

HUMANS IN THE FOCUS FOR OUTSTANDING INNOVATION

Markus H. Gericke

Abstract

Innovation is regarded as being a process of recognition of current or future market needs and its conversion into products or services. In addition, process innovation is defined for internal or external change and redesign of workflows and societal behaviours. The efficiency of innovation is a conglomerate of organizational and leadership aspects, macro- and microeconomic backgrounds, technology access and more. The idea generation, the deployment and the development process is dependent on the corporate culture, management style but mainly of the employees in general.

The author has undertaken a market investigation to find out, which group of human resources in a company the main innovation impulses are generated from. The analysis discloses the fact, that a huge mass of unused potential can be awaked by a more active management, leadership and motivation of the existing sources! Potential for impulses for efficient innovation are many. Also the use of external knowledge and development resources offer the chance to reduce time to market and to get a higher degree of differentiation. Networking in a proactive and constructive result oriented way be a part or getting inspiration, ideas and solutions.

The successful path leads over the proper management of human resources, including shaping a mix of persons of various characters, selection of leaders, enabling and integrating more staff towards an active role in the innovation process and generous sponsorship by the top management. Enabling for performing and encouraging for heading to autonomous activity will lead to a leverage of individual contributions and the combination in a team and network to a higher output in quality or dimension.

Key words: Innovation efficiency, Idea finding, Corporate culture, Human resources, Leadership, Network

1 WHICH ARE THE REAL INNOVATION DRIVERS?

The global competition is increasing with high intensity. At the same time, the consumption stagnates; political conflicts disturb the growth of a sound industry.

Under such conditions, managing a profitable business, no matter how big or small it is, is a challenge. Creating products and services, that are demanded by the target market and achieving a differentiation to other suppliers increases the chances for scoring above average margins.

Under cost pressure and effects of globalisation, innovations must enable companies to offer in shorter cycles better products, customer focused and original services.

Combining ideas, skills, and knowledge to a product or service that is appreciated and purchased by the market, describes innovativeness that a company is looking for.

Various works that link panel survey datasets on the performance of enterprises and on the strategies that are implemented by these firms have demonstrated the significance of innovation to the growth and financial success of companies. Baldwin et al. (2002) demonstrate that in small

and medium-size companies, a measure of success that is based on growth profitability and productivity is related strongly to the emphasis that firms place innovation. Baldwin explores further that there is evidence between success and innovation, but less evidence on the factors that condition whether a firm adopts an innovation policy.

Following factors play a key role in determining a successful product and service lifecycle and are therefore a condition of effective innovation:

- early recognition of market and technology trends, developments and changes;
- fast perception of customer needs and the capability to convert the often tacit wishes into solutions and products;
- to manage the development, design, construction and sales processes in time.

The driving elements for these factors are primarily found neither in technologies nor in strategies, but the capacity that is given by the companies' managers and employees! People are creative, recombine ideas, collect data and execute the development process, no matter if we speak about product innovation, process or service innovation.

Thus leadership, the corporate culture and knowledge management affect the innovation process.

"Today, most companies are complex systems in which individual staff members, managers, and "the" entrepreneur – as defined by the economist Joseph Schumpeter – as well, cannot cope with their duties by themselves if they don't work together as a team, based on a shared vision and a common view of the interdependencies in the company and in the market." (Management von Innovation und Wachstum, 1997).

A particular advantage of many SME¹ can be that the "management" is substituted by leadership and this can be connected to the entrepreneur's passion. Such a particular situation inspires and encourages other employees and team members.

We should therefore look closer to the mix, selection and leading of the human resources.

A field survey should answer the question from which group of people in an enterprise main activities and impulses for innovation can be identified. Are these just team members of the R&D² group, their managers or mainly the top management? The holistic management approach claims that as much employees as possible should participate in the innovation live.

Innovation is a process, not a single phase. In general starting with incubation, followed by the development and market introduction phases. Sources for innovation are required through all phases, not only in the incubation phase. Employees that are recognizing the fact that they can contribute to process or product innovation, independent on their function will be of great value.

2 WHICH GROUP OF EMPLOYEES CONTRIBUTE TO THE INNOVATION?

For the research the focus was set on small and medium size companies as they are confronted with a number of specific challenges as the limited access to technology, financial constraints, limitations in the available research capacity and in many cases the distraction by the daily business.

¹ SME: small and medium size companies

² R&D: research and development

The market survey was done with interviews and by questionnaires. The interrogation was established with the aim to get a view about the current innovation management of companies

Totally 44 companies have been interrogated. They follow an industrial activity and are SME.

Many additional discussions could be held with entrepreneurs as unstructured, open interviews to get an insight into their management of innovations.

Part 1 of the field research was examining *the source of innovation ideas*. This question is relevant regarding the broadness of technological input, the corporate culture and the integration of different knowledge bases into the development of the company. It offers us also an insight about the management of innovation.

Part 2 of the interrogation was focusing *on the employees and their sensitivity for new ideas, their capability to be creative* and also their attitude towards a self driven search for improvements. To what degree companies use creativity methods is therefore another cluster of questions. The answers give us an indication about creativity as describe above, the degree of organization of knowledge management, problem solving and research as well as its structure and systematic follow up in the companies.

3 RESULTS OF THE FIELD STUDY

3.1 What are the sources of your innovation initiatives?

The question to the *sources of innovation initiatives* was able to deliver many information and conclusions about the structure, organization, and culture of companies towards continuous change, spirit for new products and services.

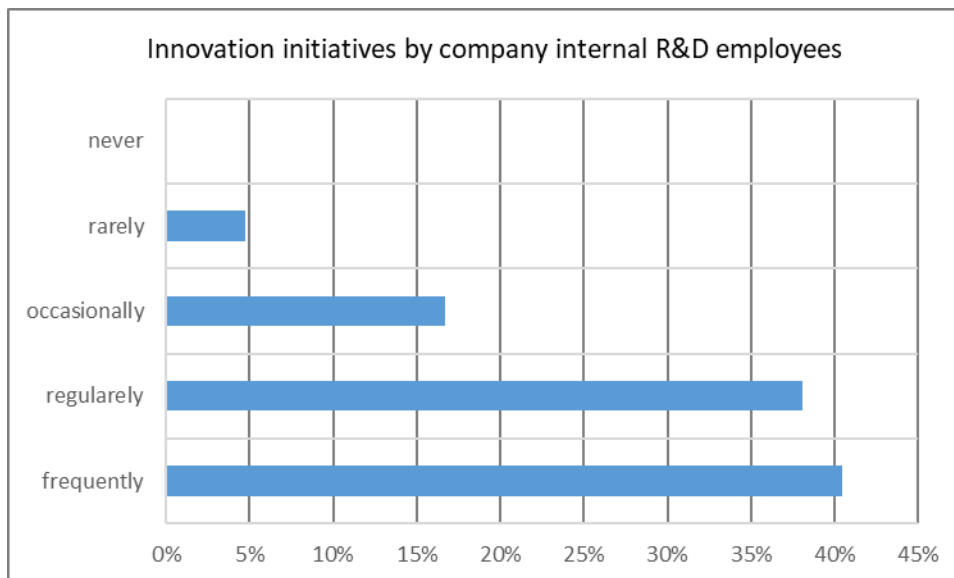


Figure 1 - Company internal R&D as a source for innovation initiatives

The company internal resources are a base for developing ideas around new products in most of the companies. From discussions with managers R&D engineers are mainly involved in the conversion of ideas into products and less in large milestone developments or changes.

Hamamura from Grant Thornton puts it like this: „Products have an extremely short lifecycle, so incremental innovation is always critical” (Hiroyuki, 2009). A better communication of strategic tasks of the company by the managers to the engineers could widen their horizon and use their knowledge for strategic invention as well.

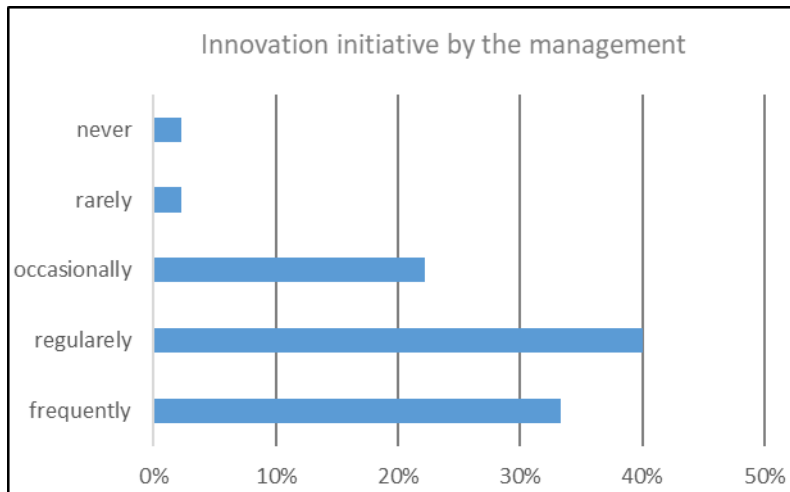


Figure 2 - Management as a source for innovation initiatives

The management is typically in SME the driving force for creative inventions. The hypothesis is that they are close to the market demand and are at the same time responsible for the evolution of a company. Managers are sensitive for the competition and have their strategic planning in their mind.

As Swiss market study made by Credit Suisse AG shows regional differences in this respect. In the French speaking part of Switzerland managers count for more idea contribution whereas in the German part a bigger portion of employees is participating directly in the creativity and innovation process (Brändle, et al., 2011)

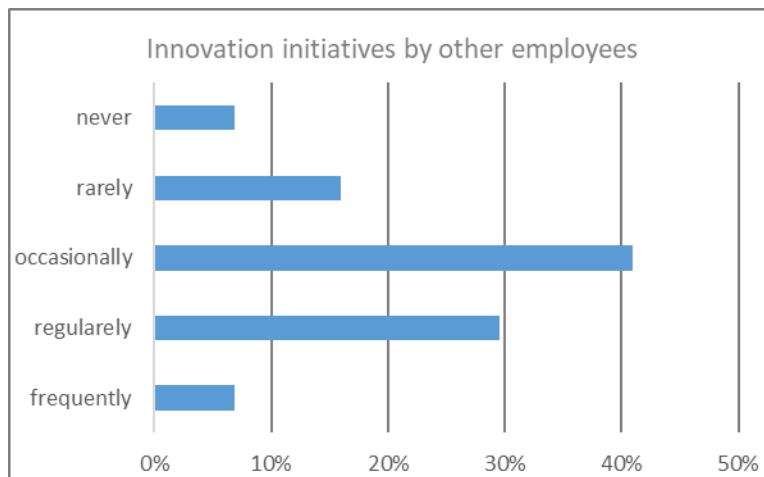


Figure - Management as a source for innovation initiatives

The result of this question is somehow sobering. It means that in general, the knowhow of the employees, this is the big part of the human resources are not included into the product lifecycle

and innovation process or they are not interested. Entrepreneurs have to lead more by example! They need to provide their employees with tools and measures, to create the understanding for the need of innovation, to encourage for participation and change!

Some creativity techniques could be helpful, but contribute only when they are used by conviction:

- communication of the innovation strategy
- team meetings
- creativity techniques
- teaching or moderation in project management

The historical background of a region or country influences the type of companies present. Was the past industrialized and the companies autonom and independent or was the region used for remote manufacturing without “product or process or marketing intelligence” just for the sake of cheap sourcing. The result let us come to the assumption, that typically eastern European countries offered interesting opportunities for manufacturing due to the lower salary level In general the headquarters of such companies are located in another countries and such also the R&D division. This is also reflected in the European Scoreboard (EU, 2009).

This finding is of highest significance for such economies as they are preferred manufacturing places but only as long as not cheaper alternatives are available.

Has an economy an interest to establish and host companies with key management functions located in that zone, it needs more. Optimal would be to grow up an entrepreneurial spirit in the local population, that leads to new companies founded and managed locally. The entire society is challenged by such a project. It needs a good education level, the motivation of the citizens to venture and start-up companies, a low level of regulations and a liberal labour market. Finally the funding of start-up companies need to be facilitated. The fact that industry is getting less bound to a specific location due to heavy capital investments and are focussing on service and software the opportunity to enter into a specific market increases for Regions that are interested to create jobs and take part in the economic development. The market needn't to be in front of the door. Networking plays exactly for such type of industries a crucial role. Crossborder sharing of knowledge is easier and opens the access to it to everybody. It is an advantage if a cluster for a specific application can be generated as the pool of available human resources gets better. This is of essence for the successful development.

3.2 How to manage the sensitivity of employees for innovation and creativity?

As a significant part of skills, experience and know how is hold by the employees of a company, a way for efficient invention and creativity lies in the use and conversion of these intangible assets. It makes a company strong, stays for entrepreneurial culture, spirit and activity. By such, the part 2 of the field research was investigating on how to manage sensitivity of employees for innovation and creativity.

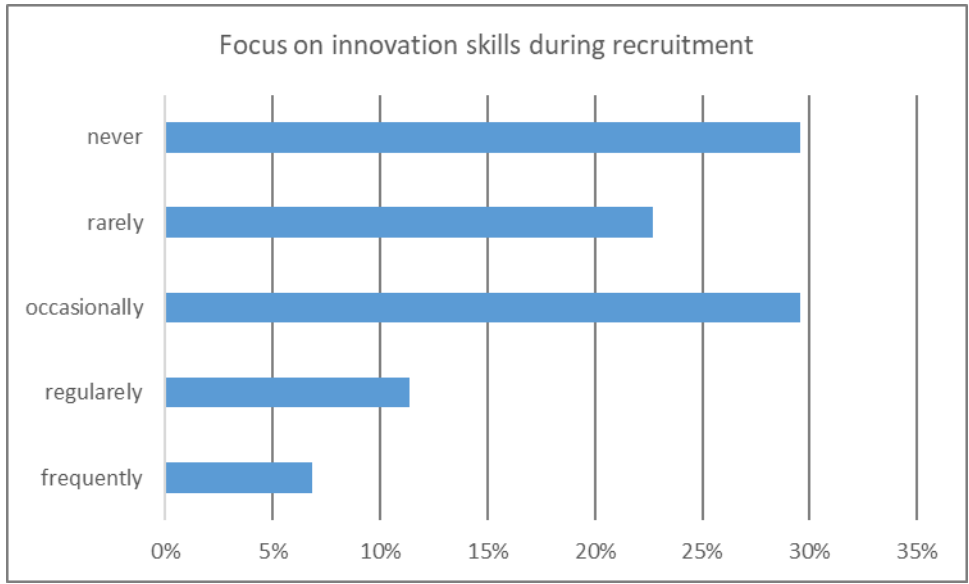
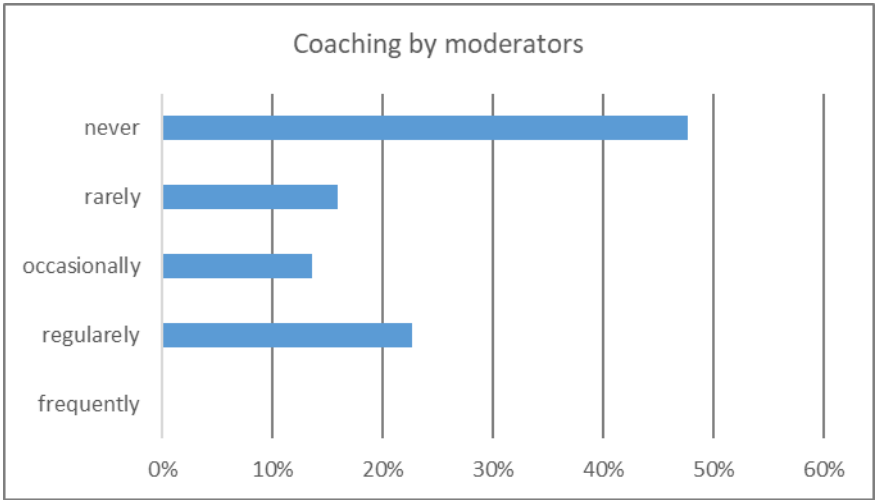


Figure 4 - Selection during recruitment

The result shows that during the selection process only occasionally or rarely a focus on the creativity of employees is laid. It is not easy to assess such attributes, but it would be worth to do put more focus on the personality in respect of creativity during recruitment processes!

How can we do this? The small number of interviews is seldom giving a clear picture about a person. I recommend to offer a trial period with some workshops, not just tasks. We need to learn about the person, how she behaves and communicates in a team. How is she using the network in and outside of a company. Another rule is also still valid but not easy to undergo: “Hire slow and fire fast”. This somehow cruel proverb is true in the way that in general a manger waits too long until he separates from an underperforming employee. They are hindered by “giving another chance”, by social scruples, by lack of leadership and responsibility taking and by cost arguments. Especially the later is totally wrong as the low performing employee is anyhow costing money for the company (opportunity cost) and earlier or later it will be replace.

Figure 5 - Coaching by internal or external moderators



Coaching a team can increase the output and secure the diversity of ideas. Using a coach or moderator can act a pace maker, the team member have to deliver in time. Therefore such project work has frequently a shorter cycle time. From the survey we can conclude that using support of coaches or moderators during innovation processes is not widely spread.

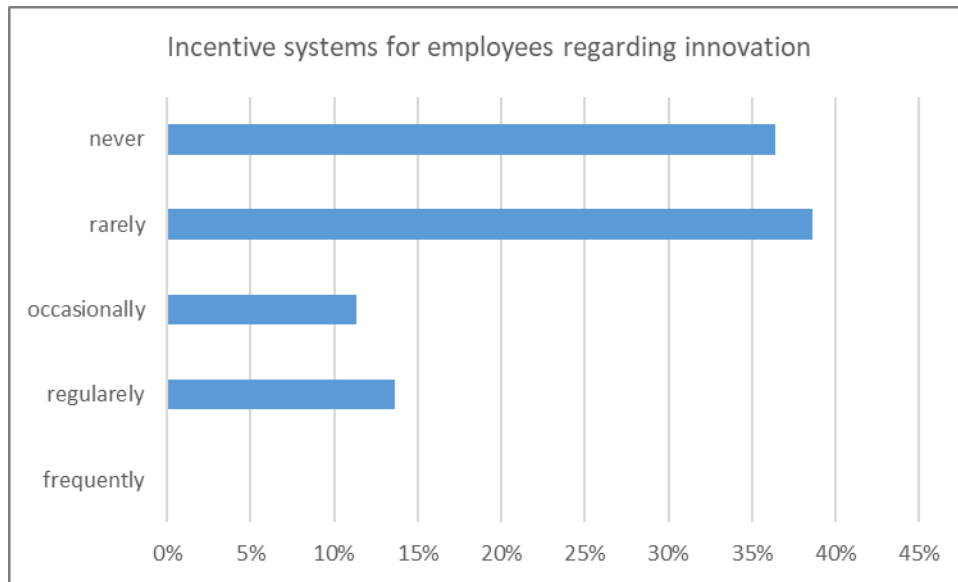


Figure 6 - The use of incentive systems to motivate employees for innovation

It is with astonishment that I read the result from this question. Only in a very few cases incentive systems are installed to encourage employees to participate in the initiation and invention phase of new products and services. Here is a hidden potential that could be activated also with small amounts of financial contributions. I think mainly on small premiums for the communication of good improvement ideas or bonuses for the successful market introduction of a new product.

4 CONCLUSION

The survey offers a vast number of starting points to improve the organisation of the human resource management within the innovation theme. The main tenor is about increasing the sensitivity for innovation aspects at all levels of employment and to shape an organisation that is capable to gather the ideas brought forward by the employees. The investigation clarifies that the main internal knowledge resources, the employees, could contribute much more to a continuous innovation process. In order to make this happen, the management is challenged and has to act more by good example. There is a large potential for faster innovation by using or integrating knowledge from company external sources.

It is a matter of organising and leading people. One of the first steps would be to get a right mix of individuals. This has to be done during the recruitment process already. A company needs the “pushers”, those that place the requests for novelties to the innovation deciders, then project leaders, communicators as well as team workers and detail oriented specialists. A regular assessment of the existing human resource base with the needed skills will guide to the right decisions.

Not all characteristics can be covered by internal staff. In such situations, which is probably the case generally in SME's, external temporary specialists or coaches can be added to the team.

To get more out of the existing staff in respect of innovation ideas is the goal. Beside of having the right structure of manpower this can be achieved by giving a more systematic attention to

- a better communication of the innovation strategy
- use of temporarily outsourced R&D support
- to distinguish between incremental product improvement and large innovation steps
- to establish a network with universities and suppliers

The number of influence factors is too large, to give a recipe that would be valid for all industries and situations. The orientation on the correct selection of R&D dedicated employees paired with the use of knowledge available in the entire company is the challenge for leaders. They have to integrate their care after the innovation team into a standard management rhythm.

A good practiced leadership itself will help to improve the outcome. Teaching instead of doing itself, informing about the goals instead of keeping this in the circle of the management team, passing responsibility to the staff instead of preserving the power in a small circle, sharing knowledge instead of artificially keeping ones position non exchangeable by not communicating! Networking is the contrary, it needs open minds and a fit for sharing.

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Contact information

Markus H. Gericke
Faculty of Management and Economics
Tomas Bata University, Zlín, Czech Republic
m.gericke@gericke.net

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