

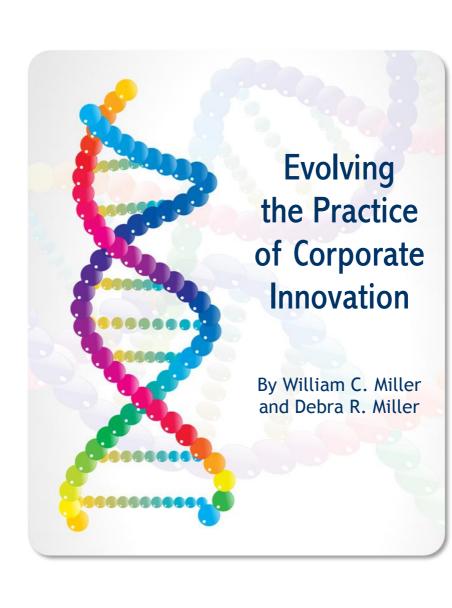
Evolving the Practice of Corporate Innovation

By William C. Miller and Debra R. Miller

THOUGHT LEADERSHIP SERIES

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Presentation made at the International School of Business (Hyderabad) conference on "Igniting the Genius Within"

Introduction

The theme of our presentation is *Evolving the Practice of Corporate Innovation*, which aims to bring human values and a wholistic perspective to the forefront of the field of corporate innovation. You will see how we have drawn from the wisdom of the India culture to illuminate some new insights into the practice of innovation that can be implemented not just in India but throughout the world.

We will first step back from the field of innovation and examine four contexts (or paradigms) of business that have emerged over the last 100 years, shaping the thinking and practice of business leadership. Then we'll give an overview of what we call "values centered innovation," which establishes human values and wholistic perspectives as the foundation for innovative work. Finally, we are going to share our personal vision of the important role we feel that India can play in this whole arena of values centered innovation.

EVOLVING THE PRACTICE OF CORPORATE INNOVATION

Four Contexts of Business Leadership

Over the last 100 years, four distinct contexts of business leadership have emerged around the world: *rationalist, humanistic, wholistic*, and *spiritual-based*.¹

Each context represents a fundamental change in how we view the *nature* of business, how we organize an enterprise, and how we lead its people. Each context is present in the business world today, sometimes harmoniously and sometimes not.



Understanding these contexts helps to clarify where we've come from and where we're going in the global economy today. You will notice how each is nested within each other; they have

evolved out of each other and have grown from each other.

The *rationalist context* first emerged in the early 1900s. In this view, the purpose of business is wealth and power for owners and shareholders. Adam Smith and Frederick Taylor were the "practical theoreticians" of this context. The leadership style is more military "command and convince" while conceiving of the organization as a "well-oiled machine." The organization is designed on the principle of assigning roles and tasks to fit within the organization's needs. Motivation is through extrinsic carrotand-stick methods, and employees are considered as "interchangeable parts." Only specialists are given innovative work to do.

One example of this context is Nobel Laureate economist Milton Freidman,² who in 1962 said, "Few trends so thoroughly undermine the very foundations of our free society as the acceptance of social responsibility by corporate society, rather than to make as much money for their stockholders as possible."

The *humanistic context* first emerged in the 1950s-60s through the work of Douglas McGregor and W. Edwards Deming, among others. Here, the purpose of business is still wealth creation, but now we are going to share that wealth with our employees; this is when employee stock options and profit sharing came into existence. We are also beginning to share the power

among employees and recognize the need to help employees self-actualize their potential. Leadership is through situational, participative empowerment, conducted in the metaphors of sports and teamwork. People are seen as willing to do good and be good; motivation is by helping them fulfill a personal hierarchy of needs. Organizations are designed to build jobs around talent as much as fit talent to jobs. People at all levels can contribute to innovative work, such as quality process improvement.

One example of this context is William Hewlett of Hewlett Packard. He said in his book, *The HP Way*,³ "Men and women want to do a good creative job and if they are provided with the proper environment they will do so."

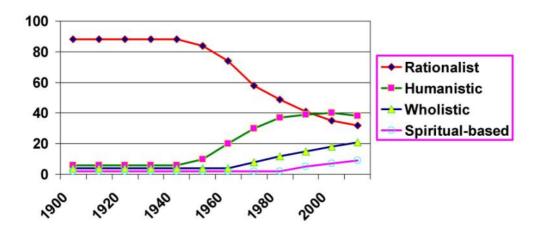
The wholistic context first emerged in the 1970s-80s, spurred in part by the writings of Peter Senge and Stephen Covey. The purpose of business in this context is wealth and prosperity with accountability to all stakeholders, including society and the environment. Success is measured in terms of "Triple Bottom Line" accounting (financial, social, and environmental) with the notion of leaders as "stewards" of the resources at their disposal. The metaphors are that of an "ecosystem" where we expand our awareness to whole systems and complexity thinking. The organization design is around self-reliant roles or self-organizing teams where people are seen as inter-dependent and self-organizing, motivated by wholistic principles for the good of self

and society. Employees are given the opportunity to self-define their roles with great flexibility. Every person is considered able to "think globally and act locally" to foster innovation.

Evidence of this context is the trends towards corporate social responsibility, sustainability, socially responsible investing and even the more recent protocols on the base of the pyramid business.

The spiritual-based context first emerged in the 1990s. It is still very infant in its maturity, but what we can see so far is that the purpose of business is conceived as spiritual fulfillment and selfless service to society, based in a Transcendent consciousness. Some early authors in this context include William George, former Chairman of Medtronic, and S. K. Chakraborty, Founder Convener of the Management Centre for Human Values at the Indian Institute of Management in Calcutta. Leadership is through embodying one's spiritual purpose and nature, through a purity and unity of thought, word, and action. A leader waters the spiritual roots of employees so they can fulfill their own dharma (purpose in life) and operate in alignment with their spiritual character. And the organizational design is more about assigning roles that are in alignment with our spiritual purpose. There is a sincere sense that together, "we can co-create both spiritual and material prosperity."

Today in our business environment, there are advocates of all four contexts, probably even in your own organization. Until the humanistic context emerged, the rationalist view was the dominant view of business leadership. Since then, it has declined in its total dominance, while the humanistic has come into its prime, in part through the TQM and "Intrapreneur" movements of the 1980s. It appears that with the upswing of the wholistic and spiritual-based contexts in the last 30 years, the rationalist and humanistic represent about 70% of the business thinking today, while the wholistic and spiritual-based share the other 30%. Still, the trend is towards the later emerging contexts, as the wholistic is gaining strength in business thought-leadership and practice.



While these four contexts are alive in the business world today, when we look at the field of innovation itself, we see that almost all of the models, concepts and language of innovation are still based in the rationalist and humanistic contexts. What we call "values centered innovation" ("VCI") helps bring the innovation conversations fully into the wholistic context and lays the groundwork for its eventual evolution into the spiritual-based context.

Values Centered Innovation

Values Centered Innovation brings human values and a wholistic viewpoint to the forefront of innovative work. What do we mean by "human values"? Human values come from our higher human nature and are the positive qualities of good character inherent in all human beings, found across cultures and throughout time. They help us answer questions like "What would be a meaningful innovation beyond our individual and corporate gain?"; "How should we innovate?"; and "Why are we innovating?" By tapping into humanity's highest capacity for human values, we will be able to transform the current attitude of profit and consumerism to one of innovating in a way that serves the true needs of all.

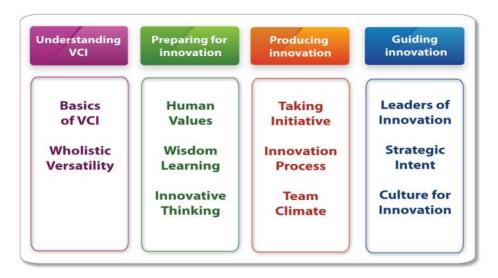
A wholistic viewpoint seeks to produce innovative results that create positive value for *all* stakeholders. When you define business goals and measures from a wholistic context, it shapes *why* you innovate, *what* you innovate, and *how* you innovate. By aligning innovation strategies to a wholistic intent, people are energized and mobilized to innovate to their highest capacity.

We have identified four major competency streams for enabling

values centered innovation across an organization: (1) Understanding VCI; (2) Preparing for Innovation; (3) Producing Innovation; and (4) Guiding Innovation.

Each stream has specific competency areas to be developed:

- To understand VCI, the competency areas are: learning the basic language and concepts and wholistic versatility.
- To prepare for innovation, the competency areas involve: human values, wisdom learning, and innovative thinking.
- To produce innovation, the competency areas include: taking initiative, the innovation process, and developing a strong team climate.
- Lastly, the competency areas for guiding innovation are: developing leadership qualities, strategic intent, and setting up a vibrant culture for innovation.



We will highlight two of these competency areas – *strategic intent* and *innovative thinking* – to give you a clearer idea of what it means to practice innovation from a values centered framework.

EVOLVING THE PRACTICE OF CORPORATE INNOVATION

VCI and Strategic Intent

Developing and implementing business strategies from a wholistic and human values perspective is vital because the strategy sets the goals and the measures by which you move forward. The strategic intent also drives the innovative energy and creates the innovative focus.

If we look at *strategic intent* through the lens of the four different contexts of business leadership, what does it look like? From the rationalist context, it is focused on maximizing profits and growth – which is still the most common expression of strategic intent. From the humanistic context, strategic intent aims to heighten employee and customer satisfaction and even customer delight, as well as to share profits and stock ownership as an enterprise grows. From the wholistic context, strategic intent is much more triple-bottom-line oriented; taking into consideration the people, the planet and the profits all together. From the spiritual-based context intent is based on a sense of oneness in serving and promoting spiritual fulfillment, with a purity and unity of thought, word and action.

Chart 1: Expanding views of strategic intent



Let's look at an example of what an innovation initiative would look like from a typical rationalist and humanistic context. The strategic intent might be something like: developing a new product that would expand market share and profits, while giving employees a chance to excel in creating a scientific breakthrough.

A real-life example of a strategic innovative initiative from a more wholistic strategy comes from Philips Electronics. They are transforming their organization into a design-led health, life-style, and technology company. Their design center took on the challenge of inventing a wood-burning stove for rural villagers who cook in their homes – one that would greatly reduce the respiratory problems caused by smoke emissions. They went beyond just innovating a Chulha stove that cuts those emissions by 95%. They introduced a "business model" that creates local jobs and income for villagers who will produce the component parts, and others who can sell and maintain them – a social innovation on top of their product innovation.

The ancient culture of India has a vibrant contribution to make to the modern day practice of strategic intent. Traditionally, the

India scriptures have taught four primary goals of life, which we translate as: harmony with life (dharma), wealth creation (arta), desire for achievement (kama), and highest human excellence (moksha). Businesses today often ignore the aims of "harmony with life" and "highest hu-



man excellence" and focus solely on wealth creation and desire for achievement. This limited focus has created an imbalance that we have witnessed as harmful to individuals, society and the planet as a whole.

So, what would it be like to set a strategic intent for innovation where our wealth creation is pursued and measured within the framework of "harmony with all of life," and if the desire for achievements is pursued and measured within the framework of "highest human excellence"? If we were to practice innovation from this perspective, we would have a more integrated, wholistic vision of strategic intent that would guide our innovative work.

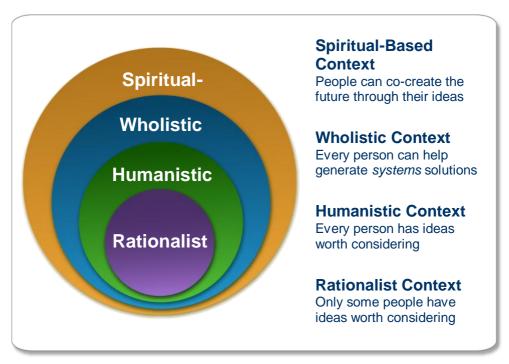
Strategic intent from a wholistic perspective reaches for a broader platform for serving all constituencies and ensuring the long-term health of both business and society. Any apparent contradiction in goals is simply a call for more innovative thinking to expand beyond our current rationalist and humanistic contexts.

VCI and Innovative Thinking

At its best, innovative thinking means tapping into our full innovative potential as human beings. This to us means drawing on our capacity for human values and a wholistic view of life and work. But, to what degree do we actually tap into our full, innovative potential?

To examine this question, let's see what innovative thinking looks like from the four different contexts of business. From the rationalist context, we typically believe that only certain people – specialists – can think innovatively. In the humanistic context, the "total quality" movement helped us to realize that everybody can have creative ideas and has the potential to think innovatively. Within the wholistic context, we expand our capacity for innovative thinking by utilizing a whole-systems perspective. And from a spiritual-based context, we realize that we can cocreate the future together from a Transcendent consciousness.

Chart 2: Expanding views of innovative thinking



Looking at these different perspectives in practice, a typical rationalist or humanistic goal for innovative thinking would be something like, "What are new business opportunities we can create using the latest technologies?"

One example of using a more wholistic approach is when the "spun-bonded fiber" division of DuPont sought innnovative ideas for its Nomex product – which had strong fire and water barrier properties. They focused on how it could solve some of the

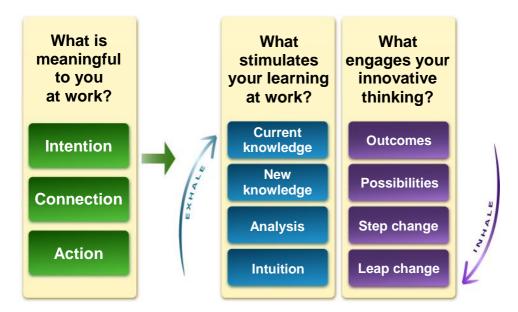
world's problems that their executives were personally concerned about. The first business opportunity to become profitable along these lines of thinking was using Nomex to wrap precious art during shipment. The champion of this innovative idea and business was an executive who had a strong commitment to preserving precious art on behalf of its positive societal impact.

As a "values centered" model of innovative thinking, we have observed that innovation involves an inhale-exhale breathing rhythm: the learning process is the inhale and the innovative thinking is the exhale. But the question arises, "What sparks the genius within to do that?" That is where the human values come in. Human values tap into our deeper source of meaning and motivation, which empowers us to answer the question, "why are we innovating in the first place?"

Our research into the relationship between human values and innovation has shown that we have three different orientations to human values. When we are innovating, we can draw from human values to shape how we form our intentions, how we connect with people, and how we take action. Thus, we call the three orientations "Intention," "Connection" and "Action."

What inspired this realization was an appreciation of the three yogas described in the Hindu Bhagavad Gita: jnana yoga, which

Chart 3: Inhale—Exhale breathing rhythm of innovative thinking



is the search for highest truth; bhakti yoga, which is a devotion to the highest truth; and karma yoga, which is selfless action based in the highest truth. So we see again how the India cultural perspectives can bring alive a new dimension of innovative thinking.

The Role of India and VCI

We sincerely believe that India has an important role to play in developing and bringing forth the models and language of innovation from the wholistic and spiritual-based contexts. As an analogy, let us go back for a moment to Japan in the 1950s. The Japanese were still recovering from World War II when Dr. W. Edwards Deming came to Japan from the USA and taught their industries new methods of quality control and assurance. In doing so, he helped them to become an innovative, economic super-power. By the 1970s and 80s, companies from around the world were coming to Japan to seek their management knowledge and techniques.

But that breakthrough was not just because of the knowledge Dr. Deming taught on statistical process controls. Equally, their success had to do with the Japanese culture itself. Their culture already had an emphasis on social cohesion, respect for input from everyone, hard work and discipline, striving for perfection, willingness to self-sacrifice, and looking out for the community more than the individual.

We feel that India has the same degree of opportunity today in

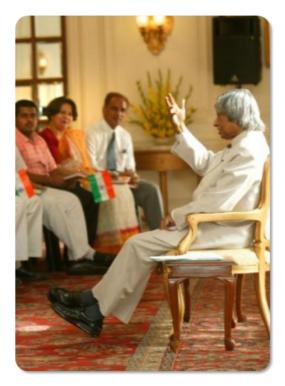
the field of innovation, based in its cultural underpinnings. There is a depth and breadth of spiritual heritage and consciousness in India. There is a natural embracing and upholding of human values, morality and good character. There is an inclusiveness of other cultures and a tolerance for change and diversity. And, India has an aspiration to become a world leader.

Given these cultural strengths, if the business community of India can embrace the models and language of values centered innovation (i.e. the wholistic and spiritual-based contexts for innovation), and bring them alive in actual practice, we believe India will likely become a global leader in the field of corporate innovation. Just like Japan, it will require tapping into its own culture, while synthesizing the wisdom of the East and West to transform the art and discipline of innovation.

But to be a leader in this kind of wholistic, values centered approach to responsible business innovation, India must first transform itself, in the same way that Japan first transformed itself. India would thus earn credibility in the eyes of the world and would then be able to spread its wisdom as Japan did.

In many ways, we have already begun to see the potential for this movement being spoken of in India. For example, India's former President, the Honorable A. P. J. Abdul Kalam addressed the National Innovation Foundation in India and clarified his views on innovation for India:4

"Innovation opens uр new vistas of knowledge and new dimensions to our imagination to make everyday life more meaningful and richer in depth and content. Invention is a manifestation of originality in thinking, originality in conceptualizing and natural inventiveness of the mind. This quality, I am firmly of the view. is latent in all of us. What is required is a natural effort to exer-



cise it in the positive direction.

India with its billion people population – 30 per cent of whom are in the youthful age group – is a veritable ocean of talent, much of which may be latent. Imagine the situation when the entire sea of talent is allowed to manifest itself in pathbreaking innovations! Our country can surely be a torchbearer of progress for the entire world."

In another interview, he further spoke about the relationship of human values to the economic growth of India: ⁵

"A developed nation has two components: One is the economic growth and prosperity, which is what the western societies normally look for. The second component is the preservation of civilizational heritage. In India, we have a heritage of values... We want to couple the economic prosperity and the human values, which are drawn from this civilizational heritage."

Economic development is driven by innovation, so the call of the times is to base our innovative efforts in human values and wholistic thinking... in the transformation and growth of India and of the entire global business community. We believe this is an idea whose time has come.

Self-Inquiry Questions

Self-Inquiry Questions

Before you study the Q&A Session, we invite you to use these questions for self-reflection and discussion:

- 1. Given the four contexts of business leadership, how are each of the four contexts actually influencing innovation in the organization where you work?
- 2. How could you bring a more wholistic, human values focus to the innovative efforts where you work?
- 3. What part could you play in evolving the practice of corporate innovation in your home country?

EVOLVING THE PRACTICE OF CORPORATE INNOVATION

Conference Q & A Session

How do you innovate when you have all kinds of work pressures that do not allow you time to be creative?

This is certainly one of the biggest challenges we have in our work environments today. It is a challenge that we need to "innovate" our way out of and the wholistic and spiritual-based contexts will help us to do this. To start with, both discipline and freedom are needed to innovate well.

Discipline and freedom are not opposites when it comes to creativity or innovation. They are complimentary. The end result of discipline is freedom. The source of freedom is discipline. In the innovation field, there is an art and a discipline. There is a discipline that enables people to focus well, to innovate from start to finish (not just coming up with the ideas). We should not think that creativity and innovation is giving people the freedom to do whatever they want. Because there may not be the discipline that creates the commitment to be innovative and then focuses those innovative efforts on what really matters.

For example, if you look at a sculptor, that sculptor is working

within the medium of the grain of the wood, and its hardness or softness. There are certain kinds of limitations, and the disciplined creativity happens within those limitations. In the same way, in business we have a particular medium which includes the work pressures of time, performance, and budget limitations. These kinds of issues are just like the grain and softness of the wood – what we have to work with. We also have the needs of the customers and suppliers; all that is part of the art of innovating. It requires our disciplined creative efforts to work within, and at times transcend, these work pressures and other limitations in order to be innovative.

In our culture, there is a fear of failure that keeps us from innovating. What can we do about this?

Your question reminds me of an interview I had with Frank Carrubba who headed Hewlett Packard Laboratories at one time. He once told me, "If we succeed in reaching all of our target goals, we at Hewlett Packard will be in big trouble." Why would he say something like this? Because if they reached all of their goals, it would mean that they had only set safe goals, not stretch goals that would keep them at the forefront of their industry.

Frank Carrubba invented a term called *intelligent failure*. When a project did not meet its goals, he would ask, "Did you learn

something that we can all benefit from in the future, something we can add to our intellectual capital?" And so the key to this is when we are setting stretch goals for innovation projects, we have to actually set a wider range of goals than what we are accustomed to. We have to set one goal for performance and tangible results and another goal for knowledge creation and sharing. Most importantly, we have to reward both in order to create a culture where people will take more risks. In this way, even if the results are not 100% of the goal, if the knowledge creation and sharing are met, there is still a performance value to the organization.

Is the spiritual-thinking organization the most balanced organization?

Each of the four contexts has its own unique strengths. Within the rationalist context, one of the strengths is to use resources conservatively and efficiently. The humanistic context has the strength of building upon the goodness of people. The wholistic context has the strength of looking at whole systems and our broader relationship with all stakeholders. The spiritual-based context has the strength of stimulating meaning and motivation based upon the deepest and most transcendental aspect of human nature.

So as each one grows out of the other in a nested fashion, it

takes the best of what the other has to offer and continues to work with it. So you are correct. The spiritual-based context can take the strengths of the rationalist, the humanistic, and the wholistic and incorporate them – but from a more transcendent foundation. That is, the first three contexts focus on our relationship to *creation*. The spiritual-based context starts with our relationship with the *creator*, and then unfolds our relationship to the creation. This context takes a deeper look at how we are co-creators of our evolution, both in life and in business.

In business we have always been in the rationalist context or the humanistic context so far. Do you think there are venture capitalists who are willing to fund businesses in the spiritual-based context?

The wholistic context is still evolving and has not come to its full maturity as yet. The spiritual-based context is just emerging. So the early adopters of the spiritual-based context are typically those who are very pioneering, very forward-minded. We actually have an IT incubation company in Bangalore⁶ that we have become partners with who are venture capitalists who operate from the wholistic and spiritual-based perspectives.

For the last six years we have conducted a "Spiritual-Based Leadership Research Programme" where we have interviewed top executives from around the world who have a consciously-

held spiritual view of life and strive to lead their businesses from that perspective. So our experience has shown us that you can find spiritual-based leaders in all industries as well as at the very highest levels of business, including Chairman of the Board, CEOs, Managing Directors, and Senior VPs. Some of them say, "I stay quiet about my spirituality. I just live it," while others are quite explicit about their spiritual views.

So, while we have found that there are spiritual-based leaders in all industries around the world, at this time you will have to actively search them out. With faith and persistence we have no doubt that it is possible to find venture capitalists who are committed to a wholistic and spiritual-based contextual view of business.

In fact, we might even turn the question around... Do you realize how many spiritual-based venture capitalists there are who are looking for spiritual-based entrepreneurs?

When you talked about the spiritual-based context, you used the term selfless service. How can you be committed and motivated to reach a goal and yet still be selfless? It seems like a contradiction.

Every time we do workshops on human values, spirituality and business, we inevitably get into this same type of discussion, "How do you have a commitment to your goal, yet be unattached to the results?" Related to the spiritual-based context of innovation, the question looks like, "How can you be a champion for an innovative new product or service with a selfless attitude?"

These questions invite us to look more closely at how we can move from a self-centered, individual coming up with creative ideas and goals based on a personal, ego motivation to a larger perspective of selfless service to others, society and the environment. How do we move back and forth so that there is the commitment with the selflessness and there is the champion of the innovative idea without the ego in charge?

G. Narayana, Chairman Emeritus of Excel Industries, Ltd. in India, gave us an important teaching about this when he explained:

"If you worry about the fruits, then you have your attention on the scoreboard and not the ball. If you concentrate on the ball, the scoreboard will happen automatically. If you are looking at the scoreboard, you will lose the ball. If you do good work, you will get the returns, so do not worry about them."

Just as Narayana so clearly articulated, we too have found that when we focus on doing our best, innovative work, based on the deeper and broader dimensions of human values and wholistic thinking, our energy and motivation are multiplied many-fold, while the anxiety and pressure to perform are reduced significantly. The natural results of this are typically better performance and better results.

BRINGING HUMAN VALUES TO THE FOREFRONT

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EVOLVING THE PRACTICE OF CORPORATE INNOVATION



William Miller is a Joint-founder of Values Centered Innovation Enablement Services Pvt. Ltd. For over 25 years, William C. Miller has been an internationally-recognized expert on values centered corporate innovation – beginning as head of the Innovation Management program at SRI International (formerly Stanford Research Institute—mid-1980's) and continuing as president of the Global Creativity Corporation (since 1987). From 2003-2008, he was named by Leadership Excellence as among the top 30

thought leaders on leadership worldwide. Two of William's five books have been rated among the top 30 business books of the year in the USA by Executive Book Summaries.



Debra Miller is a Joint-founder of Values Centered Innovation Enablement Services Pvt. Ltd. She co-authors the intellectual property of VCI, heads up the certification and coaching activities, and oversees the IT design and development. She and William also co-founded the Global Dharma Center, which focuses on spirituality and human values in life and work. Throughout her 30 year professional career, she has authored and co-authored numerous books and articles that have been published around

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...enabling innovation in every one of us"

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VCI is a global "innovation enablement" enterprise... a mission with a business. Our aim is to inspire, empower, and equip you to innovate to your highest human capacity, based on human values and a versatile, wholistic perspective.

To help you strengthen your competencies for the art and discipline of innovation, VCI offers 13 integrated modules that employ a 4-step adult learning model. Each module includes individual and group assessments, learning materials, and practical application tools.

Additionally, VCI's Creative Journeytm innovation process enables you to do your work innovatively no matter what kind of work challenges you face, such as: process improvement, marketing, customer relations, IT, product development, and team building.

When you innovate to your highest capacity, you can achieve your performance accountabilities while making a meaningful difference, generating creative solutions, and producing something that is both beneficial and sustainable.



Evolving the Practice of Corporate Innovation

Speaking to executives at the International School of Business in Hyderabad, Debra and William Miller demonstrate why human values and a wholistic perspective are critical components for evolving the field of corporate innovation today.

Drawing from years of research and the wisdom of the India culture, they illuminate new insights into the practice of innovation that can be implemented not just in India but throughout the world.

