

The exploration of the human element in open innovation: the case of financial institutions

Dimitrios G. Salampanis*

Doctoral Researcher

Public Research Centre Henri Tudor, Luxembourg

Lappeenranta University of Technology, Finland

Dr. Anne-Laure Mention

Public Research Centre Henri Tudor, Luxembourg

Prof. Marko Torkkeli

Lappeenranta University of Technology, Finland

Research Context

- 1) What kind of skills, competences, attitudes, motivations and attributes an open innovation professional possesses?**
- (2) How to recruit, select, train, assess and retain talent for open innovation? (attracting talent, exploiting skills, intelligence and creativity)**
- (3) What is the integrative role of top management towards the creation of a corporate environment ideal for open innovation?**
- (4) What is the effect of trust, motivation and leadership on the human side of open innovation?**

Incentives

Literature (Open Innovation)

du Chatenier *et al.*, 2010
Elmquist *et al.*, 2009
Gassmann *et al.*, 2010
Perkmann and Walsh, 2007
Sartori *et al.*, 2013
West *et al.*, 2006)
West and Bogers (2014)

Literature (Financial Services)

Gianiodis *et al.*, 2014
Mention and Torkkeli, 2012

Context

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The people's aspect

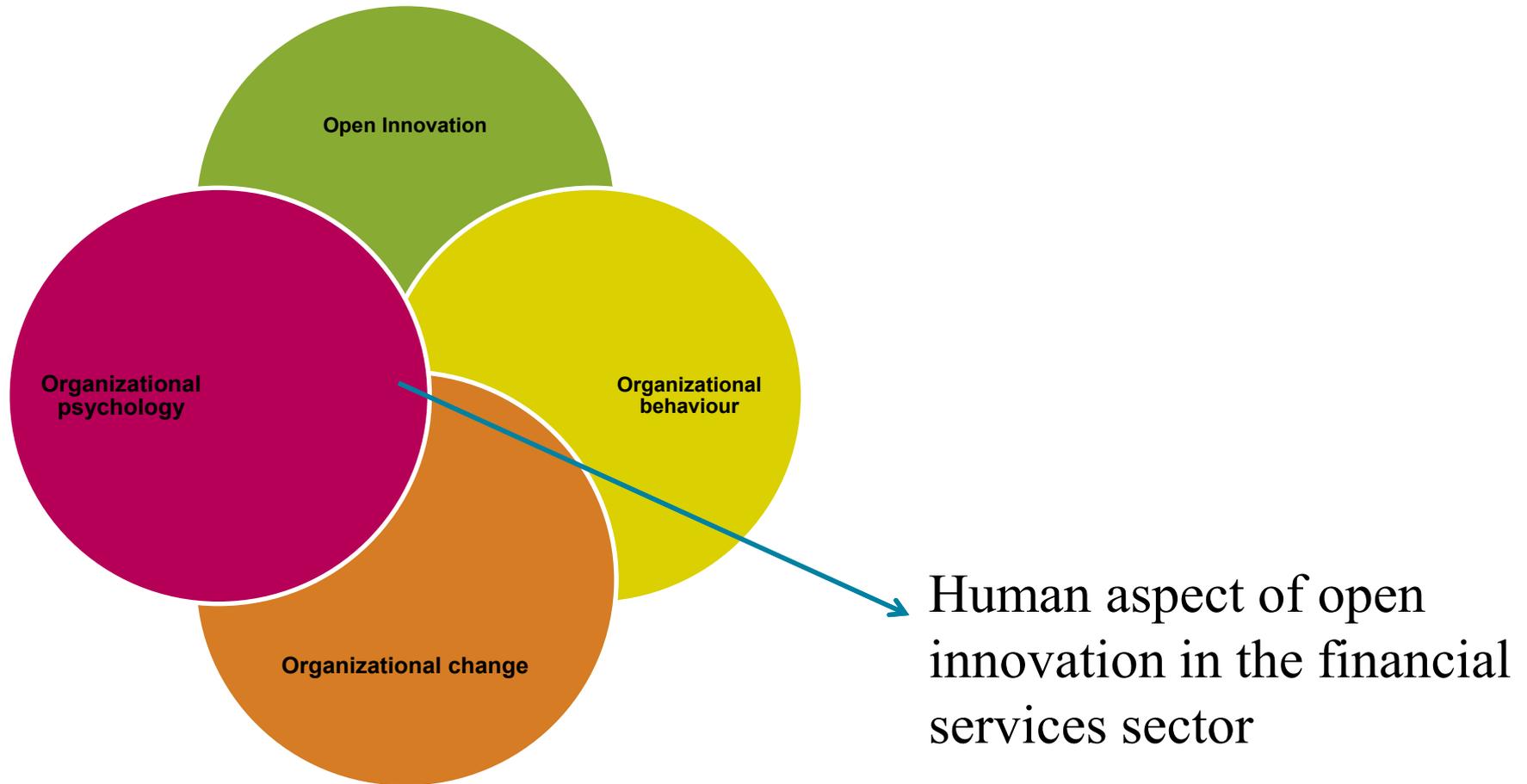
- The managerial barriers of open innovation are related to **organizational** and **cultural** issues
- Interaction with the **external** ecosystem and innovation governance
- Engendering and enabling the **human side** of open innovation

People are the drivers of true open innovation. Focusing upon the identification and development of their skills, competences and cognitive capabilities

is the primary starting point

Identity of the paper

- **Empirical Qualitative Research**
- **Data received from interviews**



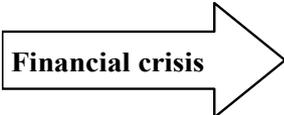
Profile of Interviewees

Company	Position	Strategic Profile	Region
A	Country Human Resources Director	Banking	EU
B	Global Head Country HR	Banking	Asia
C	Senior HR Officer	Consulting In Financial Services	EU
D	HR Partner	Banking	EU
E	Managing Director	Consulting In Financial Services	EU
F	Chief Executive Officer	Consulting In Financial Services	EU
G	Change Leader, Facilitator, Mentor & Executive Coach	HR Management Consulting	EU
H	Human Resources Director	Investment Banking	EU
I	Head of Human Resources	Banking	EU
J	Global Ambassador	IT & Financial Services	EU
K	HR Manager	Consulting In Financial Services	EU
L	Head of Human Resources	Consulting In Financial Services	EU
M	Board member (Talent Management & Recruitment)	Financial Services	EU
N	HR & Risk Manager	Banking	EU
O	Human Resources & Industrial Rel. General Manager	Consulting In Financial Services	Asia
P	Human Capital Senior Associate	Consulting In Financial Services	EU
Q	Global Head of AM Operations	Investment Banking	EU

The trends

Regulation	Legitimacy	Competition	Macro Trends
New capital requirements	Lack of trust	Excess capacity	Aging and millennials
Separation of activities	Criticism of incentives and compensation	Disintermediation New technology	Emerging markets Mobile technology
Risk Management requirements	Lower customer loyalty	Talent war	

Human resource management in the financial industry: the aftermath of the financial crisis



Pillars	Changes
HR	<ul style="list-style-type: none"> • Change Agent • Shaping organizational culture • Mentoring and guiding employees to grow and succeed based upon institutional strategy and vision • Fully interwoven with innovation • Predict changes in organizational culture • Find ways to infuse innovation (connecting the internal and external environment) • Business, strategic and consultative partner helping the business be better leaders, innovators etc.
Recruitment	<ul style="list-style-type: none"> • Pool and target of candidates • Business model • Limited financial means • Experiential competence-based process
Training and development	<ul style="list-style-type: none"> • Limited budget • Specialized, targeted, customized training
Quality assurance, management and performance	<ul style="list-style-type: none"> • Reorganization • Strict processes and indicators • Efficiency and effectiveness • Fully aligned to strategy and vision
Remuneration	<ul style="list-style-type: none"> • Levels are lower (regulatory reforms), • Bonuses and increase in remuneration fully aligned to growth strategies
Growth	<ul style="list-style-type: none"> • Redefinition of growth (internal and external) • Financially robust enterprises catering for employees' development • Growth does not only mean increased revenues simply being granted to shareholders • Growth towards responsible investments • For responsible companies financial growth means human growth

Balancing junior and senior employees workers: the prelude of change management

Junior Employees

- The generation of digitalization
- Communicating to make multiple connections worldwide mainly via social media
- Fast learners: ability to absorb knowledge, insights and multitask
- Comfortable operating across geographical boundaries
- Thinking style-enthusiasm
- Ability to assimilate and process information
- Ability to come up with new ideas
- Dynamic and not afraid to experiment
- Adaptability to new environments
- Expert vs generalist
- Flexibility
- Easy to “*shape*” (training and mentoring) in terms of company culture, understanding the traditions and the norms of the respective organization
- Re-skilling capacity
- Lack of experience and expertise
- Overall a generic educational background and skills
- From a cognitive point of view junior employees are able to respond quicker and faster to repetitive tasks

Senior/Mature Employees

- Self-driven by extensive experience
- Wisdom from operating through several financial crisis (global or local)
- Ability to see patterns/full scope
- Understanding of the industry
- Still interested in the work
- Still knowledgeable about the markets they operate in + extensive network capacity
- Difficulty in adapting to new environments
- Already linked to the problem-legacy
- Expert vs generalist
- Difficult to manage (training, decision, tradition patterns)
- Limited re-skilling and repositioning capacity
- Mentors
- Being able to participate in a range of different reactions and situations
- Creative management of stress and pressure
- Professionalism and excellence
- Grasping the impact

Open Innovation Professionals: Skills and Competencies, Attributes and Motivations

Skills

- Capacity to work in frustration
- Techniques and capability to build keyword combinations to find the right people and partners
- A good sales person
- A capacity to work in big organizations
- Low or medium volatility
- Multilingual competence
- Broad overview of the whole value chain
- Resilience

Soft skills

- Ability to address many different topics that have an impact on several purposes
- Understand the vision of the company, define strategy, objectives, steps, manage people in a number of ways with humility
- Loyalty to the company
- Loyalty to the individual career trajectory
- Ability to adapt to change
- Emotional intelligence
- Routine vs taking initiative
- Honesty
- Ethical manner
- Team player
- Willingness to move forward, develop and strive curiosity
- Self-motivation and confidence
- Accelerating for the organization
- Being commercially savvy
- Dialogue skills

**Traditional profile
ex-ante financial crisis**

- Administrative
- Task-oriented in accordance to customer needs
- Introvert and silo-driven
- Old traditional school
 - dealing with one issue
 - dealing with one client
 - dealing with one account
- Management mentality
 - Driven by today
 - Tasks and projects
 - Follow up on all the practicalities
- Motivation
 - high-pressure environments
 - money
- Self-obsession
- Confined to the strategy of the economics team

**Open innovation profile
ex-post financial crisis**

- Globally interconnected player
- Strong relationship building and management capability – extrovert, team player
- Manage information overload “*stir through an information jungle*” (Interviewee, D, com.pers)
- Acknowledging the strength of the social media
- Leadership mentality
 - Motivate
 - Inspire
 - Point the direction on where the business needs to lead
 - Driver of change
 - Visionary
 - Counselling and challenge
- Long-termism-strategic view/broad horizon
- Strong knowledge of the financial industry on a macro level (holistic view of financial services as a whole in terms of strategic orientation, infrastructure, regulatory changes etc)
- Looking for business opportunities within the financial industry and beyond-looking across the whole spectrum of financial services
- Long-term career plan
- Respective
- Open diversity, new ideas and different backgrounds
- Take personal responsibility to achieve goals/result-oriented mindset
- Integrity and accountability
- Being compatible to the organizational values
- High-learning and development aspiration
- Taking pride when accomplishing something that is extraordinary
- Empathy

Open Innovation and Human Resource Management Practices: Prioritizing talent management components

Recruitment	Profiling	Training	Collaboration	Openness
Open recruitment days	Understanding of the personality of the people	Relationship-based cultures and customized trainings	Increases the learning objectives	Bringing in new skill sets from technology and other companies
Collaborative working sessions with internal and external talent	Finding, collecting, storing, enriching, analysing data and then putting in place the process that will take into account the psychological, motivational and demographical profile of the individual employee	Collaborative spirit in the working environment, encouraging and cultivating an inter-departmental and multi-level approach to the management of employees	Allows the nurturing of skills and competences required by the market	Resource process outsourcing,
Speed dating so as to facilitate discussions among managers and candidates and attention to the personality element			Increases the employability range	Pooling labour resources
Leveraging on social media		Understanding of needs, attributes and motivations	Cultivating an open mentality.	Shared management development
			Time and space for creative, connective and collective mindset.	Shared training methods
				Developing employer brand



Open Innovation and Trust

Financial performance

Commitment

Transparency

Security of savings and financial transactions

Job and market stability

Reputation of being a good organization

Solid engagement with customers, competitors and collaborators

Doing things in the right way and being a good member of the society.

Reflects the proudness of the employees being part of a financial institution, delivering, actually very good, results in hard times.

Open Innovation and Trust

Trust is quite of a complicated element, since it is positioned in the middle of all relationships internally

Getting the right balance between empowering people and actually using people

It is really about balancing ethical and paternal employer with being very commercial and still being agile

Encouraging people to feel that they can speak up and that they can actually fail without the fear of retribution so they can experiment.

Providing individuals with certain amounts of autonomy, to feel that they have the purpose and provided with the base to innovate

Trust is also legitimized by transparency and fair processes across the organization

Transparency: collective behaviour and productive challenge to get people involved in decision-making processes, put challenges on the agenda, understand the impact of decisions, provide open and honest feedback, keep promises and commitments and have freedom to speak up when something is not right. In this manner trust is guaranteed within financial institutions that show democratic surplus

Technology: upbringing of a trustworthy environment, working and communicating together, getting a better understanding of the strategic orientation of the company, the priorities, the portfolio of customers and competitors, becoming aware of the problems and being part of the solutions

Organizing for Open Innovation: Top Management, Strategic Leadership and Organization Strategy

Promote trust

Destroy silos

Encourage dialogue, free expression of ideas and thoughts without fear

Be organized in such a way so as to believe in collaboration and partnership, at all levels of the organizational entity

Working very actively across
different countries
different parts of the world
with different skill sets
different organizations (banks, technology companies, governments etc).

Establishment of a very open culture towards working with other organizations and a robust intellectual property

Broader, inclusive, much more strategic, embrace diversity, encourage complementarity in the respective working groups and gives individuals the opportunity to grow and develop within an organization in a much more holistic way. This approach is educational, collaborative, is about mutual trust, giving employees a sense of responsibility by delegation

Transformation of HR to meet new business priorities

- a) retention plan for the best employee
- b) recruitment plan of the right people
- c) follow-up on the planning for proper stating of the financial institution for a time-span of 3 to 5 years
- d) development of a specialized and concrete training plan and strategy, which need to be regularly refined and being very much detailed, since a general training plan is not anymore sufficient, efficient, effective and in compliance with the regulatory framework
- e) compliance with the local and global regulations but within an environment that is prompting high performance of the employees and
- f) creating the right culture within the organisation

Towards becoming the trusted advisor to the executive decision makers on the board

Role models and the front runners towards nurturing extroversion
Moving beyond the procedural and bureaucratic function.

Be an integral part of the business responsible for coaching, advising and driving senior management in relation to people strategy

Ensuring that the organization's culture is translated across organizational, national and international boundaries

Concluding remarks

- Strategic transformation
- Simultaneous delivery of results and attention to issues on a short and long term perspective
- Building of next generation capabilities development culture
- Words such as growth, sustainable profitability, transparency, integration and management of big data strategic orientation, capital adequacy
- Enriching and increasing the business value of customer relationships, at a time when customer behaviours and expectations are more demanding

Concluding remarks (cont).

- Emerging technologies and social media enable flexibility, adaptability, integration, standardization and efficiency
- The financial services sector needs to adopt a more flexible and collaborative organizational culture
- Education and training of the human element will strengthen many of the behavioural aspects of open innovation, including networking and collaboration skills and corporate entrepreneurship
- Skills are part of the institutional strengthening process
- Human resource management increasingly will be the source of competitive advantage
- Organizations need to increase their focus on talent management and building a culture where employees can flourish

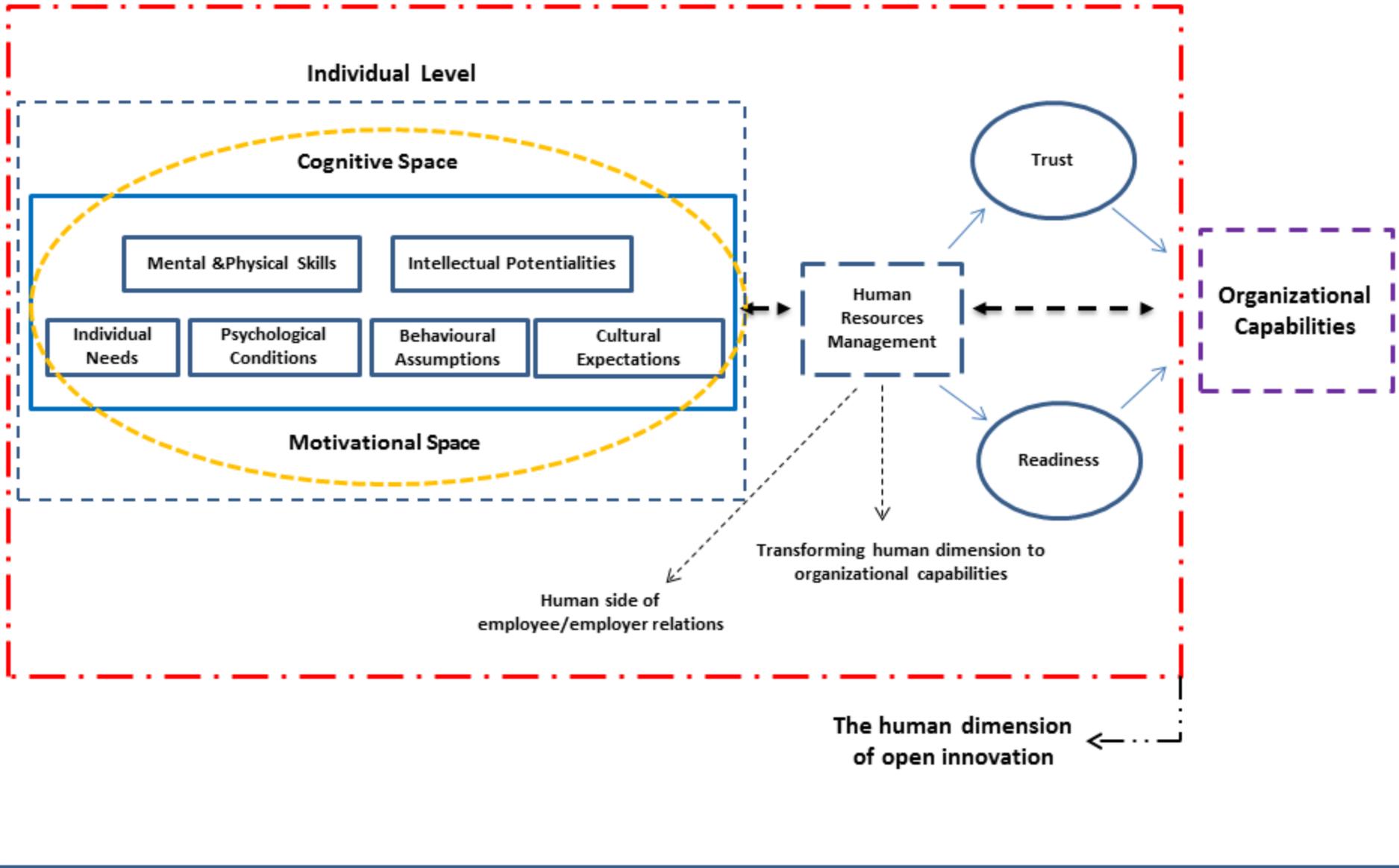
Concluding remarks (cont).

- Employee engagement and employee branding
- HR needs to form a partnership with management
- Shift towards a desired organizational decentralization as part of developing skills, competences and leadership incentives
- Financial institutions as human organizations where the foundation of trust is being developed
- Financial services sector leadership: diversity in terms of talent and knowledge
- People: a driver to the financial industry organizational evolution
- Investment in the human element and subsequently hardwiring into the organization's DNA the ability to generate breakthrough innovation on a continuous basis.
- Creation of a communal ethos within the engagement of employees

Concluding remarks (cont).

- Employee-employer relationship
 - Extracted and instilled value
 - Matching between personal and organizational values
 - Non exclusive attention only to shareholder value
- Regaining trust both inside and also the outside the strict corporate boundaries
- Cross cultural perspectives and global outlook
- Real meaning of open innovation: moving from the institution to the individual
- The human element caters for the financial industry stability

Organizational Dimension of Open Innovation



**Thank you very much for your
kind attention**