



Creating a Culture of Innovation

Research report from Head Space by Avanade

“A company that needs to change its culture is almost always too internally focused, and not close enough to its customers,” one North American CEO shares.

Executive Summary

During several Head Space events in Europe and North America, senior executives from a variety of industries met for candid conversation about innovation and the transition to digital business platforms. At these sessions, we’ve been hearing a lot of interest in how to help shape a “culture of innovation” in large organizations. This echoes Austria-born business guru Peter Drucker’s often-repeated observation that “Culture eats strategy for breakfast.”

Hard-learned lessons from some of the most effective large organizations in the world make clear, though, that too much focus on a company’s culture is counter-productive.

“Spending more time talking about your own culture can compound the problem. Far better to address culture by talking much more about your customers, and how to bring closeness to the customer into every action that employees take.”

Among the companies getting innovation culture right, we’ve noted these lessons from Telefonica Germany, BT (formerly British Telecom) and Praxair.

- At Telefonica Germany, innovation as a function focuses on short-term, measurable results, part of a strong message that “innovation is not a crazy circus.” Business value to the customer, rather than out-of-the-box style among staff, is the measure of innovation success.
- At industrial-gasses giant Praxair, scientific and technical staff are kept energized through a program that pre-approves three times the number of Research & Development (R&D) projects that can be executed by the company—giving the R&D teams lots of choice and autonomy to move from project to project without needing to seek permission or to fight for funding. The cultural impact is clear: staffers feel empowered, move faster, and feel they enjoy more creative freedom even while focusing their work on strategic priorities baked into the set of pre-funded projects.
- At BT, an extensive corporate accelerator program brings new ideas and emerging technologies to customers and internal audiences—at the same time. Exposing employees across the world to emerging opportunities and creative thinking across the company as they stand shoulder to shoulder with customers makes a powerful statement about who innovation is for, and how its value is measured.

Telefonica Germany

Measurable results from fast-moving initiatives

Let’s take a closer look at Spanish Telco Telefonica’s global approach to innovation. Telefonica Germany focuses on fast-moving results from new initiatives. Bernhard Kirchmair, Head of Innovation and Delivery at Telefonica Germany until 2015, and now Chief Digital Officer at VINCI Energies, tells ILO that Telefonica’s innovation group focused on revenue driven by new offerings over the first 12 months of introduction.

This creates a culture that emphasizes more opportunistic, fast-moving market entries—so innovation is seen as a way of thinking about extending revenue from more fundamental technology development through a traditional Research & Development group.

Innovation is not a creative, crazy circus

Intentionally avoiding the notion that innovation requires a new style for employees, Kirchmair explains that Telefonica Germany defines “innovation as activities that drive revenue growth through new (often non-core) business initiatives,” and rules out the idea that innovation is “about a creative, crazy circus. It is rather having the right ideas and—even more importantly—executing those ideas in an optimized and efficient way.”

Directly addressing culture is key as well. “We have a large organizational/ behavioral change initiative going on (driven by HR) to further inject change and innovative thinking into the organization,” Kirchmair explains. All employees have behavioral change targets in their annual targets. These involve contribution of time and ideas to innovation activities, and comfort with more experimentation.

“The group I help to lead does a few specific things,” Frangos tells ILO. “We offer support—running innovation programs and setting the framework and governance for how to support someone with a good idea, or a client that has a very specific need for something new that we can build fast without the big R&D work. We’re the guys that do the business cases when the teams in the lines are too busy doing it, or at least work with those teams to speak a common language. We have a central prototyping group on a cost-recovery basis, and we have a hack-a-thon group running about 60 a year which is really useful.”

Praxair

Research & Development projects ready to be taken on at all times
Industrial-gasses supplier Praxair, selling ten billion dollars’ worth of on-site gas and related services across industries ranging from healthcare to gas and oil exploration, is known as a great place to work for creative scientists.

“We’ve always looked for ways to make it easier for our technical leaders to feel that they’re not just fulfilling orders and creating products for what our customers need today,” one Praxair R&D leader explained to ILO. “Instead, we want the scientists and technologists, working in teams that genuinely support each other, to feel that they can do real science, and create value by seeing things and creating offerings that go beyond helping the sales team fill orders.”

This challenge at Praxair comes down to culture—how to make the culture feel like a culture of engaged, creative science and technology leaders, instead of a place where skilled workers execute set plans.

A culture of engaged, creative science

The answer for the past decade has been to support R&D teams moving quickly from one project to the next—on their own terms, while still aligning with company strategy and customer needs. To make that happen, senior leadership put in place a model that has business-unit and industry-sector leaders reviewing and approving roughly three times the number of R&D projects—ranging from short-term problem-solving to longer-term, fundamental big-idea breakthroughs—that the existing number of teams can execute.

The direct effect of knowing that there’s a robust list of already-funded projects that a team can pull off the rack at any time is faster work—teams can move to the next project without building a proposal or business case, because there’s likely to be something already funded of great interest. And killing projects that prove to be hopeless is easy—because R&D teams know they can pick a new project right away, and have no fears that killing a project might lead some senior executive to think that the folks who had been working on it aren’t so important to hold onto either.

Value on value

An extra bonus: process innovations are valued more highly—and deliver more value—than at most competitors. Often a team working on a project of modest value has a process breakthrough (a new way to regulate the flow of a volatile gas in an extreme-temperature environment, for example) that fits a high-potential project already approved and funded but languishing for lack of just such a process solution. The R&D team can pull that higher-profile project off the rack and get right to work on it.

It changes the way team leaders and team members think—they take a broader view, they move faster, and they get rewarded for being more aware of the way small projects fit into the big picture.

“We also run the Hangar in Ipswich in the UK which works like a collaboration center and a showcase. We’ll have exhibitions there like ‘The bank of the future,’ and walk through our customers. They really love that, to see these things that the customers have not thought of.”

BT

Bringing new ideas and emerging technologies to customers and internal audiences—at the same time

Jean-Marc Frangos is the Managing Director for External Innovation at UK-based telecoms and business-services giant BT, with a broad responsibility for supporting new-product development.

Based in the San Francisco Bay area, Frangos spends most of his time sitting with clients, supply-chain partners, and potential partners. He serves as a high-level scout, making introductions into the operating business at BT—as well as collaborations through an accelerator program in the UK called “The Hangar”—and through one-off exchanges of talent and fast-cycle co-development projects that he negotiates.

Over the past ten years, his external innovation function has taken over most of BT’s development work beyond the traditional Research & Development functions and labs inside the company.

Supporting, accelerating and showcasing innovation, shoulder to shoulder with internal teams/staff and customers.

Frangos has a modest budget to incubate new ideas and technologies at BT’s cross-disciplinary accelerators. These are dedicated worksites where resident mid-level executives from BT’s business units work closely with staff from customers, academics, and start-ups to build fast-moving applications of emerging technologies to known problems of immediate concern to customers.

Looking beyond the company walls: scouting the external environment for challenges to address and emerging technologies to embrace.

Frangos and his staff see their core function as looking outside of BT for sources of new offerings—looking to customers, to external partners, and to the wider work—and then selling internally when they recognize the connections between new ideas from the outside and known needs inside BT.

Roughly half of what Frangos spends comes from business-unit leaders who have articulated their needs and dreams for new offerings, sharpening the focus of Frangos and his team as they scout the external environment for challenges to address and emerging technologies to embrace.

“We need to have the business-unit leaders invest, or the products do not stick and the hand-offs don’t work”, Frangos says. “And I need to have a central budget to invest, or else everything slows down too much. We are an organization with many layers, and many old habits. The natural pace of things is slow. We have to spend money, create events, and establish external reference points involving customers to make sure things continue to move ahead”.



About Head Space

Head Space, a series of thought-provoking global networking events sponsored by Avanade, creates the time for deep reflection on complex ideas. Bringing together a dynamic group of influential business leaders to discuss the hot digital trends that affect us all, Head Space aims to make the elusive an imperative.

About Avanade

Avanade helps clients realize results in a digital world through business technology solutions, cloud and managed services that combine insight, innovation and expertise focused on Microsoft technologies. Our people have helped thousands of organizations in all industries improve business agility, employee productivity and customer loyalty. Avanade combines the collective business, technical and industry expertise of its worldwide network of experts with the rigor of an industrialized delivery model to provide high quality solutions using proven and emerging technologies with flexible deployment models—on premises, cloud-based or outsourced. Avanade, which is majority owned by Accenture, was founded in 2000 by Accenture LLP and Microsoft Corporation and has 23,000 professionals in more than 20 countries. Additional information can be found at www.avanade.com.

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