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University of Bath

HR and its role in innovation
Part 4 – April 2013

The innovation imperative:
the challenge for HR

future-fit organisations

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Contents

Acknowledgements

Executive summary

Innovation is a key challenge for HR. The pace of change in the economic and social environment and on a global scale is such that standing still leads to stagnation. Knowing when and how to innovate in this volatile, uncertain, complex and ambiguous era is the challenge for every organisation (see Senior 2013). It's also a big challenge for HR. HR is uniquely placed to both support and stifle innovative behaviours and processes. Recognising how innovation can be positioned and aligned within organisations is important so that HR can help organisations derive the best value from it. Whether innovation is about changing products or processes, or is ultimately about survival or sustainability – HR can play a role in helping innovation flourish.

The innovation research programme
We embarked upon a research programme with the University of Bath to look beneath the surface of innovation and understand the role that HR and L&D professionals play. This research programme has four streams, each addressing a different aspect of innovation.

The first three streams of research are:

• innovation in networked organisations
• innovation in local government
• innovative outputs – a balancing act.

These are all available to access online.

This report represents the fourth and final stream in the programme. Building on the findings of the previous three streams, here we examine how HR can best support the innovation imperative. We examine the different approaches to innovation that organisations may adopt to develop five innovation profiles. We adopt a statistical approach to identify first what drives innovation in an organisation, and second what leadership, learning and talent approaches are associated with each profile. We provide case study vignettes to illustrate each of the innovation profiles.

We have developed the innovation profiles to assist practitioners to reflect upon their current innovation approach and consider its suitability for achieving their long-term organisation strategy. Through considering the leadership, learning and talent practices associated with each profile, practitioners can take action to promote their organisation's desired approach to innovation.

How we conducted the research
In the CIPD 2012 *Learning and Talent Development* survey conducted in partnership with Cornerstone OnDemand, we included a battery of questions designed to tap the different drivers of innovation. With a survey response of 766, we were able to run advanced statistical tests on the data to derive our innovation profiles. The full methodology is explained in the appendix.

To inform and further explain each of the profiles, we draw on the six in-depth case studies featured in the previous three streams of this research programme. We provide a brief summary of each case study on page 3. In each organisation we charted their innovation journey, examining how they seek to embed innovation as part of their organisation culture.

We used the Bath Innovation Model (shown in Figure 1) as the guiding framework in developing these case studies, interviewing people at different levels and from different functions. We use the lens of *explore* and *exploit* extensively in our research to look at the nature of innovation. We look at how organisations *explore* new practices and ways of doing things, and how they *exploit* and improve current practices to leverage maximum value.

Case studies

Marks and Spencer/One Team
The One Team network was instigated by Marks and Spencer and their third-party logistics providers (3PLs). The shared aims of the network are to work together to improve the performance of the Marks and Spencer general merchandise logistics network by sharing knowledge and best practice between the parties. One Team innovates by networking across boundaries and developing new forms of organising its component workforce.

iris
iris is an innovative creative agency enjoying an international reputation for the quality of its outputs. It employs 800 people worldwide in 16 global offices, with a head office employing 350 people in London. Established in 1999, iris works with approximately 25 clients, which include a number of high-profile brands. iris innovates through its approach to developing client solutions which allow creative challenge and autonomy and client focus. We conducted a large-scale survey to track this.

AMS
Alexander Mann Solutions (AMS) builds world-class talent and resourcing capability for leading organisations across the globe, based on the shared belief that people are the foundation for success. As a trusted adviser, AMS delivers a range of measurable solutions through integrated outsourcing and consultancy services. We have identified five key managerial actions that support the achievement of an effective balance between exploitation and exploration. These actions are 'integration', 'role-expansion', 'tone-setting', 'buffering' and 'gap-filling'.

Southend-on-Sea Borough Council
The People and Organisational Development (POD) Team at Southend was born out of the cultural change initiative – the 'Inspiring Programme'. As soon as the CEO arrived, HR was elevated onto the senior management team. Together these groups of people worked to define the current culture, the desired future culture and the behaviours that would underpin such a cultural vision. Southend's innovation hook is around engagement and OD, with a focus on unleashing the creative, problem-solving power of employees.

Sutton and Merton Council
The shared services was part of the Smarter Services Sutton programme, which introduced new ways of working while reducing expenditure through: channel migration, Big Society projects, changes to employees' terms and conditions of employment, strategic procurement partnerships, business process re-engineering and organisational redesign. Sutton and Merton's approach is very much about innovating through partnerships and collaboration.

Sunderland City Council
Sunderland faced the Government's local authority squeeze with ingenuity. IJM/SWITCH has allowed the council to radically reshape and redesign services while also allowing them to offer job, rather than role, security to their workforce. It has also allowed them to develop a flexible and adaptable workforce better suited to meet future challenges. The Sunderland solution is very much about using a floor of job security to encourage a floor for innovation supported by its dynamic internal labour market, allowing service transformation with a high level of employee engagement and involvement.

Figure 1: University of Bath model of HRM and innovation

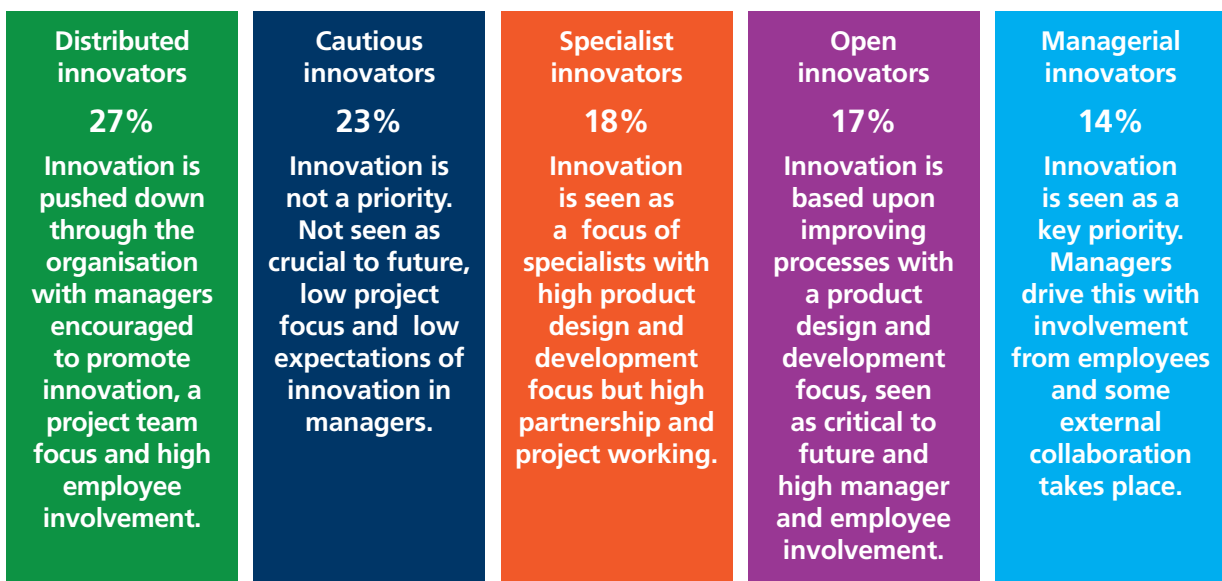| Input	Processes	Outputs
Human capital		Creative output
Social capital	HRM practices and processes *for example,* **L&TD**	Innovative forms of organising
Organisational capital		Innovative services

Context: climate, trust, culture
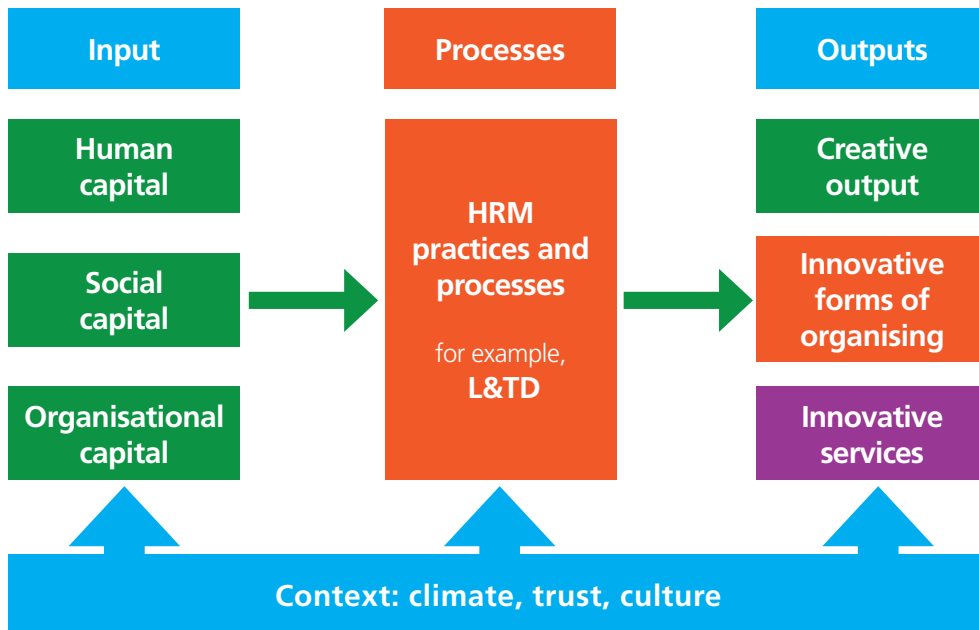
The innovation profiles revealed

Five distinct innovation profiles emerged from the data. These profiles characterise the main approaches to innovation that organisations adopt, detailing the drivers of each. Figure 2 illustrates the five profiles, providing a brief description of each and showing the percentage of organisations we surveyed which fell within that profile. For example, 18% of our survey respondents are 'specialist innovators' who have a strong focus on product design and development as well as on partnerships and project working.

Figure 2: Innovation profile headlines

Distributed innovators	Cautious innovators	Specialist innovators	Open innovators	Managerial innovators
27%	**23%**	**18%**	**17%**	**14%**
Innovation is pushed down through the organisation with managers encouraged to promote innovation, a project team focus and high employee involvement.	Innovation is not a priority. Not seen as crucial to future, low project focus and low expectations of innovation in managers.	Innovation is seen as a focus of specialists with high product design and development focus but high partnership and project working.	Innovation is based upon improving processes with a product design and development focus, seen as critical to future and high manager and employee involvement.	Innovation is seen as a key priority. Managers drive this with involvement from employees and some external collaboration takes place.

Building on these outline profiles, we drew further on the data from our 2012 *Learning and Talent Development* survey to examine the types of learning, leadership and talent interventions associated with each of them. We suggest that this analysis will help L&D professionals to identify the particular L&D approaches they need to adopt to drive the organisation's desired approach to innovation.

What does this mean for OD and L&D?

As well as looking at the leadership, learning and talent practices associated with each of the five individual innovation profiles, we also identified some common OD and L&D interventions which can be considered to propel innovation more generally.

There is no standardised approach; each organisation must look at its own context and objectives and judge how best to implement the interventions below depending on their organisation's current state and future needs. Organisations that want to drive innovation must, at the very least, focus on:

OD

- make innovation a substantial part of the day job of managers and leaders
- value the importance of employee involvement
- ensure systems and processes support and promote innovation – a highly systematic approach across the whole organisation will be most effective
- promote collaboration with both internal and external networks.

L&D

- job rotation to drive collaboration and knowledge-sharing, unlocking innovative ideas from employees, customers, suppliers and competitors
- formal education courses can develop expertise and insight
- external workshops, conferences and events can encourage an outward focus necessary to fuel innovation.

Although in the survey L&D practitioners told us they focused on these three interventions to promote innovation specifically, they rated other methods as more effective for achieving the organisation's overall L&D strategy (namely, in-house development, internal knowledge-sharing and coaching by line managers). This mismatch could create a tension between the overall L&D strategy and that needed to drive innovation.

Summary

In this report we first take a step back to consider the wider innovation debate and HR's role in helping organisations make innovation part of how they operate. In section 2 we present the five innovation profiles, discuss the drivers of each, and provide illustrative case study examples. Section 3 examines the leadership, learning and talent development interventions associated with each innovation profile. Finally, we offer some practice pointers for HR, OD and L&D professionals to consider when developing your own approach to innovation.

1 The innovation challenge

Innovation is indispensable to modern organisations. HR can support in the sense of building and buttressing the capabilities, behaviours and culture which can drive innovation. HR can also stifle innovation by either not being aware of the opportunity or getting in the way through frustrating procedures and policies. Some thinkers even suggest that the best way for HR to support innovation is to 'get out of the way'. At the CIPD we think that leaving the key people and development professionals out of the innovation equation is a recipe for standing still. Innovation is, after all, a people-centred activity. People invent; people also keep ideas to themselves and sometimes fail to share their ideas adequately. Those people who manage have an impact on a whole range of business outputs, including innovation. Therefore we need to understand how they can be supported and encouraged to boost innovation and creativity. This means a need to engage with some major aspects of workplace culture and employment relations which can have a major impact on innovation.

Innovation in employee involvement and voice

An emerging literature looks at the role of employee-delivered innovation. For example, over two-fifths of distributed innovators but well under a tenth of cautious innovators involve employees in their approach through staff suggestion schemes. We placed this relatively low bar to test the scope of what has been termed employee-driven innovation (EDI) (see Høyrup et al 2012). This is the notion that employees with their tacit and ingrained knowledge, networks and 'nous' can be an untapped source of innovation. This links almost directly to the employee engagement and voice debate. Employees like to feel that their suggestions are listened to, although only 60% of employees in the CIPD's winter 2012 *Employee Outlook* survey felt this was the case. Many of our case studies did recognise the importance of employee involvement. Southend Council, for example, had a big focus on employee engagement, as did AMS. It was also a focus in Sunderland City Council and in One Team given the importance of an engaged workforce in both challenging contexts. In iris it was developed through the appeal of creative and compelling work.

The role of trust, climate and culture

Arguably for employees to be engaged in innovation a high level of trust needs to be established. Our recent research on trust repair (CIPD 2012b) explains the vital role of trust in organisations. This is especially so in environments where trust has been eroded and needs to be repaired.

Trust is about an individual being willing to accept a certain level of vulnerability and uncertainty because they believe that the person asking them to take a risk is well intentioned towards them and will protect them from any negative effects of the risk-taking (Rousseau et al 1998). Trust is an important ingredient for innovation in local government because it is linked to an employee's willingness to take a risk. To try something different or radical takes personal courage on the part of most people. For senior managers to be able to break down the barriers smothering innovation in local services, they have to be able to persuade middle and lower levels that they can trust their bosses and trust each other.

We explore this further in the next section when we look in detail at our case studies and innovation profiles. However, before that we will briefly address two further dimensions – the shadow side of innovation and an appropriate role for government.

The shadow side of innovation

'Any benefits of the wave of complex financial innovation we have been through would have had to be very large to outweigh these costs. But it is unclear the wave of financial innovation could ever have delivered significant benefits even if it had not also created major instability…we need to recognise that not all innovation is useful.' **Adair Turner, Chairman, UK Financial Services Agency, New York, 27 April 2009**

Sometimes the race for novelty and newness can be genuinely disruptive and even harmful. It can lead to over-reach and hubris. Perhaps we can contrast the humble innovation we see in our case studies with the hubristic innovation evident in some contexts. The extent of financial innovation has been questioned as it led to new ways of cleverly parcelling up risk, the benefits of which went to a few individuals. These so-called 'rents' captured in the form of profits and bonuses were eventually paid for by society through structural bailouts. The restructuring of schools and hospitals, for example, though often necessary to reshape services in accord with policy and social change, carries risks in terms of oversight and accountability.

The UK National Health Service example of Mid Staffordshire Hospital shockingly illustrates how that can happen. In an effort to explore new ways of delivering services, its organisational focus was distracted from patient care, which is the single most important objective of a health undertaking. The result has led to a genuine crisis of leadership in the NHS and an in-built reluctance towards change and innovation that will ultimately be detrimental to patient care. The solution as we see it is to make sure that innovation is inclusive and involving of as many stakeholders as possible. This is the excellent lesson to be learned from Sutton and Merton, Sunderland and Southend Councils. Involving employees and residents in shaping local services is their preferred approach. Sometimes impatience for change and a genuinely entrepreneurial spirit on behalf of leaders and managers can take over. While that drive and energy needs to be preserved, it also needs to be tempered. The best solution is for decisive direction on the need for change and innovation and wide involvement in the shape which emerges.

Government's role

The Government has a role to play in innovation. Unfortunately most of the debate focuses on whether government can pick winners or incubate the next set of fledgling industries (see Mazzucato 2011 for an accessible review of these debates). The mix between tax incentives and investment subsidies and the role of hubs like London's 'Silicon roundabout' are examples of how government can play an enabling role. However, we would argue that governments should recognise and prioritise the investment in skills and learning, which accounts for about £50 billion of corporate expenditure, according to NESTA, and which plays a big part in developing the resource necessary for innovation. However, it can also link innovation to its other big employment initiatives, such as employee engagement and flexibility. A link with the people and performance aspects of innovation made with these key initiatives would get us away from the constant focus on big science and technology, which tends to accompany government thinking on this issue. This needn't involve significant financial resources – a change in the innovation dialogue would be a helpful starting point.

So what is innovation really? Big science and beanbags

One of the problems encountered when we think of innovation is that it is dominated by two related but distinct concepts. First is the idea that innovation is about big science, research and development (R&D) and ground-breaking invention. We think of massive science projects such as the CERN particle accelerator gadgets, blockbuster drugs, new medical technologies and engineering marvels. Along the way we might think down into improving production processes or developing new forms of learning, but generally we are thinking scale, cost and complexity. Second is the idea that innovation does not need all of that

'hardware' as it is about creativity, ideas and improvisation. One can be thought of as big scale, expensive and complex and the other as small scale, cheap and simple. This is of course a caricature, but many people think of innovation in such a way. An important issue here is to position and align innovation with real relevance and purpose.

Positioning and aligning innovation

If innovation is positioned as a core objective driven by the leadership team, it has more chance of taking hold. The key intention with all of our case studies was to develop innovative and novel approaches and these needed to come from leaders and to engage employees thoroughly. The focus in Sutton and Merton Council, for example, is spelled out by the council's mission statement, encapsulated in the word 'pride', with innovation at its centre.

In AMS the need to develop innovative resourcing solutions for clients is supported by a series of managerial actions ranging from 'tone-setting' to 'buffering', that is, protecting staff, allowing them to focus on assigned tasks. This helps to build the space for innovation.

In iris the approach is known as the 'triangle of truth' in terms of 'producing good work, having fun and making money'. That seems a neat and compelling concept, not just for innovation but for work generally.

In our local government case studies, what comes across is the need for innovation to be positioned as a low-key improvement activity and as a way of engaging managers and staff. It also helps engage customers and politicians. We call this humble innovation. For example, Sunderland Council positioned innovation as being about flexibility:

> *'I guess one of the key behaviours is really flexibility because it doesn't need to be about having… all that creativity themselves but it is about having the flexibility to adapt to things that come their way or to suggestions that are made by others or to build on other people's ideas and having the confidence to…implement things when they do come up.'*

Innovation is about developing new and better ideas, products and services. What happens between the extremes of big science and bean bags is where innovation really happens. So, although inventing and developing new products is critical, and creativity and ideas are vital, it's important to focus on how we:

- develop curiosity and knowledge
- build human capital, through skills and talent
- harness the social capital of collaboration and connectivity
- shape organisational capital which supports and nurtures innovation.

In our 2012 *Learning and Talent Development* survey, we asked respondents about the innovation strategy and approach within their organisation. Figure 3 gives some data on their perception of innovation strategy.

Figure 3: Learning professionals' perception of innovation strategy

Base: 755

Percentage
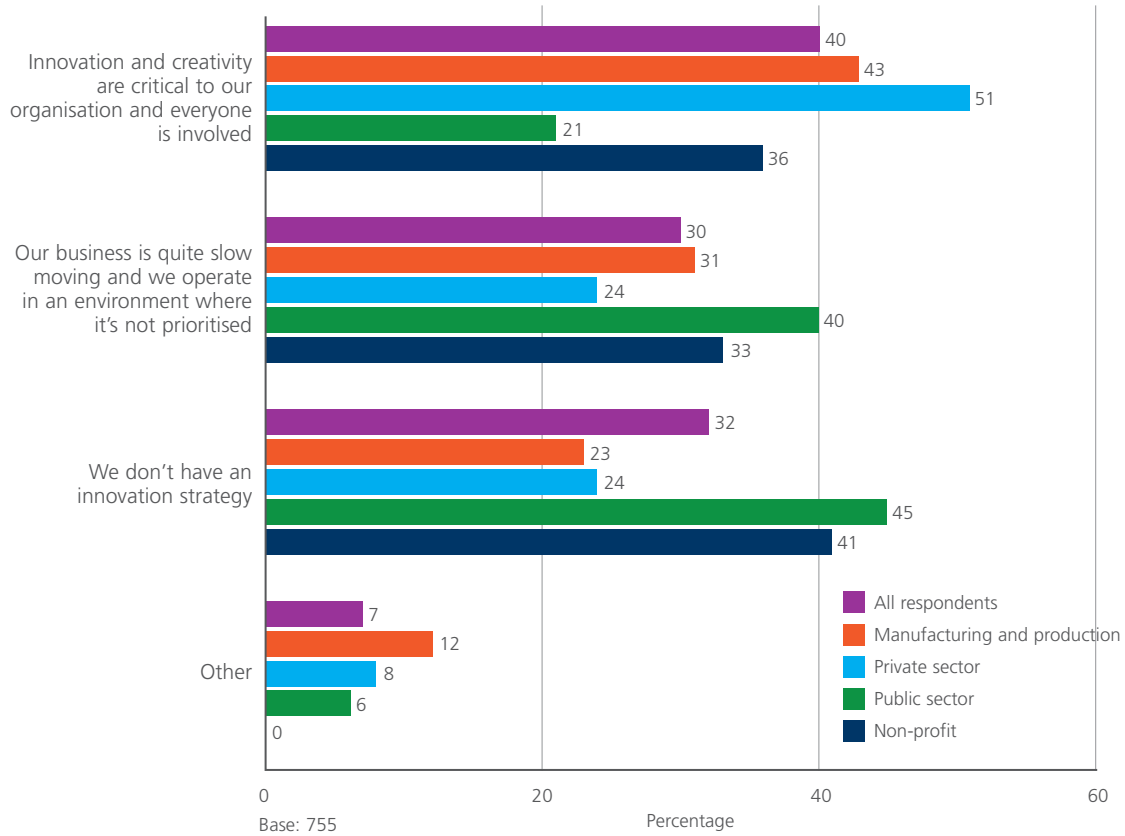
When asked what types of innovation strategy and/or approach are used in their organisations, over half stated that innovation is about process and improving customer focus. Only a quarter related it to technical and specialist skills and about 16% said that innovation is not important, roughly half of whom

2 The innovation opportunity: our evidence

Having developed a view on innovation, we set about developing a project to help us look beneath the surface at the different approaches to innovation that organisations adopt. We worked with a team from the University of Bath, tapping into their extensive knowledge of HR's role in innovation and deep expertise in organisational development, and married that with our own expertise and evidence base in learning and development.

How we developed the innovation profiles

Using some advanced statistical methods, we were able to delve into our 2012 CIPD *Learning and Talent Development* survey data, which included a battery of questions designed to tap the different drivers of innovation. With a survey response of 766, we were able to run advanced statistical tests on the data to derive our innovation profiles. The full methodology is explained in Appendix 1.

To inform and further explain each of the profiles, we draw on six in-depth case studies of organisations that have embarked on an innovation journey, examining how they seek to embed innovation as part of their organisation culture.

Here we present the five innovation profiles which emerged from our data analysis, detailing the drivers of each, and provide illustrative examples from our case studies. Organisations can move between the profiles, either by conscious design or due to changes in the organisation environment.

As you read the profiles, you may like to think about which most resembles your organisation's current approach to innovation. Will this current approach enable achievement of your organisation strategy? If not, what are the drivers of your desired approach that you need to focus on?
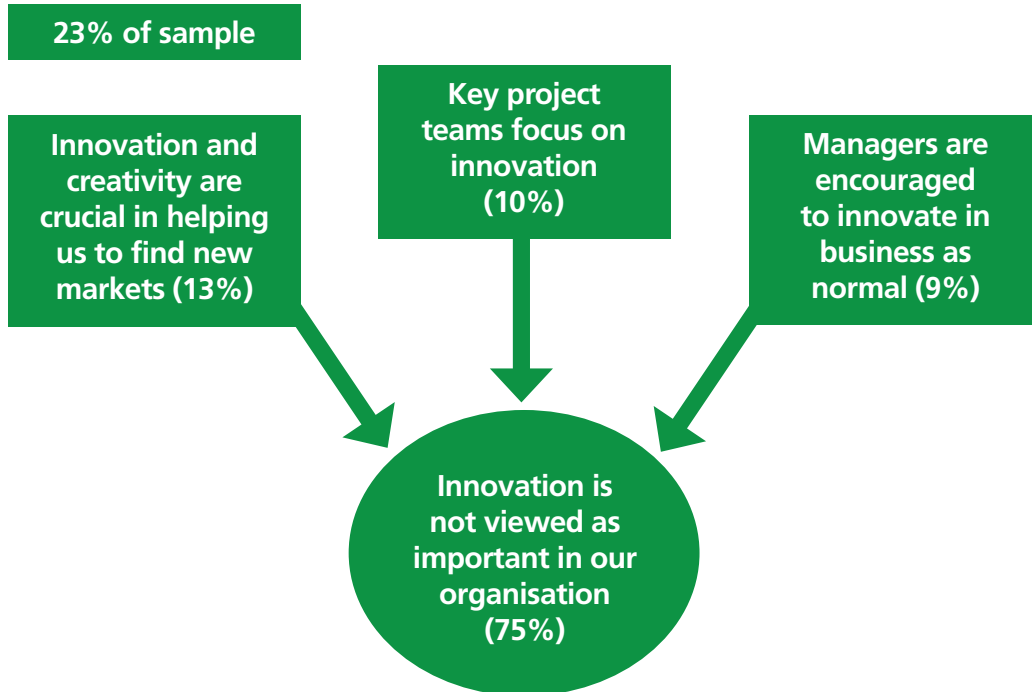
Cautious innovators

We found evidence in our survey research that some organisations prefer to be cautious on innovation, that they are sometimes reluctant to push the levers of innovation. They have a very high perception that innovation is not required in their organisation. They have a very low engagement with the ideas that innovation and creativity are either 'crucial' or are a solution to finding new markets.

Managers are not encouraged to develop an innovation perspective. In 'cautious innovators' it's as though they don't 'get' the innovation imperative. But a note of caution is needed here. They are to be found primarily in the public sector and within SMEs, so there may be situational logic in adopting a cautious innovation mindset.

Figure 4: Cautious innovators: key drivers

> **23% of sample**

> **Innovation and creativity are crucial in helping us to find new markets (13%)**

> **Key project teams focus on innovation (10%)**

> **Managers are encouraged to innovate in business as normal (9%)**

> **Innovation is not viewed as important in our organisation (75%)**

Caution may be optimal when working in an uncertain environment and when bold leaps and transformations could end up being reversed with a change in the economic and political environment.
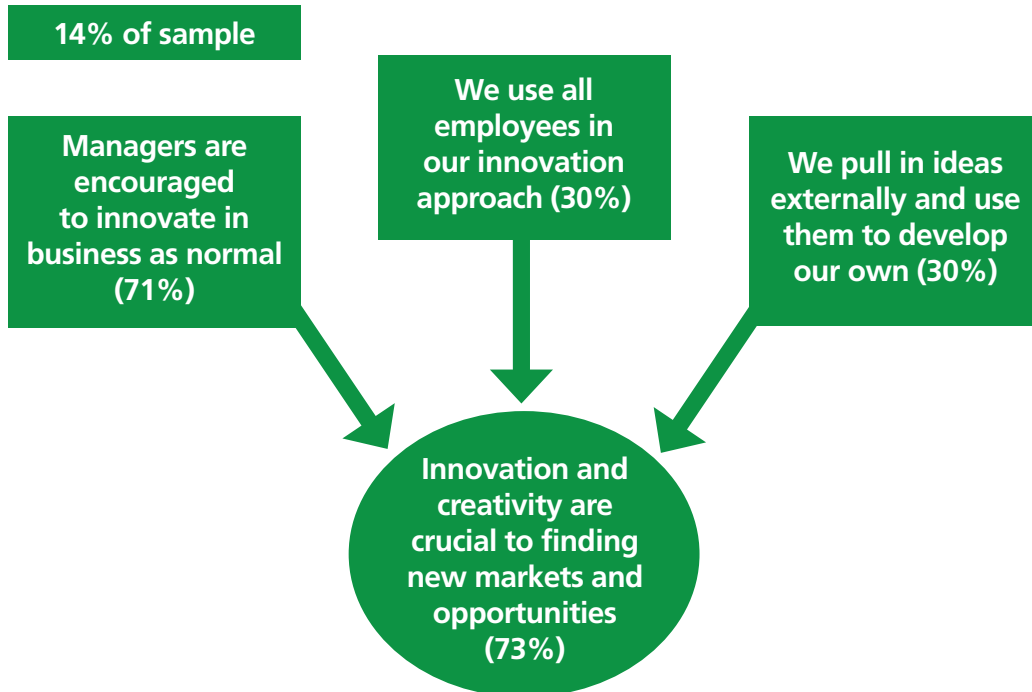
Managerial innovators

In contrast with the cautious innovators described above, managerial innovators get the innovation imperative and they understand the need to license managers as the champions and connectors of innovation. Some of this reflects size; many managerial innovators are in SMEs or small-scale professional services.

Organisations within this profile begin to get the importance of involving others in the innovation journey. Employee involvement, though low by comparison with other profiles, is at least recognised, as is working with external suppliers and the like. The overwhelming responsibility for innovation, though, rests with managers, which is why we term them managerial innovators.

Figure 5: Managerial innovators: key drivers

14% of sample

Managers are encouraged to innovate in business as normal (71%)

We use all employees in our innovation approach (30%)

We pull in ideas externally and use them to develop our own (30%)

Innovation and creativity are crucial to finding new markets and opportunities (73%)

The actions of managers are critical, as a key article by Turner et al (2012) – involving one of our research team, Juani Swart – explains. They discuss the context of *ambidexterity*, which relies heavily on the actions and behaviours of managers. Often, in very small organisations managers are at the heart of innovation. This gives impetus to the effort to innovate and improve, but arguably it keeps innovation within the boundaries of a manager's day job.

In our research, Sutton Council, with its approach towards innovation, probably best typifies a managerial innovator. Its approach is to exploit its existing networks of services and to improve delivery through managers. Much of that is driven by a focus on simple objectives, such as improving customer service:

> *'Our head of transactional services is very much about being on message and ensuring that we are very customer-service-focused and delivering to the customer and I suppose we've all sort of got that attitude within our team – can-do attitude is very important.'* **Recruitment Team focus group, Sutton Council**

Distributed innovators
For innovation to take off, the responsibility for innovation and improvement has to be distributed through the organisation, on one hand, and needs to face outside the organisation, connecting with both customers and suppliers. These profiles of innovation were also apparent from our research, in the 'distributed innovators'.

Distributed innovators believe that innovation should be part of the everyday role of managers. Yet they also use all employees in their innovation effort and pull in ideas externally. Within these organisations a systematic approach to innovation is favoured.

Figure 6: Distributed innovators: key drivers
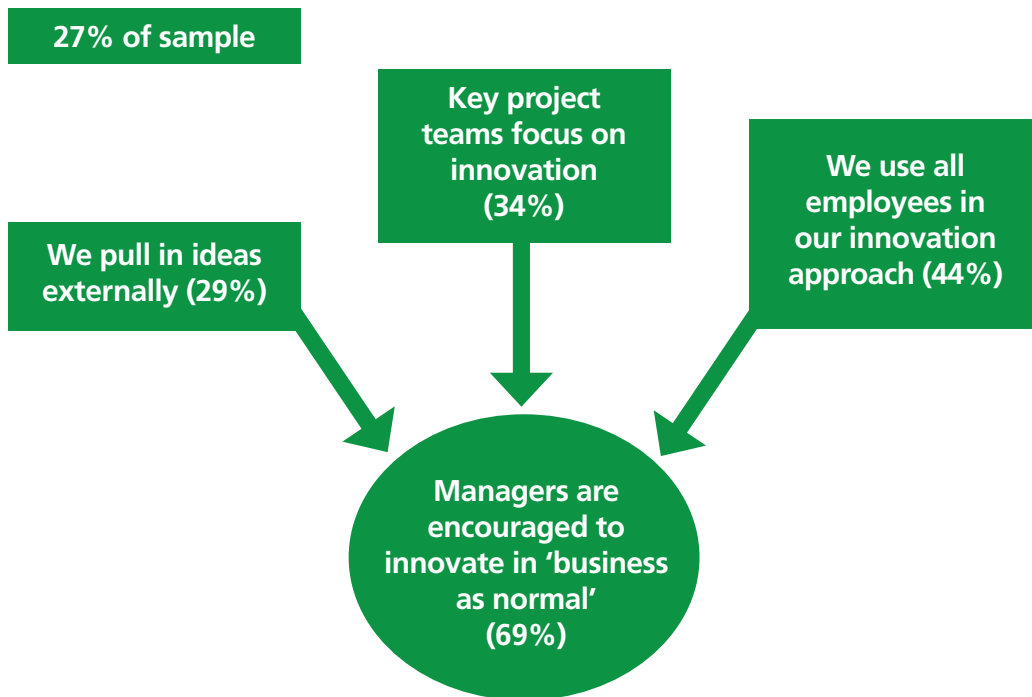
Distributing the innovation effort in an organisation across employees and tapping into customer insight and experience is a key focus for both Sunderland City Council and AMS. To achieve this state of innovation, organisations need to lift employee involvement, develop relationships with customers and suppliers and ensure that managers have a renewed sense of the importance of innovation.

Sunderland City Council, for example, used all employees in their approach to innovation. Faced with a swingeing cut to their central government funding, Sunderland's leaders sought to avoid compulsory redundancy, given the council's importance to the struggling local economy. HR was central to developing a unique internal labour market solution, supported by a strengths-based job-profiling approach to make the required savings. As their head of OD and transformation, Dave Rippon, explains:

> *'The strengths in terms of their personal strengths but also strengths in terms of their experience, their qualifications, stuff they might have done in the past. The way I would see us moving in the future as this process goes forward and we become much more dynamic in the way we change the organisation is we need a workforce that needs a complete fluidity to it.'*

This distributed innovation was supported by openness to change and a focus on the resident as the customer, perhaps in a way which the council acknowledges it had not previously operated.

Distributed innovation is also clear from recruitment and resourcing specialists Alexander Mann Solutions (AMS). Servicing clients ranging from banking and finance to consumer goods and everything in between, AMS is at the centre of global labour market flexibility.

One of the key functions of the manager is to bring together individuals (who may not be directly under their control) to achieve the work goals. In so doing, often disparate skills need to be harnessed for the delivery to be a success. This can also involve reconciling the evolving customer requirements with the contractual obligations, since these may diverge over time.

Client-based *explore* outputs are most easily illustrated from the AMS internal recruitment advertising agency known as Employer Brand Marketing Services. This part of the business produces marketing materials for recruitment campaigns with the client proposition of 'measurable innovation'. The aim here is to innovate in a way which may act as a generator of new business. For example, AMS has recently developed a new service called 'source cloud', which means having a very real-time availability of data. Again, like the managerial innovators, there is a big focus on managers but also on product design and development. Having developed managerial perspective, organisations can build towards open innovation, which amplifies and extends those approaches.

Open innovators

'*Open innovation is the use of purposive inflows and outflows of knowledge to accelerate internal innovation, and expand the markets for external use of innovation. This assumes that firms can and should use external ideas as well as internal ideas and internal and external paths to market as they look to advance.*' **(Chesbrough 2003)**

Figure 7: Open innovators: key drivers
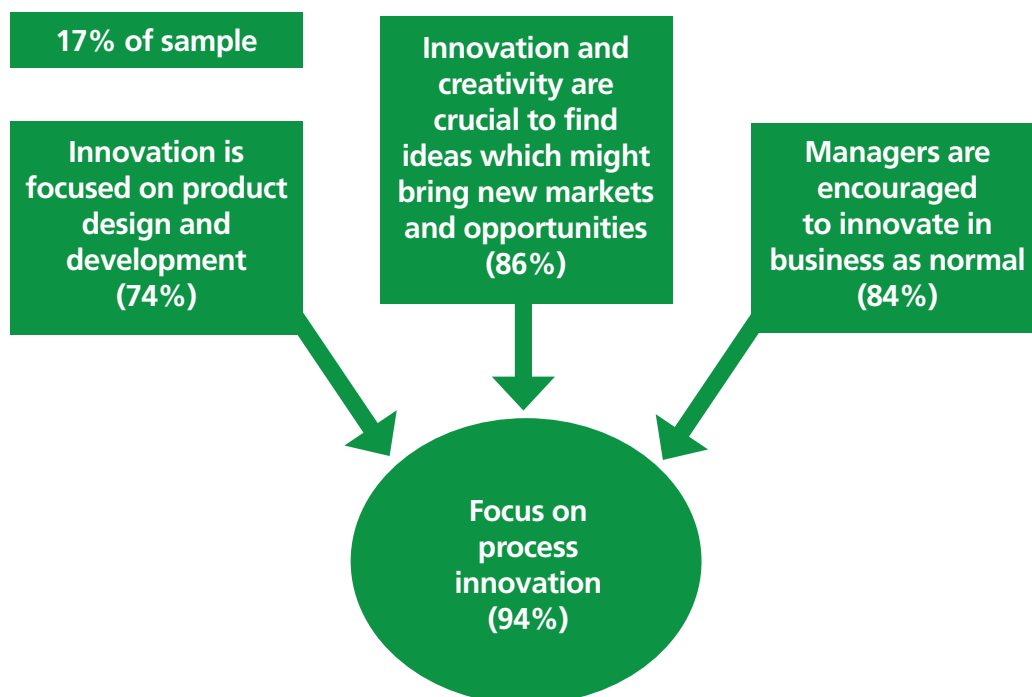
The fourth profile we identified is 'open innovators'. They are constantly seeking transformational and game-changing ideas and insights. They are also the highest profile for employee involvement, with 62% involving employees.

In our research, the open innovator type is best exemplified by the creative organisations iris and Southend Council.

iris, a creative branding and advertising consultancy, was seeking to develop this kind of approach. In creative organisations the employee must be involved and ideas and suggestions are part of the job description. The need to work closely with clients needs to be balanced with the fact that clients can sometimes impose their own processes and thinking on the creative worker, which can erode their creative impact. Often in an environment like iris, imaginative leaps are required to move the needle for the client, as one creative director explains:

> *'It was a promotion for Texaco […] and everyone at the time was giving away cut-crystal glasses or the usual tat. And I had half a million quid to spend on this promotion and I bought eight Mercedes SLKs and put them in shipping containers and buried them under the ground and people came and picked up clues, had to drive around the country and physically dig these cars up […] which was something that has absolutely never been done before.'*

However, the need for creative solutions which engage employees has to be balanced with the needs of the client and the mission of the organisation itself. This is a balancing act requiring an ability to look to the client needs, satisfy the employees' need for fulfilling creative work and serve the business need to do both. It's known as ambidexterity. An open approach with high employee involvement, a focus on customer and the process of innovation is therefore critical.

This open approach to innovation, though probably fairly common in creative firms, was also used by Southend-on-Sea Borough Council. Like all councils they faced major disruptive change. The change programme they introduced predated the local authority funding crisis. The council organised its HR function into a new focus with the title People and Organisation Development (POD), at once signalling the need for a culture shift away from the transactional top–down approach of previous eras.

To tap into the innovation potential of employees, the council embarked on several OD-type initiatives closely linked to employee engagement. 'Go Mad' was an ideas brainstorming forum which typified the approach:

> *'It encouraged people to think of different ways of delivering services. At first people had to think of ten different ways of improving delivery, and then another ten and then another ten. It was positioned as a solutions-based approach which helped people to take time out to think through ideas, see that there are lots of different ways of achieving the same thing, and it supported people through to the implementation of these changes by providing ongoing coaching sessions. The combination of support with the tools to dare to think differently all increased the confidence of staff to take the steps to try something different.*
>
> *'Now the staff feel that their creativity is being valued; staff are very keen on learning new things; they've never been stifled.'* **Ellie Hal-Fead, Manager – Marigold Family Resource Centre, Southend**

Specialist innovators
Our final profile is 'specialist innovators'. Sometimes innovation requires special expertise, an embedded technical knowledge and a deep awareness of a particular business process. Specialist innovation, whether it takes place in pharmaceutical development, a manufacturing process or support functions such as IT and logistics, is another key dimension of innovation. Our specialist innovation profiles show the importance of innovation around key projects which, given the size of the organisations concerned, will be large-scale transformational projects. Product design and development is also a big driver of the specialist innovators.

Figure 8: Specialist innovators: key drivers
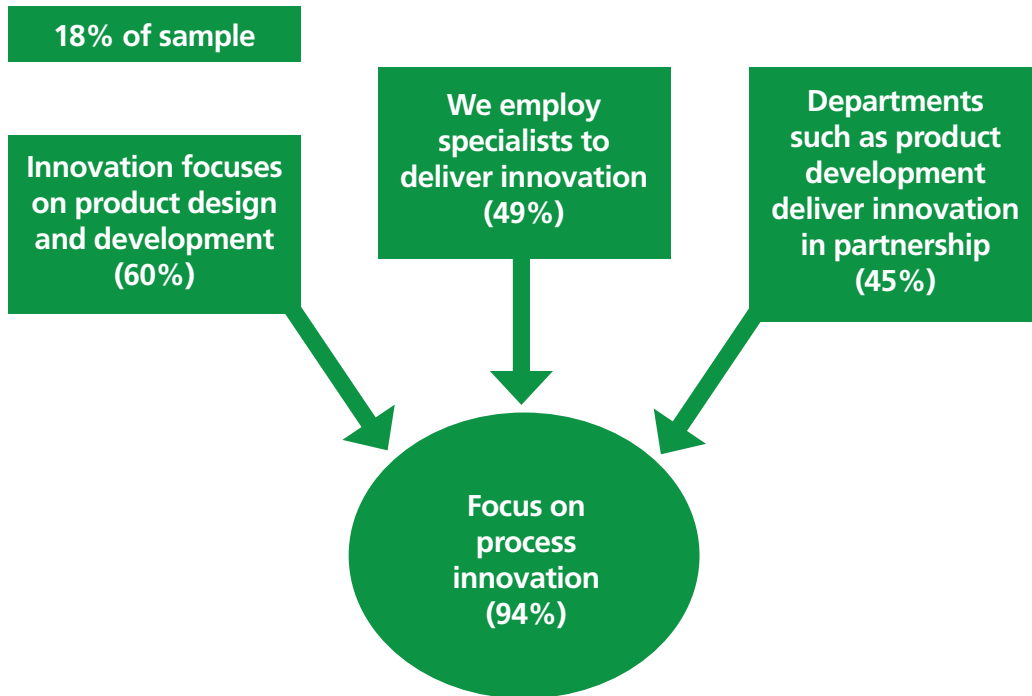
We were able to observe specialist innovation in the case of One Team logistics. Innovating in terms of project and cross-boundary working, this unique partnership sought to recast the firm's diffuse network of contractors into a coherent, unified operation – a unique supply chain organisation operated for UK retailer Marks and Spencer. Working with third-party logistics providers (3PLs) who warehouse and deliver different products – from cool chain for food and beverage to the latest fashions – and using their specialist expertise in logistics, they were able to develop a solution that is innovative and dynamic and that develops genuine cross-boundary working with a highly integrated organisational structure. This involves taking a novel approach towards the concept of the employee, as Professor Juani Swart of our research team explains:

'The future of work will be influenced by more networked ways of operating. Firms are more likely to manage people whom they don't employ directly. This fundamentally challenges how we define an "employee" and has a massive impact on our profession – we need to rethink how we view what an employee is.'

These issues are also developed in the CIPD's Talent Forward research (2012), where we look at new forms of talent and capability working within, outside and across organisational boundaries.

By developing an integrated talent and learning system, One Team built the human capital necessary to get people to connect together. It is also important to work on the tensions and challenges which arise when people are working together in novel ways. The overriding driver of One Team was to work in a way which builds capacity and capability. The organisational capital was also important here. Processes such as IT and procurement were critical as well as HR and organisational development, reward, performance management and learning and development.

'Performance management and reward practices were established at the level of the network. Efficiency targets were set for each site and performance was measured weekly. Each site had complete knowledge of its own performance and the performance of others within the league table which was established. This provided a strong incentive to improve performance, which was highly visible throughout One Team.'

We have looked at five different innovation profiles:

- Cautious innovators stand back from innovation and do not seek to build an innovative culture.
- Managerial innovators seek to deliver innovation through the action of managers.
- Distributed innovators spread and share the innovation effort.
- For open innovators, it is absolutely critical that employees, clients and customers are involved.
- Specialist innovators use both specialist expertise and internal and external expertise systematically to drive innovation.

Our next section draws further on our profiles, explaining through our case studies how innovation can be supported through the development of leadership, learning and talent.

3 Leveraging innovation through leadership, learning and talent

A key issue in developing an innovative approach is to develop the best forms of leadership, learning and talent development. One crucial role of leaders and managers is to inspire innovation. To achieve that, they need to have the right skills and, more importantly, they have to be supported by the right culture.

Learning is also critical to innovation. Indeed, as a 2012 NESTA research report indicates, the proportion of an organisation's intangible spending allocated to learning, training and organisational development is higher than the intangible spending allocated to R&D, aimed at developing new products. Specifically, just 13% of intangible investment was in R&D. In contrast, just over two-fifths was invested in the categories 'training and skills development' and 'organisational improvement', which would include investments in business process development and change programmes. This stands to reason as an organisation's innovation effectiveness is driven by having capable, flexible and agile people.

As people develop and learn, they become better equipped to play their part. Talent management is therefore critical because one of the key sources of ideas and energy for innovation comes from tapping an organisation's current and future talent supply.

We now examine in more detail how we can drive each innovation approach by paying attention to leadership, learning and talent. While reading this section you may want to consider how your present configuration of these capabilities is shaping your innovation perspective, and whether this approach is appropriate for your organisation.

Leadership

Our research indicates the importance of leadership to developing innovation. The importance of senior leadership was illustrated across all of our case studies. Sunderland, for example, showed the importance of senior leadership in setting the vision and in creating the climate. In iris the senior executives, who are often the creative leaders, played their part in helping employees at all levels to manage the tension between creative and client drivers. In Southend the targeting of key middle managers as a fulcrum of change and engagement was an early strategy in the council's transformation towards a more innovative approach. In Marks and Spencer, the focus of leaders in both logistics and HR allowed the company to develop the 'One Team' concept, effectively creating a virtual company to innovatively fulfil M&S's logistics promise (for the full case study see Stream 1 of this research programme).

A searching analysis of organisations' leadership skills was undertaken in our *Learning and Talent Development* survey. This allows us to develop a critical perspective on management and leadership skills at both senior and junior levels, identify gaps and align these with innovation approaches.
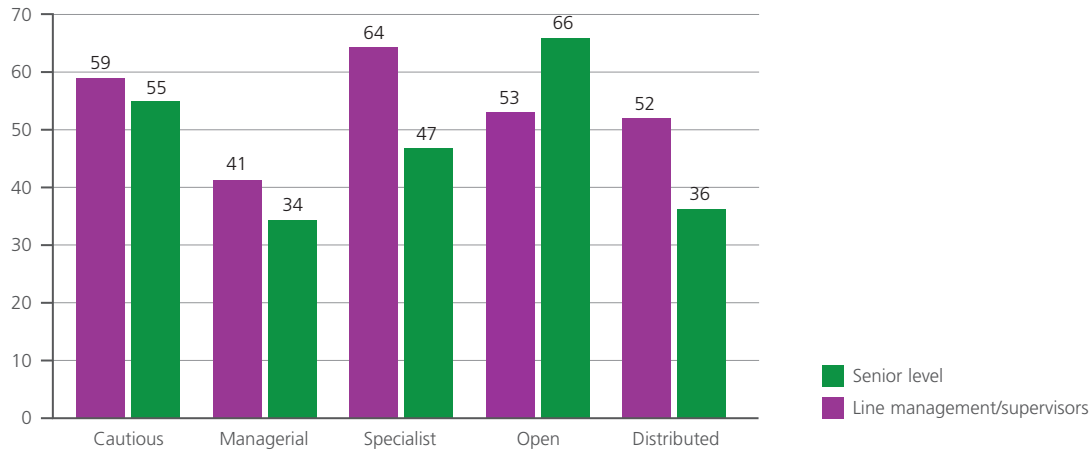
We can see from Table 1 the perceived deficit in leadership and management skills within organisations, according to their innovation profile. Managerial and distributed innovators perceive lower skills deficit in leadership; however, it's clear that most profiles are open to the notion that leadership skills need to be developed further. We also found that the focus of future leadership developmental activity was around improving strategic skills, future focus and developing high-potentials. These are certainly key future focus issues, but it must also be pointed out that innovation itself as a category did not register much as a specific leadership skill.

Table 1: Leadership dimension of innovation profiles (%)

	Cautious	Managerial	Distributed	Open	Specialist
Leadership skills deficit	74	55	60	60	71
Planning to implement leadership development activity in next 12 months	70	84	80	90	84

Figure 9: Management and leadership skills deficit associated with each innovation profile, by management level (%)

Legend:
- Senior level (green)
- Line management/supervisors (purple)

Values shown:
- Cautious: 59, 55
- Managerial: 41, 34
- Specialist: 64, 47
- Open: 53, 66
- Distributed: 52, 36

Learning

By considering how the effectiveness of different learning methods links to the five innovation profiles, we are able to identify the optimal methods for each (see Table 2). A clear favourite is job rotation (including secondments and shadowing), which is the highest-rated L&D intervention for all but one profile. The reason may be that this type of activity encourages people to think outside the proverbial box and to share knowledge and experience. We saw evidence of this practice in some of our case studies, for example in Sunderland City Council the SWITCH project meant that many staff were involved in secondments and shadowing. We also saw some evidence in M&S One Team, where employees of different logistics operators in the network shared roles so that they could learn about each other's operating methods.

The use of formal education courses was also rated as highly effective across the profiles. This generally refers to a specialist course of a longer duration delivered by external institutions. Continuous professional development, specialist technical and operational courses, short university courses and MBAs would be rolled up within this definition.

The distributed innovators are the exception with regards to the most effective learning methods, with a preference for integrating coaching, organisational development and performance, and seeking internal and organic solutions to the need to innovate.

Table 2: The top three most effective learning methods for each innovation profile

Cautious	Managerial	Distributed	Open	Specialist
Job rotation	Job rotation	Devolve learning to line managers	Job rotation	Job rotation
External education courses	External education courses	Greater integration of OD, coaching and performance	External education courses	External education courses
Coaching by line managers	Action learning sets	Linking L&D with OD	External conferences, workshops and events	E-learning

It's also important to note the learning interventions rated as less effective when we explored the innovation profiles. For our innovation profiles, the less effective interventions were as follows:

- In-house development programmes are top for general response in our L&TD survey, but when we drill down into the innovation data they come out below 2% with barely a discernible bar in the chart from any profile.
- Internal knowledge-sharing events are also rated very low, registering 10%, or barely a tenth of the rating given to job rotation. This appears counterintuitive given the importance of knowledge-sharing, but the fact that innovation is generally an outward-focused activity in most cases, it's hardly surprising.
- Coaching either externally or by line managers is also poorly rated by our innovation profiles. Just over a tenth feel that coaching delivered either externally or by line managers is effective in delivering learning, though there are some slight differences. Again, this contrasts with the general survey responses from which the data is drawn.

All three of the methods rated as least effective by our innovation profiles are in-house methods and they perhaps show that insularity and staying in your own territory are not conducive to innovation. This was also a finding of our recent Business Savvy research (CIPD 2012c) and something we need to explore further.

Talent management

Talent management is also an issue we looked at within the profiles, as outlined in Table 3.

Table 3: Talent management dimension of innovation profiles (%)

	Cautious	Managerial	Distributed	Open	Specialist
Talent management policy present	35	55	52	62	60
Focus of talent management	Develop high-potentials	Develop high-potentials	Develop future leaders	Develop future leaders	Develop future leaders

Again there is strong but varying engagement with talent management across the profiles, with the lowest scores coming from the cautious innovators and the open and specialist innovators having the highest incidence of using talent management. Most talent management focus is on developing future leaders, as was also seen in our Southend case study, and developing high-potential talent, which is an issue in both iris and AMS.

The key leadership, learning and talent management aspects identified in our profiles give us a great insight into what works in an innovation context and what does not. It helps us understand how critical leadership and management are and pinpoints the key learning initiatives which support the innovation imperative.

In our final section we draw out the overall conclusions that have arisen from the research, including suggestions for HR practice.

Conclusion and practice pointers

Innovation is a critical need within organisations and the role of HR is becoming recognised as pivotal to supporting it. Overall, this four-part research series has explained how HR helps to support the human, social and organisational capital that fuels innovation and transformation. We have explained how the various dimensions of innovation manifest themselves in organisations. We have explored how innovation happens in networked organisations, novel forms of organisational structure, how local government and to some extent the public sector have taken on the innovation challenge. We have also looked at how creative firms have developed the tension between customer needs and the innovation imperative. We have also reflected on the critical role of employee involvement and trust to building the foundations for innovation, as well as briefly outlined some contextual issues around the shadow side of innovation and the role of government.

In this, the final part of the innovation research series, we have identified five profiles of innovation and detailed the characteristics of each. The centrality of management ownership and employee involvement has been demonstrated. The importance of collaboration, a systematic project management approach to innovation, and mechanisms for tapping internal and external knowledge have also been indicated.

We have also investigated the most prominent and the most effective leadership, learning and talent interventions associated with each profile. We explain the behaviours and approaches that are less effective in an innovation environment. We hope this provides useful practical insight for those working in HR, OD and L&D who are tasked with helping their organisations to derive the best value from innovation efforts.

Practice pointers

Our profiles demonstrate that innovation has many phases and organisations can move between the profiles through conscious design or as their market and operating environment changes. Profiles can be seen as phases of the innovation journey. The transition from one phase of innovation (for example, managerial to distributed) brings with it new challenges and a need for differing configurations of leadership, learning and talent. Our work may help you to look ahead to your organisation's desired innovation approach and help you to effectively support it.

If we reflect back across this research series, we can pull out some overarching practice pointers for organisations. We suggest that organisations need to:

- Establish the need for innovation and examine the phase of innovation they wish to develop towards.
- Keep an eye on the specific skills and capabilities required relevant to their industry and situation.
- Look at how the culture and climate stimulates or stifles innovative behaviours.
- Incentivise and reward innovative behaviour in individuals and across teams, especially the collaborative and connective aspects.
- Understand how innovation 'plays' in different contexts and how best to drive it forward, taking account of those differences.

Finally, innovation is a critical strategic issue for HR and our ability to work with others across and outside the organisation will be a benchmark of our effectiveness. The opportunity to pull on the insights on knowledge management, collaboration, creativity and the profiles of innovation that we have begun to explore here will be crucial in building both capacity and capability.

The innovation imperative is increasing in importance and for HR, OD and L&D professionals, how you engage with innovation and creativity will be a hallmark of your effectiveness towards this growing organisational challenge and opportunity.

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Appendix: Methodology: How did we identify these profiles?

In the analysis of the L&TD survey data, we have chosen to use a person-centred approach in addition to the 'traditional' variable-centred approach. When analysing data in a variable-centred approach, our aim is to find subgroups of questions that measure similar underlying constructs (factor analysis), which are then related to the other constructs in the data. The person-centred approach aims to group the data as well; however, grouping is based on respondents with the same answer pattern. In other words, typologies are created by grouping individuals into unique and distinct profiles for which the relations with other constructs and outcomes may differ.

A basic way of grouping respondents can be done by a cluster analysis. Recent developments in data analysis techniques have improved this method, which now enables researchers to test how well the grouping represents the variance in the data and how many groups should be selected. These techniques of data analysis have been used in various fields, specifically in marketing (assigning consumers to consumption patterns) and in the medical sciences (assigning patients to a medical condition). In HR and management studies, the person-centred approach to data analysis is starting to find its way. In a recent study of employee attitudes and commitment, this technique was used to explore the existence of profiles of workplace affective commitment.

In relation to the use of this technique, Morin et al (2011) state:

> *'The identification of […] profiles would be an important improvement in the field of human resources management and organizational psychology. Indeed, results regarding employee profiles are easier to communicate to managers and make cognitively more sense than abstract results from variable-centred multivariate analyses. Additionally, identifying WAC [workplace affective commitment] profiles may serve as a first step in the development of differential strategies targeting specific profiles of employees.'*

For the innovation profiles, we have conducted a latent class analysis using the statistical package MPlus. Similar data analysis could be performed using the statistical package LatentGold and other packages are available. The program assigns respondents into groups on the basis of their answers to the innovation strategy questions. The program starts an iterative process by applying a series of algorithms, thus optimising the cluster solution. The result is the grouping of respondents in such a way that the profiles represent most of the variance in the data. In other words, it maximises the similarity of answer patterns within the groups and maximises the differences in answer patterns between the groups.

To determine the optimum number of profiles in our data, we have tested the improvement in fit of the cluster solution to the total variance in the data set. This indicated that the fit of the five-profile solution was significantly better than the four-profile solution. Fitting a six-profile solution did not increase the explained variance of the data significantly more than the five-profile solution, which made us decide to go for the five profiles we presented.

The MPlus program produces – along with the cluster solution – a diverse series of fit measures that represent how well the solution represents the data. The entropy (a measure of the certainty or fit of the classification) is one of these fit measures and it is generally accepted that when the value for the entropy is above 0.8, the profiles represent the data well enough to use profile membership as the 'fixed' solution rather than to work with the probability of someone belonging to a specific profile. The program assigns the respondents to the profiles and, on the basis of this, we have treated the groups as five separate profiles of respondents similar within the profiles and different between the profiles.

Notes

sustainable organisation performance

Future-fit organisations is one of the themes in our Sustainable Organisation Performance research programme. The other themes are stewardship, leadership and governance and building HR capability, and we also offer insights from Asia. Within each of the themes we will research a range of topics and draw on a variety of perspectives to enable us to provide insight-led thought leadership that can be used to drive organisation performance for the long term.

insights from Asia

building HR capability

stewardship, leadership and governance

future-fit organisations

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