

THE SOCIAL CONSTRUCTION OF HOMOGENEITY IN ORGANIZATIONAL INNOVATION PRACTICE:

Studying innovation practice in groups

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This paper explores and describes some of the rather surprising constructions of homogeneity in innovation practice; to describe why these dynamics are important to consider in organizational innovation, seen as they are to prevent innovation practice from being *innovative* practice, e.g. exploitation rather than exploration. The paper is still in the making, but outlines some of the problems arising from groupthink and homogeneity in innovation practice, and the potential consequences in terms of ingroup bias and outgroup derogation in the identification with customers.

Keywords: innovation practice, innovation management, diversity, homogeneity, networks and knowledge domains

1. Introduction

This paper results from a research project designed to study the social construction of diversity in organizational innovation practice; first of all to understand how diversity can be leveraged and used in innovation; and secondly, to re-think current innovation management processes to take into account this understanding of diversity dynamics in innovation. The research is conducted from a social constructivist perspective, and in drawing upon social identity theory, categorization theory, and situated learning theory, diversity within a group is defined as the availability AND salience of multiple knowledge domains within a group. The purpose of the research is an understanding of the innovation practice, which allows for a multitude of different knowledge domains to be made salient, and thereby leveraged in innovation practice.

In the process however, of studying organizational innovation practice different group settings, to understand how each group would manage to construct such diversity, e.g. allow for multiple knowledge domains to be salient in innovation practice, it soon became apparent that homogeneity was probably equally as interesting a phenomenon to study, as it was quite surprising how many of the groups in question seemed to be constructing homogeneity much more than they seemed to be constructing diversity. In line with the definition of diversity above, homogeneity in this context is defined as the salience (dominance) of a very limited number of different knowledge domains, independent of the seemingly number of available knowledge domains.

The surprise was not that homogeneity was constructed, as that is a well-known and well-studied aspect of group dynamic. What was surprising however, was the overwhelming degree to which the group engaged in such homogeneity-construction, given the fact that 1) every group studied was 'designed for diversity' and, 2) the task was to be specifically innovative, and therefore to benefit from all of the available knowledge domains in the group, e.g. their knowledge diversity.

This paper thereby sets out to explore and describe some of these rather surprising constructions of homogeneity in innovation practice; to describe why they are incredibly important to be aware of in any form of innovation practice, seen as they are to prevent innovation practice from becoming *innovative* practice, and finally, discuss the implications of these homogenization dynamics to innovation, and particularly to current innovation management practices.

2. The domain of organizational innovation

Organizational innovation and innovative practice therefore rely very much on organizational knowledge networks, and how such networks of conversation allow for or prevent different domains of

knowledge from being connected in new and meaningful ways. Drucker (1985) argues that it is exactly the organization, understood as the patterns of relationship between people in that organization (Stacey, 2001), which provides the most important premises for innovation. Drucker (1985) in line with this perception of innovation describes seven contextual sources of opportunity or discontinuities and determines innovative practice by the organizational ability to explore enough to know when these possibilities arise, while at the same time being able to exploit these contextual opportunities when they arise.

In this perspective, the organization can be described as a constellation of different knowledge domains between which patterns of relationships potentially emerge, thereby providing for the exploration of new knowledge territory, both within and outside of the organizational knowledge domain; where the innovative practice of exploring and exploiting these differences in knowledge, meaning and experience (Wenger, 1998; Stacey, 2001) defines the ability to successfully benefit from and activate the knowledge available to any given innovation project.

The ability to benefit from multiple knowledge domains (knowledge diversity) within an organisation is thus becoming increasingly important; and allows for innovation to be defined as the exploration of new possibilities by exchanging and combining existing knowledge from previously separated knowledge domains in new ways (March, 1991; Nahapiet & Ghoshal, 1998; Hargadon & Sutton, 2000; Justesen, 2001). The definition applied here for such a knowledge comes very close to the definition of a social category, as described by social identity theory and self-categorization theory, and can be either demographic (e.g. "American", "Woman", "Young"), or functional (e.g. "Engineering", "Marketing", "Protein Design", "Fresh Dairy"), where functional knowledge domains are defined based on discipline, education and/or organizational affiliation. Each knowledge domain represents a given set of technical skills and abilities (hereafter referred to as *techne*), and a particular set of values and perceptions (hereafter referred to as *cognition*). Knowledge diversity within a group is thereby defined in terms of differences in both *techne* and *cognition*.

Organizational innovation is thus defined as the social construction of successful innovative practice, here defined as the organizational exploration of new possibilities and the subsequent successful exploitation of these (Schumpeter, 1934; March, 1991); in a process in which knowledge from previously separated knowledge domains is exchanged and combined in new ways (Nahapiet & Ghoshal, 1998; Hargadon & Sutton, 2000). The result of this innovative practice therefore is innovation when and only when this combination of domains leads to the successful diffusion of a new

product, process or service (Schumpeter, 1934). Innovative practice is therefore not merely about getting new ideas and the generation of an invention, but equally about the successful exploitation and diffusion of that invention. All of which only makes apparent the need for organizations to be able to benefit from this knowledge diversity, by learning how to leverage innovation practitioners in combining and exchanging knowledge across the different domains of knowledge, both inside and outside the organization.

This paper focuses on organizational innovation processes, with a specific focus on innovation practice, making a specific distinction between *innovation process*, drawing upon Brown & Duguid (1991) defined as the canonical and formal innovation process set up and sanctioned by management, and *innovation practice*, defined as the non-canonical practice actually taking place in the innovation process. The term innovation practice, thereby implies the intention of being innovative, as it is “situated” in the innovation process. But as we shall see in the following, innovation practice being actually innovative is not a given in organizational innovation, In the instances where innovation practice actually is innovative (e.g. explorative and actually combining and exchanging knowledge between previously separated knowledge domains), then the term *innovative practice* will be used.

3. The role of diversity in organizational innovation

Within recent year an increasing support is emerging across a series of different research fields, for the assumption that group diversity among practitioners involved in innovation projects is seen to promote creativity and increase innovation performance (March, 1991; Damanpour, 1991; Adams, Bessant & Phelps, 2006; Nemeth, 1986; Cox, 1993; Sutton, 2002; Ancona & Caldwell, 1992; Keller, 2001; Olsen, Walker & Reuckel, 1995; Guimera et al., 2005).

This assumption is primarily supported by a number of input-output studies comparing innovation performance between homogeneous and diverse groups. Noteworthy among these input-output innovation studies comparing the overall innovation performance of diverse groups with the performance of more homogeneous groups are: Ancona & Caldwell (1992), who studied 42 New Product Development (NPD) groups; Keller (2001) who studied 93 NPD groups, and Olsen, Walker & Reuckel (1995), who studied 45 innovation groups. These three studies all found diverse groups to show significantly increased innovation performance compared to more homogenous groups in terms of 1) the technologies and solutions they came up with, 2) their ability to maintain budgets, and their ability to stick to and stay within the deadlines, e.g. faster deliveries.

A careful review of a broader spectrum of relevant literature closer to the realms of innovation research than to diversity research ¹ reveals how research from a variety of different fields have found diverse groups to outperform their more homogenous counterparts. Building on Justesen (2001), some of the most important innovation capabilities that have been found to be enhanced by group diversity are 1) **requisite variety**, e.g. awareness of and access to a broader variety of knowledge, experience and resources within the group, suitable for dealing with unforeseen contingencies in the environment (Ashby, 1956; Nonaka & Takeuchi, 1995; Burns & Stalker, 1961; Daft & Weick, 1984; March, 1991); 2) **external network diversity**, e.g. awareness of and access to a broader variety of knowledge, experience and resources both within and outside the organization, which is critical in order to explore and search external knowledge (Powell, 1998; Rothwell, 1992; Ibarra, 1992, Granovetter, 1972; McPearson, Smith-Loven & Cook, 2001; Krackhardt & Hanson, 1993; Cummings and Cross, 2003; Burt, 1992); 3) **absorptive capacity**, e.g. “ability to recognize the value of new, external information, assimilate it and apply it to commercial end” (Cohen & Levinthal, 1990:128; Katz & Lazer, 2003); 4) **Creative destruction**, e.g., the ability to challenge institutionalized assumptions about existing products, functions, strategies, operations, practices and procedures (Levitt, 1962; Thomas & Ely, 1996; Baker & Kolb, 1993), and finally 5) **Problem solving and decision making**, e.g. the availability and use of multiple perspectives through which a problem can be understood AND multiple heuristics, which allow for multiple cognitive skills and problem solving methods, and thereby also the quality of overall decision making within the group (Hong & Page, 2004; Jeppesen & Lakhani, 2005; Von Hippel, 2005; Elsass & Graves, 1997; March, 1991).

It is therefore somewhat safe to state that the role of diversity is perceived to be important in relation to innovation, but also that the role of diversity is attracting a lot of attention among innovation scholars and researchers in recent years, as seen in the number of academic articles published every year dealing with both diversity and organizational innovation ², as illustrated in appendix XX. A similar interest can be observed within the general business community, where innovation practitioners and managers are being increasingly exposed to the phenomenon of diversity in relation

¹ Broadening to search to also include identity theory, network theory, echelon theory, evolutionary theory, knowledge management and organizational learning theory

² Based on a search for articles featuring both innovation and diversity in either title, abstract or keywords in these journal databases: Business Source Premier, Proquest ABI/Inform, JSTOR and Ebsco Electronic Journals Service (EJS),

to innovation, be that at innovation conferences³, in business journals and magazines⁴, in weblogs focusing on innovation⁵ and in the business media in general⁶, as illustrated in appendix XX which provides a quick overview of how ‘diversity’ has entered the overall innovation discourse in these different business contexts.

Therefore, it is of no surprise that organizations are experimenting with diversity for the sake of innovation, which primarily takes the form of either: 1) recruiting to increase organizational diversity, 2) assembling more diverse innovation teams and groups, and/or 3) encouraging cross-fertilization, in which innovation practitioners are encouraged to explore and exploit new and unfamiliar knowledge domains, both internally (encouraging cross-functional and cross-disciplinary collaboration) and externally (encouraging open innovation). And it really does make sense for them to do so, after all, as Kratzer, Leenders & Van Engelen explain it (2004:64) “the core product of innovation activities is knowledge, and new knowledge can only be created through interaction between specialists with varying backgrounds of expertise”, e.g. diversity.

It needs to be stated however, that there is a very important stream of diversity research, primarily departing from social psychology, and organizational diversity research, describing the negative aspects and potential liabilities of diversity in groups, due to issues of social division, poor integration, lack of cohesion, absenteeism, turnover, communication problems, intergroup anxiety these studies document how diversity in groups tends to promote group conflicts, and thereby threatens both the existence and the performance of diverse groups (Mannix & Neale, 2005; Guimerà et al, 2005; Jehn & Northcraft, 1999; Justesen, 2001, Cox, 1993; Brewer, 1991; Tajfel, 1987; Basu, 1999; Armstrong & Cole, 1995; Schneider, 1987;). These aspects of diversity are of course highly important, also in this research project, but will not be dealt with in this paper.

³ Fortune Innovation Forum in New York, Innovate Europe in London, KM Europe, Stanford Innovation Summit etc.

⁴ Fast Company, Wired Magazine, Business 2.0, BusinessWeek, The Economist

⁵ Business Innovation Insider, IM-Boot, Boing Boing, CPH 127, Ideaport, InnoBlog, InnovationTool, Nussbaum BusinessWeek and (of course) InnoversityBlog

⁶ Financial Times, International Herald Tribune, New York Times, Wall Street Journal

4. Methodology

The unit of analysis for this research project is defined as "groups embedded in an organizational social network with the task to innovate". In order to learn from a wide variety of different innovation practices (and avoid being restricted by a particular innovation process dominant within a particular branch or industry) innovation groups and practices have been studied in six very different organizational contexts. The innovation groups studied were innovating a food, TV concepts, financial services, pharmaceuticals, logistics and biological solutions. Management in each organization involved in the research project was asked to indicate an innovation group and project to be studied, based on criteria of timing, radicality (to avoid innovation projects to be too incremental, e.g. exploitation rather than exploration), and finally, a criteria of diversity.

The methodology applied for this research involved longitudinal studies of six different groups, in a combination of four different research methods: field observations, social network analysis, interviews, and research workshops:

- *Field observations:* participation in meetings to study how and the hypothetically available knowledge domains were made salient in the innovation practice and none the least the interactions of the group members present.
- *Social network analysis:* In order to study how the group activates knowledge domains immediately outside the group, in the remainder of the organization. Also to study whether group members would seek out similar or dissimilar others elsewhere in the organization, e.g. people pertaining to similar or different knowledge domains.
- *Interviews:* All of the group members are interviewed to discuss and make sense of the observed incidents during meetings, and the interaction patterns emerging from the social network analysis.
- *Research-workshops:* These research workshops are conducted with most of the case organizations after the primary analysis work has been completed. In each research workshop, the researcher presents the findings from this particular case organization, to a wider audience within the organization (the innovation practitioner involved, innovation management and others who have in one way or another been involved in the research project! The purpose of

this is to engage in a dialogue about these findings, thereby also generating meta-data, about how these findings are made sense of by the people and organization involved,.

The table below describes how and the degree to which these above described methods and procedures have been applied and used in the study of each of the six cases:

	CASE B	CASE G	CASE D	CASE C	CASE H	CASE E
FIELD OBSERVATIONS: primarily meetings	35 hours of group meetings observed	40 hours of meetings + 3 months of co-location		24 hours of meetings	36 hours of meetings	29 hours of meetings observed (+ two fieldtrips', e.g. valuable informal interactions
NETWORK ANALYSIS: Brutto / netto	7/205	9/23	45/926	1/24	-	639 / 162 / 15
INTERVIEWS	9 interviews	2 interviews	8 interviews	9 interviews	1 interview	8 interviews
RESEARCH WORKSHOPS	x	x	?	x	?	x
<i>Two cases from the original sample have been eliminated and one new added</i>						

Table 1: Data from the six cases studied

Before engaging in field observations within each group, the potentially or “hypothetically knowledge domains” were mapped, in order for the researcher to have an initial frame of reference to depart from. This initial map was then continually developed over time in the innovation process, as new knowledge domains emerged or new fault-lines (Lau & Murnighan, 1998) were identified. Below is illustrated an example of the hypothetical knowledge domains in one group, where the number indicates how many of the group members were identified as pertaining to that particular knowledge domain, thereby also indicating the hypothetical fault-lines within the group:

British	1
Danish	6
Swedish	6
Female	8
Male	5
Branding of food category X	5
Prod. Development Food category X	4
Engineering	5

Project management	3
Marketing	8
Food category X	13
Focal company	12
Outside company	1

Table 2: Hypothetical knowledge domains in one group

This list of hypothetical knowledge domains then evolved and changed gradually during the innovation process, new domains were added, some domains reduced their importance when not used, and other domains gained importance when they were being activated more within the group. All of which in a constant negotiation within the group, between the group members, and as observed (not quantified) by the researcher! As a gendered researcher, this is done from a particular perspective, departing from a particular class, racial, cultural and ethnic perspective, from within a certain framework which specifies exactly that set of observations, to be then examined in a particular way (Denzin & Lincoln, 1998). As a researcher, one is “bound within a net of epistemological and ontological premises which – regardless of ultimate truth or falsity – become partially self-validating” (Bateson, 1972:314), situating the researcher as a multicultural subject, adhering to a certain framework or paradigm, described as “a basic set of beliefs that guides action” (Guba, 1990:17).

An example of how a knowledge domain is activated is this statement: (CB-FO-FT4-P7) ”As a marketer you would very much like to think about how to affect this process, and not just be registering the process” [activating the knowledge domain of *marketing*], or (CE-I4-P11) ”Everybody brings different information to the table. CE-4 has the performance information, I have the expression information, and CE-7 has the capacity information and it is important for us to make a decision, when all three pieces of the puzzle, course nobody has all three of them” [activating three different knowledge domains]

In each meeting, it was observed how and the degree to which these multiple knowledge domains were made salient within the group, resulting in a diversity of *techné* (technical skills and abilities) and cognition (values and perspectives), to be combined and exchanged to explore new possibilities and uncertainties. It needs to be stressed that this observation was limited to these meetings only and does therefore not account for the activation of knowledge domains in innovation practice in the group outside of these meetings.

5. The construction of homogeneity in innovation practice

However, even if the multitude and availability of hypothetical knowledge domains in all groups was well above average in the innovation groups studied, as they had been particularly casted for diversity, one of the surprising findings was the degree to which these groups would limit themselves to be drawing upon only very few of the potentially available domains in their innovation practice, leading to the construction of sometimes extreme levels of homogeneity among the members of the groups, due to only very few of the potential knowledge domains being ever salient in the group.

5.1 One very salient knowledge domain: the organizational code

The data analysed in the remainder of the paper stems from several different cases, but primarily builds on one examples from the analysis of the innovation practice in Case B. This case is particularly interesting, as the innovation process they go through could potentially be described as picture perfect according to most text-books on innovation processes (Identification of needs and trends, innovation strategy, idea generation, concept development, evaluation and prioritization of ideas, portfolio plan). Furthermore, the way in which the group was managed would be picture perfect according to most diversity management textbooks: emphasize one super-ordinate social identity, thereby minimizing the conflicts potentially arising from perceived sub-group dissimilarities. Because the latent conflicts were most definitely there, which came across on several occasions, and became especially clear in the individual interviews, where informants were able to express themselves more freely.

Using the terminology of March (1991) on the role of organizational learning as a balance between learning the organizational code, and learn.... How do they sanction deviance, how is the code being learned (drawing on March, 1991). Drawing also on theory around ingroup favoritism and outgroup derogation..

Group B is particularly interesting because two of the knowledge domains available to the group, seemingly represented a very strong faultline that was never really addressed by the group directly, but came to show on several occasions in the innovation practice studied. This faultline is the consequence of a Company B being a merger between a Danish and a Swedish company which happened in 2000,

and the differences between the Danish and the Swedish part of the company is a very salient faultline in the group, hardly ever referred to directly, but very often indirectly by constantly emphasizing the differences between 'the danes' and 'the swedes', between Denmark and Sweden, and, most importantly, between Danish and Swedish consumers. One of the primary reasons for the merger was to increase volume on each of the products in the product portfolio, which requires the company to develop, produce and sell products targeting both markets at the same time, instead of developing, producing and selling products targeting only the Danish, or only the Swedish market.

But one important part of the salient organizational code is cented very much around the primary product: milk, constantly referred to as both very healthy and even "even better than water" – as illustrated by this statement: "hopefully milk as a natural and pure food ingredient which can be tailor-made could counter for this" . And even more so in this identity-discussion:

AL: "What would it take to make milk a lunch drink?"

UV: "I don't like it".

HC: (with a rather surprised tone in her voice): "You don't like it?" (as if he said something appalling)

UV (somewhat withdrawing): "It is not that I don't like it, I just....."

LN: (interrupts UV): "So you would prefer water over milk for lunch?"

UV: "Yes, I am put off by the taste...."

LN: (now questioning his milk-values): "But do you think that milk is more healthy than water?"

UV: "Yes, I do – and I would like to replace water with milk at lunch-time, but I am put off by the taste" .

They talk about this a little further, but eventually UV is let off the hook, when he 'passes' the value test (healthier than water). Both HC and LN seemed really surprised and really appalled by UV admitting that he did not like milk, and they asked him a few more questions about how he felt about working for a dairy company, when he did not like milk himself. How milk is something that they share and gain identity from, which seems to also be what can even make up for the Swedish-Danish faultline. This identification with milk which becomes even more salient, over lunch, when someone walks out the door to get some milk and then asks if anyone else wants milk and everybody (apart from UV obviously) put their hands up, and start asking for each of their preferred brand of milk. "There are several other occasions that seem to indicate that milk is not merely a product they develop, market and sell, it is something that they – each of them – have a personal relationship with in their everyday life. *Would it be possible to think of milk as a boundary object in this context? Would it make any sense?*

The focus on health, and milk as a healthy thing, creates a shared sense of doing the right thing, and taking good care of their customers, as illustrated by this observation:

HC is studying some of the packaged goods brought by TVE from the UK, one of those specifically targeted at children, and studies the label.

HC: "Poor British children, what they are getting to eat..."

EG: "It is dangerous to overdose with all of these vitamins.."

HC: "But maybe we are overprotecting...."

5.2 Poor decision making: preference – experience - evidence

One of the most striking consequences of the observed homogeneity in the groups, was the way in which it affected overall decision-making! It seems well-established by for instance the stream of research on groupthink (Janis, 1972), which he defines as "a mode of thinking that people engage in when they are deeply involved in a cohesive in-group, when the members' striving for unanimity override their motivation to realistically appraise alternative courses of action...Groupthink refers to a deterioration of mental efficiency, reality testing, and moral judgment that results from in-group pressures. *Janis (1972: 9)*. Research on groupthink however, is not directly applicable, as much of it seems to indicate a certain stage that a group may reach, after having worked together for an extended period of time, thereby growing too cohesive. In the groups studied it would however rarely be a permanent stage, but rather glimpses being constructed, sometimes lasting for a few minutes, in a particular discussion, other times be present for a full meeting. But it was never observed as a permanent stage.

None the least, the eight symptoms of groupthink outlined by Janis (1972), which can be used to identify groupthink dynamics, provide a useful lens through which the group argumentation and decision-making behavior can partly be described. The eight symptoms are: 1) **Illusion of invulnerability** (the group finds itself incapable of being wrong), 2) **Rationalization** - the group's goal justifies the means, 3) **Inherent morality** - the group feel what they are doing is best for 'the world', 4) **Stereotypical thinking** - The group employs preconceived notions in evaluating information, 5) **Mind guards** - Group members take it upon themselves to protect the group from information that contradicts prevailing opinion, 6) **Pressure on dissenters** - Group members aggressively "go after" colleagues who disagree with the general sentiments of the group, 7) **Self-**

censorship - Group members willingly refrain from voicing opposition to the prevailing sentiments of the group, 8) **Illusion of unanimity** - The belief, within the group, that silence is an indication of agreement.

Many of these symptoms, if not all of them, have periodically been observed in each and every one of the innovation groups studied, so the groupthink as a phenomenon underlies the analysis and applied to describe the poor decision making observed, namely argumentation and decision-making being based on personal preferences, personal and private (e.g. non professional) experiences, and finally the lacking use of evidence or knowledge, which very often is not even called for! Each of these three observed phenomenon are discussed below.

OH: "In Denmark the Greek yoghurt is used for brunch, if you get a brunch in a café, it will almost always be served with a Greek yoghurt..."

LI: "But why do you think that is? Is it because it is more premium, or is it because it is more creamy?"

OH: "I don't know. I think it is probably a co-incidence"

DO: "I think because it is just different, different from everyday yoghurt..."

OH: "We know that there are somebody that really like the creamy yoghurts..."

Notice how they first of all just register the tendency for Greek yoghurt at café's, without wondering, or actually absorbing and integrating that knowledge into their discussion, or trying to understand the underlying needs. Trends are registered for what they represent in terms of product attributes, and because discussions about trends tend to stop there, at the product attributes, they are not conveying a deepened understanding of who their customers are. Secondly, this is a discussion between yoghurt experts, representing both marketing and product development. But instead of activating these hypothetically available knowledge domains in this discussion, as LI who is facilitating, is actually without much luck, asking them to, they refrain from doing so. It needs to be stated here, that it is not a lack of knowledge, interviewing each of them about their knowledge of the consumers showed that they all had, when the interviewer insisted, both the knowledge, the skills and the abilities to make a much more thorough analysis of the trend described above. The difference in the situation above was, that they never felt the need to share that knowledge with the group.

Another thing frequently observed in the meetings, would be the tendency to back arguments or even seek knowledge from each other, based on personal and private experiences, rather than the skills and abilities, e.g. experience obtained within their professional knowledge domain, thereby engaging in

serious leaps of abstraction and generalizations, from their own personal and private experiences, to the personal and private experiences of their customers.

MP: "When you are to spoil you husbands, what do you give them to eat then? What do your husbands eat? I know, I probably should not ask you this..."

LI: "You mean, what do they need?"

MP: "The taste when it is targeted at men needs to be more intense.. I don't think that men are quite as experimenting about what they eat as women are..." It really is interesting to observe how they build on the personal and private experiences of three people's personal experience of one man and two women's husbands, and making a leap of abstraction to from this to male preferences in general.

In group B for instance, they spend a substantial amount of time discussing different trends, and what the consequences are of these trends and so on. The strange thing however primarily is, that they do all of this work to track down and identify new trends, but once they agree on something being a trend, discussions end there, as illustrated by this example: *UV: "This (..) trend is a very scary trend for our company like ours, but hopefully milk as a natural and pure food ingredient which can be tailor-made could counter for this"*. They all agree – and then move on – without spending more time on this 'trend', which they don't like. They register this as an important trend, but somehow feel, that because their products are good and healthy, it will not affect them. They simply block out the need to know more, because they apparently do not like this trend, and do not feel any need to investigate in any further.

In another discussion of a particular trend, UV suddenly recalls product (...) which is made by MP competitor (...), however MP does not remember exactly how the product works. MP then looks at HC saying: "Do you know that product? You lived in UK for a couple of years?"

The interesting thing here is not that MP does not know, the interesting thing is that he chooses to ask HC about this, a piece of information which to their discussion was actually quite important, instead of asking GH, who was in the same group, and actually very knowledgeable about the products in the UK market, being both an expert on products and the representative of the UK market! MP in this case chose to draw on skills and abilities of the salient knowledge domain (the focal company), rather than the UK expert, who would be able to actually provide knowledge, rather than beliefs. HC did actually not know the product MP asked about, and because she did not, the decision was made not to pursue this thread any further.

This is another discussion in a different group, where a similar and yet different incident illustrates the same mechanisms: *“I am afraid of how people would react to this, but we can maybe ask the others what they think about this”*, which indicates a need for support and opinions, and not knowledge or information. A few minutes later in the same group: *“The challenge here is how to (...), and the hygiene... We need to think about that.”* Again, not information, expertise or knowledge, but more thinking amongst themselves, on a topic they are not themselves the experts.

5.3 Identifying too much with the customer

In group B there seems to be a strong sense of identification with the customers, and the degree to which they make references to their own personal experiences as consumers, indicates a very strong sense of identification with consumers. Often the knowledge domain salient in the innovation practice studied, is the customer / consumer identity, rather than their skills and abilities pertaining to their professional knowledge domain. Just one example to illustrate this identification:

HC: “It is better to eat something like this [a yoghurt], as opposed to a piece of chocolate. At least that is how I think [she laughs], that’s what I stick to myself...”

LN: “I think you are right that this is what most people think, that is at least what I do too..”

Part of the explanation as to why can potentially be found within categorisation theory (Turner, 1985; Tajfel & Turner, 1986), which describes how different social categories, in this case the Swedish and Danish categories, become designated as either ingroups or outgroups in the group. Social psychologists have described this behaviour under a broad heading of ingroup favouritism, which seems to be very applicable in understanding the Swedish / Danish faultline in this setting, and how it affects their innovation practice.

Ingroup favouritism is found in three forms: *ingroup bias*, which occurs when individuals highly rate their ingroups and maintain neutrality to outgroups. *Intergroup differentiation* is another form of ingroup favouritism, exhibited by individuals who rate their ingroups highly and are slightly derogatory to outgroups. And finally, *outgroup derogation*, which is characterised by individuals remaining neutral to their ingroup while acting in highly derogatory manner to outgroups. (Basu, 1999; Allport, 1954).

Tajfel (1982) & Turner (1985, 1987; Tajfel & Turner, 1986) have introduced different theories to explain ingroup favouritism. They proposed social identity theory and categorisation theory, which explain how ingroup favouritism results from a person's need to have a positive self-concept, and that an individual's desire for a positive self-concept can motivate him/her to seek out some kind of distinctiveness from outgroups by promoting their ingroup, as illustrated in the examples above. Another important aspect of ingroup favouritism is the need for distinctiveness from outgroups, based on the need of the individual to experience a certain degree of inclusion, or the desire to assimilate the self into collectives (Brewer, 1991; Basu, 1999).

This identification with different social identities and categories is a mutual process, both shaping and shaped by our mental models, which help us make sense of the world around us, by constructing 'small-scale models' of reality that we use to anticipate events. Mental models allow for 'leaps of abstraction', which means that "our minds work so fast that we immediately 'leap' to generalisations so quickly that we never think to test them (...), what used to be an assumption suddenly becomes a fact" (Senge, 1991:191-193). This 'programming' of our mental models leads us to make assumptions about other people, based on what we perceive as facts. But this identification with social categories also means, that when a context is characterised by diversity, individuals will engage in 'leaps of abstractions' about others who are perceived as different, i.e. pertaining to other social categories.

According to social identity and categorisation theory, individuals engage in processes of categorisation, by which people are classified in categories based on similarities and differences with the self. Through social categorisation, others are perceived either as members of the same category as the self (ingroups) or as members of a different category (outgroups). The differences between categories are usually exaggerated while individual differences within categories are minimised (Tajfel & Wilkes, 1963), due to 'leaps of abstraction'. Groups that contain the self (ingroups) are likely to be perceived as special and regarded positively – based on a feeling of we-ness, whereas people pertaining to other groups (outgroups) are perceived less positively.

In the innovation practice studied there are several examples of ingroup bias towards consumers, but also examples of both intergroup differentiation and outgroup derogation, but the ingroup bias seems to be part of also the organizational code, as illustrated in the examples below.

There seems to be an interesting paradox in the group concerning the identification with consumers, between making generalizations from their own experience and turning these experiences into the

norm for doing things, which is probably more examples of a desire for a positive self-concept in which they see themselves as healthy, and therefore prefer to make healthy products that match this self-image, as being healthy and energetic. But when they themselves are not being healthy, it does not seem to interfere with the image of their customer ingroup bias of wanting to be like them, e.g. more healthy, even though they are not. All of which seems to turn the innovation practice into a negotiation of their own identity. These mechanisms of IDENTITY (ingroup favouritism, outgroup derogation etc) therefore seem highly important in directing their understanding of their customers as ingroup constructs.

In general they seem to be making claims in their discussions based on preferences, which somehow seems to indicate that they do not know very much about the preferences and behavioral patterns of their consumers – and they therefore end up making a lot of unfounded generalizations and leaps of abstraction, based on them mirroring their own problems and needs as consumers, onto their image of the customer. This is expressed in the way they are often heard to expressing such generalizations on their own personal experience, or the experiences of people they know themselves such as: “Older people are very traditional, they eat the same thing every day”, “What do you give your children when they are hungry in the afternoon?”, and from a conversation about what each of them do give their children in the afternoon, they form a general image of what ‘people’ (*their consumers*) give their children when they are hungry [EXPERIENCE _VS_ EVIDENCE].

In a discussion in the group concerning aspects of mental energy, this is an abstract from that conversation (CB-FN6-P9):

EG: “Most people don’t plan for it [*running low on mental energy*]”

OH: “It is like when you are running around all day, shopping or in meetings, where you don’t get you proper lunch, you need something to exercise your mouth”

UV: “Yes, I know that aswell, when I am working a lot...”

This is an example of how they identify with their consumers, where it sounds as if they are talking more about them selves, and their individual preferences. The interesting thing here is that they seem to be making leaps of abstractions and generalisations which seem to be very ingroup-outgroup directed, either very much favouring their own ingroups (ingroup bias, when they speak from their own personal experiences or preference, based on a positive self-images), or very broad generalization, which sometime seem to be almost outgroup derogation. This seems especially evident in the very frequent use of the term “people” to refer either to a ‘them = people = customers’. Again an example of

how important it is to have very different ingroups being salient at the same time in a group like this one, especially if the group is to be able to relate to different groupings (ingroups and outgroups relative to the group itself).

UV: "To me it needs to be able to go well with coffee, course I always take a coffee right after lunch..."

OH: "I really think people are much more into the natural things, rather than the sugar discussions"

UV: "After a really stressful day, I have to compensate..."

OH: "I don't have time to take enough care of myself physically, help me!"

UV: "I also believe that the hectic lifestyle makes for processed foods and unhealthy living"

OH: "I think the fact that people are so ambitious could make for a product which would help us slow down"

ST: "Something about going back to what our grandparents did..."

These generalizations about their consumers, making direct assumptions about consumers based on their own personal needs and preferences, which sometimes looks as guessing, sometimes as generalizations, but in general it shields them from seeking out more knowledge about their consumers.

They now venture into talking about adding strong colors to the yoghurts, adding alcohol etc, all of those unhealthy things, and it is very clear that this is not in alignment with their personal preferences, leaving the group somewhat de-energized, the total opposite of when they are talking about more healthy products.

I am not sure how to interpret this: the paradox between them actually being a bit unhealthy themselves, whilst insisting on consumers wanting to be healthy, no matter what. As they do not seem to at all want to develop any new products that are unhealthy... this identification-non-identification with consumers (us=them and us≠them). I can't help noticing how they keep rejecting everything unhealthy or + fat, 'because consumers want health and wellbeing and low fat and proteins etc', while at the same time they themselves eat candy, chocolate, drink coca cola, coffee, pizza, buns with butter etc. It is almost impossible for TVE to have them talk about anything unhealthy, they only want to make healthy products....

HC said that she too found it quite unusual that there was no serving of fruit or anything, course that would usually be the case (and she actually arranged for a bowl of fruit to be brought in on the next day). I don't know if all of this links with the identity discussion, but it most definitely is one of the

identity-mechanisms, where you only see the behavioural characteristics within your ingroup, that are in direct alignment with your PERCEPTION of that ingroup, and simply do not see so-called negative characteristics. But I find it an interesting paradox, this I ⇔ THEM relationship between the group and consumers

5.4 Consumer identification and the Swedish – Danish faultline

In many ways the Swedish Danish faultline described initially, dating back the merger in 2000, seems to result in a strong sense of Swedish outgroup derogation towards Danish consumers, paired by what seems to be a somewhat Danish intergroup differentiation towards Swedish consumers, as will be elaborated in the following. The innovation process studied was actually part of an effort from management to find new Nordic concepts targeting both markets, the Nordic marketing, something Company B have been trying to do for years, but most efforts to do so have failed somewhere in the development process, by the project being either killed off or developed to target just one national market instead of the Nordic market, or be turned into two different concepts and projects, with two different specifications, one for each market. The four concepts that resulted from the innovation process studied were all targeting the Nordic market from the outset, but within six months after project start, only one still maintains the Nordic profile, the other three have for different reasons of "too different consumer profiles" been turned into national product concepts instead of being Nordic.

Instead of projecting a direct outgroup derogation towards each other in the innovation project, where the organizational code is the primary knowledge domain salient, the group seems to project their perceived intergroup anxiety onto the customers, making it extremely difficult for the people involved in the innovation project, to identify with the Nordic consumers, as a construct. And because identification with the customer is the dominant perspective sanctioned by the organisational code, through which consumer needs and requirements are identified, targeting the Nordic market and consumer, becomes close to impossible.