



Bertelsmann Stiftung (ed.)

Cultivating Corporate Innovation

Case Studies on Internationally Successful Corporations

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Case Studies on
Internationally Successful Companies

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Preface

“We want to discover, develop and successfully market innovative products to prevent and cure diseases, to ease suffering and to enhance the quality of life.”

Novartis Mission Statement

“We strive for innovation. By providing an environment and a flexible structure in which innovative thinking can flourish, we safeguard our competitive advantage long-term. Our innovative strength and drive are based on R&D, extensive chemical and technical expertise, and a sound knowledge of customers, consumers, suppliers and markets. We take into account the requirements of sustainable business practice right from the start of the innovation process.”

Henkel, Vision & Values

“Creating Innovation—Innovation refers to products, services and internal company processes—from a suggestion for improving the normal working day counts to developing a new product.”

B. Braun, Philosophy

“Innovation” over the last years has become one of the most used terms in corporate practice and management theory. There goes hardly an opportunity in which a corporate leader would not refer to

the importance that the attraction of products and employee creativity have for competitiveness. This is exactly why business agrees that companies have hardly an alternative to constantly fostering innovation if they want to remain competitive and survive in the long run. In consequence, there is little wonder that practically every company today lists innovation or the capacity for innovation among its publicly announced core values.

The three companies involved in the case studies presented in this volume are no exception. Yet, to successfully create and market innovations, just announcing the willingness has never been enough. Firstly, of course, new ideas are required.

Secondly, you need an environment that fosters the development and growth—and then, in particular, the implementation—of new ideas. For what is the use of the best idea if the fear of failure and punishment exceeds the courage to “dare the new” and take risks connected with it? And what is the use of ideas if the prevailing attitude says, “We have always been successful, so why should we change or develop something new?”

The case studies prove that companies must avoid this very attitude. In fact, companies have to develop approaches and methods to counteract such negative persistence and status-quo thinking. Taking along employees on this path, establishing transparency about the necessity of innovation, and creating the framework conditions for creative, motivated performance with the help of corporate culture are necessary preconditions.

Many companies have meanwhile realized that this is best achieved by granting entrepreneurial freedom within structures as decentralized as possible, the delegation of responsibility in combination with profit sharing, and a partnership-based dialogue among all stakeholders. Identification with the company and the tasks can thus develop, which fosters the willingness to perform and change among employees as well as the competitiveness of the company.

The aim of such companies was and is the development of a corporate culture that acknowledges and revitalizes the value “willingness and capacity for innovation” as a core value. The three compa-

nies in the case studies have started from different points, yet they all show ways of promoting innovation:

- The merger of Ciba-Geigy and Sandoz that created Novartis marked the starting point for a strategic initiative to define and implement a new, values-based corporate management for high performance and leadership in delivering innovation to patients in need.
- Henkel's "Year of Innovation 2006" was a huge and highly successful company-wide initiative to step up the mobilization of all employees and create a greater feeling of ownership among them.
- Last but not least, the example of B. Braun Melsungen shows how to tap and make best the use of the chances of "open innovation", i.e., how to open internal innovation processes outward.

All three case studies describe the active role of corporate leadership in shaping an innovation-oriented corporate culture and suitable instruments within the framework of such a culture-based innovation management.

The Novartis Group, Henkel and B. Braun Melsungen are members of the International Network Corporate Culture initiated by the Bertelsmann Stiftung. They are dedicated to further developing and disseminating exemplary leadership behavior and a corporate culture oriented toward the human being. They share the conviction that investments in analyzing, shaping and improving corporate culture are at the same time investments into the future of an enterprise. This set of case studies on innovation management was developed against this background.

The very constructive cooperation, consensus-oriented work and objective dialogue of different actors provided an example of how innovative thinking is generated and leads to valuable results. In this context, we would like to thank the authors of the case studies, Professor Bernd Kriegesmann, Professor Friedrich Kerka and Thomas Kley from the Institut für angewandte Innovationsforschung (Institute for Applied Innovation Research) at the Ruhr-University Bochum for leading the research and adding their expertise in the field of innovation research. We would also like to thank staff in our own

companies without whom these case studies would not have come into being.

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Chairman of the Management Board, Henkel KGaA

(until April 2008)

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Cultivating innovations— three examples of internationally successful companies

Searching for the underlying reasons of innovative success

The perception of an increased pressure for innovation and the awareness that innovations for tomorrow cannot originate from today's rationalization programs have led many companies to step up their innovative efforts again. But reforms and ideas for reforms do not appear out of nowhere. They are based on complex processes that start with a stimulus, an idea or a mere coincidence that raises doubts and also activates barriers, that develops, tests, revises and retries solutions, that actively abandons the old and painfully establishes the new. The hope of initializing and implementing an innovation without conflict has proven to be wishful thinking. Instead, innovating companies must undergo a development process that comprises technological innovations, individual learning processes, organizational reconfigurations and the reform of supplier and customer interfaces (Kriegesmann 2003).

While a small and dynamically developing group of companies has been consistently successful at setting benchmarks with their development processes and the resulting innovative performances, a majority of companies has failed to develop the needed engagement for innovation, and well-intended initiatives to activate the workforce remain without effect. In the case of a failure, the blame game goes back and forth between the deplored risk aversion of the decision makers, the lack of creativity of the workforce or a hostile environment for innovation—corporate routines between the joy and frustration of innovation.

So why do some companies with comparable resources, similar structures and processes, and uniform strategic orientation succeed in turning their innovations into competitive advantages while others fail? What do an organization's ability and willingness to change depend upon? What is it that promotes or blocks development and explains why only a small group of companies manages to embrace innovation?

In light of these questions, an intense debate on the underlying reasons for the success or failure of companies has evolved over the past years. A central role for the development of innovative competences has been attributed to corporate culture (Sackmann 2006; Ernst 2003; Lemon and Sahota 2004). Whether a company is classified as a "corporate culture sensible to innovation" or a "corporate culture conducive to innovation and learning" or just a "culture of innovation or learning," the general sub-dimensions of a corporate culture relating to the task of innovating have become established in the research canon of various scientific disciplines and put on the agenda of the management level. Cultural-change campaigns are launched in the hopes of preparing the cultural ground for the change invoked by many—or to regain ground following an overly breezy change with unwanted cultural disruptions.

Corporate culture— a dazzling buzzword of management debate

The broad range of issues in the current management debates that relate to the concept of corporate culture—illustrated by terms such as *culture of trust* (Käslin 2004), *knowledge culture* (Oliver and Kandadi 2006), *error culture* (Baecker 2003), *innovation culture* (Schnyder 1992) and most recently *health culture* (Klemens 2005) and *learning culture* (Wagner, Seisreiner and Surrey 2001)—, documents the high popularity and fascination of the dazzling buzzword corporate culture (Horsmann, Nerdinger, Jahnke and Zschorlich 2006). Under the "cover" of corporate