

Summary of Research Findings From AIIA/UTS Innovation Online Survey

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How does the innovation culture of organisations look from the perspective of their employees and competitors?

Which ANZ organisations were voted and ranked most innovative by the AIIA members' employees?

Partners:



1.0 Research Overview

The main research objective was to explore the innovation culture of organisations from the perspective of their employees and competitors. Measuring these two factors has demonstrated a strong correlation between the organisation's ability to establish a successful innovation culture, and gaining competitive advantage and financial success.

In Q4 2013, UTS academics designed an online survey that would be sent to the AIIA commercial members' executives. We received 244 responses from 102 organisations.

The respondents were asked to rate their own organisation's ability to meet ten requirements in Table 1 below, for a superior innovation culture. These confidential employee ratings enabled an overall organisational rating to be calculated and analysed across a number of segmentations.

Table 1: Survey rating requirements for enterprise culture

1. VISION	My organisation has a well-defined vision, goals and strategic intent.
2. INTEGRATING INNOVATION	My organisation has been successful in weaving innovation achievement into the fabric of the business.
3. ALIGNMENT	My organisation is successful in communicating and aligning employee activities to the strategic plan.
4. CREATING A NETWORK	My organisation has built a network of innovation resources internally and externally.
5. PROCESSES & RESOURCES	My organisation provides processes, time and/or funds for innovative projects.
6. REWARDS	My organisation actively encourages and rewards people who generate and/or drive new ideas.
7. ADAPTABLE TO CHANGE	My organisation is adaptable and easily embraces change.
8. INCLUSIVE CULTURE	People in my organisation see themselves as an interlinked community, not just a company of employees.
9. ACTION ORIENTATION	My organisation values 'doing', taking risks and experimenting, over detailed and methodical planning.
10. SELF-IMPROVEMENT	My organisation encourages learning and self-improvement in its people and allows sufficient freedom for this.

In addition, each respondent was asked to nominate the top three most innovative organisations, listing the reasons why they were the best, and comparing their own organisations with those factors.

When the survey results were analysed, percentage ratings were compared for various segments. A 5% - 9% difference was deemed to be significant, and a 10%+ difference was deemed major.

Our research partner was Aon Hewitt, currently global leaders in human capital consulting and outsourcing solutions. Their database was invaluable to our project.

2.0 Advantages of building an enterprise innovation culture

What advantages can shareholders expect when an organisation has a successful enterprise innovation culture?

The respondents were asked to assess and rate their own organisation's innovation culture. The resulting scores were then correlated against the current growth rate of their organisation.

The scores were:

- 62.1% for organisations that are not growing
- 85.2% for organisations with a revenue growth rate of up to 20%
- 85.7% for organisations with a revenue growth rate exceeding 20%.

The rate of growth appears to be less important than the fact that the organisation is growing at a reasonable rate.

These results are strongly indicative that the absence of successful innovation culture is a serious impediment to growth and success. Research undertaken in 2009/10 by AON Hewitt indicated that in the USA, a strong enterprise innovation culture is closely linked with financial success. Organisations recognised internally and externally as innovative returned superior financial metrics; average ROI of 18%, a gross margin of 16% and a net profit margin of 20%.

3.0 Respondents' views on enterprise innovation culture

3.1 Overall ratings

The respondents were all employees of information industry organisations from the AIIA membership database. They were asked to rank their own organisation's innovation culture. 78% of them rated their own organisation above 75%. This suggests that the information industry sector covered by our survey has been a lot more successful at creating innovation cultures than the average Australian enterprise.

3.2 Segmentation of views by job function

Each respondent indicated whether they were Senior, Marketing or Technical executives, or Other executives. The Senior executives were much more enthusiastic about their organisation's innovation culture, giving an average score of 86.7%. The Technical Executives gave an average score of 79.8%. Their views on some key requirements for innovation culture varied significantly. These included Creating a Network, Action Orientation, and an Inclusive Culture. These requirements have been defined in the research overview on Page 1. Our results suggest that a number of organisations would do well to engage on these issues with their employees and in particular, their Technical Executives.

These results are supported in other research (Burdon, 2010) and raises an important issue that Senior executives, and to a lesser extent, Marketing executives, tend to have more positive views than all other executives in their organisation. It is important that where a significant mismatch exists, action is taken to deal with reality as seen by the majority of the employees.

3.3 Segmentation by organisational ownership structure

The results were also analysed across types of organisational ownership. The average rating for MNCs in Australia was 81.6%, Australian ASX-listed companies 75.2%, Australian private companies 84.6%, and Australian partnerships 88.3%.

There is a significant difference between the ratings for Australian private and partnership organisations, and that of the MNCs and ASX-listed organisations. Private and partnership organisations rated significantly higher across the board, and their employees had a more positive view of their innovation culture; there is a 20-percentage point difference in the ratings for Inclusive Culture. Interestingly, in respect of Action Orientation, scores from smaller organisations were significantly lower than scores from MNCs and ASX-listed.

Comparisons between the MNCs and Australian ASX-listed organisations are also interesting. There is over a 10-percentage point difference, with Australian listed organisations getting lower scores for Creating a Network and ability to provide Processes & Resources. It would appear that the MNCs have established a culture that mitigates some of the inherent disadvantages of size and innovation over their Australian listed counterparts.

3.5 Segmentation by Annual Revenue Turnover

Three categories of annual turnover were used for analysis: less than \$2.0 million, \$2.0 million to \$50 million, and over \$50 million.

Overall, organisations with annual turnover of less than \$2.0 million scored 85.9%, \$2.0 million to \$50.0 million turnover 85.8%, and over \$50.0 million, 82.6%. The difficulty in maintaining a strong innovation culture as an organisation grows is reflected in these results.

Interestingly the two requirements where the smaller organisations had lower scores involved having a well-defined Vision and Alignment. They had significantly stronger results from creating an Inclusive Culture, being Adaptable to Change, and Processes & Resources.

In providing Processes & Resources, Rewards, and Action Orientation, the highest annual turnover organisations were scored below average, and the differences were in the range of significant to major.

4.0 Australia's most innovative enterprises

As part of our innovation research project, respondents were asked to nominate the top three Australian organisations they thought the most innovative. They also had to give reasons for their selection and compare their own organisation with these characteristics.

4.1 Results of respondents nominations

The four categories for analysis were:

- Multinationals with Australian presence
- ANZ organization with an annual turnover of less than \$2 million
- ANZ organization with an annual turnover of \$2 million to \$50 million
- ANZ organization with an annual turnover exceeding \$50 million

The four category winners, and an overall winner, will be announced during the seminar.

4.2 Key reasons for enterprise innovation success

Respondents ranked the key attributes as follows:

Reasons for innovation success	% Frequency
Development of great ideas	24%
Execution/implementation of ideas	19%
Able to engage talent to innovate	16%
Taking the right degree of risks	11%
Decisive in making choices	9%
Growth focused	7%
Proactive organisation culture	6%
Long term in their decisions	5%
Other	4%

The main strengths for an organisation repeatedly demonstrating capability to deliver innovation appears to be the ability to harness internal talent for developing new ideas – and then having practices and behaviours in place to execute those ideas well. Interestingly, a direct focus on organisation revenue growth, while on the list, is a lower priority for successful innovative firms.

There is a strong correlation between these results and AON Hewitt’s research findings from their database. When comparing high performing innovative companies with more average companies, the most significant cultural traits differences in order of differences were:

- Decisive vs indecisive
- Risktaking vs risk averse
- Long term oriented vs short term oriented
- Proactive vs reactive
- Growth focused vs cost focused
- Collaborative vs individualistic

4.3 Profile of Large Australian Organisations

As most of the AIIA members are technology enterprises, it was not surprising that their thoughts of who was the most innovative focused on organisations in the technology sector. However, they also voted for organisations where technology is an integral part of their business, but their primary business sector was in retail banking, telecommunication services, and airlines, etc.

One standout organisation will be recognised and announced during the seminar. The other organisations with some strong technical requirements achieved a surprisingly small number of votes. When image and brands have such a significant impact with customer retention and acquisition, and recruiting talented employees, a strong reputation for innovation in their organisation could deliver significant benefits.

Surprisingly, a number of Australia’s leading organisations likely to benefit from a strong positive image for innovative excellence amongst the AIIA members received few votes.

4.4 Respondents' view of their own organisation's top priorities

In contrast, revenue growth was seen as the highest priority within their organisation by the survey respondents with the next highest priority being customer relationships. Both of these are primarily operational priorities. The next three on the list relate to innovation outputs including product improvements and operational efficiency.

The top priorities nominated by respondents in relation to their own companies are shown below.

Top priorities in normal organisations	% Frequency
Revenue growth	21%
Customer relationships	16%
Product improvement (quality, ability, etc.)	14%
Solution delivery	10%
Leverage technology to improve business	10%
Operational efficiency	8%
Staff skills/capability development	7%
Speed to market	5%
Building of long-term benefits	5%
Other	4%

4.5 Employee Engagement & Innovation

A survey by Aon Hewitt in 2010 found that highly engaged people have the ability to impact critical business drivers including innovation of new products and services. The positive impact on business drivers increases from 10% to 60% as they move from "actively disengaged" to "highly engaged".

Our research indicates that organisations which promote Self-Improvement and have an Inclusive Culture are much more likely to have developed an innovative enterprise culture.

The third most important attribute for innovation success nominated by respondents was the organisation's ability to engage talent to innovate. AON Hewitt's "Top Companies for Leaders" identified effective leadership development techniques. These include significantly more focus on customised development, global and rotational assignments, and leaders as teachers.

5.0 Summary

- On average, the AIIA members who completed the study clearly believed their employer organisations had very good innovation cultures. 78% gave ratings of over 75%, compared with a general rating in Australian studies where only 25% gave ratings of over 75%.
- There is a strong relationship between employee ratings of enterprise innovation culture and that of other industry participants and growth and success. Organisations with low or negative growth gave ratings of 62.1% against ratings of 85% for organisations growing at 20% plus.
- MNCs and Australian ASX-listed organisations achieved significantly lower ratings than their smaller private and partnership counterparts. These results lend credence to the hypothesis that the larger organisations have to work harder to build an enterprise innovation culture and build management processes to achieve the necessary changes. Both segments got lower scores for Creating a Network and Processes & Resources. However, the MNCs achieved higher ratings than the Australian ASX-listed organisations.
- Surprisingly, in industries where technology is a key component of their general business, only one received superior ratings. Many well-known organisations in retail banking, telecommunications and airlines received surprisingly few votes as being innovative.
- The organisation winners in the four category winners and the overall winning organisation rated highly for the development and execution of good ideas, and the ability to engage talent to innovate. An organisation's ability to build a culture that was decisive, able to take risks, proactive and growth focused were strongly endorsed by this survey. The results from this study were correlated with Aon Hewitt's other research findings.

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