Why Innovation Doesn't Work in the Virtual Workplace

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Innovation thrives best in close-knit, trusting environments. How best to nurture it in the new world of the virtual workplace?

I've heard the question asked at outsourcing events: "If IT jobs are going overseas, what does the future hold for my children?" Often the nervous response is that U.S. companies will continue to lead in innovation. Why does that answer sound so tentative? What does it really mean? Is it just a sound bite used to make everyone feel good?

To find the answer, we first have to take a closer look at the effects of outsourcing on innovation.

Innovation flourishes in open, creative environments, and such workplaces are established through a strong sense of trust between individuals and the organization. This trust, according to a study done in 2003 by PricewaterhouseCoopers, is the single most important factor among high performing, innovative companies. This innovation climate, which some describe as that feeling you get when you walk through the company doors, also includes the ability of employees to see new patterns in disparate data and disconnected phenomenon.

Before global outsourcing, such open environments were an organic part of innovative organizational structures: The close proximity of co-workers helped to foster a sense of trust, and many different activities were contained in the same company, exposing people to a large variety of ideas and disciplines. Such environments sparked innovation.

The Digital Age changed that. The people and functions that used to be under one company roof have become a dynamic network of electronically connected resources, some outsourced, some simply spread out more, working from home, Internet cafes and other virtual offices, locally and around the world.

Although the shift to the dynamic workplace gives companies access to larger pools of diverse talent, our research shows that trust breaks down under such circumstances. This corporate fragmentation also disrupts the ability of innovators to see common design configurations in seemingly unrelated information. My own survey of more than 120 project teams involved in more than 300 projects shows that innovative behavior is degraded by 93% when there are problems of trust and vision associated with virtual work and outsourcing

To overcome this structural weakness and ensure that innovation at U.S. companies does not suffer, we need to revaluate how we foster innovation in the Digital Age.

First of all, companies must create virtual workspaces that are perceived as safe places in which to try new ideas. A good example of this was highlighted in the March 26, 2006, issue of the *New York Times*. The story, called "Here's an Idea: Let Everyone Have Ideas," showcased a software company called Rite-Solutions that has developed an online stock exchange for idea creation and development.

Each employee, regardless of where they work, is given 10,000 units of purchasing power and voluntarily buys into "stocks" representing new ideas. Working together, they build the value of the stock by collaborating on the idea. If the stock develops enough volume and value, the idea might be turned into a new product or internal process. If a product is actually built and sold, the shareholders get a portion of the real revenues in relation to their original ownership positions in the idea.

In this instance, Rite-Solutions has created a virtual innovation climate where trust is inherent in the environment: it is open, inspiring, and motivates people to take action. Trust is developed through a shared set of goals, a sense of interdependence on others, and through a leadership that openly demonstrates a tangible commitment to innovation.

Beyond the Rite-Solutions example, it is crucial that we also establish new virtual management practices that encompass open, trustful, and enhanced innovation climates. This must start with leadership that insists upon and supports a virtual innovation climate that spans the entire virtual network of partners and employees.

A new type of manager, the Innovation Manager, should be put in place to support these goals, by playing an ambassadorial role between senior leadership, virtual workers and outsourcers. Innovation managers would work to ensure that worldwide team members internalize shared goals, visions, and a sense of interdependence across different locations, cultures, social networks, etc., all factors that play a much stronger role in the era of virtual distance than they have in the past. They would actively work to enhance trust and provide insight into the broader view of the organization for all.

If we want to continue to lead in innovation, we must move beyond conference sound bites to implementing practical strategies aimed at re-establishing a healthy and motivating innovation climate in a transformed business community.