

# Innovation – the Next Level of Sustainable Competitive Advantage for Your Organization, and YOU!

*A Discussion between Ed Colby and Dr. C. Brooke Dobni*

## **Colby: Broadening our Perspective**

Over the course of our lives we are witness to constant change in the world around us. Most often change is gradual and evolutionary, occurring almost unnoticed; while other changes are so revolutionary and “game-breaking” so to speak, that they smack us right between the eyes and get our instant attention, as they will have a significant impact on our lives, and our work. From a business perspective, many of these revolutionary changes are unplanned reactions to world events that cannot be anticipated, or for which we could have planned. The impetus for these types of changes includes a variety of events; political, economic, natural phenomena (i.e., weather and other environmental changes), scientific or technology discoveries, and competitor market disruption with new products or services. However, regardless of the external forces impacting their progress, how is it that many of the companies and organizations most familiar to us that have been market leaders and household names “forever” are able to maintain longevity and continued competitive success? I think I recently found the answer, when I had my eyes opened to a whole new concept of management and leadership that will help lead and shape the next wave of progressive business and workforce management. That concept is *innovation*, and organizational creation of a *Culture of Innovation*, as researched and modeled by Dr. C. Brooke Dobni of the University Of Saskatchewan Edwards School Of Business. This article presents Dr. Dobni’s concepts through a discussion between me and Dr. Dobni as we introduce Dr. Dobni and his InnovationOne model to the U.S.

Recently, according to *The Wall Street Journal*, the word “innovation” appeared more than 33,000 times in annual reports of North America’s publicly traded companies. It’s a great word that rolls nicely off the tongue; we all want to be innovative – we have a feeling we need to be innovative in order to succeed.

When thinking about the term innovation and organizations perceived to be truly innovative, most people only see and focus on the end result ... the bringing to market of a revolutionary or

uniquely new product or service. But that’s only the “tip of the iceberg.” Being innovative doesn’t happen by chance in a vacuum. And it isn’t coincidence that companies, organizations, and “Yes!” even individuals that appear to produce a steady stream of new and leading products, services, ideas, thoughts, performance results, etc., are able to do so.

Although many employees and organization members are creative, their great ideas, enthusiasm, and passion often don’t see the light of day due to internal organizational or personal barriers. The challenge is how to capture and apply these traits and transition from occasional, random, short-term gains to a long-term environment, which continuously and systematically unleashes the full potential of all employees, and drives employee engagement, purpose, and ongoing business value. We’ve all witnessed the unrealized promises for many organizations of all the hype surrounding the talent management craze over the past 10 years. So let’s take a look at Dr. Dobni’s research and “*the science of Innovation*.”

## **Colby: Dr. Dobni, exactly what is Innovation?**

**Dobni:** Innovation is all about creating new value – both internal and external to the organization, value which is recognized by the marketplace or helps the organization to be more effective and efficient. We consider innovation to be enterprise-level – that is to say – from including the development of new products and services, to awareness of the competitive environment and customer/stakeholder interactions, to structure and processes in an organization. So, from an organizational perspective, it’s a culture ... the way employees think and act about innovation and doing things differently. Culture is measurable – there’s been lots of work done in terms of metrics to measure general culture in organizations. And we know that employees can think and act differently depending on the context they are put in. You can condition employees to think and act differently.

**Colby:** *It sounds like you define innovation as being similar to employee engagement, and measuring employee engagement levels. Is this true? Is innovation the same as employee engagement?*

**Dobni:** No, they are quite different in fact. Innovation is much, much more than measuring and cultivating employee engagement. Innovation is a holistic management approach that measures, creates, and manages internal and external value for: individuals, work units, product and project teams, organizational units, and organizations. It involves creating an internal organizational environment and planned, systemic approach to generating new ideas regarding: products, projects, systems, services and processes, communication, and organizational design and leadership. In short ... it's a new way of doing business. Innovation involves a focus on the creation and management of an environment that aligns vision to purpose, and facilitates knowledge-sharing and organizational learning. It unleashes creative potential, aligns resources, and facilitates full utilization and actualization of all assets to maximum value, in particular an organization's most important asset – its people! Innovation requires a planned, systemic philosophy, organization environment, and governance system that nurtures and manages new ideas from conception, to fruition, and use on a consistent and reliable basis. It is an intangible philosophical management approach, with tangible characteristics and financial results. Innovation unleashes individual, project team, work unit, and organizational resources to their fullest potential and effectiveness. The end result is a sustainable, higher-performing organization, group, or individual.

**Colby:** *Is it just a matter of training?*

**Dobni:** It's a combination of things. Through our research, we've identified and created a structured innovation model that measures 69 key organizational factors that form the basis for 12 drivers of innovation; one of those drivers is education, training, and learning – specifically defining innovation for organizations, and having employees understand what innovation is, what it means to their organization, and how they can contribute to it at their levels. The results of our research and model have identified six common traits of truly innovative organizations.

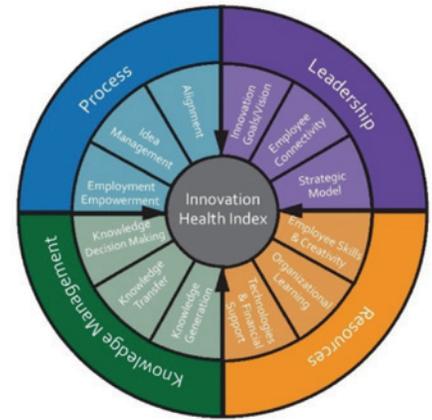
**Colby:** *So you could take someone who is naturally creative and put them in a situation where they flounder?*

**Dobni:** Exactly. We've found out that creativity of employees is not the problem. Our surveys of more than 2,000 organizations across North America show that employees are naturally creative. But, that creativity is squashed as a result of processes, rules, and bureaucracy. Creativity scores are generally pretty high. There are consultants that will come into your organization and help your employees come up with better ideas, but that is often not the problem. The problem is in the governance of new ideas and the execution of them. We also have discovered that there is often a perception gap (as to how innovative the organization actually is) between senior management and those charged with doing the work. For innovation to work, this gap needs to be narrowed. We help organizations close this gap by measuring and scoring areas of relative organizational strength and weakness across the 12 drivers of innovation. This can be measured across any or all segments of an organization, be they organizational structural units (i.e., enterprise, division, facility, function, geographic location, work unit, etc.); product/service unit (commercial, residential, wholesale, retail, trucks, cars, etc.); or role level (executive, manager, individual contributor, etc.).

**Colby:** *What are some attributes of an innovative organization?*

**Dobni:** Most organizations at the top of their industry know exactly why they are there. One of the first things they will point to is their innovation culture. An organization at the top of their industry – leading in performance, value creation, and customer satisfaction – would be motivating and empowering employees to do things fundamentally different, with a goal of creating new value for the market or stakeholders. The employees understand the vision, they understand innovation and what it can do for their organization, and most importantly, they know how they can personally contribute to innovation; their behaviours and actions relate to the vision.

It's all about the culture – and culture is established and reinforced by the leadership – through what they say, how they act, and how they support it – through management control and performance management systems – through knowledge management and cross-organizational sharing of knowledge and information. There are a lot of organizations with good administration; very few



InnovationOne Culture Assessment Model.

that have good leadership. A lot of it also has to do with size, bureaucracy, and rules.

**Colby: Is there a difference in innovation levels between small and large organizations?**

**Dobni:** Our research shows that smaller organizations are more nimble. It's easier to make small organizations more innovative more quickly than large organizations, simply through the differences in breadth and depth of communications. As well, the leadership is more visible, it's easier to communicate mission and vision, and lead by example. Having said that, size is not an excuse to not be innovative; we have worked with organizations as small as six employees to ones that have more than 10,000 employees in helping them to advance their innovation goals.

**Colby: Do organizations miss out on opportunities by not being innovative?**

**Dobni:** Not only opportunities, but also the ability to run a more effective and efficient organization. The strategic value of innovation lies in such things as new products or services, or better ways to interact with customers (most people think about Google or Apple). But that amounts to about 50-60 percent of the strategic value depending on the industry. Innovation also deals with systems processes within an organization; the organizational structure, doing things better and more efficiently, and getting rid of processes that no longer create value to name a few. A lot of organizations don't take the time for introspection, yet the strategic value can be as high as 40 percent. I tell executives that they could be leaving up to 50 percent of potential new value on the table by not being innovative.

**Colby: How does risk affect innovation?**

**Dobni:** For most organizations, the value proposition is based on profitability plus potential for growth, minus risk. So we ask: How can we use innovation to actually minimize risk in an organization,

to view risk as a positive factor; how do you manage that risk within certain parameters? Of course, not all organizations have a profit focus. Innovation is also important for them as well. As an example, the American Cancer Society pursued innovation with a goal of allocating research dollars more effectively. Essentially, they wanted to do more with the funding they have. They did this by

developing a process to identify the most strategic projects, and then provide more funding to them. Essentially, they have reduced their risk exposure by doing this.

A lot of organizations are actually quite risk averse. Those organizations at a higher innovation orientation take more risks and allow employees to try more things. They have learned that employees grow wiser through failure, so they are given the time, space, and resources to experiment and fail, and as well, succeed. These organizations do not treat failure punitively.

**Colby: So how do you measure innovation?**

**Dobni:** We're not the only ones that measure innovation in organizations and the economy, but we've taken a unique approach: we actually measure the ability of *organizations* to be innovative, because we believe that organizations in a market economy are in the best position to create new value.

*InnovationOne* helps an organization determine their current innovation state and review the gaps (what are you good at, what isn't working) in respect to the 12 drivers, develop new (or amend existing) programs or initiatives, prioritize, focus on where they get the "best bang for the buck," and then create an innovation implementation plan for execution.

In our research over the years, we determined that there are 12 drivers of innovation orientation in organizations. So we've taken a subset of the culture and looked at innovation in particular. There are 69 questions that measure those drivers. Those questions were scientifically developed over many years.

First we need to get a baseline score. When we measure innovation, we are essentially measuring the organization's engagement and innovation culture, so we survey every employee if possible. We do an "innovation culture assessment" and develop a report based on the assessment. As I previously mentioned, innovation is much more than engagement, with engagement being only the tip of the iceberg.

There are four major areas, or quadrants amongst these drivers, that we look at: One is leadership for innovation; the second is resources for innovation (skills, learning, and creativity falls under resources). Third is knowledge management, or what we call market orientation; understanding the marketplace, the clients, customers, competitors, stakeholders, state of the industry, the entire value chain – and being able to make quality decisions based on information. The last quadrant is execution of innovation – which includes empowerment, venture management, and alignment.

## References

Learn more at <http://www.innovationone.org/>  
Innovation Nation? Innovation Health Inside the Fortune 1000

## Editor's Note:

InnovationOne and Dr. Dobni's work is being introduced to the U.S. market in the fall of 2015 at the IHRIM Annual Conference. Dr. Dobni will be delivering an IHRIM Preconference Workshop on his InnovationOne Model. You can also see Dr. Dobni in the Technology Incubator sessions of the conference.

Most organizations score lower in leadership and execution.

Based on the aggregate assessment from all employees, the organization is given a percentage score across all 12 drivers based on the information. An average score generally falls in the mid-60s; a good score in the mid-70s and an exceptional score would be in the 80s.

### **Colby: How do you improve innovation levels?**

**Dobni:** It's important to know that innovation can be systematically managed. Most organizations experience random innovations. It happens in every organization at some point in time: Someone comes up with an idea, it is given some due diligence, and then it is implemented. It's more by chance, not by design. The issue is how many of those ideas don't get through, because you don't have a systematic approach to managing innovation.

We have had good success moving organizations that score less than 70 percent (a random approach) to a solid 75-76 percent, where innovation happens on a systematic, planned basis. This is when employees see the connection between their actions and outcomes, and they start to change the way they do things.

We give them a prescription: "Here's what you need to do based on what we've found out through these 12 drivers to advance your innovation orientation." For example, one of them might be "there is a lack of leadership for innovation." Everyone might be talking about it, but nothing is happening. On average, 15-20 recommendations come out of the assessment and then we provide a multi-year roadmap for organizations to start to move their innovation orientation forward. Some things are easily done, some take more work, and organizations who truly want to adopt innovation as a core value or initiative, will often see results within the first year. Some of our clients have seen their innovation health scores increase by up to 12 percent over two years. It does not happen overnight, as we are talking about facilitating a change in the way employees think and act, but when it does happen, it's contagious for the organization.

And it depends on the organization. Some people just want a PD [professional development] session – spending half a day to a day with their management and talk about innovation, and talk to us about setting goals. Others want a dinner talk, and even more want the innovation culture assessment, and related counsel that follows. The best impact comes when they understand what their level of innovation is across the 12 drivers and 4 quadrants. They can tell from the score what areas need work. Things will start to align and start working: Here's where you are, here's

how you compare, and how you can move up. If organizations want to progress, they have to adopt innovation, and they often have to do things fundamentally differently.

### **Colby: How does innovation affect the economy?**

**Dobni:** If you can raise the innovation orientations of organizations across the board, you're going to have a much stronger economy. There's a strong correlation between level of innovation, and financial performance in an organization. Financial performance for many organizations is what really matters at the end of the day. Create more value, value creates revenue, revenues create profit, and all the while the organization is considering ways to become more effective internally. I am not aware of an organization who wouldn't want that.

### **Colby: Can your innovation model help organizations that are market leaders and already viewed as being innovative?**

**Dobni:** Absolutely! With success, many organizations can become a bit complacent. When you're successful for a long period of time you begin to let down your guard. Success can breed failure. This is particularly true with startup and emerging technology organizations that experience exponential revenue and profit growth after having introduced a revolutionary, game-changing technology or product. Unless there are long-term significant barriers to entry, these organizations will typically face intense competition from new competitor entrants to their market, thereby slowing revenue growth, market share, and profits. Such organizations really need to think *constantly* about how to do things, and how to change what they do and how they do it, in efforts to become even stronger and more prepared to maintain their success. This "over the shoulder" look also strengthens organizations to be able to withstand the inevitable economic downturns that require belt-tightening.

## About the Authors



Dr. C. Brooke Dobni is a professor of Strategy and former dean at the Edwards School of Business, University of Saskatchewan. He has published over 30 peer-reviewed

articles on strategy and innovation in journals including the *Strategic Management Journal*, *Business Horizons*, *Journal of Business Strategy*, and the *European Journal of Innovation Management* to name a few. His organization recently completed one of the largest surveys of innovation ever done amongst Fortune 1000 companies in the United States. On the consulting side, Dr. Dobni's expertise lies in the areas of innovation orientation profiling, and providing strategic counsel to advance innovation platforms in organizations. His metric for measuring innovation culture, InnovationOne, has been used by over 2000 organizations across North America. He holds a Doctorate in strategy from the University of Bradford, Bradford-Leeds, UK. He founded Strategian in 1995 ([www.innovationone.org](http://www.innovationone.org)), and has completed hundreds of consulting engagements, with organizations such as EDS, Hitachi, PotashCorp, Cameco, CP Rail, University of Hawaii, Innovation Saskatchewan, and others.



Ed Colby is a partner in InnovationOne. US, and managing partner of Pro HCM/ WFM Solutions, a strategic management and technology consulting company. He is a human capital

management (HCM) and workforce management (WFM) strategic consultant and technology evangelist, having been both an educator and student of management, technology, and leading organizational practices for over 35 years. He has held senior leadership roles in management and solutions consulting, professional services, value analysis, and marketing for several leading-edge HCM and WFM technology providers. As a practitioner, he has led large operational consulting and systems development groups across a variety of industries. Colby has been an active member of IHRIM for nearly 20 years. For the past 10 years he has served on the Editorial Boards of both *IHRIM.Link* and *IHRIM Workforce Solutions Review* (WSR) having stepped down as managing editor of WSR this past year. He has served on numerous IHRIM committees over the years and has been a frequent presenter at industry events. He holds a MBA in Marketing and Computer Sciences from Northeastern University and a B.S. degree from Tufts University.