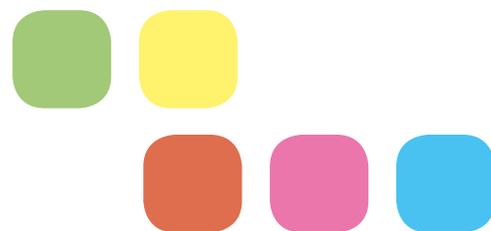


Corporate Creativity

A study of the most innovative companies in the world



Editorial

Companies need new management concepts

In the age of creativity and innovation, managers are being asked to do completely new things. They're expected to turn the status quo on its head and come up with new ideas: bold business models, products and services, new processes and innovative strategies for situations where there are no standard solutions. Deliberately breaking rules instead of just following them. Rather than overseeing the status quo, tomorrow's managers will have to transform companies into hotbeds of brilliant ideas.

As a field of study, European management schools have been slow to discover the underlying discipline: Corporate Creativity – the ability of a company to develop new ideas. Across the Atlantic, respected management academics at elite universities have been grappling with the issue for decades. "Companies in every industry do better when they succeed in establishing a culture of creativity," says Prof. Terese Amabile, who conducts research at Harvard University.

Gaps in knowledge

Alan G. Robinson of the University of Massachusetts has diagnosed a massive knowledge deficit among managers. "Managers and executives in most enterprises know only too well that the creative potential in their company far exceeds creative performance. The problem is, they don't know what to do about it."

That is why in 2007 we launched Corporate Creativity as a field of study in the MBA curriculum at HHL – Leipzig Graduate School of Management. Our aim is to firmly root creativity in companies, using sound teaching methods and academic studies. And because we carry out

independent research and develop our own management concepts, we can support executives – from team leaders to board level – as they establish a creative corporate culture.

Management concepts taking you down less well-trodden paths

To create a space where ideas can emerge and grow, companies need what the respected strategy writer Robert M. Grant calls a "parallel structure" – a fundamentally different way of approaching operational tasks on the one hand and creative tasks on the other. However, classical corporate structures and management concepts are generally completely unsuited to this extremely difficult challenge.

"Creativity is killed much more than it is nurtured," writes Prof. Teresa Amabile. "This is not normally because managers have an aversion to creativity. On the contrary. Many of them believe in the value of new and beneficial ideas. But creativity is unintentionally ground down day by day in a working atmosphere set up – for good reasons – to maximize business imperatives like coordination, control and productivity. To achieve their business objectives,"

Prof. Amabile continues, "they build organizations that systematically destroy creativity."

What management techniques and methods can be used by boards and managers at all levels to encourage creativity in their organizations? What should company and work structures look like in concrete terms? This study aims to answer these questions, providing managers with a tangible leadership tool to help them establish a culture of creative innovation throughout the company or at departmental or team level.



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The Study

Management techniques for Corporate Creativity

In our search for the management techniques and methods of highly innovative companies, we joined forces with the Chair of Strategic Management at HHL - Leipzig Graduate School of Management to study the 26 most innovative companies in the world: Apple, Research in Motion, Nokia, HSBC, Google, Amazon, Hewlett Packard, McDonald's, Fiat, IBM, Toyota, Intel, Microsoft, Nike, Banco Santander, Disney, Procter & Gamble, Virgin Group, Nintendo, Facebook, LG Electronics, Samsung, Tata Group, Volkswagen, General Electric and Vodafone.



Issues covered by the study

- ◆ Sources of ideas: Where do new ideas come from in the company? How are ideas generated in the company?
- ◆ Organizational structure: How does the company ensure that new ideas can develop within the organization? How does the company ensure that new ideas do not get bogged down in the organization?
- ◆ Style of leadership: How do managers motivate their employees to start thinking in creative ways? What are the most important principles of leadership within the company?
- ◆ Employees: Who are the people recruited by the company? How does the company ensure diversity within the team? What kind of environment are employees working in?

Every year, the U.S. magazine BusinessWeek publishes a list of the most innovative companies in the world. 38 of them appeared in the list of 2009 as well as 2010. Out of these, we selected 26 companies for the study. We were careful to create a representative mix of industries and regions.

We analyzed more than 500 different sources, including articles from the general and specialized press, case studies, academic theses, books and interviews with executives from the companies.

Why Corporate Creativity?

A culture of innovation as a competitive advantage

A different way of thinking about innovation

When people talk about innovation in companies, the concept is often equated with innovation management. Companies are looking for tools and processes that they can deploy within existing structures. The companies we studied have a different way of thinking about innovation. Tools and processes can be copied. But the underlying culture cannot.

Google: Culture as the "soul" of the company

There are good reasons why people say that Google's "extraordinary organizational culture" is the "soul of the company". At Disney too, the basic philosophy of creativity lies at the heart of a creative and innovative corporate strategy. Disney has its own institute dedicated to fostering creativity and inspiration. And even the banking giant HSBC regards the group culture as a competitive advantage – the individual countries and regions operate virtually independently of each other. Traditional processes of innovation also have their place in HSBC, but more important is the culture that breathes life into the processes.

No two cultures of innovation are the same, so it is difficult to simply copy techniques

The cultures we encountered in our study are as different as the companies themselves. As you read the study, you will come across companies like Research in Motion, who develops and manufactures the BlackBerry. You will discover how organizational structures in these companies aim to create and value an innovative culture. Innovation is a factor in all contexts: employee selection, incentive structures, salaries, the behavior of executives, etc. You will find out about companies that have created a more or less egalitarian system in which the traditional hierarchies are virtually irrelevant. But you will also discover that there are other ways of fostering a culture of innovation.

A unique culture of innovation requires unique techniques

In the Indian Tata Group, egalitarianism of any kind is out of the question. Tata's approach is different. For example, it runs a remarkable innovation competition that honors failed innovations alongside the best and most successful ones. One of Tata's categories is called "Dare to try". The company awards a prize for an innovation that was wholeheartedly attempted, yet failed. This is Tata's way of stimulating risk appetite – one of the main drivers of creative companies.



The new book by Jens-Uwe Meyer, coming out in autumn 2010. How companies can become idea factories. How you can use the successful strategies of the most innovative companies in the world for your own benefit.

Introduction

Five main levels

Corporate creativity cannot become a genuine competitive advantage if building a creative culture is simply delegated to a department or person. In most of the companies we looked at, the creative culture is firmly rooted in the corporate DNA. Corporate Creativity makes itself felt at the following five levels:

Unique strategies, values and objectives

Innovation. No compromises.

Building a culture of innovation is a central strategic task. If it is to have strategic relevance, it must have its origins at the very highest levels of the company and must be broken down into bold objectives in a consistent way. The companies we looked at also have firmly rooted values that are as unique as the products and business models they develop. - Page 6

Think factory, not treadmill

Creative structures for thinking and working

The entire organization is focused on supporting the process of creative thinking. A thorough understanding of the process is essential before organizations can be changed in this way. And it is also essential to say goodbye to old ideas about creativity: that creativity training is the best way to stimulate creativity, that great ideas can be developed in seconds at the click of a button, and that creativity is only necessary at the start of a process of innovation.

- Page 8

Culture of risk and experimentation

Innovation does not come with full coverage insurance

"Who dares wins." Many of the companies we looked at have taken this old truism to heart. Failure is not a negative thing, but a crucial feature of the creative process. Instead of trying to avoid mistakes, these companies have created structures packing as much experimentation as possible into the shortest time. - Page 11

Catalytic leadership

The new role of management

Executives have a crucial bearing on the creative performance of their employees and their teams. The German companies we looked at (including supplementary in-depth interviews with employees in order to create categories and attributes) confirmed the results of our study: even if the top executives in a company launch initiatives to promote a culture of innovation, the target can be missed if middle management continues to use traditional management tools. - Page 15

The employees

Operational strengths and creative weaknesses

A company is only as creative as its employees. Most of the companies we analyzed have selection criteria focused on creating the greatest possible variety in the makeup of the workforce and on identifying creative character traits like a love of discovery, pioneer spirit, risk appetite, etc. - Page 13

1 Unique strategies, values and objectives

Innovation. No compromises.

Can you imagine Apple boss Steve Job going on stage and saying this? "Because of the difficult market, we've decided to postpone our innovation initiatives for the time being. This will slash our development costs by not developing the iPhone and leaving our operating system in its current state for five years."

How likely do you think is it that the two founders of Google would ever close Google Labs to cut costs? That Nintendo would stop developing new game consoles? Or 3M would no longer bring new products to market? The answer is obvious: not in a million years. The most innovative companies in the world do not just write the word "innovation" in their corporate strategy. They have rooted it so deep in their corporate strategy that any reversal would cause a major upset.

Apple – "putting a ding in the universe"

Apple shows customers what's coming next. This approach is firmly rooted in the company. Steve Jobs puts it in these words: "There's an old Wayne Gretzky [former Canadian ice hockey player] quote that I love. 'I skate to where the puck is going to be, not where it has been.' And we've always tried to do that at Apple. Since the very, very beginning. And we always will."



The uncompromising way that Apple pursues innovation is shaped by its founder Steve Jobs. His goal? He wants to "put a ding in the universe". One of his deputies nailed the philosophy as follows: "Customers don't know what they want. We have to tell them what to buy."

Fiat – from sleeping giant to a policy of breakthroughs

In 2004 Fiat was staring bankruptcy in the face. The company had lost more than a billion dollars when Sergio Marchionne was appointed the new CEO. The task he set for himself was to transform the company into the most successful car manufacturer in the world. To achieve this he set the company on a course towards uncompromising innovation. Away from the philosophy of incremental improvement, and towards a "policy of breakthroughs".

Marchionne has proved that with determination and consistency, companies can be transformed into innovation drivers in the space of a few years.



Amazon – making history as the most customer-centric company in the world



Ask Amazon boss Jeff Bezos what motivates him and you will get the answer "making history". The vision of the company is clear: "The most customer-centric company in the world. To create a place where people can discover and find everything they can buy online." This also involves thinking innovation over the long term. "We're willing to plant seeds that will take five or seven years to fully grow." Of course, the next quarterly report might look better if Amazon's goals were not so ambitious. Here too, Jeff Bezos is thinking long term. "This company gets the investors it deserves."

1

Unique strategies, values and objectives

Magical values and visions

- ◆ "Believe you can change the world."
- ◆ "Make a contribution every day."
- ◆ "Radical ideas are not always bad ideas."

These mantras are the guiding principles of Hewlett Packard. They are the Rules of the Garage defined by company founders Bill Hewlett and Dave Packard, and intended as a daily reminder to employees of where the company started: in a small garage on Addison Avenue in Palo Alto, California. The Rules of the Garage are strong principles that shape the company to this day: "Work quickly, keep the tools unlocked, and work whenever." "No politics, no bureaucracy." "Invent different ways of working." "Believe that together we can do anything." "Invent." Principles like Hewlett Packard's are often rooted deep in the DNA of successful innovation leaders.

Google - A distinct philosophy of innovation



Google's "nine notions of innovation":

- ◆ Ideas come from everywhere. Google expects everyone to innovate, even the finance team.
- ◆ Share everything you can.
- ◆ You're brilliant, we're hiring.
- ◆ A license to pursue dreams: 20 per cent time for employees to pursue their own ideas.
- ◆ Innovation. Not constant improvement.
- ◆ Don't politic. Use data.
- ◆ Creativity loves restraint.
- ◆ Worry about usage and users, not money.
- ◆ Don't kill projects. Morph them.

Virgin - Values beyond the normal



Richard Branson, founder of Virgin, has also enshrined values in his company that are different from what would generally be expected from a large company. Attractive and magical visions:

- ◆ Staff first, then customers and shareholders
- ◆ Shape the business around the people
- ◆ Build, don't buy
- ◆ Be best, not biggest
- ◆ Pioneer, don't follow the leader
- ◆ Capture every fleeting idea
- ◆ Drive for change

Nokia - Philosophies are hereditary



The guiding principles in these companies stay the same even if there is a change of management. For example, Nokia continues to be shaped to this day by the principles introduced by Jorma Ollila (CEO from 1992 to 2006). He created an atmosphere in which everyone felt involved and which also engendered a sense of urgency. Ollila once said his favorite type of company was an achieving society, in which payment went to the people who had proved their talent and skills. The principles introduced by Ollila remain rooted in Nokia's basic values: commitment, teamwork and partnership, innovation and humanity.

2

Think factory, not treadmill

Creative structures for thinking and working



A different way of thinking about processes

In a company, virtually everything seems to run along predefined lines. From their very first day, new employees are confronted with standardized processes: the job application and appointment process is followed by the induction process; there are training, appraisal and promotion processes; the production process lays down exactly who does what and how; an evaluation process ensures that quality remains consistently high; and so on.

Managers have learned to develop, optimize and monitor processes, to establish rules, to identify interfaces and to measure process efficiency. This all makes sense in virtually every part of a company. Except one: creativity.

Creative processes are different

"Efforts to achieve lean processes have led many companies to cut idle times out of human processes," writes Kirsten D. Sandberg of Harvard University. "What we call idle time or spare capacity in a machine could be called thinking time or incubation time in a human being."

Sandberg goes further. She believes that the management of large companies does not understand how the creative thinking process works. Managers think in terms of traditional production processes, but these are fundamentally different from creative thinking processes:

"When most people think of production, they think of the input (leather and rubber, for example), some kind of transformation (cutting and sewing) and the result (shoes). The processes are linear, unambiguous and predictable. We can grasp them, analyze them and improve them by improving time and other resources. Time is money. Less is more: the shorter a process, the more money is made. A thought, on the other hand, frequently comes from a nonlinear, subconscious or even random process, and the nature of the transformation can vary widely each time."

Creative potential is not accessible with traditional processes

The U.S. academics Alan G. Robinson and Sam Stern have traced back brilliant ideas to their origins in hundreds of companies. "In every company we looked at, we met people who felt that the creative potential in their company was much higher than current performance would suggest. They are right. We believe that this will not change until the true nature of creativity is generally recognized. Most of the creative potential of a company simply cannot be accessed by the standard planning and control mechanisms used by managers."

Traditional processes: don't kill them – improve them

But how? None of the companies in our study killed processes. What they did in the main was improve them. By adding work structures that encourage and allow creative thinking. Creativity must not come second to the processes. The processes are subordinate to creativity.

2

Think factory, not treadmill

2.1 A different approach to hierarchies

In traditional companies, innovation often fails because of the structures. If you want to know what the typical enemies of creativity are, the usual suspects keep cropping up in study after study:

- ◆ Political problems and trench warfare within the company.
- ◆ Destructive criticism, destructive competition and destructive pressure.
- ◆ Strict control by the management.
- ◆ An excess of formal structures and procedures.
- ◆ Precisely defined processes specifying what has to be improved by whom using what methods.

The companies in our study have systematically erased these enemies of creativity from their structures, redefining the traditional concepts of hierarchy.

Microsoft – agility as a guiding principle

Microsoft®

If someone walks into Microsoft in a suit, they are either a consultant or they are there for a job interview. The relaxed social interaction, the unusual dress code and first name terms (they even use the familiar "Du" form in Germany) are the most visible signs of the absence of hierarchies. The big idea is that a company without gridlocked hierarchies is more agile. Microsoft has learned from bitter experience: with Windows Vista, the company fell into the complexity trap, and the development process was made more and more complex because of the constant need for cross-checks and approvals. So the programming of Windows 7 started with an act of liberation: the hierarchical levels were cut by a half, and the number of unit managers was reduced by a third.

Samsung – no hierarchy in creative strategic units

Samsung has a clear strategic aim. "Good design is the most important thing that sets us apart from our competitors," says CEO Yun. To transform Samsung from a low-cost manufacturer into one of the most innovative companies in the world, he prescribed a kind of creative shock therapy. Yun opened seven Design Centers all over the world, in which new products are developed.



All employees are encouraged to say what they think and to contradict their superiors without the fear of breaking cultural rules. There is no hierarchy in strategically important units involved in innovation. The culture of the operational units in company headquarters, however, remains traditionally South Korean.

McDonald's – "Noodle Team", not rigid hierarchies

Rigid structures and hierarchies have no place at McDonald's. When it comes to developing new ideas, everyone is involved – the partners supplying the raw material, employees from various units and hierarchical levels, customers. McDonald's has created its own test kitchens and "Noodle Teams", where employees at all levels can develop and try out new ideas. The hierarchies are flat. Anyone can contact anyone, and anyone can talk about new ideas with anyone else. For CEO Jim Skinner, this is one of the competitive advantages of the company. "The result is a wealth of ideas flowing through the company. They come from every direction."



What happens if rigid hierarchies start to form again? What if processes start to get bloated or if bureaucracy gains the upper hand? The excess weight is simply shed. This is what happened at Hewlett Packard. They have been running a program called "Happy People" since 2008. It has just one objective – to erase all inefficient processes and unnecessary bureaucracy from the company.

2 Think factory, not treadmill

2.2 Creative dream teams versus innovation management

The fine art of innovation is not simply a matter of designing processes. It is about bringing people together to form a "dream team" together. Dream teams are small, interdepartmental teams representing a range of different perspectives and having a high degree of autonomy and clear objectives. They are made up of people who are so enthusiastic about the subject that they do not simply switch their brains off after work.

We encountered these work structures in an astonishingly high proportion of highly innovative companies. In these companies, they have sometimes become a permanent feature of the corporate philosophy. They do not understand the notion of delegating an innovation project to a "technical department" to be taken forward. Instead, they use small teams that are able to think fast, communicate fast and act fast.

Amazon – the "Two Pizza Rule"



"If two pizzas are not enough for a team, the team is too big. This limits groups to between five and seven people, depending on their appetite." CEO Jeff Bezos has a simple reason for the "Two Pizza Rule". "As teams grow bigger, people spend longer on coordination. This is sometimes very misunderstood, but if you want to create a good working atmosphere where people can really build, you don't want them to spend much time coordinating things." At Amazon, this means that tasks and challenges are consistently broken down so that they can be done by two-pizza teams. The result? Small agile teams instead of rigid processes.

Nike – Sandbox Meetings

Innovation sessions at Nike have a simple name: "Sandbox Meetings". They are meetings at which management develops new ideas and concepts, which are then passed directly to a product development team.



The product development team has three members: a designer, an engineer and a marketing expert. This team develops the basic principles of the project. As soon as the initial concepts are in place, industrial designers, technical designers and graphic designers come on board. "We try to understand the values and traditions of the sport we are designing for," says one of the managers, "and then we add innovative materials in order to improve performance."

Nintendo – Dream Teams and the Wii



The success of the Wii game console made Nintendo big news. Nintendo president Satoru Iwata describes the strategy behind it in a single sentence. "We are fighting against the indifference of people who have no interest in video games." Creating new markets instead of serving old ones. Yet the secret of the Wii is not simply a matter of strategy. It is the creative corporate culture that implements the strategy. About 20 three-member teams were given the task of creating a peripheral with an existing game. The teams were given complete freedom of movement. What emerged were groundbreaking designs, eventually leading to innovations like the Wii Controller.

3

Culture of risk and experimentation

Innovation does not come with full coverage insurance

In Hundreds of management instruments have been developed in past decades, mostly aimed at minimizing risk along the value chain. These management instruments make a lot of sense in many parts of a company – for example, when evaluating legal and financial risks ahead of a big decision. And even with innovation, it is wise to consider the risks of an idea alongside the opportunities it presents. Nevertheless, a careful evaluation of risk is not always enough to stop mistakes happening. In fact, the opposite is true. Mistakes are an important part of the development process.



Companies that are prepared to experiment and take risks create a space for more creativity. This has long been accepted wisdom in academic circles, and it has been borne out by our study. The company's willingness to take risks, to experiment and to let mistakes happen is an important factor. But it goes further – companies can positively encourage experimental mistakes precisely in order to draw the right conclusions from them.

Most of the companies in our study have discovered this. Although market analyses, customer surveys, concept testing and other tools have not been discarded completely, the companies have become much less dependent on them. Tools like this often create a decision-making vacuum – because the market research says no, nobody has the confidence to make a clear decision. So another survey is commissioned or a decision is postponed.

Innovations change markets

Innovations, when they come onto the market, often change customer needs, or even create new customer needs that did not exist before. Alternatively, the way customers use products in practice is completely different than the theory. This is what Nokia realized after the company launched the open internet platform Beta Labs in 2007. The platform allows users to download, test and comment on new applications that are still in the beta phase. The unfinished mobile phone app "Sports Tracker" was downloaded more than a million times. Consumers used it in ways the developers could never have imagined.

A new understanding of risk

Instead of creating a culture of risk avoidance, the companies have created a culture of making mistakes and experimentation which, within a defined structure, permits something many companies find difficult: trying things out and accepting the risk of planned failure.

"Innovators rely on their courage to innovate. An active bias against the status quo and an unflinching willingness to take risks." (Dyer, Jeffrey/Gregersen, Hal/Christensen, Clayton. "The Innovator's DNA", Harvard Business Review, December 2009)

3

Culture of risk and experimentation

Innovation does not come with full coverage insurance

Tata Group – failure is rewarded

If there was a prize for the most unconventional innovation competition in the world, the Tata Group would be in with a good chance of winning. In 2009, 1,700 innovation teams from 65 Tata companies vied to win the various categories of the competition. What makes the competition special is that alongside the most successful innovations, prizes are awarded to really forward-looking ideas that are completely new. Tata also awards a prize in the "Dare to try" category. This category rewards the courage of a team that made a serious attempt to advance a major innovation, but failed in the process. "We all know that intelligent failures are important milestones on the way to forward-looking innovations," is how the competition jury describes this category. "This prize rewards this spirit."



The culture of risk and innovation in the companies we studied is not an end in itself. On the contrary. The risk goes hand in hand with total target orientation, discipline and solid, detailed planning.

Creating a culture of risk and experimentation is not about completely disregarding the traditional methods of risk analysis. Nor is it about throwing good money after bad. Instead, it is about permitting failure within clearly defined boundaries, keeping clearly defined objectives in mind. But is this also an option for a company that is under constant scrutiny by the stock market and analysts in the banks? Amazon boss Jeff Bezos thinks so. "If the people running Amazon.com didn't make serious mistakes, we wouldn't be doing a good job for our shareholders. It would mean we never get to test how far we can go."

Research in Motion – the "9 out of 10" rule

For Mike Lazaridis, one of the company founders, there is no doubt about it. He sees failures as normal, as part of the innovation process. When the time comes to try out theoretical ideas for real on the BlackBerry, he is always surprised. "Nine times out of ten, we come up with something that sounds great. At the intellectual level, it sounds like a great function or a great way to implement a function.



Nine times out of ten it doesn't work. We try it out and no one likes it, or it simply doesn't work or just works clumsily." The difference with a management style characterized by risk aversion is that the nine failed ideas are seen as leading up to the tenth idea, the one that works. For Mike Lazaridis, this has consequences in terms of the corporate structure. "The trick is, can you create an environment where it's OK to make mistakes because that's how new things happen?"

Apple – "customers don't know to buy"

In the 1990s, Apple spent a lot of time consulting product advisory committees or hunting for so-called "customer insights" in focus groups. This made the company reactive. The fear of doing something wrong meant the company used today's customer wishes as models for the innovations of tomorrow. In our research, we came across interesting blogs in which current and former employees discuss the Apple culture. There was a comment by an Apple vice-president that sums up an idea that characterizes Apple: "Customers don't know to buy. We need to tell them what to buy."



On closer inspection, the idea makes a lot of sense. How many customers would have said in a focus group in 2009 that what they really need is an iPad? Apple consistently implements the philosophy of "don't be frightened of failure". After all, if you move forward courageously, you are bound to make mistakes. This is what this HR manager meant when he wrote the following in an Apple insider blog: "Apple vice-presidents are entitled to make mistakes without being made to pay for them."

4

The employees

Operational strengths and creative weaknesses

A study of the most innovative companies in the world clearly shows that it is not a question of the amount of money invested in innovation centers, employee well-being or interior design. In the end, it is about coming up with the right idea at the right time. If this does not happen, the most lavish innovation center is a waste of money. That's because over time, every innovation and development center takes on a life of its own. Certain ways of doing things are ruled out from the beginning because they have not worked in the past. The developers are barred from using certain approaches because however skilled they are as engineers, they lack a small piece in the puzzle of knowledge that would unlock their idea.



Academics have known the reason for decades: misconceptions about the composition of teams and personnel policy. Too many companies place too much emphasis on industry experience, because selecting candidates on this basis is a way of strengthening the operational side. But operational strength quickly becomes creative weakness when

it comes to developing new ideas. This is because the things that are valued and respected as industry experience are only helpful up to a point. Sometimes they even get in the way. Every industry has its own truths and ideas about what can be done and what can't. If 10 employees are appointed to fill 10 posi-

tions on the basis of their industry experience, this is the best way to guarantee that the department will be bogged down in old ideas and techniques. The profiles of candidates who are actively sought out by the most innovative companies in the world are therefore very different from the standard profiles.

4 The employees

Operational strengths and creative weaknesses

Nike - diversity as a driver of innovation



"It's not a single product model, nor a single manager, nor one ad, nor a single celebrity, not even a single innovation that is key to Nike. It is the people of Nike and their unique and creative way of working together." (Phil Knight, founder). Nike has done what everyone in politics and economics keeps on talking about – marrying innovation and diversity. The U.S. workforce includes 1% American Indians, 9% Asian origins, 11% Latin American origins, 20% black. 48% are women, 52% are men. For Nike, diversity is a competitive advantage and a central element of the growth strategy. The underlying philosophy? A wide-ranging dialog and deeper links with different communities as a basis for new ideas. Lots of ideas have originated out of this diversity, for example special sneakers for Native Americans, a target group that is more likely to be overweight.

Microsoft - intelligence, not experience

Right from the word go, Microsoft founder Bill Gates made a point of recruiting extremely intelligent people. The company "places intelligence ahead of experience".



Microsoft does not employ people with experience and expect them to be motivated. Instead, they employ intelligent people who are "driven" and who are given the opportunity to expand their horizons. The recruitment tests are designed to reflect this. The candidates are deliberately pushed to their limits to find out whether they can "survive" in the Microsoft environment, which is characterized by dynamism, constant change and a slight tendency towards chaos. If no suitable candidate is found, Microsoft deploys the "N minus one" strategy. The position is simply left unfilled.

Virgin Group – revolutionary with a large dose of humor

The culture of the Virgin Group is heavily influenced by the personality of its founder, Richard Branson. He is slightly eccentric, with a healthy dose of humor and certain lack of respect for formal hierarchies and authority. At the same time, the company culture is characterized by hard work and a willingness to take personal responsibility. Virgin looks for people who will fit into this culture: people who will not just enjoy work, but will love it with a passion. Applicants are not told what Virgin-ness is exactly. Virgin defines Virgin-ness in the same way as

the company: something organic, in a state of constant flux. Above all, employees must live the values of the Group. Giving customers a better deal by being "fun, innovative and competitively challenging".



Decisions about the types of candidates the company is looking for must be taken with great care, especially in the context of innovation. A uniform workforce with lots of industry experience will achieve efficiency gains in the short term: the new recruit will hit the ground running, and less time will be taken up with discussions. But over the long term, a recruitment strategy striving for a wider mix will produce more creativity. There are good arguments for both strategies. It is important to have a healthy balance between insiders and outsiders. The recruitment policy has a huge influence on the quantity, variety and quality of ideas in the company.

5 Catalytic leadership

5.1 Defining targets and limitations

In the first section, we discussed the importance of offensive strategies and unique corporate values. But these things are worthless unless managers at all levels can break them down into specific objectives. If you only expect the possible from a team, it will rarely do the impossible. If you encourage a team to think along tried-and-tested lines, it will not come up with ideas going beyond these limitations. Catalytic leadership is about setting ambitious, visionary objectives and regularly shifting the normal boundaries.

Intel – innovation comes from pressure



Ideas cannot be forced, it's true. But pressure, in the form of ambitious and specific innovation objectives, can move mountains. That is why objectives-based management has such a high priority at Intel. Each employee has a clear idea of the corporate strategy and of the bumps in the road before a new product is released. Developers are given the tools they need to achieve the ambitious targets. For example, the Intel Developer Forum takes place twice a year. Intel challenges participants to reveal their most difficult issue and to open it up for discussion by a panel of experts. All the time, managers are subtly reminding employees that successful innovation means tackling the most difficult issues – not the ones that are easiest to solve.

General Electric – Die Ideenquote

Even Thomas Edison, the inventor and genius who founded General Electric, had an ambitious innovation objective: "a small invention every ten days and a big invention every six months". The company thinks along the same lines to this day. Every unit leader is required to go before a special committee once a year and present three new ideas for growth.



General Electric's ideas quota automatically forces middle management to act. This engenders an almost automatic reflex to create the right conditions for these ideas to emerge in their own departments – by setting objectives and boundaries, and by giving employees the freedom they need to develop ideas within these boundaries.

Amazon – Im Überfluss entstehen keine neuen Ideen

If you have three million euros to develop an advertising campaign, your first thought will be an expensive slot on TV. If your task is to achieve the same impact with just 300,000 euros, you have no choice but to get creative.



"Austerity stimulates innovation in the same way as other limitations do," is how company founder Jeff Bezos puts this fundamental philosophy. He remains one of the leading proponents of an approach to innovation that uses limitations to stimulate creativity. Google, too, believes in the principle of limitations – budgets are made smaller not bigger, deadlines shorter not longer, teams smaller not larger. Management stimulates creativity with a cleverly selected variety of limitations.

5

Catalytic leadership

5.2 Creativity not control – autonomy as a leadership style

In for years, academics have been talking about "intrinsic motivation" as one of the main factors in creativity. If employees can tackle a problem that stimulates them and that they have a passion for, the chances are that the results of the creative thinking process will be better than if creative tasks are assigned according to the traditional principle of delegation.

Nike – freedom rather than time stamps

There are not many companies that give their creative employees as much freedom as Nike gives its hundreds of designers. Designing sneakers or apparel at Nike is not "about punching the clock but all about following your passion," says John Hoke, Vice-President for footwear design.



It is an example of a creative corporate culture that works by finding inspiration far beyond traditional meeting rooms and transforming it into ideas. "When you sit down and develop ideas, it's a combination of everything you've ever done and seen in your life," says Tinker Hatfield, Vice-President for Innovation, designer of the Nike Air sports shoe. "Interestingly, these shoes have their origin in the architecture of the Pompidou Center in Paris," he explains. Nike takes this open way of thinking and the freedom it gives to designers, and turns it into a measurable "return on creativity". Simply put, Nike transforms creative freedom into profit.

seek out their own areas of interest in certain strategically important areas of innovation.

Google – Die Lizenz zum Träumen



Google developers have the freedom to use 20 percent of their working time to pursue any projects they are personally interested in. "It's not like people really religiously say, okay, every Friday I'm working on exactly what I want to work on," said Marissa Mayer, Vice-President of Search Product and User Experience, in a lecture at Sanford University. "Sometimes people do that, but more often, you know, they'll work on their core project for a few months, and then they'll take some time off of that and work on their 20 percent project." In her lecture, she also answered a question she is often asked by skeptics: does 20 percent free time not just mean the company is throwing away 20 percent of its productivity? To answer the question, Mayer traced Google innovations all the way back to their source. "50 percent of all new Google products come from the 20 percent time."

when you go home after work. Many studies have found that "intrinsic motivation" keeps cropping up as one of the most important factors in creativity. The companies we looked at have switched to allowing employees to

Nokia – Freiheit für eine Woche

Nokia is a good example of how companies can give their employees autonomy for a limited time. Its Innovation Week takes the Google approach, but limits it to a particular period. Small groups made up of members of different research labs decide for themselves what to work on.



They have a week to come up with ideas and concepts. The bar is set very high – by the end of the week, there should ideally be a demo. It is part of an initiative to breathe new life into creative thinking and creative activities, time and again. Nokia proves that it is possible to stimulate creativity by granting autonomy in a targeted way.

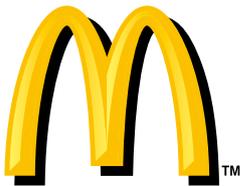
If you have a genuine passion for a particular subject, you will get to grips with the subject matter more quickly and more solidly. Nobody has to tell you what to read or research – you will do it by yourself. And your brain will not stop thinking

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5.3 Managers as inspirers

In the companies we studied, the role of executives was not the same as in traditional companies, which are so focused on planning, delegation and control. This does not mean scrapping the traditional functions of management – monitoring objectives and planning activities occupy much of the working day, even in companies like Intel and Microsoft. But managers need to do something extra. They are increasingly becoming inspirers. It is not just about defining and optimizing this process, but also about keeping it fresh every day and motivating employees to give their best creative performance.

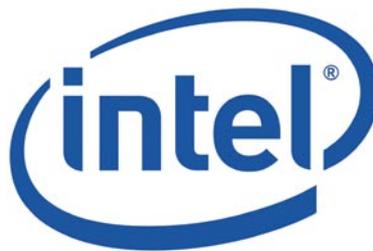
McDonald's – the battle against complacency among executives



When do companies become creative? According to McDonald's, the answer is as simple as its product line: when every manager has internalized innovation as a mindset. And when every employee is encouraged to develop ideas that lead to innovations. "We use leadership as a vehicle to create a culture of continuous improvement and innovation at McDonald's," says David Small, Head of Executive Development in the U.S. Employees are encouraged to develop new ideas for innovations. It is part of a culture in which executives have an open mind when it comes to new ideas. Team leaders and middle management are regularly invited to sit on innovation panels. Innovation panels bring together people from very different regions and levels in the company. The company wants executives to be self-confident, but not so much so that they start "believing that others can't do things better".

Intel – an unusual approach to delegation, keeping the Outsider Advantage

How can employees be constantly presented with new impressions? And how can they repeatedly find new ways of looking at things so they keep hold of what Intel calls the "Outsider Advantage". The unwritten rule that the most experienced researchers handle the most important project is also deliberately broken at Intel.



The management wants to make active use of the "Outsider Advantage" – the advantage that comes with a fresh look from the outside. An unusual decision was taken for the TeraHertz project: the people chosen for this, the company's most important project, were not the most experienced, but the most recently appointed. The reason was that new employees have not yet learned what is impossible or too difficult, and are more willing to try things out.

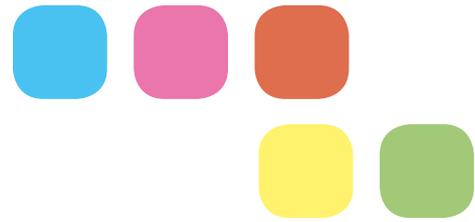
Google – inspire, don't dictate

What Google asks of its management is nothing less than a reversal of traditional management principles. Don't dictate, inspire. Don't order, enable. Don't prevent constructive friction, encourage it. And stimulate people to have new ideas, innovations and fun. Fun as a catalyst for new ideas.



It may sound like a Utopian dream at first, but in fact, it is based on clear results from academic studies. Teresa Amabile's interpretation of "fun" is not the traditional one – for example, people spending their working hours playing table soccer. For her, fun is instead the deep satisfaction and fulfillment employees have in their work. Google makes space for this kind of fun. Google's 20 percent rule is an important part of this. Employees can use 20 percent of their time to pursue their own new projects. One of the fruits of this unusual leadership style is Google News.

Fazit



Creativity and innovation have never been such hot topics before. There have never been so many opportunities to link together very different brains and thinkers, and there have never been so many superbly trained managers coming from the world's elite business schools. Nevertheless, when it comes to innovation, the thinking of most medium-sized and large companies is flawed. This flawed thinking means that processes are prolonged endlessly, that imagination and creativity are replaced with market research methodologies, and that no one experiments like Thomas Edison, preferring instead to commission the next feasibility study. And it also means that hardly any companies are prepared to turn received wisdom on its head, like Albert Einstein did in his day. New processes are simply created instead.

the industrial society forever and heralding the creative economy. Making the best possible use of this resource is impossible without really understanding how it ticks. We are currently working on more studies investigating what it is that fosters creativity in a company. We aim to provide the support you need to increase the number of times the people in your company, department or team can say "what a brilliant idea!"

In the years to come, companies will increasingly have to apply the approaches we came across in the most innovative companies in the world. It will be increasingly necessary to weigh the conflicting interests of greater efficiency and greater creativity against each other. And companies will increasingly be measured according to how many ideas and how many successful ideas they can come up with. In terms of management, this requires a shift of thinking at all levels. After all, creativity – as our study revealed – is not just something that happens at the start of a process of innovation.

introduce new leadership techniques and work structures in their companies. Hopefully, they will be able to say more often "what a brilliant idea!" This new way of thinking is important for companies, but it involves providing management with new tools in order to leverage creativity in the company in a new way. Futurologists are already seeing creativity as a key resource in future. According to one recent study, the economy is on the brink of the most fundamental change since the industrial revolution: saying goodbye to

Creativity is rooted deep in the DNA of the most innovative companies in the world. Every project, every workgroup and every process is designed so that obstacles can be overcome quickly and straightforwardly with creative solutions, and decisions can be taken with the minimum of paperwork, fuss and delay – creating a space where ideas can form that leave other companies far behind.

I hope this study helps to give you a better understanding of creativity and creative thought processes. And to raise awareness among managers at all levels as they introduce

Die Ideeologen[®]

Die Ideeologen ("The Idealogists") are the specialists in strategic idea development and innovation culture. The company works with clients including Microsoft, Volkswagen, TUI and the BASF Group, running strategic ideation processes, designing creative processes and helping companies build a creative corporate culture. Die Ideeologen achieve this through a consistent combination of strategic and creative thinking.

Leistungsportfolio

Organization development, consulting, lectures, training, workshops, coaching, idea development

Der Autor dieser Studie

Jens-Uwe Meyer, director of Die Ideeologen, is Germany's highest-profile expert in creativity in companies. In 2009 and 2010, he published around 90 articles in German and international publications (including FAZ, Welt, various management publications). The author of six books combines the strategic expertise he gained from his MBA with creative thinking techniques.

Jens-Uwe Meyer holds Germany's first teaching position in Corporate Creativity in the MBA curriculum at HHL – Leipzig Graduate School of Management, where he is currently completing a doctorate in the field. His resume is as interesting as the ideas he promotes: before setting up Die Ideeologen, he was a police inspector in Hamburg, a studio manager in the U.S. and lead reporter for Pro Sieben and a radio director.

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