Many companies try to enhance their innovation performance by formalizing their innovation process and project portfolio management. Their success is, however, often limited.

Recent investigations have shown that sustainable innovativeness is conditioned by a climate of trust in the organization and that there are ways of overcoming sources and effects of mistrust, thus unleashing innovative initiatives.

At Arthur D. Little, we have been helping our clients for over 125 years to manage for product and service leadership and new business approaches in order for them to gain a competitive edge in the market. In Arthur D. Little’s recent Global Innovation Excellence Study, it became apparent that maintaining a lead in innovation performance is getting harder and that one of the most important success factors is the ability to mobilize the whole organization to develop new ideas.

Over the years, we have experienced changes in innovation requirements. While using technology and R&D more systematically as a competitive tool was the name of the game for most of our clients until the late 1970s, in the 1980s and 1990s when markets tended to saturate, we tended to focus more on helping to introduce new approaches to zeroing in on customer needs more effectively, and optimizing the deployment of their R&D resources to respond better to these needs.

Innovativeness requires a climate of trust

Mobilizing the organization for new ideas

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There is often a mismatch between the intellectually best solution that emerges through innovation and the implementation of that solution. This gap can be attributed largely to the human factor, and recent research has revealed a strong link between the climate of trust within a company and its innovation performance. In this article the authors discuss developments in creating a climate of trust that provides the best possible conditions for innovativeness.
As innovation became increasingly a top strategic priority amid more and more intense global competition, we helped our clients to integrate their innovation efforts into their business strategy, and often to rethink their entire business model.

Thus, we speak of a sequence of generations of R&D and innovation management.

We now see clear indications of a new challenge that is confronting innovation management.

Innovation has always been the result of a complex interaction of many functional areas and people in the organization who are involved in creating, evaluating and selecting innovative ideas, who are responsible for decision-making processes about risky resource allocation, and who manage development efforts in an environment of uncertainty. We have always found that there tends to be a difference between the intellectually-convincing best solution and what actually happens when it gets implemented, whether consciously or unconsciously. It has been said that this is because of “the human factor.” Since this difference is less and less affordable in the current innovation race, we have to better understand and deal with “the human factor.”

Recent research has shown that there is a strong link between the climate of trust and the innovation performance of companies, and furthermore that the climate of trust has deteriorated in many companies over recent years. It is this deterioration that has made it more difficult for them to be innovative in spite of the formal innovation process that they have implemented.

The climate of trust has been measured in a number of companies, which have thereby been able to better deal with the human factor and gradually improve their climate of trust.
According to the findings of the research, there are six measurable parameters that largely determine the climate of trust:

1. The quality of communication within the company in terms of the clarity and credibility of commitments made by the leaders, as well as their openness to the arguments and views of others

2. The reliability of the rules of the game and of values in terms of being adhered to under changing conditions and in terms of room for initiative

3. The soundness of the perspective in terms of the likely future of the company, of job security and of the ability to master change

4. The identification of employees with the company in terms of their view of the company’s reputation, their feeling of being part of it and their assurance of playing a constructive role

5. The appreciation of the employees by the company’s leadership in terms of recognizing their contribution and effort, of fair compensation and of their ability to progress

6. Belonging to a community in terms of the role of team play and the quality of teams, of pursuing a joint objective and of benefiting from joint success.

Once the climate of trust has been measured through an internal company survey, and once the weak spots have become apparent, management can and must take the lead in overcoming them.

In many cases, mobilizing the whole organization requires open and interactive communication about the potential areas of and the criteria for strategically desirable innovation, enhancing the active exchange with lead users about their unfulfilled needs and fostering innovation initiatives among cross-functional teams.

Consciously cultivating the climate of trust and stimulating innovative thinking go hand in hand. Leaders dedicated to managing both are the ones that achieve sustainable innovation success.

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