	Intrinsic
Corporate Citizenship	Narrow and shallow	Focused on big picture

To add value to the organization, it must develop a mission statement incorporating a core value statement. A successful organization is characterized by trust and commitment to solutions, and not pursuing blame. The mission of the successful creative organization empowers individuals to undertake measured risks without penalized for failure. To take calculated risk means to:

- Learn from the failures as well as the successes of others within the organization.

- Capture value from the mistakes of other organizations. This can be achieved by networking within the industry. Failures are not generally publicized. Only by extensive networking can we learn which routes not to take.

- **Encourage to "fail quickly."** People tend to fall in love with their "pet" projects. If one approach fails, taking a different approach should be encouraged.

There are major differences about how the companies viewed innovation programs. Important highlights are presented in the following table.
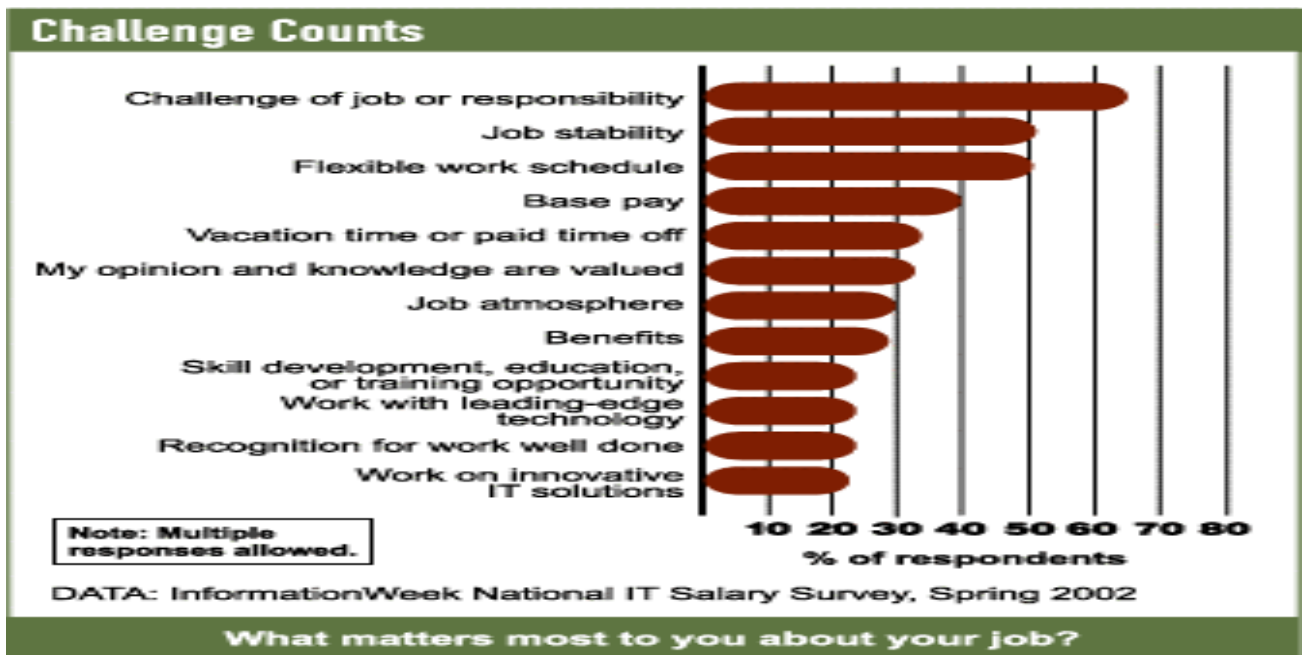
Core values and leadership: To create and add value, there should be a value system in the organization to begin with. High trust, people development, and commitment to learning and respect for individuals enable the organization to insist on high-performance. When individuals see that they are respected and valued, they will dedicate themselves to create true value to the organization.

Enron had a fabulous innovation program but lacked core values. Lack of values lead to one of the biggest bankruptcies in modern history. Thus, the innovation process cannot be dissociated with the overall core values of the company and its employees.

Motivating the employees: In the survey conducted in spring of 2002 by InformationWeek National, one key question asked was: "What matters most to you about your job?" The survey results were based on results from more than 10,000 staff and managers. The most frequently chosen, in over 30 factors, were challenging job responsibility and job stability. Flexible schedule was also ranked very high.

These responses didn't change much in other studies. Results from the 2000 survey, taken before the NASDAQ crash that spring, and the 2001 survey, taken in the depths of a recession, differed only marginally from that received in 2002. In each survey, intrinsic factors dominate the list, with "challenge/responsibility" by far the highest-rated (selected by about two-thirds of respondents, as shown below).

Interestingly, "work on innovative IT solutions" ranked fairly low. This shows that while workers are keen to perform their job, they are not necessarily focused on innovations. This may lead one to conclude that successful innovation program must be an integral part of the daily work. Isolation of innovation from mainstream business can produce dangerous cultural side effects. Inventors should not view creativity as a side issue but part of the organizations core business with full support of the leaders and resources needed for success. A successful organization is a creative organization because creativity is the single most important contribution employees can make for its success.

Challenge Counts

Challenge of job or responsibility
Job stability
Flexible work schedule
Base pay
Vacation time or paid time off
My opinion and knowledge are valued
Job atmosphere
Benefits
Skill development, education, or training opportunity
Work with leading-edge technology
Recognition for work well done
Work on innovative IT solutions

10 20 30 40 50 60 70 80
% of respondents

Note: Multiple responses allowed.

DATA: InformationWeek National IT Salary Survey, Spring 2002

What matters most to you about your job?

5. Concluding remarks

Worse than not-innovating is innovating items that are confusing or fail to add value. In companies where the innovation processes failed, program successes were often measured by the number of people trained, number of ideas generated etc. with little regard to value added to the company. Furthermore, the innovation programs lacked long term focus or corporate dedication. To add value to the organization, its mission statement must incorporate a core value statement.

A successful organization is characterized by trust and commitment to solutions, not pursuing blame. The mission of the successful creative organization empowers individuals to undertake calculated risks so that they are not penalized for failures. The sustainable innovative organization fosters creativity, adding value by following a variation of the model discussed below:

- **Organizational mission is defined and the organization is aligned to incorporate widespread trust and respect for individuals.**

- **The Corporate mission is communicated to throughout the organization.**

- **A successful sustainable creating organization is constantly changing and dynamic organization, creating new practices, processes, services and products of value internally and to its customers.**