

Nine Principles of Organizational Innovation
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When I founded Science Applications International Corporation (SAIC) with a handful of scientists, researchers, and admin staff, I had no grand plan to grow the company into the \$8 billion diversified company that it is today. I simply wanted a good place to work. But as our organization grew, we soon realized that we would have to pay attention to our fast-changing organization if we were going to succeed over the long run. We therefore tested and embraced a number of organizational innovations—mostly homebrewed, in the “necessity is the mother of invention” mold, by our own employees. And while no single one of these innovations taken in isolation was truly new—we weren’t the first company to apply the idea of employee ownership, for example—we embraced these innovations to a much greater degree than did our competitors. And we became quite adept at applying them.

As it turned out, we tried many different organizational innovations over the years—some worked well, and some didn’t. We kept some, and discarded many. In the list that follows, I consider the key innovations that contributed the most to our success and, I believe, hold the most promise for other organizations.

- **Put people first.** Since the very beginning, SAIC put people first—the organization was expected to serve customers, employees, and owners (who were employees), not the other way around. This basic formula worked exceedingly well: Hire very smart people, encourage their entrepreneurial spirit, let them focus on customers, and reward them for their contributions.

- **Freedom (with strings attached).** SAIC was specifically designed to be a fast-and-flexible organization where managers and employees would be free to pursue work they were passionate about—to start, operate, control, and grow their own business units under the umbrella of the parent company, and unleash their own energy and creativity. While they were encouraged to build and run their own business, employees were expected to follow company practices for bidding and contracting and adhere to the highest ethical standards in the process to protect their customers' and the company's best interests.
- **Widespread employee ownership.** If freedom of movement was the incentive that drew talented people into SAIC, then employee ownership was the glue that kept them there. SAIC built a culture firmly rooted in the simple idea that those who contribute to the company should own it, and ownership should be commensurate with a person's contribution and performance. Today, more than 80 percent of SAIC's employees are also owners of company stock.
- **Participation in decision making.** At SAIC, employees were not only expected to contribute their ideas to improve the company and the services it provided, but also to make decisions that would put their ideas into action. While there was certainly a hierarchy of various managers and employees, the expectation was that decisions would be made at the lowest level possible, and problems resolved at the lowest appropriate level, thus cutting red tape and providing customers with more responsive service.
- **Organized for growth.** Bucking the traditional rigid hierarchy of its contemporaries in each of its decades of operation, SAIC created a decentralized organizational model. At

SAIC, the central organization provided essential policy guidance to its various business units and exercised substantial oversight and financial control, but otherwise kept out of the way as much as possible. This approach allowed its motivated managers to build their businesses free of the kinds of administrative restraints that would have fettered their efforts in most other organizations.

- **No grand plan.** Rather than following voluminous plans that laid out company initiatives years into the future, SAIC encouraged the organization to grow organically, following the interests and instincts of its entrepreneurial program managers. While a formal planning process was eventually put into place to ensure the most efficient use of company resources, flexibility and initiative were always considered more important than slavish adherence to “the plan.” There were, however, annual operational plans for managers to implement and follow, and strict adherence to these financial plans took priority.
- **Everyone a salesperson.** From its earliest days, SAIC’s leadership put a premium on hiring scientists and engineers who didn’t just do the work, but who also were able to sell the work. By enlisting the people who did the work in the selling process, SAIC kept close tabs on emerging customer needs, developed close relationships with customers, and minimized the overhead expense that would have been required to hire and fund a large separate selling organization. Everyone in the company was expected to keep his or her eyes open for new work, and was rewarded for their successes.
- **Extensive feedback and lessons learned.** SAIC used informal and formal “lessons learned” processes to gather together feedback from employees who were directly

involved in new initiatives or particularly complex programs, bringing insights to light and recording them for others to learn from. A variety of different meetings—the most important known as Management Council that occurred during the company’s quarterly Meetings Week—created even more opportunities for obtaining feedback and learning lessons. These learning-based processes became essential features of SAIC’s proposal review strategies as well.

- **Experiment constantly.** One of the hallmarks of SAIC has been the willingness of its leaders to constantly experiment with new business entities, corporate structures, and staff. To encourage experiments, managers at all levels of the company were annually given control over pockets of money (called “guidelines”) that they could use to invest in growing their own organization. The extraordinary degree to which discretionary money and decision making were delegated to managers at the division level—the lowest level of the company—and all levels in between that level and the CEO, was unprecedented in the defense industry and rare for any business.

Ultimately, if there is one secret to successful organizational innovation, it is to involve employees at all levels in the process. Perhaps the greatest lesson I have learned in business—and in life—is that no one person has all the answers, nor all the solutions to a given problem. Truly, none of us is as smart as all of us. Unleash the power of your employees to innovate, and your organization—and its customers and clients—will surely benefit.

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