

Creating **HOT SPOTS**

**Lynda Gratton Launches
Conversation About
Cooperation, Innovation &
Leadership**



Ideas for Innovative Leaders
from the PETER PRIBILLA FOUNDATION



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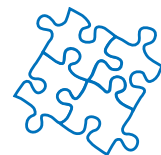


Employees are the
source of success.



We collaborate in a world-wide network of knowledge and learning. Our corporate culture is shaped by its diversity of people, cultures, open dialogue, mutual respect, defined goals, and decisive leadership.

-PETER PRIBILLA 2003



Introduction to the PETER PRIBILLA FOUNDATION

Professor Ralf Reichwald

Peter Pribilla was a member of the Managing Board of Siemens Corporation. He was also one of the most influential corporate partners of the Technische Universität München. With other colleagues, he helped set up our new business school, which was formally established as a separate structure in 2003.

My association with Professor Pribilla began in 1993 when we started a joint research project on the impact of electronic innovations on managerial work. That multinational study drew on his experience and contacts as head of the Siemens Private Communication Systems Group and extended my previous research on communication and leadership. The results were reported in several journal articles and two books, with Robert Goecke, and followed by a second collaborative study of corporate leadership systems at large international companies, which is also reported in multiple publications.

Professor Pribilla taught a regular course at TUM for a number of years in addition to numerous guest lectures. In recognition of his many contributions in research, teaching and administrative advice he became an honorary TUM professor in 1997. In the same year he was appointed to the Siemens Managing Board and elected to the Corporate Executive Committee at TUM. We were just completing our leadership study at the time of his untimely death in August 2003.

Informed by his experience at Siemens, including his last responsibilities as Head of Corporate Human Resources, Professor Pribilla spoke in many different settings about action learning, knowledge management, teamwork, and other topics. His intellectual interests, based on academic study and practical experience, are directly reflected in the two topics that are the focal points of the Peter Pribilla Foundation – innovation & leadership.

The activities of the Foundation in his honor are based on the content and the style of Peter Pribilla's very fruitful interactions with TUM. We are fostering personal connections among business people and academics to advance understanding about the leadership of innovation – a critical subject in today's globalizing economy.

The kick-off speaker at our official launch event, held 8-9 May 2006 at a beautiful lake-side hotel south of Munich, was Professor Lynda Gratton from London Business School. Recognized world-wide as a top management thinker, she sparked an interesting 24 hours of conversation by summarizing ideas from her new book, *Hot Spots*, and reporting results from a recent survey of cooperative efforts by 44 teams in 16 major corporations.

This publication summarizes her talk along with comments and concerns from launch participants. I thank my colleague and co-organizer of the event, Professor Anne Sigismund Huff, who organized its contents. The network we are developing is united by a common interest in increasing organizational capacity for innovation, and we expect to build on our first conversation by giving attention to cooperation across organizational boundaries at our next meeting. In anticipation, Professor Eric von Hippel (MIT), who was not able to be with us in Munich, discusses the importance of cooperating with innovative users and Professor John Bessant (Imperial College) describes cooperative inter-organizational networks for innovation.

Additional resources for considering the links between innovation, leadership and cooperation are summarized at several points in the following pages. I hope that readers who share our enthusiasm for leading innovation will find the entire volume inspiring.

Cordially,

Prof. Dr. Prof. h.c. Dr. h.c. Ralf Reichwald

The PETER PRIBILLA FOUNDATION Focuses on Two Main Themes:

• Innovation

How can companies use a full range of internal and external resources for current and future benefit?

Competitive settings require the rapid development of new ideas. Well-organized internal structures for generating innovations remain important, but are increasingly complimented by contributions from unanticipated sources. The PETER PRIBILLA FOUNDATION encourages research that increases understanding of how companies can successfully refine current offerings while discovering desirable new products/services/experiences. We are organizing instructional materials that reflect the new demands and opportunities for innovation.

• Leadership

How can companies foster individual initiatives that go beyond today's task requirements?

The need for leadership expands as organizational contexts become more complex and unforeseen events have multiple impacts. Leaders look beyond their current role and responsibilities to cope with unexpected situations and they inspire those around them to do the same. The PETER PRIBILLA FOUNDATION emphasizes research on effective leadership in complex, trans-organizational settings. We are identifying instructional materials and experiences that help individuals refine their leadership skills.

This Report From Our Launch Event Also Highlights:

• Cooperation

How can cooperation increase the innovative capacity of individuals and teams? How can leaders ignite this latent capacity within their organizations?

Many organizations have prioritized individual initiative and accountability in response to cost, speed and other demands of a globalizing environment. At the same time, increasing connections require increasing collaboration. The management structures developed in response to these two needs are often contradictory and counterproductive. Professor Lynda Gratton, keynote speaker at the launch of the PETER PRIBILLA FOUNDATION, shows why cooperation is important to innovative outcomes, and provides a framework for understanding how the latent energy for cooperation can be energized by 'igniting purpose.' Launch participants exchanged ideas about these inputs, and linked them to the need to cooperate more broadly.

Executive Summary

Professor Anne Sigismund Huff

Professor Lynda Gratton's kick-off presentation, which is summarized in this document, suggests that:

- **Cooperation fuels the innovations needed for new value creation.**

Data from 44 teams in 16 companies show a high correlation between cooperation within a group and knowledge transfer across group boundaries. A memorable summary of this and other research observations is that "knowledge is created in the space between people." However, Dr. Gratton concludes from her considerable experience that few organizations are able to create and sustain hot spots of collaborative energy.

- **Propensity to cooperate is latent energy within an organization.**

A cooperative mindset requires a climate of good-will, trust and generosity. It is increased by mentoring, role-modeling and cooperative goals. It is decreased by competitive goals and individually based remuneration. Though these relationships are frequently acknowledged, they are not widely used to increase innovative outcomes.

- **Capacity to cooperate is also a latent source of energy within organizations.**

Individuals' prior experience with "boundaryless" work is a major predictor of their current cooperative activity, and more innovative groups have better networks in aggregate. Two interesting subsidiary findings are that men and women do not differ in their propensity to cooperate (contrary to many people's expectations), but women tend to have less experience working across boundaries and thus are less likely to contribute to cooperative outcomes.

- **An igniting purpose is required to release the propensity and capacity to cooperate.**

Leaders can create hot spots of cooperative innovation by:

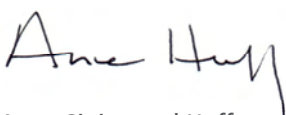
- Asking Socratic questions that energize organizational search for solutions
- Personally modeling collaborative ways of working
- Creating 'signature processes' built on the leader's personal values, and the unique situation of their organization.

Participants at the launch often agreed, occasionally disagreed, and also elaborated on these points. Some of their observations are captured in this publication, including the important point that:

- **Cooperating with other innovating companies and with innovating users can ignite energy within an organization.**

Ralf Reichwald and I hope that readers generate their own new ideas about how leaders can use cooperation to facilitate innovation. The launch event certainly had that desired effect on us and the four people who helped us most in facilitating conversation: Tobias Fredberg, Kathrin Möslin, Frank Piller, and Olaf Rughase.

Cordially,



Anne Sigismund Huff

Permanent Visiting Professor of Strategy & Innovation
Technische Universität München

Cooperation Hot Spots: the Peter Pribilla Launch

Lynda Gratton is Professor of Management Practice and Director of the Strategic Human Resources Program at London Business School. She is also a Senior Fellow at the Advanced Institute of Management Research and co-author of a book about their collaborative efforts titled *The Exceptional Manager* (Oxford, 2006).

Hot Spots, her book about how cooperation facilitates organizational performance, will be published by Berrett-Kehler at the beginning of 2007. Ideas from that book, and from survey research that she and her team are doing on cooperation, provided the focal points for her kick-off contribution to the PETER PRIBILLA FOUNDATION launch. She responded to many questions, starting with the most obvious:



Professor Lynda Gratton

Professor Gratton, could you please begin by giving us your analysis of why executives and scholars are paying so much attention to cooperation today?

When Peter Pribilla identified people as the source of success in organizations, I believe he was talking about their capacity for collaboration and innovation. This idea is also emphasized in *Hot Spots*, the book I am currently writing. "Hot spots" occur when people, often across the world, energetically and effectively work together on critical tasks.


People have to work together for new things to be successfully brought to market. Innovators draw on varied sources from within the organization and beyond, and synergistically unite this knowledge from different domains. As competition increases, hot spots of cooperative effort that create new value in this way are increasingly rewarded.

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In the 1980s value often was created by taking costs out of the business. The next wave of value creation came from mergers and other kinds of reorganizing. Once you have done these two things – and many companies spent a great deal of time and effort doing them – you have to grow to improve performance. There is no surprise here, but innovation has become a life or death issue. European companies in particular either innovate or die.

As organizations pushed performance through reorganization in the last few decades they often broke things up and applied performance metrics to each business unit. They were seeking more efficiency, and often got it. But they replicated activities.

Now the challenge is to pull the organization back together again. You can use structure to do that, but you also need to start building cooperative ties across the functions, across businesses themselves, and of course across organizations. I think our decade will be defined as the decade of cooperation because of the need to create these organizational links.


Though we are all interested in the benefits of cooperation and collaboration to build value, I don't think we see a lot of it today. Of course people have to coordinate their efforts, and increasingly they do so across organizational boundaries. But if we look across the landscape only a small number of organizations have real hot spots of innovation. These few offer tantalizing evidence of cooperation's potential contribution. 

Only a small number of organizations have hot spots of innovation. Yet these few offer tantalizing evidence of cooperation's potential.

After focusing on cooperation as a strategic asset for over two years, I've concluded that organizations wanting to be more innovative must create a set of values and ways of being that generate a cooperative mindset. They also must offer many opportunities for people to work across boundaries. But these two things only create latent energy for innovation. The third, and decisive, requirement for a hot spot is igniting purpose. All three of these things have been identified before, but we don't know enough about the leadership that puts them into practice.

What sparked your interest in identifying and understanding hot spots?

Several years ago, Sumantra Ghoshal and I wrote five case studies about successful multinational

companies.  We gathered interesting information about British Petroleum's wonderful peer group programs, for example, and the Royal Bank of Scotland's daily morning meetings of top leaders. What I saw at these and other companies made me want to look more broadly at how cooperation works today.

Because finding additional value through cooperation is on so many people's minds, it was not hard to gather a group of companies in very different sectors to take part in a more extensive study. ABM Amro, BBC, British Petroleum, British Telecom, Citigroup, French Telecom, Lehman Brothers, Rogers Communication, PriceWaterhouseCoopers, Nokia, Marriott, Royal Bank of Scotland, Reuters, Siemens, Unilever, and XL CAPITAL are all participating in a project I am running with the Concours Group. It is a collaborative effort in itself, with a fabulous set of companies that I thank for participating.

What do data from this impressive set of companies tell us about cooperation today?

Companies are re-conceptualizing cooperation in some important ways. For example, the size of collaborating groups has dramatically increased in the last few years. We anticipated that the groups we surveyed would be from 10 to 50 people. The companies sent back the names of many more – as many as 130 people on one team.

We also are finding that the leadership of cooperative efforts is being transformed. Our questionnaires assumed companies would provide the name of the group leader. A number have come back with more – as many as ten names that they were unwilling to put in hierarchical order! Co-leadership is becoming a reality.

I think we are seeing practice move away from theory in this area. Theory is in a catch up mode, and cooperative practices are even more complex than we realized.

We now have data on 44 groups from all around the world. Their members are working across time zones, drawing together strangers and people who don't know each other very well. Participants vary in many ways, including their skills. I want to

give you some first insights from the quantitative analysis of over 1,500 questionnaires, interpreted with the help of the case studies.

The first interesting observation is that cooperation is part of a whole value set that often becomes a self-fulfilling prophecy. For cooperation to occur, people in an organization need to feel there is good will, trust and generosity around them. The case studies suggest that tends to create more of the same. This is crucial. However, as I've already said, a cooperative mindset simply creates the latent energy for innovation. It doesn't of itself ignite the energy that serves innovation.

New insights and perspectives are crucial to the innovative capacity of a hot spot. Our survey suggests that two other elements have to be in place before the hot spots that interest me emerge. One element is that people are adept at working across boundaries. At the heart of working across boundaries are people whom we called cooperative networkers – they are individuals who introduce people to each other so that knowledge transfer can take place.

In addition, companies need what I call an igniting purpose. There has to be a spark that ignites latent energy. I don't think my field of Human Resources adequately understands this.

The spark that ignites latent energy can take a number of forms. An exciting task is the most obvious. We have found that the more complex the task, particularly the more ambiguous it is, the more people actively cooperate.

However, we also see a negative correlation between the structuredness of the task and cooperation. That means that leaders have to be careful not to overly organize if they want to encourage cooperation. This finding may not contradict executives' beliefs, but it frequently contradicts their practice. 🔔

Leaders should not overly organize if they want to encourage cooperation.

How do organizations break away from current practice? Should they actively reward those involved in successful cooperative efforts?

Where there is strong purposeful cooperation, there is a cycle of practices and processes which encourage people to believe that it is necessary to work together. The factors that make a difference, however, do not include remuneration. We found no significant correlation between remuneration and cooperation, either positive or negative, in our data set.

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This is very interesting from a research point of view, because many scholars working from an economics perspective are convinced remuneration is important. Meanwhile those adopting a psychological perspective have evidence that remuneration can reduce powerful intrinsic motivation.

Our findings point to a middle ground. It appears that organizations cannot simply change their remuneration practices and make a significant difference in cooperation. More specifically, organizations cannot change remuneration practices from individual rewards to team based rewards and expect that within a week everybody will start working cooperatively with each other.

At best, team-based rewards seem to be neutral, rather than intrinsically positive, while individual rewards may act as a significant barrier to cooperative working. These are very interesting findings from an HR and a strategic point of view. The topic needs further research 🔗 and further attention from those who design corporate management systems. 🔔

Are there other lessons for research or practice from your analysis so far?

Hot spots don't happen without psychological safety and trust. This is one of the strongest relationships

with purposeful cooperation in our data set. Positive outcomes are found when people feel safe; they feel they are listened to; they believe it is possible to take risks. People, and the innovations they can create among them, flourish in this environment.

In addition, the experience of being mentored is correlated with purposeful cooperation. Role modelling by senior executives who demonstrate cooperative values is a second important predictor. A third contributor is cooperative goals. There are no surprises from these three factors, but it is important to work with them when designing more collaborative organizations. 🔔

We did find an interesting and very strong negative relationship between cooperative working and competitive goals. What that means in practice is that if organizations set up task goals where people are expected to compete with each other, they establish an environment that has a very negative effect on the complex system that supports cooperation. Again, designers should care for alignment. 🔔

Competitive goals have a very negative effect on the complex system that supports cooperation. A new language is needed to describe emergent, more fluid ways of working together.

This finding reinforces my belief that we need new language. The organizational forms that are now being invented are hard to describe with words that over the last hundred years have become permeated with the philosophy of command and control. The word “cooperation” is sometimes used in a very coercive way. Scholars will make a wonderful contribution to the world of executives if they can point toward new concepts.

The language we need should help us think about how to create more emergent forms, more fluid action taking, more volunteering, and more knowledge transfer. The language of physics, fluid dynamics, and energy are sources for additional ideas. We need to create new metaphors.

Can you say more about the specific connection between collaboration and innovation?

The highest correlation in our study is between collaboration and knowledge transfer. We asked each of our respondents, in 44 teams, how much they worked across boundaries, across countries, across sectors. Then we created a boundary spanning index for each respondent. There is a close relationship between this indicator of past boundary spanning by individuals, how much each individual shares information in the present, and whether the team they are part of shares information with others. It seems the past experience with cooperation that people bring to a team strongly determines subsequent information sharing by that group.

There is a close relationship between past individual boundary spanning experience and whether the team shares information in the present.

This finding has implications for how we help people move around organizations, with some specific ramifications for women. We have almost equal numbers of men and women in our data set, and I am particularly interested in any gender differences since I have just been appointed Director of the Lehman Brothers Center for Women in Business at London Business School.

The company data contradicts many people’s beliefs about the way men and women work because it shows no difference between male and female tendencies to collaborate. However, women tend to have less experience working across boundaries than men, and therefore they are less likely to be currently involved in cooperative networking. It is one of many issues that need further attention in organizations 🔔 and in research 🔍 if the promise of collaborative working for innovative outcomes is to be achieved.

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The data also show that group innovation is enhanced by the group's capacity to network with outsiders. Again we are finding something that those in the field of innovation know very well, but you might be interested in how strong the data are on these relationships: the more innovative groups clearly have better networks.

I have come to see that knowledge is created in the space between people. I am not sure that executives really understand that, and I am not sure that academics in strategy or human resources understand it either.

Knowledge is created in the space between people.

We do very little in organizations to build communities. Therefore much of what happens is not taking full advantage of cooperative capacity. This is definitely a topic for discussion within companies and for collaborative research. For example, organizations that rapidly promote a few stars actively negate the likelihood of creating knowledge in the space between people. More generally, most HR practices and processes remain resolutely individual. They are not relational.

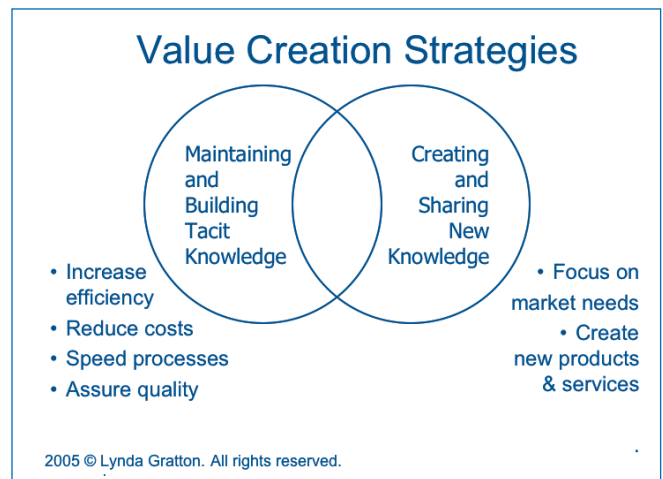
Does collaboration pose any risks?

Economic theory asserts that people create networks as a form of personal arbitrage, and that might be seen as a risk. However, our quantitative data paints a picture that is closer to my own experience: most networkers introduce people to each other because they think the association will create value not because they think they can personally appropriate that value.



I believe the network field has focused too much on the appropriation of value and not enough on the creation of value. In the highly collaborative and innovative teams we looked at, people seem to be saying "Hey, you guys should meet each other," not thinking "Hey, if I introduce Robert to John I will benefit." More research is clearly needed on this aspect of collaboration.

Most networkers introduce people to each other because they think the association will create value, not because they think they can appropriate that value.

In addition, even when cooperative efforts are created with good intentions, leaders need to think about the kind of groups they are forming. Two specific questions for more investigation are: When should relationships be strong, so that people stay together in their groups and get to know each other very well? When should we create the boundaryless relationships, or weak ties, that go across groups?



In the past, a company like Shell moved people around continuously; now these companies realize that they may have destroyed tacit knowledge by doing so. We don't want to create a world where everybody moves around all the time and everybody is collaborating with everybody else across boundaries, because that defuses the tacit knowledge base that gradually develops in the space between people working together. But of course we need new connections for new vitality, especially when innovation is the

goal. How to creatively balance strong and weak network ties seems to me to be an important question for practice  and for additional academic research. 

How to creatively balance strong and weak network ties is an important question for practice and for academic research.

You have talked about latent energy from the propensity and capacity to cooperate. What is the last component of a hot spot?

The third element of a hot spot is igniting purpose. Value is not directly created from belief in collaboration or from the mere existence of connections. There has to be something that mobilizes this latent intelligence and energy among people. We have several ideas about how this happens.

Vision about a different future is the first obvious spark. One of the cases on everyone's mind these days is Linux. I haven't studied it myself but have looked carefully at the work of others. Clearly Linus Torvalds' vision is pulling people into a new future and a very, very interesting new organizational form has sprung up around various open source efforts. We should all ask what ignites and maintains this extraordinary collaboration.

However, many CEOs do not have this kind of strong vision for the future and how could they? Things are moving fast. Key elements of a new strategy may not be in place. But if leaders can't or don't lay out purpose, does that mean they don't play a role in new innovations? I think successful leaders can push people's energy into the future. A particularly important tool is the Socratic method of asking important questions.

Successful leaders can push energy into their organizations by asking important questions.

One of the examples I mention in *Hot Spots* involves a new CEO. Within a month of taking office she

called the senior group together, stood at the front and simply asked: "Why do we hate each other?" It was a difficult, Socratic question. It takes a very confident CEO to ask a question when people around them are thinking and saying "You should know the answer to that, why are you asking me?" Yet the first role of a leader is to ask the absolutely right questions.

John Browne, CEO of BP, never had a vision of what BP would be in the future. But he too had a fantastic ability to ask Socratic questions. One of his questions was: "How can BP be a force for good?" That is a very interesting challenge because BP is an oil company. It is in an industry that is accused of destroying the environment, an industry that many graduates don't want to join. Yet Browne asked an extraordinary question before it was fashionable for oil companies to say how much they do for various causes. He didn't start with an answer about how BP could be a force for good, but rather asked an igniting question that intrigued others.

I wonder if both academics and practitioners have done damage to senior leaders by expecting them to have a clear vision that answers all questions. They are only human. How could they have more answers than we have collectively? What leaders can do is ask really good questions that those less familiar with the organization might not ask: questions that have the potential to act as points of ignition.

A third and different spark getting more of our research attention these days is how an interesting task can ignite latent energy. Hot spots develop when people are asked to do something that is meaningful in terms of their values, but they also have to feel that successfully completing the task will make a difference, both to themselves and to the organization.

How can leaders help create cooperative hot spots?

The first role of the leader is to play the Socrates role. They ask the unaskable question. That requires courage. The second role of a leader for collaborative working is to manage networks. We see in our data that individuals in groups with the highest level of collaborative working also report that those above them are working collaboratively.

I think that leaders need to be much more aware that they individually model the networking task to be done. We found, as many others have, that people collaborate with each other when they see their leaders collaborating. People in organizations are extremely sensitive to how they see their leaders behaving. They know a fake when they see it.

The 1st role of leaders is to ask the right questions. The 2nd is to model collaborative working. The 3rd is to develop “signature processes” based on their own values company’s unique history.

Establishing unique, ‘signature’ processes is the third, and most important leadership accomplishment that I see in the few companies that gain unique benefits from collaborative working. Two of the questions Sumantra Ghoshal and I asked ourselves when working on our case studies were about the existence and role of best practice. We knew that truly great companies have a great deal of best practice to exchange and we found adaptation of best practice in the companies we studied. However, one of the striking features of our five cases of high performing companies is that each of them in their own way also did something that nobody else did.

We called these unique features that seemed to contribute to high performance “signature processes.” They are important because large organizations are too complicated for a senior team to change very much. Anyone who has tried knows that there is only so much energy available and there is a huge amount of inertia, so it is not possible to change every single process and every single practice. But we found that leaders where hot spots emerged are very adept at championing one or two critical practices that resonate with their own values, and the history of their unique organization.

In an important sense they are authentic to themselves and this is a key aspect of this third and perhaps most important leadership role. Some people say that the leader is the architect

of the organization. I think this is implausible. How can any one person, even the CEO, truly be the architect of a huge company? It is unlikely that an established company will be completely redesigned, though in extreme circumstances you do occasionally see this effort.

What leaders under less extreme conditions can do is work with the relatively few practices, processes and routines that are unique to their companies. This feature can be the heart of an innovation that the leader absolutely champions -- a crucial point in the conversation we are having today.

Leaders who develop signature processes work with the relatively few things that are unique their organizations.

Sumantra and I found that signature processes are built on the core values of the senior team. In contrast, best practice is basically about bringing the outside in. Leaders see a company like Motorola develop Six Sigma, and they say “Isn’t that amazing?” They work to bring this important innovation into their own companies and it is a smart thing to do. But adopting best practice won’t bring sustainable competitive advantage since many competitors will be engaged in the same activity.

Incorporating best practice is important because it enables a company to get to a level playing field. Signature processes are a way to move ahead of similar good companies. They are built-in from the inside. They are at the core of the organization.

Differences Between Best Practice & Signature Processes

	Best Practice	Signature Processes
Provenance	“bringing the outside in” External and internal search for best practice processes.	“bringing the inside out” A path dependent history.
Development	Careful adaptation and alignment to the business goal and industry context.	Championing by executives.
Core	Shared knowledge from across the sector.	Corporate values.

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Do you have examples of cooperative signature processes?

All of my examples are cooperative. The first comes from the Royal Bank of Scotland. We saw a very collaborative senior team at this organization. The practice that supported their cooperation was the morning meeting. Every day of the week except Saturday and Sunday, beginning at nine o'clock, people in the senior team meet to talk with each other for more than an hour. Every single day. Extraordinary.

The morning meetings were and are championed by Fred Goodwin, the chief executive of the Royal Bank of Scotland. Over his tenure as CEO he actively championed the morning meetings. When we asked where the idea of the morning meetings came from, we found that morning meetings had existed since 1727! Goodwin started with a process that fit the culture and heritage of the company, but then made it his own.

The Royal Bank is successful for many reasons, but in my view it is especially important that it can work in a very fast way. It is one of the fastest companies that I have ever seen. You notice that in people's language. People at RBS don't talk about months. They don't even talk about weeks. Every single project or intervention they talk about is measured in terms of days. Projects are 30, 60 or 90 day projects. The daily meetings help people make mutual adjustments that support this speed. Their ability to cooperate, plus task focus, is a unique source of value.

What would people say in most organizations if their chief executive insisted that "from tomorrow we are going to talk together for one hour every morning." The response would be "You are crazy!"

Signature processes that work are very individual. They help create value because they are not easily copied. We saw that at Nokia. The modular structure at Nokia is as extraordinary as RBS's morning meetings. Groups of people who have 'sticky,' 'tacit,' knowledge that they cannot help holding within themselves are moved around as a group. These groups are not broken up. Why?

The logic behind team modularity lies within the experience and training of the senior team. Most are software engineers trained at the Helsinki School of Technology. The basic idioms of software

engineers include modularity and the reusability of knowledge. This mental model became the underlying idiom and structural architecture of the company and Nokia's signature process. It is very difficult for anybody else to replicate.

At the same time, they also are good at putting people together who have never met before. Take, for example, the Strategic Road Maps. This is an initiative launched twice a year by the senior team. They identify six topics that they believe to be the most important issues facing the company. For each issue they create a cross-functional team of up to ninety people who haven't worked together before. It is a mechanism that creates wonderful new collaborative spaces as well as new strategic ideas.

The Anatomy of Signature Processes			
	RBS Morning Meetings	Nokia Modular Structure	BP Peer Assist
Provenance - path dependent	Banking tradition dating back to 1727	Technology heritage from 1980: reusability through slicing and Sequencing, standardization	Initially created in mid-1990s
Development - executive champion	Shared training of the senior team: - CEO a forensic accountant	Shared education of the senior team: - technical focus - 'taste for complexity'	Philosophy of CEO J. Browne: - small-scale - learning - non-hierarchical
Core Values	Respect Accountability	Renewal Respect	Learning Accountability
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Let me give you one more example in BP's peer assist program. John Browne, chief executive, split the company into around a hundred and fifty business units and then horizontally pulled them back together into twelve groups with clear performance measures. What he did next was based on his personal belief that people learn more from peers than from bosses.

The peer assist program that developed from Browne's core idea is very interesting. If you and I were in a group together in BP it would be your obligation, as a citizen of BP, to help me. It is a very powerful concept. Experience with peer assist was so strong it was stretched to include "peer challenge," where groups review each other's requests for new funding before they are sent forward.

Information about the peer assist program has been widely disseminated. But even though everybody knows about BP's processes, no other company that I know of has been able to replicate them. Why not? It is a signature process – John Browne's contribution to BP.

Can you summarize by pointing to the priorities for leaders and researchers interested in creating hot spots?

I would love to see three questions pursued by scholars and practitioners interested in leading collaborations that produce significant innovations:

1. How can we increase understanding of how to build the spirit of collaboration into organizations? Most companies seem to be tweaking the factors they have been working on for some time. They rely on reward structures, for example, when in fact extrinsic reward does not seem to play a strong role in collaboration or innovation. Some widely accepted ideas about how to create a collaborative setting are probably wrong for today's organizations. Others probably hold: for example, our study reinforces the idea that role modelling and mentoring are important. We need to know more. **The question both managers and researchers have to answer is:**

Of all the things that might contribute to a culture of collaboration, what really makes a difference?

2. A number of studies show that innovation often takes place across boundaries. But then the question becomes: When to stop boundaryless working? Everyone shouldn't innovate continuously across every boundary. Some groups should stay together and build tacit knowledge over a longer period of time. **We need more experience and more research to understand:**

When is innovation across boundaries critical for organizational benefit, when does it erode benefit?

3. A third important issue involves the ignition of collaborative hot spots. It could be a question, it could be a vision, and it could be a great task. **The challenge that executives face, the challenge we scholars face, is:**

How do we create tasks and projects that are sufficiently meaningful to ignite the latent energy within every organization into hot spots of innovation?

Questions for Academic Research on **Leadership, Innovation & Cooperation** from Lynda Gratton:

1. What can we learn from the relatively small number of organizations able to create communities that make collective contributions to innovation? (page 7)
2. What kinds of remuneration affect cooperation? (page 8)
3. What are the differences between men and women's participation in cooperative efforts? How can these be explained, and when desired, changed? (page 9)
4. When, and why, do organizations take advantage of their capacity for cooperation? (page 10)
5. What encourages altruistic contributions to collective efforts? (page 10)
6. How can cooperative efforts based on strong and weak ties be balanced? (page 10)



Learning Resources

from Lynda Gratton:

Several resources relevant to Professor Gratton's kick-off presentation can be ordered from the European Case Clearinghouse (www.ecch.org) including:

THE TRANSFORMATION OF BP

Best selling case

(Reference: 302-033-1)

THE TRANSFORMATION OF BP

(video)

Reference: 302-033-3

OGILVYONE: INTEGRATING THE ENTERPRISE

(Reference: 902-020-1)

BUILDING COMPETITIVE ADVANTAGE THROUGH PEOPLE

MIT Sloan Management Review

Journal article reprint

Reference: SMR4323

BEYOND BEST PRACTICE

MIT Sloan Management Review

Journal article reprint

Reference: SMR46311

Additional materials can be accessed at her website: www.lyndagrattton.com.

At the time we go to press, these resources include an article highly relevant to the goals of the PETER PRIBILLA FOUNDATION:

Gratton, L. & Ghoshal, S. (2002). Improving the quality of conversations. *Organization Dynamics*, 31, 3, Winter 2002, 209-223.



Implications for Practice:

LEADERSHIP SUGGESTIONS

- Resist the urge to overly structure tasks when cooperation is desired, since research shows that people collaborate less when tasks are structured. (page 8)
- Remunerate team-based outcomes, but do not expect remuneration to create a cooperative mindset. Research suggests that effective collaborators are not primarily motivated by personal gain. (page 8)
- Eliminate individual competitive goals, which are negatively associated with collaborative settings. (page 9)
- Facilitate cross-boundary assignments for women in the organization to increase their future collaborative capacity. (page 9)

QUESTIONS FOR DISCUSSION

- Have we supported cooperative efforts with mentoring, role modeling, and goals that include cooperation? (page 9)
- How can we create cooperating communities within our organization? (page 10)
- How can we balance team assignments that create internal tacit knowledge with cross-boundary assignments that recombine that knowledge with outsider's knowledge? (page 10)




Highlights from Launch Event Conversations

Companies need more intensely collaborative connections. It is important to create systems, situations and spaces that encourage people to work together.



An interesting mix of distinguished practitioners and academics from Europe, the U.S. and Africa met at the PETER PRIBILLA FOUNDATION launch event, as shown on the last page of this publication. Some observations from our first lively conversations on how leaders can improve cooperation for innovation are summarized below. We cannot capture the full contribution or the knowledge behind these statements in a short document. Still we hope that they generate additional ideas from readers.

INCREASING THE PROPENSITY TO COOPERATE

Ralf Reichwald: I agree with Lynda Gratton that cooperation and innovation are of increasing importance because of the changing strategic activities of organizations. In our research on open innovation and interactive value creation we have seen that firms, which are opening their borders for inputs from their customers and suppliers, need a higher level of cooperation.

Frank Piller: This has been shown in the case of companies doing mass customization in particular. They not only engage in deeper interaction with their customers, they also need more intensely collaborative connections with suppliers and retailers.  Many current partners have been shown to not be able to cooperate in the new ways required. In fact, unsuccessful collaboration is a major reason of failure in mass customization.

Kathrin Möslein: An additional complication is the increasing scale of organizational activities. Established relationships often do not survive growth by one partner. Yet, we have to remember that individuals and teams need to do things in new ways if these macro-level needs are to be met.

Mark Jenkins: I see at least three aspects to effective cooperation at this micro-level, based on my studies of how Formula 1 teams work.  The first is about human inputs. Members of effective teams told us “we want people who think like individuals but work as a group.” The second factor is a no-blame culture – occasional failure has to be seen as ok. The third is that effective teams are able to respond to deadlines. We could do a much better job of training people how to work in these ways. 

Robert Goecke: Part of the problem is that to build cooperative relationships, you have to share time, because working relationships take time to build, you cannot “build” or “install” trust as a leader instantly.

Wolfgang Flachmann: Tom Peters says trust is the “big factor X” which reduces transaction costs, complexity and egoisms while improving open communication and problem solving. Leaders can foster trust by their own reliability, manner of communicating and its consequences. In addition they have to show confidence in the team by delegation, by empowerment and “letting them do”.

Thomas Kitzhofer: At our law firm we think about the meeting points that help create interactive experiences, and hopefully a more collaborative culture. As a small example, we recently purchased a very expensive espresso machine. We wanted to show people that we cared about them, but also to create a situation where they were more likely to talk together.

Konstantin Reetz: Can’t we go farther, and build buildings that provide better spaces for cooperation? What are the physical factors that create a stable space where trust and relationships are built, but also encourage people to master change?



Do certain settings and conditions increase the likelihood of collaboration?

Emilio Matthaei: I have a good example of the impact of work surroundings. I worked as an agent on the trading floor of a bank. Despite the fact that trading, sales and research are set up to compete on the stock markets, there was a strong atmosphere of cooperation on the floor. Agents helped each other on bad trade positions when markets moved unfavorably. The dense and close physical atmosphere on the floor, along with a high-energy task, seemed to support collaboration.

Kathrin Möslein: Proximity does seem to make a difference, but what is interesting about collaboration in today's global environment is that it often takes place at great distance. The facilitating "building" seems to be provided by organizational systems. They set expectations for collaboration, and also offer a common vocabulary for fulfilling those expectations. 📣

John Bessant: We could look at theatre as an interesting system. You find a set of highly skilled actors, but their skill set is not only about learning the lines of the play. There is a lot of social psychology about how to become part of a really creative team. This is increasingly important in business. What troubles me is that we do not teach such behavior in business schools. I think you can argue that we actually teach selfishness. Why are we not training for collaborative skills? 📣

Hannelore Pribilla: Impact on students is an important part of our Foundation's mission. Echoing Lynda Gratton's point about natural collaboration, most students seem to naturally collaborate. Is there something about universities that increases cooperation?

Hagen Habicht: In part we observe collaboration at the university because we teach the students by using collaboration. We give them team tasks to help them develop collaboration skills. At the same time we observe firms that do not exploit the potential of this training, which is a big waste of human resources.

Helmut Schönenberger: The diversity of people is one energizing aspect of a university. I'm speaking not just about student backgrounds, though of course that is important, but also about people from companies who are willing to invest their time and energy in helping students learn.

Ingo Deking: Collaboration between academics, executives and consultants can be quite tricky because of their very different timelines: Often academics want to spend a year, executives a month and consultants just a day on the same question or challenge. That can be smoothed out in a focused project, and perhaps projects are the natural space for the emergence of 'hot spots.' But many people are simply not used to working on projects and therefore they may not be the ones to create hot spots.

Hugo Kehr: One problem as we move to organizational settings is that group dynamics are hard to measure. The things happening in a group are often very sublime. What worked in one group may prohibit success in another group. Furthermore, we can not assume that all group work is positive. 📣 I am a sailor, and as a sailor, I know that group dynamics sometimes can be hostile.

Angelika Bullinger: Constant flow of information is particularly important with distant partners. When knowledge is equally dispersed, trust can be build up even without personally knowing each other.

John Bessant: It's not just a cognitive thing. It is about trust. For example, there is an exercise in theatre training where you run with your eyes closed and jump, expecting the others catch you. You really need to trust your colleagues to do such a thing, but that it is a key part of team behavior.

What is the impact of organizational hierarchy on collaboration?

Robert Goecke: There seems to be an important change happening in Germany and other countries that is making collaboration in hierarchies more difficult. When working with middle

Group dynamics can be hard to measure, and what works in one group may prohibit success in another.



Motivation to cooperate is important and vision can be inspiring. Leaders, and leadership systems, help establish these relationships.


managers at big public listed corporations, I increasingly notice a strong informal opposition within the lower ranks against the “big bosses.” The top management is told the good news as expected, but I have never heard more jokes about the incompetence of the “big bosses” or seen more special agreements behind their backs.

Many middle managers today seem to believe that their bosses are living in another reality. Top managers are more and more often perceived as a global, self-optimizing, well-connected elite with a typical MBA-streamlined, shareholder-value-driven, simplistic mindset. It is a corporative golf-playing lifestyle, but it is loosing touch with the realities of complex operational businesses and the real feelings of employees. I worry that this is the atmosphere where cooperation today is taking place – stronger within the same hierarchic level, even across countries and companies, but increasingly difficult across levels.


Konstantin Reetz: This stresses the importance of motivation again, and I agree that the gap is getting broader in many companies. But the divide is less likely in family-run companies; here the bosses are in the same boat as the employees and there tends to be more connections across the company.


Wolfgang Flachmann: People play the central role regarding collaboration. They are the soul of a network. The leaders’ tasks are threefold. First they must have people on board who have a high level of social competence for collaboration. Second, they must consider the fitness of the organization: it should be flexible, process-oriented, flat, and empower people. The third task is to enhance relationships within the network, with other departments, with customers, etc. This means above all excellent communication. The “hierarchy” should be aware of coordination problems -- e.g. whether all have the same target and understanding or know how processes and resources can be harmonized.

Thomas Kitzhofer: I realize that I often ask myself: How can I create space between people? A particular problem is that people tend to take over roles and models from their boss, but then there is too little space, or difference, for innovation. Self confidence as well as trust is required for collaboration that crosses hierarchical boundaries.

Lynda Gratton: Most of the senior team at BP have actually been trained in the art of dialogue. When you go into a BP meeting, as I do on occasion, you find a huge amount of time spent in the beginning on appreciative inquiry.  People actively try to understand different points of view and where they come from. Their creative dialogue has analytic rationality that brings important data to the table. At the same time creative dialogue brings emotional content that is also crucial.

Under what conditions does remuneration have an impact?

Robert Blackburn: I find it difficult to agree with Lynda’s observations on remuneration. In my experience, individual remuneration works, especially for Americans who come from a highly individualistic culture. 

Lynda Gratton: I agree that there are national differences, with Finland [Nokia’s homeland] typically ranked as the most collaborative nation. However, I would challenge you in return over whether in your organization leaders create a situation that leads people to expect remuneration.  In my view, almost everyone has the capacity for more selfless contributions, but the setting has to be right for this capacity to flower.

INCREASING THE CAPACITY TO COOPERATE

Are there tools that increase effective cooperation?

Thomas Kitzhofer: We conduct “ideation” workshops with our clients. A team of company members generates new ideas for innovation with an external trainer. A primary success factor in these workshops is cultural heterogeneity, i.e. no more than 2 participants from one subsidiary. A diverse problem-solving background is also crucial for success. Then, the quality of the moderator is important: He or she has to ask the right questions.



Nurturing cooperative groups is almost a parental skill. Good organizational parents help different groups understand they are part of a larger system.

Bahia Bejar: I use process analysis tools learned from Toyota's Lean Manufacturing Practice to support groups working together. Many people in organizations know these tools. They could be used more broadly.

Angelika Bullinger: Collaboration tools that use but do not abuse the possibilities of new media are proving efficient and helpful tools in international projects. If it is expensive in terms of money and time to meet in person, video conferences and the possibility to work simultaneously on one document grow essential, not nice to have.

Of course, same-time-tools that are meant to create awareness and foster collaboration in organizations don't always work the way they were intended. Sometimes they can be disastrous.

Lynda Gratton: It is also important to realize that tools are not sufficient alone. Rob Goffee, a colleague of mine at London Business School, wrote a book called *Why Would Anyone be Lead by You?* He received the prize for the best article of the year at Harvard Business Review last year on the same subject. 📖 One contribution is to emphasize that great leaders are highly authentic. That's an important part of creating cooperation. When it is present, a variety of tools can work.

Hagen Habicht: However, cooperation is not encouraged just by tools. Rules can also make a big difference. I am thinking about the importance of transparency, the frequency, amount and richness of communication, and as Mark Jenkins said earlier, the timeframes within which cooperation must be accomplished. Rules can also help specify the allocation of power among individuals, and among groups. That is important as operational level leadership increases. 🔔

Would experiments in collaboration be helpful?

John Bessant: Innovation is about handling complexity, and here the dynamics of the team are very important. It would be interesting to design experiments on team work. If we developed more optimal boundary spanning teams, I believe it is likely that they would not look like teams that exist now. 🔔

For example, we know that strong ties are important to create incremental innovation, while weaker ties promote more radical innovation. Yet it is hard to organize weak ties. Perhaps the Nokia model of moving whole teams to new parts of the organization works in their context where almost everyone is a software engineer. How do you reconfigure weak ties and put different knowledge sets in combination in other settings?

Tobias Fredberg: Yes, how do we know which people to put together at what times to produce strong collaboration for incremental innovation? Who do we use in weak ties that may lead to radical innovations? Do some people work better in groups with strong ties while others are more effective boundary-spanners? 🔔 Or, as Lynda Gratton suggests, do we all have the required capacity, it just takes the right setting for it to come forth?

John Bessant: Also: how do we nurture such groups? It is almost a parental skill. You have to give the people in the group space and permission. Somebody needs to say that it is ok for them to work with these new ideas. From what I have seen, creative teams have some kind of license. 🔔

Anne Huff: I think nurture is particularly needed when group members are very disparate. It is often easier and more natural to cooperate with similar people, even when we realize that novelty is a more likely outcome of bringing differences together.

Are there negatives to avoid?

Mark Jenkins: I'm afraid you often see companies being bad parents. Some companies do create great teams. But the team also has to see itself as a part of a system of teams with a common understanding of where they are trying to go. That's an important part of the leadership task. Without it, 'effective' teams can move in different directions.

Anne Huff: I am very curious about the gender data from Lynda's study, and wonder if that too points in different directions. On the one hand, the finding that men and women have the same



It is interesting that individuals in groups often disagree about immediate next steps but find they can agree on the future situation they are working toward. That discovery can be an igniting one.

propensity to cooperate fits Lynda's observation that humans have an innate capacity to work together, it just takes the right situation to bring it forth. On the other hand, I still think there may be differences in how men and women respond to the opportunity to collaborate, or lack of opportunity to collaborate. It is said that women choose to leave an organization that isn't collaborative, for example, and I have made that decision myself. More conversation about cooperation's effect on hiring and retention might be in order. 🔔

Tobias Fredberg: National, religious, age and other differences affect experiences of cooperation. But there may also be company and industry differences. For example, is collaboration more expected in so called 'creative' industries? Or is it expected, even required, in entrepreneurial settings? 🔔

IGNITING PURPOSE

Hannelore Pribilla: We need to think a little bit more about the human factor in our discussion. Innovations start with people, but most people also need rules and frames to bring that innovation into a corporate setting. For example, having the same goal is an important part of the motivation for cooperation, and this goal may be different in different contexts. 🔔

John Bessant: Yes, it is important to have a sense of what we are trying to do. If you take jazz improvisation as an example – the music is not clearly defined. In fact, when you do improvisation, the song an individual is playing is often supplied by others. It comes out of the process of working together. But even in ill-defined situations there is a general sense of who we are and what we are trying to do.

Hugo Kehr: I don't think you necessarily need a clear goal. Counteracting goals are a definite problem. But in innovative situations, a fuzzy vision may be all that is possible, and enough to enable effective cooperation.

John Bessant: However, it is extraordinary to see what a goal can do, even an 'impossible' goal. Take Lockheed and the engineers who were given the task to "Make an invisible aircraft".

Tobias Fredberg: I agree that visions really can spur development. Consider for example the effect of Kennedy wanting to put a man on the moon. Not only was that publicly inspiring, it was important in less dramatic ways — for example, the development of project management.

Hugo Kehr: Well yes, people have to buy in. Visions create a certain set of motivation factors. Visions can ignite multiple motives: for example some car companies want to connect with Achievement, Power and Affiliation motives, and many kinds of people can feel at home with them. But the vision of BMW, which is something like "becoming the most successful premium manufacturer," is largely monothematic and particularly inspires power motivated people.

What is the leader's role in igniting purpose?

John Bessant: Different goals trigger different people. Leadership has to keep vision or visions together. It is certainly a leadership challenge to have multiple visions.

Konstantin Reetz: I like the idea of leaders who ask the right questions even if they don't immediately have a vision of where the organization might go – but the people asking the questions should also answer them! That leadership behavior is part of what motivates participants to trust the process.

Wolfgang Flachmann: Most of the igniting ideas won't come from the leaders but from creative members of the staff. The leader's role is to build jointly with the team a frame to transform these ideas into an igniting purpose. This will work by offering challenging tasks and empowerment, explaining and promoting the "reason why" again and again, giving a license to play around without losing the sense of urgency, and regarding conflicts and diversity as a chance for innovation.

Helmut Schönenberger: We have found that prototyping really energizes young entrepreneurs, and helps them create task-related knowledge. In the past we asked teams that were thinking about a new business to begin by writing a business plan. Now we get them involved in creating an example

of what they would like to bring to market. Not only is it very motivating, it helps teams work out critical details of the innovation that are lost in more abstract tasks. Similar 'hands on' experience might have a positive impact on teamwork in other situations. 🔔

Johan Roos: I agree. At the Imagination Lab we found that communication among team members was enhanced through manipulating physical objects. 📖 In our case we offered material from Lego ® to help people think about strategic direction, and describe their ideas to each other. They are encouraged to connect with play, but they also often express more detail. Sometimes working with physical objects allows people to say what is difficult or forbidden to express in day-to-day exchange. This is important, of course, because these are the subjects that drain energy away from innovation.

Olaf Rughase: Perhaps one of the things that happens when people are involved with physical objects is that they are able to express their identification with an innovation, as well as the organization sponsoring the innovation. Clarifying the desired identity of the organization is an important part of my research, 📖 and the work I do with companies searching for new business models. I do not think it is possible to effectively innovate unless this larger picture is taken into account. It is interesting that individuals in collaborative groups often disagree about immediate next steps, but find they can agree on the future situation they are working toward. That discovery can be an 'igniting' one.



QUESTIONS FOR ACADEMIC RESEARCH AND ORGANIZATIONAL INVESTIGATION

Robert Goecke: How do cultural differences influence trust? How does the Chinese, Japanese or US culture influence cooperation, and is there a special European (German / Italian etc.) model of international cooperation? This may be the critical strategic problem of Europe: How can we as a union of smaller nations compete with other big single-nation models (e.g., China, US, Japan)? The answer might be by creating cooperation within Europe across different countries. It could become the key competitive advantage of European companies if we manage this inter-European cooperation – if not, all our European economies will suffer because they lack critical mass. As just one example, national research spending by individual European countries is too low to compete globally.

Emilio Matthaei: Moving to the individual level, if experience is the main driver of trust, how can we create experiences that result in trust?

Bahia Bejar: I would love to have more research on relationship between self esteem of top managers and innovation. Self esteem is the base of trust, and therefore collaboration, but many interested in innovation are more interested in the idea, and the engineering. And another interesting topic is the relationship between personal development and technical development.

Thomas Kitzhofer: At the company level, what are the options to improve information flow from lower to top levels in our companies? How can we foster cooperation between top and high levels?

Konstantin Reetz: How do leaders develop "people people"? We are losing too many people for innovation in companies because they cannot handle the complex interactions required. A more general question is how can companies search for igniting questions, people and tasks?

Ralf Reichwald: Another big question is about motivation for cooperation. We need more understanding about the drivers that propel people to share knowledge with external parties. We know that these motives go beyond monetary incentives, and Lynda's evidence provides additional support for the idea that money is unlikely to be the major impetus for innovation. We do not know how to address other motives.

Editor's note:

Further discussion led to the idea that our next meeting might focus on inter-organizational issues affecting innovation. We anticipate that this discussion will pay particular attention to innovating with collaborative users, and learning from other innovative organizations. Two short interviews on these topics follow.

Learning Resources from Launch Participants:

The European Management Review has a special issue on cooperation and responsible management co-edited by Anne Sigismund Huff & Kathrin Mösllein. It includes two articles authored by participants at this launch event:

- Berger, C., Mösllein, K., Piller, F. & Reichwald, R. (2005). Co-designing modes of cooperation at the customer interface: learning from exploratory research. *European Management Review*, 2, 1, 70-87. (page 17)
- Roos, J. & Said, R. (2005). Generating managerial commitment and responsibility. *European Management Review*, 2, 1, 48-58. (page 22)

Launch participants have also recently published several books relevant to the launch discussion, including:

- Jenkins, M., Pasternak, K. & West, R. (2005). *Performance at the Limit: Business Lessons from Formula 1 Motor Racing*. Cambridge University Press. (page 17)
- Rughase, O.G. (2006). Identity and Strategy: *How Individual Visions Enable the Design of a Market Strategy that Works*. Edward Elgar. (page 22)

Professor Gratton mentions that BP discussions are informed by the idea of appreciative inquiry. (page 19) One recent book on the topic is:

- Whitney, D. & Trosten-Bloom, A. (2003). *The Power of Appreciative Inquiry*. Berrett-Koehler.

A short introduction is also available from the same publisher: Cooperrider, D. & Whitney, D. (1999). *Appreciative Inquiry*.

Finally, Robert Goffee & Gareth Morgan's thinking about the authenticity of leaders (page 20) is summarized in:

- Goffee, R. & Morgan G. (2005). Managing Authenticity: The Paradox of Great Leadership. "Harvard Business Review", December.
- Goffee, R & Morgan, G (2006). *Why Should Anyone Be Led by You?* Harvard Business School Press. (pages 83, 12; 86-94)

Implications for Practice:

LEADERSHIP SUGGESTIONS

- Find team members who can work in a group. Tolerate occasional failure. (page 17)
- Establish systems for collaboration and offer useful vocabulary for working across boundaries. (page 18)
- Be authentic and transparent. (page 20)
- Give people the 'license' to be creative. (page 20)
- Prototype innovations. (page 22)

QUESTIONS FOR DISCUSSION

- o Are we training for collaborative skills? (page 18)
- o Have we identified and tried to counteract hostile group dynamics? (page 18)
- o Have we considered international differences in remuneration effects on cooperation? Are we unintentionally creating individual remuneration schemes that make cooperation less likely? (page 19)
- o Have we paid sufficient attention to leadership at the operational level? (page 20)
- o Should we experiment to generate better boundary-spanning teams? (page 20)
- o How should we distinguish cooperative arrangements for incremental innovation from arrangements for radical innovation? (page 21)
- o Do our opportunities (or lack of opportunities) for cooperation affect hiring and retention? (page 21)
- o Have we established the right goals to support cooperation and innovation? How clear and consistent do they have to be? (page 21)



An interview with Eric von Hippel on Cooperation with Innovating Users

Professor Eric von Hippel, Head of the Technological Innovation and Entrepreneurship Group at the MIT Sloan School of Management, has studied a special kind of cooperation for innovation: users working with each other and with manufacturers to create new and better products. He reviews this work in *Democratizing Innovation*, published by the MIT Press in 2005 (ISBN 0-262-002744), which also is available as a free pdf download from MITPress.com and other websites under a Creative Commons license. Unfortunately, Professor von Hippel was not able to join us for the PETER PRIBILLA FOUNDATION Launch, but he did agree to answer a few questions about working collaboratively with users. More information is available at <http://web.mit.edu/evhippel/www/>.



Professor Eric von Hippel

Professor von Hippel, could you begin your comments by saying why you feel user innovation is growing?

Available data indicates that user needs are highly heterogeneous: many individuals and firms have “custom” needs. These users develop products for themselves when they cannot find what they want on the market. My colleagues and I have found that these innovations are increasing.

Advances in computing and communication technologies are enabling those who have custom needs to design and build what they want for themselves at steadily lower prices. Not only are these enablers increasing innovation, the level of user innovation appears to be remarkably high. Empirical research done by Lüthje, Franke, Shah and myself found that from 10% to nearly 40% of sampled users engage in developing or modifying products in various fields.¹

Cooperation on open source software has brought this phenomenon to general attention, but contributions from many users are also common for physical products. I think that this trend is a “good thing.” It seems to me that user-centered innovation processes offer great advantages over the manufacturer-centric innovation development systems that have been the mainstay of commerce for hundreds of years.

Users that innovate can develop exactly what they want, rather than relying on manufacturers to act as their (often very imperfect) agents.

But how relevant are ‘custom’ needs to the average user?

“Lead users” expect to gain relatively high benefits from a solution to their leading-edge needs. It is true that compared to other users in their populations they are ahead of the majority with respect to one or more marketplace trends. However, the

¹ Lüthje, C. (2004). Characteristics of innovating users in a consumer goods field: An empirical study of sport-related product consumers. *Technovation*, 24, 9: 683-695.
Lüthje, C & Herstatt, C. (2004). The lead user method: Theoretical-empirical foundation and practical implementation. *R&D Management*, 34, 5: 549-564. Lüthje, C., Herstatt, C., & von Hippel, E. (2005). User-innovators and “local” information: The case of mountain biking. *Research Policy*, 34, 6 (August): 951-965. Franke, N. & Shah, S. (2003). How communities support innovative activities: an exploration of assistance and sharing among end-users. *Research Policy*, 32, 1: 157-178. Franke, N. & von Hippel, E. (2003). Satisfying heterogeneous user needs via innovation toolkits: the case of Apache security software. *Research Policy*, 32, 7: 1199-1215.

correlations found between all users and lead user characteristics are highly significant, and the effect sizes found are also very large. This means that the innovations early users develop for themselves are often of interest to many users.

A second thing we have found of importance is that users that innovate often freely reveal what they have developed. This means that other users – and manufacturers – are able to imitate and further develop what has been invented.

User innovations are becoming a major feedstock for the new products that manufacturers produce and sell to the general marketplace.

Do manufacturers like user innovation?

Not all of them like it! The ongoing shift of product development activities from manufacturers to users is painful and difficult for many manufacturers.

Open and distributed innovation is “attacking” a major structure of the traditional division of labor. Many firms and industries must make fundamental changes to long-held business models in order to adapt.

A central part of new business models involves inventing infrastructures and measures to collaborate with users to get access to their feedback, as well as their ideas and innovations.

Does this mean that user innovation demands new forms of cooperation in the innovation process?

Exactly. Manufacturers that want to profit from user innovation have to collaborate with the users of their products not only to get access to their innovations, but also to encourage these lead users to become even more creative.

In addition, users tend to cooperate with each other and can be encouraged to increase these interactions. Individual users often do not develop everything they need on their own. They can benefit from innovations developed by others that are freely shared within user communities.

Karim Lakhani and others studying distributed innovation found that in many cases the re-use of existing knowledge and the transfer from one domain to a new one is a very efficient mechanism for problem solving.² But to re-use information for innovation in this sense, you need more collaboration between information sources and solution seekers.

Can these fundamental changes be facilitated by changes in governmental practices or legislation?

Yes. Joachim Henkel I have explored the social welfare implications of user innovation.³ We found that, compared to a world in which only manufacturers innovate, social welfare is very probably increased by the presence of freely-revealed innovation among users and open collaboration between economic actors who re-use this information in new contexts. This finding implies that ***policymakers should support user innovation, or at least should ensure that legislation and regulations do not favor manufacturers at the expense of user-innovators.***

Governmental policy and legislation have long been based on the assumption that manufacturers are the developers of new products and services. As a result, innovation-related government incentives tend to be directed preferentially to them. Social welfare considerations suggest that this must change.

The workings of the intellectual property system are of special concern. Today, systems that were originally implemented to foster innovation seem to hinder collaboration among users and the efficient use of existing knowledge to create new products. Despite these current difficulties, however, it seems to me that a democratized user-centric innovation system is well worth striving for!

Thank you very much for these remarks, which point directly toward the need to think more about the impact of inter-organizational cooperation, innovation and leadership. We hope that you will be able to join the next PETER PRIBILLA FOUNDATION event in person so that we can continue our conversation.

² Lakhani, K., Jeppesen, L., Lohse, P. & Panetta, J. A. (2006). Solving scientific problems by broadcasting them to diverse solvers. *MIT Sloan Working Paper* 2006.

³ Henkel, J. & von Hippel, E. (2005). Welfare implications of user innovation. *Journal of Technology Transfer*, 30, 1: 73-88.

An interview with John Bessant on **Innovation Learning Networks**

Professor John Bessant is the Chair in Innovation Management at Tanaka Business School in Imperial College London, Senior Fellow of the Advanced Institute of Management Research (AIM) at London Business School, and co-director of the UK's Innovation and Productivity Grand Challenge. He has set the focus of his research agenda on the question: How can companies reinforce the commitment to innovation as a key driver for economic success. His books *High-Involvement Innovation* (Wiley, 2003), *Managing Innovation* (with Joe Tidd and Keith Pavitt, 3rd ed., Wiley, 2005) and *Innovation and Entrepreneurship* (with Joe Tidd, to be published by Wiley in 2007) summarize key aspects of his research for academics, practicing managers and students. The website www.managing-innovation.com offers additional resources, including tools and case illustrations.



Professor John Bessant

Professor Bessant, does cooperation matter for innovation leadership?

I have looked at the role of cooperation and teamworking in my research and I have to admit that the relationship with innovation is not a simple one. Although teamworking is increasingly important, we should not assume that simply grouping people together makes them into a team that drives innovation.

There has been a great deal of research on cooperation, teams and their dynamics and from this we can pick some useful lessons on how to build and run successful innovation teams. The first point to recognize is that teams have two sets of responsibilities – those concerned with getting the job done (the “task”) and those concerned with working well together (the “process”).

Unless teams pay attention to both task and process, there is a good chance they will simply perform like a collection of individuals.

How can we distinguish between “pseudo-teams” and “hot spots” that help create innovation leaders?

First, imagine a football team with eleven strikers or goalkeepers. Even if the combined merits of Beckham, Zidane and Ronaldo were available, it is not likely that the team would be effective. Instead there is a need for different roles and a mix of skills. So companies need to have people who can carry out specific tasks well and have a spread across the range of task skills, depending on the job. But that same

football team also depends on their ability to work together as a team – to share, to anticipate, to sustain each other, to celebrate when things go well, and to support each other when they don't. All of these elements contribute to the sense of being a team and to being a unit that faces things together.

This doesn't come about by accident but results from attention to "process" issues of innovation. It is not so much about what the team does, or the individuals in it, as the ways in which they work together to perform innovative tasks. There are roles associated with this – for example, it is often the captain's particular contribution to hold the team together, but there may also be particular characters like the team's comedian or joker who do things that help bind people together.

The fundamental challenge then seems to be to find the right balance of roles?

Indeed. Research shows that the balance of roles is a very important element in innovation teams. There are various psychological tests that can help spot which roles people are more suited to and if you are fortunate you can use them to pick a balanced team. In most cases though, you need to work with what you have and to use the understanding of team roles to identify where you have gaps or weaknesses, then make sure the team understands these potential problems and tries to compensate. One helpful and simple approach to team roles is the one developed in the UK by Meredith Belbin and widely used throughout the world (see www.belbin.com for more information).

Couldn't we "simply" search for innovation hot spots and try to leverage their innovative potential?

Sure! But the search for innovation and innovation hot spots is not simple - especially when you want to go beyond steady state incremental innovation. How can you make sure your search approach does not filter out the "hottest" bits of the innovation landscape? Research on the innovation process and its effective management has consistently highlighted a set of themes constituting "good practice." The limitation of such "good practice"

for innovative activity in product and process teams is that it is essentially about doing what they already do, but better. Most prescriptions work well under these conditions of (relative) stability in terms of products and markets, but what worked in the past, under steady state conditions is not a good guide when elements of discontinuity come into the equation.

Discontinuity is the key challenge that we currently face in innovation leadership, but discontinuous innovation has one main benefit over steady-state innovation: it takes you out of the "zero-sum" game that characterizes many industry battlegrounds. As an example, Starbucks' reinvention of the coffee shop – a classic example of discontinuous innovation – did not just create value for the company, it generated growth in the entire sector. If you are looking for growth levels that are significantly larger than the natural growth of the industry (and most companies are), then you have to take discontinuous innovation seriously.

I am doing research on this issue at AIM, together with my colleagues Julian Birkinshaw from London Business School, Rick Delbridge from Cardiff Business School, and a strong group of international collaborators.

My colleagues and I are organizing a network of more than 60 companies world-wide focusing on "innovation as unusual" to address innovation under conditions of discontinuity.

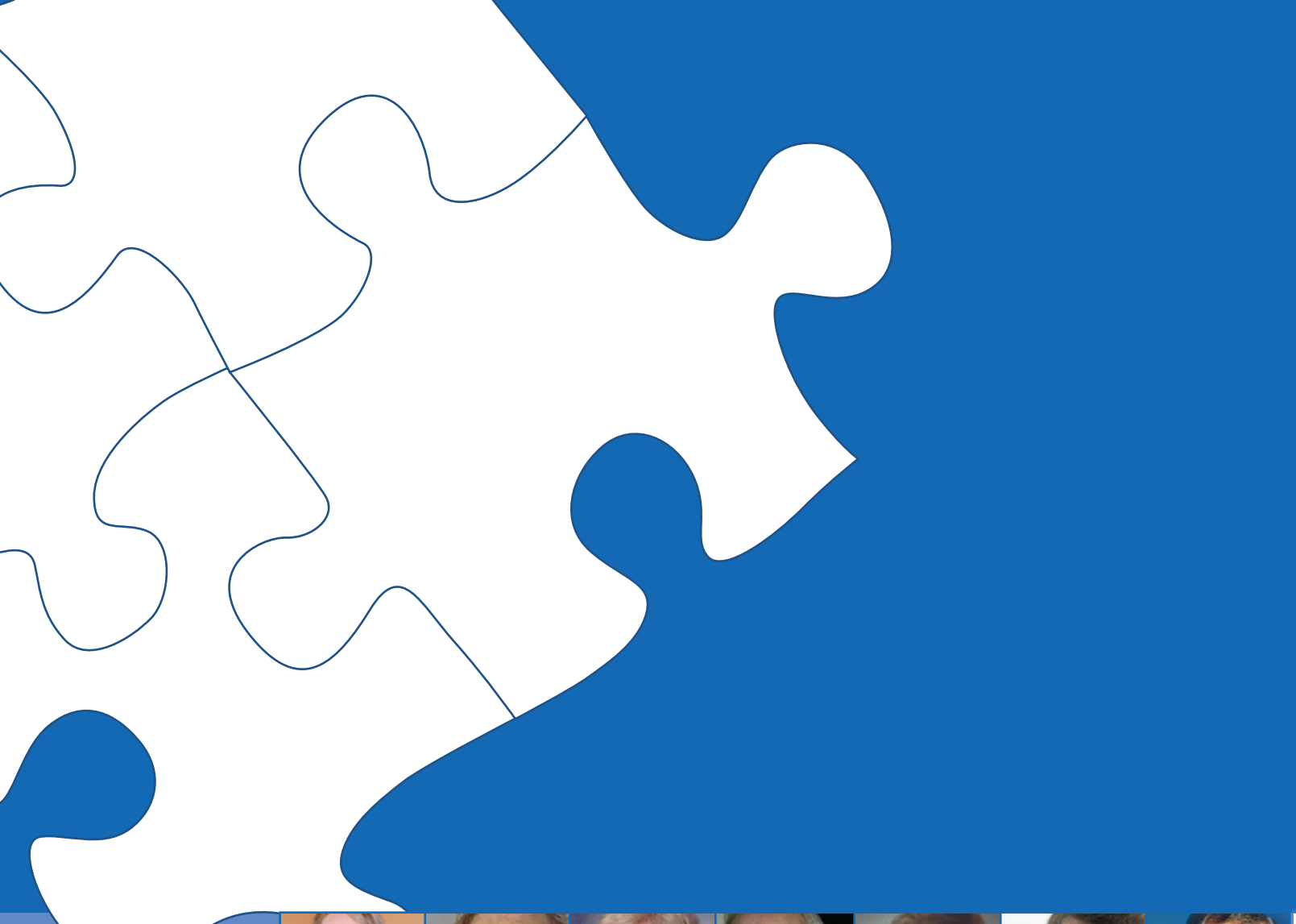
Our research is still work in progress. So, everyone is invited to contribute relevant experience and to watch for further results at www.aimresearch.org!

Thank you very much, John. We look forward to hearing more about how companies can help each other learn about innovation at the next meeting of the PETER PRIBILLA FOUNDATION network.

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