

A Model for Innovation

How your employees can help take your business to the next level.

Thinking of growing your business? The other day I spoke with a business owner about her plans for the future. Her company currently generates \$3.5 million in revenues and I asked how much revenue she planned to generate in 5 years. The response alarmed me. "About the same," She said, "Maybe 4 million." Well, that presents an interesting problem because we all know there is no standing still in business. Over time a company either grows or declines, but rarely holds steady.

How do you plan to grow your business? Through acquisition? Price reduction? Through "value added" services or head-to-head competition? Each of these traditional growth strategies has inherent problems, many of which are cannot be easily resolved.

There is another strategy. It's called innovation. It's the growth strategy of the new millennium. Innovation provides such a competitive edge that the European Union has created a commission to foster "the innovative culture." It promotes innovation at the community level, supporting European business to innovate, develop and market new technologies. These are the folks that are competing for your business.

Not to worry, "American business is known for it's innovation." Perhaps as a nation we are, but does that statement apply to your company? Is innovation your competitive edge? What's that you say? In your industry innovation means expensive hardware and software that becomes outdated in a few years? How can you justify the cost of innovation?

We're not talking about that type of innovation. Lets take a moment to clarify what we mean when we refer to innovation. The definition found in the Random House Dictionary of the English Language is: "To introduce something new." "To make change in anything established."

According to this definition, innovation is more of a process than a purchase. It has more to do with people than with assets. At least this is the way companies like 3M view innovation. It is not only about new products and services but, perhaps more importantly, about new ways of performing the day-to-day activities. The owner of a Midwestern company with a regional market (we'll call him Dave) had the following observation, "It's not about making another capital investment. It's about improving the return on my current investment in human resources."

Dave's company was experiencing competitive and pricing pressures and he wanted to get all employees pulling in the same direction. As a way of creating focus he developed the motto; "Unmatched service in all we do." He knew in order to deliver on that motto, he would have to develop employees who were innovative, who would initiate change in the established way of doing things. His only concern was that the business might spin out of control as everyone changed "the way we have always done it."

Dave called me and asked for help solving his problem. I provided the experience and research and together we built a model we could use to develop an innovative workforce.

First, we examined the workplace cultures of companies known for their innovation. We found their employees had four things in common. They had:

1. Understanding
2. Ability
3. Authority
4. A Reason

We assumed, rightly so as it turned out, we could encourage an innovative environment if we introduced these elements into the workplace. Here is how we did it.

Understanding: The research showed that in order for employees to become innovative they must understand the objectives of the company. We found it was important to educate them about the industry, the company's target market, products, business plan and competitive pressures that affect the plan. We learned that innovative employees need to know about the customers, their needs, and what expectations were developed by the company's marketing promise. Only then could they begin to think about how they contribute to company success. We also found that it was important to share performance information on a timely basis, to communicate about the ongoing business situation and how well the company was performing against business plan.

We concluded that information and understanding are the raw material from which new ideas are created. As part of our research we found support for this conclusion as far back as the 1880s. Reme de Gourmont, a turn-of-the-century writer and philosopher observed "You can't possibly get ideas if your mind is bound up by associations. One needs to become disassociated from current circumstances in order to get ideas." For us as managers this meant "distracting" employees from the micro focus of the daily details of their jobs by providing them with new information about other, bigger picture aspects of the company and the customers.

So we developed an education and information sharing campaign. It wasn't difficult. We didn't open the books and expose the financial statements. Instead we conducted a communications audit to identify the information each group needed. We stopped providing unneeded information and started providing information that would enable each group to expand their thinking.

Ability. We also learned it was necessary to establish a system within the workplace that enabled the employees to participate in the business. Most companies are organized to control the workforce. This management style inhibits employees from making changes and discourages innovative thinking. In order to stimulate innovation it would be necessary to develop a system that provides employees with the ability to make changes, to turn ideas into action.

Dave was understandably reluctant to turn loose the reins of control until the employees demonstrated they understood the effect of their actions on the bottom line. So we started with a small step. We developed "Idea Teams."

These teams were voluntary groups of employees who agreed on the need to change and had an idea how to improve a process or procedure or for a new product or service. We provided them with initial training on how to conduct a productive meeting and the criteria required for successful implementation of change. Initially, the criteria was focused on revenue, cost and customer

satisfaction. Armed with this knowledge and information the teams would meet to discuss their ideas. Once they defined the benefits of the idea and documented the cost of change they would present it to the senior management team for final review and approval.

Authority. Dave first announced the concept of innovation in an all-hands meeting. He provided a compelling reason for change and described the Idea Teams program. We were aware that, initially, employees may be reluctant to engage in this new behavior. So during the meeting he clearly stated his desire for an innovative workforce. In doing so, he provided them with the authority to participate, request information, gather as a group, and question the status-quo.

A Reason. Having considerable experience with the development and implementation of employee involvement plans, I knew the importance of providing a reason for employees to participate. As part of the plan we included an opportunity to earn incentive pay. Team members would receive 50% of the first year's net savings for every approved idea. This not only encouraged participation but also ensured that profit-building ideas were implemented first.

Dave's company now has over 50% of the workforce participating on Idea Teams. The company has grown in revenues and profitability. Employee turnover has declined and market share has increased. The company has become more responsive to the marketplace and the customer. According to Dave, "My employees are beginning to embrace change because it makes their work more interesting and they have a process they can use to manage and control it."

Is Dave's company like 3M when it comes to innovation? Not yet. But they are on their way. They have taken the first step toward building a culture of partnership, where each employee thinks and acts like a business partner. You can do it too. Getting started is as simple as 1, 2, 3, 4.

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