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Innovation Case Study:

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Management of R&D and Innovation Processes (GMT540)

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August 3, 2003

Executive Summary

3M is a corporation that has encouraged innovation and thus stimulated growth since William L. McKnight took the helm in 1902. 3M traditionally focused on nurturing the creative genius, hiring employees with an entrepreneurial spirit. As the company grew over the years it faced many challenges, transforming the company into a corporate entity intent on intelligent innovation. While originally the company insisted on the individual effort, teamwork became a necessity and markets became a driving force in the company's development and need to sustain profitability. When 'Des!' DeSimone took the reins in 1991, he was faced with the reality of negative impacts of a recession leading to low sales and small margins. To continue encouraging innovation while insuring the future existence of 3M, DeSimone must identify the critical factors affecting the company and then reinvent the company while still maintaining the initial goals set traditionally.

3M has been founded on recognition and fostering of individual innovation or the "creative genius." However, as 3M has grown in exponential rates, it was important for its CEOs to restructure the company to include team based innovation. In taking over the role of CEO, DeSimone faces strong external forces that may be overwhelming a weak internal structure. By analyzing the effectiveness of team interaction and managerial style, DeSimone can identify weaknesses in the structure that can be corrected by intelligent adjustment and education.

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Introduction

3M is a corporation that has encouraged innovation and thus stimulated growth since William L. McKnight took the helm in 1902. 3M traditionally focused on nurturing the creative genius, hiring employees with an entrepreneurial spirit. As the company grew over the years it faced many challenges, transforming the company into a corporate entity intent on intelligent innovation. While originally the company insisted on the individual effort, teamwork became a necessity and markets became a driving force in the company's development and need to sustain profitability. When 'Des!' DeSimone took the reins in 1991, he was faced with the reality of negative impacts of a recession leading to low sales and small margins. To continue encouraging innovation while insuring the future existence of 3M, DeSimone must identify the critical factors affecting the company and then reinvent the company while still maintaining the initial goals expected traditionally.

Situation

DeSimone takes control of 3M separated from McKnight by two CEO's: Lou Lehr and "Jake" Jacobson. Both Lehr and Jacobson had transformed 3M from the original relaxed intellectual genius focus to one that used teams and cross-departmental communication to sustain profitability and production.

Lehr's efforts focused on reorganizing the company into four business sectors. Each sector could continue innovating through focusing on their own particular goals

within labs devoted to the sector. When Jacobson took over in 1986, he focused on resolving the increasing cost of production through strategic management and planning. Both manager's had successes, however not enough to save the company from being impacted by an economic recession. Despite complimentary public opinion in the company's enduring stability, DeSimone faced his own challenges: "Our job is really one of creation and destruction-supporting initiative while breaking down bureaucracy and cynicism. It's also one of balancing freedom and control" (Bartlett and Mohammed 1995).

Problem

Despite the economic recession, DeSimone realized that it was not possible to completely ignore the foundations of the company as one that fosters innovation. Instead, he sought to combine the best attributes of his predecessors. However, in doing so, DeSimone must be careful in not perpetuating the problems that could be caused by a lack of any control, or even the opposite, stifling all innovation through too much control. In the mean time, DeSimone must increase sales and margins, as well as maintain growth and expansion past it's already staggering numbers.

Factors

DeSimone faced both internal and external challenges. Internally DeSimone must manage an expansive and diverse corporate culture numbering over 88,000 employees who had already witnessed recent reorganizations taking them more from individual advancement to team oriented management. In addition, DiSimone must continue to support corporate tradition steeped in innovation and recognition of the individual. Externally, there was an economic recession that made productivity and cost savings

extremely important to the overall survival of the corporation, as sales would remain sluggish until the recession began to improve. In addition, growing external pressures diminishing the time and money available to support “outside of the box” development. The critical factors only illustrated that DeSimone had a balancing act to perform.

Possible Solutions

While setting quantitative goals is one way to guide the company towards brighter days, DeSimone should focus on some qualitative analysis of the effects that restructuring has had on the company. Each CEO has gone through extensive restructuring in hopes of improving the company’s numbers. While these have allowed improvement of the current situation, restructuring may have had an effect on the long term innovation of the company. DeSimone should analyze the effectiveness of company teams as well as the management styles of the team leaders.

Reason For Solutions

At the core of DeSimone’s problems is finding a balance between innovation and an efficient team based company structure. Because the company is founded on a structure that highlighted the individual, the employees that have been hired may not be comfortable or efficient working and innovating as a group. In the article “Creativity and Group Innovation,” the effectiveness of group cohesiveness is analyzed. The article suggests that there are different times when an individual rather the group should do the brainstorming portion of a project. While studies disagree, it is believed that a diverse but safe team can encourage better quality innovation and implementation of a new product (Nijstad and Dreu, 2002). Restructuring may have caused a negative effect on both the diversity and safety of the teams.

As a company reorganizes many employees may be placed in new departments with different coworkers, managers, and department policies. These changes can be similar to the effect of downsizing on an employee. While an employee may still have their job, their climb to the top position has changed, making them feel new pressures to perform. In addition, they may feel overly protective of themselves, and not be willing to share and communicate within the new environment. Research conducted on the effect of downsizing on the innovation of individuals in a company found that downsizing does indeed decrease innovation, primarily because individuals are less willing “to take risks or make suggestions to supervisors” (Bommer and Jalajas, 1999). DeSimone must identify if restructuring has had a negative affect on the ability for individuals to perform innovatively in their new teams.

Actions Required

DeSimone should first identify the effectiveness of the teams created at 3M. DeSimone should analyze the current teams and insure they are working effectively as a team, and also that the teams are diverse and feel secure in trusting each other to foster an innovative environment. Creating a safe environment for teams to be innovative is extremely important as the company moves forward. Team leaders should be trained to balance the correct amount of efficiency, while not squelching the communication of innovative, “out of the box” suggestions. While all innovations may not be immediately acted upon, individuals in the team must understand that when there ideas are not being addressed does not necessarily mean they are not recognized. Without recognition of the diversity and assets of the individuals in a team, a team will lose the needed motivation to innovate efficiently.

Bommer and Jajalas (1999) recommend that managers must encourage communication by accepting failures gracefully and encouraging modern day suggestion boxes.

Motivating individuals is also extremely important when dealing with a restructuring or downsizing of a company. DeSimone must identify managers who are successfully leading his teams and give further training to those departments that may need better motivational strategies in play.

Conclusion

3M has been founded on recognition and fostering of individual innovation or the “creative genius.” However, as 3M has grown in exponential rates, it was important for its CEOs to restructure the company to include team based innovation. In taking over the role of CEO, DeSimone faces strong external forces that may be overwhelming a weak internal structure. By analyzing the effectiveness of team interaction and managerial style, DeSimone can identify weaknesses in the structure that can be corrected by intelligent adjustment and education. Employees hired for their entrepreneurial spirit may not naturally be accustomed to working as a team. Through recognizing the individual contribution and that diversity fosters innovation within the team, DeSimone can insure that innovation continues to be an important concept for 3M.

References

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