

INNOVATION MANAGEMENT – A CASE STUDY: SIMPLIFY

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ABSTRACT

In a world of increasing complexity and uncertainty, business models that are successful and creating value are on constant challenge to embrace continuous changes and disruptions. In such a climate, it is business necessity to find innovative ways for reallocating the resources and restructuring the competitive base. This re-invention should be seen as a deliberate series of transformations. Yet, it is quite tough to put in place a successful integrated design process that would enable such constant re-invention. The aim of this article is to propose a framework for implementing such transformation re-invention of the company by highlighting the importance innovation and human resources as its key enabler. Presented case study illustrates the use of a framework within the fast-moving consumer goods industry. The innovation framework specifically focuses on a holistic collaborative deployment environment, the roadmap for planning and deploying innovation all with aim to drive business transformation, as pointed through the case study.

Keywords: Innovation, transformation, re-invention, human resources.

INTRODUCTION

In a today's disruptive, VUCA (volatile, uncertain, complex, and ambiguous), world innovation is perceived as essential competitive advantage for companies that want to remain, survive and grow (Ducker, 1985), regardless of the industry they operate in. Namely, many found a positive relationship between innovation performance and business performance and thus further emphasized the importance of innovation for business success (Damanpour, Szabat and Evan 1989, Birkinshaw, Bouquet and Barsoux 2011).

It well known that an innovation can happen in an ad hoc, as stand alone, thing that happened in isolated manner or become part of an organization commonality. Having innovation as regular phenomena in an organization where it is widely speeded requires a structured approach. However, such approach has to have a good balance of structure and flexibility for it to ensure infrastructure for innovation to be successfully captured with as less as possible bureaucratization that would disable creativity, originality and "out of the box" thinking. However, creation of structured process is just one side of the innovation medal as the commitment of the wide organization represents the other side. Namely, although many organisations declarative encourage creativity and innovation by listing them as a corporate value it is equally, if even not more, important to reinforce them. In order to do that people managers are playing a critical role (Amabile & Conti, 1999; Cramm, Strating, Bal & Nieboer, 2013) in creating a thriving culture of innovation. People managers and leaders are the one who have to "walk the talk" by endorsing creativity, idea-sharing and collaboration. Additionally, they should encourage risk-taking and entrepreneurial spirit, and an environment of trust in which employees could without fear challenge status quo and propose new ideas.

This paper aimed to present a case study of an improvement and innovation process model which on the one hand drives employee engagement and innovation from within. At the same time the model is placed in a broader context of the company's transformation and showcase on the other hand how such a platform could contribute to the business, not only trough innovation per se but also through synergizing, freeing and reallocating the resources. The model is presented as a roadmap

that introduces an innovation process to guide potential applicant of process in developing and executing it.

IMPORTANCE OF INNOVATION

Business transformation can be defined in several ways, and as Cruise (2017) defined it is "the process of fundamentally changing systems, processes, people and technology throughout a business or business unit, all to achieve measurable improvements in efficiency, effectiveness and stakeholder satisfaction."

Unfortunately, as Lowgren (2016) states most business transformations fail. Namely, in today's conditions, organizations cannot afford to rely on previous practice and hope things are going to turn out well. As once stated, the biggest obstacle for a future success is the current success, meaning to no one can afford to rest and sleep on laureates. Agility, flexibility and innovation are essential to sustain the business and make it long-term competitive.

It is a must for organizations to be ready to constantly respond to challenges and proactively, develop and change their business models and practices, upgrade and (re) create cost-effective products and services that will be respond to the consumers' needs. This means that innovation should not be seen as "zero-sum game". Rather it exists through the spectrum starting from small advances and improvements in existing products or way of doing things to disruptive changes in products, services and business models. By having this in mind innovation can be classified, broadly speaking, in two buckets. One would be incremental innovation – continuous or evolutionary innovation that occurs by incremental advances to existing processes, products, services or technology. This is basically continuous improvement which is well documented to work in terms of gaining competitive advantage. A very good illustration of such approach towards innovation is Toyota. One of Toyota's CEO, Toyota Katsuaki Watanabe stated: "No genius in our company. Just do whatever we think is right, trying every day to improve little by little. But when 70 years of a very small improvements accumulate, they become revolution" (Stewart and Raman, 2007). Simply, in Toyota they understood the unique perspective employees gain throughout their day to day work and direct contact with, depending on a job, productions, suppliers, customers. According to sources (Robinson, 2016) at average an employee in Toyota contributes with more than 100 improvements-ideas yearly. By multiplying this number with the number of employees, it is clear that Toyota is collecting million ideas, where each is a small improvement but jointly they represent a true "gestalt" i.e. whole that is perceived as more than the sum of its parts. Breakthrough innovation – radical or revolutionary innovations that are often disruptive in nature.

Aside of incremental innovation there is a second group of innovation. This second group is related to innovation as something new, different, often disruptive. This type of innovation is occurring faster than ever before in history. Companies no longer have the luxury of assuming they can maintain market share because they currently hold a dominant position because such innovations are coming outside of known competitors and industry. It is not rear that they are coming from frustrated customers of the product who managed to grasp the essence of consumers' needs and translate it into something totally new. A quite good illustration is creation of Uber "The infamous snowstorm incident took place in Paris, in December, 2009. Experiencing the common urban woe of not getting a cab in a storm, Travis Kalanick and Garrett Camp soon brainstormed an idea for a new company called UberCab" (O'Connell, 2019). From perspective of a company, the disruption is a transformative experience as it tackles all elements of an organization. Namely, it affects the culture, roles, changes leadership, commercial and product, as well as financial aspects.

Therefore, the key question is what can company do? Firstly, turn the uncertainty into opportunity. This will give a kick to an organization to begin transformation – starting with internal transformation i.e. "the way we do things here". This implies changing the company's culture, employees' mindset from brand-centric to customer-centric, boosting their digitally-savviness in terms of skills. Secondly, it embraces the opportunity to change, to be disrupted, as well as to disrupt. Equally important is to be ready to constantly adapt – revert to the previous steps, experiment, pivot the solutions and learn new things.

CULTURE

On the pathway of being a successful company which has ways to innovate and disrupt, human element of disruption is the biggest factor that companies are struggling with. It includes the effect of change on individuals and those are employees, customers, or, competitors.

Explicitly, innovations are created by people and today there is no doubt that the best perspective about what needs to be changed, corrected, improved comes from first liners, that is those that are having direct contact with consumers, customers or production. However, in order for new ideas to emerge, employees have to have a perception that they may challenge the status quo and that their opinion will be heard.

Further, innovation is synonymous with risk-taking and thus innovation cannot happen in an environment that has low risk tolerance and/or is not open to new ideas. Creating an innovative company means creating a culture of innovation that encourages entrepreneurship and risk-taking. The initial step in building such a culture is to create a climate that accepts failure. "If failure is a stigma, employees and leaders will not be willing to take the personal or professional risks needed to innovate." (Estrin, 2009, p. 110). Therefore, an organization that aspires to be innovative should take active steps in order to prevent the atmosphere of fear, where employees hesitate to voice and build an environment of trust. In companies with a strong innovation culture employee do no fear of failure (Dobni, 2010), perceive uncertainty and insecurity not as a threat but rather as an opportunity (Dobni, 2008) and tend to view themselves as creative and innovative.

Corporate culture affects the willingness of employees to participate in the production, development, evaluation, implementation of ideas, which have an impact on the overall company's innovation performance (Kliewe, Davey & Baaken, 2013). In order to drive a sustainable culture of innovation, companies need a focus on creativity and innovative thinking to generate possible solutions. All reinforced through a framework for developing, prioritising and refining ideas.

HR ROLE

HR has greatly important role in making sure that the company has the right culture. It plays a critical role if a company wants to fall into the group of those that are innovative with insured sustainable growth rather than the static, reactive and vanishing.

As outlined above, the culture of "psychological safety", where people feel they can be themselves and make suggestions and challenge status quo without fear of consequences is important for driving innovation from within. In facilitating such employees' perception HR could have an exceptional contribution.

HR should have a significant impact in supporting and driving the democratisation of innovation. In order to achieve that HR needs to work hand-in-hand with business leaders, learn from other companies practice and experiences regarding creating innovation culture.

HR importance lays in creating the governance system that will facilitate and underpin innovation. For instance, HR procedure regarding performance appraisal are the message that points exactly to employees what is important. So, if those are objectives that are set once per year, where is little or no room for flexibility and aligning with new circumstances then agility, innovation and creativity are not going to be planted.

Engagement of employees is crucial for driving efforts to innovate, share ideas and try new ways of doing things. It seems that innovation and engagement are mutually reinforcing. Highly engaged employees work with passion, they drive products forward, and ultimately boost company productivity, profitability and customer satisfaction (Hanaysha, 2016).

Finally, HR needs to continually evolve acquiring new skills, capabilities as they have a professional role to play in guiding and shaping own transformation and at the same time use that as a base to push the organisation on its innovation journey.

CASE STUDY: SIMPLIFY

If operations and regular activities in company are not efficient, wasting resources such as money and effort are inevitable. Namely, efficient operations are cost-effective, with reduced waste

and suitable quality and service at the same time. Basically, boosting efficiency makes business more productive. This can help in various aspects, from reducing costs by making the same from less investment or making more from the same investment - in any event, this should lead to growth of the business.

More importantly, efficiency can free up resources that could be spend elsewhere. This is how in company YY (the name is fictitious) initiated Simplify – a structured organizational effort for improving operational efficiency by engaging employee into entire exercise.

Namely, different companies react differently to VUCA environment. Some are taking shrinking mode with more or less aggressive cost reductions while others examine different strategy such as business transformation i.e. “the process of fundamentally changing systems, processes, people and technology throughout a business or business unit, all in order to achieve measurable improvements in efficiency, effectiveness and stakeholder satisfaction” (Cruise, 2017). Yet, one path, i.e. strategic approach, does not necessarily exclude the other. Throughout Simplify case study it will be outlined how company YY blended two approaches.

The company whose case study is presented was in the process of business transformation, and at the same time felt a need to strengthen employees’ involvement in transformative change by creating environments that could reinforce their engagement and innovation. Additional complexity was brought by setting company YY as cluster i.e. was composed out of 6 countries for the first time.

1. Initial stage - In line with that, at initial stage the commercial strategy team primarily focused on understanding and assessing the markets, together with local members of the management team. The markets assessment lasted for three months and included categories like trade channel strategy, trade engagement; distribution, product portfolio, digital strategy. Based on the obtained results through these analyses market mapping with key BPWATTs (Business Problem We Are Trying To Solve) were identified. This was of critical importance because as Albert Einstein stated “If I had an hour to solve a problem, I’d spend 55 minutes thinking about the problem and five minutes thinking about solutions.” Thus, the key question in prioritizing is whether the company is solving the right problem. Then prioritization was made, initiatives set with proper timeline, within the market roadmap development and deployment. All individual processes that are defined as the outcome of market mapping are developed and implemented as defined plan, and what came out as the first deliverables was related to three business areas. As an illustration, one of them was digital where the processes at the cluster level were set and synergies gained. Namely, a bidding process was organized where three digital agencies were selected to cooperate with all markets and what is essential is shortened time, because now the markets were directly contacted by the agencies themselves, and synergy were established not only in terms of material needed to be produced by agencies but also in terms of ordered volume which had a significant impact on the cost side.
2. Enable stage – Following the initial stage, a month later, a commercial planning preparation workshop was organized, during which the commercial plans for each market were discussed. What it looked like: BPWATTs was presented on the first day, group work was presented on the second day (employees from the market were mixed to have a better understanding of all the markets and to enable the challenge), and commercial plans were presented on the third day. The plans which were revised and approved, went into the next phase.
3. Deployment and follow up stage – a phase on executing agreed action plan went hand in hand with initiative were employees from primarily commercial functions, but others as well were invited to propose how certain activities, processes or anything the YY company does could be simplified. Namely, the management of the company had a view that by product, service, process innovation entirely new or significantly improvement could be made on what is already available through better meeting customer needs and/or meeting needs of a business. A few enthusiastic employees, so called “Simplify guardians”, from commercial department, with endorsement of management team made a roadmap with crispy communication plan by which in constant manner employees were invited and encouraged

to share their proposal for simplification. Also, with HR support, they organized a series of training sessions and workshops where employees were showcased toolbox of methods that could be used to amplify such thinking process. For instance, there was a session on how to perform process mapping as a useful tool for operational efficiency, process innovation and product/service innovation. A particular story about making a product as well as deliver a service were shared with emphasize of follow a sequence of steps. For each the steps were drawn into a flowchart diagram, presenting the process map. Once the current steps of a process were mapped, the discussion around how to create value was initiated. They essentially were resulting in a number of ways such as improving how to execute a specific step, eliminating the need for particular step, putting the steps into a different order or at different times. Additionally, throughout process mapping some groups highlighted problems with people, machinery or other processes that negatively affect the process. All of these activities, throughout active engagement working on a real processes or product served as illustrative examples and carried out few important messages for employees. Firstly, these open, engaging session were brain stimulating exercise were employees were getting in structured, condensed and participative way knowledge about innovation and improvements tools to be used. Secondly, by doing this it was a clear message sent across the organization that they have freedom, and furthermore are encouraged to challenge “status quo” and existing “way of doing things here”. seeding the seeds for transforming the culture into culture of innovation. Finally, it was a starting point for improving efficiency and identifying and mitigating risks. Employees were submitting and sharing their proposals in a format and via channel they felt comfortable with. “Simplify guardians“ were the one receiving them, assembling, merging or in any way assessing and deciding if and how to proceed with proposals. Holistically speaking, “Simplify guardians” were responsible for planning process innovation by identifying room for improvement in commercial areas where the existing processes were already set, and majority already optimized. Yet proposed innovation was not only relevant for commercial but rather for other areas, in particular production. It was decided for proposed innovation out of commercial area to include respective representative of the function, so cross functional “Simplify guardians” teams were composed.

In two months, all received proposals, coming from over 10% of the employees, were triaged and each submitter was receiving a timely feedback which was very important from perspective of driving transparent and two-way communication. Those that passed this step were consolidated and presented to management team. Innovations that were approved by management and executed fall into the following areas:

- Product Development and Commercialization: mainly related to portfolio optimization as well as initiatives management and unification across the cluster,
- Commercial Budget Management: economic use, cost control and effective commercial investments across the cluster,
- Commercial Services - agencies management and cost savings due to inclusion of cluster synergies within commercial spent.

Following this, all submitters of the proposals were recognized and non-monetary rewarded. This was achieved by, for instance, mentioning their names with proposal they gave as a role model in various communication sessions organized for entire cluster. Also, some of them had an opportunity to talk in those session and share their view and perception of the Simplify platform and proposal they gave. In is important to note that such opportunity was given to submitters whose proposals were implemented but also rejected. For those who stood out in forward thinking, entrepreneurial spirit and enthusiastically took the „Simplify guardian“ role, monetary reward and recognition was introduced, immediately after majority of innovations were implemented. A big celebration event on a cluster level was organized to celebrate this and publicly award and recognise pioneers who were driving such important change.

RESULTS AND DISCUSSION

The “Simplify” platform was created as a pilot project, a platform about incremental changes, rather than radically changing, including all business processes, with emphasize on commercial function. Operational innovations as obtained results through proposed improvements show enhanced ways of making product, fulfilling service through gaining synergies as well as generated savings: basically, the way something was handled so far is either revolutionizing or an evolution. In essence it is clear that through such a platform business can benefit. Namely, by creating synergies, aligning processes, providing expertise and support the company boosted effectiveness and generate efficiencies in a first place.

Secondly, it generated a significant budget savings that at the later stage was used for investing into opening a totally new business category. Namely, such reallocation of resources, in terms of money, but also people and time which was enabled through innovation by synergizing and simplification, helped company to go, invest, into untapped business of totally new category. This was a large-scale transformation as it impacted management system, business model and restructured further revenue growth.

Thirdly, although “Simplify was primarily created as an idea derived from management, with the aim to involve employees in the transformation of the company and its business it also well blended well with influx of innovation related to simplification which resulted in better cost efficacies. This in return, was an enabler for further company business transformation. Additionally, creation of such a platform brought many additional benefits. Through Simplify, learning organization was reinforced through factors such as the infrastructure that facilitates and supports learning, the culture that promotes questioning and challenging status quo. Throughout discussion with employees who participated in sessions related to innovation toolbox it was obvious that, for instance, process mapping is a great foundation for other activities. Aside of sessions themselves that employees seen as novelty and refreshing, they enhance quality control as well as consistency. Furthermore, they help building institutional knowledge. Finally, all of it has appositive impact on planning for business continuity and resilience. It can be a tool for growth too, contributing to the value of your reputation or helping you build a saleable franchise.

The presented case study outlines the importance of management - as Beck and Harter (2015) stated it accounts around 70% of variance in employee engagement. In case of “Simplify” it was of critical importance not only that the initial idea for the platform came from management but that they stayed committed to this path throughout entire process and took a perceptive role in selecting and timing the implementation of proposed innovations.

Finally, it is important to note, rewarding or recognition of those who dared to think “outside the box”. Firstly, names of submitters of proposals were used at various sessions with employees as an example, illustration of the role model of new behaviours and mindset change that is needed in the company. The same message went across by monetary awarding and celebrating publicly “Simplify guardians”, as the one who had courage to stepped forward and exhibit entrepreneurship. Secondly, the opportunity to share their proposals and learnings in employee sessions was given to some of the submitters. Importantly, this was done by those whose proposals were implemented or failed. This certainly additionally contributed to the transparent communication and perceiving fails not as shame but rather as part of a learning.

CONCLUSIONS

Through digitisation and massive usage of mobile phones and social media knowledge and information are easily shared and spread in today’s world. Additionally, there is an acceleration of start-ups, crowdfunding, crowdsourcing, and the obstacles for sharing ideas and building-up on novelties are disappearing.

Also, new ways of working with flexible work arrangements, the gig economy expansion joint with rise of the on-demand economy, with Uberand Airbnb as personification of it, are all part of VUCA business landscape. Thus, innovation and creativity are spotted as the key differentiators between companies that are successful and those that fail to stay on the top of the game, by losing the rhythm of trends and consequently demise. As innovation and creativity are becoming ever more

critical to many organisations' success, HR should take an important role in creating an environment, a culture that would enable such behaviour and mindset.

There are different models for driving organisation-wide innovation and creativity. In an attempt to become more competitive, many companies borrowed and localised agile practices used initially by software developers. Other inclined more towards design thinking by combining divergent thinking to explore as many possible solutions and convergent thinking to narrow an optimal solution. Both are characterised by a collaborative, cross-team approach with a strong customer focus, which customer or user feedback to explore, rapidly test and pivot concepts in iterative manner. These approaches in majority of cases drive incremental and evolutionary innovation.

“Simplify” represents alternative way of seeding the innovation. It is done through establishing effective work practices which in return save time and money. Namely, to drive a sustainable culture of innovation, company in the presented case study developed a platform to focus on creativity and innovative thinking to generate possible solutions. Those were rather evolutionary innovations which helped gain synergies and relocate resources from operational costs to exploring new business opportunities by introducing a new business category which, by its nature, was transformational, rapid, disruptive and thus falls into category of evolutionary, incremental innovation.

Finally, there is no ‘right’ innovation model. Alignment with the culture, innovation strategy and set goals will dictate the best fit and localisation of already designed and implemented innovation attempts. For practitioners who want to drive innovation culture it is important to be open to experiment on innovation model and based on a feedback take iterative correction of the course, as in case of innovation in any other field of business.

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