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Wanted: Innovation Cultures

There's no lack of good intentions, but Singapore businesses still have a long way to go

By **Hitendra Patel** and **Steve Wyatt**

Innovation is as much about attitude as it is about processes and systems; the most innovative companies have "can-do, must-do" cultures that are high energy and seemingly infectious. If Singaporean firms are to succeed in harnessing the power of innovation, they will have to work hard to create *innovation cultures*.

An innovation culture starts at the top – in the boardroom and the office of the CEO. It is not some motivational ploy, but a sincere effort to "walk the talk" of innovation. It's "top-down," not "bottom-up" – but should certainly reach throughout the firm. Senior managers must ensure that innovation becomes standard practice throughout the organization, rather than the compartmentalized, narrowly defined purview of a chosen few. And every employee from the top down must become interested in and open to innovation – not just their own, but others', as well.

Where do Singapore companies stand on this critical issue of innovation culture? Relative to other nations, in the middle of the pack, at best. Based on our experience working with firms around the globe, Singapore trails Germany, Japan, the U.S. and Korea in erecting innovation-friendly corporate cultures. This is due to a variety of factors: Singapore's historically investment-driven growth strategy; a population that relies on its visionary and bold leadership to drive country and company growth; a disciplined, military-trained male work-force; an education system based more on memorizing answers than creating solutions; and an Asian culture that defers to seniority and authority.

The fact that Singaporean businesses still have a ways to go in creating innovation cultures is corroborated by our own study on the status of innovation in Singapore, conducted recently in partnership with the Institute of Policy Studies. We surveyed 75 companies and government agencies and have conducted in-depth interviews with 30 senior executives. What we found was widespread good intentions: Many Singaporean business leaders want and plan to move from a command-and-control corporate culture to one that is less hierarchical and more innovation-friendly. Nearly four in ten CEOs envision building an "energized culture of innovation and entrepreneurship" in their company within three years. And while roughly half of the CEOs we surveyed admitted that where innovation exists it is largely driven by a command-and-control approach, only 18 percent expect that to still be the case in three years.

"We have a team of people who will continuously try to build systems to encourage innovation as a culture," one CEO told us. "We see ourselves as an innovator company, so it is a culture we strive for," said another.

Yet our survey also reveals that too many Singaporean business leaders still believe that the best ideas come from the top. And rather than celebrate or learn from the kinds of well-intentioned failures that are integral to innovation, they frown on them and distance themselves from them. As a result, their employees are conditioned to

avoid risk and don't expect to take the initiative. Typical employee attitudes include *It's not my job to innovate; my job is to do what my boss asks me to do* and *Innovation is risky; I don't want to fail!*

As one CEO told us, "Senior managers are held in a certain respect and esteem. This has something to do with the way we are being brought up. Junior managers cannot just go in, present their ideas and expect to get support for them."

Overall, we have found six broad impediments to creating innovation cultures in Singaporean companies:

1) Executives define innovation too narrowly and do not demand significant growth through innovation
2) The desire for 'innovation' is then often interpreted as creativity schemes and other low relevance / low impact programs; there is rarely an executive level commitment to defining the areas & themes where innovation is desired and indeed is critical for the organization (i.e. innovation platforms are rarely defined)
3) The unwritten rules of conduct within companies prevail over the written rules for innovation management, resulting in a risk-averse and failure-intolerant culture
    - Executives talk about encouraging risks and forgiving failure, but in practice tend to exhibit more of a "heads will roll" leadership style
    - Employees are cautious about vocalizing ideas and prefer to be volunteered for projects instead of raising their hands
4) Singaporean employees' creativity is too narrowly focused by management on implementation
5) Firms have inadequate systems for measuring the impact of innovative ideas and rewarding those who come up with them
6) Firms recruit and hire mainly for technical skills and often ignore the soft collaboration and entrepreneurial skills needed to build an innovation culture

These are critical issues for Singaporean businesses. Even the strongest company can be thwarted in its quest for industry leadership by an inappropriate corporate culture; where innovative ideas get lost, stifled or eviscerated by a culture that is too rigid, hierarchical, bureaucratic and risk-averse.

To become innovation leaders, Singaporean firms need to avoid incrementalism by demanding breakthrough innovation across the organization. They need to focus their creative energies and resources via innovation platforms. They need to work flexibly and intimately with a network partners and to boost their competitor, technology and customer intelligence to generate unique insights. They need to create free and collaborative environment for experimentation, prototyping and implementation. They need to make innovation an expectation from every employee. They need to measure and reward innovation activities that have significant positive impact on their business. In other words, they need to create and foster innovation cultures.

Take IBM. Big Blue, with its buttoned-down corporate culture, largely missed the PC revolution of the 1980s and was listing badly when the next technology breakthrough – the Internet – came along in the early 1990s. It might have missed that one, too, if not for a lone zealot named John Patrick. Patrick, a marketing VP, became convinced early on that the Internet would "change everything." Luckily, he was allowed considerable latitude by then-CEO Lou Gerstner to pursue his insight – and as a result, he demonstrated how IBM could reinvent its strategy around e-business.

His wakeup call, and the cultural flexibility that allowed it to be both sounded and heard, helped the company to make a roaring comeback. "I think any company can reinvent itself," Patrick would later say. "It's not really a matter of size. I would say it's more a matter of attitude."

Closer to home Venture, Singapore Airlines and Microsoft Singapore are building innovation cultures. At Singapore Airlines, for example, cabin crews are encouraged to provide insights about improving customer service and anticipating future needs. At Venture, the founder and leadership team have leveraged their previous experience at Hewlett Packard to develop a creative, open and collaborative environment for innovation modeled on the "HP Way." And Microsoft Singapore is helping the Ministry of Education to produce a new generation of students who are comfortable exchanging ideas and working collaboratively. .

So how can more Singaporean business leaders begin to build "innovation cultures" in their companies? Here are the starting points:

Ensure the leadership 'walks-the-talk'. In an environment where management and administrative skills have been fostered, it will be difficult to find and nurture a cadre of visionary, driven leaders who are comfortable with managing uncertainty. Yet that is exactly what is required in order to build innovation cultures. CEOs must broaden their organization's definition of innovation to include growth and cost reduction. David Lim at NOL is doing exactly this by publicly signaling the need to move from incrementalism to breakthrough innovation by demanding new business models for growth. Leaders must learn to develop and manage diverse project portfolios that are both incremental and breakthrough, short and long term, and low and high risk.

CEOs must also lead by example in fostering an open, creative, experimental, collaborative, mistake-tolerant culture. ST Electronics CEO Moon Ming Seah drives an open and failure-forgiving culture by publicly sharing mistakes and lessons learned. He has also signaled his belief that creativity can come from anyone and anywhere by establishing a $2 million fund to support the best ideas from across the firm. Like Seah, good innovation leaders are supportive of all ideas, prudent in their investments and willing to provide space, flexibility and "air cover" for employees working on high risk or long term projects. Their personal involvement in, commitment to and demand for innovation makes all the difference.

Focus Individuals' Creativity through Strategic Platforms. If not guided by clear strategy and direction, even the best employees will waste their time and resources on low–impact, low-value activities. As detailed in a previous article, innovation platforms define what problems or opportunities are strategically important for the firm. By publicizing these platforms - SMRT's *Moving People Enhancing Lives*, for example – companies allow every individual in the firm, from executives to secretaries, to contribute relevant ideas and participate in the innovation process. These platforms also drive innovation by fostering experimentation and collaboration among like-minded people across the organization.

Use Stretch Targets to Think Outside the Box. Innovation is hard to measure, making target-setting difficult. However, the human spirit, when faced with difficult goals, consistently rises to the challenge. It is stretch targets that drove NASA to put a man on the moon, significantly cut NTUC's time to serve customer calls, and doubled the use-time of a Creative MP3 player. Korean CEOs at Hyundai, Samsung and LG have set stretch targets for many of their business units to become Top Three performers by 2008; at Samsung, these goals have already been realized in

cell phones, semiconductors and flat panel televisions. Stretch targets such as these drive breakthroughs by pulling individuals out of their comfort zones. They also often have the beneficial side effect of producing a large portfolio of related innovations and options. Of course, precisely because such targets are unusually ambitious, managers should reward individuals who meet them but not punish those who don't.

Put Your Aces in Right Places*.* Innovative companies create job descriptions based on both technical skills and behavioral competences. Recruiting and interviewing focuses not only a potential employee's schools, degrees and experiences, but also on his or her ability to generate and sell ideas, assess and judge risk, collaborate across disciplines, work in a resource-constraint environment, creatively leverage resources and deliver value. Such evaluation should also apply to individuals in existing jobs, with training provided to close competency gaps.

Align Individual and Team Actions To Strategy. Innovation metrics provide both a yardstick and an incentive for business units, teams and individual employees to drive innovation throughout the organization. Team metrics communicate the validity of not having to go at it alone and making outsourcing decisions; they are especially useful in driving the cross-functional collaborations that are critical for seamless innovation. Examples of innovation metrics include market intelligence and insights generated; quantity or rate of ideas generated, implemented or completed; number of projects killed; number of collaborations or involvement in teams across the firm and beyond; and direct contribution of innovation to business results.

Innovation metrics are relatively straightforward in concept, but require careful thought in application. David Lim of NOL says, "I always tell my chaps that hard work, team work and integrity are given. I do not give you any bonus for that. I only give bonuses for three things: ideas, judgment and leadership. Ideas, because if you do not come up with anything new, then you are just keeping things going. Judgment, because if you come up with all hairy-scary ideas and waste your time chasing wild geese, then you are not much good. And leadership, because without it, your ideas are not going to get off the ground".

Celebrate Your Innovations and Innovators*.* Innovation forums, newsletters, certificates are easy to ways to publicize and celebrate a company's innovation and innovators. At Motorola, innovators with more than 10 patents are issued a gold-colored name badge so that all will recognize their contribution. The "SMRT Innovation Movement" known as "IRIS" (Innovation Rudder in SMRT) allows SMRT staff to showcase their innovation projects in four roving exhibitions around their depots and offices, thus providing organization-wide visibility for creative ideas – and, by example, helping to generate new ones. Other tools for celebrating innovation include case studies and write-ups of innovation projects. Charles Foo of Keppel Offshore & Marine documents innovation stories to both showcase successes and capture and share lessons learned.

At the same time as Singaporean companies are taking these steps to build internal innovation cultures, government policymakers should be working to foster a truly nationwide innovation culture, as well. For instance, they can develop education curricula and the use of teaching tools and approaches that support collaboration; create a nationwide "idea bank" around the key national 'innovation platforms'; collect and publicize innovation success stories (e.g. OSIM, SMRT or NOL), so that one firm's success can inspire another's; and sponsor national innovation-themed competitions (an obstacle course for robots, for example).

Today, Singaporean workers are better known for their efficiency than for their innovativeness. But this has less to do with the workers themselves, or even the culture in which they were raised, than it does with the corporate cultures and structures in which they labor. Those cultures and structures too seldom give employees permission, much less encouragement, to take the "outside the box" initiative and risks that are innovation's lifeblood. If Singapore's businesses are to achieve sustainable growth through innovation – as they must if they and their country are to sustain high levels of growth and prosperity – that will have to change.

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