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Innovativeness (part 2 of 3): Hurdles to Innovativeness

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Description: Assessment of what managers perceive to be challenges to being innovative

Methods: Personal interviews

Data Source: Thirty-five managers from 16 companies in North America, Europe, and Oceania

Key Findings: Managers saw the main hurdles to innovativeness as:

- Industry tradition, a production orientation
- Culture, resistance to change
- Difficulty of moving ideas from the marketplace to innovation

Introduction

Previous research findings from OSU as well as extensive anecdotal evidence points to an insufficiently innovative forest industry. I can still remember a paper industry R&D manager telling me,

“This is a redneck-in-the-woods kind of industry.”

If this is the view from innovation managers in the industry, what must investors and the general public think? Still, it is well-known that the industry excels at innovation in manufacturing processes, but what keeps forest industry firms from being more holistically innovative? During our interviews with managers, a number of common themes were identified.

Results

Industry and company culture were often described as hurdles to innovation. Each of the three identified themes contained aspects of culture: 1) Tradition/production orientation, 2) Culture – resistance to change, and 3) Ideas from market to innovation.

Tradition/orientation: In a production- and commodity-oriented company much of the decision-making is held at the manufacturing level. To move away from this way of doing business requires significant change in company culture. Managers spoke with a highly customer oriented mentality referring to company efforts to shed a production orientation and focus on customers. They also expressed frustration with other parts of their company that had failed to shed a production mentality.

“In the plywood industry we have stopped thinking of yield in the sales and marketing or in the management already 10 years ago or 15 years ago and that has meant we have moved closer to other industries.” – **Europe**

“You can be an innovator on the sawmilling side but then you are building machines to make your own process better rather than building solutions for your customers. And that has been the scope in the last 120 years in the business, how to make more and faster and more cost efficient.” – **Europe**

However, not all managers were focused on a market orientation, but were squarely focused on process efficiency.

“The nature of the business is so that if we can utilize, for example, raw material more efficient than we do today, the income is much better and faster than by trying to develop new products and find new markets for new products.” – **Europe**

Culture – resistance to change: Managers spoke of culture with respect to the overall manufacturing sector, individual companies, and the marketplace. In each case they identified aspects that resist change and hamper innovativeness. For example:

“...this culture is incredibly conservative in this industry, so very resistant to change.” – **North America**

This view came from the idea that management was not sufficiently diverse in background and generally lacked sufficient training in new product development and innovation management.

“I think a lot of the problem also comes from the fact that they haven’t hired from outside, they keep promoting from within.” – **North America**

“They are so busy guys because of very thin organizations that we have not much time for education unfortunately.” – **Europe**

Ultimately, a critical component of culture is how employees see their role in innovativeness.

"I think this whole innovation thing or being innovative or not is something that people consider a bit apart from their everyday work or everyday duties and this is, of course, not the idea." – **Europe**

A market or customer oriented culture is difficult to develop. Evidence of the pervasive and traditional production orientation comes from managers as they discussed the power held by manufacturing in their company as well as conservative management.

"It just seems to me that in [company name], as well as other companies, it's like this manufacturing part of your company almost drives what you do. What they're going to make. And there seems to be this real stubbornness back at the manufacturing facility that, in a way, stifles innovation." – **North America**

"if you shift from commodity to specialty, you're basically taking control away from the plant." – **North America**

"we can do business with this and the margins are really good but it doesn't fit or we would have to invest also to be able to produce it and there is quite often the risk it will be killed at the production because normally if you come with a new idea or new products it disturbs your daily life and daily production planning." -- **Europe**

Resistance to change is not limited to internal company operations. The marketplace can also resist attempts to introduce innovations. This can result from inadequate knowledge by key specifiers, conservatism from customers, and the bureaucracy of building codes and other standards.

"If you want to change the habits of the customer base or the consumption to use something different, different solutions in certain products or product lines, that is a huge task." – **Europe**

"People are slow to adopt in this industry, lot of times it is a hand-me-down business, my daddy did it this way, my granddaddy did it that way, he built with 2x's and I am going to build with 2x's, this is the way to go." – **North America**

"I don't think building officials, per se, stop innovation. I would say they don't encourage it." – **North America**

Ideas from market to innovation: Forest industry companies have traditionally sold products via an extensive channel of distribution and paid little attention to markets beyond their immediate customers. This gap between final product use and most forest products manufacturing operations creates a major disconnect in the flow of innovative ideas from final user to manufacturer. Managers expressed frustration regarding the difficulty of moving ideas from the marketplace into the company's innovation process.

"we don't have too much understanding of the real processes of our customers and their customers." – **Europe**

"we really do think of what our competitor is doing and how do we stack up against them, rather than, 'well, what really would that homeowner like to have?'" – **North America**

Findings from Other Research

A recent study (2004) by the Applied Innovation Center in Australia found rigid organizational culture, poor organizational structure, excessive workload, and access to R&D capital to be the main barriers to innovation. John Storey, a faculty member at the Open University Business School in the UK, emphasizes that managers often have diverse and even conflicting understandings of what innovation means. He has also found that manager opinions differ regarding the significance, priority, relevance and means for implementing innovation. Without a common understanding, it will be impossible to develop a culture that nurtures innovation. Everett Rogers, in his book *Diffusion of Innovations*, refers to centralization and formalization as having negative impacts on organizational innovativeness. Concentration of power within an organization and the extent of its bureaucracy both reduce innovativeness.

Managerial Implications

As in Part 1 of this series, developing and maintaining an appropriate company culture is at the heart of establishing an innovative organization. Developing a market-facing culture that is proactively creative is an immense challenge. This is especially true of a company that has a long history of focusing on production and process efficiency. Making the change will require a significant shake up of its culture. When power changes hands in an organization it can be a painful process. Some individuals will be unable to buy-in and make the changes necessary to facilitate enhanced innovativeness.

Some companies that participated in this research employed managers from diverse backgrounds. For example, marketing managers may have come from automotive, chemical, and software industries. While diverse backgrounds can enhance innovativeness, companies must mold their culture carefully, or suffer negative consequences. Attempting to change too quickly can derail efforts.

Employees must have a sense of their role in developing innovations and enhancing innovativeness. This implies leadership to develop a company innovation strategy and a generally accepted definition of innovation. Part 3 in this series explores issues of measuring innovativeness and ultimately considers paths toward improved innovation management.



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