10-21-2011

Driving Innovation During Times of Growth

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Abstract

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CORNELL HR REVIEW

DRIVING INNOVATION DURING TIMES OF GROWTH

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Keynote: Creating a Climate of Innovation

J. Randall MacDonald, Senior Vice President of Human Resources at IBM, delivered the keynote address at the 9th Annual Human Capital Association Symposium. The theme of the event this year was "Driving Innovation During Times of Growth".

MacDonald began by suggesting that innovation is a mindset that emerges out of a particular climate. This environment is created by leaders who constantly challenge the status quo and welcome new ideas. IBM is a prime example of a company that has been innovative since its inception; its first products were cheese slicers and commercial scales, but they soon expanded and have since grown into a company with nearly $100 billion in revenue in 2010. MacDonald likened this culture of change as being hardwired into IBM's DNA.

Innovation is also spurred by crises. Moments of failure require both introspection and thinking openly. Inquiry, regardless of its perceived absurdity, is also necessary to generate thinking in others. According to MacDonald, no question is out of the question because often times it makes one think from a new perspective. Bluntly put, if you want to make something of yourself, you have to be comfortable with rejection and be used to looking ridiculous.

The conversation then narrowed in on the evolution of HR at IBM. When MacDonald first came to IBM, HR was mostly administrative and transactional. He noticed administrative redundancies that no one questioned because that was the way it had always been done. Specifically, IBM had 37 payrolls systems across the world. MacDonald looked for the simplest and most efficient system, found that the Belgian

system was a good prototype, and integrated all payrolls into one system modeled after the one in Belgium. This example highlighted his point that "bigger is not always better, bigger is just big". MacDonald then reemphasized the importance of not being complacent. Red flags should be raised when processes are not being reevaluated because it is easy to fall into the trap of maintaining the status quo. A company should always be looking to increase its efficiency and performance through constant changes.

While it is continuously stressed that HR needs to add value by going beyond a service function and into a more strategic role, MacDonald warns that HR should not always be focused on creating new strategies. Instead HR needs to focus on supporting and executing current business strategies effectively. Also, the temptation often exists to implement current fads within one's own company, but it is important to first evaluate the trending practice to see if it fits with the business. Beyond innovating the overall enterprise, it is important for HR to be self-innovative and drive changes and progress within its own function. MacDonald summarized the important characteristics of an innovative HR function through the acronym **FAACT**: Functional, Aggressive, Accountability, Continuous learning, and Team.

MacDonald then introduced the framework of IBM "HR ThinkFuture". It includes several specific ideas that move beyond the conventional ways of practicing and thinking about HR. The first idea is that of thinking of talent as a cloud. MacDonald suggests that we should think of talent as mobile, rather than static or proprietary, because it has the potential to be widely accessible through technology. For example, MacDonald proposed that it may not be unreasonable in the future for high quality individuals to contribute to IBM's talent pool in the morning hours via virtual tools and work for another company in the afternoon. Second, multicultural leaders are seen as increasingly vital in the more global world. We cannot continue with the notion of superior performance being achievable through utilization of Western leaders in foreign contexts. MacDonald sees the need to innovate through increased sensitivity and through the hiring and development of multicultural leaders. Third, social media can be a tool for HR; it can replace periodic performance reviews and enable daily, continuous feedback, thereby creating a new level of accountability. Finally, HR can implement predictive analytics tools to drive further transformation.

MacDonald concluded by returning to his initial proposition that leadership is the key driver of all transformation. He made several suggestions for what leaders should keep in mind as they push for change within their organizations.

1. **Groups think big, but must convey ideas into actions**
2. **How leadership evolves**
    a. Lead through influence, not through bullying or power
    b. Learn from leaders
3. **Characteristics of the best senior leaders**
    a. Mental and physical stamina
    b. Courage to go against the norm
    c. Persistence

4. **The most important lesson to consider**
   a. "How do I add value?"
   b. "Have I made a difference today?"

The address ended with the suggestion that each individual ask themselves how to further add value to their current environment and evaluate whether they have had an impact. MacDonald believes that if the answer to either of those questions is "no" then "it is time for you to hang up your shoes". The necessity for innovation is constant and requires that everyone involved be dedicated to that venture.

Panel One: Leading a Culture of Innovation

How can human resources enable, construct, and support a culture of innovation? This challenge served as the focal point for Cornell University's 9th Annual Human Capital Association Symposium: *Driving Innovation During Times of Growth*. After a keynote address by J. Randall McDonald, SVP of Human Resources at IBM, the event launched its first discussion on the role of human resources in fostering an innovative culture within organizations. Professor Risa Mish of the Johnson School moderated the panel featuring participants Marc Chini (VP of Human Resources, Corporate at General Electric), David Clark (VP of Human Resources & Sr. Relationship Leader, Enterprise Growth at American Express), and Craig Hurty (Head of HR Shared Services at Aetna). These three leaders established the following framework within which HR can build talent, processes, and culture that would enhance an organization's capacity to innovate.

- **Innovation manifests itself in various forms.** Organizations should constantly strive towards securing additional revenue streams through investing in new ideas. However, organizational innovation can span beyond breakthrough products and brand recognition. Other methods by which companies can drive innovation include producing continuous improvement in areas such as customer service, or adopting a fast follower role of integrating best practices into internal processes. Innovation can be simple, easy to implement, and user-friendly, while still contributing to heightened productivity and profitability.

- **HR should serve as the guardian of an innovation culture that promotes a sense of urgency, appropriate risk-taking, and a comfort with ambiguity.** Finding talent who are comfortable in an innovative culture, and with piloting and modeling initiatives on a small scale, will allow HR to facilitate idea generation within the organization. HR should assume a proactive role in eliminating structural or policy impediments to innovation. Furthermore, HR initiatives should be created for, or in collaboration with, business leaders, not served to them.

- **Employee champions of innovation and diversity of thought need to be protected.** Organizations tend to rely on a key group of risk-takers who help drive innovation through their company-orientation and advocacy for cognitive diversity. In addition to setting accountability frameworks, HR needs to actively empower and

safeguard these employees within change-resistant cultures to prevent backlash and discouragement.

- **Failure and smart risks are fine but be iterative.** HR leaders cannot exempt employees from repercussions of risk-taking, but they should encourage intelligent risk-taking in spite of the potential consequences. Taking chances does not preclude rational thinking because employees should always be able to soundly justify their choices. Within a longer-term perspective, mistakes can also facilitate eventual success as long as the organization consistently improves on its failures.

- **Change agents should focus on relationship building.** To assist change agents within the organization, HR should emphasize the importance of stakeholder priorities. Instead of focusing on their own agendas, these innovation champions need to realize the imperatives of building alliances, generating early wins to establish credibility, and being strategically pragmatic in goal-setting. Incremental modifications may be more suitable than drastic overhauls.

- **Strike a balance between an innovative culture that is neither too exploratory nor overly restrictive.** Though funding and budgetary guidelines dependent on progress and baselines are necessary, organizations should also reward innovation champions with greater trust and oversight. HR should consider generational differences in compensating and motivating these employees as well.

- **Benchmarking can be strategic, but only in moderation.** A strong focus is necessary when examining best practices for driving innovation. The overwhelming spectrum of options from other companies can lead to HR strategies with a scattered mission and lack of risk control. HR should tailor best practices to organizational needs or use benchmarking to simply facilitate idea generation and rely on analytics to derive customized solutions instead.

The insights from this panel discussion reinforce the key role of HR professionals in setting the foundation for innovation within organizations. In addition to securing talent who thrive in environments of risk and uncertainty, HR holds the challenging responsibility of encouraging and rewarding these individuals through building supportive cultures and leadership. HR needs to serve as a proactive ally to the business through reconfiguring old processes and ideas. Only by modeling innovation and adapting to new contexts as a function itself, can HR truly promote innovation throughout all levels of an organization.

Panel Two: Building a Talent Pipeline

Creating a culture of innovation is met with the challenge of finding the right talent that can contribute fresh ideas to the organization. Attendees gained insight on ways HR leaders are building their talent pipeline to allow for sustainable innovation during the second panel discussion. Moderated by Kathleen O'Connor (Associate Professor of

Management and Organizations), the panel included Michelle Boyea (VP of Talent Acquisition at McKesson), Alice Davison (VP & Sr. Manager of Talent Management at The Capital Group), and Bala Sathyanarayanan (Sr. Director and Head of HR for Enterprise Business in America at Hewlett-Packard). The participants shared several themes to building an innovative workforce for today's landscape.

- **Firms must create flexible career paths to foster innovation.** The notion that professional growth is highly based on one's management skills has evolved. When companies offer technical career paths they send the message that employees are rewarded for creating ideas regardless of managerial status. Many employees have a desire to focus more on their technical expertise and less on becoming a manager. These individuals can greatly benefit the company and have a roadmap for successful careers.

- **The level of desired innovation is based on context.** When an organization seeks talent it needs to assess how much innovation is needed. HR leaders should always ask themselves, "How much innovation does the *business* aim for, and how will we appropriately staff that need?" A technology firm may desire more innovation than an investment firm, which must be more prudent in its decision over others' accounts. One should also examine different positions within the firm, as levels of innovation may vary. For example, software engineers should be given more latitude for creativity than an account manager, as financial responsibility is most important for the latter position. The latest context for this is social networks. Facebook and LinkedIn are prime examples of social media avenues for connecting with innovative talent. Companies may capitalize on this by seeking individuals who demonstrate expertise in social media.

- **Seek individuals willing to learn over those who fear making mistakes.** The aim for perfection may lead a company to be risk-averse, thereby hindering innovation. Recruiters should turn their attention to talented individuals who are willing to learn from failure. Development programs expose individuals to various facets of the organization and offer them immediate responsibility. This early development stimulates the capacity to think creatively as new recruits get the chance to learn from shortcomings and breed new ideas for the organization.

- **Innovators must articulate their value to the business.** When an employee makes innovative contributions he or she must be able to convey this to the company in order to be recognized for their efforts. That is, employees must take ownership for their stellar performance. By doing so, a dialogue between the company and the employee opens. The result is that employees feel engaged and valuable to the company while the company benefits from the new ideas. These mutual gains are conducive for a culture of innovation.

It will behoove organizations to keep these principles in mind in order to achieve a long-term talent pipeline that is rich with innovation. This panel reminds us that our people

drive the business. To create innovative cultures companies must start by seeking the right individuals who will fulfill these challenges. א

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