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Innovativeness (part 1 of 3): Attributes of Innovative Companies

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Description: Assessment of what managers perceive to be attributes of innovative companies

Methods: Personal interviews

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

Key Findings: Managers saw innovative companies as those that—

- Create something new
- Have an appropriate culture
- Properly manage the market/customer link
- Maintain leadership
- Focus on the future

Introduction

“One of the things I find attractive about the wood products business, it is slow moving, it is an old business and doesn’t take much to mark yourself as an innovator.” – North America

“our industry is, in my opinion, way behind the curve on innovation and new technology.” – North America

These views from forest industry managers provide insight into innovation in the forest sector. If the industry is to remain a viable competitor with substitute materials and global rivals, innovation will be instrumental to future success. We have conducted extensive interviews with forest industry managers of medium- to large-sized forest industry companies in Europe, North America, and Oceania exploring the concept of innovativeness. This Research Brief is the first in a series of three that explores the following:

- How do industry managers view the concept of innovativeness?
- What are the hurdles to innovativeness?
- How would managers go about measuring innovativeness?

A better understanding of how the industry “thinks” of innovativeness may provide managers with insight into areas for improvement, allowing them to better manage innovation in their organizations and compare their efforts to peers.

Results

Common concepts to emerge from the interviews regarding what it means to be an innovative company can be summarized by the following: 1) New, 2) Creating the “right” culture, 3) Managing the market/customer link, 4) Being a leader, and 5) A focus on the future.

New: Study participants commonly spoke of new products, new services, new technology, etc. In their minds, being innovative is synonymous with creating or adopting something new

“you just have to keep moving forward, looking for new, either new products or new ways to do things or new components or materials and combining those. So I think that’s what it means to me to be an innovative company.” – North America

“innovativeness is putting small ideas in different parts of the organization together and suddenly you realize....that here is something new and this is what I want.” – Europe

Creating the “right” culture: Managers spoke extensively about company culture and typically outlined the sort of atmosphere conducive to innovation.

“you need to have the environment of innovation, the willingness to challenge what you are doing, and accept and embrace change while maintaining standards.” – North America

“I would like to think so that we are slightly better than the competition because we have the right mindset, that we may have understood some of the connections, some of the links and the importance of this activity slightly better or earlier than the competition. We might have been clever enough to do something to encourage people and encourage this activity.” – Europe

Managing the market/customer link: Despite being from a traditionally production oriented industry, managers were highly focused on close links to the marketplace and customers. Being closely tied to customers was seen as characteristic of an innovative company. Some managers went quite far in their critique of the industry as a whole and its over reliance on tradition and conservatism at the expense of innovation.

“to be truly innovative, you need to have a very, very good link to your customer

base and you need to produce products based on real requirements.” – North America

“In our case, our customers are distributors, but we need to bypass those folks and go right to the builders and the architects and the homeowners, and find out what trends they’re looking for and what their issues are and what their problems are.” – North America

“The basis of developing innovativeness in the sawmill industry is that you don’t only maximize yield from the log. You have to clarify what the customer needs and produce those products that have demand.” – Europe

Being a leader: Managers used a number of descriptors when describing innovative companies as leaders. They expressed a need to stay ahead of competitors, lead the pack, and consider ways to get ahead of the game. Innovative companies proactively and aggressively work to stay ahead of the competition.

“If you’re truly innovative, you’re going to be kind of out there leading and you’re not going to be caught in a situation where somebody else is doing something and you need to catch up.” – North America

“if you are a real innovator, you’re ahead of the curve. You’re reading the tea leaves. You see where your markets are going and what your customers want, and where the industry is going.” – North America

A focus on the future: According to the interviewed managers, innovative companies concern themselves with the future in order to position themselves to adapt to a changing operating environment.

“An innovative company makes an effort to anticipate future demands, makes an effort to understand the company and how they evolve.” – North American

“I need to predict, predict what’s going to happen in the future, doesn’t matter whether it’s in marketing or production or anything and implement something before it is necessary. I’d say that is my definition of being innovative, it’s getting ahead of the pack and really looking out.” – Oceania

“the company that is paranoid (and there is a lot to be said for that) and then you have to anticipate that everybody wants your business and they are probably going to get it if you don’t do something.” – North America

Findings from Other Research

There has been extensive research conducted during the last century that has attempted to isolate the attributes of innovative companies. Unfortunately, innovativeness has been problematic to measure and this has meant that results have often been conflicting. In a 1991 synthesis of literature, Fariborz Damanpour of Rutgers found each of the following to positively impact firm innovativeness:

- Specialization—having a variety of specialists on staff
- functional differentiation—another measure of specialization, basically departments within the company
- Professionalism—education and experience of employees
- Managerial attitude toward change—extent to which managers favour change
- Technical knowledge resources—extent of technical staff and resources
- Administrative intensity—ratio of managers to total employees
- Slack resources—resources beyond minimum to maintain operations
- External communication—interacting with and scanning the external operating environment
- Internal communication—communication among organization groups

Other literature further emphasizes the role of company leadership in developing a culture of innovativeness and creativity.

Managerial Implications

There is no magic recipe for building and maintaining an innovative company. However, it is important to recognize that everything starts with leadership and culture. As one of our interviewees stated,

“There is also a very strong “shoot the messenger” mentality in the industry where people are terminated if a project doesn’t go well....who in their right mind would want to lead innovation in an environment where your first misstep is your last?”

This sort of culture clearly does not support innovativeness. Innovativeness requires buy-in from all employees.

The forest industry has long focused on cost reduction and improved processing efficiency. The culture associated with this approach does not provide slack resources (personnel time and money). For employees to support organizational innovativeness, they must understand what it means in the context of their own operations, and more specifically, in their own job. Managers must provide the vision and a plan for innovation management in order to improve innovativeness and, ultimately, competitiveness. Although managers often referred to market orientation during the interviews, there is clearly more progress to be made in this area. For example, being market driven is not enough. Driving markets will be needed for future success. Companies must strive to find and create their own future.

Part 2 in this series explores hurdles to achieving innovativeness as described by forest industry managers.



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