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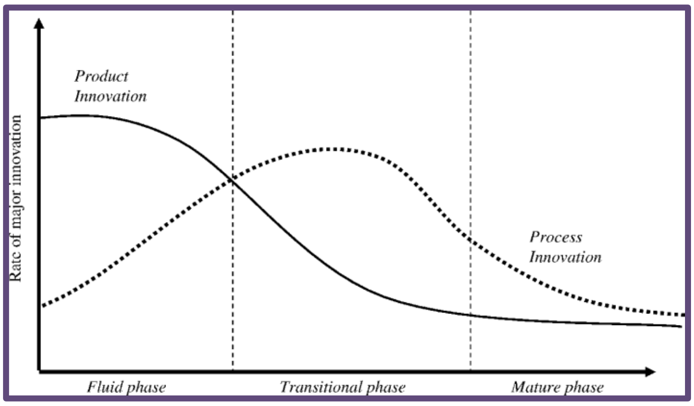
# Innovation and Trust

## Definition / Literature / Models

**Trust** is a crucial ingredient for human relationships. Many different definitions have been offered over the years. One construct for conceptualization trust is risk (Boon & Holmes, 1991; Mayer, Davis, & Schoorman, 1995). Coleman (1990) and Deutsch (1958) are stating that we need trust just in risky situations and to trust somebody is to take risk with the trustee (Sabel, 1993).

**Innovation**. With the knowledge that organisations will come to market with highly competitive products and services, the ability to change and adapt is crucial for a company in order to survive. Innovation has long been argued to be the engine of growth (Trott, 2005). It was Marx who first suggested that innovations could also be associated with waves of economic growth. Marx suggested that capitalist economies would eventually decline, whereas Kondratieffx (1935/51) argued that they would experience waves of growth and decline. Abernathy and Utterback (1978) showed that any new industrial sector bringing a radical product innovation is followed by radical innovation in the production processes, which is followed then by widespread incremental innovation (reduced innovation) in the maturity phase.




Phases of innovation (Abernathy and Utterback, 1978)

Trott (2005) is stating that the starting point of any innovation is the theoretical conception. It is neither an innovation nor an invention, more a collection of interesting thoughts. The process of converting these thoughts into product or process is an invention. At this stage inventions need to be combined with hard work by many different people to convert them into products that will improve company performance. These activities represent exploitation.

Innovation = theoretical conception + invention + commercial exploitation

**Leadership** is about articulating visions, embodying values, and creating the environment within which things can be accomplished (Richards & Engle, 1986). Articulating a vision is essential to a motivated environment. It provides purpose and meaning to the group. Values also maintain necessary order and respect within the environment. Leaders must model the right values by personal example if they want to remain credible.

Leadership is also the ability to step outside the culture and to start evolutionary change processes that are more adaptive (Schein, 1992). Schein also introduces the leader as the agent of change. This requires looking beyond the existing status quo.

## How do the concepts coincide?

As companies need to be innovative in order to survive, they need to create an environment in which innovation can be promoted and sustained. Leadership is playing a key role be it in organizational role (line management) or a project team (project leader). Every innovation is putting the company in an uncertain situation, connected with risk. To succesfully lead through uncertain phases in the innovation process, trust is the cornerstone in order to build a successful relationship between management and an empowered workforce.

Looking at the 3M-corporation case study (2002) we have several examples of a company giving trust to their employees. With several introduced policies and philosophies 3M managed to become an constantly innovative company. Two examples:

> 15 Percent Option: Many employees have the option to spend up to 15 percent of their workweek pursuing individual projects of their own choice. There is no need even to disclose the project to a manager, much less justify it.
>
> Tolerance for Failure: If the venture does not succeed, the team members are guaranteed their previous jobs. Company culture emphasizes that a failure can turn into a success; there is no punishment for a product failing in the market. 3M has developed a series of legends around famous failures that have subsequently created breakthrough products, perhaps most notably the weak adhesive that became the foundation for Post-it notes.

But how can innovation be managed? According to Amabile (1998) innovation and creativity can be managed with the following good practices:

> Challenge: Matching people with the right assignments. Stretch abilities, but not so much that people feel overwhelmed.
>
> Freedom: Autonomy of means, but not necessarily ends – the freedom to decide how to climb a particular mountain.
>
> Resources: Time and money. Time pressures can heighten creativity by increasing the challenge and indicating the value and urgency of the task. On the other hand, fake or impossible deadlines demotivate – leading to unfulfillment and burnout.

Moreover, creativity takes time – if people can't explore or incubate, they will be hard pressed to come up with creative ideas.

Work-Groups: Work groups need to be supportive, and consist of people with diverse backgrounds and perspectives.

Supervisory Encouragement: Supervisors need to remember to praise successful and unsuccessful attempts at creativity.

Organizational Support: At an organizational level, it must be made clear that creative efforts are valued.

Applying the Amabile practices on 3M we can see many parallels. They are making their employees responsible for innovation (challenge), give them the freedom to work on their own projects (trust) while giving clear guidelines on time and money. Employees are highly encouraged by managers and it is made sure they will not loose their job on failure (leadership). On success however, employees are promoted and secured to get a fair share.

## Working on the trust-control dilemma

From a personal perspective as head of a small software development team, it is very important to take a close look at the controlling part in the innovation process. Giving the subordinates freedom to work on their own ideas need to have clear policies and guidelines in order to not loose focus on existing goals and deadlines. Of course this raises questions on the trust-control dilemma. While trust serves the original goals of effective management and leadership, control is focused on the prevention of the circulation of bad practice. Both appear mutually exclusive.

Trust and make employees responsible (a team approach): before implementing new products or features it turned out to be best practice to distinguish between small (or incremental) and radical changes. While giving the employees freedom on small changes and making them responsible for a part in the overall software, radical changes have to be discussed with the team first. Every change/innovation has to be tracked and another team member reviews them daily. Good ideas are pushed to the main framework constantly.

Control - regular control meetings, once a day for 10 min maximum are very effective in reducing the diffusion of responsibility that is a problem in software development teams. The additional control, initially regarded as negative factor, turned out to be a very effective way to share knowledge amongst the team members that led to higher trust.

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