

Sequel to *Creating the
Workforce—and Results—you Seek* from
The Workforce Institute at Kronos

Elements of Successful Organizations

ACHIEVING STRONG LEADERSHIP,
SMART MANAGEMENT,
AND AN ENGAGED WORKFORCE

Foreword by
Dave Ulrich, PhD and Wendy Ulrich, PhD
Co-authors, *The Why of Work: How Great Leaders
Build Abundant Organizations That Win*



Where HR and Innovation Meet

Embracing Invention, Continuous Improvement, and Business Objective

Susan Meisinger, SPHR, JD, former President & CEO,
Society of Human Resource Management (SHRM)

If you Google the words “leadership, innovation, growth” you’ll get about 50 million hits, give or take a few million. There are links to scholarly journals, business magazines, management books, leadership books, conferences, and seminars—all of which try to explain how to do it: how to be a great leader who creates a culture of innovation which drives an organization’s growth.

Many of the links are to consultants who have their own proprietary approach that they assert will help leaders and organizations put into place processes that will build an innovative culture in a disciplined way, leading to growth and profitability. Still more links are to company websites, which proclaim that this is what they do best: they have the secret sauce and have the perfect recipe for a company that’s more innovative than its competitors.

But there’s a dirty little secret that leaders don’t like to share. As a leader, you never feel like you’ve solved the challenge of being innovative. The global economy is changing at such a pace that even if we think we’ve created a culture of innovation, or we’ve had great success in the past, we know that our success is likely to be short-lived. There’s just too much change going on; too many moving parts in the world around us. In fact, if you look at *Fast Company’s* 2010 list of the 50 most innovative companies, you’d find that two-thirds of the companies on the 2009 list—just a year earlier—didn’t make it to the 2010 list.

In IBM’s 2010 Global CEO Study the challenge of constant change is



reflected in the study's findings: creativity was selected as the most crucial factor CEOs felt would be required for future success. Survey responses from more than 1,500 Chief Executive Officers from around the world disclosed that they believe that creativity will be needed to navigate an increasingly complex world. They felt that it will be more important than rigor, management discipline, integrity, or even vision.¹

The importance of innovation and creativity becomes even more critical as businesses dig out from a long lasting recession, with higher domestic unemployment rates for longer periods of time than we've seen in decades.

Companies which downsized over the last few years are now left with workers who are exhausted and frightened to take risks or make bold moves. Employees learned the benefit of keeping their heads down and working even harder in their effort to avoid layoff. "If I don't make waves, maybe they won't remember I'm here and lay me off, too." As businesses hunkered down in an effort to survive the economic downturn, the focus became risk avoidance, not new business launches. Increased productivity and efficiency were the drivers for management; innovation may have happened as a result, but it wasn't the priority.

As the economy has begun to recover, corporations are trying to be judicious in their staffing levels, and more disciplined with their risk assessments (some of which are driven by reporting requirements for public companies). At the same time, the challenge of innovation and growth is moving up on the agenda, and a returning priority for many organizations. Consider the results of a survey conducted by Bersin & Associates in November of 2010. The needle was moving: 34% of all HR and business leaders cited "driving innovation" as one of their top three talent challenges, up from only 14% earlier in the same year.²

For many, the economic recovery and growth in global markets will offer new opportunities. For example, as the global economy expands, the pressure for new sources of energy will also grow, creating viable markets for new energy technologies. The continued emphasis on sustainability has created entire new markets for green products. And domestically, the aging population and rising costs of healthcare will drive innovation in the medical field.



For some businesses the recession and slow recovery, combined with instant access to competitive price information over the internet, have led to fundamental changes in consumer behaviors. Buyers are more price-sensitive and have more leverage with easy access to pricing information. Consumers are more cautious with their spending, and much more willing to rely on low cost providers of goods and services. According to Nielsen research, for example, while more than half of online consumers surveyed said they purchased more store brands during the economic downturn, fully 91% said they will continue to do so when the economy improves.³

As Lynda Gratton, a Professor of Management Practice at London Business School has noted, recessions “are typically times of both destruction and new creation—so over the next decade with regard to the future of work, we can expect many ‘old’ jobs to be destroyed, but a whole set of new ones to be created.”⁴

So how can leaders help drive a culture of innovation and growth?

It can be helped along by turning to some of the proven tools already available for maximizing the return on human capital. Bringing in the right talent, to the right culture, with the right incentives, linked to the right goals. This is human resource management 101.

But it requires a focus on the end objective—a more innovative organization—as you leverage the tools of talent management and organizational design. And it might require reminding your own human resource department of the end objective.

In a recent survey conducted by HRE Online, HR professionals were asked about what HR was doing on this subject of innovation and growth. The results suggested that HR executives may not be leveraging their HR expertise to really help.

In response to the survey, a large majority said that HR plays a significant role in fostering innovation at their organizations. But it’s hard to understand how they know they’re actually doing it, since a large majority also reported that the performance evaluation for HR leaders wasn’t based, in any way, on the ability to foster innovation. And although there are tools available to professionals to help foster innovation, most don’t use them: more than two-thirds—71%—didn’t use screening tools designed to bring



in creative and innovative candidates, half—53%—didn't tie performance-management systems to driving innovation, and half—53%—didn't have any formalized suggestion system in place. Most disappointing? More than a third said that HR leaders in their organization did not participate in brainstorming sessions related to business and product innovation.⁵

So what can HR leaders bring to the innovation table?

SHARING INFORMATION ACROSS ORGANIZATION SILOS

In addition to the traditional HR functions of talent acquisition and development, performance management, employee engagement and rewards and recognition, HR should focus on how an organization operates; how work really gets done and how information is shared. HR can play a key role in designing work, work groups and the flow of information in ways that result in more communication and cross pollination of ideas.

Informal employee social networks exist in every organization. Human nature leads people to share interests and work together even when they're not required to do so. People develop friendships at work, and talk about what they're working on over lunch or a game of golf. But rather than assuming this communications will occur informally and organically, leaders need to take a more disciplined approach and consciously look for ways to facilitate the communication by focusing on how work is organized and information exchanged.

The importance of internal social networks and communities to drive innovation was highlighted in Lynda Gratton's 2007 book "Hot Spots".⁶ Professor Gratton focused on how some companies were able to benefit from creative "hot spots," where people came together and created new, innovative advances. She found three factors that promoted the creation of "hot spots":

1. A cooperative mindset, where there's trust and a willingness to share information and ideas; this means creating a culture where the emphasis is on "we," not "I";
2. The ability for information to be shared across boundaries, or outside of the typical silos that exist within every organization;
3. A pressing business need or challenge—which Gratton calls an



“igniting purpose.” The example provided is the CEO of Indian car maker Tata, who asked “Why can’t we make a 100,000-rupee car?” which led to the new Nano for the Indian market. At \$3,000 it’s now the cheapest car in the world.

But rather than rely on chance to create a “hot spot”, internal networks and communities can be—and should be—maximized and legitimized as part of the management structure, designed for the generation of new ideas. Organizations should always be designed and developed with an eye towards creating ways for people with different ideas, backgrounds, and areas of expertise to interact with each other.

Clearly, HR has a role to play in ensuring that this happens.

UNDERSTAND THE INFORMAL NETWORKS YOU ALREADY HAVE: THE WHIRLPOOL EXAMPLE

In designing internal networks to maximize innovation, leaders should first understand what networks already exist, and then determine if there’s a way to maximize the value of contributions made by the network. Organizational charts alone don’t explain most of how the day to day work within a company really gets done.

Consider the research conducted a few years ago by Whirlpool, the largest appliance company in the world, with 70,000 employees. As part of its efforts to continue to grow an already successful company, the company embarked on research to better understand how the organization actually got things done.

Whirlpool conducted an extensive employee survey that allowed it to develop a sociogram, a map of informal networks within the company. The sociogram graphically depicted the links between people within the organization. This allowed Whirlpool to identify employees it described as “knowledge brokers,” people who could get to someone else in the organization in two to three steps.

We have all known these people in our own organizations—the “go-to” individuals when you need the answers to a host of questions. These people essentially represent nodes in the corporate social network—places where many other employees go to gather information. These informal networks



can cross the lines of geography, products, services, functions, despite the silos that exist in every organization.

Some of these become knowledge brokers because of their particular jobs: for example the mail room staff or receptionist may know the names of people and their roles within the organization because of their job responsibilities as conduits for mail and phone communications. Others fill this role because of their unique abilities to connect with colleagues, or perhaps because of their background or experience in different roles within the organization. They've simply met more people and/or had more experience within the company.

Armed with the list of knowledge brokers, Whirlpool compared it to the list of high-potential employees, developed as part of the normal leadership-development program.

The result? There was very little overlap. The most effective knowledge brokers weren't making it onto the high-potential lists. According to Nancy Tennant, Corporate Vice President for Leadership and Strategic Competencies for Whirlpool, the company is "starting to remodel our leadership and talent model to include social networks as a key development mechanism."⁷

Leaders within organizations need to understand the informal networks, and how questions are often answered or information sourced by employees to help understand how it can be leveraged for greater innovation.

DON'T JUST RELY ON INFORMAL NETWORKS TO GET THE JOB DONE

While "hot spots" highlighted the conditions which seemed to serve as a catalyst for innovation in organizations, business leaders need to create these catalytic conditions in a deliberate fashion to help drive a culture of innovation.

Internal corporate communities designed to leverage knowledge from throughout the organization should have specific goals, accountabilities, and leadership, and operate in such a way that individuals will really want to participate; will be engaged and will actively contribute to the organization.

In an article in *Harvard Business Review*, "Harnessing Your Staff's Informal Networks", authors McDermott and Archibald point to Flour, a global industrial construction and engineering company. At Flour, global commu-



nities were created for 44 discipline- and industry-focused communities, with 24,000 active members. The communities were assigned the goals of creating guidelines for work practices and procedures and publishing technical documents. These communities offer Flour engineers a global network of expertise and connections to help them with innovative solutions to difficult problems. The innovations are, in turn, then able to be used across the company, saving time and money for the business.

McDermott and Archibald suggest four keys to creating effective communities:

First, focus on the issues important to the organization. When the issues being addressed play a critical role in the success of the enterprise, there will be greater interest on the part of its participants. There is a greater likelihood that there will be an “igniting purpose” which will allow the community to galvanize resources—time and financial—necessary for innovation.

Second, establish community goals and deliverables. By defining a clear set of goals and deliverables, leaders will also clearly define the contribution being made by the community. This in turn will increase the level of engagement of participants. If a mountain to be climbed is seen and the challenge understood by everyone, success is much more likely.

Third, provide real governance. Frequently, communities are created and then left to operate entirely independently. This is likely to reduce its effectiveness. Company networks need commitment from the top to highlight the fact that the work being done is valued by its leaders. This has the added benefit of increasing the likelihood that the community will have access to the resources it may discover it needs as it pursues its goals and deliverables.

As an example McDermott and Archibald cite Pfizer, a global pharmaceutical company. One of the communities created by Pfizer to enhance drug safety proposed developing spreadsheets to mine years of patient data to understand certain drug effects. The executive sponsor of the community proposed an even more costly and difficult approach, requiring a relational database, and then ensured that the community had the operational resources it needed to innovate and develop the new database.



Fourth, set high management expectations. Challenges taken on by communities of interest or social networks within a company are no different than challenges undertaken by the formal structures of an organization. High management expectations for the success of an effort enhances the probably of success.⁸

The four keys to increasing the effectiveness of employee social networks and communities within a company all require leadership from both business and HR executives.

TECHNOLOGY AS TOOL

Currently, many HR leaders don't seem to feel that they're maximizing employee social networks. According to the 2010 IBM Global Chief Human Resource Officer Study, 78% of HR leaders globally reported that they didn't think their companies were effective at fostering collaboration and social networking.

The IBM study further found that, companies weren't investing heavily in new collaboration and communication tools, and many organizations failed to fully use the knowledge sharing resources they already possess. Survey results showed that only 19% of respondents regularly used collaborative technologies to identify individuals with relevant knowledge and skills, 23% to preserve critical knowledge, and 27% to spread innovation more widely.⁹

It's no surprise that technology companies have been early adapters of maximizing the value of employee networks through the greater use of technology.

For example, IBM has done research with an internal tool called "Beehive", an internal social networking site to "help employees make new connections, track current friends and coworkers, and renew contacts with people they have worked with in the past." Employees can share their thoughts on any topic they are passionate about, and add a "hive five" list outlining ideas about projects and invite others to voice their opinion. The goal of the research: to help IBM employees "meet the challenge of building the relationships vital to working in large, distributed enterprises today."¹⁰

In addition to Beehive, IBM has introduced other forms of social net-



working tools for employees, from Blogcentral and WikiCentral, as well as hosting IBM “Jam” events. In 2006 IBM launched its Innovation Jam, a technology-facilitated IBM online brainstorming session. IBM brought together more than 150,000 people from 104 countries and 67 companies. The result of the session? Ten new IBM businesses were launched with seed investment totaling \$100 million.¹¹

While it’s certainly in a technology company’s business interest to play a leadership role in using technology they hope to sell to others, the result has been that there are many products now available to other, non-technology-related businesses. From proprietary systems such as Microsoft Sharepoint, Lotus Notes, Jive, NewsGator or Salesforce Chatter, to open source products, such as BuddyPress, Elgg, or Drupal, there are multiple examples of technology solutions designed to facilitate the exchange of information across a business. This easier access to information and people throughout an enterprise is critical for an innovative culture. HR professionals have a great opportunity to leverage the available Web 2.0 tools to help meet the business’ strategy for innovation and growth.

WORK DESIGN: ALLOWING TIME TO CREATE

Companies that depend highly on knowledge workers, such as Google and Facebook, are famous for letting employees work on company time on projects that interest them—often referred to as hack-a-thons. These are often coding sessions that run through the night while programmers try to build something new.

Atlassian, a software company based in Australia, has created “FedEx Day” as an outlet for developers to demonstrate their creativity. “FedEx Day” is time once a quarter when developers can work on whatever they want, delivering something fresh and different in 24 hours. Ideas are shared at a celebratory meeting for participants—it’s not a boring read out of results.¹² 3M has what it calls a “15% culture,” where the company encourages technical employees to spend 15% of their time on projects of their own choosing and initiative.

Facebook has also allowed engineers to work on hack-a-thons for up to a month. Engineers can petition to step aside from their regular duties and



work on innovative projects that demand more time than just a day. Existing team members have to pick up the task for their co-worker, and while it may involve more work for some, it also enables them to expand their knowledge by learning more about what their co-worker was focused on. Reportedly, this process led to the creation of Facebook Deals, a new coupon service that will be launched in 2011 and be a source of new revenue generation.¹³

But allowing employees to dedicate their energies to what might otherwise be considered “non-core” work can’t happen at the margins. To be truly useful, it has to become part of the culture where people are encouraged to bring their best thinking about the *entire* company to the job. Employees have to know that this is something that is expected from them—a focus on issues confronting the company as a whole—in areas that may be outside of their day-to-day job responsibility. And to make this part of the culture, leaders need design the work and allocate the work in a way that makes it clear that time spent on non-core work is not only permitted, its expected.

IT’S NOT ABOUT THE WATERMELON: IT’S ABOUT THE PICNIC

Enhancing communication across and within an organization doesn’t require reliance on technology. It can also be accomplished by simply using some of the generations-old strategies used by companies to build teams and encourage engagement within and across an organization. How about creating opportunities for people who might not otherwise do so to actually meet each other in person?

Frequently, HR leaders bemoan the fact that many of their employees view the HR function as made up of the “people who bring the watermelon to the picnic.” These HR professionals complain that their role shouldn’t be marginalized by acting as a party planner, responsible for all company events where employees come together and socialize. The HR professionals argue that their time could be much better spent, and that they can make a much larger contribution to the business strategy. In truth, in some companies where HR is viewed only as a transactional function, this is how business leaders view the department.



But companies that limit HR to transactional duties, or where HR professionals try to jettison all responsibility for corporate social events, are missing an important strategic point. By ceding responsibility for oversight of events that allow co-workers to come together, they miss an opportunity to make an important—and strategic—contribution: creating circumstances where employees can meet coworkers that they might never have met otherwise. Creating an event which maximizes informal interactions of co-workers who rarely work together may seem tactical—there’s planning involved—but it can have real strategic value in efforts to drive innovation.

Employees who meet colleagues from other geographies or departments and have an opportunity to hear about the challenges others face will have a deeper, broader understanding of what is happening in the business. Armed with this knowledge, they’re more likely to identify solutions to problems. Employees who have actually met their colleagues in an informal setting are much more likely to trust colleagues and be helpful to them. Workers who have compared stories about their children at a social event are more likely to compare stories about how they solved a business challenge—passing on tips that might save their colleague time and the business money in the future. And if these interactions involve dining on some watermelon at a picnic, so be it.

The goal is to create an environment with one of the conditions identified as key to creating “hot spots” to build trust and relationships within the organization.

LITTLE THINGS DO MATTER

Innovation doesn’t always have to be bold and splashy—creating an iPod or an e-reader for the first time—or involve making something we never knew we needed until it became available. Indeed, Gary Hamel, a leading author and researcher on innovation, suggests that innovation ranges from incremental to radical. Innovation is also about continuous improvement, and using new methods to get things done faster, better, safer, and/or more cheaply. Incremental innovations are much more likely where systems are in place to insure communication amongst and between divisions or departments of a business. Business processes that involve multiple units



are much less likely to make improvements unless the people involved understand the entire process, thereby allowing a different set of eyes—and experiences—to consider ways things might be done differently. In fact, this is the essence of Six Sigma Management.

Again, greater communication, facilitated by formal, informal, and social networks within an organization and assisted by HR can increase the level of incremental innovation.

EMBRACING THE RISK THAT COMES WITH INNOVATION

As companies begin to refocus their effort to drive and encourage innovation, they're likely to find their employees are more risk averse than they were prior to the economic slowdown. After all, the past few years were spent in survival mode—eliminating unnecessary costs and increasing productivity. Projects that employees had hoped to launch for new products, services, or to attract new customers, may have been put on hold as companies, uncertain of what the future might bring, picked a strategy of holding onto as much cash as they could just to meet their ongoing cash flow needs.

So what can leaders do to reassure employees that new ideas—and new or greater risks—will be entertained? How will the leaders communicate to employees the fact that managed risk is acceptable? Sometimes, it may require creating “skunk works” where employees have as their sole focus the creation of new and innovative products. This frees workers from the daily demands of other work, and communicates a clear message that the employees have the freedom to explore new ideas. For example, Constant Contact, a company that sells digital marketing services to businesses, created a “labs” organization that's charged with doing next-gen technology investigation. Employees are able to get hands-on with ideas that may seem totally impractical, and not worry about delivering products. The goal for employees working in the labs organization is that they will be doing homework for what will ultimately turn into a real product.¹⁴

Some executives believe that the best way to encourage risk taking for innovation is to actually celebrate the failures. Ratan Tata, the chairman of Tata, India's largest corporation, gives an award each year to the employee who comes up with the best failed idea, saying that failure is a “gold mine”



for a great company.¹⁵

But for most companies, the answer lies somewhere between these two examples. At a recent conference discussing HR's role in innovation, I asked panelists what they thought about the notion of "celebrating the failures." After all, Mr. Tata isn't the only business guru who has suggested this is the way to create a culture of risk-taking so necessary for innovation.

The response of a CHRO from a global technology company was, I thought, more realistic. He responded that he couldn't remember a time in his entire career where his organization had held a party to celebrate a failure. Companies really don't do that.

What he did report his company doing was not unusual for innovative companies. They bring everyone together to discuss what went wrong. They do an honest evaluation of the effort, reviewing how information was handled, decisions were made, results predicted, and what lessons were learned. By doing so, these leaders communicate a clear message to the staff that there are lessons to be learned even with failure. They are signaling that failures may occur, but so long as the risk was reasonable and something is learned from the effort, it can still be useful to the company. Failures can, in fact, drive improved innovation.

Here too, HR can help leaders develop a disciplined process for conducting a post mortem on projects and efforts that were unsuccessful, to ensure that the lessons that could be learned from the experience are learned and communicated within the organization.

CONCLUSION

As the pace of change continues to challenge leaders within organizations, and the importance of speed in innovation to be competitive increases, leaders and HR executives will need to drive the innovation by focusing not just on the basics of human resource management—talent management, rewards and recognition, or compliance requirements. They'll need to focus on increasing communication within the organization, enabling workers to have the time necessary to innovate, encouraging risk-taking, and remembering that person-to-person social opportunities aren't old school.



ENDNOTES

- 1 <http://public.dhe.ibm.com/common/ssi/ecm/en/gbe03297usen/GBE03297USEN.pdf>.
- 2 <http://www.shrm.org/hrdisciplines/orgempdev/articles/Pages/2011ODPredictions.aspx>.
- 3 <http://au.nielsen.com/site/documents/PrivateLabelGlobalReportMar2011.pdf>.
- 4 Lynda Gratton's Blog on The Future of Work. <http://lyndagrattontofutureofwork.typepad.com/lynda-gratton-future-of-work/future-of-work/>.
- 5 <http://www.hreonline.com/pdfs/2011HREInnovationSurvey.pdf>.
- 6 Gratton, Lynda, *Hot Spots: Why Some Teams, Workplaces, and Organizations Buzz with Energy—And Others Don't*, Berrett-Koehler Publishers (February 1, 2007).
- 7 <http://www.managementexchange.com/story/social-networks-talent-identification-9-box-dead>.
- 8 <http://hbr.org/2010/03/harnessing-your-staffs-informal-networks/ar/1> Insert material from HBR article on harnessing staff's informal network.
- 9 <http://www-935.ibm.com/services/us/chro/chrostudy2010/index.html>.
- 10 <http://domino.watson.ibm.com/cambridge/research.nsf/0/8b6d4cd68fc12b52852573d1005cc0fc?opendocument>.
- 11 <https://www.collaborationjam.com/>.
- 12 <http://www.atlassian.com/about/life.jsp>.
- 13 <http://www.fastcompany.com/1754702/facebooks-new-disruption-secret-hack-a-month>.
- 14 http://articles.boston.com/2011-05-22/business/29571956_1_t-shirts-constant-contact-change-game.
- 15 <http://www.economist.com/node/18285497>.

