

# Retail & Consumer Insights January 2014

## *Innovation in the retail & consumer products industry*



### *Finding and keeping top talent to support innovation*

#### Highlights

- As the talent squeeze tightens, many retail and consumer companies say recruiting and retaining innovative thinkers is a key business challenge.
- Attracting innovative thinkers will require a culture that is open, collaborative, and flexible. It also may be necessary to offer nontraditional benefits.
- Creative employees may think and act outside corporate norms and may be attracted to a culture that embraces individualism.
- Internal engagement is crucial to retention of inventive thinkers. Tactics include autonomy, collaboration with outside individuals, and unique incentives and rewards.

#### *Why attracting the best inventive thinkers is a business imperative*

Acquiring top talent is a top business challenge for most retail and consumer companies. Executives know that the right creative thinkers—those who can connect the dots between consumer desires and new products and services—are essential to inspire game-changing innovation.

But in today's hypercompetitive market, finding the right people can be a formidable task. In PwC's Global Innovation Survey 2013, executives said finding and retaining top talent is their top innovation challenge, cited by 59% of consumer packaged goods respondents and 51% of retailers.<sup>1</sup>

"It's always a challenge to get the right people in the right places, and talent is becoming increasingly specialized, particularly when it comes to technical mastery," says Bill Schumacher, senior vice president and chief financial officer of Sunny Delight Beverages Co., a producer of juice-based drinks. "Finding talent for both revolutionary and evolutionary thinking can be difficult, especially for smaller companies."

Recruiting creative thinkers will demand an unflagging commitment to a workplace culture that embraces individuality and freedom. Above all, the culture and workplace environment must be open and collaborative.

To get it right, top executives should be proactively involved. Our survey of retail and consumer executives, for instance, found that 72% of respondents said creating and fostering an innovative culture requires that senior executives participate in innovation projects.

A carefully considered culture and environment can inspire creative thinkers to collaborate and generate breakthrough products and services. That's why support for innovative thinkers should be a key tenet of the business model.

<sup>1</sup> PwC, *Unleashing the Power of Innovation*, 2013

# Recruiting

## Why the right organizational culture is key to attracting innovative thinkers

Innovation is a tough game. It requires winners to recruit a talented team of bold thinkers, and the first step in this process is understanding what creative thinkers want from an employer.

“I would say they want the freedom to operate,” says Schumacher of Sunny Delight. “We allow our innovation team to play with ideas that they come up with, even if they’re not necessarily mainstream upfront.”

This autonomous mind-set meshes well with an intrapreneurial culture, one in which internal employees are given the freedom to innovate by thinking like entrepreneurs. Indeed, some businesses have embraced the power of bold individual thinking by creating internal innovation labs, essentially entrepreneurial units that operate with a different culture and mentality.

Besides autonomy, breakthrough innovators typically want to be recognized as a person who makes a difference—to his or her profession, to the company, and sometimes to the world. More than anything, creative people thrive on the challenge of solving tough problems in open, free-flowing collaboration with others.

Innovative thinkers will be drawn to a workplace that is flexible and engaging—both culturally and physically. At Sunny Delight, for instance, Schumacher says roughly 20% of the company’s office space is an open area with comfortable sofas and chairs and large windows with expansive views. “It’s a nice, relaxed atmosphere for one-on-one or group meetings,” he says.

Innovators also may expect other perks like a fitness center, a well-catered cafeteria, and gaming equipment.

These extras may seem frivolous, but they serve a fundamental purpose: to encourage thinkers to leave their cubicles and talk with one another.

Flexible work policies are increasingly essential. That’s why The J.M. Smucker Company is formally defining new initiatives that include a flexible work schedule and vacation policy, and implementation of updated technologies. “Clearly, this is a recruiting tool for innovators,” says Mark Belgia, senior vice president and chief financial officer of the food product manufacturer.

### **The right culture for bright ideas**

When recruiting, people whose values match those of the company culture will often be the best fit.

Consequently, businesses should develop a culture that is tangible to the outside world. Many independent thinkers, particularly younger workers, may be attracted to a brand that demonstrates strong core values on trust, honesty, social responsibility, and environmental sustainability.

Like many businesses, Smucker makes its culture known through an annual corporate responsibility report, which highlights the economic, environmental and social impacts of the organization. “The report includes the role that Smucker plays in communities that we are involved in, which is important from a recruiting perspective,” Belgia says.

Creative thinkers typically value ideas and processes that are new and different, and they may think and act outside corporate norms. Inventive types may not flourish in an atmosphere of heavy bureaucracy and regulations. Consequently, a certain

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*Most creative thinkers prefer a culture of autonomy, flexibility, and individualism. To attract these innovators, businesses may need to reconsider certain policies and expectations.*  
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acceptance of unconventional behavior, as well as relaxed standards and rules, may be necessary to attract innovators.

### **Management challenges**

Building an open, creative, and collaborative culture may seem counterintuitive to some top executives. Innovative thinkers, after all, value exploration, curiosity, and disruption of the status quo—factors that often cannot be understood through the lens of an MBA.

Consequently, the first challenge in creating a culture of innovation may be persuading executives to embrace creative thinkers and allow them to experiment in a protected environment.

Certain tenets of management may need to be recalibrated in order to channel creativity in ways that are successful. For instance, senior executives should understand that an innovation culture is not driven by profit or marketplace strategies. Executives also should accept a certain amount of risk and tolerate mistakes. This is critical because, in many cases, innovators learn by failing.

While creativity is key to innovation, the ability to achieve business results such as commercialization and scaling is equally important. The right balance will require that the creatives effectively collaborate across the organization to realize profitable growth and other business benefits.

# Retaining

## Employee engagement—internal and external— is essential to keeping creative talent

Recruiting the right innovative thinkers is only the start of the game. Once hired, retaining them is equally as important, especially as the economy continues to improve and the talent squeeze tightens.

Internal engagement is crucial to retention. It should combine opportunities to experiment with ideas and an atmosphere in which innovative workers know they are valued.

Retail and consumer executives say that autonomy and the ability to take ownership of projects also foster engagement. “Our innovation team gets a chance to cut across pretty much everything our business teams are working on,” says Schumacher of Sunny Delight. “They get an opportunity to have a front seat to see the impact that their ideas and contributions have.”

This is essential for Millennials, younger workers who grew up with technology and the Internet. Engaging this generation will often require work that is highly meaningful and recognition for a job well done.

### Thinking outside the workplace

Truly creative types think outside of the box—and outside the work environment. The best innovators draw upon a wide network of outside IQ points for cross-pollination of ideas and concepts. This should be encouraged as a means to foster engagement.

Creative thinkers who establish and sustain networks of outside intelligence will be better equipped to develop products and services via open innovation, a type of collaboration with outside partners that typically drives the most growth.

“Our folks have a lot of freedom to present at industry conferences as well as participate in trade shows and see what’s out there,” says Schumacher. “Anything they want to do that gives them a window into what’s going on in the world, we are certainly open to allowing that kind of mobility.”

Encouraging this type of unbounded curiosity can help incubate a “multiplier effect” of talent. Employees who are well-connected with a broad range of outside collaborators can contribute supplemental knowledge and experience for innovation efforts. As a result, they are likely to remain engaged and challenged.

### Differential incentives

Creative thinkers are different—and they should be, measured, and rewarded differently.

Retaining creative thinkers will demand a management approach that balances an open and collaborative culture with an unwavering dedication to proactive development of skills and competitive pay and benefits.

Also important is a commitment to career mentoring and mapping. “We provide the opportunity for innovative thinkers to work across various business lines,” says Belgya of Smucker. “We are formalizing a process that will allow employees to understand where they are, what opportunities are available, and what training is offered.”

Let’s be very clear about compensation: A competitive salary is essential, as are the right benefits and employee programs that fit the organization’s unique culture. But beyond that, monetary rewards for bright ideas may be counter-productive.

That’s because innovative people are motivated by recognition such as peer-nominated rewards, a shout-out at meetings, and even material items with little value such as a polo shirt celebrating an achievement. These forms of recognition enable the employee to share the achievement with others in ways that compensation cannot.

Another approach is to recognize individuals in patents as a means to engage and incent innovators.

### Chiming in for innovation

At Sunny Delight, the importance of recognition is as clear as a bell—literally. When a significant innovative idea is discovered, executives ring a bell in the center of the workplace.

“It’s a little on the cheesy side, but when we see something we think will have a measurable and significant contribution to the business, we don’t hesitate to go out and ring the bell,” says Schumacher. “That brings everybody to the center of the office, and we recognize the accomplishment.”

Retaining the most talented innovators will require careful consideration of what stimulates, challenges, and engages these creative thinkers. In some cases, unconventional adjustments to a company’s culture may be warranted. Such adjustments can be daunting, but well worth the effort. Because in the end, building a culture that appeals to innovative thinkers can lead to new products and services, which in turn can drive growth and revenues.

# Questions and answers

**We interviewed Bill Schumacher, senior vice president and CFO of Sunny Delight Beverages Co., for this series on innovation. Following are excerpts from the interview.**

**Q: How does Sunny Delight's organizational structure enable innovative thinkers and how are top executives involved?**

**A:** We don't have a lot of bureaucracy or a lot of layers, and our innovators are exposed to senior leadership fairly frequently. They have an opportunity to discuss their ideas with the CEO as well as the rest of the Sr. management team. So it's a fairly collaborative environment and one that we think shows employees how much value we think they can create.

We also allow our innovation team to play with the ideas they have. While we do try to prioritize efforts given our limited resources we allow and encourage our folks in the innovation group to take ideas and run with them. If we catch something that could have a potential impact, we're not shy about trying to do a test market around it.

**Q: How do you incent and motivate innovative thinkers?**

**A:** To a great extent, we use a lot of the typical tools. Some of those include cash bonuses and a little bit of equity. We try to use that to create a direct connection to the individual's contributions and make sure they are properly incented from a compensation standpoint.

The bigger thing is that we really try to create a positive work environment that encourages flexibility and freedom. Our folks do not operate in a 9-to-5 routine and they are pretty important members of business teams working on our core brands.

**Q: Can you describe a product innovation borne of innovative thinking?**

**A:** On one of our smallest core brands, Veryfine, two people did the vast majority of work to launch a new product called Veryfine Chill. We are all about bottles, and this was the first time we put something in a can. These two individuals worked on the ideation, development, and launch, and we went to market with a 23-ounce can priced at a buck. They pretty much ran with the idea and ultimately they got enough traction to where we took it to market. That's a good example of something that wasn't mainstream with anything in our core business.

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