



# A Modern Innovative Corporate Culture

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# **A Modern Innovative Corporate Culture Drives Innovations**

The most important condition for innovation is to have in place a corporate culture that encourages and enables innovation.



# Innovation = a market driven action

- The innovative company has to be organized toward the market, that is, toward meeting customer needs.
- Such a company displays all the characteristics of an ideal corporate culture, as will be shown in this presentation.
- Poor leadership, poor organization, poor communication, low level of empowerment, and poor knowledge management stifle innovation.



# Innovation vs. Invention (1:2)

- The market connection becomes clear by distinguishing between **invention** and an **innovation**.
- An **invention** is a device based on a new idea that has been worked into a model or prototype of sorts, or an idea of a new process.
- But an **innovation** is an invention that has successfully been applied into practice.



# Innovation vs. Invention (2:2)

- Case Thomas Edison vs. Nikola Tesla.
- Edison – an innovator who delivered many devices to the market, the sale of which generated profits and made him rich.
- Tesla – made many hugely important inventions but could not make sellable applications out of them; lost money on his inventions and died poor.



# Innovation and the Market

- An innovation has to have the property of meeting an underlying demand for efficiency, productivity, or pleasure.
- Companies need to react to market impulses and allocate resources to such projects of innovation that are deemed potential.
- This requires a non-hierarchical organization where ideas identified at the customer interface are efficiently distributed in the organization and all the way up to senior executives.
- For this the company needs to be so organized that all cues from the market/customers are identified by the organization and distributed within it so that the company can allocate the needed resources.



# Innovations are not only High-Tech Solutions

- Innovation is not only about research and development (R&D) or new high-tech products.
- R&D is only the tip of the iceberg of innovative cultures.
- New ideas on how to organize businesses and business processes are at least as important types of innovation as technological inventions.
- Most importantly, in a dynamic corporate culture that interacts with the market new creative ideas about business processes meet with new creative technology.
- Most probably the needs of the business processes are what at the end of the analysis *drive innovation*.



# Innovation: Efficiency, productivity, policy, organization

- Innovation is a new way of doing something.
- More fundamentally than about technology and R&D alone, innovation is about: efficiency, labor productivity, policy, organization, etc.
- An innovation itself is not necessarily a product or a whole new service, rather it is any useful adjustment or new idea that is incorporated in the production processes and the service concept.
- Innovation is about changes in thinking, about improved products, and more efficient processes.



# Innovation and Creativity

- An innovation is a creative idea that has been developed into a product and service and which is successfully implemented in a real business process. Innovation starts with creative ideas, but is not completed by them.
- The completion is a job for the whole corporate culture. All factors of this innovative corporate culture add value by:
  - constantly improved quality
  - creation of market demand
  - meeting the demand
  - individualization of the products and extension of the product range
  - increased productivity through reduction of costs
  - improved production processes



# Profitability

The market driven organization can implement inventions and knows what is worth trying to implement. The ultimate test is that of profitability, an innovative organization has to have a good sense for what can be profitably sold to clients for meeting their demands. If there is no profit, then there is no innovation in the long term.



# Government and Innovation

- We welcome the government to invest in innovation and talking about it.
- But more importantly the government has to create the *overall conditions* for innovation in the whole country.
- This requires an open economy, freedom of choice and liberty from a bureaucratic machine that would otherwise suffocate all efforts to modernize.



# **A Bad Corporate Culture does not Innovate**

- To create a modern innovative economy both the state and individual companies have to finish with the stultifying old bureaucracy and throw off the old rigidities and behavioral patterns.
- The old Soviet chain-of-command system will not work for a modern business. It is not only too slow for the pace of modern business, it suffocates change and innovation.

# Examples of ill-managed, non-innovative corporate cultures (1:4)

Some negative characteristics of the hierarchical chain-of-command organization:

1. The executives do not lead but micromanage by meticulous processes of control.
2. Employees are not empowered but assigned highly specialized functions (narrowly defined jobs).
3. Formal structures create barriers to empowerment, improved customer service, and innovation = old-fashioned and inflexible hierarchies; matrixes rarities; self-organization unheard of.

# Examples of ill-managed, non-innovative corporate cultures (2:4)

4. The organization delegates up, not down.
5. Employees are made to adhere to fixed rules and a hierarchy of authority, which prevent proper reactions to every new situation and innovative thinking.
6. Risk-aversiveness. Risk-taking and challenging the status quo is punished.
7. Uncertainty is avoided.

## **Examples of ill-managed, non-innovative corporate cultures (3:4)**

8. A culture of blame. The managers ask ‘Who is guilty?’ but rarely ‘Who made this possible?’
9. Open communication is discouraged in an atmosphere of killing-the-messenger-of-bad-news. Frank feedback is absent. Employees are expected to please others (particularly superiors) and avoid interpersonal conflict.
10. There is an atmosphere of distrust.



## **Examples of ill-managed, non-innovative corporate cultures (4:4)**

11. A lack of proper reporting systems. Because the reporting is not right the CEO screams.
12. Organization is preoccupied with internal politics. The bureaucratic system leads to protection of turf instead of promoting collaboration.
13. Corruption flourishes (bribes, kickbacks). Often managers run their firms within firms.



# An Ideal Corporate Culture (1:2)

- A company cannot perform any better than its corporate culture provides for. Therefore the number one long-term priority of a firm should be to build a corporate culture that enables its entire staff to work on the top of their abilities.
- For this the leaders have to ensure that the whole organization, all the business processes, IT-facilities, assets, and infrastructure are directed toward the marketplace.



# An Ideal Corporate Culture (2:2)

- In an ideal corporate culture all the actions of a company are ultimately directed toward attracting and *profitably* serving the client with quality products and services. It is for these ends, to attract, serve, and care with quality, that the company has to be organized.
- The ultimate aim is to build a corporate culture that encourages members to do their utmost to attract new clients and satisfy the needs of existing clients with superb products and service. The corporate decision makers have to consider how each decision they make enhance these goals. A corporate culture which is customer-oriented, guided by a passion for high quality, and hungry for new sales should be the overreaching goal for each type of corporate culture and each corporation.



# Features of an Ideal Corporate Culture (1:7)

1. Clarity of Vision and Strategy
2. First Priority: Sales
  - A company has to be not only customer-oriented, but also sales oriented.
  - This is the commitment to guarantee that existing customers are satisfied with the products and services, and the continuous effort to attract new customers by sales efforts which the whole company recognizes as the most important events in the firm.



# Features of an Ideal Corporate Culture (2:7)

## 3. Adaptability in All Aspects

- A market-oriented company constantly adapts to the changing needs of the customers and the market as a whole.
- Therefore the second most important condition for an ideal culture is that it is adaptive in every sense.



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# Features of an Ideal Corporate Culture (3:7)

4. Anti-Bureaucratic Zeal

5. Non-hierarchical organization

- Matrix
- Self-management



# Features of an Ideal Corporate Culture (4:7)

6. Dynamic Communication + Flexible and Fast Decision Making.
7. Reporting systems and procedures.
8. Risk-taking and creativity is encouraged.



# Features of an Ideal Corporate Culture (5:7)

## 9. Compensation, rewards and incentives

- In the ideal corporate culture personal satisfaction and motivation are brought about by decent monetary rewards and incentives for extra efforts in a team that is dedicated to satisfying clients with quality products and services.
- When working on the ideal corporate culture it is important to establish which are the drivers of the specific business; how achievements are measured, and then set the remuneration system to match the measurement system.



# Features of an Ideal Corporate Culture (6:7)

## 10. Quality

- Of all the elements of an ideal corporate culture, quality is always the most important aspect. Each company that wants to make it in the increasingly competitive business environments have to have a constant commitment to an ever improved total quality management (TQM) system.

## 11. Organizational Capital and Learning

- Companies that want an ideal corporate culture strive at every stage of the work, build organizational capital, that is, the value that comes about by learning from past actions and documenting actions to make subsequent use of that in new situations. In an attempt to build organizational capital companies establish best practices for all the operational and administrative activities, processes, and procedures

# Features of an Ideal Corporate Culture (7:7)

## 13. Leader vs. Managers

- When we speak about the properties of an ideal corporate culture, then we have to differentiate between *leaders* and *managers*.
- Leaders bring about the change that is needed to adapt to change. They are people who can create and communicate vision and strategies.
- Managers are senior-level people that focus on running the operations within the strategic framework that has been staked out by the leaders. Managers focus on planning, budgeting, organizing staff, controlling, and problem solving.



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## **Avenir helps to create an ideal modern and innovative corporate culture for your business!**

- Ideal cultures CAN be created. It is a matter of knowing-how.
- Ideal market-oriented innovative corporate cultures can be created through conscious efforts.
- Avenir Group is the only business advisor that is specialized in helping business leaders to put in place a modern and innovative corporate culture.
- We work with company leaders to define the strategy and design the organization and all the business processes that support the innovative strategy all the way to the most important = profitable, dealings with the client.

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Thank you