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# BUILDING AN INNOVATIVE ORGANIZATION CULTURE

– Case Insurance Company X



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## BUILDING AN INNOVATIVE ORGANIZATION CULTURE

As the business environment of today is changing at such a rapid pace, companies' ability to change and develop its organizations and methods of doing business has become the key to success in the 21<sup>st</sup> century.

Companies need to focus on building innovation culture and to make the most out of the already existing know-how within the organization and its staff. Companies need to rapidly adapt their innovation strategies to meet the pressure set by competitors. For innovations to emerge, companies need to change and review working practices, skill of employees and overall organizational culture

Organizational innovation culture is about driving growth, renewal and value creation through capitalizing the potential of employees, collaborators and customers alike.

This paper is written from the viewpoint of insurance company X, which launched an innovation process to transform the organizational culture of the company.

This thesis identifies the prerequisites and challenges when it comes to changing an organizational culture, using theoretical framework to support the findings of a real-life process.

### KEYWORDS:

Collaborative Learning Corporate Strategies Creativity Idea Generation Innovation Staff Training Organizational Change Organizational Culture Reform

Jukka Mäkinen

## INNOVATIIVISEN ORGANISAATIOKULTTUURIN RAKENTAMINEN

Koska tämän päivän liiketoimintaympäristö muuttuu kiihtyvällä tahdilla, menestyksen avaimeksi on tullut yritysten kyky muuntaa ja kehittää organisaatioitaan ja metodejaan liiketoiminnan tekemisessä.

Yritysten täytyy keskittyä rakentamaan innovatiivista organisaatiokulttuuria hyödyntääkseen kaiken mahdollisen tietotaidon organisaation sisällä ja työntekijöiden keskuudessa. Yritysten täytyy muuntaa innovaatiostrategioitaan vastatakseen kilpailijoiden asettamaan haasteeseen. Innovaatioiden ilmaantumiseksi yritysten tarvitsee muuntaa ja tarkastaa työtapoja, työntekijöiden osaamista ja organisaatiokulttuuria kokonaisuudessaan.

Organisaatiollinen innovaatio toimii kasvun moottorina, ja liittyy uudistamiseen sekä arvojen luomiseen hyödyntämällä työntekijöiden, yhteistyökumppaneiden ja asiakkaiden potentiaalin.

Tämä opinnäytetyö on kirjoitettu vakuutusyhtiö X:n näkökulmasta, joka käynnisti innovaatioprosessin muuntaakseen organisaatiokulttuuriaan

Tämä opinnäytetyö ilmentää organisaatiokulttuurin muuttamisen edellytykset ja haasteet käyttämällä teoreettista viitekehystä tukemaan tosielämän löydöksiä.

.

### ASIASANAT:

Henkilöstökoulutus    Ideointi    Innovatiivisuus    Luovuus    Organisaatiokulttuuri  
Organisaatiomuutokset    Uudistus    Yritysstrategiat    Yhteisöllinen Oppiminen

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## **LIST OF ABBREVIATIONS**

TIE                                      Tuo Ideasi Esille (Bring your ideas out)

# 1 INTRODUCTION

In today's constantly tightening competitive environment in the insurance industry, companies need to seek ways to become more competitive. One key for enhanced competitiveness is revamping the organization culture in order to seek innovations and make the most out of the potential of the existing organization and staff.

## 1.1 Background

Innovation is a great tool for organizations to renew their business practices and find new competitive means. In the long run, innovativeness will be beneficial for customers, impress stockholders and shareholders and keep the competition one step behind (Tucker, 2008).

Innovative organization culture is important on a larger scale as well. Innovations increase competitiveness and improve efficiency and productivity. These factors help create new jobs and leads to higher wages, which in return leads to a boost in national economy (Työ – ja elinkeinoministeriö, 2012).

New technologies arise constantly. Organizations need to make the best out of new tools and technologies to stay competitive. The world is expanding at a rapid pace. This means that boundaries for market entry come down and the level of competition goes up. This all leads to a more demanding customer and a new kind of market, to which companies need to respond to (Dundon, 2002).

In the early 2000's, a global survey was conducted among 700 organizations. In this survey, 84 % of business leaders admitted that innovation is a growing competitiveness factor in today's business world (Dundon, 2002).

In short, innovation takes place when companies search for new ideas in business processes, products and organizational behavior in order to seek greater future value. This benefits the customers, the company and affiliates (Greenhalgh, 2010).

“The company's knowledge capital in the future becomes increasingly important success factor in business competition, as the traditional factors of production; manual labor and physical capital are in constant decline. The most important competitive factor for future businesses is continuous innovation and the outputs arising from it” (Ståhle & Grönroos, 1999)

In the beginning of 2012, the branch office and sales sector of Insurance company X have taken part in maximizing its organizations potential by uniting the company's staff into brainstorming and idea generating groups and by doing this, altering the organization culture to be more open and innovative. This need for new ideas and increased value arises from the competitive environment in the insurance industry. The market is very close, and customer attraction and retention is increasing from all directions. This is why new means are needed and challenges faced by the market need to be met (Aitolehti, 2011).

Insurance company X calls this innovation process “project TIE”.

## 1.2 Objective of thesis

In my thesis I will study why innovation is important in today's business environment, how are companies and staff adapting to it, and what are the challenges behind it.

Also I will find out what is needed to build an innovative organization culture, is it just anyone's game or is there more to it? How does a company implement innovative culture in an organization, and what are the benefits and how can the benefits be tracked?

All this I will study from the perspective of insurance company X and its current aspirations and efforts on building an innovative organization culture. This perspective includes the tools, challenges and attitudes this project has touched within the organization of Insurance company X.

The main focus of this thesis is to identify the challenges of altering an organization culture, the attitudes of the busy staff for this project and the



outcome Insurance Company X desires to gain by investing in such a time consuming project.

## 2 INNOVATIVE ORGANIZATION CULTURE

As the business environment of today is changing at such a rapid pace, companies' ability to change and develop its organizations and methods of doing business has become the key to success in the 21<sup>st</sup> century.

Companies need to focus on building innovation culture and to make the most out of the already existing know-how within the organization and its staff. Companies need to rapidly adapt their innovation strategies to meet the pressure set by competitors (Terziovski, 2007).

Innovation basically means taking risks. The ones brainstorming, crowdsourcing or otherwise being part in an innovation process will never exactly know the success rate of the process, product or other targets of innovation. Innovation is a matter of culture and attitude which eventually becomes a part of organization culture, if it is accepted by a company. Failure and success are both a possibility when innovating, this has to be accepted (Stamm, 2009). Failure rates in innovation are accepted to be high, failure rates are evaluated to range from 70 % to 98 % (innovation-management.org).

This is a quotation by Insurance company X's regional manager and one of the managers of Project TIE:

"The brave culture of sharing successes and failures is the key to common success"

### 2.1 Definition of innovation

Education, sociology, management can be studied and understood from different perspectives, as can innovation. This means that there are several definitions of innovation, based on context: whether it is consumer driven, product driven or organizational innovation (Terziovski, 2007).

Innovation from an organizational perspective is defined by Damanpour (1991) in these words:

"The adoption of an idea or behavior, whether a system, policy, program, device, process, product or service, that is new to the adopting organization."

From a customer perspective, innovation means that transformation of knowledge does not only apply to products and services, but meeting the needs of customers, lower costs and other added value, is equally important (Porter and Stern, 1999).

Product or technology driven innovations focus on a detailed problem or search for a solution, whereas value innovation (for example organizational innovation) focuses on redefinition of problems which leads to a customized solution through innovating (Terziovski, 2007).

By content, innovations are roughly divided into two groups: Product innovations and administrative innovations, also known as technology – and process innovations. The above mentioned product – and consumer driven innovations can be placed in technology group, organizational driven innovations is to be placed in the process group (Koskensalmi, 2000).

A summarized definition of innovation in general is expressed by Terziovski as such:

“Innovation is the application of resources to create value for the customer and the enterprise by developing, improving and commercializing new and existing products, processes and services.”

## 2.2 Definition of organizational innovation

Rather than focusing on customer satisfaction or product enhancement, many larger companies understand that in order to seek great innovation, it needs to be systematic and cultural. Innovation need to be embedded in the organizational culture, climate and focus. This comprises of hired staff, welfare of employees and the company’s interaction with the company both globally and locally (Webb, 2010).

Organizational innovation culture is about driving growth, renewal and value creation through capitalizing the potential of employees, collaborators and

customers alike. Open innovation culture empowers employees to be innovative and more outspoken within a company (Karlsson, 2010).

Companies doing business in intensifying markets are looking for growth and added value. New ideas are needed to improve market share (Jolly, 2003).

For an organization to be innovative, it needs to commit to a creative process. Innovativeness needs to be embedded in a company's core value, and emphasis needs to be set on idea generation and collaboration in problem solving within the organization.

In an innovative culture, employees are given the power to be as creative as they can, as an environment is created where it is encouraged to speak up and find solutions. Encouragement is needed, so that individuals within an organization feel confident that their ideas are valued and can be worthwhile to the business. If individual inputs are not spurred by company leaders, contributions will dry up and an open innovative environment loses its meaning.

Innovative organization culture needs strategic commitment in order to function. If there is no strategic commitment and focus, creativity can be boosted but actual innovations may not be delivered. A new cultural environment takes time to adapt, and to get results, loyalty is needed from employees as well as leaders (Jolly, 2003).

Innovative organizational culture is not about focusing too much on a specific innovation product, practice or a way of working, but it is more about the values, philosophy and climate within an organization. There are four pointers shared by many large companies, such as Nokia, for creating an open innovative climate:

- People and discussion need to be at the heart of organizational philosophy
- Give people room to innovate, discuss and possibilities to learn from failures
- Build an open environment, where there is trust and communication

- Make internal talent more accessible (Randall, 2005)

### 2.3 Prerequisite for innovation

Human capital and the utilization of employees are essential in order to implement innovation, but there are skills, attributes and tools in order to maximize the potential of innovation.

The executives in a company seeking innovation are the ones who set the direction for the firm, introducing new leadership styles and governance accordingly. The managers in the company need to follow the direction set by the head of the organization, and adapt their skills to be able to work with innovation teams which require deepened creativity and collaboration (Midgley, 2010). Leaders also need to create a sense of necessity for change, spark the motivation for change and convince that change is crucial. Leaders also need to create the vision for change, present it clearly and form a step-by-step structure to achieve the desired outcome (Kotter, 1995).

There has to be a clear mandate on how a company plans to be changing its corporate culture towards innovativeness. A strategic purpose and a clear mandate helps define future actions and avoid internal conflicts during innovation process (Lindegaard, 2010).

In David Midgley's book *Innovation Manual* (2010), he has stated key tasks which have to be managed well to be successful in innovation. These tasks are:

1. Chartering innovation within an organization

This task includes setting up business objectives and guidelines for innovation development. The aim is to direct innovation activities to strategically important areas in a company. Everyone within the organization needs to know the direction and reason for innovation for it to be successful.

2. Selecting, preparing and supporting the right team

For innovation to work, effective project teams are needed. The teams need to gather knowledge from their every day experiences, and reflect them to better understand customer needs, create solutions, propose campaigns, create ideas and brainstorm. An innovation team needs a clear focus because it takes resources, but a common failure is not to support these innovative teams adequately. There are several types of teams, such as autonomous, multifunctional and separate business units, and the head of the corporation need to point out what kind of teams they need in order to be aligned with the innovation and corporate strategy.

### 3. Co-creating the innovation with customers

Co-creating with customers is important in innovation. Before launching an innovation, different views are needed, and customers create a logical view point. Innovation needs minimum two issues cleared to be successful: added value for the customer and for the company to introduce this added value to use. Innovation with no eventual benefit for consumers does not increase revenue.

### 4. Changing the organization to deliver the innovation

For innovations to emerge, companies need to change and review working practices, skill of employees and overall organizational culture. Need for change has to be made clear within the whole organization. Management and employees need to understand the reasons for innovation and embrace the new direction; the vision for change has to be understood within the organization and a new way of working needs to be adapted in organizational behavior. These steps are needed to institutionalize a new innovative culture.

In a study made by the Finnish institute of Occupational Health in 2000 it is stated that an innovative organizational atmosphere is linked to organizations capability to differentiate as well as leadership and problem solving skills by management and work motivation. In the study, an organization able to change its culture and processes towards innovativeness are described with these words (Koskensalmi, 2000):

- Encouragement to try new things
- Sharing experiences with others
- Free expression of opinions
- Providing feedback
- Accepting diversity
- Ability to change
- Openness
- Creativity
- Honesty
- Trust

## 2.4 Challenges

In terms of process, mindset, commitment and idea generation, building an innovative organizational culture can and will create challenges.

As innovative organization culture requires the entire organization to take part in the process, the amount of ideas and discussion can be difficult to monitor. Evaluation and feedback are essential in an innovation process, and this can be difficult to implement comprehensively when there are many parties involved. There is a risk of creating a bottleneck of ideas if the channeling of ideas is not formed properly.

Employee engagement and contributing is also a challenge. Every day employees generate new ideas concerning the organization. Interaction with customers, using the same tools on a day to day basis, career goals and the frustrations successes arising from these mean new suggestions and relevant thoughts. Harnessing these ideas and making them create more value can be a hard task. If the innovation process is not aligned with the organizations culture and if there is no clear target, the process may create pointless efforts without delivering for the organization (Karlsson, 2010). It is also important for the employees to realize that innovation and change does not mean a threat for current job descriptions, but open innovation is used as a leverage to boost creativity and productivity in the organization throughout. These facts need to

made clear for the staff to embrace change and open innovation (innovationexcellence.com)

The most common tool for innovation is group work, which allows brainstorming and crowdsourcing. There is a challenge that a single group may concentrate too much on building an identity for this single group, and trying to reach consensus by avoiding debate and negative discussion. This kind of herd-mentality is easily formed, and thus the teams' efforts and performances do not follow the common vision set by management (Koskensalmi, 2000).

In a survey conducted in 2012 by staffing firm Robert Half, 1400 CFO's were asked about the roadblocks in innovation processes (marketingpilgrim.com).

- Lack of ideas was stated as the biggest challenge for innovation (35 % of respondents)
- 24 % said that lack of bureaucracy was a nuisance in the process
- Innovation getting in the way of daily tasks and routines was an issue for 20 % of respondents
- 9 % replied that ineffective leadership was getting in the way of creating innovativeness

## 2.5 Implementation of organizational innovation

- Opportunity recognized

The management of a company establishes a strategic theme and goals for an innovation process. The methods (team-building, tools etc.) and schedules of the process are clarified. The process starts here, whether by identifying and addressing a problem in the organization, or by seeking new improved means for existing processes.

- Idea development

In this stage brain storming and crowdsourcing are important. Idea generation is encouraged and failure is acceptable. Team leaders motivate, push forward and ensure a lively and interesting process.



- Promising inventions developed further

Best ideas from idea generation stage are chosen. Team leaders and mentors review the outcomes and gives acceptance for best ones. The most promising ideas are to be developed and structured further.

- Precommercialisation

When an innovative idea is ready, it will be evaluated on cost, suitability in current business processes and functionality by management. Possible adoption of the innovation is evaluated based on correspondence with existing organizational structure.

- Launch

Best innovations are launched to be used in every day operations. The innovation becomes an integrated part in the organization and its business processes.

(Koskensalmi, 2000; Kohl, 2010; Aitolehti, 2011)

Many larger companies have identified collaborative idea management as a useful tool for becoming more competitive; Accenture, Whirlpool, Dell and Ericsson are among the many companies who have taken part in the innovation challenge

Collaborative idea management is an integrated part of the innovation process, where new ideas are collected, evaluated, selected and shared. Idea management needs guidelines and understandable methods on how it is conducted in order to be successful. Also suitable tools need to be provided (Karlsson, 2010)

A more modern term for collaborative idea management is crowdsourcing. Crowdsourcing can be defined, when an idea and an innovation are wanted and the task for innovation is given to groups of people. In an organization, this means that employees form groups, brainstorm, generate ideas and come up with suggestions, from which best ones are selected. (Intunex.fi) Crowdsourcing

is about utilizing the skills of communities in problem solving, and using the strength of groups to discover new things and ideas (Talouselämä, 2010).

Crowdsourcing as a word is fairly new, and is often linked with social media and the possibilities of sharing which different platforms of social media create.

In August 2010, Nokia employed Pia Erkinheimo as head of crowdsourcing. Her job is to motivate employees to stay innovative and making openness and idea sharing as easy for employees as possible and find out how Nokia can utilize crowdsourcing best in its practices.

Pia Erkinheimo has stated five key elements on how to make crowdsourcing work:

- In order for crowdsourcing to be functional, that the ideas generated by employees are seen as a positive within an organization
- Everybody within the organization must understand what is meant with open innovation and the democracy that comes along with it. Also, social media behavior needs to be clear for the company, as social media often is the main tool in crowdsourcing
- Make pilots of tools and processes for crowdsourcing, and find out which ones work the best
- State clear questions for the innovating groups so that the power in crowdsourcing is directed correctly
- Share recognition for the crowd. Reward the best ideas and practices, so that it is shown that crowdsourcing is not just pointless brainstorming (Talouselämä, 2010)

## 2.6 Measuring innovation

The goal of innovation is to create added value for a business. For an innovation to be successful, it has to be measured. Otherwise the power of innovation cannot be directed precisely (Morris, 2008). However measuring innovation depends on what type of innovation is in question, whether it is product driven innovation or organizational innovation (Koskensalmi, 2000).

There are two different types of metrics described for innovation: Quantitative metrics and qualitative metrics.

Quantitative metrics are also called hard metrics, and can be linked to the measurement of product driven innovations. Quantitative metrics rely on hard numbers and clear statistics and data, such as percentages and figures in profit and loss.

Qualitative metrics are also called soft metrics, and these metrics measure quality and characteristics over hard numbers. Qualitative metrics can be very vague, for example when measuring morale. Soft metrics basically measure movement. In the case of measuring morale, soft metrics define if morale is going up or down (Strategic communications, 2010). Qualitative metrics can be linked to organizational innovation, because organizational innovation can not be statistically measured.

Product driven innovations, which often means having a precise product under innovation process, can be measured more accurately than organizational innovations. One measure for product driven innovations is the number of patent applications filed and the number of products and services launched as a result of an innovation process. Also a key performance indicator can be to measure the effectiveness of the innovation pipeline; how many ideas are currently under progress in the pipeline, and what is the number of outcomes resulting from these ideas. These factors lead to the next natural measurement tool: the rate of profits in relation to capital invested in innovation activities (Samson, 2010)

Organizational innovation is much more difficult to measure than product driven innovation. Organizational innovation process does not necessarily even have a specific desired output, but the emphasis is on creating a new culture and atmosphere. Creating organizational innovation is a long and ongoing process as opposed to product driven innovation, which is a much more short term process, as return on investment is expected and usually taken for granted. The

lengthy process and vague nature of organizational innovation makes it hard to measure (Morris, 2008).

Given the vague nature of organizational innovation, the most popular metrics used in measuring the return on investment due to a innovative organization are overall customer satisfaction and revenue growth (InformationWeek, 2007).

Measuring goals and trying to achieve value and revenues is one aspect of innovation. The other is that innovation is a learning process. It is important in innovation that mistakes and failures are not feared; rather they are to be embraced. If no failures are detected or reported during an innovation process, it means that the area targeted for innovation is not studied broadly enough.

Failures mean that negative aspects are detected and they are not to be renewed. This means that failures are as important in learning as being successful in an innovation process. (Morris, 2008)

## 3 METHODOLOGY

### 3.1 Methods of research

In late 2011, insurance company X asked me to do a questionnaire to the members of the pilot of project TIE. The linkage between the survey and literature of organizational innovation is weak as the management wanted to find out aspects concerning the pilot in question. The questionnaire was designed to identify attitudes and opinions of the pilot team members regarding:

- The project as a whole
- The tools of project TIE
- Team leader performance
- Working with the project
- Clarity of the project
- Possible pitfalls of the project

For the data collection I chose the mixed method, consisting both quantitative and qualitative elements, quantitative elements being the majority.

Quantitative approach to data collection is mainly numerical, and the data can be statistically measured and presented in diagrams and numerical forms. Facts and figures are strongly present in quantitative data collection. The most common form to perform quantitative data collection is via a questionnaire

Qualitative method means a more open data collection, from which results cannot be precisely measured. The qualitative method of data collection can provide more in-depth results than a structured quantitative survey, but the qualitative method requires classification into categories and conceptualization for the results to be analyzed (Saunders, 2000).

The mixed method was chosen for the survey to receive a deepened insight from the respondents. A quantitative structured questionnaire provide results which can be seen and measured instantly if the questionnaire is made well, but having a number of open questions enable the respondents to open their views

on the subject of the survey. The mixed method proved to be the right choice for this survey, as interesting views and comments were gathered alongside statistical data which could be easily measured.

In addition to the survey, I was able to observe the pilot teams' progress throughout the spring of 2012 as I was at the time working in the branch office sector of insurance company X. I took part in pilot team meetings using remote tools, and I also observed the discussions held in enterprise social network Yammer, one of the most important tools of project TIE.

### 3.2 Data collection

The survey was made in cooperation with the team leaders and mentors of project TIE. Many alterations and suggestions were made by the management of project TIE for the questionnaire to meet their demands.

The results of the survey were used to make possible changes on how to approach project TIE once the pilot had ended.

The survey itself was made by insurance company X's project planning department using the company's own survey tools. Several meetings were held with the person from the project planning department responsible of the configuration of the survey. The survey was made as easy to answer for the respondents as possible. The pilot team members work in a busy sales oriented environment, and if a survey is not easy for the eye and understandable, the questionnaire might be left unanswered.

Using corporate survey tools and contact person responsible for data collection was the best and most reliable way to reach as many pilot team members as possible, as they got the invite to the survey in a reliable and familiar form sent to their work E-mail, and reminders were sent as well if they had not answered in time.

The survey was handed out to the pilot team members in mid-February of 2012 when they had worked with the project for about two months. The pilot itself had not ended at the time of data collection, so survey questions concerning end

products and final reflections did not get clear answers by the respondents. The pilot team members continued working for the innovation project when the pilot had ended.

The questionnaire was made to be answered anonymously for the answers to be as reliable as possible.

20 of approximately 25 pilot team members answered the survey. Total amount of possible respondents were not reached due to a time limit set by management for presenting data collected from the survey.

10 respondents out of 20 have been working at insurance company X for more than a decade, and the majority of respondents were aged between 46 and 55.

13 respondents out of 20 had never been part of an innovation project before. 17 people use social media in their free time, a platform essential for crowdsourcing and sharing knowledge.

### 3.3 Evaluation of reliability

The questionnaire was made under strict supervision of insurance company X's team leaders and mentors. The questions in the survey were presented in a way that they were easy to understand by the respondents and so that the data derived from the survey would be as reliable as possible. The threats of validity of the research were taken into account when the survey was structured (Saunders, 1997).

Reliability of a research can be threatened by participant or observer error and bias (Saunders, 1997). The fact that the survey was made under supervision of insurance company X's management, for employees of insurance company X and conducted by the same company's project planning department, minimizes the threat of bias and error.

At the time the survey was handed to the respondents in February of 2012, the pilot of project TIE was still ongoing and outcomes from the pilot had not taken place yet. However, the data collected was necessary to be handed out to the

management of project TIE for further study prior to the actual launch of project TIE. The answers of the respondents could have slightly been different if they were answered at a later time considering attitudes and outcomes. Taking the timeframe of the pilot and project into account, a later date conducting the survey was not possible.

## **4 COMPANY & PROJECT**

Insurance company X is one of the leading insurance companies in Finland. In order to stay as one of the leaders in the insurance market, insurance company X has realized that ability to change and adapt are keys to being successful. In 2012, the branch office sector of insurance company X started an innovation process called project TIE. Changing business environment and customer behavior has affected the operations and the productivity in branch office sector especially. Project TIE is found to be a possible solution for fast adaption and idea generation.

The branch offices sector is part of a sales channel which employs 300 professionals of insurance sales.

### **4.1 Background**

There is extremely tough competition in insurance markets today. Insurance companies are constantly trying to get customers from rivaling insurance companies by attracting with better prices, services and other features. Customer retention is harder due to tough competition. In 2011, 300 000 insurance company changes were made in the private customer sector (Aitolehti, 2011).

Current dominating market trends are E-business and internet sales. People are using internet services and other e-services more and more. Customers buy insurances over ten times more over the phone and internet than from insurance company offices. This affects the description of tasks for employees in branch offices especially, as the customer behavior has changed. This also



adds a challenge in assessing the structure of organizational structure. Sales strategy varies along with market trends and changing customer behavior and quick reaction to market trends is crucial in this competitive business area.

As the customer behavior has changed, so has insurance company X and its strategy in response.

I have been working in the branch office sector's southwest area since April of 2011. The southwest branch office sector comprises of three different branch offices, and I have worked in these three offices an equal amount. This has allowed me to get an internal view on working methods, habits, attitudes and overall atmosphere of insurance company X's branch office sector.

#### 4.2 Organizational innovation in the form of TIE

The business environment in the insurance market is changing at an accelerating pace. Companies' ability to change and develop activities is the key to success in the 2000s. The role of innovations and collaborative idea management are essentially important in business development. Companies need to focus on building an innovative organization culture and in the exploitation of all existing know-how within the company. Insurance company X aims to meet the market demands by process TIE. The goal of the process is to create new innovations and generate ideas to improve insurance company X's competitiveness and by doing so, promote learning and helping others to succeed within the organization.

Organizational innovation requires that everyone part of the organization takes part in the process. This enables ideas to grow in all functions and across limits within an organization. Bottom-up approach is important in organizational innovation culture, because the working staff has the best understanding about everyday drawbacks and challenges. Innovative ideas can be generated through daily routines and functions. An innovative and open environment allows a fast and straightforward communication and sharing of knowledge (Aitolehti, 2011).

#### 4.2.1 The pilot

In the end of 2011, insurance company X started the pilot for project TIE. Project TIE was designed so that the pilot teams acted as pioneers for the actual project.

The schedule for project TIE was that the pilot teams worked with the process during the first quarter of 2012, and the actual kickoff where every employee in the branch office sector participated started in the second quarter of 2012. The role of the pilot teams is essential for the success of the actual project. The pilot teams have two tasks:

- Work in the frontline of creating innovativeness within insurance company X, help the project to succeed and report failures and successes for the actual project starting after the pilot.
- Working for the organization to move forward by innovating and creating solutions for everyday issues.

By the end of the pilot and Q1, the pilot teams findings of the process are utilized for the use of the whole branch office channel. All the pitfalls regarding tools, attitudes and the process in general were to be discovered during the pilot, so that team leaders are aware of these after the kickoff of project TIE.

The pilot teams continued working for the innovation process after the pilot has ended in Q2. The pilot teams are trendsetters for the process, but the work continues until the end of 2012 where end results are presented.

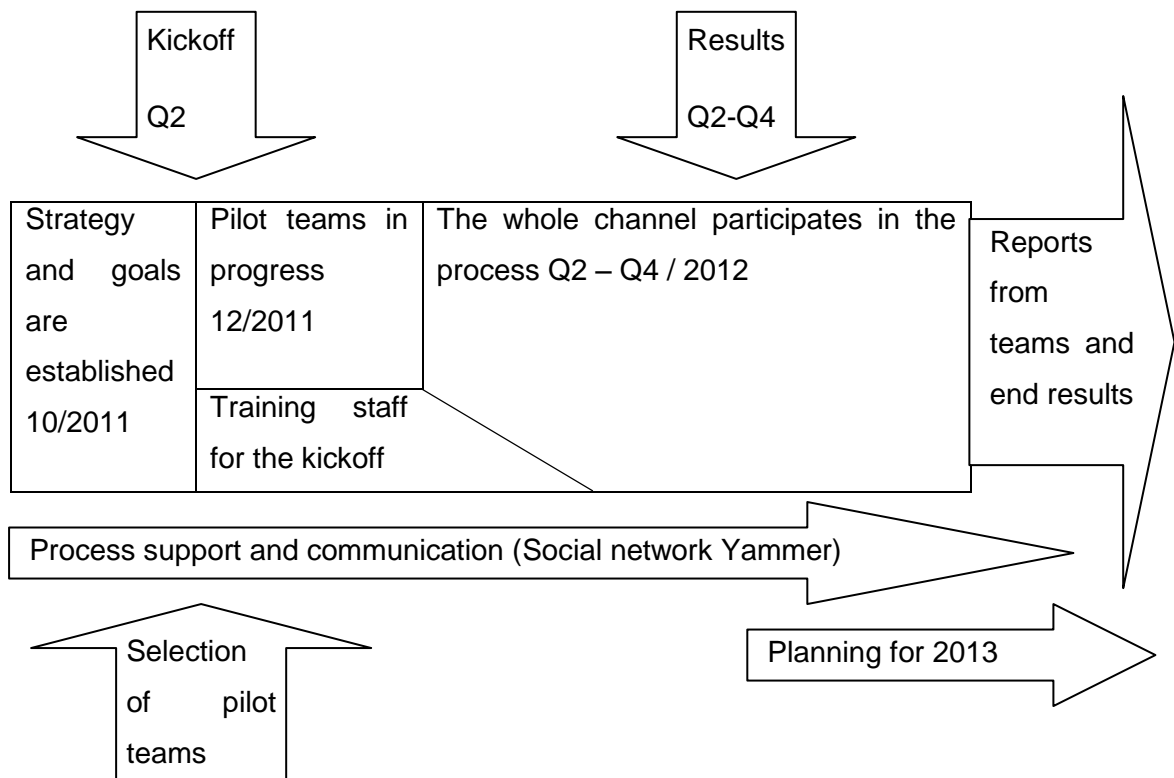


Figure1. The schedule and progress of project TIE

This figure shows the pipeline for project TIE from the beginning of the pilot until the end of 2012. In first quarter of the project only the pilot teams are working on the project as a learning process, and starting from quarter two of 2012 the whole channel participates in the project.

#### 4.2.2 Key roles in the pilot

There are four categories of roles in project TIE; pilot team members, team leaders, mentors and management.

##### The team members of TIE

Three pilot teams were formed from volunteers with mixed job titles. The teams had five to 15 members each. The pilot team members had no more knowledge of project TIE than the ones who started the project at the kickoff in the second quarter of 2012.

##### Team leaders

The team leaders motivate and push forwards the efforts of team members, the most important task being the coordination of teamwork. The team leaders consist of sales managers and sales trainers. In the pilot, the team leaders gather knowledge for future TIE teams. The team leaders also work with the mentor of the project by developing the progress of the process.

### Mentors

In the TIE project pilot, there is only one mentor. In the comprehensive project from the start of Q2, there are several mentors. The mentor works in collaboration with team leaders and helps ensure the process stays upbeat, lively and interesting.

### Management

The management provides the strategic framework and objectives for the process. The management follows the progress and results of the process together with the mentor.

### 4.3 Steps and goals project TIE

#### 1. Strategic goals are presented

The management presents the strategic themes and the objectives for project TIE. The conclusive themes for the process are “learning together” and “helping others to succeed.” These abstract themes are to be integrated in the organization culture through the course of process TIE.

“In TIE, the journey we experience together is most important”

#### 2. Selecting, preparing and supporting the right team

The innovation teams are formed from scattered locations from the branch office channel and from diverse job descriptions to ensure diversity and equal possibilities for group work. When the teams are familiarized with process TIE and ground rules, they start discussing ideas for sub themes which each teams are to have. Examples for sub themes are:

- The improvement of work welfare
- Developing individual performance
- Creating a great customer experience
- Creation of new competitive advantages
- Utilization of new tools

3. Theme approval and green light

The management together with the mentor approves the sub themes presented by innovation groups. The themes are to reflect each teams competences, and the management ensures that each theme is diverse for maximizing the potentiality of end results. After the theme is approved, a green light is given and the chosen theme is developed further and reflected constantly by the team.

4. End product

The initial end product is presented to the management, and proposals for development and improvement are given. The best and most applicable sub themes are selected to be used within the organization.

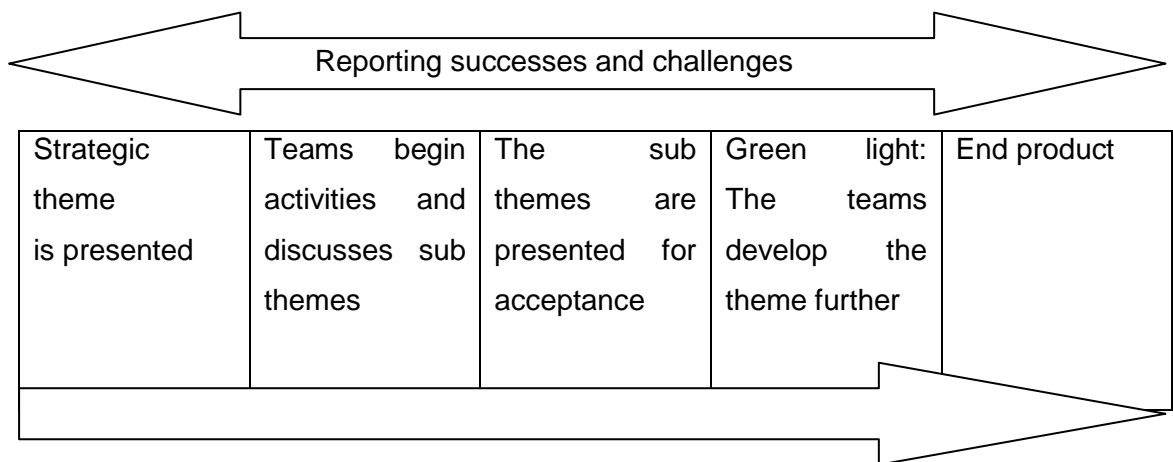


Figure 2: Implementation for project TIE

4.3.1 Tools for innovating in TIE

One of the purposes for project TIE is to make the staff learn new tools which are brought to be integrated within the organization. By using the new tools in the project, they become familiar and they are to be used in everyday activities instead of just in project TIE.

One of the tasks for the pilot teams was to identify which tools work best and which ones provide challenges.

The tools provided for the pilot teams were:

- Yammer

Yammer is an enterprise social media. It is described as the Facebook of business. Yammer was established in 2008 and has over 200 000 companies using it in 2012. Large companies using it include DHL, Shell, Capgemini and 7-Eleven amongst others. Yammer is a platform designed for company collaboration, file sharing, exchanging knowledge, team collaboration and discussion (Yammer.com). In project TIE, Yammer is the main tool for knowledge sharing and reflection on ideas.

- Microsoft Office Live Meeting

Live meeting is a web based conference tool, designed for multi-party meeting via web cameras with abilities to share media presentations. Live meeting was planned to be the main tool for group discussions for its abilities to operate with many participants simultaneously.

- Microsoft Office Communicator

Microsoft Office Communicator is a similar tool to Microsoft Live Meeting, being a capable tool for video meetings. Prior to the pilot, it was not known which of the two conference tools works best in practice.

Microsoft Office Communicator in other aspects is revolutionary tool for insurance company X. Office Communicator allows instant messaging among coworkers for enhanced movement of knowledge, and removes the need for traditional table phones among other useful aspects.

- E-mail

At the start of the pilot, traditional E-mail was also used for calendar invitations and other knowledge sharing. Prior to project TIE, E-mail was the main and basically only tool for remote knowledge sharing.

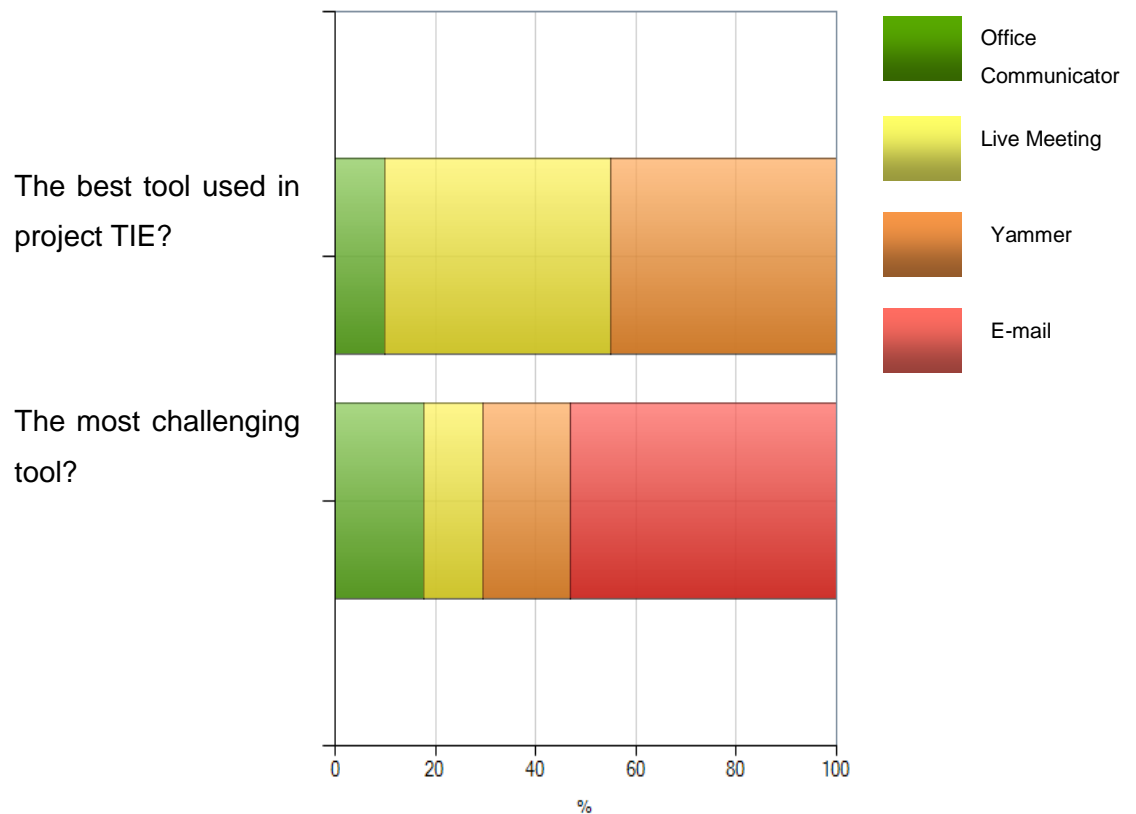


Figure 3: Best tools for project TIE

The pilot teams saw that the best tools to be used in the project are Microsoft Office Live Meeting and Yammer. The Office Communicator was found to be

“stuttering” at times, especially when there were many group members present at the same time.

Live Meeting was found to be a great tool as it could handle video conferences with a large group.

The most traditional tool, E-mail, was seen as challenging. This is because sharing with everyone is difficult and replies are generally too slow for this kind of project.

The pilot teams immediately got involved with Yammer, and the respondents said that it is a great tool for reflection and sharing. The importance of social media in a project such as TIE had been understood and embraced by pilot team members. It is important that one post reaches everyone involved, and that the tool encourages creativity.

#### 4.3.2 Working with project TIE

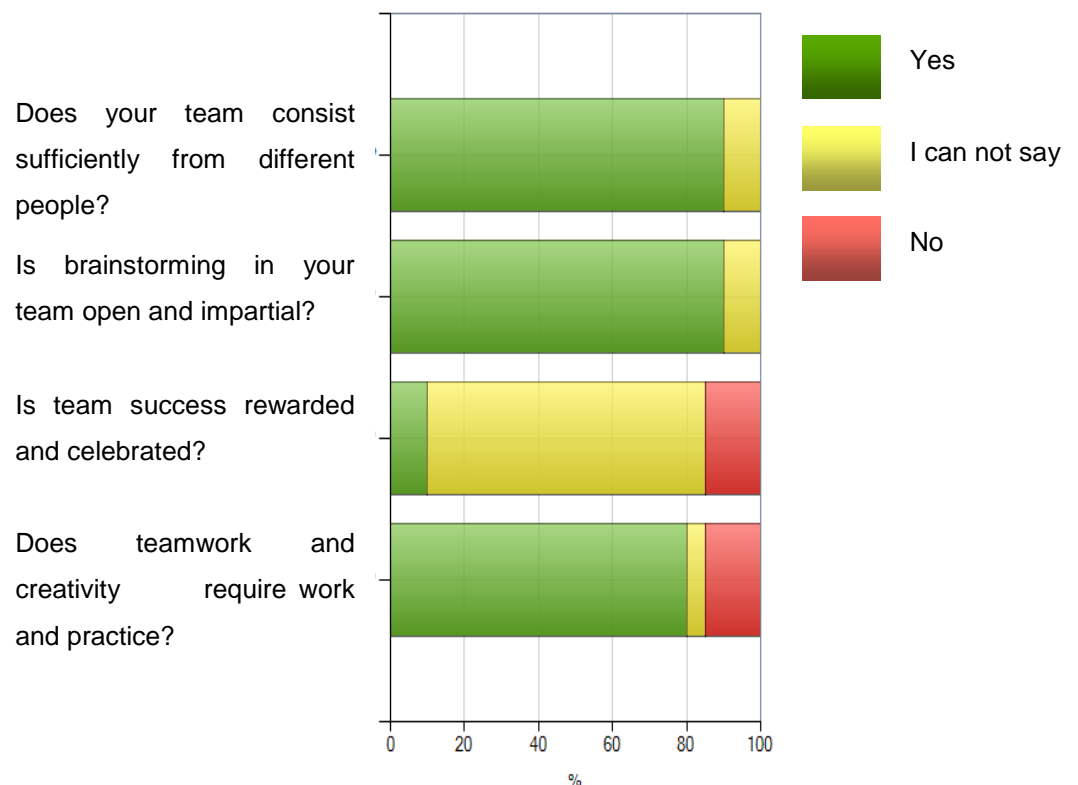


Figure 4: Reflections on teamwork



The enthusiasm towards the project by the pilot team members was great, and the teams consisting of varied job titles had worked well. Different job descriptions in teams bring more points of view and help build on one of the main themes of the project, "learning together". The supportive and open atmosphere present in the teams was praised and everyone in the teams dared to bring out their opinions.

Many of the respondents replied that they are enthusiastic and excited about the project, but as the process is moving forwards, many team members are not investing in the project and seem passive. This came apparent when the teams started working more independently as the project matured as opposed to the project being leadership-driven in the beginning of the project.

The sentences in quotations are the respondents' answers to the open questions in the survey.

"Some of the team members act as free-riders and that seem dull."

"Towards the end of the pilot the enthusiasm has faded..."

The team members felt that recognition of success had been low. Team success could not be answered by the respondents properly at the time the questionnaire was answered, as the end results of the teams were yet to come.

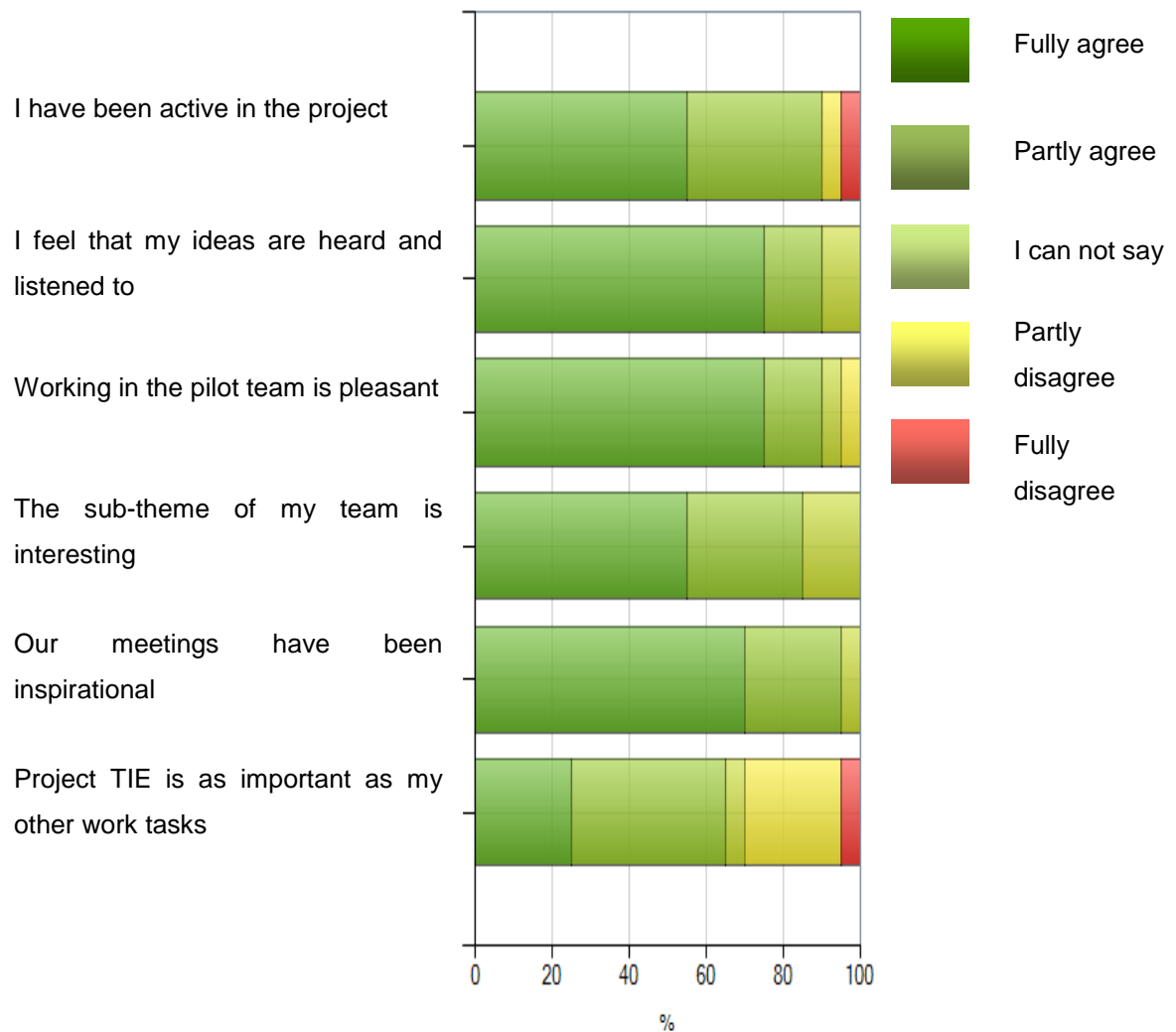


Figure 5: Working with project TIE

The majority of the pilot team members found that the meetings had been inspirational and that working in the pilot had been enjoyable. Team chemistry had been successful, as no respondents felt that their voices were not heard.

30 % of the respondents felt that working with the pilot is not important compared to other work duties.

“I would like to put more effort in to the project but the challenging nature of my work has not given me that possibility.”

“Daily work tasks hinder my participation in the project!”

A reason for this attitude on own work vs. project TIE is that the idea of the project for the respondents is quite abstract.

“...One challenge is “invisibility”, meaning that TIE is not very concrete.”

“We need a concrete benefit for everyone involved and the journey needs to be launched clearly so that people have the energy to do this charity work alongside normal work.”

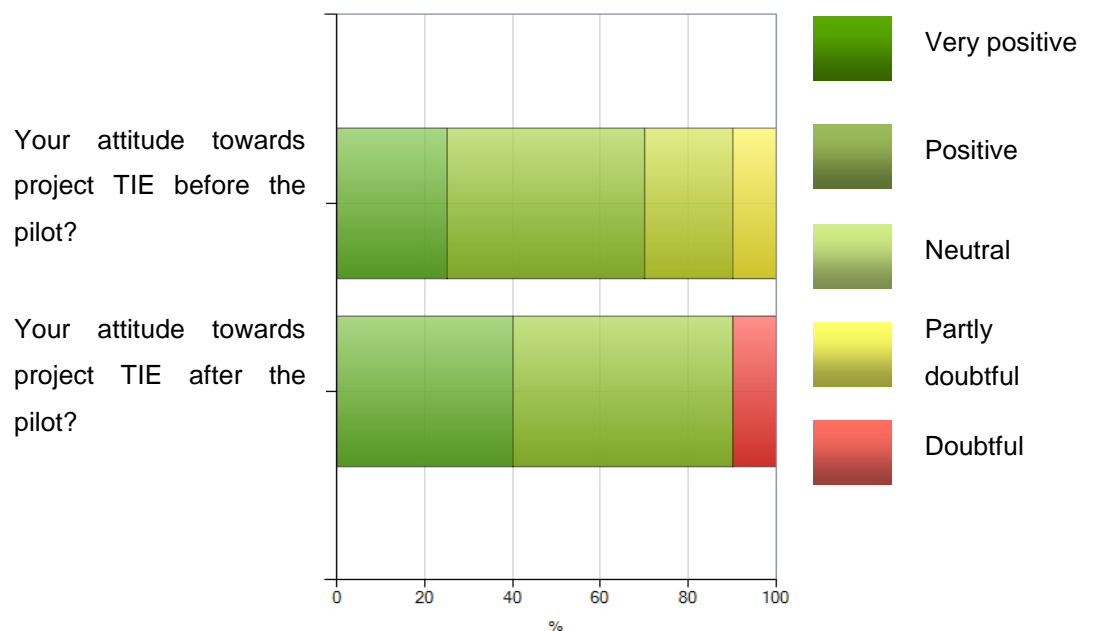


Figure 6: Attitudes towards project TIE

Figure 6 shows us the attitudes towards the pilot before and after launch. The majority of respondents were feeling either positive or neutral towards the project, 10 % of respondents were partly doubtful. As the pilot had progressed, 90 % of respondents felt very positive or positive about the project, and 10 % were feeling doubtful.

The response and attitudes were good considering that the pilot took place in a very sales oriented unit of insurance company X, where many employees might think that there is no time for an endeavor such as project TIE.

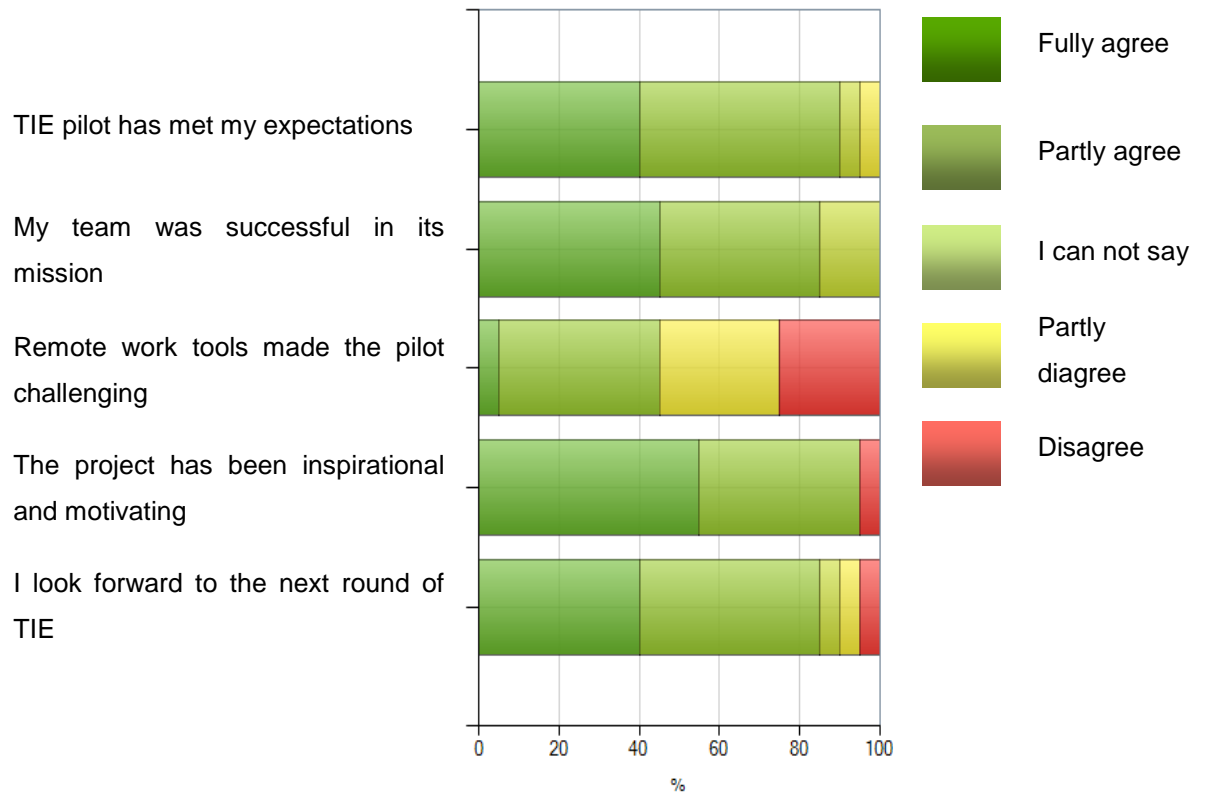


Figure 7: Evaluation of the pilot

The pilot team members greeted the pilot with positive feelings. Negativity towards the project was scarce.

Only one of the respondents felt that remote work tools made the pilot challenging. This is good news, because one aim for project TIE is to familiarize the staff with new tools in the company.

“The technology has been challenging at times, but I have learned new things”

The best aspects of the pilot were bringing out new ideas, exchanging thoughts and experiences and getting tips for personal sales tasks and approaches for work.

“Learning together has been the the greatest offering in this project”

“We have gotten new ideas, thoughts and experiences”

The negative aspects towards the pilot come from uncertainties, lack of commitment and time management.

“There is a lot other things going on as well and sometimes I feel like giving up”

“... I feel lost”

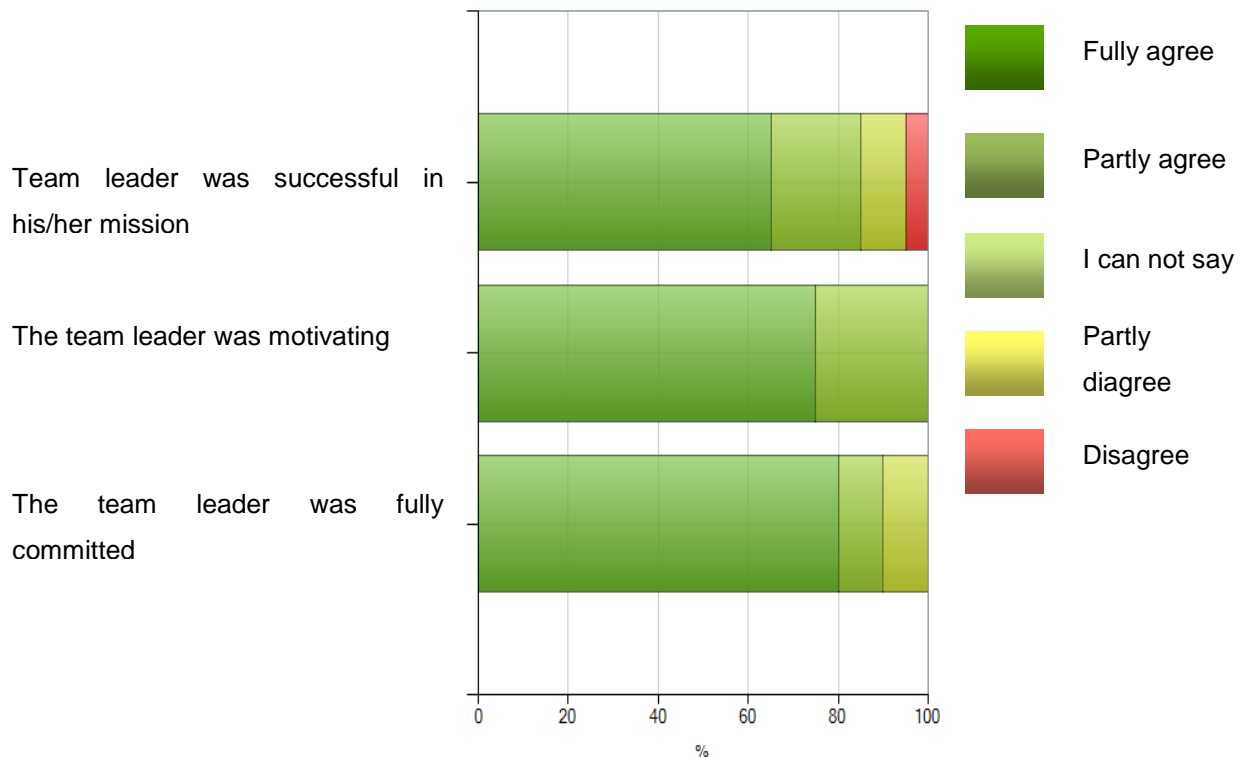


Figure 8: Performance of team leaders

The team leaders got positive reviews from team members, negative feedback was minimal. The team members especially praised the team leaders' enthusiasm, attitude, activity and encouragement.

“Our team leader has been the engine of our project. Without his enthusiasm the whole thing could have dried out!”

“Our team leader has the right and innoting attitude! He gets everyone involved!”

The biggest challenge for the team leaders is to maintain and keep up the passion and interest of the team members. One criticism towards team leaders is the fading excitement after an enthusiastic start.

“At the beginning there was great excitement, but I haven’t heard anything about the project in a long time...”

“The team leader has been excited in live meetings, but now I am a bit lost on what’s happening, as I nothing has been heard about the project...”

## **5 CONCLUSIONS**

There is a great amount of latent potential in employees besides assigned tasks, which has not been exploited by employers to benefit a company in succeeding in business markets where competition increases exponentially. Harnessing this latent potential means change within an organization. Change towards becoming open and innovative, but also a change in tools, methods, sharing of knowledge and the insight of the organization as a whole.

These changes in becoming more innovative within an organization mean risk taking (Stamm, 2009). Changing a culture cannot be measured as such, it is a long term process to become an open innovative culture and the seeds of innovativeness will produce eventually new ideas and a better climate for employees (Webb, 2010).

In the end of 2011, insurance company X committed to taking this risk of becoming a learning and open environment where no potential is wasted. The will to change came in the form of Project TIE.

### **5.1 Prerequisites and challenges**

A change towards an open innovation culture is not for every organization. Change like this takes bravery, careful planning, thinking outside the box and trust in employees (Koskensalmi, 2000).

Innovation as such can be summarized as follows (Terziowski, 2007):

“Innovation is the application of resources to create value for the customer and the enterprise by developing, improving and commercializing new and existing products, processes and services.”

For innovation to take place, the climate, values and philosophy of an organization need to be oriented towards openness and employee encouragement (Randall, 2005; Jolly, 2003).

There is no failure in innovating. Failure is an important part of innovation. From failures we can learn not to repeat them, and as innovation is a learning process, failure is just as important as success (Morris, 2008).

A mentor of Insurance Company X’s project TIE expressed his words in a way which summarizes the heart of project TIE quite well:

“The brave culture of sharing successes and failures is the key to common success”

The aim of project TIE is to learn together. The important thing is not the outcome, but the road which eventually leads to the outcome. Besides the eventual outcome which can be statistically measured, innovation is a learning process (Morris, 2008).

Building an innovative organization culture requires strategic commitment, focus and time (Jolly, 2003). The plan on moving towards an open culture must be clear and clearly presented to management, team leaders and employees so that everyone involved understands the purpose of the project at hand (Lindegaard, 2010). The guidelines and reasons for working towards innovativeness must be understood by the organization (Midgley, 2010).

## 5.2 Implementation of an innovative organization culture

The above mentioned facts are one of the reasons why project TIE was started as a pilot at first: To see the reactions and reception of pilot team members regarding the project, and how to clarify the strategic goal of the project when the actual kickoff was at hand. Several meetings and Power Point-presentations were held by enthusiastic team leaders to explain why this kind of project was

brought to a busy sales oriented channel such as the branch offices channel of Insurance Company X.

One of the questions I asked the respondents was that how clear the project was before the pilot and later, during the pilot. Before the pilot, 65 % of the respondents were unclear about the meaning of the project. During the pilot, 85 % of the respondents were clear or very clear on the goals of the project. These results indicate that for a project like this in such a concrete and goal oriented environment, the meaning, background and tools for working with the project must be made clearer for the participants. Without a clear target for the ones involved in a project such as this, innovation process can dry up and change in to a pointless effort (Karlsson, 2010).

The abstract nature of an innovation project should be boosted with tangible elements. When an abstract project is launched in a sales and outcome oriented division, tangible elements previously familiar to employees could be incorporated in the project. These tangible aspects could be:

- Intermediate seminars during the project
- Competitions on innovative accomplishments (familiar from sales competitions)
- Prizes or other tangible gestures of recognition

The above mentioned could make the path of innovation more relatable for the ones taking part. All in all an innovation process should be more result targeted, as invisible and abstract brainwork without clear outcome can be hard to identify with for people working in the heat of sales work. A clear mandate is essential for a successful innovation process.

An innovation process cannot function without continuity, support, presence and enthusiasm of the innovators participating in the process. A common failure in innovation processes is lack of commitment and focus (Midgley, 2010). Enthusiasm and passion is needed at every stage of an innovation process, not just at the launch of a project. At one stage of project TIE, innovation teams were divided in smaller units and started working more independently with the



process. The idea behind this dispersal was to create a greater number of sub themes to find more options for the end product. As the teams divided, team leaders' role marginalized. At this stage the team members lost focus, started feeling strayed and started acting passive towards the project. The cause of this was reduced focus and support due to the team leaders' lack of presence. The lack of a leader presence also can cause herd-mentality, where groups create their own identity and culture, which can be negative regarding the strategic themes of an innovation process (Koskensalmi, 2000).

In project TIE, allowing innovation teams to have too much independence was a pitfall during the process which ate away motivation and eagerness.

The journey of an innovation process needs to be monitored constantly for the process to follow common vision, and innovation teams need continuous inspiration, recognition and support. For an innovation process to have continuity and maintain focus, leader presence is needed throughout the process. An innovation process needs to be leader-driven, not employee-driven.

One of the findings I made while studying the progress of project TIE, was that the project was planned very precisely and by the book, so to say. The theory behind organizational innovation supported the framework and prerequisites of project TIE seamlessly. Obeying theory alone doesn't guarantee success, and what works in one organization might not work at all in the next organization. All the successful elements and goals from theory and examples from innovative organizations were embedded in the pilot of project TIE. The goal of the pilot was to learn from mistakes and find the right tools for working with the project. As some mistakes and non-functional tools were found during the pilot, the pilot can be seen as successful.

An innovational organization culture requires clear strategic goals and mandates set by company management. Without clear focus innovation does not lead to desired outcome. The organization needs to be committed to changing views on what openness means within an organization, and give more room for employees to take part and encourage employees to express feelings,

thought and ideas. Need for change has to be embraced by management and employees alike, and commitment, courage and motivation are key elements for a cultural change.

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## **APPENDIX 1 (THE SURVEY)**

The survey is not available for public due to confidentiality agreement with insurance company X.

