The People Side of Innovation

Let me start with a brief story with important implications when it comes to the people side of innovation.

A CFO is wary about investing in the training and education of company employees. He asks the CEO, “What happens if we invest in developing our people and then they leave the company?” The CEO replies, “What happens if we don’t and they stay?”

This bright CEO recognizes that at a time when there is much talk about open innovation, business model innovation and innovation culture, the most significant element to anything related to innovation has always been and always will be people. It is people that make innovation happen and this is you, your colleagues, your customers, your vendors and other external partners you engage with to bring something new to market. Getting the right people on board and then providing them with the training, structure, and support they need is essential to innovation success. In other words, innovation processes and systems can only be as good as the people participating in them.

For years there has been an ongoing discussion in the venture capital community on which of these two options is best: 1) an outstanding team with an average idea or 2) the best business idea you have ever seen coupled with average guys. If we take this to the corporate world, the big question is whether you have enough available A-grade people within your organization who are capable of taking great ideas – whether they come from inside or outside of the company – and turning them into reality. A major advantage for large corporations over venture capital companies is that in a large corporation, you can switch great people to other projects. Of course, this requires that you have already made the effort to identify and develop great innovation leaders and intrapreneurs. So before you get all fired up about generating a ton of ideas, first figure out how you're going to match those ideas to people who can make things happen. I will provide some inspiration on this later in this paper.

What the Job Requires

As the global economy continues to improve, one indication that more companies understand the importance of having the right people on board is that we're seeing more and more job openings in innovation. What's interesting is that these job descriptions are more sophisticated than those in the field were five or ten years ago. Instead of the typical R&D job description of years back, which was more likely to focus on technical skills, we're now seeing job descriptions that talk about skills that will enable someone to excel in an open innovation environment.
For example, look at the recent job description below, which is for a Director of Strategy at Samsung’s Open Innovation Center (OIC) in Mountain View, CA. What caught my interest in job description is that the duties include thought leadership and market intelligence. These are factors that will help make Samsung become even more attractive when it comes to open innovation. With someone at the helm of the OIC who has a high profile as a thought leader and has his/her finger on the pulse of industry trends, external partners will be more eager to partner with Samsung. Also note that under “Desired Skills and Experience”, in addition to technical knowledge, they seek someone who is “comfortable with ambiguity.” This reflects the constant and rapid change that is such a strong feature of today’s business environment.

In preparation for this white paper and the accompanying InnoCentive webinar, I did a survey to delve into current thinking on the people aspect of innovation. My objective was to uncover the people-related factors that currently are deemed most important when putting together and supporting a team to drive innovation forward.

Of the 57 survey respondents, 44 percent work in companies with more than 5,000 employees; another 14 percent work in companies with between 1,001 and 5,000 people. 48 percent of respondents work full time in innovation in either senior leadership or mid-level management positions. An additional 18 percent work in innovation full-time without management responsibilities; the remaining respondents are involved innovation projects from time to time.

Here are the survey results along with my comments:
The People Side of Innovation

How relevant are these topics for you and others working with innovation in your company?

According to the survey, tolerance for uncertainty and passion for the work are the most important traits of employees.

Notice that the majority of respondents ranked all but one of these people-related topics as “very relevant.” The one topic that wasn’t rated as “very relevant” by a majority was still rated as “very relevant” by over 45 percent. And adding together the “very relevant” and “somewhat relevant” responses for all four topics produces overwhelming majorities in the 80-to-90 percent and over range, showing that respondents recognize the importance of factors related to the development of the people side of innovation. I think this represents a significant shift from the answers this question would have generated only 10 years ago, when so much of the focus was on processes and systems, not people.

How important are these personal competencies for the contribution to innovation success in a big company?

This question looked at the skills individuals involved in innovation need nowadays. All of the skills listed received high ratings of importance, but here again we see that “tolerance for uncertainty” is among the highest-valued skills. Also, “passion for the work” is the highest-valued skills. These are both attributes that can be hard to judge when interviewing prospects, but the right interviewer, who has the same kind of mindset and approach, can quickly resonate with such people.
The Right People at the Right Time

In coaching teams working to create new business ideas with big potential, I have seen that some managers more or less approach this as if it were business development as usual within core projects; i.e., focused on smaller incremental steps. They do not understand the dynamics of creating new business development or innovation projects with a higher potential. Their biggest mistake is that they assign ideas to people who had no passion for the specific challenge. However, when it comes to projects involving innovation with radical or breakthrough potential, you need people who have their heart and skin in the game.

You also need different people for the different phases of the innovation process. Just as some entrepreneurs are better at running a company at its very early stage and others are better at helping the business scale once the product is launched, so too are there intrapreneurs who are better suited both in terms of mindset and skills to various phases of the innovation process.

For example, the D-I-A Model of innovation put forward by the Radical Innovation Group identifies three phases of innovation:

Discovery:
- Basic research; internal and external hunting
- Creation, recognition, elaboration, and articulation of opportunities

Incubation:
- Application development: technical, market learning, market creation, strategic domains
- Evolving opportunities into business propositions: creating a working hypothesis about what the technology platform could enable in the market, what the market space will ultimately look like, and what the business model will be

Acceleration:
- Early market entry: focus, respond, invest
- Ramping up the fledgling business to a point where it can stand on its own relative to other business platforms in the ultimate receiving unit

This model has been used with success at many companies, which have learned that only a very few people have the skills to move from heading the project in the discovery phase to heading it during the acceleration phase. You need to have the right people at the right phase at the right time.

The design and innovation consultancy IDEO talks about the idea of “T-shaped people,” which can be used to identify intrapreneurs as well as great people to work with. T-shaped people have a principal skill that comprises the vertical leg of the T – perhaps they are highly qualified mechanical engineers or industrial designers. But they should also be so empathetic that they can understand and relate to other skills, such as go-to-market strategies, and know how they add to the bigger picture. They should be able to explore insights from many different perspectives and recognize patterns of behavior that point to jobs that need to get done. You can look out for this by having potential intrapreneurs describe their own T-shape.
Another topic I’d like to raise in the context of individual skills is the notion of the innovation superstar, the person who can make an outsized difference when it comes to innovation management. A research paper, “The Best and the Rest: Revisiting the Norm of Normality of Individual Performance” by O’Boyle Jr. and Aguinis, shows that the typical performer falls below the mean or average result. According to the authors, there are approximately 80 percent below average, 10 percent around the middle, and 10 percent exceeding the average, meaning that the assumption that the typical performer is average is a myth of the normal distribution assumption. If we include the 80/20 model here, there are strong signs that a small percentage of people are especially strong contributors at work.

I think this applies well to innovation, which then tells us that we have some innovation superstars. They are not necessarily lone geniuses, but “just” people who can bring out great value based on their own competences and the ecosystems in which they operate.

The challenge, of course, is how do you identify such superstars while they work (as opposed to after they have succeeded when it has become very easy to identify them). But by recognizing that such people do exist, it perhaps becomes easier to keep an eye out for them and to nurture those people who seem to have potential for being innovation superstars. Alternatively, there is the notion, especially in an era of open innovation, that the crowd is the superstar. With plenty of diversity and different types of thinking within a crowd, is this possibly where your next superstar idea will come from?

Innovation Training and Motivation – What Works?

How would you rate these ways for leaders to motivate their employees to become more innovative and help create a better culture for innovation?

<table>
<thead>
<tr>
<th>Method</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Give Freedom to Operate, Independence</td>
<td>3.5</td>
</tr>
<tr>
<td>Set Clear Objectives and Expectations</td>
<td>3.0</td>
</tr>
<tr>
<td>Provide Training Programs and Insights</td>
<td>2.5</td>
</tr>
<tr>
<td>Reward Good Efforts with Non-financial Gifts</td>
<td>3.0</td>
</tr>
<tr>
<td>Provide Financial Incentives and Bonuses</td>
<td>2.0</td>
</tr>
</tbody>
</table>

The important point to note in this question on how leaders can best motivate employees and create a culture for innovation is that financial incentives and bonuses received the lowest rating, which should bring a smile to the face of the CFO in my introductory story. What is more productive instead, according to these respondents, is giving people independence and freedom to operate after you’ve set clear objectives and expectations. It’s also interesting to note that
providing training programs and insights is deemed more motivational than non-financial rewards.

Companies need to upgrade their innovation capabilities in the coming years. This is not only about processes, but also about people. How relevant do you think these initiatives and activities are for this?

Developing your people for innovation has always been important, but it is an area where companies significantly underinvested in during the years of the financial crisis. During this period, we have also seen tremendous change with regards to innovation management practices (open innovation, business models) and to the global business world in general. This means that companies who have not invested in employee development are even further behind than they were before the financial crisis struck.

As we move into better economic times, I predict that within the next two years, the importance of corporate training innovation programs will really kick-in. Companies in most – if not all industries – will realize that they need to upgrade the toolbox and mindset of their employees with regards to innovation if they want to win the innovation wars.

When it comes to these training activities that people favor for upgrading their companies’ innovation capabilities, that both “training through physical meetings, classes, workshops, off-sites” and “develop train-the-trainer programs in order to have employees train other employees” gained strong majority votes for “quite important” and “very important,” (72 percent and 78 percent, respectively.) When it comes to internal training, people seem to strongly prefer face-to-face gatherings rather than virtual courses. These formats, of course, also have the benefit of allowing people to mingle and grow/strengthen their internal networks.

With regard to train the trainer programs, before you can start training your employees to become better innovators, you obviously first need to train your internal trainers. You need to identify the skills and mindset needed for your company to win...
with innovation and once you have a better understanding of this, you need to identify a group of people having the potential to become very strong within these areas. Train these people first and use them to train others. This is not a full-time position. It is more like a group of ambassadors with a strong influence on the organization.

Of course, the method receiving the strongest rating was “intrapreneurship-like programs in which people get to work on real ideas while being trained.” This is truly one of the best ways of identifying and developing people who will drive innovation forward. With a strong intrapreneurship program, you can build pools of people to match to your idea/project pools. The ability to match the right people to the right project at the right time is invaluable in the pursuit of innovation. I have long recommended that companies consider having a career path for intrapreneurs that rewards these valuable people and the skills they bring for innovation.

Intrapreneurship can be defined as the practice of using entrepreneurial skills without taking on the risks or accountability associated with entrepreneurial activities (starting your own business). Instead they build new businesses within the existing company while behaving as entrepreneurs; they just have the resources and capabilities of the larger firm to draw upon. Intrapreneurs have a very operational role. They need to make things happen and develop new business opportunities that meet the needs of demanding customers. Of course, this also includes coordination with stakeholders from the corporate mothership and other external partners, but intrapreneurs must have a special talent for addressing the needs of paying customers.

It is the role of innovation leaders to coach, facilitate, and sponsor intrapreneurs who work within the platform created by the innovation leaders to turn ideas and research into real products and services that move the business forward. Thus, in contrast to innovation leaders, intrapreneurs focus on the operational level instead of on strategy, process, and tactics.

No matter what type of innovation training efforts you undertake, it is important to know that we can no longer predict what will happen in the field of innovation. There is no (clear) blueprint on how to embrace open innovation, business model innovation or how to build a strong, sustainable innovation culture. The fast pace of change simply forces us to focus on creating the right framework and conditions for thriving with innovation. Thus, a training program must not only be agile by itself; it must also train the employees to be agile and highly flexible without losing their core competences or key knowledge areas. Focus on the bigger picture; don’t get lost in details here.

Where to Find People

One of the chief questions I’m asked when talking about the people side of innovation is what processes can be used to identify the people you need. A few possibilities—from the simple to the more complex—include:

Look Around You

One simple way to find the people you need is to look for people who persistently follow up on ideas. Scores of employees submit ideas and expect others to deliver. But if you can find one person who keeps showing passion and persistence about their one idea, you’ll be farther ahead than if you have 600 people who each submitted an idea but who don’t really have
an interest in doing the hard work required to make their idea real. With one persistent and qualified contributor – and a good idea – things can happen fast.

Look for people who are persistent about their ideas, people who work on their ideas independently, and who perhaps even gather other people to help work on their ideas. If the idea is good and you have this kind of person to drive it, you have something to build on.

**Hold an Internal Business Plan Competition**

A much more formalized way to identify potential intrapreneurs is through internal business plan competitions, similar to those held by leading universities. Such competitions are good vehicles for identifying strong ideas as well as the people to drive them forward.

A well-designed competition accomplishes many things. It helps you identify intrapreneurs and it moves forward ideas with real potential, helps participants upgrade their intrapreneurial skills, and provides a method for matching A-grade people with good ideas. With regards to open innovation, an internal competition is a good training exercise to undertake before you move to open innovation. It can help your organization build skills in making innovation happen across silos, skills that will come in handy when you reach out to the world and need to make innovation happen across two or more organizations.

**Start an Intrapreneur-in-Residence Program**

Why not adopt the Entrepreneur-In-Residence (EIR) practice that venture capital firms use? The role of an EIR varies, but typically it involves an individual who wants to start a company. Sometimes the entrepreneur has already spent a great deal of time on an idea that the venture company might invest in upon further development, or the EIR acts as a “partner” and helps the venture capitalist evaluate potential deals where the entrepreneur has a particular expertise. An EIR might also spend time with an existing portfolio company to provide his or her functional expertise. In this scenario, the EIR will sometimes enter the company as a full time executive (typically CEO or some “C” level role) if the company and the executive feel there is a good fit.

Why not use this model to establish an intrapreneur-in-residence program within your company? This could be an adjunct to a business plan competition. Having identified people with intrapreneurial potential in the competition, you can assign them to the role of intrapreneur-in-residence for a set period of time. The key here is to define what role this individual would have; this should be based on what outcomes you’d like to achieve with such a program.

This approach is especially useful when companies work to develop a new platform of business activities that in the beginning consists of many small, early stage projects. Until you decide on a full-time executive role in one of the projects, the intrapreneur can consult on many projects.

**Invest in People**

The chief thing that the senior management and innovation leaders of any organization must realize is that when it comes to making innovation of all types happen, people matter more than ideas. The right order is: People First, Processes Next, Then Ideas – if you want to build a strong and sustaining innovation culture. Many innovation initiatives fail miserably because
their leaders don’t understand this simple fact. Investing in the development of people who excel at the skills of innovation and are able to deal with uncertainty and change will pay even bigger dividends than in the past in our constantly shifting business and economic environment.

For more information on how you can easily run your own Challenges to rapidly solve problems and accelerate your innovation outcomes, visit www.innocentive.com or call 1-855-276-9366 (North America) or +44 (0) 207 224 0110 (Non-US) to speak directly with an Innovation Sales Consultant.

InnoCentive is the Open Innovation Pioneer and global leader in Challenge Driven Innovation. It is where leading commercial, non-profit and government organizations from around the world come to solve their important business, social, policy, scientific, and technical challenges. Worldwide headquarters in Waltham, MA, USA and EMEA headquarters in London, UK. www.innocentive.com.

© 2016 InnoCentive, Inc. All rights reserved.