Leadership and Innovation

presented by

Hubert Saint-Onge
... are inexorably linked
but what is the relationship
between them
**the purpose of this session is...**

to learn about successfully leading innovation and change through...

dialogue

exchanging on your past experience

dealing with your questions

practical tips

the exploration of models/concepts
... the key propositions

- Innovation and renewal is the true source of growth
- Complacency and conformity are the true enemies’, yet organizations gravitate towards them naturally
- Collaboration and learning are at the heart of innovation.
- The organization’s capability to learn and collaboration is a function of its leadership context
What do we mean by ‘innovation’?
Innovation: true wealth creation

- innovation is the **only true or net creator of new wealth**
- at the firm level-- all else is caretaking
- most large firms focus on past seminal innovations, with incremental improvements
- when original seminal innovation runs out...? firms are often lost (kodak, xerox)
- creative destruction
so, let’s characterize innovation...

- intuitive in its early stages
- opportunistic, perceived or real market opportunities
- non-linear; not rational, step-by-step
- can be chaotic, but... process-oriented and market disciplined
three key areas for innovation

• Technological innovation for continuous improvement

• Business innovative breakthroughs to alter markets and influence competition

• Market innovation powerful enough to create new markets and businesses
Why is innovation an organizational imperative?

- “grow or die”: markets imputes the health of an organization based on its growth and innovation is the only long-term source of growth
- innovation is cheaper than competition: need to innovate faster and faster
- clients are changing faster, more demanding, more knowledgeable and more interactive, and insisting on integrated, mass customized solutions
- increasing competition and shrinking time to market
- greater communication and collaboration with customers, suppliers, partners
some observations about leading change and innovation...

- Messy by nature
- Leaders make a difference
- Lots of learning
- Frameworks & principles are very helpful
Why are leadership and organization issues so important when dealing with innovation?
The structured process of innovation...

INSPRIRE
Gain innovation commitment

IMAGINE
Discover new ideas

INVESTIGATE
Shape ideas into action

IGNITE
Implement and learn
The Innovation Value-Chain

Idea Generation

Invention

Discover

Gather

Creation

Theory

Translation

Investigate

Organize

Sharing

Conversion

Develop

Analyze

Application

Commercialization

Market Diffusion

Commercialization

Launch

Distribute

Practice
why is it so hard to do this...

INSPIRE
Gain innovation commitment

IMAGINE
Discover new ideas

INVESTIGATE
Shape ideas into action

IGNITE
Implement and learn
"My job is to listen to, search for, think of, and spread ideas, to expose people to good ideas and role models...When self-confident people see a good idea, they love it."

Jack Welch
mindsets operate at both the individual and the organizational levels...

- Out of our experience, we each have formed a unique set of beliefs and assumptions through which we filter and interpret what we see and do.

Our mindsets feed on themselves both positively and negatively:
“we believe what we see and we see what we believe”

- Out of our beliefs and assumptions, we make decisions and develop patterns of behaviour for everything we do.
each one of us will interpret the events taking place around us based our respective lens...
the pervasive impact of culture on the thinking of the organization...

The culture of the organization becomes the lens through which it perceives the business environment in which it operates.
the composition of the organizational culture...

- **values and principles**: what we are or wish to be
- **insights**: what we know and understand
- **rules**: what we must and may do
- **organizational behaviour**: what we do

- **organizational culture**
  - **collective mindsets**
  - **individual mindsets**
the organizational culture acts as a filter through which strategies are defined and the performance determined...

Organizational Culture
explicit values of organization

- environmental forces
- opportunities and threats
- strengths and weaknesses
- organizational capabilities

Strategy
Performance

*acknowledgement to Gerry Johnson, Cranfield School of Management*
what happens to leadership in different parts of the curve...

I
Consolidation of mindsets, culture and structure

II
Deterioration of feedback

III
Proliferation of organization routines

Founder’s Vision
the organization’s life cycles...

- shifts in competitive spaces
- change in customer preferences/expectations
- appearance of new technology
the life cycles keep getting shorter and shorter...
the pervasiveness of collective mindsets...

- the imperceptible principles, mechanisms that shape what is done and how it is done

- they are woven into systematic choice at all levels of the organization and in every discipline: planning, budgeting, resource allocation, hiring, staffing

- they proliferate with the growing complexity of the firm’s task

- they contribute to make sense of otherwise chaotic market conditions
the pervasiveness of collective mindsets...

I

II

III

• the more rigid consolidation of collective mindsets which shape the perceptions and the processes of the organization

• this leads to a deterioration of the feedback which is essential to an organization’s survival in the market place

• defensive routines emerge leading to placing the blame on external forces including “misguided customers”

• the resulting rigidity strategy formulation creates static strategies which are “hard-wired” into collective mindsets
building on strengths...
How do organizations deal with the ‘conformity’ trap?
The ambidextrous organization...

How do you steer your business and motivate your people to pursue breakthrough growth while giving proper attention to executing the here and now with the utmost care and efficiency?

Run the business ‘as is’ to optimize its performance

Shape the strategy and the organization of the future
Ambidextrous Leadership

To lead in the ambidextrous organization means that...

- You must balance your attention, energy and internal resources,

  On the one hand...

  You must focus on continually improving and growing the core business.

  On the other hand,

  You must be strategic and be ready to ‘break the mold’ in order to innovate and grow.

- To strike this balance successfully, you must bring to bear a new perspective on how to insert growth efforts in the work of your teams: how you measure and reward executing the present and building the future, and how you align behaviors to specific growth initiatives.
...the distinction between ‘reliable’ and ‘emergent’ organizational orientations

- Companies tend not to be creative by design: they tend to be built more for predictability and reliability – the ‘conformity trap’.

- Yet, the environment where they function is characterized by the increasing speed of change. As a result, these organizations tend to fall behind in adapting to the emergent business environment that surrounds them.

- There is a fundamental tension between ‘reliability’ and ‘validity’ and most organizations are geared for ‘reliability’ while giving very little room for the ‘validity’ that would see them do what is right to meet the challenges encountered in the environment. An organization that favors ‘reliability’ will actively drive out the capability for change, the capability to manage emergent conditions. Fear of failure and defensive reactions keeps pressing the organization towards ‘reliability’.

- In order to counter this inherent tendency, the senior leadership must explicitly press for creativity and aim to change the culture and the governance structure. They must change what is expected of people and teams.
the characteristics of ‘emergent’ organizations

Organizations built for mostly pre-defined situations

predictability orientation

Outcomes
- production of consistent/reliable outcomes

Planning
- planning based on past events

Leadership
- application of rules with minimization of judgment

Approach to work
- defined roles / on-going tasks

Dominant attitude
- we can only do what we have the budget to do
- constraints are the enemy

Organization built for mostly emergent situations

change orientation

Outcomes
- production of changing outcomes responding to changes in the environment

Planning
- planning based on future events

Leadership
- leadership exercised based on judgment

Approach to work
- project/issues based teams
- capabilities as determinant of participation

Dominant attitude
- nothing can’t be done
- constraints increase the challenge and excitement
the use of knowledge in the emergent organization mode

pre-defined situations

- directed by management
- rules-based
- attached to transactional process
- prescriptive use
- content by experts
- formalized imprint
- primacy of content management
- emphasis on use of knowledge

emergent situations

- facilitated in network
- based on need/productive enquiry
- attached to knowledge domain
- use by choice
- content by members
- informal imprint
- primacy of collaboration/interaction
- emphasis on generation of knowledge

Characteristics
the governance process

Pre-defined Situations
- develop and disseminate
  - principles and policies
  - norms and guidance
  - precise guidance
  - standard operating procedures
  - subject matter expertise
  - centrally available to all individuals

Emergent Situations
- search and exchange
  - detection of new trends/issues
  - ease with uncertainty
  - multi-disciplinary expertise
  - operational understanding
  - effective practices
  - exchange tools

Development
- apply and use
  - reference tools
  - optimize work processes
  - coherence
  - diagnostics
  - consistency and rigor

Application
- question and experiment
  - evolving principles and policies
  - giving space for innovation
  - hypothesis, test, verify
  - experimentation
  - frame of reference
  - redesign work processes
  - flexibility and rigor
managing the dilemma between innovation and control...

- How to exercise adequate control in organizations that demand flexibility, innovation and creativity.

- Must rely on employees’ initiatives to seek out opportunities but perusing these opportunities can expose businesses to excessive risk or invite behaviours that can severely damage a company’s integrity.

- Tools to reconcile this dilemma are available:
  - belief systems that communicate core values and inspire all to commit to the purpose.
  - decision-rights and boundary systems establish rules and identify pitfalls.
  - diagnostic systems allow managers to ensure that employees are meeting goals.
  - interactive control systems enable top management to focus on strategic uncertainties.
innovating for growth: the spectrum of approaches

- Improve Internal Processes
- Business Area Initiatives
- Internal Incubator
- Hybrid Internal/External Incubator
- Strategic VC

1. Business as Usual
2. New Initiative
3. New Standalone Organization
4. Hybrid Internal/External Business
5. External (guided by Company Strategy)
the different types of 'corporate entrepreneurship'

<table>
<thead>
<tr>
<th>Dedicated</th>
<th>The Enabler</th>
<th>The Producer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource Authority</td>
<td>procedures for finding, selecting, and resourcing new businesses</td>
<td>formal organization with specific mandate to create new businesses</td>
</tr>
<tr>
<td>no formal dedicated organization</td>
<td>mostly self-funded organization</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Decentralized</th>
<th>The Opportunist</th>
<th>The Advocate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource Authority</td>
<td>no formal procedures or organization</td>
<td>defined organization act as a facilitator and proponent</td>
</tr>
<tr>
<td>social networks drive selection and resourcing</td>
<td>limited budget, majority of funding from sbu’s</td>
<td></td>
</tr>
</tbody>
</table>

Organizational Ownership

- Diffused
- Focused
What's the role of leadership in fostering innovation in the organization?
shaping an effective leadership context...

Leadership is both an individual and organizational capability...

**Individual Capability**

The manner in which individuals exercise their responsibilities

**Organizational Capability**

A leadership context and principles that encourage all individuals to maximize their capabilities and contribution to create value for customers.

To be an effective leadership requires a deeply personal journey of commitment and authenticity...

Every leadership act you undertake builds the context for leadership within which everyone realizes their own leadership potential.
... the elements of individual capability

Individual Capability

Attributes

Mindsets and Values

Competencies
... the elements of individual capability
... the elements of individual capability

... the elements of organizational capability

Strategy  
Systems

Leadership

Structure  
Culture

... the elements of individual capability

Attributes

Mindsets and Values

Competencies
... the elements of individual capability

the “what”

... the elements of organizational capability

the “how”

... the elements of individual capability

Attributes

Mindsets and Values

Competencies

Risk Management

Solutions Development

Items Processing

Sales force Management

Financial Engineering

Strategy

Systems

Leadership

Structure

Culture
The strategy-culture axis...

Strategy
... the goals of the organization and the ways it seeks to serve them

Leadership
... the manner in which individuals chose to exercise their responsibilities

Structure
... the grouping of accountabilities; structures defines the position of and relationship between members of the organization

Systems
... the ways in which processes (information, communication, decision-making) and flows (products/services and capital) proceed

Culture
... the combined sum of the individual opinions, shared mindsets, values and norms
What is the relationship between collaboration and innovation?
what role do networks play in this evolution?

**networks** enable:

- **new combinations** of knowledge
- **coordination** of disperse resources
- **diffusion and provision** of new products & services… **offerings**
...collaboration is the most important source of innovation

- Sustainable business growth requires innovation.
- Increasingly, effective, sustainable innovation requires effective collaboration both within and between firms.
...the “networked community” effect
...the “networked community” effect

- accelerate the generation of individual and organizational capabilities
- enhance the agility of the organization
- reinforce integration and cohesiveness: work interdependently with common purpose
- collaborate across geography and organizational boundaries
- develop the ability to respond fast to local and national issues
- enhance the ability to partner internally and externally
- enhance cost effectiveness
changing demands = changing practices

global vision results from prepared minds capable of identifying new combinations across geographic and cultural boundaries
how to exercise leadership for organizational change...

The most effective way to exercise leadership towards accelerating change and innovation is to:

1. define clear, measurable, consensual objectives
2. free up the conditions for organizational inquiry
3. provide public, fast feedback of the results of experiments
4. iterate
networks, competition & collaboration

1. competition
   quest for differentiation & innovation

2. search for new knowledge
   enabled & accelerated by the network

3. internal & external collaboration
   enabled & accelerated by the network

4. new offerings
   increasingly delivered & optimized by the network

from this dynamic, new managerial processes emerge
leading to realize the potential of the network

Fostering Shared Ownership

Elevating people’s perspective to see the whole organization

Generating Trust

Increasing Confidence in One Another and Valuing Differences

Collaborating

Building on One Another’s Capabilities
the most foundational mindset shift one can undertake is ...

from...

belonging

- my security resides in being part of an organization
- following the traditional contract: I do what I have to in order to get to a promised future
- I work for the firm...
- by virtue of working here, I am entitled to...
- success comes from loyalty

self-initiation

- my security resides in my capabilities
- following the new contract: I dedicate myself to creating value in exchange for an opportunity to develop my capabilities
- I am fundamentally self-driven...
- I want to be recognized for my contribution...
- success comes from commitment
a framework for leadership...

Making meaning: inspiring shared ownership

Striving for status quo

The participating approach

The forcing approach

Seeking renewed coherence

The transforming approach

The telling approach

Structuring and controlling
in conclusion...

innovation

- is best understood as a process, bringing new combinations to market.
- is the only net creator of new wealth in the long run
- arises in the first instance from the prepared mind...
- ...but typically requires a lengthy, non-linear process to market
- structuring this process can reduce risk and increase value output
hubert@saintongealliance.com