

Considering Innovation Democracy: Opportunities and Challenges for Association CEOs

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Council of Scientific and Engineering Society Executives

2005 CEO Mid-Winter Meeting

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**Innovation distinguishes
between a leader and a follower.**

--Steve Jobs

**By the way, Apple is now the
#1 global brand, edging out Google.**

“Managers are not paid to make the inevitable happen. In most organizations, the ordinary routines of business chug along without much managerial oversight.

The job of managers, therefore, is to make the business do more than chug—to move it forward in innovative, surprising ways.”

--Heike Bruch and Sumantra Ghoshal

**“Beware the Busy Manager”
*Harvard Business Review (2/02)***

BCG Innovation Survey (12/04)

(500 senior executives in 47 countries and all major industries)

- 73 percent of companies worldwide will **increase spending on innovation in 2005**, up from 64 percent in 2004.
- 67 percent of executives ranked innovation as one of their company's **top three strategic priorities for 2005**.
- On average, executives said that their companies plan to **boost spending on innovation by 15 percent in 2005**.
- More than 90 percent said that generating growth through innovation has become **essential for success in their industry**.

The continuing decline in association net profitability

Net association profitability in fiscal year 2003: -1.4%
(SIX point drop since 1999 and NINE point drop since 1996)

Source: ASAE Operating Ratio Report, 12th Edition (2003)

**What are the future trends
and emerging issues to
which you're paying the
closest attention?**

Five key future trends

Trend 1

Demographic
Change

Trend 2

Economic
Globalization

Trend 3

Science/Tech
Advancement

Trend 4

Geopolitical
Uncertainty

Trend 5

Social/Cultural
Fragmentation

**Past performance is NO
guarantee of future success**

**Of the original list of Fortune 500
companies from July 1955, only 71
are still on the list today, including
only SEVEN of the original top 20.**

**Leaders CANNOT afford to make assumptions
about whether their organizations will survive.**

Questions for leaders

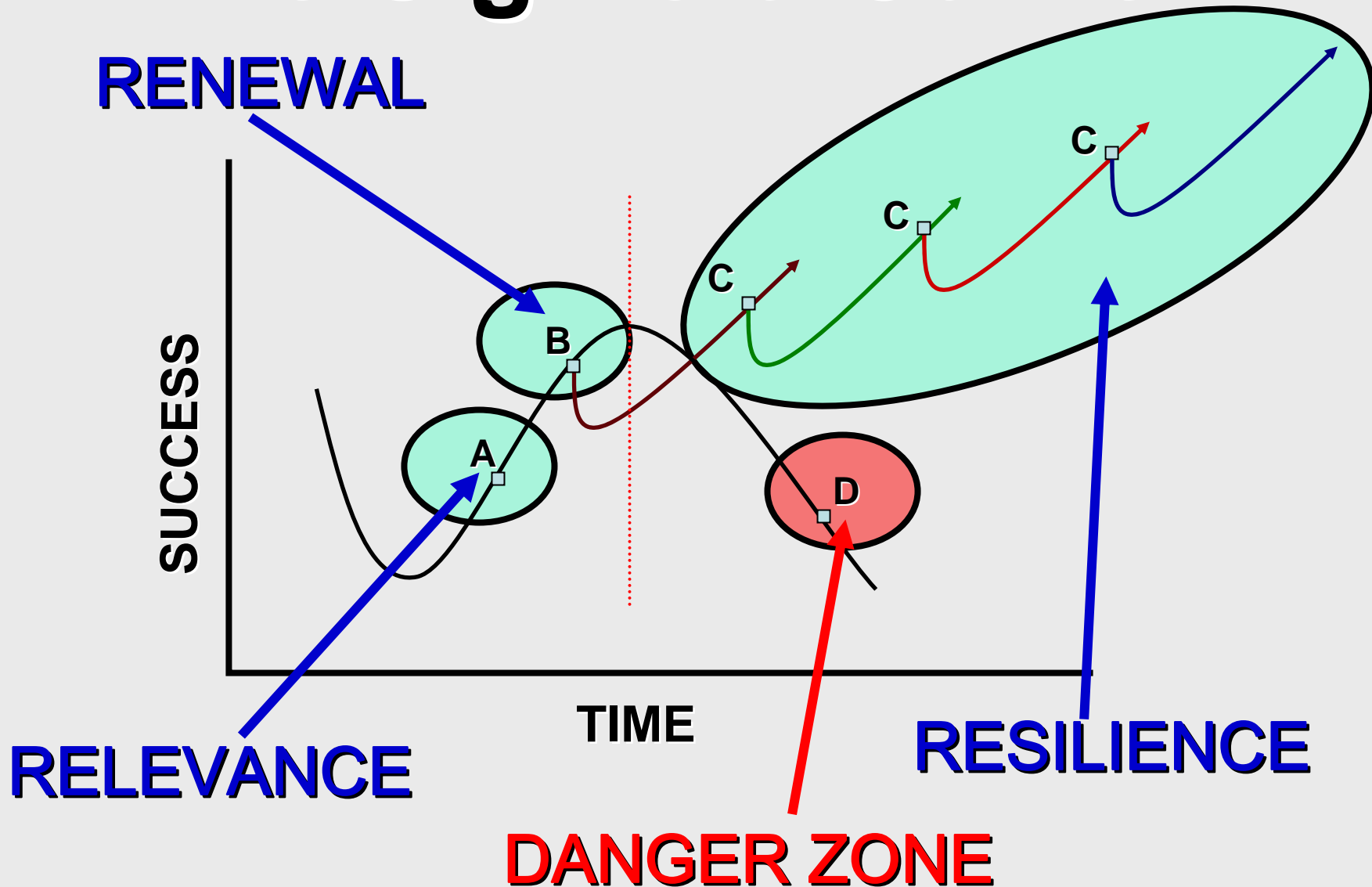
What will make this
association RESILIENT
for the 21st Century?
(DEEP CAPACITY &
VALUES REALIZATION)

What will RENEW
this association for the
21st Century?
(PLAUSIBLE PROMISE)

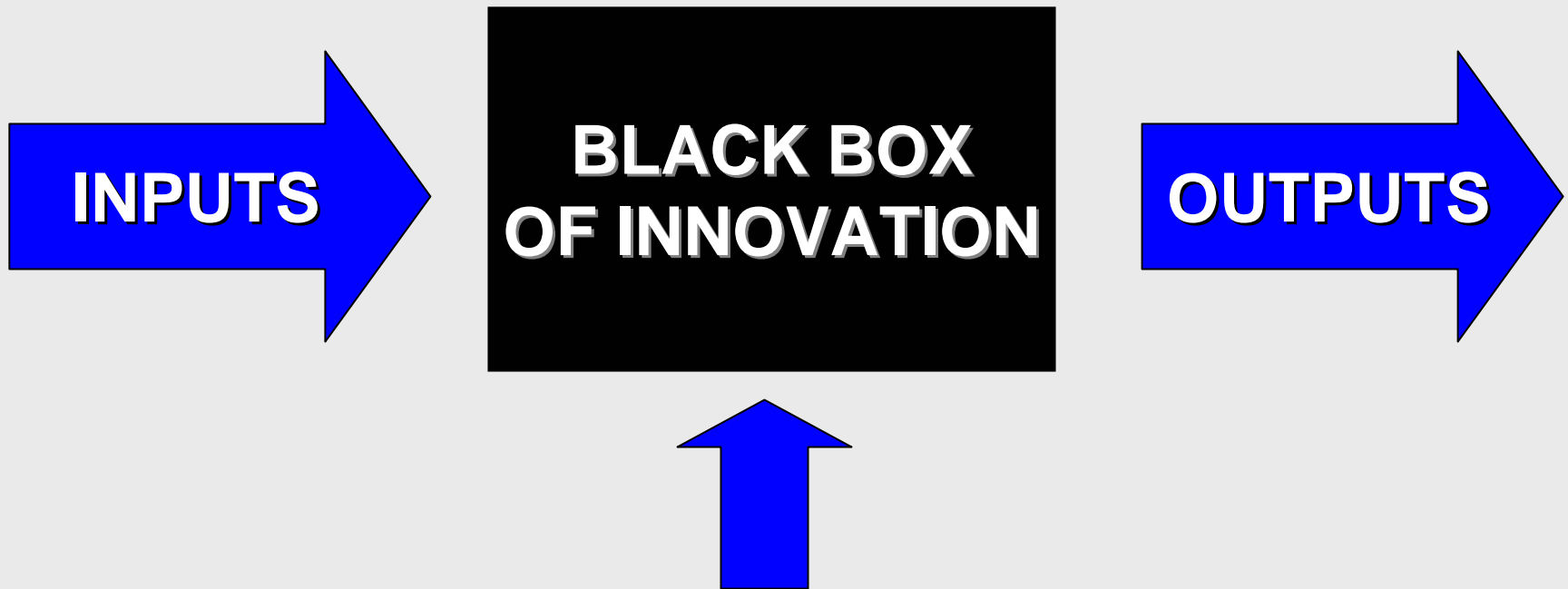
What will make this
association RELEVANT
in the 21st Century?
(VALUE PROPOSITION)

GREATER LEVELS OF INNOVATION

The Sigmoid Curve



Considering innovation democracy



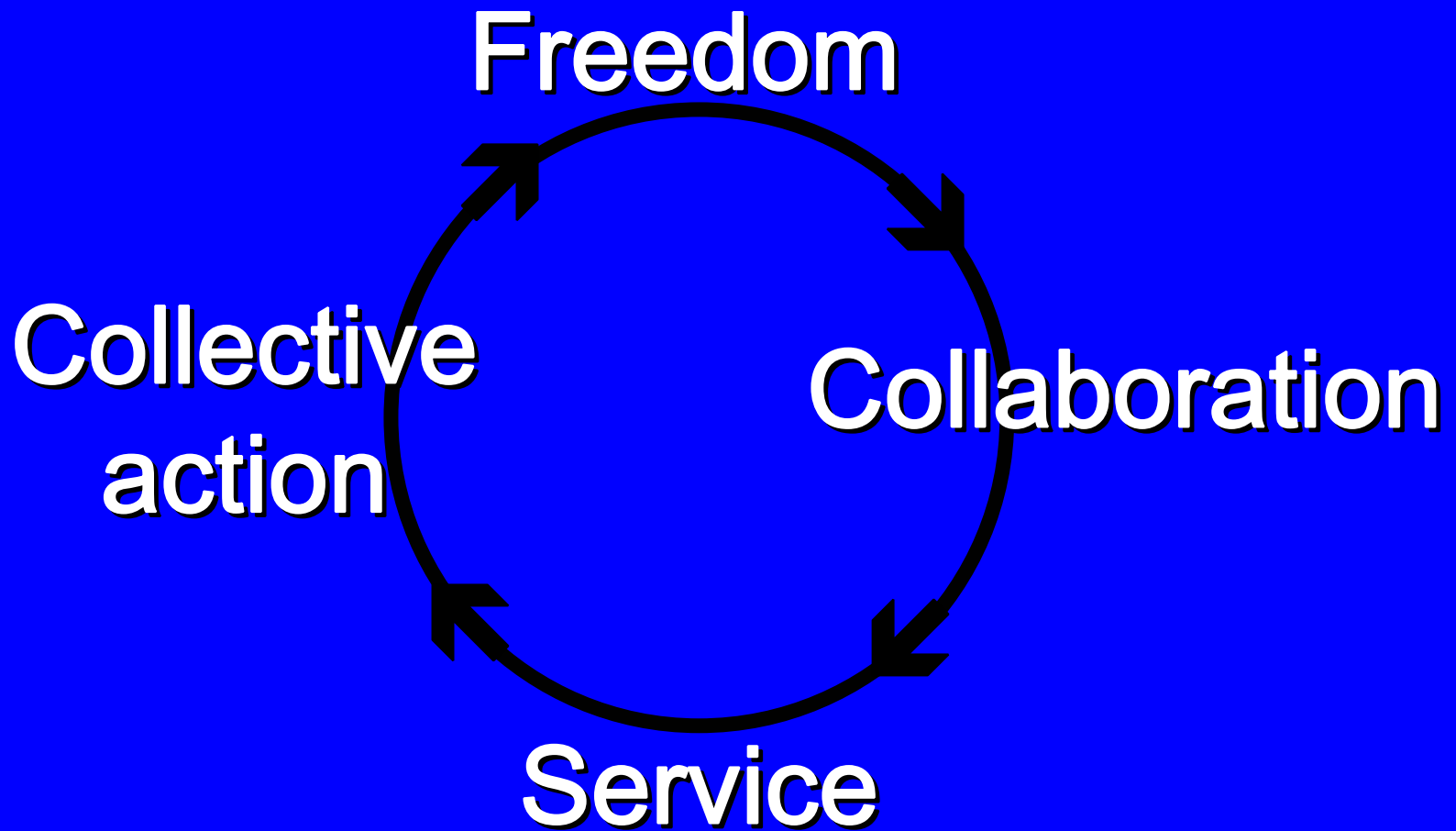
What happens inside here?

How do you define innovation?

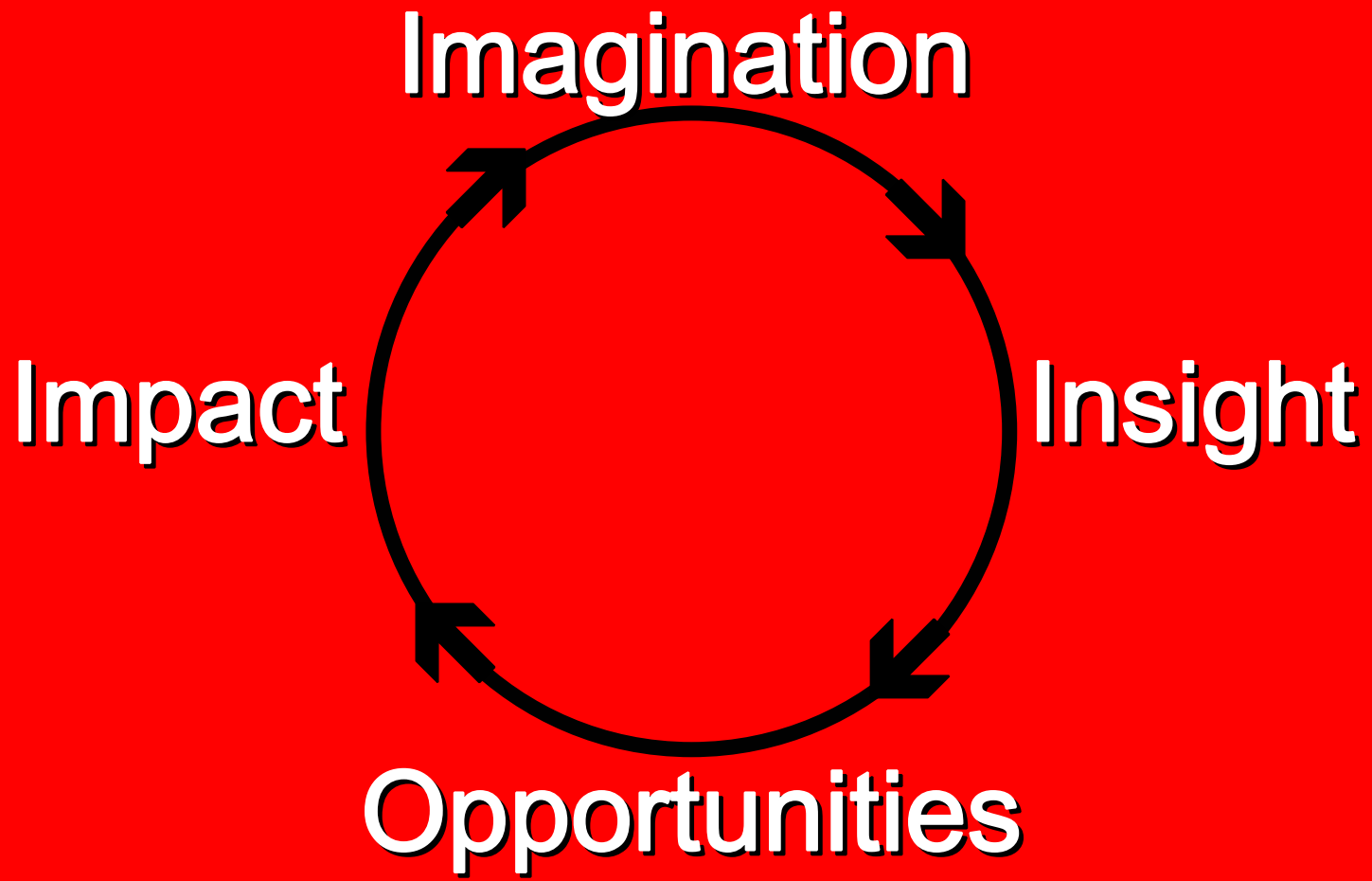
What does it mean to you and to your organization?

*Innovation lives in the careful
balance of **systemic freedom** and
systemic discipline necessary for
discovering and developing ideas to
create new value.*

Association Values Cycle



Innovation Values Cycle



Systemic discipline

A **shared perspective** on the importance of innovation to the association's future.

A **clear framework** for understanding the dynamics and demands of innovation.

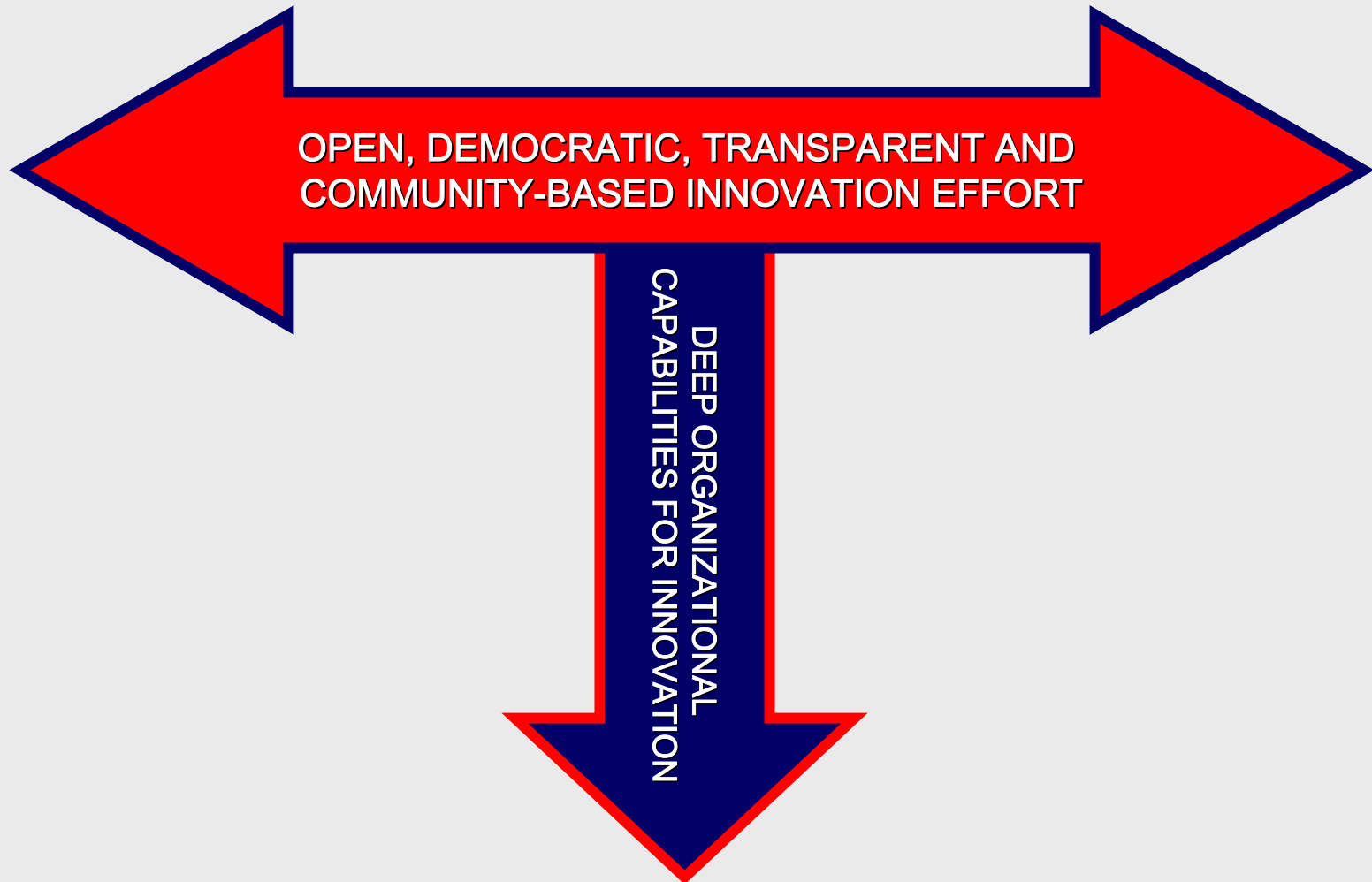
A **flexible and open system** for engaging in innovation that involves the whole organization.

The **leadership will** to make it all happen everyday.

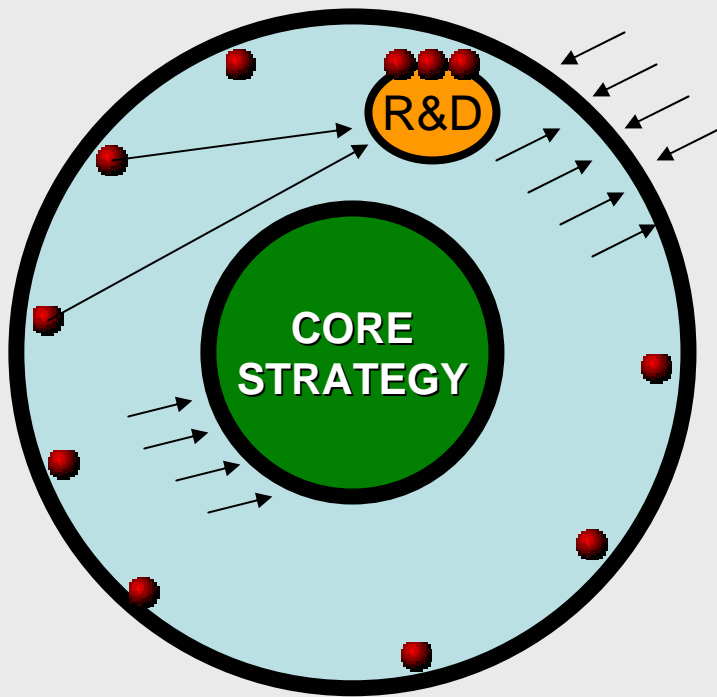
Principled Innovation Framework



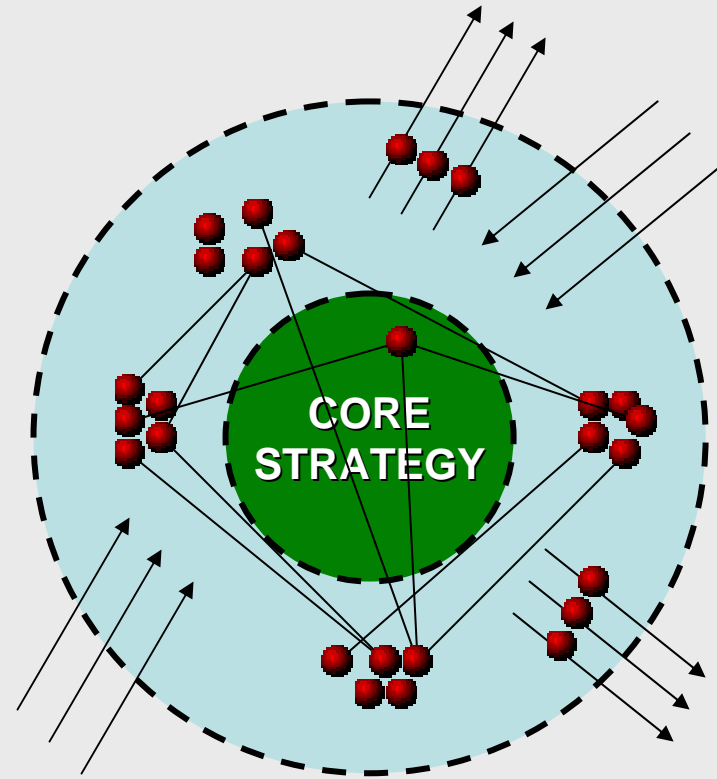
The primary challenge of 21st Century association leadership



Two views of innovation



**TRADITIONAL VIEW
OF INNOVATION**



**INNOVATION AS AN OPEN AND
DEMOCRATIC PROCESS**

CESSE/Other Org Demographics

(n=21/20)

- Nearly 86% are 501(c)(3)s
[Other organizations are 85% 501(c)(6)s]
- 65% have 5,000-24,999 members
[80% of other orgs have fewer than 5,000 members]
- Three-fourths have fewer than 50 employees
[85% of other orgs are in this same range]
- 62% have \$1M-\$9.9M budgets
[75% of other orgs are in this same range]
- Three-fourths are 50 years old or more
[70% of other orgs are in this same range]

CESSE/Other CEO Demographics

(n=21/20)

- All are between 35-64 years of age
[90% of other CEOs are in the same range]
- Two-thirds have fewer than 20 years of assn experience
[70% of other CEOs have 20+ years assn experience]
- 76% are not CAEs
[60% of other CEOs ARE CAEs]
- 81% have graduate degrees
[55% of other CEOs are in the same range]
- 76% are very/somewhat comfortable with technology
[85% of other CEOs are in the same range]

Growth depends on innovation

(Responses of agree/strongly agree)

	Current assn growth depends on innovation	Future assn growth depends on innovation
CESSE CEOs (n=29)	90%	93%
OTHER ASSN CEOS (n=23)	100%	100%

Comfort with taking risks

(Responses of agree/strongly agree)

	Leaders, vols and staff are comfortable taking risks today	Leaders, vols and staff WILL BE comfortable taking risks in the future
CESSE CEOs (n=29)	24% (51% D/SD)	28% (20% D/SD)
OTHER ASSN CEOs (n=23)	30% (52% D/SD)	43% (26% D/SD)

Innovation as an association priority

(Responses of agree/strongly agree)

CESSE (n=29)	<u>CEOs</u>	<u>Boards</u>	<u>Members</u>
Priority today	62%	48%	41%
Priority in the future	86%	79%	62%
OTHER ASSN CEOS (n=23)	<u>CEOs</u>	<u>Boards</u>	<u>Members</u>
Priority today	74%	47%	43%
Priority in the future	95%	79%	70%

Encouraging signs

(Responses of agree/strongly agree)

<u>SIX HIGHEST CESSE CEO RESPONSES</u>	<u>CESSE CEOs (21)</u>	<u>OTHER CEOs (20)</u>
Value new ideas regardless of their source and encourage sharing. (I)	95%	100%
Seek out new knowledge from various sources to identify innovation opportunities. (I)	77%	90%
Include innovation in strategic direction and regularly discuss in strategic conversations. (S)	57%	90%
Try to involve as many people as possible in innovation work. (L)	57%	80%
Make consistent financial investments in the work of innovation. (F)	53%	65%
Seek to identify/develop informal innovation leaders from across the organization. (L)	52%	60%

Definite action items

(Responses of agree/strongly agree)

<u>SIX LOWEST CESSE CEO RESPONSES</u>	<u>CESSE CEOs (21)</u>	<u>OTHER CEOs (20)</u>
Have a clearly defined innovation process that is well-known to all stakeholders. (F)	5%	15%
Have clear, board-approved innovation priorities. (S)	24%	65%
Develop staff/volunteers in ways that encourage them to value innovation. (L)	24%	65%
Employ specific approaches to manage the financial risk of innovation. (F)	33%	45%
Fully capitalize on the distributed intelligence of members to advance the work of innovation. (I)	33%	35%
Actively manage boundary between member and staff cultures as part of innovation work. (C)	38%	75%

What are the most significant obstacles to innovation in your organization?

The four biggest obstacles

(Adapted from Gary Hamel)

Cognitive

The inability to escape denial and nostalgia

“Can’t see the future”

Political

The inability to move resources away from what isn’t working

“Can’t invest/afford”

Strategic

The inability to develop new strategic options

“Can’t overcome CW”

Ideological

The inability to get beyond optimization

“Can’t question what we do”

Innovation principles I

Strategy is a coherent portfolio of experiments developed across the organization.

Technology supports the social architecture of association innovation.

Organizational culture remains vibrant by emphasizing variety, transparency and inclusion.

Innovation principles II

Curiosity, inquiry and discovery shape the association's intellectual environment.

A high “return on engagement” is a critical factor in directing financial investment.

Organizational leaders create leaders by distributing responsibility for innovation.

**What are your thoughts,
questions, agreements
or concerns?**

Some questions to ask...

Can we safely rely on our current strategic assumptions about the world in which we will operate going forward?

Can we depend on the generosity/loyalty of others or on the presence of a favorable financial/economic climate?

Can we continue to make the same offers to our members, customers or stakeholders and expect to them to stay?

Can we continue to afford the risks of inaction over the risks of taking action and expect to survive in the years ahead?

Some steps to take...

Build a sustainable financial model for innovation that includes a clear process.

Challenge your board to manage the risk of innovation by setting clear priorities.

Build demand for innovation by getting your members directly involved in the work.

Develop a cadre of staff and volunteer leaders who truly embrace innovation.

Jumpstarting innovation democracy in just 30 days

In the first ten days, challenge yourself and your staff to investigate and discuss “**the unthinkable**” about the future of your organization.

By the end of the second ten days, talk to **50** members, customers or other stakeholders about their **most simple and most unusual ideas**.

In the final ten days, choose **TEN** new ideas for further exploration and **STOP** doing **FIVE** things that aren't working anymore to free up resources.

Continuing the conversation...

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www.principledinnovation.com

THANK YOU FOR BEING A PART OF THIS SESSION!