

## What's Your Company's IQ (Innovation Quotient©)?

### George Henderson

The pharmaceutical industry is changing. There are enormous pressures to develop new drugs, cut costs, reengineer processes, and segment the value and supply chains based upon complex and sustainable customer and supplier relationships. Success in the past is no guarantee of success in the future. Considering these developments, do associates view innovation and change as a source of job security or a reason for mutiny?

Innovation (as discussed here) does not refer to Research and Development. It refers to the cultural ability to align associates and draw from their diverse views to form creative concepts and solutions. It refers to those associates' willingness to participate in and support those solutions. This competence can be defined and measured as a company's Innovation Quotient© (IQ).

The "Innovation Gap©" occurs when some are making bold and necessary choices while others are protecting fiefdoms or clinging to the past. This cultural clash creates delays and waste, erodes value, and threatens survival.

An organization's "IQ" has four perspectives that can be remembered by the acronym IDEA©:

**Insight** refers to the company's internal and external scanning skills.

**Decision Making** speed and accuracy depends upon people's knowledge and empowerment.

**Engagement & Execution** is best accomplished by enrolling people in their own solutions.

**Alignment with Strategy** is achieved through cascaded objectives, measures & initiatives aligning four functions of performance: Strategy, Financial Planning, Business Execution and Operational Excellence.

Based on these perspectives, if we were to measure where a company fell on the spectrum of innovation, it could be described by one of four innovation profiles:

**Ships Adrift** float on past success and are poorly positioned to respond to threats or opportunities.

**Cruise Ships** have a few individuals setting direction and making course adjustments. The remainder are "Intellectual Passengers." Change is presented like a destination brochure rather than a roadmap for associates to follow.

**Merchant Marine** empower associates to effectively and efficiently deliver existing services to existing customers, having ownership and making course corrections

**Navigators** are those innovating new products, markets, and ways of doing business

The Innovation Gap© gap accounts for the resistance that causes many change initiatives to fail. Closing the gap is more than a feel-good experience. When a company is changing its business model, survival can depend upon it.

Apply the Six Sigma DMAIC method to close the Innovation Gap©.

**Define:** Define the attributes of the four IDEA perspectives: Insight, Decision Making, Engagement & Execution, and Alignment with Strategy.

**Measure:** Set specific examples of each attribute that might represent the behavior expected from a Ship Adrift, a Cruise Ship, the Merchant Marine, and from Navigators. Think of specific examples from the four functions of performance: Strategy, Financial Planning, Business Execution, and Operational Excellence. Assess and compare Senior Executives, Middle Management, and line supervisors and their organizations.

**Analyze:** Compare the three groups, noting gaps and exploring root causes. Think in terms of the impact a specific change initiative may have and what corrective actions are appropriate.

**Improve:** Set objectives, measures, and performance scorecards to address and close gaps.

**Control:** Set acceptable standards of behavior for each of the attributes. Using working teams from Strategy, Financial Planning, Business Execution, and Operational Excellence, along with the internal customers of these groups, develop specific examples for each attribute that represents Unacceptable, Acceptable but Average, and Exemplary performance. Also, define response plans for attributes that are out of control.

Understanding your company's Innovation Quotient and identifying its Innovation Gap is critical to success and growth. The process of defining its attributes, setting standards, and establishing controls has enormous cultural impact. Associates themselves are setting the standards and determining how they will be enforced. By identifying the affected areas before a change initiative gaps in understanding, incentives, and alignment can be isolated and corrected before the ship is in the storm.