

It's Time to Re-think Ways To Create System Growth

The human-leadership shift in the transformative, open innovation economy

By Dr. Nicole Pfeffermann, November 26, 2017

It is the 'too good to be true', golden age of high-tech innovation, new cozy co-working spaces and innovative playgrounds worldwide which allow to start a business venture and create new avenues for personal and business success. Perfect, isn't it?!

But why leads open innovation and digital transformation only to survival, growth, and prosperity for some organizations and systems? Why do systems become more and more split? What is the missing piece of knowledge that when applied can truly help a firm and people to be empowered and benefit from new digital concepts, shared disruptive ideas and new business ventures?

This article focuses on the human-leadership shift in the open innovation economy and era of profound digital transformation and in particular on the pressing need for a better and deeper understanding of the difference between communication of innovation and communication for innovation to positively impact market success and long-term business-economic growth.

I. Communication of Innovation: The Idea of Open Innovation

The Social Web has changed information exchange worldwide. Both the consumption of content on new channels and platforms on-demand as well as stakeholder involvement has a significant effect on innovation processes and communication. For instance, the active engagement of knowledge-empowered stakeholders in new product development eventuates in community organizers who manage knowledge transfer within and across organizations to successfully perform open innovation.

In this context, communication is defined as an innovation enabler in terms of coordinating all market-related innovation activities, disseminating new ideas, and successfully communicating the New. The three main communication fields are as follows:

1. Innovation marketing - innovation managers
2. Innovation communication - communication managers
3. Strategy communication - strategists, leaders, business owners

1. Innovation marketing involves all market-related activities of innovation management, which includes strategic and operational instruments to shape and accelerate innovation from idea until the novelty is launched onto the market. Specific innovation marketing activities can foster customer-centric innovation: (1) intelligent market research and (2) community activities, such as open customer advisory boards, co-creation contests, etc.

2. Open innovation readiness implies communication readiness. It is crucial to effectively manage all internal and external innovation communication activities and carry on crowd-empowered innovation dialogs on a broad range of communication channels. In fact, embracing new opportunities for business innovation arising from open, collaborative innovation can only be taken by those who manage innovation communication daily.

3. Being able to communicate clearly new visions and strategies is essential for leaders and business owners to achieve their goals and develop a business; simply, to get a job done.

Linking strategy and communication, strategy communication facilitates each strategizing process in a different phase. Consequently, it is crucial for managers to build and work with a communication model for a better understanding of how to link a strategy approach to a communication approach and positively impact the process on the company-wide level:

- **ENABLER:** In the classical view, communication is also understood in a traditional way of being supportive in the strategy execution phase, i.e. to coordinate all communication activities to implement, execute and transform a strategy.
- **SELECTOR:** Second, communication has the pivotal role to take on a wider view on strategies, ask the right questions, and select the right strategy after the experimentation phase has ended to convert an idea into action.
- **VISIONARY:** In this pioneering approach, communication is key to facilitate pioneers in making the conscious effort to create new (neuronal) pathways, envision the future and lead productive teams in dynamic, changing environments.
- **INFLUENCER:** In the ‘collectively-reshaping-an-industry’ environment, communication is the ability to influence situations, mindsets and individuals resulting in actions and behaviors which foster re-shaping and co-creating an environment.
- **DESIGNER:** Finally, the fifth approach focuses on the renewal environment, the harsh conditions in the survival mode. In this context, communication is key to design new realities and create an impact space in the transition phase (learning space).

In sum, communication of innovation (new ideas, partnerships, strategies, products, topics and visions) has become of increased interest in the open innovation age. The fragmentation of communication management in different functions and fields including specific tools and techniques related to channels, platforms and markets has thereby also increased. We experience more and more updates, news and press releases on media channels which spread the word, make a noise in the world, and disseminate novelties and buzzwords.

Despite advances in innovation and strategy resulting in the need for action, for instance, increased number of corporate-startup partnerships, co-working spaces, and co-innovation labs, study results show that innovation communication—from idea generation until go-to-market—is of relatively low importance in business practice. It is still the old taught schema (paradigm) of primary-secondary activities based on Porter’s value chain and agency-based activities based on the functional communication management view (Grunig, 1984, see appendix for a brief literature review).

Communication of Innovation: The Functional View

Function	Marketing & Corporate Communication					Innovation / R&D			Strategy			
Field	Branding	Event	Innovation	Internal	Finance	...	Idea	Project	...	Leadership	Strategy	...
Channel	Online / Digital											
	Print / Media											
	Face-to-face											
	Shared / Network											
Market	Resources				Communications				Sales			

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II. From Functional to Relational Communication Management: Two Scenarios

Understanding dynamics in fast-changing, unpredictable and disruptive environments and how the role of human individuals and, hence, communication has changed over the years is essential for managing innovation and creating growth opportunities in systems. A system is defined as a dynamic relating network, such as political, corporate and financial systems.

a. Scenario I. From Separation to Enmeshed³ Relationships: Human Doings

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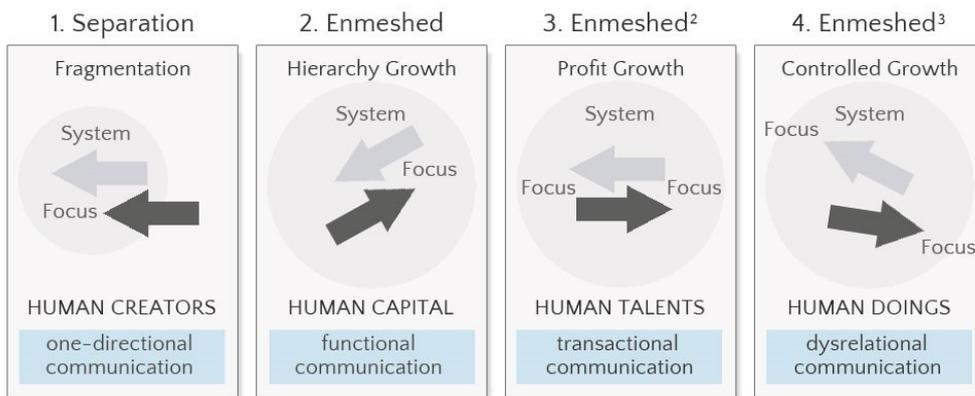


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System 1. Separation

The outside-(take)-in system and **one-directional communication** with **human creators** is one option, which leads to separation and fragmentation of systems, such as freelancers, agency-based models and external supply partners (outsourcing = look into the system in a one-directional way).

System 2. Enmeshed Relationship

The functional system view with different roles and functions in a hierarchy of **human capital** (the old world) and **functional communication management** (first mentioned by Grunig, 1984, see appendix) create enmeshed relationships and **hierarchy growth**, such as top-down leadership information and interaction with authority figures.

System 3. Enmeshed² Relationship - Engagement Level

In the open system view exists a new understanding of **human talents** and innovators who give their talent and ideas to others within and across systems and engage in human-idea relationships to co-create and **translate ideas into profit (= growth)**. **Transactional communication** means thereby to be fast & open (boundless), mostly storytelling-focused and engaged in co-working or any event, such as co-innovation initiatives, co-working meetups and crowd-powered innovation via social media platforms (e.g. crowdfunding).

System 4. Enmeshed³ Relationship - Co-Dependent Level

At the next level it is a conscience-free system and **controlled growth** with power over **human doings** in reactive, fear-based situations based on greed, entitlement, deception and (self-)betrayal. The **dysrelational communication (= not in sync, not relating)** takes place in distorted realities and provokes an increased negativity on the scale of emotion, such as frustration, depression, envy, and hatred. All is becoming more or less interchangeable (e.g. copycats, apps, products and services) leading to disconnection, splitting, co-dependency, and traumatizing events which can cause immense health problems, imbalance and stagnancy and even regression. The so-called 'intertwined', co-dependent systems and 'shut out' activities stop normal, healthy evolution and true innovation.

b. Scenario II. From Separation to Authentic Relationships: Human Leaders

Can we dare to re-think communication? Let's start by having a deeper look at the linkage between communication and strategy from a dynamic capability view and understanding communication for innovation as a new approach for long-term business-economic growth.

The basic idea of transformation goes far beyond the 'strategic fit' approach that has been applied in the organizational-change view. In business practice, organizational change managers often tend to emphasize the importance of adapting to external factors, such as new technologies or processes, rather than focusing on the building of new capabilities and a communication culture. For example, a firm decides to invest in new software programs and is not necessarily capable of transforming this investment into a critical driver of business growth and value-driven performance. Or a startup business with a great new business model is not capable of building a competitive resource set (VRIN resources) for the implementation and execution of this business model and turning the business idea into a market success (not all is about 'pain relievers').

Following Teece's argument (2014, 'THE FOUNDATIONS OF ENTERPRISE PERFORMANCE: DYNAMIC AND ORDINARY CAPABILITIES IN AN (ECONOMIC) THEORY OF FIRMS', The Academy of Management Perspectives), productive transformation is a combination of both: (1) entrepreneurially-managed actions (the 'transforming' aspect of dynamic capabilities); and (2) organizational routines. It is furthermore the "joint presence of strong dynamic capabilities, VRIN resources, and good strategy... necessary and sufficient for long-run enterprise financial success" (p. 334).

But what are capabilities and specifically dynamic capabilities? A capability, ordinary or dynamic, is a firm's ability to accomplish its goals, which is attained in part through learning & innovation, organizational resources, and its organizational heritage over time. Whereas ordinary capabilities focus on technical efficiency in business functions, the purpose of dynamic capabilities is to achieve congruence with changing customer needs and with technological and business opportunities for doing the right things. Dynamic capabilities are important at the top management level and culture level; for instance, the collective ability to quickly implement a new business model. Dynamic capabilities govern other organizational activities understood as entrepreneurial 'asset orchestration'. From a managerial view, this 'asset orchestration' function encompasses: (1) **coordination/integration** (= combining various resources in an entrepreneurial fashion) *CONNECT*; (2) **reconfiguration**

(recombining existing resources) *INNOVATE*; and (3) **learning** (= outcome of practice and experimentation) *LEARN*.

In sum, dynamic capabilities allow managers to renew and leverage their difficult-to-imitate resources so as to retain the ‘pivot’ potential of a ‘lean startup’; i.e. dynamic capabilities are an essential driver of durable competitive advantage and innovation due to their combination of entrepreneurially-managed actions and organizational routines, especially in high-velocity environments.

But what is a dynamic capability in practice? Related to strategy, communication does not only positively affect strategy when a strategy approach has been already chosen rather the dynamic capability of innovation communication is at the core of an organization in order to create a strong foundation for long-term growth and new avenues for market success. The innovation communication capability helps individual leaders and firms to seize and transform, create and co-create, and consistently align and realign resources and ordinary capabilities with the firm’s strategy. Ultimately, it determines the success of the business. Innovation communication consists of eight ability dimensions integrated in five management areas considering openness, time/timing and interrelations (Pfeffermann, 2017 and download the innovation communication capability overview).

System 4. Connected Relationships - Leadership Level

The second scenario focuses on **relational communication** of **human leaders** to relate, interact and truly connect with dialog partners in a present, meaningful and enriching manner. Human leaders share an open learning space with individuals to convert ideas into reality (authentic entrepreneurship), clearly communicate visions and create new verbal expressions including neuronal pathways to build learning and contribution assets (**assets growth**) rather than only building financial assets. This new perspective on human leaders is a solution to create balance in systems based on communication for innovation.

Scenario II. From Separation to Authentic Relationships

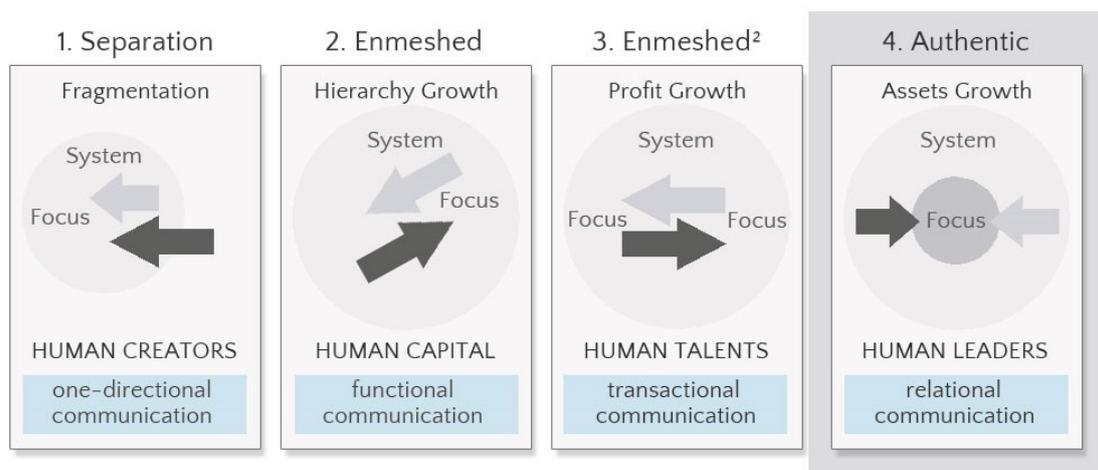


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III. The Communicating Mind: Re-Think How to Create Growth

According to Gardner ('5 Minds for the Future') human beings need to develop five minds: Disciplined mind, creating mind, respectful mind, ethical mind, and synthesizing mind. I would like to add **the communicating mind** to the ensemble of the minds.

As human beings we have a well-organized system of ideas which helps us to understand what is going on in the world around us and inside (self-talk). It is a specific perceptual lens—a navigation system—that works for us in terms of how we communicate and feel comfortable with events and situations in life. What happens when our navigation system is challenged? To understand (new) ideas and how we react in unfamiliar situations or when we experience disruptive events, we use our knowledge schemes, our templates to organize information and understand interactions with others. These schemes (information-interaction designs) can be activated and modified every time we seek information, reflect, act, and interact with others based on our ability to communicate with others and ourselves.

Hence, our information-interaction design is the critical impact factor to help us understand how we can bring forward a new idea, be understood in back-and-forth exchanges with responsive partners, and (co-)create new worlds or transform systems. The communicating mind helps to systematically develop information-interaction designs over a period of time and, hence, our navigation system in different phases and relating stages in life (e.g. attachment and interaction, learning and transition phases).

At a Glance: The Communicating Mind

Listening carefully and active, willingness to reflect and understand before sending out messages, managing information transmission considering openness, time/timing, and interrelation, being aware of the impact and effects of information-interaction designs including instruments, activities, recipients, and channels.

Examples (formal education and place of work): Effectively presenting ideas in a kick-off meeting or conference session, inviting students or co-workers from abroad to co-create a new publication or organizational workflows, mastering critical reflection and mental strength (inner dialog) in conflicts and talks

Period of development: Starting in childhood, continues as lifelong learning, increasing awareness and competence building over time for specific situations, activities, and events

Pseudoforms: Pretending to be involved in interactions and understand other perspectives, thoughts, information, strategies or new ideas, only focusing on external conditions with a lack of authenticity and meaningful conversations, inappropriate organizing of information, documentation, and interactions (avoiding learning from mistakes), non-mutual conversation with reactive partners

How to Apply? Communication model design for human leaders

The communication model design describes the rationale of how individuals or organizations create value through communication, reach different markets, and successfully link a strategy approach to a communication approach to achieve goals. It is a visual, one-page lean startup and strategic management tool for developing, challenging and presenting new or documenting existing communication models (linked to a business model).

You can download the communication model design template for leaders to build smart communication models based on information-interaction designs. Interested in learning this

technique and discussing new communication models using LEGO Serious Play, please visit the website and join our Communication Model Design courses (npfeffermann.eventbrite.de).

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Finally, without any rules, standards & values and good communication skills of human leaders we live in distorted realities which leads to crises and horrific, unequal human conditions in the world. In my humble opinion, it is necessary to build open innovation systems for everyone and everywhere and re-think how WE create growth (opportunities) across the world. That includes (1) taking responsibility and shifting from a functional to a relational communication management in terms of educating and investing in human leadership communication skills at different levels and new intensive trainings, courses and programs at business schools, universities and schools; and (2) creating new job openings with detailed descriptions of 'good communication skills' including assessments for positions in organizations, institutions, and associations. Communication can impact long-term growth.

Please be aware that a relationship consists of two entities who agree to stay in touch. These dynamic relationship networks only exist because all parties allow those types of relationships (No blaming!).

APPENDIX: Functional Communication Management

Communication is “the transmission of information, ideas, skills, emotions, etc. by the use of symbols” (Berelson & Steiner, 1964: 257). Although Berelson and Steiner mention the transmission of ideas and skills, they represent a relatively narrow point of view due to their understanding of communication as a uni-directional activity. Nowadays a widespread convergence in conceptualization is the notion that communication is transactional and highly complex. Communication does not only present a message to a receiver (uni-directional activity), neither it is an interaction model for a message and feedback reaction (interaction activity), but beyond this, communication is transactional, which means it is understood “as a process in which there is a constant mutual influence of communication participants” (Miller, 2005, p. 6).

According to Shannon and Weavers, communication and information are connected because information is understood as an object of movement in a communication process. Regarding corporate communication, most of the definitions define information as the object of transport from a company to its stakeholders. Argenti defines corporate communication as company's communication through messages to its constituencies, who then respond to the company. Corporate communication can be understood then “as a set of activities involved in managing and orchestrating all internal and external communications aimed at creating favorable starting points with stakeholders on which the company depends“ (van Riel & Fombrun, 2008: 25) or “as a management function that offers a framework and vocabulary for the effective coordination of all means of communications with the overall purpose of establishing and maintaining favorable reputations with stakeholder groups which the organization is dependent.” (Cornelissen, 2004: 23).

The first mentioned approach of corporate communication was introduced by Grunig in 1984. The approach, including its later refinements, characterizes communication as the “planning, execution, evaluation of organization's communication with internal and external publics” (pp. 4-5). Further approaches describe corporate communication from a functional-orientated

perspective. This encompasses the understanding that communication activities follow specific functions, especially the building function. Corporate communication has the task to strengthen the corporate image and reputation by using a mixture of corporate communication activities (Bruhn, 2003). It means that communication is both consistent and integrated at the same time and over a period of time in order to cover specific functions with communication activities. For example, promotion activities and public relations have a great impact on image building, whereas trade fairs and events affect the consumers' decision to buy a company's products or services. The functionally-orientated perspective is contained in the approaches of Cornelissen (2004), Argenti (2007), van Riel and Fombrun (2008), and Belasen (2008).