CURIOUSITY
CURIOUSITY INVENTED THE FLIGHT

Everybody dreamed of flying,
Wright brothers gave them wings

#BE CURIOUS TO BUILD THE BLUEPRINT OF TOMORROW
Fostering A Climate And Culture For Innovation At L&T Technology Services

Innovation is no longer an option for organizations today. In fact, an innovative mind-set has become the deciding factor between greatness and mediocrity, success and failure of corporations today. William and Debra Miller are the co-founders of the India-based company, Values Centered Innovation, which is working with L&T Technology Services to fuel creativity and innovation - new ideas and new achievements. In this exclusive interaction they talk about how to build a “Climate for Innovation,” the importance of “innovation premium” for companies like L&T Technology Services, and how we can make innovation a part of our everyday work.

By William Miller and Debra Miller

L&T Technology Services has made an excellent start in enabling innovation across the entire organization. We have worked closely with the TSIC Team spearheaded by Manivannan GB over the last 3+ years, and what L&T Technology Services has collectively achieved in that relatively short period for a company of this size and scale is no mean feat.

The results can be seen in the constant buzz of innovative solutions from the talented pool of engineers in the company - be it in the quality and sheer number of technical abstracts in last year’s Tech Panorama, or in the co-innovation models that business units are developing with their customers.

So how exactly has L&T Technology Services made great progress to establish an innovation mindset over these 3 years? The answer lies in striving to foster a strong “climate and culture for innovation” across the organization.

THE CLIMATE FOR INNOVATION

Let’s first examine the climate for innovation, which refers to the norms, values and practices that ANY leader, in ANY Business Unit, can role model and promote in his or her function, team or department. Climate for innovation is where we focus on the behaviours and the quality of good character, that build the environment for people to think innovatively, act innovatively, and work together innovatively.

The qualities of a positive climate for innovation include commitment, conscious risk taking, character, collaborative learning, creativity, cooperative decisions, congruence of thought-word-action, and celebration of results. These are qualities that any person can practice. That is, every person in the team can influence their climate for innovation. It can be developed from the middle out and thus can be implemented quickly.

It’s been interesting for us to note the similarities between our innovation climate model and the recent findings...
from Google’s 2-year study of 180+ teams to find out, “What makes a Google team effective?” They originally thought it would be some ideal blend of individual traits and skills. Instead, they found that, “Who is on a team matters less than how the team members interact, structure their work, and view their contributions.” That “how” was reflected in 5 factors:
1. Psychological safety to take risks without feeling insecure or embarrassed
2. Dependability in counting on each other to do high quality work on time
3. Structure and clarity in your goals, roles, and plans
4. Meaning of work, that it's personally important for each person
5. Impact of work, that what you're doing matters

On the surface, qualities such as these may seem like “soft” practices, secondary to technical skills. But in reality, it’s the opposite: these are all positive qualities of good character that play a dominant role in producing a climate for collaborative innovation across the organization.

THE CULTURE FOR INNOVATION
The culture for innovation is broader and more entrenched than the climate for innovation. It is driven from the very top and comprised of:
1) The policies and systems that foster innovation
2) The communications by senior leaders that promote innovativeness - with each other, with their direct reports, and with the organization as a whole
3) The role-modelling behaviour of senior leaders that fosters the overall environment of the organization

In 2013, we collaborated with Manivannan GB to conduct an Innovation Culture Assessment. The goal was to pinpoint where to strengthen the culture, in alignment with the overall strategy of L&T Technology Services. This initiative is now in the third year running.

While the climate for innovation happens at a local level and can sometimes be positively impacted within a matter of a few weeks or months, the culture for innovation has to be driven from the very top and can take years to get fully established.

At VCI, we do a lot of innovation workshops around the world. Sometimes people tell us, “This is all very wonderful, but we can’t practice what we’ve learned unless the culture changes.” We remind them that you can always impact your team's climate for innovation, and make innovation the new norm for daily work.

“BEING INNOVATIVE” IN YOUR DAILY WORK
In our early days working with senior managers, team leaders, and individual contributors, we often heard, “Management asks us to be innovative but we don’t really have time - we have too much work to do.” Being innovative was construed as an add-on to regular work.

We've always held the opposite view: being innovative is the nature of day to day project work - producing innovations in technologies, products, processes and marketing. You need to do innovative work for your customers every single day; that’s what an RFP is all about.

It was mind-expanding to realize just how many of L&T Technology Services’ customers brand themselves as innovative leaders in their industries. We checked their websites, and there it was – along with the realization...
that L&T Technology Services is valued as a vendor and partner to the extent that you produce innovative solutions that support their branding. And to the extent that L&T Technology Services is an innovative leader in the industry, your customers will give you the higher margin, more complex projects. And that, in turn, attracts top-level talent to want to be a part of the L&T Technology Services’ journey

HR plays a key role in helping to shift innovation as an add-on to daily work to being the core feature of daily work. They can build metrics, KPIs, performance reviews based on the dual outcomes we’ve noted. They can also build policies and practices that empower people to think and act innovatively. They can provide innovation skill development opportunities through coaching, online courses, and workshops. They can play a strong role with BUs by facilitating storytelling and documentation – thus fortifying the mind-set that “we are already innovative, every single day.”

MEASURING TWO KINDS OF INNOVATIVE PERFORMANCE

So how DO you measure whether individuals and teams have been innovative, in keeping with KPI’s? This question brings us to two important opportunities to strengthen the climate and culture of innovation at L&T Technology Services...

The first opportunity is to focus strongly on a 2-fold output of innovative efforts: new knowledge creation as well as tangible achievements. Innovation challenges always involve new learning as you strive to produce a solution that is new, better or different from what has come before. That learning can have a huge, positive benefit for carrying out future projects. And with new knowledge comes new capabilities which help in becoming strategic partners of choice with customers.

Measuring new knowledge creation gives you a way to reward taking on “stretch goals.” In order to be industry leaders, we have to stretch our boundaries and take on goals where we’re not sure if we can be 100% successful. Even if there is some level of not reaching a goal, there can be valuable new learning that comes from taking the risk. Having this 2-fold way of evaluating innovation performance gives 2 ways to “win” in providing value to the company and customers.

That new learning can be captured and shared in the robust knowledge management system that is being developed at L&T Technology Services. We’ve observed that when employees contribute their new knowledge to the organization’s KM system, it can be quite rewarding – you’re helping your colleagues grow and learn in their careers, and gaining greater satisfaction from their work.

The second opportunity is to document how each team
is already being innovative in their everyday work, such as technology and product development, process/quality improvement, knowledge-creation, strategy, and customer satisfaction at the end of every project. You can use this documentation to bolster external branding and reputation as well as internal branding and aspiration.

This kind of documentation involves 8 questions:
What was the intention or goal?
What were potential consequences of success vs. failure?
What gave you confidence you could succeed (including attitudes, skills, knowledge and values)?
What were the key factors and issues?
What kind of ideas did you actually generate?
What did you choose as your solution?
How did you implement that?
And what was the achievement and new learning?

Through this template, you can document a wide variety of innovative projects, showcase them with customers as success stories - that you are being innovative in every single project. You can also share these case stories with potential investors, outside associations, and academics when appropriate.

**MEASURING “RETURN ON INNOVATION INVESTMENT” AT THE BUSINESS LEVEL**

To date, we’ve worked with 16 different strategic account teams. One of the key aims for many of those teams was to shift the relationship with their customer from being a transactional ordertaker to being a co-innovating, strategic partner-of-choice with each customer.

Manivannan GB has been working steadfast towards this objective by reinforcing the belief that every person can be innovative and your daily work is innovation. What you are essentially giving to the market – both customers and potential investors - is the confidence that you can innovate the future of the company. The documentation of knowledge-creation as well as tangible outcomes, first at a team level and then rolled up to the corporate level, is an important source of that confidence.

At the corporate level, an organization's reputation as an innovative company has a huge impact on its market valuation. Going back 25-30 years, the market value of a company was about 80 percent tangible book value and 20 percent intangible goodwill. Today that’s reversed: 80-90 percent of market value is intangible, which means the market is giving credit to the ability to innovate the future beyond the present business. The market also has an indicator called innovation premium. An innovation premium is essentially the difference between net present value of cash flow of all current business lines compared with the market value that investors are giving to a company. Salesforce.com has a 75 percent premium, which means 75 percent of their market value is beyond the net present value of cash flow of their current business. So the market is rewarding it for its reputation as an innovator.

Therefore, there is also a key role here for functions like F&A, who are essentially the financial scorekeepers. But they can also change the scorecard itself – like when the “costing” scorecard moved from product-based costing to activity-based costing. For example, we can put customer loyalty and knowledge-creation into the metrics of a scorecard, because intangibles are such a huge portion of the valuation of a return on innovation investment.

The scorecard for the quarterly review of business unit
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The plan now is to strengthen this climate and culture further by scaling up the competency building for innovation with all employees – and thereby cementing L&T Technology Services' position as an industry leader in providing innovative tech solutions.

performance can include metrics for intangible asset development as well as tangible outcomes. It's not just numbers, market share or traditional ROI. Eighty percent or more of market value is likely to be intangible – the innovation premium.

THE ROAD AHEAD

Mannivannan GB who is heading TSIC, is proactively helping senior leaders bring about this transition in the climate and culture in which you work – and the corresponding shift in relationships with internal as well as external stakeholders. When you shift those relationships, you shift the ability for L&T Technology Services to be seen as a high engagement partner that can co-innovate with customers.

As we stated in the introduction, a lot of good work has been done in the past 3 years and the results show. The Tech Expressions 2015 received a whopping 2215+ Technical Abstracts this year as against 1045 in 2014, that's a jump of 112 percent in just one year! Under Manivannan GB's stewardship the TSIC team also won the Best Change Intervention Award 2014 at the L&T Corporate level, a clear validation of everyone's contribution towards the emerging climate and culture for innovation. L&T Technology Services' strategy concept was accepted by InnovEx Asia in 2015, adding another feather to its cap.

We look forward to the road ahead as we work with the TSIC team on the following areas:

1) Strengthening the ability to collaborate with external partners and vendors through co-innovation and open innovation
2) Finding new ways to measure innovation maturity of the organization
3) Fostering the intellectual capital as part of value creation and create a multiplier effect
4) Continuing to build strong competencies for innovative thinking and a cross-functional innovation process.

It is evident to us that L&T Technology Services has successfully established the groundwork for making innovation the DNA of your organization. The plan now is to strengthen this climate and culture further by scaling up the competency building for innovation with all employees – and thereby cementing L&T Technology Services' position as an industry leader in providing innovative tech solutions.