

## CAHRS Working Group HR for Research & Development (Part 3)

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### Participating Organizations:

Boehringer Ingelheim  
Bristol-Myers Squibb  
Cornell University  
Ecolab  
HP  
IBM  
Johnson & Johnson  
Merck  
Procter & Gamble  
Stanley Black & Decker

### Key Takeaways:

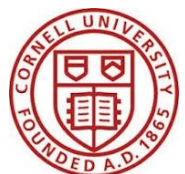
1. To support rapid and breakthrough innovation within Research & Development, the HR function is under increasing pressure to drive change and shift mindsets within traditional corporate culture, organizational structures, and HR policies and practices.
2. Organizations are experimenting with different models and approaches to attract and engage specialized, technical talent within R&D and to develop a culture that promotes autonomy, increases the speed of decision making, and encourages creativity and risk taking.
3. Some R&D organizations are shifting away from development of internal labor markets to cross company eco-systems to allow talent to move fluidly across organizational boundaries. The movement is referred to as Boomerangs, Building Bridges, and Talent Fluidity.

## How Should HR Support Breakthrough Innovation?

Over the course of our early discussions, participants noted that organizations are experimenting with different strategies to drive innovation within R&D, ranging from a “build it” to a “buy it” approach. Many organizations are unsure which approach is optimal. However, all agreed that HR needs to move more quickly to cultivate a change in culture and evolve HR policies that help to drive innovation. Many of these experiments are early stage but the intent is to leverage best practices and learnings for the benefit of driving innovative behaviors more broadly across the entire organization.

## Organizational Structure, Culture and Rewarding Innovation

- The initial discussion focused on participants sharing the challenges around HR’s ability to support breakthrough innovation in traditional R&D organizations. Participants described the different organizational structures used to drive innovation within their organizations.
  - ◇ Some organizations noted that they imbed their innovation centers within their current R&D function. Participants noted challenges to this approach, including corporate culture that tends to be less supportive of risk taking, creativity and innovation; HR policies that are misaligned with driving desired innovative behaviors; and lengthy decision making based on more traditional Profit & Loss business drivers reduces the rate of innovation.
  - ◇ One of the participants shared an extensive example of experimenting with



separating their innovation center from the main organization to allow for increased autonomy, speed of decision making and focus on driving innovative behaviors. Challenges with this model include attracting the right talent for the environment, managing working styles within highly diverse teams, and determining what best practices can be leveraged to support innovation across the larger organization.

- The group then discussed what the ideal HR model is for the role of business partner for R&D. Structures varied considerably from a high touch model (1:40); (1:250) — to a more traditional self-service model (1:1,500).
    - ◇ One example that was shared was an organization that has implemented a high-touch, white-glove HR service model (1:40 model). The idea is to remove time consuming, administrative tasks (such as procurement, HR policy questions, employee relations, etc.) to allow specialized scientists to concentrate their efforts on the high-value, strategic work that drives results. In this model, HR takes a prominent role in coaching and development. Many have joined this organization to focus on identifying breakthrough technology, and are not interested in traditional managerial career pathing.
  - Other participants noted that due to scalability issues, they are focusing efforts on implementing programs that encourage internal idea creation, rather than changing the HR model.
    - ◇ One example shared was a “Get to Yes” program to empower managers to identify novel ways to cut through the red tape to get things done more quickly.
    - ◇ Other examples offered were “Shark Tank” or “Drawing Board Challenges”, where all levels of employees can participate in pitching new and creative ideas.
  - Across the day, the discussion turned to the need for flexible hiring practices, the importance of hiring for cultural fit and the management of fluid talent networks as critical for HR to attract top R&D talent, change culture and drive innovation.
    - ◇ Autonomy (both in the nature of the work and pay structure), flexible work arrangements (e.g., work from home) and prime geographic locations (major cities versus suburbs) were noted to be strong attraction criteria for millennials. Corporate brand is sometimes less desirable for the creative, start-up mentality and traditional R&D facilities (rural versus city) tend to be an issue in attracting specialized, high demand talent.
    - ◇ Movement of talent (outside the organization) versus longevity of talent is an increasing hiring trend. The fluidity of talent is considered a necessary part of encouraging innovation by allowing employees to gain exposure to a broad range of development experiences. As a result, the management of alumni networks or talent cohorts is becoming an increasing need for HR to cultivate.
    - ◇ A focus on building high performing teams to drive innovation requires a need to define competencies that may be counter to the typical hiring profile for the larger organization. The drive of “hunters” tends to overlay the need for collaboration. The need to be a risk taker and OK with failure, tends to be at odds with a more conservative corporate culture.
  - Organizations noted that they are using a variety of new approaches to structure compensation to attract specialized R&D talent which is focused more on allowing autonomy and encouraging collaboration through team incentives.
    - ◇ One example shared is an organization experimenting with moving away from the use of traditional employment for life programs (e.g., long-term incentive programs) and replacing it with a cash-now program where new hires are given a bonus with full discretion on how they choose to use the money.
    - ◇ Another example that was shared is a team-based incentive program that pays out based on meeting established business success milestones for the program. Each member of the team associated with the successful launch of the program receives a payout when milestones have been met, even if they have
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- left the firm. This example puts the responsibility of maintaining alumni networking back on the employee.
- ◇ The discussion turned to whether borrowing from traditional sales compensation thinking is helpful in driving innovation behaviors. Some research on paying for patents has shown that extrinsic rewards may undermine innovation. While the number of patents increased, the overall size of the invention was smaller.
  - Several participants noted that the drive to team collaboration within R&D has also created the need for changes to performance management systems — specifically the use of ratings.
    - ◇ Several participants noted they are moving away from providing ratings. One organization noted that this has been an easier transition for R&D talent than in other parts of the organization (where anything less than perfection for technical talent can often be demotivating).
    - ◇ One organization that is not moving away from the use of rating is investing heavily in the use of analytics to predict behavior/ performance and calculate how difficult and costly it is to replace talent to help calculate ratings.
    - ◇ Organizations are also using other types of rewards to motivate technical talent such as high-profile, short-term development opportunities as part of a Steering Committee or selection for a Regional or Global Project.

In closing, the task of HR to help the organization achieve innovation, to create a culture to support innovative thinking and to hire, train and reward for innovation is a major undertaking. Many participants noted that assessing progress towards this goal should also follow a change in thinking. Using failures as a learning opportunity and changing mindsets to celebrate failures is key. One participant noted that the the mindset is now “moving towards decision” rather than failure as it allows funds to be freed up for the next important innovative ideas.

Some topic areas noted for future discussion and exploration:

- ◇ Managing fluid talent networks
- ◇ Organizational models for innovation — Where are the handoffs in the process (HR) and how do you treat them; the changing role of leadership — Are we building innovators or leaders?
- ◇ Rewarding for innovation

**This Summary Report was prepared by Diane Burton and Karen Siewert for use by participants of the HR for Research & Development Working Group.**

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