

Enhancing a Global Innovation Culture

Changing a corporate culture is always extremely difficult. This was the challenge facing Michael Rencheck, President & CEO of AREVA North America and Dr. Andrew Cook, Senior Vice President of Operational Excellence & Innovation. AREVA has always enjoyed a solid reputation as a leading global company in the nuclear service and engineering fields. However, the strong safety culture and regulatory oversight of the nuclear industry contributes to a high level of caution and conservatism within the entire organization.

The perception of AREVA being quite careful became evident when Dr. Cook had discussions with clients, where it was compared to competition. While clients respected AREVA, they wanted more new and better ideas on how they could use its capabilities. Mr. Rencheck and Dr. Cook wanted to transform AREVA from a market follower into a market leader. They had many brilliant individuals with clever ideas, but concepts remained in the “pipeline” too long, with few reaching commercialization or providing benefits to clients. Dr. Cook realized he needed to bring in outside professionals who could serve as catalysts to stimulate new thinking and improve the process of validating and implementing new ideas to expand AREVA solutions, starting with a focus on understanding our customers’ needs.

Dr. Cook turned to Global Partners, a global consulting and training company headquartered in Cambridge, MA. They were respected by Dr. Cook as they had been conducting workshops for AREVA on strategic marketing and sales for a number of years. The Global Partners principals and Dr. Cook had much in common – extensive global experience, strategic perspectives, mature and seasoned individuals with a penchant for listening, analyzing problems and identifying new insights for improvement.

One issue involved budgets. The normal funding for R&D initiatives at AREVA had been sourced by allocations based on a percent of the previous year’s sales. This didn’t always relate to business needs, new market opportunities or customer centered innovation. Also, without an effective process for researching and validating ideas, funds could not be directed effectively due to the lack of value propositions with established business cases.

The mandate given to Global Partners by Dr. Cook was to develop a focused and proactive process to commercialize ideas. This was a challenge as the current process reflected management practices deeply imbedded in the company culture. Managers were technically capable, with strong engineering backgrounds, yet not experienced in preparing business cases. As a result, there was an important need to not only develop effective processes for identifying

and implementing these ideas, but to also train AREVA managers to develop new practices that could be adapted within AREVA, seamlessly with excellent international cooperation.

The first step was to secure senior management's endorsement and support. Fortunately a new CEO was in place who strongly believed in innovation. A special "Incubator Committee" was formed, led by Ed Peterson and Erik Haas, to provide a forum for business cases and manage the new commercialization structure. Concurrent with these initiatives, Dr. Cook asked Global Partners to develop a step-by-step innovation training process, including a customized three day workshop to help adjust the behavior of select leaders and initiate an underlying transformation using a stage-gate process and a Product Development Review Board. This new innovation approach had three critical stages of development and implementation, with a workshop day devoted to each:

1. **Business needs, Market and Customer Planning** – This was the starting point, as it recognized that new insights and ideas should come primarily from key customers. This stage involved prioritization of targeted customers' needs, value pricing perceptions, and identifying early adopters, etc. It also involved an examination of the EBITDA and revenue needs of the AREVA business 5 to 10 years out, as a driver for product creation.
2. **Business Plan** – An analysis of the benefit to the customer and hence how much AREVA should invest in creating the product was created. This resulted in a pro forma spreadsheet for the product, before ideation was even begun. These spreadsheets had to be fully quantified with realistic metrics on revenue expectations, ROI criteria, performance measurements and strategic customer value. At the tail end of the product development cycle a detailed road map for final product development and product roll out was created.
3. **Feasibility** – While many ideas may have sounded promising at first, extensive research and further analysis were critical to determine the basic viability of each idea, and importantly whether/how each could be successfully commercialized.

The results from this new process and customized workshop were positive in many ways. The most noteworthy was how this global company, filled with experienced engineers in a risk-averse industry adjusted their culture to become excited about innovation. The Product Development Review Board stewards the validation process, screening new ideas each month, funding promising initiatives, and reviewing business plans.

Dr. Cook summarized these improvements when he commented, "This was a tough assignment. Global Partners worked closely with us to create a customized course, beta test it, improve it, do it again, improve it and do it again until we got it right. It has been a very valuable way to

help our company learn the value of up-front business case analysis in product creation.” While Dr. Cook saw these innovative changes as encouraging for a tradition-based company like AREVA, he also recognized that more improvements are needed, especially for the initial stages of identifying customer problems, business need formulation, pro forma analysis and creating new ideas.

Management is today conducting monthly “Innovation Happy Hour” forums where employees network across the company’s many divisions, discuss customer problems and brainstorm solutions. A new recognition program will reward successful idea submissions. Additional tuning can be expected to encourage in-depth preparation, relevant research and structured brainstorming through ideation.

Success to date can be measured in numerous ways but a few metrics suggest what has happened so far: 45 solutions are working their way through the stage gate process; 12 solutions have already been released to the market; 10 business plans have been completed and an additional 9 are in progress. This cultural evolution at AREVA continues as senior managers track ongoing customer problems/opportunities and strive to make AREVA a leading and respected world energy solution provider.