

Management Communication for Innovation

Paul P. Brumby

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Introduction

“Management is out of date!”¹ So says Gary Hamel, Professor of Strategic and International Management at the London Business School and best-selling author of *The Future of Management*. So much does it still conform to the rules and conventions invented by the theorists and practitioners of the early 20th century, he contends, that management hierarchy, control systems, planning and practices differ little from company to company. Unfortunately, this lack of change means that the technology of management is being sorely stretched by 21st century challenges. Rapid change, well-informed customers, increased competition, disrupted markets and technological breakthroughs are not being matched by evolving management techniques. The result: greater threats and greater opportunities for companies than have ever been seen before and a need for revolution in the way companies are run. Hamel’s aim in *The Future of Management* is to look at ways in which managers can innovate as a way to gaining competitive advantage for their companies.

This paper however, aims to analyse innovation not in terms of the changes advocated for management theories and practice but in terms of the demands and challenges for managerial communication. It will attempt to do this by first looking at examples of innovations that have brought success to a range of companies, then by identifying key activities in their innovation efforts and finally by putting forward some ideas for management communication systems that will support this innovation.

1. Gary Hamel with Bill Breen, *The Future of Management*, (Harvard Business School Press, Boston, 2007), P. x.

Innovation Leaders

There has been a great deal of talk about innovation in boardrooms and the business press in recent years and surveys of management priorities consistently place it in the top 3 in terms of importance for company survival and success.² Unfortunately, within companies, the prioritisation of innovation often translates into committing large amounts of money to Research and Development. While this can have positive effects it is generally done in a way that separates the innovation efforts of the organisation from other functions, thereby leading to a feeling by the majority of employees that innovation has little to do with them. Indeed, there are now deep reservations about whether large R&D budgets lead to long-term company success. A 2005 study of the Booz Allen Hamilton Global Innovation 1000 — the world's top 1000 publicly owned research and development spenders in 2004 — found that, "there is no relationship between R&D spending and the primary measures of economic or corporate success, such as growth, enterprise profitability, and shareholder return."³ One case in point: The company that has spent the most on R&D in the last 25 years is General Motors!⁴

The same Boston Consulting Group study mentioned earlier also asked managers to say which companies they felt were the most innovative. The results for the years 2006 and 2007 were as follows:

	2006	2007
1.	Apple	Apple
2.	Google	Google
3.	3M	Toyota
4.	Toyota	General Electric
5.	Microsoft	Microsoft
6.	General Electric	Proctor & Gamble
7.	Proctor & Gamble	3M
8.	Nokia	Disney
9.	Starbucks	IBM
10.	IBM	Sony

*Answer to "Which companies outside of your own industry do you consider the most innovative? Exhibit 16 of BCG 2007 Senior Executive Survey."*⁵

2. James P. Andrew, Harold L. Sirkin, Knut Haanaes, and David C. Michael, "Innovation 2007," Boston Consulting Group.

3. Barry Jaruzelski, Kevin Dehoff, and Rakesh Bordia, "Money Isn't Everything," *Strategy and Business*, December 5, 2005.

4. Michael Schrage, "For Innovation Success, Do Not Follow Where the Money Goes," *Financial Times*, Nov. 8, 2005.

5. *Ibid.*, 2.

In addition to casting doubt on the effectiveness of R&D expenditure, the Booz, Allen, Hamilton study went on to say that company success seemed to be more a function of the quality of an organisation's innovation process than the magnitude of its spending. Let's see in what way the experiences of some of the companies above might support this idea.

Apple

Respondents in the BCG Executive Survey above were impressed with Apple's "unmatched understanding of its customers", its "remarkable ability to match design and technology" and its "cutting edge marketing".⁶ While these factors have undoubtedly contributed to the company's survival over the years they don't fully explain how the company has achieved the leading position it has today. Not just in the consumer goods industry but also, unlike a decade ago, in the music industry. Surely, as Skarzynski and Gibson point out, Apple's genuine breakthrough was not just good product design; it was a revolutionary business model that allowed people — via the iTunes Music Store — to find and legally download high quality music files extremely easily, transfer them to different portable digital players and burn a limited number of CD's without allowing them to pirate whole albums: A solution that eminently suited both the music industry and the consumer and fitted Apple's core expertise in the computer market. This strategy has since gone on to include videos, TV and radio shows, games, movies and is at the heart of Apple's strategic move into consumer electronics with the iPod, the iPhone and Apple TV.⁷ At the heart of this business model innovation was a minute analysis of their business model and the examination of each part of it for new perspectives through rigorous questioning (particularly of those aspects that had remained unchanged for 5 years or more) of how the model could be redesigned to create new value for the customer.

Google

Since its debut as a super-fast web search service in 1998, Google has grown at a staggering rate on the proceeds of search-based advertising. 3 years after becoming a public company in 2004 it had revenues of \$10.6 billion and a market value of \$140 billion.⁸ Although it has moved to some

6. Ibid.

7. Peter Skarzynski and Rowan Gibson, *Innovation to the Core* (Harvard Business Press, Boston, 2008), P. 110.

8. Ibid., P. 102.

extent into web-based software services, Google still generates the vast majority of its revenue from “click-through” advertising. Such reliance is behind its perceived need to innovate constantly to survive and has led to a management model that stimulates innovation.

Google’s management structure is, by comparison to most, amazingly flat — each manager has between 50 and 100 reports — with a dense network of lateral communication systems. Despite it being a multi-billion dollar enterprise the atmosphere is that of a graduate school where authority and assumptions are questioned and it is difficult to distinguish between the managers and the managed. Operations are based on small democratic work units, a lot of experimentation, vigorous peer review, discussion and continuous company wide conversations. The company has also developed its own formula for innovation known internally as “70-20-10” in which 70% of resources are devoted to its base business, 20% to services that significantly extend its core business (e.g. the Google checkout for on-line shopping) and 10% are for fringe ideas such as community public wi-fi networks. Incentives to develop good ideas can be enormous with the quarterly “Founders Awards” being worth millions of dollars of restricted stock to teams that have made remarkable contributions to the firm’s success.

Communication systems are also designed to support innovation. There is the “Misc List,” a constantly changing list of ideas and comments open to every team member. And, “MOMA” (Message Oriented Middleware Application), the Google intranet that has a web page and recorded conversations for each of the company’s several hundred internal projects. Also, “Snippets,” a site where every engineer posts a weekly summary of personal actions and accomplishments. Finally, “TGIF,” a weekly all-personnel meeting at the Googleplex café where the founders introduce new recruits, summarise the major achievements of the week and lead an open Q&A session.

Toyota

Toyota is a highly regarded, relentless, successful innovator with the vision to consistently identify customer needs before the competition as has been seen with the success of the Prius. Perhaps what Toyota is most famous for is its strategic commitment to quality and the systemic nature of quality control in which first line workers know that quality is their job and not that of a quality control department. This forms the background to innovative communication systems and manufacturing processes that aim to improve

the product and manufacturing process at all stages.

General Electric

GE is no stranger to innovation. Founder Thomas Edison's industrial research laboratory won more patents than any other company in America in the first half of the 20th Century. More recently, since taking over as CEO from Jack Welch in 2001, Jeff Immelt has tried to make innovation a systemic capability within GE. The ambitious and unprecedented growth targets that the company has set itself (8% p.a. — twice the rate of GDP growth) are forcing a strategic priority to diversify and globalize through focusing on a number of major challenges such as how to improve the world's water supply. GE manages this diversification by making all divisional presidents responsible for innovation in their areas. Each must submit at least 3 "Imagination Breakthrough" proposals every year that take GE into a new business, geographical area or customer base. Each proposal must have the potential to generate growth of \$100 million in the short term and, in true GE fashion, — producing the best business leaders in the world — Immelt has tied executive compensation packages to their ability to bring about the innovation.⁹

Proctor and Gamble

P&G, another of the 20th century's most consistently successful companies, has built its success on creating and developing great brands. In 2007, its portfolio included 16 brands generating more than \$1 billion in annual sales. This has not been done without a focus on innovation and the company has been continually improving its capacity for innovation over the years. Every year each business unit generates a list of the 10 most important customer problems by such methods as sending people into the field on "day in the life" observational research. These direct, customer experiences can then be used to describe problems they need to solve on a web portal called "InnovationNet" and find solutions by posting questions to 10,000 technical specialists around the world. This "Connect and Develop Programme" has enabled the company to bring to market hundreds of new products initiated in whole or part outside P&G. Products such as Crest Glide dental floss produced in collaboration with the makers of Teflon, W. L. Gore, or Mr. Clean Magic Eraser's produced with BASF.

9. Christopher A. Bartlett, *GE's Growth Strategy, The Immelt Initiative*, Harvard Business School Case No. 9-206-087, Nov 3, 2006.

Connect and Develop is part of an innovation structure that also includes R&D facilities in 22 areas of expertise that are used as a resource by the project teams in the 15 business units. Project teams can be “in-business” teams (core business), “gray-space” teams (stretching beyond the traditional boundaries of the core businesses) and “cross boundary” teams (transcending all sectors) but all are connected through the company intranet to facilitate cross-fertilization and synergy. Interesting ideas from any of these groups, including outsiders, are communicated through this system to senior management whose job it is to remove barriers, find resources, and help turn ideas into business by transferring projects to sectors that have the necessary capabilities to bring new products to market as quickly as possible.

Nokia

Back in the early 1990’s the Finnish mobile phone company Nokia became aware of the emergence of the global youth culture. The company decided to send some of its engineers out to the trendiest youth spots in California, London and Tokyo to better understand how they might cater to the needs of such potential customers. The engineers returned to Finland with new insights that the company used in reinventing the whole concept of the cell phone, positioning Nokia at the cutting edge of the industry.

With its aim of overtaking Motorola as the industry leader, Nokia felt that it needed to involve the whole company in a highly inclusive and democratic process of innovation. The first stage was one of developing novel strategic insights by applying what Skarzynski and Gibson have called the “Four Lenses of Innovation”¹⁰:

1. Challenging orthodoxies — those deeply held beliefs inside companies and industries about what works and what does not.
2. Harnessing discontinuities — those unnoticed trends that could lead to the next big breakthrough.
3. Leveraging competencies and strategic assets. Thinking of other ways in which the strengths and skills of the company might be used.
4. Understanding unarticulated needs. Observing and working with customers to identify unspoken feelings and needs.

10. *Ibid.*, 7, P. 46.

Next, Nokia asked hundreds of people from all over the company to come up with ideas and opportunities based on these insights and followed this by the clustering of the ideas to discover patterns and directions that the company could follow. In the end, the ideas were clustered around three themes:

- humanize technology (make phones easier to use and more intuitive).
- seamless solutions (ideas that would integrate the mobile phone with software and network services).
- virtual presence (ideas that would extend the functionality of the phone such as using it as a credit card).¹¹

From 1996, Nokia started to innovate persistently in these three directions. Nokia phones became as much a fashion accessory as a communication device with their interchangeable, coloured faceplates. Vodafone was able to offer seamlessly integrated software packages with the use of the phone and Nokia were the first to offer phones with built in calendars, e-mail and Internet access.

IBM

With over 388,000 employees and revenues of more than \$100 billion, IBM is the largest and most profitable information technology company in the world.¹² However as the technology boom reached its peak in 1999 and 2000 the company was only achieving very modest growth of 1% per annum and this despite having more than 2,600 patents granted in each of these years.¹³ Following a high-level investigation of what was going wrong the company embarked on its EBO (Emerging Business Opportunities) initiative, which rapidly evolved into a system for identifying, staffing, funding and monitoring new business projects. The results: Of 25 EBOs launched by IBM, 22 now produce revenue of more than \$15 billion a year growing at a rate of 40% per year. This initiative has also started to change the culture at IBM with a great deal more learning and experimentation going on and EBO leadership becoming greatly sort after.¹⁴

EBO leaders get most of their ideas from talking to people inside and outside the company but if there is a need for more ideas, these have often been

11. Ibid., P. 146.

12. <http://en.wikipedia.org/wiki/IBM>

13. http://en.wikipedia.org/wiki/History_of_IBM#2000_and_on:_Recent_trends

14. Alan Deutschmann, Building a Better Skunk Works, Fast Company, March, 2005.

provided by IBM's online innovation "jamming". One of these global, open-source ideation exercises has involved two, 72 hour sessions of innovation dialogue with worldwide employees, their families, friends, clients and customers all taking part. This dialogue, supported by an interactive website that included sound clips, virtual guided tours, video snippets and background information, invited comments on what the company should do in the areas of transportation, health, the environment, finance and commerce. The 53,000 people that participated were motivated to do so by management's commitment of \$100,000 funding for the strongest ideas. The best ideas from the first 72 hour session were then posted and participants asked to rank them in the second session.¹⁵

The seven high-profile international companies discussed above provide interesting insights into how the innovation process can provide a basis for success. The innovation literature also reveals a number of other less well known companies that have been revolutionary in the way they handle innovation which may provide for a fuller analysis. These include W. L. Gore, Whirlpool, CEMEX and Whole Foods, as described below:

W. L. Gore

With a record for appearing repeatedly as "the best company to work for" in both the USA and Europe (UK Sunday Times No. 1 for 4 years running 2004-2007)¹⁶ and as Fast Company's "most innovative company in the world"¹⁷, W. L. Gore — the makers of Gore-Tex fabrics — must be doing something different. For a company that only started in 1958, it is big, — 8,000 employees (called associates internally) in 45 locations around the world and has revenues exceeding \$2 billion a year.¹⁸ However, these are nothing like the resources of most of the companies mentioned above and yet Gore fosters consistent, breakthrough creativity with hundreds of new products under development at any one time. How? The culture is definitely different! Gore has few titles, and rather than the usual hierarchy, it has a lattice-like structure in which lines of communications are direct, person-to-person or team-to-team. Through this dense network of interpersonal connections, information flows in all directions serving the unconventional nature of an operating environment in which the CEO is elected by the associates and team leaders are so deemed by their peers. New associ-

15. Big Blue Brainstorm, Business Week, August 7, 2006.

16. http://en.wikipedia.org/wiki/WL_Gore_and_Associates

17. Alan Deutschmann, The Fabric of Creativity, Fast Company December 2004.

18. http://www.gore.com/en_xx/aboutus/index.html

ates initially move around the company looking for a team where they can fit in though the decision to join rests democratically with the team.¹⁹

All employees have half a day per week “dabble time” on an initiative of their own choosing and associates who think they have good ideas recruit other interested associates to their teams. Tasks are not assigned, they are accepted, — resulting in greater commitment — and people usually work on more than one team leading to lots of different connections and cross-fertilisation. All new proposals are subject to intense questioning by colleagues to assess suitability for the market and customer value. Most new Gore products start as “dabble time” projects.

Personnel assessment is by peer-review (20 colleagues) and leads to a ranking within the business unit that determines compensation of which 12% will be in the form of company stock.

Face to face communication is encouraged rather than e-mail, and associates from different disciplines housed in the same building. Communication is also facilitated by building plants in clusters with no site larger than 200 people.²⁰

Whirlpool

Although not as high profile as some of the companies above, with its acquisition of Maytag Corporation in March 2006, Whirlpool became the largest home appliance manufacturer in the world. The company markets a wide range of products under a host of different brand names and had revenues of almost \$19 billion in 2008.²¹

In 1999 as prices for home appliances continued to drop under pressure from increased competition, the chairman of Whirlpool, David Whitwam, realized that the company had to come up with new and exciting products that customers would pay premium prices for.²² As a first step he appointed a vice president of innovation and charged her with making innovation a deeply embedded core competence. With the help of the innovation consulting company Strategos, Whirlpool instituted a programme to make innovation systemic. A programme that:

19. *Ibid.*, 14.

20. *Ibid.*, 1. Ch. 7.

21. http://en.wikipedia.org/wiki/Whirlpool_Corporation#Major_brands

22. Why Whirlpool are Cleaning Up, *Business Week*, July 30, 2004.

- made sure a significant amount of capital spending was available for truly innovative projects.
- required product development plans to contain “totally new to the market” ideas rather than just modifications to old ideas.
- trained more than 600 part-time innovation mentors and 25 full-time innovation consultants.
- put every employee through an online course in business innovation.
- set up an innovation portal with tools for innovating, information about new ideas, and space for all employees to input their own ideas.
- created a monthly innovation board to review and support the most promising ideas.
- set revenue and project targets for senior executives which, if not met, could result in the loss of 30% of their bonus.

The results: Between 2001 and 2005, revenues from products that the company considered innovative rose from \$10 million to \$760 million, or a record 5% of total revenue.²³

CEMEX

In his article, “A New Threat to America Inc.” Professor Jeffrey Garten identified the Mexican cement company CEMEX as one of “a new class of formidable competitors” for American companies in the world market.²⁴ Despite its unlikely location and the less than inspirational image of the cement industry this company has risen to number 3 worldwide by constantly reinventing itself and the industry through the innovation skills of its rank and file employees.²⁵ This has been done by:

- appointing global and regional vice presidents of innovation.
- creating a dedicated innovation group with a multimillion dollar budget led by the innovation director.
- building multifunctional teams whose responsibility it is to generate new ideas around new business platforms.
- using an innovation board to screen and fund promising new proposals.

23. Creativity Overflowing, *Business Week*, May 8, 2006.

24. Jeffrey E. Garten, *A New Threat to America Inc.*, *Business Week*, July 25, 2005.

25. Donald N. Sull, Alejandro Ruelas-Gossi, and Martin Escobari, *What Developing-World Companies Teach Us About Innovation*, Harvard Business School Working Knowledge, January 26, 2004.

- training “innovation champions” to support employees who come up with new ideas.
- using a dedicated IT platform to regularly stage virtual, online, “ping pong” competitions in which ideas are “batted” back and forth across the organization to develop and improve them.
- having annual innovation days featuring “Oscars” for the best implemented ideas.²⁶

This collaborative approach to innovation has produced opportunities and solutions to problems that have added hundreds of millions of dollars to CEMEX’s bottom line.

Whole Foods

Whole Foods Market Inc., which opened its first store in 1978, is the world’s leading natural and organic foods supermarket retailer, running 270 stores in the USA, Canada and the UK (2007 statistics).²⁷ It has succeeded through an extraordinarily innovative business model based on its philosophy “to satisfy and delight our customers and to support Team Member happiness and excellence.”²⁸

Stores are run by several small teams that are responsible for all key-operating decisions such as what to stock and how much to charge.²⁹ Consequently, each store has a unique mix of products and the financial success of this mix is reflected in their productivity ratings and the bonuses paid to teams. Teams have access to the performance data of other teams and also to the details of the 19 to 1 salary ratio in which the highest paid employee gets no more than 19 times that of the lowest paid.³⁰ (This compares to an average ratio of 400:1 in Fortune 500 companies.) Other features of this highly democratic system of running the company include new team members being voted on by existing members, 94% of stock options going to non-executives, and time at regular meetings being given over to a round of appreciations for other workers.³¹ Such freedom, accountability and transparency have developed the kind of culture and motivation that have resulted in a growth in the stock price of 3000% since the company went public, same store annual growth of 11% (three times the industry average)

26. *Ibid.*, 7, P. 8.

27. http://en.wikipedia.org/wiki/Whole_Foods_Market

28. <http://www.wholefoodsmarket.com/careers/workhere2.php>

29. Charles Fishman, *Whole Foods is All Teams*, *Fast Company*, April, 1996.

30. Daniel McGinn, *The Green Machine*, *Newsweek*, March 21, 2005.

31. Charles Fishman, *The Anarchist’s Cookbook*, *Fast Company*, July, 2004.

and revenues per square foot twice those of any traditional competitor.³²

Discussion

Each of the companies discussed above have developed their own approaches to innovation and provide a good deal of material for analysis. What lessons for the way managers should communicate to innovate are contained here?

1. Consistency between words and actions.

There has been a good deal of discussion in the management communication literature of the necessity for “walking the talk” or “putting your money where you mouth is.” Indeed this author in “Core Competencies and Skills in Management Communication Training” identified consistency between words and actions as one of the most important principles in management communication.³³ It is clear from the examples that the necessity for innovation is communicated most effectively by the actions that managers take. So, when management create high level posts such as Vice President of Innovation, form Innovation Boards to review ideas and carry out company-wide innovation training (Whirlpool and CEMEX), employees notice. When they hold wide-ranging conversations and competitions with high-level participation (CEMEX, Google and IBM), this makes for topics of conversation few employees will be unaware of. Companies that give employees a significant amount of company time to work on their own ideas — whatever they may be — (Google and W. L. Gore), make the innovation message very clear and get everyone engaged. If, as well as saying how important innovation is, managers from the top echelons of the company take the time to listen to first-line employees and then use their ideas (Toyota and Google), all levels of the company are motivated. If they develop ways to measure innovation and link employees’ compensation to the measurements (Whirlpool, Whole Foods, GE and W. L. Gore) the message that innovation is important is rammed home.

2. Connect People and Organisations

One of the principles for managerial communication put forward by Mary E. Boone and also discussed in Core Competencies and Skills in Management Communication Training, is “connecting people”.³⁴ It is clear from

32. *Ibid.*, 1, P. 69-82.

33. Paul P. Brumby, Core Competencies and Skills in Management Communication Training, *Reitaku Journal of Interdisciplinary Studies*, Vol. 12, No. 1, March 2004, P. 74.

34. Mary E. Boone, *Managing Interactively*, McGraw-Hill, 2001.

the examples above that this principle is the basis for several companies' approaches to innovation. Google has a dense network of lateral communication in its flat organisational structure and its MOMA intranet supports cross company conversations about its many projects. Gore has a lattice-like communication structure allowing teams and individuals to communicate easily with each other but encourages employees to use face to face communication by locating employees of different disciplines close to each other. P&G's InnovationNet connects company employees with thousands of technical experts around the world under its Connect and Develop initiative. IBM has developed a multimedia Intranet to support its innovation jamming sessions and CEMEX an IT platform to conduct its virtual innovation ping pong competitions. So important do companies consider this connectivity that a number of companies have sprung up based on this concept. One company called NineSigma, founded in 2000, uses the internet to connect companies wishing to innovate with service providers. They do this by working with companies to produce a clearly articulated "Request for Proposal" (RFP) and then find partners for these companies to solve their innovation problems.³⁵ Another company, Sitoa, founded in 1999, connects online retailers with suppliers thereby acting as a market maker. Retailers visit Sitoa's website and upload the products they are advertising for sale on their own websites and suppliers load their inventories onto the Sitoa site. This innovative service means that the e-tailer doesn't need inventories and has a much greater diversity of product offerings that cater more closely to customer demand. Sitoa's clients include Sears, K-Mart and Best Buy.³⁶

3. Inform

Essential to the ability to innovate are information systems that support the generation of new ideas, and ones that make the innovation effort systemic. Systems such as P&G's InnovationNet that keeps employees and outside experts informed of the customer problems/needs that the company is trying to find solutions for. Also, systems that keep people posted about ideas that they may wish to receive comments on. For example IBM's intranet with it's information of the best ideas from its innovation jam for participants to rank and Google's "snippets" keeping Googlers up to date with engineering progress on outstanding projects. Then there are systems that provide the tools, information and space for employees to innovate such as the Whirlpool innovation portal. Also systems that allow company

35. Peer Insight LLC. Seizing the White Space, Technology Review 205/2007, www.tekes.fi/eng/publications/innovative.service.pdf

36. Ibid., P. 56.

decisions to be transparent and that provide employees with the information they need to compete such as Whole Foods team performance and salary information. TQL (Total Quality Logistics), a company founded in 1997, is one that requires exceptional information systems to be “the most trusted and reliable transportation provider in the business.”³⁷ This company specializes in providing rapid, high quality services placing shipments with contract carriers. This it does through a custom built IT system that allows it to see exactly where shipments and trucks are at any time and to provide exceptional levels of customer interaction.³⁸ Ingram Micro, the world’s largest technology distributor,³⁹ has had great success with a service called “Ingram Micro Seismic” which uses their information systems to provide unprecedented support for the company’s small and medium sized business customers. These services help their customers to connect with new customers and grow, to connect with their peers and to gain insights into how to operate more effectively and become more profitable. This innovation has greatly increased customer loyalty for Ingram Micro.

4. Engage

Mary Boone’s third principal of Managing Interactively — Engage — is also a key communication strategy for innovation.⁴⁰ The highly engaging nature of the internet is not lost on some companies in their efforts to facilitate innovation. Companies like IBM use it for “innovation-jamming” and Proctor and Gamble for its “Connect and Develop programme” which aims to source 50% of its innovation outside the company. As described above companies like Nokia, CEMEX and Google use their intranets to engage all employees in the search for and discussion of new ideas. Companies also engage their people in other ways, CEMEX through Innovation days, Google through its TGIF meetings and Whole Foods through the development of operational democracy in all its stores. Some companies use the principal of engagement as the basis of their business. As already mentioned, NineSigma helps companies to innovate by engaging them in the process of bringing clarity to describing the problems they wish to solve. Another company, LRA Worldwide, has cut itself a niche in the consulting, organisational development and research market by teaching its clients how to engage with and learn from their customers. As they say, every time a customer and company interact, the customer learns something that will strengthen or weaken the future relationship. This engagement, which

37. <https://www.tql.com/>

38. *Ibid.*, 31, P. 54.

39. <http://www.ingrammicro.com/>

40. *Ibid.*, 30.

requires companies to see the customer experience through the eyes of the customer, is therefore crucial to the future success of the company.⁴¹

5. Create a Mission

The Mission Statement has long been a medium of communication for developing focus and company culture. The Chairman and CEO of Medtronic — the world's largest maker of heart pacemakers and implantable defibrillators — in explaining his companies phenomenal annual growth in shareholder return (32%) cites the power of the company's highly visible mission: "To restore people to full life and health."⁴² Most of the companies mentioned above have developed or are developing their own missions to make innovation systemic. Missions that let employees know that innovation is necessary in all areas of the company, not just R&D, and what is expected of them as in IBM, Gore and Nokia. Also, missions that are reinforced by targets and innovation metrics as in GE and Whirlpool and supported by substantial rewards as in Google. One of the top ten public accounting and consultancy firms in the USA, Crowe Chizek and Company LLC, has established a common language and vocabulary of innovation across the organization that fosters an environment in which innovation can thrive. The importance of innovation is declared openly in core purpose statements (e.g. "Building value with values), its declaration of services and as part of its business case for diversity, which holds that, "A diverse workforce enhances the creativity that supports innovation."⁴³

6. Create Inescapable Conversations

In his concluding chapter on the future of management, Gary Hamel suggests that what is needed to "help the flames of management innovation to spread", is "to get people throughout your company talking about the opportunity to reinvent the technology of management."⁴⁴ One way is to foster constant questioning of the organization's business and management models of the type that goes on at Apple and W. L. Gore where anything that has existed for more than five years undergoes detailed examination and where there may be hundreds of new ideas in the pipeline at any one time. Jeffrey Baumgartner advocates that such questioning be carefully thought out, seeking knowledge rather than demonstrating it by asking non-intimidating, but provocative, open questions that focus on eliciting

41. *Ibid.*, 31, P. 46.

42. *Ibid.*, 1, P. 171.

43. *Ibid.*, 31, P. 40.

44. *Ibid.*, 1, P. 243.

45. Jeffrey Baumgartner, *Innovation Strategy: How to ask effective questions*, Innovation

constructive answers.⁴⁵

Another way to create impact and get conversations started is to use theatre. As Hamel recounts, in one company, a few innovation activists had built a 'hospital' in the corporate training centre. In each bed of the hospital was an effigy of a once healthy competitor currently struggling for survival with a chart of their declining financial health clipped to the bottom of the bed. In a nearby 'morgue' lay the remains of several companies that had been unable to survive the forces of change. Over the course of several months the company's board of directors and over 3,000 employees toured the ward. The result: company-wide conversations and a focus that would hopefully enable the company to avoid a similar fate.

7. Create a Democracy of Ideas and Communication

Too many companies still put the generation of ideas into the hands of the few such as those 'special' people that work in the R&D department. However, it is clear from virtually all our innovation leaders that they do not feel this is the route to success. More and more diverse ideas require more levels of employees of different disciplines to be involved. Bottom up communication systems are essential and management needs to create formal consultation mechanisms that involve all areas of the organization in key decisions. Companies need to combat the inhibitive nature of the top down hierarchy, encourage dissent as they do at Google, set up uncensored web-based discussion as at IBM and perhaps put the appointment of the CEO in the hands of the employees as they do at Gore. Moreover, employees need to know that they have the trust of management not only to do their jobs but also to take responsibility for the success of the organisation. Such trust arises from the transparency of the information systems and communications as happens at Whole Foods. Also from communication systems like those at Gore and Google that facilitate unencumbered, rapid interaction between key players and allow everyone to see the true source and development of ideas as they are taken to market. In other words, communication systems that form part of the company culture — a culture of openness and cooperation. So, what might a democracy of ideas look like? Imagine if you will a company intranet akin to the internet in which anyone would be free to share their thoughts and opinions (blogs) — however explosive — without censorship or weighting according to position, and with a ranking system for the most popular blogs and a system for crediting those with the best. The result might be — just as with the internet — an explosion of ideas. Add to this an architecture for managing

such an explosion in which 'aiming points' are communicated to writers as at Nokia and communication systems are put in place to learn from the ideas and to help implement them as at IBM and Nokia and perhaps you have a truly democratic communication basis for innovation.

Conclusions

As the management consultant, writer and systems thinker Margaret J. Wheatley pointed out in 1992: "Innovation is fostered by information gathered from new connections; from insights gained by journeys into other disciplines or places; from active, collegial networks and fluid, open boundaries."⁴⁶ This would certainly seem to be born out by the evidence above. To use the idea of an "innovation architecture" put forward by Skarzynski and Gibson,⁴⁷ what is also needed for innovation is a communication architecture or perhaps infrastructure. An infrastructure that connects, informs and engages all those who may have ideas, and facilitates the consideration and exploitation of those ideas in a way that provides competitive advantage for the organization. The communication systems need to be the best that technology can provide but also need to be engaging. As Linus Pauling, the American scientist, engineer, peace activist, author, and educator put it, "The best way to have a good idea is to have lots of ideas."⁴⁸ Systems therefore need to be democratic and transparent, to remove obstacles to communication, to focus employees on innovation targets and to provide them with the means to communicate their ideas in a way that will be clear to others and encourage the generation of more and better ideas. Management also needs to foster a communication culture in which employees from all levels of the organisation are focused on innovation, want to talk about it and feel comfortable communicating with those who can help and promote their ideas. Also a culture that encourages and rewards rigorous questioning of the status quo and shows that everyone has a responsibility and an opportunity to improve and develop the organisations they work in. In the words of Gary Hamel, with whose words we started. Show them that here is an opportunity "to build a 21st management model that truly elicits, honors, and cherishes human initiative, creativity and passion — essential ingredients for business success in this new millennium."⁴⁹

46. Margaret J. Wheatley. 1992. *Leadership and the New Science*. San Francisco, CA: Berrett-Koehler Publishers. P. 113.

47. *Ibid.*, 7, P. 137.

48. http://www.quotationspage.com/quotes/Linus_Pauling/

49. *Ibid.*, 1, P. 255.

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Author's Profile

Paul Brumby is Professor of The International School of Economics and Business Administration, Reitaku University. He has been involved in business and English language training — teaching and management — for more than 30 years in Europe and Asia. His academic interests include management communication, curriculum design and educational management. Recent research has been on business and management communication and he has published in this area as well as reading skills, listening skills, curriculum design and intercultural communication.