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The Spirit of Innovation in a Culturally Diverse Global Enterprise

Methods

The focus of our research was taken from a qualitative perspective. Our hypothesis was that *Innovation* is successful and sustainable when two critical factors are present – *Leadership Capability* and a defined *Communication Process*. This (a priori) predetermined assumption (O’Leary, 2010) stems from our professional expertise, academic experiences and an extensive review of existing literature. Our survey was conducted to verify our hypothesis through direct input from professionals across multiple knowledge-based industries around the world.

We applied five preliminary steps in the formulation of the research survey:

1. Defining the question under investigation
2. Designing the research methodology (including Literature Review)
3. Collecting the data
4. Analyzing the data
5. Reporting the findings

Our methodology consisted of administrating a cross-functionally designed survey to gather pertinent information from a specific population at a single point of time. The survey was conducted from 2 July 2010 through 4 August 2010. We utilized a standard online survey service that ensured a consistency in responses. (Our chosen survey application is Section 508 Certified under US Federal Law). Our survey instrument consisted of six segments utilizing both open-ended and closed questions:

1. Introduction – Purpose of Survey

2. Demographic Profile
3. Organizational Culture
4. Organizational Communication
5. Leadership and Innovation
6. Respondent's View on Leadership and Innovation

The closed ended questions utilized category choices, multiple choice and Likert Scale responses. The target population was working professionals. The survey was made available through various public distribution lists (academic, alumni, professional organizations, and networked social groups.) Our survey followed standard data privacy, security and intent-to-use disclaimers. All steps were taken to ensure our survey questions were impersonal. Question sequencing followed from general to specific and similar content was placed together in the survey instrument.

Survey responses were anonymous. When unique or unusual terms were used in the survey, clear definitions were provided to avoid confusion or misinterpretation. (We created a defined set of *Operational Definitions* for the survey construction as well as for the composition of the final research paper. Industry categories were taken from 2010 U.S. Labor Board definitions. A total of 230 respondents completed the online survey. Baseline response data forms the respondent profile as depicted in Figure 1 "At-A-Glance: Respondent Profile". Our analysis was done on baseline data as well as filtered and crossed-tab results for greater granularity of the analysis.

As our research topic revolves around organizational skills (*Innovation, Leadership and Communication* within an enterprise), our analysis is subject to Type III error. (Type III error is asking the wrong question, but getting the correct answer.)

In some cases, respondents self-selected questions to answer that reduced our ability to generalize for the entire population surveyed. We have identified those cases where self-selection bias occurs in our detailed analysis (Figure 1).

Figure 1 At-A- Glance: Respondent Profile – 227 out 230

Years of Experience	14.5 % < 5 years	25% 5 to 15 years	60% more than 15 years				
Highest Level of Education	5.3% High School	26% College	35.2% Graduate	31% Post Graduate	13% had additional Professional Certification		

Current Geographic Location	4.8% SE Asia	7.9% Eastern Europe	4.8% Western Europe	1.3% Middle East	76.2% North America	3.1% South America	1.8% Other
Job Level	55% Subject Matter Expert	23% Supervisor/Manager	9.3% Director	13% Executive			
Industry (top ranked)	30% Technology	9.3% Professional Consulting	8.4% Education	8.4% Health Care	8.0% Manufacturing	4.4% Telecom	2.2% Trade
Corporation Type	59% multi-national	41% non-multinational					

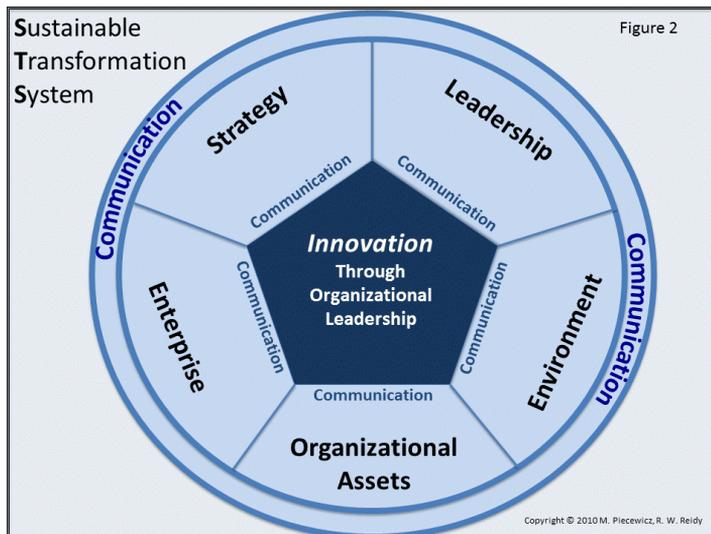
Innovation has become a ubiquitous term that is utilized today by global businesses. The meaning of Innovation varies depending on the age of the industry, global business experience, and management understanding and commitment to the innovation process. For purposes of our discussion, we have defined Innovation as:

- An adaption of an existing method or process to a new situation;
- An amalgamation of an existing method or process in a new application;
- Or a completely new idea or product/service

We purport that the “The Spirit of Innovation” is not an isolated phenomenon nor is it a solitary event. Rather, innovation is driven by multiple elements that are transacted within a sustainable system framework. These elements, or system components, exist in a highly communicative environment providing strategic support and continuous feedback throughout the enterprise. We term this system model the *Sustainable Transformation System (STS)* (Figure 2).

The STS model allows innovation to incubate through organizational leadership. This model represents the enterprise, which for purposes of this research includes personnel at the individual contributor and management levels. Senior management leadership is designated separately to emphasize their role in setting overall organizational strategy. Both the enterprise and leadership levels share a common environment, strategy, and set of organizational assets. Interspersed within, and surrounding the components of the STS model, is a Communication layer. It is through this layer that the Leadership defines the environment, determines available organizational assets, and provides strategic direction to the enterprise.

Figure 2: Sustainable Transformation System (STS)



Ponder, (1998, p.1), states “Leadership is the ability to get the right things accomplished at the right time with the assistance of other people.” He further asserts that these leaders are “ordinary individuals usually placed in a position of responsibility.” We contend, and our survey confirms that leadership is a necessary criterion to spark innovation. 71.3% of respondents indicated that the presence of leadership was critical in promoting an innovative environment. Innovative organizations do not restrict leadership opportunities in high profile programs only to senior management level but encourage employees at the enterprise level as well. Does this sharing of leadership really occur in organizations? Our respondents overwhelmingly indicated (79.2%) that their organizations do in fact promote this type of behavior.

Building a leadership-centered environment as part of the corporate strategy and institutionalizing it is the “ultimate act of leadership.” It is in these cultures where strong leadership is valued, Kotter, (1999, p.65). To build a leadership culture one must first have a learning culture. Learning organizations provide supportive environments, concrete processes, and positive reinforcement from senior management. These elements are considered the “building blocks of the learning organization,” (Garvin, Edmonson & Gino). These building blocks empower individuals to embrace and promote the opportunities for leadership. Not all of leadership tasks are grandiose in nature and are often unremarkable and mundane. Dubrin (2001) notes that mundane activities encountered by leaders are not frequently represented in management and leadership studies. These activities include informal discussions where extraordinary dialogue and listening skills are required, (as cited by Alvesson, Sveningsson, 2003). For

example, the mundane management activities within the leadership paradigm tend to fall towards the transactional side of the leadership equation as pointed out by Bass (1985b, 1990a) and requires communicative competence in negotiating leader-member transactions to be successfully executed. Barge (1994) indicates that in addition to day-to-day activities true leaders are communication focused and exhibit “charisma, individual consideration, and intellectual stimulation,” (as cited by Flauto, 1999). Development of leadership skills does not automatically occur. Rather, “leaders have the responsibility to correctly train their subordinates and then develop them into productive and contributing members of their team...well-trained workers, coupled with effective leadership, are an essential part of what makes an organization successful,” Ponder, (1998, p.89). Respondents in our survey (65.1%) stated that their organization offered training/mentoring programs to assist in developing innovative skills. According to a survey from IBM’s Institute for Business Value, one competency area Chief Executive Officers (CEOs) value highly is creativity. “CEOs who select creativity as a leading competency are far more likely to pursue innovation through business model change,” (as cited by Kern). Our respondents (83.7%) concur, and noted that their organizations encouraged creativity and innovation in their workplace. Today, in addition to task skills, one essential area of training is that of intercultural awareness. Reidy (2010) has argued “businesses must develop cultural sensitivity to communications between people from different centralized and distributed subsystems and cultures. This cultural sensitivity, or awareness, is critical to consistency of strategy, process, communication and improved employee and customer loyalty through the value chain and in the reduction of barriers and the potential prevention of organizational silos.” We deem it is the role of leadership within the organizational structure to include these concepts in the overall business strategy.

For purposes of this research study, the term “business strategy” refers to a long-term plan of action designed to achieve a particular goal or set of goals or objectives. This strategy is the roadmap for management to strengthen and improve the performance of the enterprise. In essence, strategy dictates how a business should be conducted in order to achieve desired goals. It is dispersed via organizational communications allowing tactical execution by all business functions. “The first building block of the people process is its linkage to strategic milestones over the near (0-2) years, medium (2-5 years), and the long terms, as well as the operating plan targets. Business leaders create this linkage by making sure they have the right kinds and numbers of people to execute the strategy,” Bossidy, Charan, (2002, pg. 148). This also means that the proper business processes are in place to facilitate consistent and repeatable performance. According to Senge et al, (1994, pg. 437 & 438), there are five elements a leadership team must drive if they wish to adopt a learning agenda:

“Shared Vision, Organizational Assessment; Strategy as a Learning Activity, Organizational Strategy, and Organizational Change.” A shared vision refers to engagement of the entire organization’s participation, e.g., the “Spirit of Innovation”. Organizational Assessment is the unbiased in-depth review of the organization for strengths and weaknesses. Strategy as a Learning Activity reflects a participative process by the collective to think differently in creating a strategy that reinvents the business or organization. It is not strategy created by the few that is given to the many to execute on. Organizational strategy encompasses all functions within the organization and evaluates them based on what the new strategy requires from a support perspective. Organization Change relates to the collective organization to change and maintain behaviors in a totally committed and sustainable manner. We agree with these premises as they relate to the development of an innovative organizational strategy to clearly define corporate vision; develop an understanding of the industry; competitors, and customers; facilitate continuous and consistent communication messaging throughout the enterprise; and, to continuously assess the organization.

Today, markets are global and businesses leaders must create and foster productive non-threatening environments for their internal cultures to thrive. These cultures include functions within the business, e.g., engineering, marketing, finance, sales, etc. and global cultures that may be internal and/or external to the business. Respondents to our survey (71.1%) believe there is an open environment of trust and mutual respect within their organizations. These organizational attributes are critical when building innovation across cultures. Earley, Ang, and Tan asserted, “A deep understanding of cultures around the world becomes imperative for effective leadership” (as cited by Moodian, Ed., 2009, pg. 191). Developing and rewarding cultural awareness and sensitivity within an organization allows for efficient communication and messaging for increased understanding. This in turn creates a baseline for cultural competence to grow. The basic principles include: management support, well-defined best practices such as respect for others – including what is acceptable and unacceptable behavior with rewards and penalties respectively, well documented processes, and a thorough understanding of the challenges working in global teams represents. Trompenaars and Hampden-Turner (1998, pgs. 161-163) describe four types of corporate images, which they define in the form of metaphors, as to how employees view their relationship to the organization: “The Family”, “The Eiffel Tower”, “The Guided Missile” and “The Incubator.” Each metaphor has its own characteristics; however all share three aspects of organizational structure that are vital in determining the organizational culture. These are the relationship between the employee and her/his organization; the reporting structure/system hierarchy that defines superiors and subordinates; the employee’s views regarding the organization’s future, *raison d’être*, organizational goals, and

where in this structure the employee feels they belong. Creating organizational awareness to models such as this will allow for greater cultural sensitivity and assist in facilitating communication and messaging throughout the organization. Supporting the findings of Trompenaars and Hampden-Turner, our respondents indicated (78.2%) that their business leadership had a clear focus and sense of direction for the future.

A critical element for a successful innovative event is the *Organizational Assets* of the enterprise. Organizational assets are defined as any formal or informal plan, process or procedure that ensures a company can effectively and efficiently continue to operate successfully. A component of Knowledge Management (KM) (Smith, 1998) such processes and tools are utilized by a corporation to continuously improve, maintain and exploit all knowledge based elements to achieve business goals. (Knowledge base is defined as the data, information, intuition, knowledge (know how), understanding (know why), and wisdom, residing throughout the enterprise.

An example of an organizational asset is the established procedure for managing change within the organization. The process defines how an organization is going to communicate, adapt and monitor a change event. Change management is usually a formal process, including a systematic approach and application of knowledge. It entails the definition and adoption of corporate strategies, structures, procedures, and technologies to deal with change stemming from internal and external conditions that result from an innovation.

Given that innovation by definition is a change, having an established, well-documented procedure for management of change is a prerequisite for success. In reviewing the respondent data to Question #17, 60% of the respondents agreed that their firms had established processes and procedures for identifying and resolving issues for innovative implementation. Further segmenting of the data revealed that multinational firms had a 70% positive response to this question.

In addition to a defined management of change plan, the successful company will also employ other organizational assets when implementing an innovation. Quality management procedures, risk management processes, resource planning, change management and communication plans are critical organizational assets during an innovative event. Respondent data to questions around established processes bears this out. Question #20 asked "When implementing an innovative change, my organization focuses on 'how' to implement rather than focusing on the 'why' to implement", to which 60% of respondent agreed. Parsing the response data further, 70% of multinational respondents agreed their firms had defined plans on "how" to implement vs. the 51% agreement from the non-multinational segment.

The fact that multinational respondents were more positive in their responses to Questions #17 and #20 makes logical sense. For a global enterprise

to implement a new change quickly and efficiently there has to be a well-defined and time-tested process for managing change. (It is interesting to note that the top 10 firms in the 2010 Bloomberg Business Week “Ranking of *Most Innovative Companies*” were all multinationals with well-established organizational infrastructures (Special Report - 2010 Top Innovative Companies, 2010).

All organizational assets (processes, procedures, programs) detail specific roles and responsibilities. This is especially true of a Management of Change Plan. Defining ownership and accountability to individuals or corporate functions decrease the sense of anxiety and uncertainty. The most critical responsibilities of Management of Change Plan focus on “how” the organization is going to react to an innovative event, not the “why” it is reacting. Examples of “how” planning are: Assessing Change Readiness, Preparing Functional Change Management Plans, Building Leadership Coalitions to Drive Change, and Managing Resistance to Change. The vehicle for ensuring the execution of the Management of Change Plan is the Communication Plan. A formal Communication Plan makes certain there is an understanding and participation across all levels of the enterprise. The “how” component of the Communication Plan involves the formal way the corporate change message is organized and encoded.

A large majority of respondents (61%) to Question #21 agreed that their company provided timely and frequent communication to those impacted by an innovative event. Using “company type” as a filter, multinational companies utilized frequent communication 65% vs. 51% usage by non-multinational firms. The high percentage of positive responses from multinational participants indicates that communication planning is considered essential for achieving a successful global implementation. Implementing an innovation, by definition, requires more communication than routine or standard work. Leaders, managers, employees need to connect more often, collaborate more frequently and share information more quickly. (Kouzes & Posner, 2007)

Responses to Question #27 regarding availability of adequate resources to assist employees adapt to new processes and standards, 60% of respondents agreed. There was no statistical significant difference when the data was segmented by business type. This high response rate can be easily explained due to the growing importance of resource management as a discipline in the last few years. Today, most successful corporations have processes and programs in place to ensure that the right level of skill and staffing is available. For companies to survive in the 21st century’s highly competitive and innovative environment, resource planning, as an organizational asset, is critical. (Moody, 2002).

Question #29 assessed leadership engagement in monitoring and evaluating impacts of change in the organization during an innovative event. Sixty five percent (65%) of respondents agreed with this statement. Company type did not have any bearing or impact on this response. This data verifies the notion that an

engaged leader who monitors the impact of innovation is more likely to succeed with his/her transformation across the enterprise. (Kotter, 2007; Cohen, 2002)

Directing and managing an innovative event requires a set of organizational assets that are well developed and well managed (Harrington, 2006). A requirement for managing organizational assets is the need for sustainability. This is achieved through feedback mechanisms such as debriefs or lessons learned. (Dilworth & Willis, 2003). The idea that a successful organization “must continually be absorbing new lessons in order to respond to changes in its environment is critical to a systems thinking enterprise.” (Senge, 1990). As a company moves forward with today’s innovative event, the organizational (tribal knowledge) assets must be modified and adapted to the new innovation (Kotter, 2007). Today’s innovation is tomorrow’s history and organizational assets need to be adjusted to reflect the impact of the innovation.

The lifeline of every organization – regardless of size or industry focus - is communication. Communication, the “Aqua Vita” of the enterprise, is the sustaining force in a systems thinking environment. The degree to which this life force is channeled through the organization is critical in today’s globalized business environment. Today, most formal organizational communication is focused around seven basic tenets (Cutlip, 1952) or the 7Cs checklist, which has become a de facto organizational standard:

1. *Credibility*: Communication begins in a climate of belief. This trusting atmosphere is built by the performance of the sender who should reflect an earnest desire to serve the receiver. As a result, the receiver develops a high regard for the competency of the sender.
2. *Context*: A communications program must align with the realities of its environment. Business activities must confirm, not contradict, the message.
3. *Content*: The message must have meaning and relevance for the receiver. Content determines the audience and vice versa.
4. *Clarity*: The message must be put in simple terms. Words used must have exactly the same meaning to the sender as they do to the receiver. Complex messages must be distilled into simpler terms. The farther a message must travel, the simpler it should be. (This is a crucial tenet today given the global nature of business transactions.)
5. *Continuity and Consistency*: Communication is an unending process requiring repetition to achieve understanding. Repetition, with variation, contributes to both facts and attitudes.
6. *Channels*: Use of established channels of communication is crucial. It always should be a channel the receiver uses and respects.
7. *Capability of audience*: Communication must take into account the capability of the audience. Communications are most effective when they require the least effort on the part of the recipient.

The degree to which an organization embraces these seven tenets of formal communication is directly proportional to the effectiveness of the organization to support and embrace an innovative event. For a “systems” organization, success depends on effective communication both oral and written. (Mahoney, 2002) Our research data bears out the importance of communication as a critical skill and organizational core competency. Question #33 asked respondents to rate the importance of skills of a business leader from a category of 10 leadership traits. The categories were derived from John Kotter’s leadership actions for transforming an organization (Kotter, 2007). Overwhelmingly, effective communication was ranked the highest (80%). When the data is parsed based by other variables, effective communication still retains its top ranking. Filtering by business type, years of experience or job position had no statistical impact on the response. All respondents viewed communication as the critical leadership skill in an innovative situation. In response to Question #35, “To encourage the Spirit of Innovation, individuals and organizations must actively communicate to ensure a successful innovation.” 86% agreed with this statement. Company type, job level or years of experience again had no bearing on the high degree of agreement with the statement.

What the data did reveal was a disconnect from the ideal state of understanding and desire for effective communication versus what is actually experienced by the members of the enterprise. Questions on the existence of effective communication within the enterprise reveal that although highly valued, effective communication does not always exist. In response to Question #22 regarding communication across enterprise functions, 64% responded that it was fair to poor. Filtering the responses by company type - multi-national (59%) vs. non multi-national (62%) revealed similar results. Question #23 dealt with communication across company geographical regions. Here again, 70% responded it was fair to poor. Cross regional communication within multinational organizations was better with only 59% responding it was fair to poor.

What these negative responses reveal is that although known to be a critical, communication does not easily crossover organizational and geographic boundaries. The potential for failed communication is multiplied when a message must cross-organizational lines and regional cultural differences. (Beamer, 2001) (Lewis, 2007). Removing such barriers would increase the flow of communication to improve efficiency and transformation. Demolishing communication silos aligns with one Deming’s key 14 key principles for transforming a business. His principle Number 9 addresses breaking down communication barriers between people and departments. (Deming, 1986). The importance of communicating the message across all sectors and regions of the enterprise cannot be stressed enough. To get the enterprise to act upon an innovative event requires a ‘collective’ behavioral change. The communication must go beyond simply

sending/receiving a message to an internalization of the message – enough to change attitudes and behaviors.(Cohen, 2002) This can only be accomplished when barriers and obstacles to effective communication are removed.

In addition to the formal communication process within any organization, there is a parallel process – communication via the informal network. This complimentary activity fills the “whitespace” not covered by official organizational communication. Informal networks, established between individuals and functional units, allow communication to flow in a more dynamic and on-going fashion.(Baker, 2002) These informal connections reflect and emphasize the corporate culture and corporate messaging on a more personal basis. During a management of change event, informal communication networks help ensure that the transformation message is transmitted both laterally and diagonally among employees. Companies that exploit informal communication networks have greater probability of success for innovation or change(Cross, Parise, & Leigh, 2006). With the explosion of social media networks, employees are connecting and communicating in nanoseconds. It is incumbent on today's leaders to tap into these technical communication capabilities (Web 2.0) to help bring about new and effective organizational changes. (Argenti, 2009).

Communication must flow formally and informally; top down, bottom up and horizontally. It is leadership's main function to act as a channel of communication across the enterprise to ensure operational excellence in all cases, most importantly during an innovative event. (Barnard, 1968). Barnard, an earlier pioneer in the area of systems thinking before Peter Senge, viewed organizations as communication systems. He advocated that it is particularly important for leaders to develop a sense of common purpose and to communicate that purpose across the organization. (Common purpose can be anything from strategy execution to the implementation of an innovation). Barnard argued that is important that employees understand and accept the communication. The communication must also be consistent with the organizational goals. The concept of purpose and clarity in organizational communication is also promoted by other experts such as Karl Weick (Weick, 1995) and Gareth Morgan (Morgan, 1997).

While our survey did not touch upon the root cause of poor communication, it does underscore the importance for leaders, managers and employees to focus on how communication is managed, especially during a management of change (innovative) event. Without a comprehensive communication flow (formal and informal), the effectiveness of other components (leadership, organizational assets, environment, and strategy) is at risk. In a systems organization, the very nature of its complexity (the sum of the parts are greater than whole) requires a greater emphasis on communication. Each component within the enterprise is interdependent and communication must be managed between and among component parts.(Eric M. Eisenberg and H.L. Goodall, 2002; Senge, 1990)

As previously stated, innovation is not an isolated phenomenon nor is it a solitary event. The Spirit of Innovation requires a blend of strategy, culture/environment, communication, and leadership elements in order to maximize the innovative potential. Innovator Bob Rosenfeld (n.d.) argues that there are five principles that must be applied to successfully implement innovation within an organization. Rosenfeld postulates the process begins when people convert problems or barriers into ideas. In following Rosenfeld's thoughts on process, our respondents (83.6%) confirmed that they had the opportunity to use innovative techniques in their day-to-day tasks at their place of work. Secondly, Rosenfeld states there must be a formal or informal framework or system for innovation to exist. Within this framework there are five innovation categories. Regardless of the category, innovation demands a system or framework in order to survive. Third, passion is a required principle and is used to fuel innovation. Rosenfeld warns that with passion sometimes comes pain and leaders must balance the two. The fourth principle deals with proximity of individuals. He affirms that close proximity promotes the innovation process by allowing trust to formulate and build between individuals. Lastly, individual differences should be leveraged as they allow differing perspectives based on thought processes, cultures, and problem solving methodologies.

"Reverse innovation," according to Govindarajan, (Harvard University IdeaCast, 2009), is a methodology General Electric (GE) has found quite useful when working cross culturally. In the model, multinational Local Growth Teams (LGT's) innovate products in their developing markets based on factors such as demand, environment and cultural needs. The developing market then brings the product via the parent company to the developed markets. Success in deploying this reverse innovation methodology include having adequate local resources, ensuring the LGT's are tethered to some type of global technology centers, and, LGT's must take an approach of "experiment and learn." The LGT's have changed the cultural mindset of GE and taught executives a crucial lesson in innovation practices. In a discussion on why companies do not stay on top in their industries and subsequently fail, Christensen (2000, pg. 30), states that the structure of an organization and how individuals within the organization work together may have been done so purposely so as to facilitate the design and build of a new product. This organizational design could easily prevent the ultimate design of a new product if the groups are unable to work together.

Conclusion

In this research study we have explored the Spirit of Innovation in a culturally diverse global enterprise. The majority of research studies to date focus on innovation from a consultant or senior management viewpoint and perspective. We agree that executive management is a critical component to the innovation

process however, we are presenting that this is a limited view. While senior management plays a key role in the innovation process, there are other equally critical components required: capable leadership across the enterprise, intercultural awareness, effective cross-organization and cross-global communication, negotiation skills, and the ability and willingness to manage change. We based our claim on our research around innovation from the “bottom up” (the core enterprise level), e.g. individual contributors (ICs) and lower and middle management (Managers) and our examination of the innovation process through their “field-of-view.” This perspective exposes elements of the process at the execution level. It is through this enterprise viewpoint that one is able to visualize the STS framework components i.e., enterprise, environment, strategy, organizational assets, communication, and leadership, driving towards and resulting in the Spirit of Innovation.

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Abstract

Innovation has become a ubiquitous term that is utilized today by global businesses. The meaning of innovation varies depending on the age of the industry, global business experience, and management understanding and commitment to the innovation process.

Some believe innovation lies only within the realm of physical invention or new

ventures. Others contend that new ideas or a change to existing product and/or process methodologies constitute innovation. No matter the definition, innovation whether formal or informal demands that change is part of the equation. In today's world, innovation is synonymous with management of change. Critical components for success are:

- Capable Leadership*
- Intercultural awareness*
- Effective cross-organizational and cross-global communication*
- Negotiation skills*
- Management of Change*

To encourage the Spirit of Innovation across the enterprise, individuals and organizations must actively communicate with complete trust to ensure commitment to successful innovative change.

This paper will discuss the importance of innovation throughout a culturally diverse global enterprise, best practices to foster an innovating environment, and management of change methods for engaging individuals and organizations to maximize contributions and exceed goals.