

2013

Volume 2, Issue 2



One doesn't need to be especially creative or innovative to come up with great new ideas, just smart enough to listen to creative people and collect ideas from experts.

In this spirit, the OWIC Executive Innovation Brief summarizes thinking from global innovation experts that we feel have application for forest industry companies.

In addition, each Brief includes insights from a group of advisors, listed below.

**Executive Brief Advisors**

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OWIC EXECUTIVE INNOVATION BRIEF

## Why Culture is Key

Insights based on the article: **The Global Innovation 1000, Why Culture is Key** by B. Jaruzelski, J. Loehr, and R. Holman. *strategy+business magazine*. October 2011.

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The article summarizes a study conducted annually by Booz & Company, Inc. Given, that the report profiles large companies with huge R&D budgets, the context is different than most forest industry companies. However, there are some useful takeaways. Please remember that the study finds no statistically significant relationship between total R&D, or R&D as a percentage of sales, and financial performance. Innovation success isn't something that you can buy off the shelf!

Company culture is said to be the crucial factor to drive innovation. The authors define culture as, "...self sustaining patterns of behaving, feeling, thinking and believing..." Findings show that poor culture and lack of alignment add up to a company that significantly underperforms the competition. Only about half of the companies in the study claim that their culture strongly supports their innovation strategy. In addition, about half say that their innovation strategy is not well-aligned with their corporate strategy.

About 20% of the companies in the study reported that they had no innovation strategy. I suspect this proportion is higher for forest sector companies. What exactly is an innovation strategy, and, do you have one? According to [BusinessDictionary.com](http://BusinessDictionary.com) an innovation strategy is, "A plan made by an organization to encourage advancements in technology or services, usually by investing in research and development activities." Not many forest sector companies have pure R&D going on, however, creating and following a plan is key. Positive forward progress with innovation in your company is unlikely to occur without a plan.

The authors outline three different innovation strategies:

- 1) Need Seekers - companies that are actively engaged with existing and potential customers and use that engagement to create new products and services.
- 2) Market Readers - companies that actively monitor customers and competitors but are more cautious in their approach than Need Seekers--mostly focused on incremental innovation and being "fast followers."
- 3) Technology Drivers - companies that are focused on R&D and capitalizing their investments in that area. They seek both incremental and radical innovation.

The two most important cultural attributes identified by respondents were: "strong identification with the customer and an overall orientation to the customer expe-

rience" and "passion for and pride in the products and services offered." Do you feel you have a strong identification with your customer? What about passion and pride in your products? Talking with industry managers, it is normal that they have high pride in their products and especially their operations. Unfortunately, it is all too often paired with a strong commodity mentality. With respect to innovation I have heard comments like, "its wood, so what is there" and "we make buggy whips as fast as we can." Neither of these exemplifies a situation where innovation is embraced and the culture can be described as innovative. If current members of the industry don't innovate, it leaves the door wide open to brand new competitors.

Regardless if you currently have a written innovation strategy, how would you stack up against the strategies outlined by the authors? Booz & Company Inc. provides an [Innovation Strategy Profiler](#) that you can use as a free diagnostic. When I completed the profiler based on my perspective of the "average" Oregon company, the result was Market Reader. However, the research says that the best performers are Need Seekers.

What would it mean for a Market Reader forest industry company to become a Need Seeker? I expect the primary requirement for most companies to effectively pursue this strategy would be to make significant improvements in connections to customers and to develop a wider network of potential customers from which to gain innovation ideas. If you only deal with wholesalers it is unlikely you have a good understanding of how the final user interacts with your product. Becoming more proactive in the innovation process in order to be first-to-market with new product concepts is essential.

The article summarized here was focused on products, but keep in mind that culture also impacts your ability to implement process and business systems innovations. Creating and cultivating international operations (business systems innovation) is an example of where South American and European companies seem to be more active than North American companies.

The authors close their article with the following statement, "The tighter the connection between strategy, culture, and innovation, the more leverage your company will bring to bear in converting innovation spending into marketplace results and superior long-term financial performance." Creating an innovation strategy and developing the right culture to pursue that strategy could be a key ingredient to your continuing competitiveness. This must start with the CEO. The importance of leadership and the vital role that leaders play cannot be overemphasized.