

## Creative Power - Unleashing the creativity of your employees without getting crippled by complexity

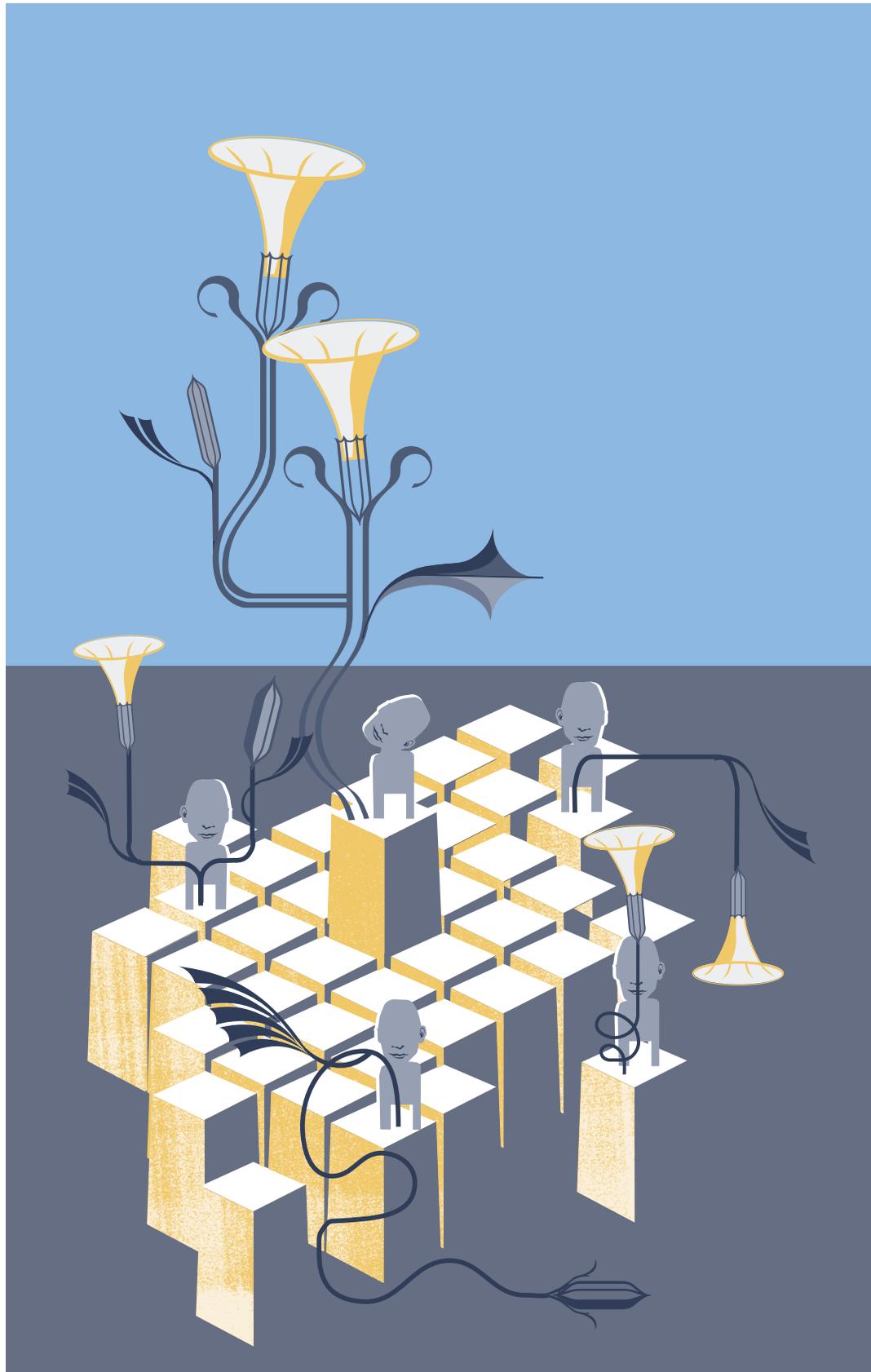
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**Companies are always trying to get the best ideas out of their employees, but traditional approaches like “the idea box” usually don’t bring the desired results. In this article the authors show how the best way to really tap into this richest of all creative sources is through innovation award programmes. They set out the characteristics of successful programmes and the business case behind them.**

Could you imagine being in the business of selling holes – and thereby growing sales to € 2.5 billion and generating a respectable 16 percent return on equity? Well, that’s exactly what Hilti is doing. Based in the Principality of Liechtenstein, Hilti is the world’s leading producer of powertools and technical equipment for the construction industry. Having established a reputation for technology leadership and product excellence, Hilti’s management turned its attention to services and business model innovation. It thus accomplished a change of paradigm by selling “holes” instead of drilling machines. The foundation of the changeover is a fleet management concept, in which Hilti takes full responsibility for providing its customers with the appropriate equipment for maintenance, repair, replacement and upgrade at all times. By offering a complete solution package instead of only selling individual products and services, Hilti enables its customers to focus on their core activities – and thus secures their loyalty.

Hilti’s changeover is one that inspires many companies searching for breakthrough innovations. Enthused by Austrian economist Joseph Schumpeter’s famous phrase “creative destruction”, executives are eager to stimulate creativity and re-invent their business. Traditionally they have relied on two pillars to cultivate innovation, which we call the “centre of excellence” and “grassroots” pillars:

- The “centre of excellence” pillar embodies the idea that innovation is carried forward by specialist functions. From the top-down, the company mandates specialist institutionalised bodies – such as the R&D and Marketing departments, an incubator, a think tank, and the like – to be creative and create innovations.
- The “grassroots” pillar relies on suggestions for continuous improvements from employees throughout the organisation. The quintessential embodiment of this bottom-up approach is the “idea box”. While most companies utilise this approach, effects are usually modest, leading to only incremental and partial improvements.



Increasingly executives are attempting to combine the best of both worlds: to go for breakthrough innovations and to involve the whole company in this exercise. They realise that, as a result of their reliance on focused specialists, they ignore what may possibly be the richest fountain of innovation: the collective creativity of the entire organisation. In order to leverage the full creative power of their organisation, they use collective mobilisation instruments that involve every single employee within the organisation. While there are various such instruments, innovation awards are among the potentially most attractive.

Unfortunately, such instruments can also create a lot of “collateral damage” in the form of added complexity, especially in large organisations. Involving all employees actively and meaningfully in an innovation award programme is a fiendishly complex undertaking. But companies like tourism group TUI, insurance company Allianz, chemical group Solvay and fast-moving consumer goods company Henkel show how to solve this dilemma by tapping into the collective creativity of the organisation while minimising complexity. Although they obviously maintain the “centres of excellence” and “grassroots” pillars, they have made innovation award programmes their dominant strategy for promoting and driving innovation.

In this article, we will describe the characteristics of successful innovation award programmes, as well as the business case in favour of them. We will also show how to cope effectively with the concomitant complexity. And we will illustrate the insights with a case study from TUI AG, the European market leader in tourism.

### The characteristics of successful innovation award programmes

Innovation award programmes are initiatives with a clear roadmap targeted at all employees and tangible rewards for winners. Successful programmes share a number of key characteristics: they are set up as competitions; they involve top management; they are organised as campaigns; they are focused on teams, and they care for sustainability. Let’s look at each of these in more detail.

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- **Competition:** Internal competition is the engine of award programmes. Solvay calls its innovation programme the “Innovation Trophy” and TUI uses an Olympics theme. The use of metaphors from sports, hunting and gaming aims at pushing the issue of innovation out of the “business-as-usual corner” into the realm of out-of-the-box thinking. The competitive spirit emotionalises innovation management and triggers people into participating. As in any other serious competition, innovation awards are based on transparent and easily understood rules. The competition is open to everyone, and the best applications are awarded tangible prizes at the end. In other words, the game format is beneficial for at least two reasons: it adds an emotional component by challenging employees to bring themselves into the process, and it provides a simple and easily comprehensible structure and framework. It also builds expectations of fairness and transparency.
- **Top-management involvement:** Large organisations are continually fighting against excessive hierarchy and complexity. Business strategies usually trickle down along a cascade of checks and responsibilities. It is hard for upper management to have direct influence on and remain in touch with the shop floor. An innovation award strategy brings in a shortcut. All corporate innovation award programmes we have worked with have the CEO or another senior executive in the driving seat, functioning as sponsor. From the viewpoint of the corporate citizen, the innovation award programme opens up a direct reporting line to the top layer of the organisation. Shaking hands with the CEO at the award ceremony is the institutionalisation of an objective that large corporations are eager to achieve: providing direct access to top management.
- **Campaign organisation and momentum:** Even innovation award programmes that have been running for many years do not operate within the confinements of line structures. There are no innovation award departments and rigid reporting lines. Innovation awards programmes are usually run in campaign-like set-ups, much like political elections. Campaigning goes together with intensive advertising, widespread mobilisation

(e.g. through road shows) and broadcasting of general information (e.g. through an internet portal). All communication channels within the organisation are used and campaign helpers come from all parts of the organisation. In particular, lower levels of the organisation feel attracted, which secures the operational fit of the campaign with current operations and issues.

- Team orientation:** By definition, award programmes culminate in the giving out of a prize. The recipient can be the individual who came up with the initial idea or the team that came up with a joint idea or further developed an existing one. Regardless of the number of people being rewarded, the prize itself is always a big discussion point, and therefore has to be well thought-through. There are two schools of thought on this. One school favours tangible rewards in the form of financial or other compensation, while the other believes in intangible rewards such as recognition or the opportunity to contribute and see one's idea implemented.
- Sustainability:** An innovation award programme will bear fruit only if it is sustained over a long period. First of all, the introduction of a corporate-wide innovation award programme requires significant investment. Only a long-term approach will provide a return on this investment. Secondly, a long-term approach offers participants a second chance should they fail to make it into the finals of the race. In order to secure the programme's sustainability, then, several challenges need to be addressed. First, one has to deal with the disappointment that results from failing to pass a selection gate. The further the idea gets, the greater the disappointment. All participating employees should get a personal thank you, detailed feedback and a small gift as gratification. Additionally and even more importantly, they should be given the opportunity to realise and implement their idea at a local or decentralised level, even if the idea is out of the corporate award race. A second challenge is to sustain momentum year after year, both in terms of motivation and idea generation. Generally, the volume of ideas is enormous in the first year because the launch of the programme unblocks

an "idea traffic jam" by providing people with a forum to bring forward ideas that they may have already had in mind for a long time. But organisational fatigue can set in after a few years. Even without fatigue there is a limit to the number of ideas that can be generated in a given domain. In order to maintain the programme's success, it is advisable to regularly change the award categories or process.

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The above five characteristics describe the general principles of an innovation award programme. The blueprint for a particular programme will depend on the specific situation and ambitions of the company initiating it, as shown in Exhibit 1. What kind of innovation is requested: should it be new to the company or new to the world? What is the expected output: business model innovation or a new service approach? What level of idea maturity is required: is an idea sufficient, or is a pilot or prototype necessary? What performance degree is envisaged: an incremental or a radical innovation? Is financial impact the only objective or are cultural and change management aspects also important? The design of the innovation award process – from idea generation, concept development and business planning to winner selection and implementation – will have to take into account the answers to these questions.

Exhibit 1 Factors affecting an innovation award programme				
Newness	Output	Level of maturity	Performance degree	Impact
New to the company	Service/product/product features	Idea	Breakthrough	Financial
		Concept		Customer
New to the industry	Process	Prototype/pilot	Incremental	Capabilities
		Commercialised product/service		Culture/image

## The business case for an innovation award programme

An innovation award programme involving the entire organisation is resource-intensive. Campaigning for innovation requires time and financial and management resources. Nevertheless, we believe there is a business case for innovation award programmes. While most factors going into the business case are soft, there is compelling evidence that such programmes pay off. Let's look at the five benefits:

- **Integrating the organisation:** How can "super tanker" corporations be made more dynamic? By introducing a new strategy? By changing the corporate structure? By announcing a new phase in competition? All of these initiatives are part of corporate life. Their mobilising effect, however, is usually moderate. An innovation award, on the contrary, is a tool well suited to mobilising people. Such a campaign addresses each individual and challenges him or her to make a contribution in two ways. First, it combines personal advantages with positive goals for the organisation: the contributor of a winning idea profits personally from his or her initiative, and the company benefits from the innovation. Second, an innovation award campaign refocuses attention away from internal quarrels or inertia towards the market and competitors. Only ideas that are better than competitors' offers can win.
- **Integrating in the organisation:** An important bottleneck for innovation in today's large corporations is the lack of lateral communications. Different parts of the organisation do not share what they know with each other. Companies that have been growing for years through acquisitions lack an open communication culture. The winning idea in market A is not communicated to market B – or, even worse, is actively withheld from it. An innovation award programme acts as a "Trojan Horse" that is able to open up gates and thus to provide new ways to compete.
- **Overcoming middle management inertia:** Many corporations have cultivated a defensive management atti-

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tude that focuses on cost-cutting, internal positioning and strong discipline. Creative ideas that are generated at the operational level do not make it further than the middle management level. Innovation award programmes overcome this barrier by creating a link between grassroots employees and the top management level.

- **Demonstrating activity to outside stakeholders:** Analysts, investors, supervisory boards and other stakeholders constantly call for visible actions that improve the corporation's competitive position. Innovation awards demonstrate a high level of action. They produce visible results even in early phases – e.g. in the idea generation phase – that can be shown to the outside world.
- **Generating income from new products, services and processes:** Innovation award programmes are not launched merely or primarily as rituals intended to create a feel-good atmosphere inside and outside the corporation. While it may not be made very explicit, at the end of the day what counts are measurable bottom-line results from new and better innovations. A well designed innovation award programme will contribute to that.

In short, the case for an innovation award programme builds on a mixture of soft and hard factors. Such programmes are highly symbolic initiatives. They mobilise the organisation, they demonstrate activity to internal and external audiences and last but not least they contribute to tangible financial results.

## Coping with the complexity of innovation award programmes

As we have seen above, innovation award programmes are "simplifiers". They provide shortcuts between top management and the working level. And, as they are run as campaigns, they do not require institutionalised organisational structures. However, these shortcuts can also add considerable complexity to corporate life. An innovation award campaign can mobilise hundreds or even thou-

sands of ideas in the idea generation phase. All ideas have to be assessed, evaluated and developed into concepts. For a selected number of concepts, business plans will have to be developed. Decisions have to be made to select and reward the most promising business plans. All of these activities are door-openers for increased complexity. Let's have a look at four facets of corporate life that carry the seeds of complexity:

*Four facets of corporate life that carry the seeds of complexity: Strategic planning process, workload management and priority setting, internal communication, project management.*

- **Strategic planning process:** Large corporations have formalised strategy and budgeting processes. Eruptions of creativity that call for management attention, time and financial resources as well as for executive power for implementation carry the highest potential to induce conflict, discussions and problems. By definition, today's new idea is not included in and may compete head-on with yesterday's strategy. Line managers may respond to new ideas defensively and tend to see the risk side first. They may try to slow down or even bring the process to a stop while working-level teams and individuals will try to push forward.
- **Workload management and priority setting:** An innovation award programme creates additional work for organisations that are usually already overloaded with routine work. On top of their daily work, people have to sit down to discuss new ideas and their implementation. Typically employees will start to discuss capacity shortages and priorities with their supervisors, at the latest by the time business cases have to be developed, as this requires specific know-how and significant effort. The innovation engine can quickly overheat if hundreds of idea generators ask their supervisors for assistance. Complexity also increases when ideas have to be returned or rejected due to missed quality requirements. If not managed well, an award programme can easily trigger a communication and conflict cycle.
- **Internal communication:** An innovation award programme calls for good and broad communication, as people have to be informed about the rules of the game, deadlines, expectations in terms of contents, etc. Receiving thousands of ideas submitted in the

hope of winning an award puts enormous stress on the communication system. Every idea has to receive formal feedback and recognition. Those teams and individuals whose ideas do not make it to the finals have to be treated with particular empathy and respect. Likewise, one has to deal with idea owners who are unable to take part in concept development and to ensure fair treatment of different concepts. The innovation award must not produce frustration. It should generate a positive spirit and a shared emotional platform among employees.

- **Project management:** An innovation award process will produce hundreds of questions that have to be answered on a daily basis. What are the quality requirements for submitting an idea? How can you make business concepts from different business units comparable? What is the right format for a proposal? Which decision criteria have to be applied to differentiate? Who should communicate what? How is team-building organised across organisational boundaries? Who owns a cross-business unit idea? Answering these questions promptly and consistently requires careful campaign management.

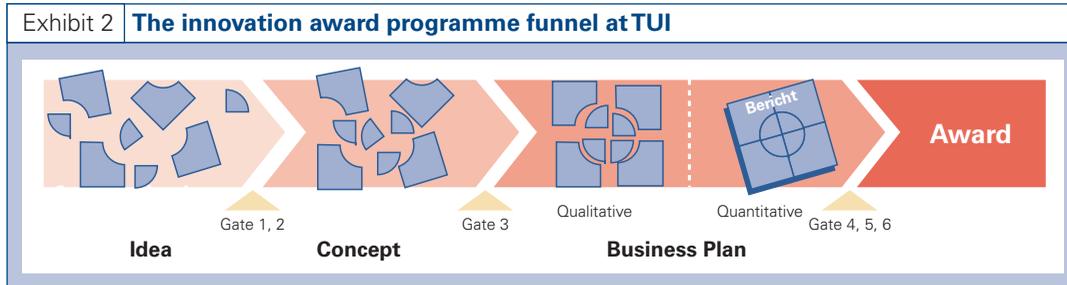
If not managed well, each of these four facets carries the risk of burying the expected outcome of the award programme – innovative products and services – under a bulk of additional work, communication and conflict. Each one requires careful thought and a deliberate strategy to avoid unmanageable levels of internal complexity and to focus the programme on its real targets: innovation, mobilisation and business impact.

### **A case example: Innovation management at TUI**

While TUI is the European market leader in the tourism sector, it has been more of a fast follower than an industry leader in terms of new products and innovation. Traditionally TUI's innovation approach consisted of two elements: the product development department and an employee suggestion scheme. Increasing competition, the emergence of new niche segments and the advent of

online customer buying patterns forced the tourism giant to rethink its approach. It made the decision to initiate a group-wide innovation award programme, running over an entire year. Using the slogan “let your idea win”, all divisions and business areas, covering some 50,000 employees, were to be involved. According to Peter Rothwell, TUI’s Chief Operating Officer, the reason for this new approach was to “leverage the know-how of the thousands of employees ‘at the front’ and to increase collaboration by overcoming geographic and cultural barriers.”

Innovations are pursued in four categories: new products and services, new marketing and sales approaches, new business opportunities, and process improvements. The process is designed as a milestone-based funnel, starting with idea generation. The ideas are screened, evaluated and partially screened out. The remaining ideas are further developed into qualitative concepts and quantitative business plans (see Exhibit 2).



At the end of the year, the best ideas are rewarded with gold, silver and bronze medals at a gala. According to Dr Michael Frenzel, TUI’s CEO, the prerequisite for winning a prize is a concept that promises and realises sustainable profits:

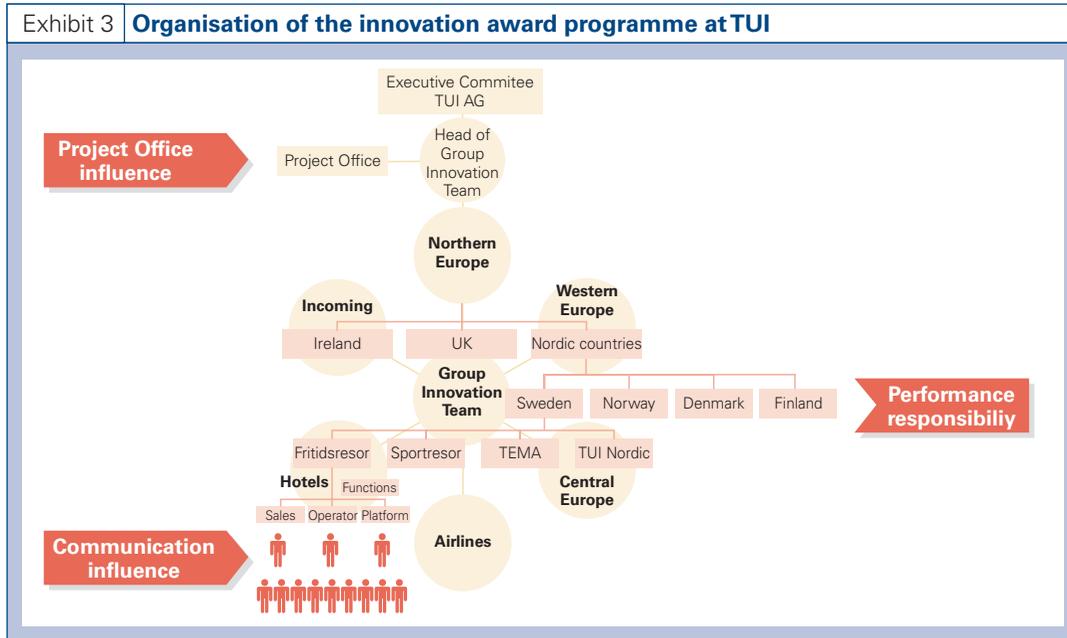
“The Group has set itself highly challenging revenue and profit targets for the years to come and has openly communicated these to shareholders and investors. In this context, innovation is an important and essential driver and building block in achieving the aspired growth targets. What is more, being the market leader, it is only natural that we also become the innovation leader.”

Statements like this plus the selection of prominent managers in the organising committee are proof of top management commitment and involvement. At the same time, TUI was well aware of the complexity of managing a programme that addresses a corporate-wide audience across all hierarchical levels, more than 20 markets and four completely different value chain segments (retailing, airline, incoming services and hotels). Of particular concern was the need to include the local companies that eventually must make it all happen. Including them is not obvious since the innovation award programme is essentially driven by top management and the corporate communications department and appeals directly to operating-level employees.

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Part of the solution was to use a two-step approach. In the first step, all 50,000 employees were invited to participate and hand in their ideas, driven by an intensive internal communications campaign including an intranet portal for innovation, newsletters, road shows, events and even an intranet TV channel. As a result, some 3,000 ideas were generated. In the second step, these ideas were further developed by a much smaller set of people in the form of teams of up to five people. Throughout the stage-gate process, strict pre-defined criteria were used to identify and develop the most attractive ideas into business plans.

Another part of the solution was to define an operational organisation at multiple levels and to set up a central project office. The latter has a strong recommendation and support function, while at the same time allowing for local freedom of action. The programme is mainly governed through the group innovation team and a set of local innovation teams, one for each market and value chain segment. Competition among the local markets takes place under the auspices of the local innovation teams, whereas the overall set-up and decisions are made by the group innovation team, in which each local innovation team is represented. The nomination process follows the same organisational logic: first local innovation teams nominate their best concepts, then the group innovation team nominates the finalists, and finally the board of directors decides on the winners (see Exhibit 3).



A third solution was to invest significant effort into addressing and honouring all employees whose ideas failed to pass a gate. Employees were very excited by the programme, and the disappointment of not succeeding is not to be underestimated. While the overall focus is on promoting and optimising the best ideas, a large part of the daily work was about giving feedback and encouragement in the form of small gifts, personalised letters, one-on-ones with supervisors and in some cases even the implementation of the idea on a local basis. To this end, an idea booklet of failed ideas was created and distributed to all local managers for their review. This allowed them to assess whether the idea, although not fitting with the overall requirements, still deserved local attention and possibly implementation.

### Insights for the executive

Because the innovation award programme at TUI managed to cope with the inevitably ensuing complexity, it has been a great success so far. Having also studied innovation award programmes at other companies, we have identified six factors that determine the success of such programmes:

- An objective need for innovation and mobilisation;
- Active and continuous top management commitment and support;
- Proactively addressing fairness of play and any resulting disappointment;
- A systematic and easy-to-understand process and “rules of the game”;
- A decentralised project management system with strong central campaign support, including a task force that can rapidly step in and solve quality issues along the way;
- Continuous communication and progress monitoring signalling a competitive atmosphere.

If you pay attention to these simple factors, you may find yourself en route to glory at the pinnacle of creative power - may the best team win the Olympiad of Innovation!

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