



UNIVERSITY OF OSLO
FACULTY OF SOCIAL SCIENCES

TIK

Centre for technology,
innovation and culture
P.O. BOX 1108 Blindern,
N-0317 OSLO
Norway

ESST

The European Inter-University
Association on Society, Science and
Technology
<http://www.esst.uio.no>

The ESST MA

Innovation in Services: Unleashing, Underlying and Unfolding Aspects of Innovation in Storebrand's MOP project

Svenn Richard Andersen
University of Oslo
Globalisation, Innovation and Policy
2007

Word count
21167

Svenn Richard Andersen
svennrichard@gmail.com
University of Oslo
Supervisor: Ph.D. Jon Vatnaland

Abstract

This paper is an analysis of how innovation is achieved in a service sector company. In order to contribute to the field of innovation studies the thesis aims at uncovering Storebrand's efforts to construct an innovative product in response to the pension reform that introduced the mandatory occupational pension (MOP). In an effort to look at innovation as the result of various factors, a model for how innovation is achieved at an organisational level has been constructed.

The findings suggest that innovation in services at a company level, based on the case of Storebrand's MOP project, is the result of external as well as internal factors. External factors unleash a need for innovation that functions as a catalyst for the innovative process. The internal factors work at both an underlying organisational level as well as the direct unfolding of innovation at the project level.

Through analysing these influences on the innovative end product, the goal is to achieve a higher understanding of innovation as it is pursued in a sector that employ more than two thirds of the workforce in the developed world. In a knowledge economy that is increasingly dependent on innovation in services, this thesis is a step towards a fuller understanding of what innovation is in practise rather than theory.

Keywords:

Innovation in services, organisational innovation, internal and external aspects of innovation, mandatory occupational pension.

Acknowledgements

On working on this thesis, I have experienced an extraordinary willingness to help from everyone at Storebrand. First and foremost I would like to express my gratitude to Arne Nicolaysen who immediately showed interest and enthusiasm for the project. Had it not been for his support and help in everything from obtaining documentation to finding me a work station for the summer, all work on this thesis would have been a lot harder.

As this paper is largely based on interviews, I would also like to thank those at Storebrand that have taken their time and given me their opinions about why the MOP project turned out the way it did, despite my initial ignorance regarding pension products and financial institutions. At this point I hope I have captured the essence of your opinions and can provide you with a meaningful basis for future innovation projects. I am grateful for the way I was welcomed at the Storebrand HQ this summer, and especially Espen Øyen and Nicolay Bryde for interesting and supportive lunch-conversations.

This thesis would not have come together as well as it did, had it not been for my supervisor, Jon Vatnaland. How you manage to find time in your hectic work- and family life, and still give wiser and more concise advice on my work than I ever hoped for, is a mystery to me. I am truly grateful!

I would also like to direct a sincere and humble thank you to Maria for bothering to proofread this paper on a topic that's miles away from her preferred areas of expertise. Hans Petter, Frank Emil and Ottar also deserve a mention for feedback and support in so many ways.

Finally, I have to admit I wouldn't have been anywhere near finished had it not been for the unwavering support of Ragnhild. Not only through this year of senseless pondering and worries, but throughout all our years together. Thank you!

Table of Contents

Abstract	iii
Acknowledgments	iv
TABLE OF CONTENTS	1
1.0 INTRODUCTION	2
1.1 Objectives of the Study	4
1.2 Methodology and Research Strategy	4
1.3 Outline of the Study	6
2.0 CASE OUTLINE	8
2.1 The Introduction of the MOP Reform	8
3.0 THEORETICAL APPROACH – THREE DIMENSIONS	11
3.1 Defining Innovation	11
3.2 Innovation in Services	14
3.3 Organisational Alignment	16
3.4 The Innovative Organisation	19
3.5 Heterogeneity and Diversity	24
3.6 Theoretical Conclusions and Framework	25
4.0 UNLEASHING INNOVATION	28
4.1 External Factors Influencing the Innovation Process	28
4.2 How Punctuation Influenced Strategy	29
4.3 Second Punctuation – the Circulation of the Bill	31
4.4 Product Launch – the Manifestation of the Market	32
4.5 The MOP Year – the Sales Situation	33
4.6 Project Outcome	35
5.0 UNDERLYING FACTORS	37
5.1 Underlying Processes	37
5.2 The Right People	39
5.3 Uncertainty and Distributive power	42
5.4 Market Differentiation	43
5.5 Resource Priorities	47
5.6 Overcoming Reluctance - Unifying Efforts	50
5.7 Organisational Learning – “The Time After”	53
6.0 UNFOLDING DIMENSIONS	55
6.1 Establishing the Project	55
6.2 Setting Up the Project Team	56
6.3 New Ideas and Organisational Inertia	58
6.4 Simplicity – for Company and Customer	60
6.5 The MOP Centre for Sales and Contract Handling	63
6.6 An Inclusive Project Culture	65
6.7 The Successful Innovation Team	68
7.0 A SET OF CONCLUSIONS	70
BIBLIOGRAPHY	74
Books and Articles	74
Web Resources	76
Internal Documentation	76
APPENDIXES	77
Appendix 1: List of interviewees	77
Appendix 2: Interview guide	78

1.0 Introduction

This thesis is about innovation. More precisely, it is about innovation in services and relates to how companies can pursue innovation through their organisational strategy. What enables certain companies to come up with new products through a particular organisational alignment? The goal for this work has been to uncover the factors that rule the outcome of service sector companies' innovative efforts. In the pursuit of a broader understanding of innovation in a specific service sector company, a model for how external and internal factors influence the outcome has been created.

Spanning several theoretical approaches from both innovation and organisational theory, the thesis attempts to bridge a gap in the understanding of innovation. Rather than focusing on innovation as a national, regional or sectoral key to economic growth, a specific innovation project has been investigated with particular emphasis on how the outcome was influenced by internal and external factors. Furthermore, the paper deals with innovation in the service sector rather than innovation in high-tech or manufacturing.

In May 2005 the Norwegian Parliament (Stortinget) passed a resolution for a reform of the pension system, introducing a *mandatory occupational pension*, henceforth MOP (Pensjonsreform 2005). The introduction of the MOP meant putting partial responsibility for pension on the employers. The agreement in Stortinget prompted a rapid response from all actors in the financial market, as the reform would be implemented only seven months later. The proposal was circulated for comments from July 2005, and the law was finally passed in December of that year (Finansdepartementet 2005).

Not only did the law represent a change for Norwegian employees as they up to this point, to a fair extent could rely on the state to take care of their pension, but it also meant that employers had to choose a quite costly pension product that they had not asked for themselves. The challenge for the pension providers was to create a product that fulfilled the

criteria in the law, yet cheap and simple enough for employers to understand it and the product could be distributed on a large scale.

1.1 Objectives of the Study

Storebrand's approach to the challenge will be presented and analysed through this thesis.

The aim is to understand how Storebrand could claim a 30 % market share although they started out without having a significant standing in the market, with a mere margin of the number of distributors compared to other actors, and without really having a tradition for focusing on low-profit products such as the MOP represented.

Based on the works of Lam, Scott, Lazonick, Mintzberg and Darsø a model for how both external and internal drivers and constraints influence the outcome of companies' innovative efforts is presented.

The central question is to look at what actions can be made by service sector companies to ensure innovation, and in extension what influences the innovative output. When technological advances are not directly influential in the innovation process; how is innovation in services pursued? The focus has been to highlight which factors have been decisive in this particular case study, and what actions have been taken in response.

1.2 Methodology and Research Strategy

The questions are not answered solely by the official explanations about what Storebrand's MOP project was, but by the fuller, more complex whole that created the result. Since there is a difference between what is officially told by documents and how people really experience situations, there was a need to speak to the people comprising the project team and hear their stories about what took place and why. There was also a need to hear the opinions of people

not directly involved in the project to see how the established organisation experienced the MOP period.

Thus a qualitative research design was chosen. People directly involved with the MOP project, those who had initiated it and employees without any affiliation to the project had to be interviewed in order to shed sufficient light on what really happened and why. A list of interviewees was created in collaboration with Storebrand (notably the head of the MOP project, Arne Nicolaysen). However, the interviews could not give the full answer, and there was a need for unlimited access to official documentation. These documents were mostly investigated in the period prior to the interviews, and later on consulted as a reference to the information obtained through the interviews.

This investigative approach to innovation in services was taken, as there was little prior literature on this specific topic. Especially when one looks at the actual undertaking of innovation projects in service sector companies, one will find that knowledge is scarce. A lack of existing models emphasized the role of the investigator, necessitating both the creation of an interpretative framework as well as conducting thorough interviews to fully understand what had taken place.

Before the interviewing took place, a great deal of time was spent understanding the concepts of pension products, MOP and its accompanying reform as well as background material obtained from. In general, work with theoretical approaches was deliberately done after conducting most of the interviews. This was an attempt to remain free from *a priori* assumptions, as the goal has been to unravel the foundations of innovation at a company level.

Some methodological problems with the work done on this thesis should be mentioned. As Nicolaysen took part in the selection of interviewees, an opening for a biased selection, leading to a one-sided story, was a possibility. However, as this thesis is supposed to be of

help for Storebrand in future efforts in innovative projects, this type of biased selection is not very likely.

Another aspect of this research that is worth mentioning is the fact that it is a success story. Intuitively, there are some dangers in investigating *why* a success took place.

Throughout the work on this paper, an endeavour to go behind the success story has been undertaken. The ultimate goal for this thesis is to shed light on what really takes place when innovation in the service industry occurs. As the following chapters will show, innovation is a complex matter that nonetheless can be described and measured.

1.3 Outline of the Study

The paper will start out with a presentation of the MOP case in Chapter 2, and is followed by a theoretical approach to what can be expected of service sector innovations at a company level. In looking at existing theories, a model is presented as a tool to visualise the factors that influence the end product in Chapter 3. As will be shown, the model generally separates the two categories of factors influencing the innovation process; external and internal.

The external factors are in this case the unleashing factors of innovation, and will be presented and analysed in Chapter 4. The two different types of internal factors will be dealt with in the two following chapters. The underlying aspects of the organisation, as analysed in Chapter 5, tell us something about the general set-up and culture in the established organisation, which according to the presented model need to have certain traits in order to stimulate innovation. The final aspects that will be analysed are the project-specific, or unfolding, dimensions of the innovation effort. Chapter 6 will look at what went on inside the MOP project team, and in this way put particular emphasis on the social dimensions of the project.

Thus far the findings suggest that innovation in a service sector company relies on several components. To point out the most central findings in this regard, it's natural to mention the financial leadership's ability to respond quickly to external occurrences. The decision to establish the project outside the regular line-organisation paved way for the work that was done through the initial period, breaking the chains of tradition, and enabling the project team to be set up in an efficient manner. As decisive as taking the project out of the line was the staffing. It is unlikely that Storebrand would have succeeded in the same manner had it not been for the particular people at the head of the project.

Further on the recruitment of new staff made it easier to break with the in-house structural inertia that might be expected in a well-established organisation such as Storebrand. By recruiting people fresh out of college or without biased binding to particular Storebrand routines for product development, the project group became more intent on solving problems rather than following tradition. In a decisive, emerging market period such abilities are central to winning a large market share in an end game.

However, had it not been for the unwavering backing from the financial leadership and Storebrand's CEO, it can be assumed that there would have been changes in the project management sometime during 2006 when the prospected accepts from customers did not come in. The inertia and path-dependency of large, well-established organisations can be hard to break away from. Nevertheless it can be done if the whole organisation is pulling in the same direction.

The final point that needs highlighting is the value of this ability to innovate through heterogeneous project teams. In a knowledge economy it is this ability that becomes the decisive comparative advantage. Or as Lotte Darsø (2001) puts it:

"Knowledge creation and innovation in heterogeneous groups is a major competitive and inimitable business advantage. [...] the competency of exchanging and creating new knowledge in groups has become the key competitive advantage in the knowledge society, because it cannot be imitated."

2.0 Case Outline

In order to provide the necessary empirical context for the study, this section will briefly present the process whereby Storebrand developed its MOP product. This chapter will provide the factual information that is needed to comprehend the arguments presented in the following chapters.

2.1 The Introduction of the MOP Reform

23 May 2005 the Norwegian Parliament, *Stortinget*, passed a resolution for a reform of the pension system. It was decided that part of the responsibility for pension would be transferred from the state to the employers. At this time only a third of Norwegian companies – approximately 75 000 companies – comprising roughly half of all Norwegian employees in private sector had some kind of occupational pension scheme. The legislation for the reform was not yet clear, but it seemed obvious that the companies in the financial sector would have to come up with products that were comprehensible and possible to process and distribute on a large scale. The product had to be simple both because it would be up to the employers to choose the pension scheme for their company, and also simple for the pension providers to handle since this product would be sold in large scale within the frame of a single year.

“Storebrand [faces] challenges we have never had any experience with. High volumes, demands of simplicity and low profitability demands a whole different business concept with high demands on cooperation between all division of Storebrand.”

MOP mandate

At the time the parliamentary majority passed the resolution, there were four companies competing for the occupational pension market. The MOP lead to a dramatic increase in the number of competitors in the market. At its height, there were 28 companies offering MOP products. Many saw the introduction of the new pension system as a “free lunch” where

profits readily could be expected. Calculations made in this period predicted that if all actors lived up to their publicly announced expectations of market share, the market would be oversold by as much as 3-400 percent.

For Storebrand the situation could have been better. A market analysis conducted by PA Consulting Group for Storebrand made it clear that the company was lagging seriously behind their main rival in respect to distributive capacity. Storebrand had less than a 1/8 the number of branch offices compared to the Sparebank1 group. Their distributive capacity was smaller than most established competitors'. In addition to this, Storebrand had some customer relationships in the large company segment and a tradition for strategic alliance with professional organisations and interest groups, but had a problematically weak standing with small and medium sized enterprises. This market segment was particularly important for the MOP, as these businesses were the ones who more often than not lacked a pension scheme for their employees. Storebrand had to come up with a distribution system for the MOP product launch that would give them a relatively strong penetration of all market segments.

For Storebrand the answer laid in establishing a distinguished project for their effort. The mandate was to analyse the situation and figure out how the company could achieve a desired third of the market. Instead of putting the project inside the established line organisation, the project was established as a semi-independent structure with wide autonomy and with the mandate to come up with solutions that could be reintegrated to the line once the project period ended.

On 1 July 2005, the proposal for a bill was circulated for comment, making it possible to discern the outline of what conditions would apply to the MOP products. For Storebrand it was clear that the prospected product would differ from the existing products. Primarily the processes for establishing and handling contracts had to be made more efficient. Executive expectancies were that there had to be an increase in efficiency of close to 500 percent. The

MOP product would also be less profitable for the company than what they were used to, thereby straining the existing system for service on established MOP contracts.

In establishing a separate project organisation the hope was that the team would be able to come up with innovative solutions that could address all these challenges and more. And satisfactory results were achieved. 2006 was considered to be the “MOP year”, and most companies had signed a pension deal by the end of the first quarter of 2007. Storebrand had won close to their expected third of the market (approximately 182.000 employees, 25,9 percent) (FNH 2007), only rivalled by Vital (29,3 percent). Quite surprisingly the Sparebank1 group only achieved 11,3 percent of the market even though they had many times the distributive power of Storebrand at the beginning of the project period.

Not only did Storebrand finish on top of the pack in winning the new customers, they also won the customer satisfactory survey conducted by *Norsk Kundebarometer (2007)* in July 2007. Thus they seemed to have achieved another of their initial goals for the MOP project; customer satisfaction.

As will be shown in following chapters, the success of the project was due to both underlying capabilities of Storebrand as a company, and the personnel, alignment and culture of the MOP project team. Additionally the effects of external factors will be addressed separately.

This case has been selected as it gives a good example of how innovation is achieved in the service sector, and at the same time how a company can pursue innovation.

3.0 Theoretical Approach – three dimensions

One of the goals for this thesis is to understand what innovation means in the service sector.

The way to investigate this has been to look at how innovation has come about within a service sector company. Which drivers and constraints influenced the innovation process? As a tool for understanding the processes that have taken place a theoretical framework has been created. This chapter conveys established theories for how innovation can be understood, what distinguishes innovation in services and how an organisation can align itself to encourage innovation. As no complete model to understand innovation at a micro level in a service sector company exists, a new pyramidal model has been constructed and will serve as a visualisation of the criteria for innovative organisations in this thesis.

3.1 Defining Innovation

To find out what an innovative organisation is, we have to take a detour and decipher what's behind the term innovation. The primary task whilst unravelling innovative organisations is to look at innovation in itself.

Alice Lam tries to sum up what innovation really is. She defines innovation as a “nonroutine, significant, and discontinuous organizational change that embodies a new idea that is not consistent with the current concept of the organization's business” (Lam 2005:123). Others, such as Carlson and Wilmot of SRI International cite a variety of descriptions of innovation. They name various components such as *technological breakthrough, a new invention, a new business model, a new production process and a new design* (Carlson & Wilmot, 2006: 6). Neither of these alone, or any combination of them can, according to Carlson and Wilmot, be an innovation in itself. “Innovation is the process of creating and delivering new customer value in the marketplace” (ibid).

According to this understanding, innovation has not happened before the product or its effect is available for the customer or end-user. Not only does a company or an organisation have to come up with a new product, production method, business model or design, but the new features also have to provide some kind of available result for the consumer. In this thesis innovation in all Carlson and Wilmot's aspects are present:

- *New product* - compared to the existing Storebrand portfolio of products; lower margins, sold in larger quotas.
- *New production method* - product developed differently than previous products, organisation of project defined by large extent of autonomy as well as a heterogeneous project team.
- *New business models* - differentiated sales strategy; SMEs, collective deals for interest groups and large companies, initial contact with SMEs through external call-centre etc.

Had the MOP project not been successful, it would have been harder to trace the impact of the various components. But the fact that Storebrand managed to get a third of the market, proves that they have been able to create a value for the customers. Lam mentions this aspect, through highlighting the *discontinuous organizational change*, but most notably implementation is a requirement for innovation in the Oslo Manual¹. The manual speaks of *Technological product and process (TPP) innovation* that consists of “implemented technologically new products and processes and significant technological improvements in products and processes” (OECD 2005). Furthermore, the manual states that an innovation can be considered implemented if it has been introduced on the market or used in the production process (ibid).

¹ Initiated by the OECD to ensure a common set of guidelines for collecting and interpreting technological innovation data. The latest version of the Oslo Manual can be found at <http://www.oecd.org/dataoecd/35/61/2367580.pdf>

The final point to be made regarding innovative processes is how organisations can align for innovation and which factors influence the result. Lam presents two aspects that are particularly interesting. First, *organisational ecology and institutional theories*, argue that organisations “respond only slowly and incrementally to environmental changes” (Lam 2005: 133). This suggests that there is an organisational inertia hampering innovation in large organisations. Secondly, *the punctuated equilibrium model* stands for a view where “organizations evolve through long periods of incremental and evolutionary change punctuated by discontinuous or revolutionary change” (ibid).

Figure 1 is an attempt to visualize how both internal and external factors influence the end-product (E-P).

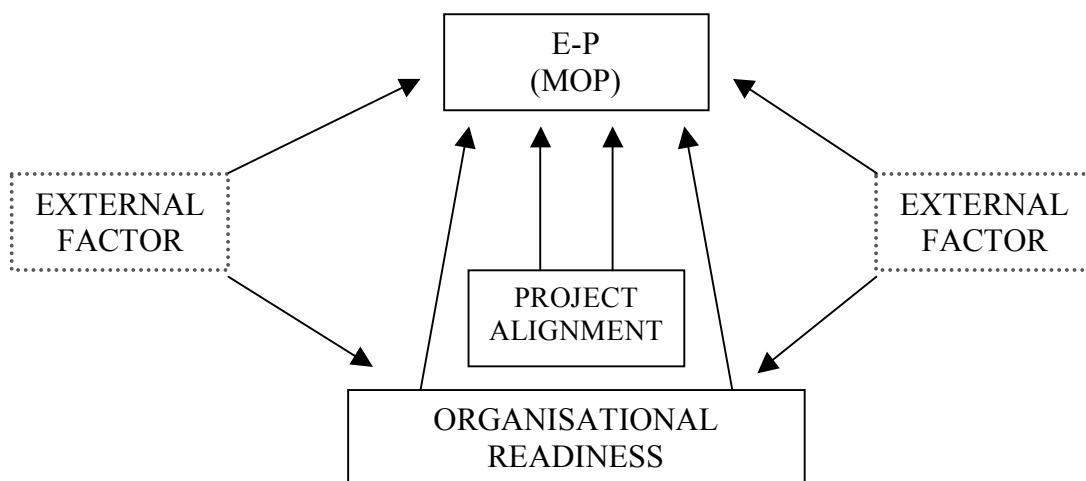


Figure 1

Organisational readiness is the organisation’s capability to accept and evaluate fresh ideas and willingness to try out new paths. The project alignment represents the operationalized response to how the company can overcome what Lam calls the discontinuous organizational change. This is in essence how Storebrand set up their MOP project. Both of these internal configurations influence the innovative outcome, but they are not exclusively forming the final result. External factors can both influence the end product, but it might as well alter the

organisation's or the project management's views or actions. As a summation we can say that innovation is not the new idea, but the end product/process that has an effect for the market. This E-P is the result of internal as well as external factors that co-evolve.

3.2 Innovation in Services

After sketching out a rough understanding of innovation, we need to look more specifically at *innovation in services*. In this part of the chapter the innovative traits of this sector will be mapped in an attempt to construct an assumption as to what characterises innovation in a company such as Storebrand. Generally speaking, our case relates to “the most concentrated, knowledge-intensive and IT-intensive sectors in modern industrial economies” (Miles 2005: 436), thus establishing a vital need to understand why this sector stands out.

Until the late 1980's, most systematic research on innovation has focused on innovation in manufacturing or resource-based industries rather than innovation in services (Miles 2005: 463). This fact becomes paradoxical when we know that more than two thirds of GDP in the developed world comes from services (Miles 2005: 434, Table 16.1; OECD₁). Emphasis on innovation in other fields can be more thoroughly understood as innovative efforts in other sectors that more easily lend themselves to measuring. Still, this does not make investigation into service innovation less relevant. According to OECD, there is a general problem with authorities strategies relating to innovation, as their potential is “hampered by government policies that were designed for manufacturing industries” (OECD 2001).

In fact Gallouj (2002) argue, “*the interactive nature of services calls into question the traditional distinction between product and process innovation*” (Gallouj 2002, 19). Thus research in the field of innovation in services is not less relevant, but in reality more important and challenging as it needs to overcome traditional distinctions.

Another lack in the existing research on innovation in services is that the focus has been on IT services and *knowledge intensive business services* (KIBS) such as consultancy. There is a shortage of knowledge about how innovative efforts are conducted in different areas of the service sector. The reality is that innovation in services affects service activities and innovation processes throughout the economy, making it even more important to conduct this type of investigative research.

According to Miles the service sector itself is hard to fence off as it as a sector is truly diverse: it comprises everything from hairdressers to knowledge intensive businesses. Consequently, our study demands a narrower scope than to look at the service sector as a whole. The topic for this thesis deals with what Miles calls the FIRE (finance, insurance, and real estate services) sector, which Miles characterises as “dominated by very large firms using advanced information technologies intensively” (ibid, 434).

Miles’ opinion that the service sector “diversity means that any generalizations about the nature of services and innovation in services must be qualified by numerous exceptions” (ibid, 435) is a notion that should be addressed. This essentially reigns true about the very nature of the research conducted for this paper. Due to the lack of extensive previous research in the field, generalisations have to be made with a manner of reservations and exceptions. An attempt is made with this thesis to interpret the features of innovation in a specifically innovation-demanding situation within a particular company.

To follow Miles on a final point, his set of common features that distinguishes services from manufacturing serves as a basis for analysing Storebrand’s MOP project:

- Many services are intangible ones, thereby making it hard to discern where the innovation starts and ends.
- Services are interactive. This means that innovation occurs in the intersection between the service provider and customer/client.

- Service products are produced and consumed in the course of provider-consumer interaction at a particular time and place (“coterminality”). For this paper the implication of this is that we have to investigate the cultural and social processes rather than just looking at for example technological advances.

3.3 Organisational Alignment

Organisations adapt to external factors to facilitate innovation, thus making the organisation itself an actor in the process of innovation. To comprehend the internal factors in the innovation process (how the organisation influences the MOP project and vice versa) we need to understand the concept *organisations*.

W. Richard Scott operates with three approaches to the concept organisations: Firstly he speaks of a rational system perspective (Scott 2003, 25) of organisations. According to this perspective, organisations are more or less formalized groups that become purposeful in that their activities are coordinated to achieve specified, explicit and clearly defined goals (ibid 26-27). The rational system perspective also predicts a relatively high degree of formalisation, meaning that each participant’s behaviour is mainly dictated by a set of rules that are precisely and explicitly formulated. This rational definition of organisations can be summed up like this: “Organisations are collectives oriented to the pursuit of relatively specific goals and exhibiting relatively highly formalized social structures” (ibid).

Scott’s second approach to defining organisations is more focused on the behavioural rather than the formal structures. This means one cannot only understand organisations in light of their formally written or proclaimed goals and rules. Goals become more complex and diffuse, and individuals do not necessarily act solely according to the organisation’s objectives, they can just as well act on personal motivation to influence the interests of the organisation (ibid, 27-28). Thereby, social relationships among individuals might be just as

important as the official hierarchies when it comes to mobilizing the organisation in one way or another.

A third way of defining organisations are what Scott calls an “open system definition” (ibid, 28). Whereas the previous two definitions focus on organisations as closed systems, this perspective emphasises the way environments influence and become a source for “flows of personnel, resources and information from outside” (Scott 2003, 28). This might be seen as a definition that bypasses the formal institutions and companies, but this interpretation is too narrow. Rather we should highlight Scott’s own words: “An open system perspective is less concerned with distinguishing formal from informal structures; instead, organisations are viewed as a system of interdependent activities” (ibid, 29).

Scott cannot be understood as presenting a dichotomy where the three approaches are contrasting views; the views rather complement each other. Organisations cannot be seen as entirely independent organisms that exist outside the rest of the world. But at the same time, organisations are to a great extent influenced by formal structures and goals and by the personal connections of people within and across organisations.

Storebrand can be analysed in light of Scott’s framework. It is a formal and legal entity that has a coordinated effort to create value for their owners through providing banking and financial services. How this collective functions is both defined by formal job descriptions, divisions and hierarchy, but also through informal relationships and a shared sense of culture and tradition. Furthermore, the organisation’s collective understanding of what its purpose is might differ from that of formalised documents. For some, Storebrand is simply an employer that puts food on the table. For others, it might be a life-long entity that brings meaning to life and has to be tended to so that it can remain the same for years to come.

On the other hand, the MOP project is itself an organisation. But compared with the overarching and more established Storebrand, the project organisation is less formalised and can be moulded and influenced by individuals. This emerging organisation is an important factor in determining how the MOP innovation is formed. The project’s goal is to develop a product that the established organisation has no formal procedures or configuration for, thus prompting the project team to a flexible alignment.

These two internal organisations can be introduced to our explanatory model as components of “organisational readiness” and “project alignment” respectively. Figure 2 is an attempt to present how the organisation (SB) can be found in the centre of three concentric circles, and how they tell us something about the organisational criterion for innovative alignment.

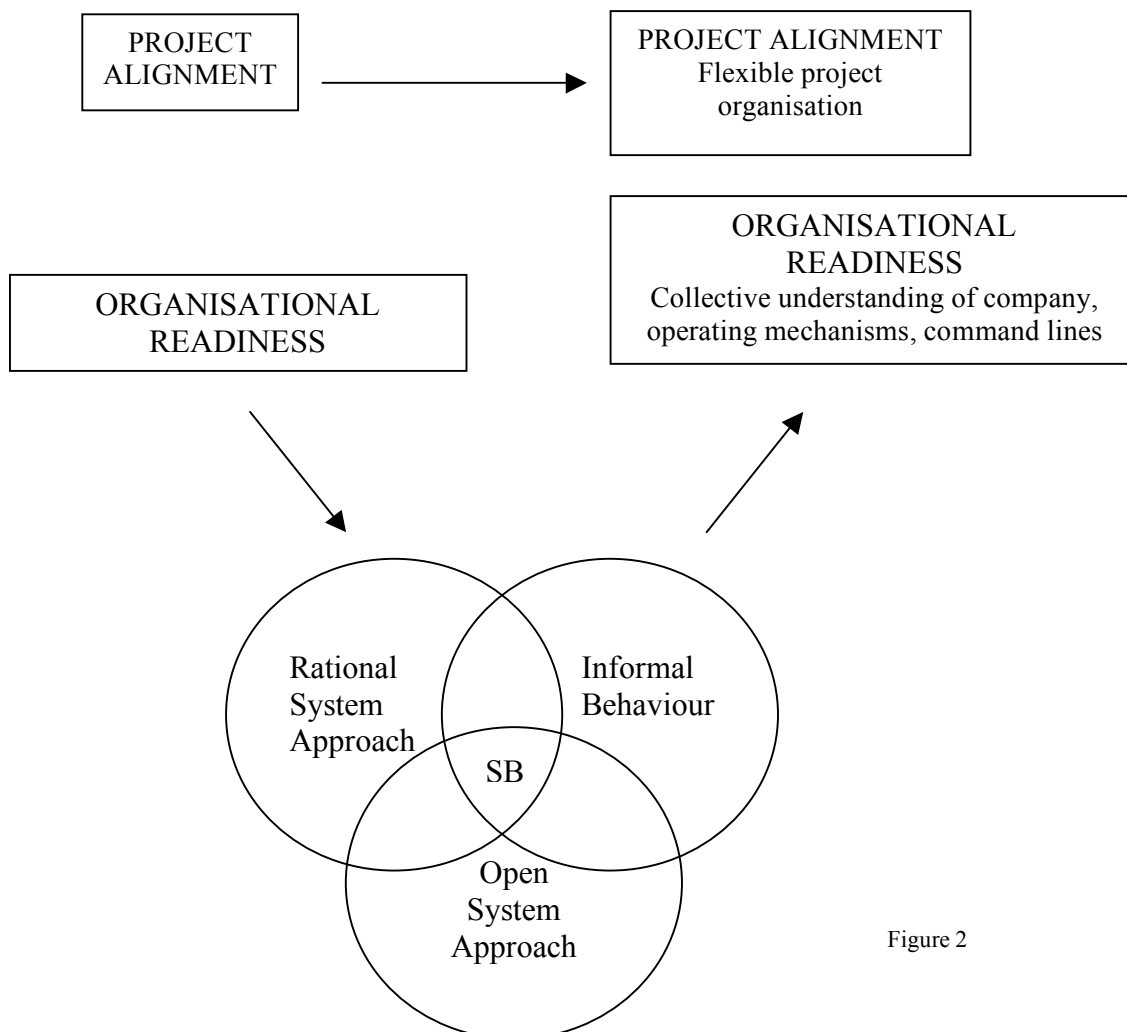


Figure 2

3.4 The Innovative Organisation

Besides looking generally at innovation in the service sector and organisational theories, an attempt is made with this thesis to look specifically at the company's efforts to innovate. If a company or institution can institutionalise innovation, they will likely achieve an inimitable comparative advantage that becomes increasingly important in an economy that depends not as much on access to raw natural materials, but increasingly on the wealth of knowledge their employees hold. A way to look at this is that the companies that succeed in the new economy are those who manage to innovate; the innovative organisations. This chapter is an effort to summarise different views on what makes an organisation adept to innovate.

While Scott's system, as it was presented in the previous chapter is suitable for defining Storebrand as an organisation, it is also necessary to establish a framework to understand the MOP project in particular. As a way of organising a project, an adhocracy (Mintzberg 1979) is an organisational configuration that has high innovative capabilities. The adhocracies "rely [...] upon individual specialist expertise organized in flexible market-based project teams capable of speedy responses to changes in knowledge and skills, and integrating new kinds of expertise to generate radical new products and processes" (Lam 2005, 127).

Before we venture further to understand the adhocracy, we look at another model for innovative organisations - the "J-form". These J-form organisations are "good at cumulative learning and derives its innovative capabilities from development of organization-specific collective competences and problem-solving routines" (Lam 2005, 127). The "J-form" organisation would use its embedded knowledge (stemming from routines, team relationships and shared culture) in fostering incremental innovation. As a basis for a successful MOP project, Storebrand would have to draw on both the J-form establishment and the adhocracy of the project team.

Primarily there is a need for an underlying J-form structure to found the project on a stable, communal platform. Tacit knowledge is the basis for all new ideas, and it would most likely be a sentiment towards treasuring ideas as long as they continuously improve existing products and processes. Serving as a basis, the J-form establishment (e.g. the line organisation), would be inclined towards innovation, but not very sufficient to implement the innovative ideas.

This brings about a need to establish an alternative structure – an adhocracy. A project group may serve as the actual “innovation hot-pot”, but would not be successful in an organisational vacuum. The adhocracy would “fuse professional experts with varied skills and knowledge into adhoc project teams for solving complex and often highly uncertain problems” (Lam 2005, 128). The very nature of this flexible structure would make it highly competent at adapting to sudden changes in the environment it operates. Meaning that although the goal is fairly well established, the organisation is able to change its modus operandi and priorities on a day-to-day basis. In a situation such as the introduction of the pension reform, setting up this kind of organisation would be much more capable (and successful) than you can expect an established division to be.

All divisions and different professional groups/individuals would have to be present in the ad hoc organisation for it to be truly efficient. Furthermore, there is a need for a parallel adhocratic organisation to spend time communicating ideas with and updating the rest of the organisation. Only through this can knowledge be diffused throughout the organisation. If the goal of the adhocracy’s set-up is to generate innovation that is to be re-entered to the organisation, it will also simplify this process as everyone “knows what’s coming”.

Another likely side effect of building upon an established J-form foundation is that the organisation would be able to exploit the findings of the adhocracy project and

incrementally improve other processes. Darsø (2001) calls this quantum innovation. “[T]he emergence of qualitatively new system states brought about by small incremental changes”, might explain organisational changes that occur as a result of innovation processes. The J-form thereby functions as the beachhead for further innovation as spin-offs of the innovation project itself.

In this complex organisational alignment, both project and corporate management play central roles. For the company’s executives, the challenge is to make sure the organisation accepts and appreciates the effort of the project group. For project management the challenge is to forge a project team that benefits from the diversity and is able to cooperate. According to Quinn, the adhocracy’s managers have to be “masters of human relations, able to use persuasion, negotiation, coalition, reputation and rapport to fuse the individualistic experts into smoothly functioning teams” (Quinn 1995, 691). Besides this, the most important trait for the project management is the liaison function it serves for both the adhocracy and the line organisation (ibid, 692).

However the organisation is set up, no organisation is inherently innovative. William Lazonick focuses on the “social conditions of innovative enterprise” (Lazonick 2005, 29). An organisation can foster innovation through three steps: *strategizing*, *financing* and *organizing* (ibid, 30). The enterprises strategise by choosing what product and market they will prioritise. They finance through making resources available for market penetration and the transformation of technologies. Finally they organise by the way they combine their resources. But acknowledging these steps do not automatically lead to innovation. Apart from “talking the talk” you also have to “walk the walk”.

“[...] innovation requires learning about how to transform technologies and access markets in ways that generate higher quality, lower cost products. Learning is a social activity that renders the innovation process uncertain, cumulative and collective”

O’Sullivan (2000)

Apart from grouping people with different backgrounds together, the innovative firm has to enable learning processes. Furthermore, their *organisational capabilities* (Nelson & Winter 1982) need to be uncovered. The capabilities we are speaking of here are characterized by tacit knowledge (Nonaka & Takeuchi 1995). Lazonick and O'Sullivan (2000) try to uncover the whos and hows of strategic investments, organisational mobilisation and implementation of innovative strategies. They look at the “social conditions of innovative enterprise” (Lazonick 2005, 33). These conditions are not universal over neither time nor space, meaning that a set-up that might have worked in the past or on another project, is not necessarily going to work under the present conditions.

“The innovative firm requires that those who exercise strategic control be able to recognize the competitive strengths and weaknesses of their firm’s existing skill base and, hence the changes in that skill base that will be necessary for an innovative response to competitive challenges. These strategic decision makers must also be able to mobilize committed finance to sustain investment in the skill base until it can generate higher quality, lower cost products than were previously available”

Lazonick (2005, 34)

Another aspect of organisational innovation that is adaptable to our case is what Gallouj (2002b, 8) calls the interactional innovation model where “innovation is co-produced by client and the service provider”. Since we are in fact investigating intra-organisational innovation, we need to redefine Gallouj’s differentiation between client and service provider: The client in Gallouj’s work is the company acquiring a service from a service provider. In our case, Storebrand is the client attaining an innovation from the service provider the MOP project. Thereby we can assume that there has to be a two-way influence between the project and the established organisation. This can be likened to Miles’ “coterminality” mentioned in the previous chapter.

Taxonomy developed for understanding service innovation on an industry level can be used for understanding intra-organisational innovation. It also bridges the gap between

general theories about innovation on a regional, national or sectoral level, and managerial or organisational theories explaining the action within a company. A goal for the work on this paper has been to adapt the first theoretical approach to an understanding of a company's behaviour.

To summarize the findings on what an innovative organisation is, there is a set of arguments that are valid and important for this thesis: Primarily it is important for strategic decision makers to both uncover the potential and the challenges in their organisation, and back up the mobilizing effort with sufficient finance. Furthermore an innovation team has to be forged in an effort to maximize the innovative capabilities. The project team has to be wrought by people contributing to expand the organisation's skill-base, thus enabling the enterprise to produce higher quality, lower cost products.

If these aspects are merged with our previously introduced model, they expand the complexity of how an organisation becomes innovative. Organisational capabilities as the company's underlying competences upon which both the established and the project organisations exist.

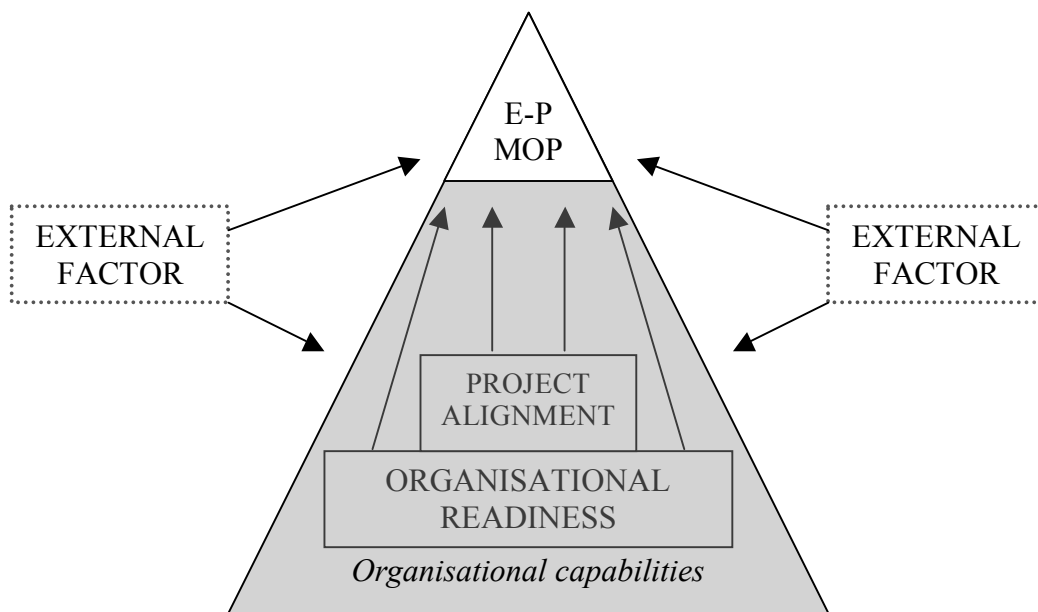


Figure 3

3.5 Heterogeneity and Diversity

When adhocracy was introduced in the previous chapter, the focus was primarily on presenting the principles and traits of the set-up. In this part of the paper, the focus is on the people comprising the project team. As will be presented, the staffing of the project influences the potential outcome. Not only is it a matter of setting up the right structure, the company also have to find the right people.

“Diversity in groups”, Lotte Darsø argues, “can be both potentially enabling and disabling for novelty” (Darsø 2001, 112-113). In her argument, diversity relates not only to different personal, academic or professional backgrounds, but also to differences in style and personality. The diversity can be turned into a competitive advantage if the group is forged and there is a common understanding of purpose. There seems to be evidence that diversity might spark innovation. However there is also “a general agreement that diversity can lead to conflict, because of the differences in opinions, attitudes and backgrounds” (Darsø 2001, 115). Meaning that if a strong individual is put in charge of a project, there might be a clash between project members or even with other divisions of the organisation.

Lazonick also talk about the effect of diversity regarding learning as one of his criterions for the innovative organisation: “*learning requires the collaboration of different people with different capabilities*” (Lazonick 2005, 30). However, economic theorists have focussed primarily on investigating the optimizing rather than the innovating firm (ibid). This makes our task of understanding innovative organisations even harder, as the theories are insufficiently developed. Quinn also emphasises the profound importance of teamwork in innovation processes:

“Such [innovative] organizations depend not just on a single entrepreneurial individual, but on teams of experts moulded together for intrapreneurship ... Sophisticated innovation requires a very different configuration, one that is able to fuse experts drawn from different disciplines into smoothly functioning ad hoc project teams ... [T]he adhocracies must break through the boundaries of conventional specialization and differentiation, which it does by assigning problems not to individual experts in pre-established pigeonholes, but to multidisciplinary teams that merge their efforts ” Quinn (1995)

As our case relates to a case study where a project is set-up besides the existing organisation, it is interesting to look at the project as an innovative organisation in itself. According to Darsø, there are two different paradigms for looking at the project management required to lead these processes. You can either look at the project as a tool, or to view the project as a temporary organisation (Darsø 2001, 95-97). The major difference is that the first represents a “functional, mechanistic, elegant, not human design”, whereas the latter is a design “involving human agents who act according to expectations and learn (Packendorff, 1995).

Project management in the second paradigm defines stages of the project according to different action phases of the project. Lundin and Söderholm of the Project Management Institute (1995) separate four basic phases: concept, development, implementation and termination (Darsø 2001). Here we see that phases are defined by their function. It makes good sense to apply this model to our analysis. In fact, the four phases of the MOP project can very well be named after Lundin and Söderholm’s dichotomy. However, the established division is maintained, as it makes little difference to the direct analysis.

3.6 Theoretical Conclusions and Framework

In summarising the theoretical approach to this paper, a model for what facilitates innovation in service will be presented. However, the findings have to be presented coherently as well. Serving as a basis for the following arguments about how and why Storebrand succeeded with the MOP project, there is a set of arguments that need to be duly presented.

The first string of arguments relates to what unleashes a need for innovation. In essence this covers all the external factors that prompt innovation. Primarily these factors influenced Storebrand as a company to initiate action to meet the challenges. Secondly external factors can influence the work conducted in the project organisation. Darsø speaks of these punctuated equilibriums as the actions or occurrences outside the organisation that

prompt innovation effort. In Chapter 4, the factors that *unleash* innovation will be presented, and we will see how Storebrand reacted to external factors.

The second analytical approach is an attempt to uncover the internal drivers and constraints of how and why the innovation process progressed. In light of the presented figure (Figure 4), there are two separate parts of the paper relating to the different aspects of internal factors. First we will look at the *underlying* organisational alignment that facilitated innovation in Chapter 5. Here we will see how Storebrands underlying J-form and their culture for nurturing novel ideas were critical in the initiation of the project, and how certain features of the company were vital in ensuring a climate for innovation. The thoughts behind the strategy will also be presented and analysed in light of the model.

In the final part of the paper, Chapter 6, we'll give thorough attention to the project alignment that *unfolds* the innovation through the MOP project. In this part of the paper, we will see how innovation can be managed through a distinguished innovation project team that was given a great deal of autonomy and piloted by project managers who were able to bring out the best in their team and at the same time communicate their needs, progress and ideas throughout the rest of the organisation. Some attention is also given to the factors that explain the success of the product launch. Why did Storebrand's MOP product win so large a market share, when other companies had a better starting point?

Right through the analysis, I'll highlight which drivers and constraints are at work. A model for what influences innovation outcomes has been created. In Figure 4, the different factors have been set up to make a comprehensive visualisation of how innovation is seen. The model emphasises the interdependence of the different factors, leading to an assumption that innovation cannot be pinned to one factor, but is the result of a complex process of both internal and external determinants.

The final figure is the integration of all mentioned theoretical aspects, as well as how they would merge to form a comprehensive model of how both underlying factors (organisational capabilities and readiness) and project-specific dimensions influence the innovative end-product. The figure also attempts to show how external factors can influence both the end-product/-process as well as its underlying processes. As we see, there is interactivity between the underlying and unfolding dimensions of innovation in a service sector organisation, and this sentiment has been attempted introduced throughout the analysis conducted in this paper.

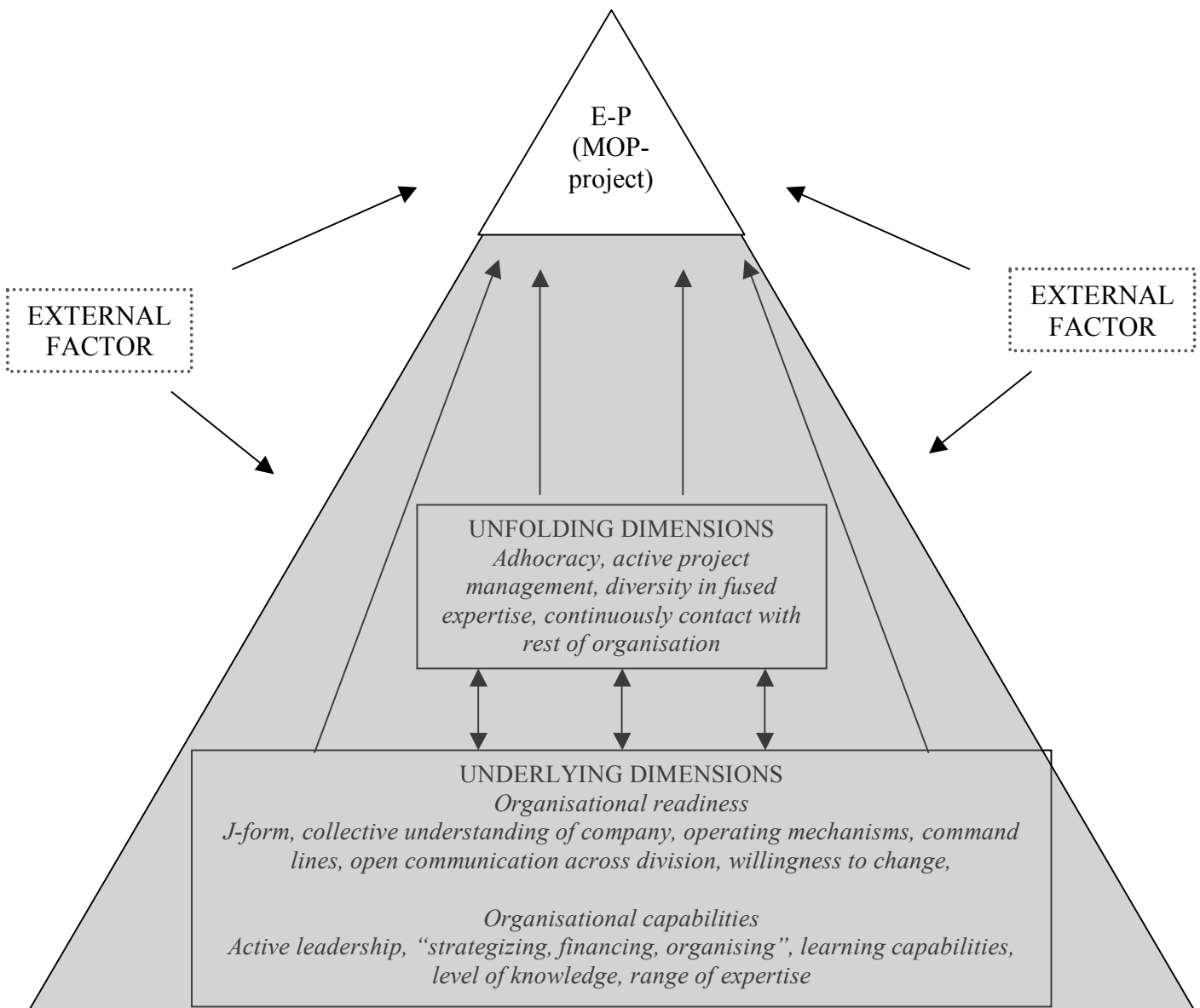


Figure 4

4.0 Unleashing Innovation

The first analytical dimension of this thesis is how external factors influenced the innovation process in Storebrand. Primarily this chapter will explain what initiated the innovation efforts and how external factors influenced the strategy relating to the MOP.

As will be argued, external factors make two types of impact on an organisation. First, they can prompt the establishment of a project or programme to meet the new demands. This is dealt with as punctuated equilibriums in chapters 4.2 and 4.3. Thereafter we will look at the way external occurrences influence or steer the work conducted in the organisation, thus highlighting the interaction between an organisation's innovative efforts and the surrounding environment.

4.1 External Factors Influencing the Innovation Process

On 23 May 2005, the Norwegian Parliament, Stortinget, passed a resolution for a reform of the pension system. With a cross-party support, it was clear that the Norwegian pension system would no longer be based primarily on a state-run pension scheme, but that a share of the pension would come from private pension providers. Norwegian employers will pay for the pension, and thereby the market for occupational pensions changes: A product that was mainly a benefit for employees in large companies now becomes mandatory for all Norwegian companies. For the actors in the financial sector, this prompts a rapid response – the new pension was due in place within less than seven months.

In the weeks leading up to the summer of 2005, most pension providers spoke about their potential market shares in this emerging market that would give nearly 700.000 Norwegian employees a *mandatory occupational pension* (MOP). In fact the financial institutions are so positive that the market is in fact oversold by more than 300 %. It was obvious that the passing of the resolution *de facto* prompted innovation. Typical lead-time in

the business was closer to two years – if the companies were going to succeed they would have to come up with new solutions. They had to innovate.

Alice Lam calls this innovation-prompting happening a *punctuated equilibrium*. This approach uses a decision or action that dramatically changes the market stability as an explanatory cause for unleashing innovative efforts. To my understanding the passing of the resolution for a reform is genuinely a punctuated equilibrium. There had been talk about the reform for some time, but the efforts to come up with an innovative MOP product did not commence until the resolution was passed – thus making it possible to link the resolution to the unleashing of innovation efforts in the financial institutions.

In fact the commotion surrounding the introduction of the pension reform was so massive that Hanne Myre from the Financial Supervisory Authority of Norway (Kredittilsynet) described the launch as “throwing a bloody steak into a dog pound with starved, rabid dogs”². Not only did the existing actors need to respond and grab their market share, but several new players also entered the field: The number of occupational pension providers soared from 6 to 28 within the scope of a few months (Dagens Næringsliv 2006). The market situation was tense and the struggle for market shares would truly be fierce.

4.2 How Punctuation Influenced Strategy

As many other enterprises, Storebrand had ongoing projects and positions directed to improve efficiency. These efficiency enhancing “Lean-project” processes were attempting to strengthen Storebrand while at the same time improving processes. Through participating in one such project, Thore Thomassen was in early 2005 working on improving efficiency in handling contract establishments and service in Storebrand, and his team ended up looking into the implications associated with the dawning pension reform. Quite quickly they saw

² Speech given on 4 april 2006 at FNH’s annual conference

that Storebrand's existing system was much too rigid and too slow to allow for the radical increase in efficiency that was needed to keep up in the race to "win" the MOP market.

These challenges were communicated to the Financial Leadership, who had already strafed the topic at FL meetings since late fall, 2004³. Without coming to any conclusion a concern was expressed that something had to be done – without addressing the *what* and *how*. Time passed and Stortinget passed the resolution to reform the pension system - Storebrand had to act.

The formal passing of the resolution is what really prompted the establishment of the MOP project in Storebrand as in most other companies in the financial sector. Had it not been for the fact that the law would be in place by the end of the year, and the new product was due to be sold already from 1 January the following year, it's unlikely that things would have happened as quickly as they did.

In reference to Lam's (2005) *punctuated equilibrium model*, exogenous factor such as the Parliamentary decision to reform the pension system functions as the catalyst for innovation in an organisation. The exogenous actor or decision changes the playing field, and prompts a need for change and innovation. This effect in all certainty can be found in the case of Storebrand's MOP project. Although the company's management had debated the consequences of the reform for some time, it was not until the act was passed that actions were taken. Had the legislature passed the act in November, the establishment of the project would most likely not have happened before November either.

This external factor accentuated the need for change, and business as usual would most likely prove unsatisfactory. For Storebrand this need for change culminated with the establishment of a project that was both inside and outside the established organisation. Inside in the sense that it was established as an internal project but still placed outside the

³ Interview Løddesøl

established line-organisation. This arrangement was made after some deliberation. But it was seen as the best way to ensure a different – and hopefully more rewarding – result than what could be expected if an established division of the line organisation was in charge of running the project.

4.3 Second Punctuation – the Circulation of the Bill

A second punctuation of the process was the circulation of the parliamentary bill from 1 July 2005. By this time Storebrand had already established a project group for their work on the MOP. From the financial leadership (FL) there was a desire for a “joint programme management” (MOP Mandate 2005), and the board passed the mandate for this programme on 21 June 2005.

Rather than awaiting the final motion for the bill, a supervisory group headed by director Pål Petersen had already been established. Petersen normally heads the division of business services, thus would end up being responsible for delivering service on the product once the project period was over. The responsibility for the MOP project came in addition to his regular responsibilities, and he was going to act as the FL’s man on the project. At this time, the whole project is seen as a “sales pitch”, and their task was to “win a market”⁴. Petersen’s division saw that this was not a case of just selling many pension deals, but also implementing these customers into a system for service and support that would be maintained by his division (ibid). Petersen’s supervisory team had an operative role and a mandate to make continuous decisions on behalf of the financial leadership. This was to ascertain deliveries and progress according to the schedule.

When the bill was in circulation, the essential parts of the product were beginning to crystallize. It made the product development more directional, as the framework for the final

⁴ Interview, Petersen

product was outlined. Up to this point a lot of the work in Storebrand had related to how the market situation was, what Storebrand's potential was and how they could step up to the challenges. These questions are fully debated in chapter six and seven of this paper, but are mentioned here as the circulation of the bill can be seen as a second punctuated equilibrium in the innovation process.

4.4 Product Launch – the Manifestation of the Market

For the first few months, the MOP market was in limbo. Every company was trying to put together a product, finding out if they could adapt some of their existing products to the reform and its prospected requirements. For the emerging competitors, it was as much about making room for themselves.

From Storebrand's side, a lot of time was spent sizing up the competition. What guns would they pull out? How would different actors present their products? By mid-November several products were launched. Amongst them was Storebrand's "People's Pension". This was the basic product aimed at the small and medium sized companies. The point here is that this product had been developed not as much based on existing products, but rather based on the information provided by market research and intelligence gathered from available information about competing products.

Storebrand used a third-part call-centre (Neras) to approach prospect customers. Through this they managed two things. Primarily they established a bond between Storebrand and the new MOP. In addition to this, they could adapt their own product along the way, making adjustments that seemed more beneficial to the customers that would eventually buy the product.

The external market situation continuously influenced the development of Storebrand's own product. The key to achieve this highly flexible development process was

the project alignment that will be debated in chapter seven. None the less, it proves that innovation does not occur in a vacuum. Both the competing products and the response from the market research influenced the innovation process. In the end it was clear that one product line and a single strategy would be less satisfactory than a differentiated strategy for different business segments.

An interesting question here is why the response from the market research seemingly influenced the product development to such an extent. There are several aspects to this. First and foremost it relates to the project management. Instead of running the product development in an established division with high emphasis on existing products, the heterogeneous project team was headed by a manager with experience from Sales. There seems to be a higher emphasis on the market need and demands, which is vital to making the end product a success in the marketplace.

Secondly, the project alignment was flexible enough to allow changes in mid-stream: When the product in development is meant for an emerging market, uncertainty makes malleable products and strategies necessary, as the preferential product is still unknown. The underlying willingness and ability to adapt from day to day seems to be a condition for innovation.

4.5 The MOP Year – the Sales Situation

The most important external factor relating to the MOP year was the time-scarcity. Compared to most other financial products, the single year of 2006 was end-game for the whole market. Once the companies had chosen their MOP provider, the market would be more or less settled, and the MOP competitors had to obtain their total market share in the scope of a single year.

In the projections for when the contracts would come in assumed that a large share would come in during the first half a year. This assumption was made because the MOP deals would run from 1 July 2006. However, this turned out to be wrong: Sales were slow in the beginning, which is quite understandable as this was a product the market had not asked for, and most company executives – the people who would decide which MOP provider their company would choose – hardly knew anything at all about the MOP. This even influenced the product development in some companies. Since none of the decision makers in the market had particular knowledge about the MOP, the product should preferably be simple. It's easier for people to choose a product they understand over a more intricate product.

Barry Schwartz (2004) calls this the paradox of choice. When people have too many options to choose from, they are simply unable to decide, making a wide array of options a hindrance rather than an aid in deciding. In a situation where the market has to decide on which provider they would choose for a product they have not asked for, it can be assumed that they would go for the one that offers a comprehensive product. The side effect of this is that a straightforward product is even simpler to handle for the provider as well.

The external response to the product influences the product development. Innovation is not exclusively an internal process, but is also a process reliant on external decisions and market understanding. Furthermore it can be said that the direction of the innovation process would be enhanced as a result of positive market response. This positive market appreciation could then lead to a diminishing degree of internal scepticism if the innovating company was experimenting with strategic or developmental choices.

We thereby see how external factors can influence the innovation process in several ways. It can steer the process in a preferential direction, enhance the focus on the positive actions and break down internal scepticism (or structural inertia as will be discussed later on).

4.6 Project Outcome

By 1 January 2007, all companies were supposed to have an occupational pension deal, but this was not the case. Another 100.000 employees' MOPs were administered in the months following the deadline. Nonetheless, the results from the battle for the MOP market were beginning to come in. Storebrand were on top together with main rival Vital. Both companies boosted approximately 200.000 employees covered by their pension. Quite shockingly SpareBank 1, one of the companies expecting to claim half the market ended up with nearly 75.000 employees (Dagens Næringsliv 2007).

It can seem like Storebrand was affected by the external factors in two different ways during the project period. Initially the pension reform and the circulation of the bill influenced the strategic choices and uncovered the company's needs relating to the MOP project. As time goes, the external factors end up having a more complementary role to the chosen strategy. In relation to the model introduced in Chapter 3 (Figure 4), the external factors influence both the established organisation in the first phases of the project and the project team as they work on forming an innovative product. The key to successfully encountering innovation demands seems to be dependent on the openness towards what is happening outside the organisation itself. As will be duly dealt with in the following two chapters, innovation should always be sought with a particular emphasis on what goes on outside your own organisation. It is highly unlikely that Storebrand would have succeeded in the market if they had not been willing to spend resources on understanding the playing field.

The final proof of Storebrand's success with the MOP project is even more evident in retrospect. Several interviewees not directly related to the project claim that the MOP process has created a new benchmark for how projects should be run in Storebrand⁵. This can be seen as a direct result of the appreciation of success. Once the established organisation opens up to

⁵ Interviews Bakkevig & Lie

an idea that seemed controversial at the launch, critique diminishes and challenging ideas can prosper.

When it comes to how the market actually received the “People’s Pension”, a good response came with the publication of the results from the customer satisfaction survey conducted by *Norsk Kundebarometer*. In short, Storebrand came out on top in both traditional pension and life insurance products and in the MOP segment (NHO 2007).

5.0 Underlying factors

“The introduction of mandatory occupational pension is for Storebrand and the other life[-insurance] companies a double-edged sword: the total premium for the industry will substantially increase, at the same time the margins of existing contracts will be put under considerable pressure ... The question is therefore not whether it is possible for Storebrand to complete a defensive strategy to secure existing customers and opportunistically recruit new, large customers, but how aggressive Storebrand’s charge has to be keep today’s revenue from premiums and at the same time maintain today’s market share from future premiums.”

Business plan MOP

As mentioned in the Chapter 3, Lam speaks about innovation occurring in a punctuated equilibrium model. This implies that Storebrand could have an ongoing incremental process at the time the parliamentary bill was passed, but the MOP project becomes a culmination of a process bound to happen. In this chapter the ongoing processes and routines of Storebrand will be examined.

This chapter is an attempt to shed some light on how an organisation’s fundamental structure and culture influence the outcome of innovation projects. It relates to how Storebrand dealt with the need for change, their capacity for innovation at the onset of the project, how the culture was set up to build upon tradition while at the same time limiting structural inertia and finally what measures was taken to ensure an efficient process.

5.1 Underlying Processes

It was obvious that the MOP project represented completely new and especially demanding challenges for an established company such as Storebrand. Within a year from the pension reform was passed in Parliament, Storebrand would have to sell to and serve twice as many pension scheme customers as they had been able to acquire since 1917 (Kreutzer 2006) if they were going to achieve their desired 30% market share. Judging from the interviewees understanding of the situation, the financial leadership was willing to go a long way in

ascertaining a strong market position for Storebrand although their starting point could have been better.

Not only were there huge challenges related to how they could win a third of a market where they had a less than preferable standing, but there were internal challenges as well. For example a less than sufficient IT system, not to mention the fact that the routines for calculating and handling contracts would not be able to cope with the quantity associated with the MOP project. And these challenges had to be solved within some seven months from the establishment of the project.

One of the project's initial members, Thomassen, had worked on uncovering the state of the company's processes. One of the most critical bottlenecks according to their work would be how to handle the sheer number of contracts that would accompany a successful MOP launch. The IT-platforms were a patchwork of unstable solutions that had been created to deal with previous products, but the existing systems would be likely to kneel under the pressure of the MOP volumes.

Regarding their distributive capabilities, they were without the customer relation to the vast SME market segment that most of their competitors had, and their sales department was dramatically smaller than that of other competitors in the market (Kreutzer presentation 2006). Moreover the expected product would be a minimal product, which would break with the company's traditional products with more complexity and higher returns. Combined with a need to overcome these dramatic challenges in the scope of a little more than six months, the tasks went along two axes: Primarily it was a very real sense of urgency with time. Something radically new had to be done in a very short period of time. Furthermore, this product would have to be developed before the guidelines were made official and sold to customers who had not asked for it.

Another problematic axis was that of internal routines and systems. The sheer amount of contracts that needed to be completed and formalized amounted to unprecedented challenges for a well-established company. The top executives had to come up with a solution which hopefully would bring them out on top of the competition with regards to pensions sold and processed, as well as improving (or constructing) routines that would sufficiently satisfy the customers' needs and expectations.

"Existing sales capacity, with 2004 as reference, with a total of 1.250 accepted deals from all products, responds to 10% of the goals for the MOP in 2006 alone. This indicates a strong need to significantly strengthen and direct sales efforts towards and through 2006 for all segments and [sales] channels"

Business plan, ch 6.3.4

My assumption is that had these challenges been less dramatic, there is an innate possibility that Storebrand would not have chosen a strategy of breaking with the line-organisation. The sense of urgency and the dramatic consequences if they carried on with "business as usual" forced the company to innovate. Although innovation cannot be said to have occurred before the market experiences a qualitative change, efficiency enhancing measures was a goal for the project at the early phases of the project⁶.

5.2 The Right People

In acknowledging these challenges, the primary objective was to get the right people for the challenge. As the product would be sold to businesses, it was natural that Lars Løddesøl, head of the business market division, would be at the helm of the project as "project owner"⁷. The supervisory group headed by Petersen was also in place. Certain people were natural

⁶ Interview, Løddesøl

⁷ Interview, Løddesøl

candidates, while other personnel were more controversial. This section of the paper shows how the recruitment directly influenced the success of the project.

The supervisory group was given the authority to act as the FL's extended arm to settle fundamental debates more rapidly than bi-weekly FL meetings could do. In reality, the project management ended up with a direct admission to the FL meetings to settle questions without having to send in documentation beforehand⁸. The supervisory group would by time be more of a guiding council for the project rather than a supervisory group, while the financial leadership was in fact consulted on all important matters. Nevertheless, the supervisory group played an essential role in the project as it paved way for the effective diffusion of information about the MOP project throughout the organisation. This was critical, as the MOP product would be reintroduced to the established line organisation at the end of the project period.

At a leadership conference in May 2005 it was acknowledged that this project had to be managed in a less traditional way (for Storebrand) if they were to achieve their goals and Arne Nicolaysen was unanimously proposed by the FL and asked to take the position as project manager⁹. The project team was established to work full time on the MOP project with Nicolaysen appointed as project manager because Storebrand wanted a person with "energy, drive and tempo"¹⁰. His background was with sales in Storebrand, and had previously had project management experience within the company. Traditionally, Storebrand would run product development from one of the strong divisions such as Product or Judicial¹¹, but for the MOP project they chose an operative leader from Sales.

The choice of Nicolaysen as project manager was a quite bold decision. As mentioned, the more in-house oriented divisions traditionally did product development in

⁸ Interviews Huun & Petersen

⁹ Interviews Nicolaysen & Løddesøl

¹⁰ Interviews, Lie & Løddesøl

¹¹ Interviews Thomassen & Pettersen

Storebrand. Nicolaysen came from Sales, and thus inhibited a pull towards understanding the customer. In this one can find an early trace of how the MOP project represented an organisational innovation for the company. By not choosing a project manager from the conventional divisions, the outcome was more open, paving the way for innovation. On the other hand it also represents a potential problem: When traditions are broken, people have to reconsider their “mental representations” (Lam, 2005, 123) of what will happen and how to act. This process of being forced to remake mental models relates to Simon’s (1957, 1991) “bounded rationality” which argues that humans preferably act rationally. The outcome of this break from routine may lead to new and innovative outcomes, but could also lead to stagnation, as a lack of routine is uncovered.

In Storebrand’s case, this seems not to have been a critical problem. Possibly because all divisions that were concerned with the MOP project ended up having representatives in the project, either directly as project members or indirectly through the supervisory group. Additionally, the project was anchored in the company’s financial leadership with Lars Løddesøl as “project owner” and via the constant rapport between project and company leadership.

This phase of the project is the period that mostly represents a mental division from traditional group thinking. It had been up to the financial leadership to set the course for their MOP project. But rather than following tradition they chose a different path, as the evaluation was that a different approach was required by these specific circumstances. There is a valuable lesson to be learnt from this, and it is that innovation most likely requires early decisions by top management if the organisational alignment is to differ from tradition. As will be argued later on, innovation itself requires bold decisions and acceptance of potential failure. As Lars Løddesøl put it, the whole project period included a “considerable respect for

the possibility of failure”¹². Even at this early stage, it was obvious that failure would be dramatic. Either they won a significant market share, or Storebrand would end up in the MOP backwaters.

The underlying explanatory cause for this willingness can be seen as two-fold. Both there was a sense of having nothing to lose. Due to Storebrand’s somewhat weak position in the market beforehand, nobody expected Storebrand to be a dominant actor on this market, thereby making failure less ominous. The second reason is that the prospected implications of a 25-30% market share were so great that a success should be pursued at all costs. When business-as-usual evidently would not suffice, the desire to try out something new is more likely to flourish. To sum it up, there was an underlying willingness for change in Storebrand that made innovative processes possible.

5.3 Uncertainty and Distributive power

So far we can say that Storebrand’s organisational capabilities were coloured by their leadership’s willingness to change routines and give authority to people they believed in. There seemed to be an understanding of the need to actively seek out new ways of solving challenges. In spite of the considerable fear of failure, company executives did not cower, but stood up to the challenge and set the standard for the rest of the project to follow.

As mentioned in previous chapters, a clear decision was made in separating from tradition and choosing the kind of project set-up as they did. Besides facilitating a novel result, we also saw how it created a certain amount of uncertainty. The fear of failure can both be invigorating to the project as it puts people on the alert, but at the same time it can hinder processes as people have to cope with a latent organisational anxiety. New strategies or processes are accompanied with scepticism that stem from uncertainty. It can be argued

¹² Interview Løddesøl

that had the top executives not owned the project and given it its full support the sceptics could have gained support. Very likely this would also have led to the failure of the project as an innovative effort. However, Pavitt (2005) presents various examples that people tend to be “over-optimistic about the costs, benefits, and time periods of their proposed project”. Hence making the innovation effort in the MOP project fundamentally ruled by positive expectations. Nevertheless, in the face of overwhelming challenges, Storebrand could have resorted to traditional alignment thereby losing the race for MOP market shares.

If they were to succeed with the project, they had to think and act radically different from the formally run, rule-based traditional company. This seems to have happened with the project, and is no small achievement in an established company such as Storebrand. During an informal conversation another employee explained the weight of tradition within Storebrand: *“There are people in the company that frown upon the idea of changing how we do things. After all, they say, we have made money from day one”*.

As already mentioned, the company was aware of the potential inertia of establishing the project within its HQ, thus making it imperative that the service centre – the heart of the project – worked by its own methods. As the MOP meant that a dramatic increase in scale of distribution, it was important that decisions could be reached immediately. A way to achieve this was to co-locate all central project staff on the same floor, and maintain a constant dialogue between the various divisions concerned.

5.4 Market Differentiation

Besides setting up the project, the establishment had to point out the general direction they wanted the project to aim. In choosing their intended goal, it was vital to understand the market, and especially Storebrand’s position in the network of customers, product differences

and competitors. In this part of the thesis, we will look at Storebrand's understanding of the market situation as well as how the organisation was going to face the challenges.

A critical challenge was the fact that Storebrand lacked substantial customer relations in some of the relevant segments and with the people who were going to make the decision about their company's MOP provider. Furthermore, Storebrand were far behind their main competitors when it came to distributive power. Compared to Vital/DnB and the Sparebank1 group, Storebrand had only a mere margin - respectively 1/4 and 1/9 (Kreutzer presentation 2006) - of the number of branches throughout Norway. The comparison becomes even more critical if we were to look at the number of distributors.

Immediately after Stortinget had passed the resolutions, most of the actors in the pension market proclaimed their expected market shares. Through the media the MOP market was oversold by 3 – 400 %. Both the established actors as well as the newly established companies that were trying to skim the emerging market did this. In internal documents about the situation, there seems to be an expectation among the competitors that this was going to be a “free lunch” However Storebrand, never officially flagged their intent to take 30% of the market. A second goal for Storebrand was to increase the efficiency of contract handling and distribution up to five times¹³ (this was the expected level that was needed to ensure sufficient delivery capacity).

The market analysis conducted throughout the summer seen in connection to the background material circulated with the law proposition, showed that the MOP market could be divided into three types of potential customers: The large companies that had more than 100 employees more often than not already had a pension scheme. For these companies price and efficiency was significant when they were asked what would decide their choice of MOP provider. For the small and medium sized enterprises (SMEs), the situation was different.

¹³ Interview Løddesøl

Very few of these had a pension scheme, and hardly any had any prior knowledge to, or preferences concerning MOP. This represented a huge challenge.

The large companies would represent many employees, but smaller profits from each employee. More specialized deals as well as more complex service situations could be expected. The SMEs on the other hand preferably had to be sold a “batch product”. A standardized product was required: it had to be simple enough for the companies to understand them, and automated so that the product would require a minimum amount of individual adjustment on Storebrand’s part. This represented a challenge for the IT division at Storebrand. The new product emphasized the need to develop a new customer portal that had to be comprehensible yet at the same time allow enough customization that it would satisfy different needs. And yet again, time was of the essence.

Storebrand had a relatively weak standing in the SME segment of the pension market and was without a large sales apparatus rigged to reach all the potential customers (Business plan 2006, ch 2.3). A differentiated strategy was selected. The established, in-house sales division at Storebrand would handle the large companies (100+ employees). The SMEs would be contacted by Neras and handed over to the local sales representatives after the initial contact was established. In fact the sales campaign begun even before the calls from Storebrand themselves were taken.

The last differentiated marketing strategy was to work out strategic alliances with interest groups and professional associations. As Storebrand had less than 1/8 of the total number of offices in their sales apparatus compared with some of their toughest competitors (Kreutzer 2006), they could benefit greatly if they managed to close deals with the largest organisations. Storebrand would potentially have a better chance at getting a small or medium sized auditors firm if their umbrella organisation had a beneficial deal for their members. When people have to make decisions based on a weak knowledge base, it’s more

likely that they will listen to their peers. An authoritative organisation like the Norwegian Institute of Public Accountants (DnR) is thus seen as trustworthy. Storebrand was hugely successful in signing these deals and by September 2006, 22 professional associations had chosen the company as their pension partner (Status update 2006). Both NHO (the Confederation of Norwegian Enterprise) and HSH (The Association for Commerce and Service Businesses) also chose Storebrand as their recommended MOP provider, and HSH alone represents some 10,000 businesses and 130,000 employees (ibid). Even if Storebrand could not bring in more than a fifth of these companies it would represent thousands of new MOP customers. And although the MOP product itself was not hugely profitable, the potential for cross sales is all of a sudden there with over 25,000 employees who all of a sudden had a customer relationship to Storebrand. Storebrand has a tradition for these strategic partnership agreements with other products¹⁴, and this was considered a comparative advantage in the business plan for MOP (Business plan 2005).

This was a very important part of the MOP strategy that was formed during these summer months. Although the product itself is not all that profitable and it differed from what Storebrand had traditionally sold, the amount of potentially new customers for Storebrand was so huge that they could, with time, represent a significant amount of total revenue. The deliberate communication of this fact helped other divisions of Storebrand to accept the turmoil and malaise that accompanied the project. All through most of the documentation made available for the work on this paper from this period, the long-term consequences for the pension market are always emphasized. Combined with top management involvement and dedication to the project (this will be discussed fuller in the next chapter), it was possible for Storebrand to launch a large-scale project that might be uncomfortable to undertake, but potentially vital for the enterprise over time.

¹⁴ Interview Løddesøl

Moreover, the pressure on the company was huge as there was an underlying sense of urgency. There was no time to conduct the thorough analysis of their own products and how they could facilitate the transition to a more efficient distribution and IT system. Everything had to be in place within little over six months, which was in fact a decisive factor for the outcome of the MOP project. Had it not been for the very real shortage of time, it would have been harder to get people on board and even harder for people to accept the demands that were put on the whole organisation.

In light of our model (Figure 4) we can see that in this phase, all factors influence the project – internal as well as external. The mere fact that several competitor companies were able to distribute their products with a larger sales apparatus meant that Storebrand had to think alternatively. This emphasised the internal need to accelerate the innovation process. It required a mobilisation of the organisational capabilities such as active leadership. They had to formulate a strategy in cooperation with the project management they had consciously selected. Furthermore they had to ensure financing and make sufficient resources available. Finally they had to contribute to an organisation of the project that would be able to produce solutions that could result in a winning product. This innovation team would have to draw on all communal expertise in Storebrand, and be merged by an able project management.

5.5 Resource Priorities

Once a course was set, the challenge was to reach the desired goal. In reference to Lazonick, the final important step after strategizing and organising is financing. It was important to allocate sufficient resources, and make sure they got what they wanted out of their investment. To ensure a desired outcome, it is important, as will be presented here, that the leadership of both the organisation and the project have a cohesive understanding of where they are going. Priorities had to be made and communicated.

The proposal for business plan presented to the FL in September 2005 contained calculations for three different strategies - one weak, one moderate and one offensive strategy (Business plan 2005). While the offensive strategy would aim for 30% total market share spread across all different business sizes, the moderate and weak strategy would hopefully get 20% or 11% respectively. The medium push was in reality the same as the offensive, but with lower use of resources. The weak strategy implied a more selective focus on the upper larger medium sized companies and large businesses.

A consequence of this choice was that the project would demand sufficient funding and resources. In the business plan presented to the FL 5 September 2005, it is estimated that this scenario will require investments between 80-100 million NOK and additional staffing up to 25 man-labour-years. Following the estimates, the MOP will give return on investment in 2012 or 2013 (Business plan 2005).

An important lesson that was learnt throughout the first months of the project was that bypassing routines could lead to enhanced efficiency. Lars Løddesøl emphasised the effect of the MOP management's ability to bypass time-consuming bureaucratic procedures¹⁵. Through the direct rapport in every FL meeting, problems were solved, information diffused and project managers could gain confidence that there was support for their decisions without having to wait for weeks for a reply. The effect of this continuous contact between project and company managers will be more fully discussed in the following chapter. However, this strategy set the pace for the process and got the project off to a good start.

An external factor that also influenced the project was the circulation of the law proposal that came out on 1 July. Now it was possible to plan the product in light of a likely legislative outcome, making the product development a more directional process. However, the most important aspects of the project at this time were internal, notably the work of

¹⁵ Interview Løddesøl

project management and the involvement by Storebrand executives. When it comes to the role of Storebrand top executives, it was important to constantly keep updated on project development and give support to the proposed business plan through financing. Furthermore it is interesting to see how seemingly unified the FL and the project team are in their views on strategic decisions.

“There can be no doubt that it was the MOP year last year [2006]. And all effort had to be united in trying to achieve success”¹⁶

As we know, Storebrand went with the offensive business strategy. To my knowledge, this strategy was more or less given before the decision was officially made in the FL meeting in September. This was in large part due to the consistent weekly updates by the project management to the FL throughout the first months of the project period.

“The mandate was quite open. They were allowed to influence the mandate to a large extent. And as well they were allowed to come on short notice to the FL and report all kinds of problems – and they took the opportunity. Pål [Petersen] and Arne [Nicolaysen] were very explicit about what was most pressing. They were allowed to bypass the bureaucracy ... and had a free time-slot. The point was to force upon them as little bureaucracy as possible. Give them enough room and at the same time access to the decision makers in the company whenever they needed.”¹⁷

This way the FL was continuously up to date on the progress of the MOP project, and could at the same time clear up any potential problems before they became critical. Another effect of this involvement was that it shows the importance of the MOP project to both the project team and the rest of the organisation. It also allowed them to steer the process had they noticed that it went in a less than preferential direction. For the project management it saved precious time that they could bypass the normal bureaucracy of sending in background material for the occasional FL meeting, but had a permanent slot in every week's meeting set

¹⁶ Interview Løddesøl

¹⁷ Interview Løddesøl,

aside for them¹⁸. In a situation when time was so scarce, it makes the situation for the project easier and more efficient. It also builds confidence as ideas are evaluated and responded to immediately.

5.6 Overcoming Reluctance - Unifying Efforts

By mid-September the impression is that the foundation of the whole project was established. So far the project had been lead in a direction that was different than the traditional, lengthy analytical process for developing new products. Yet at the same time it was building upon these same principles of knowledge based processes. This section of the paper relates to how organisational scepticism was defeated through deliberate actions from both company and project managers.

The top executives involvement and hands-on role in the whole process contributed to making the importance of MOP clear to the whole organisation. In the day-to-day operations of the MOP project, which will be described and discussed in the Chapter 6, most aspects mentioned here will be investigated further.

There is a danger that this extensive shifting of central power to an adhocratic project organisation can take its toll on the rest of the organisation. Seeing a new division or project group taking precedence over the established divisions and tasks might demolish other groups' motivation. To some extent, so was the case in this situation as well. However it was not as dramatic as one could expect. A result of the time-pressure was that technical solutions from the IT department had to be delivered in much shorter time than usual. Despite some muttering, most deliveries were made within "four weeks rather than six months"¹⁹. It is interesting how the internal drive of the MOP project could stimulate to increased productivity in other divisions as well.

¹⁸ Interview Løddesøl

¹⁹ Interview Thomassen

Yet again, we see the importance of the management's ability to continuously communicate with other divisions. Had it not been for the project's expressed importance for the whole company as well as the FL's direct involvement, it can be expected that the collaboration with other, central division would have been much harder.

As understood through this analysis, the support from top-level executives was of vital importance for the result. In addition, the fact that they managed to convey the implications of the results to the existing organisation helped the co-operation. This involvement from the top management was also strengthened by the fact that project management (Arne Nicolaysen and Pål Pettersen) actually took the authority given by the FL and used the opportunity to sit in every week with the Board and settle questions.

Had the project been set up as an external project in a "Lillebrand", it would expectedly have been harder to forge the success. There was a significant risk in investing so much prestige and importance in this project. Had they failed, "heads would have rolled"²⁰. But again there is an intriguing aspect of the chosen strategy: expressed, measurable goals and expectations were not presented to the press or the market.

This way, it was only the internal pressure of achieving higher efficiency and making their customers satisfied. The focus was not on luring in clients with low cost followed by hidden expenses in the long run, overselling their product, but rather taking the time to ensure that they would be able to deliver what was promised. Furthermore, the fact that the MOP customers were eventually going "back" to the line-organisation for service and cross sales, most likely helped other divisions to accept the intense focus on MOP, in itself reducing the internal scepticism as well.

Still, it is somewhat surprising that there seems to have been relatively little friction. Apart from the muttering from some parts of the organisation, the entire financial leadership

²⁰ Interview, Nicolaysen

and most divisions were behind the project. In reality, the MOP project challenged the underlying structure of how projects and product development was run at Storebrand. A higher degree of conflicting interests and confrontation could have been expected. But again we return to the role of the project management. Through constantly updating the involved parties, potential problems were nipped in the bud. Nicolaysen is described as a person who “moves about”, “talks to people” and is a problem-solver. These characteristics would not have come from so many interviewees had they not been experienced.

The question of overcoming internal reluctance was presented to Lars Aa Løddesøl, and he had a quite intriguing look at it. “We have renewed significant resources in Storebrand the last few years. ... We have one team which is dynamic, runs quickly and have experienced the success of the MOP and other projects. [We also] have some who are a bit unexcitable, arms crossed and a bit stringent and thinks the world moves too fast. But in part there are fewer and fewer of them [the latter group], in part they have less influence in the organisation”²¹. He goes on to summarize the success criterion for the MOP project in that “dynamic and forward leaning individuals” were recruited and given extensive mandates, access to the Board of executives and sufficient resources. The willingness to take chances and maintain a focus on constantly being aware the need to change is also regarded as important.

“The culture change was needed. [...]. It started after the bust (in 2002) when there was a considerable house cleaning of all ongoing projects. The willingness to take chances came when Idar (Kreutzer) became CEO and today’s leadership came into position. It also happened as a result of the successful tidying up that made it more possible to take chances”²².

²¹ Interview, Løddesøl

²² Interview, Løddesøl

5.7 Organisational Learning – “The Time After”

During the spring of 2006, the project was still in the phase of establishing market contact, setting up systems and procedures and most surprisingly for Storebrand, included less work on signing contracts rather than chasing customers. A large part of the contracts were supposed to be settled before 1 July 2006 (which was the date the pensions were supposed to run from) in accordance to the projections made the previous summer. In fact, by the end of September, less than half the roughly 700.000 (FNH 2007) employees had a pension deal settled. Storebrand had approximately 6.500 companies for their products. In the end they would end up with closer to 15.000 (ibid). It even went so far that a member of the FL proposed to turn down expectations from the owners when the deals did not manifest themselves²³. Still, the project team did not waver in their belief that the project would be a success. Come fall 2006, and things were starting to look brighter.

More and more of the large deals with large companies and interest organisations were brought in. In the SME segment, things were still slow, but with the industry organisations’ deals closed, SMEs were coming in as well. By 30 September 2006, the number of new customers for Storebrand had reached ca 52.000. However the real volume of new customers came in the fourth quarter, pushing the amount of new customers from the MOP to over 155.000 (FNH 2007).

The internal organisational challenges relating to the MOP project were still along the same lines. Deadlines were tight for deliveries from the IT division. Some tasks proved harder than expected, and there were some grunts and complaints that this race against the clock hampered quality. But the IT division proved extremely productive this year. As one interviewee put it: “I don’t think IT has ever had a more productive year than 2006”²⁴.

²³ Informal conversations 060607

²⁴ Informal conversations 060607

When it comes to sales' reluctance towards the product, many sales personnel saw that hiring Neras to make the initial contact had a positive effect. Although their personal profit for signing each small deal with the SMEs was small, a lot of time was saved by the fact that the initial contact had been established. Some sales representatives saw how they could in fact make a lot of money from going after the smaller deals, thereby creating a more positive drive towards selling the People's Pension. Reluctance was thus turned around.

Across the organisation, there was an increasing awareness of the results produced by the MOP team, and many who had initially been negative were steadily beginning to support the project. It should be mentioned that this could be an effect of being kept "in the know" throughout the project period, and fully blossomed once the results started coming in. Project managers no longer updated the FL weekly, but there was still a constant rapport between the project and other divisions.

6.0 Unfolding dimensions

"[Business Market] has said that they, in addition to conventional processes and existing market, based on experiences from previous years, will be able to achieve 1 MOP process per sales staff per day"

Business plan (2005) , chapter 6.3.6

The final part of this paper is about what actually took place in the MOP project team.

Innovation does not occur in a vacuum, and neither is it solely dependent on external factors or top management decisions. This part of the thesis will present the actions and working patterns of the project team was able to over-perform and achieve results that seemed unlikely in light of the traditional organisation.

6.1 Establishing the Project

By the end of May 2005, the project was established but not yet formalized. The first weeks were spent recruiting key personnel and trying to get an overview of the situation. Arne Nicolaysen as well as a handful of others was on board with the general task to win the MOP market. A clear strategy had to be cut out, and it had to happen fast.

At this point, the core project team counted nine people with backgrounds that came from all related Storebrand divisions (MOP mandate). Additionally a support group, the supervisory group, had been established to function as an operative council for the project. In the mandate passed by the FL in the first week of June, the project comprised four main focus areas; Distribution & Marketing, Product Solutions & Pricing, IT/System and service forms. Each focus area had operative leaders that were in charge of respective parts of the process, e.g. Product Solutions & Pricing had representatives from Sales, Communications, Service and Product divisions to ensure that every aspect of the solution was covered and followed up respectively.

In the mandate, the project would work along two axes: One was the facilitating and conditioning the product through constructing IT- and service solutions for improved efficiency. The other axis concerned the operative progress of the MOP project through sales, contract negotiations, service and cross sales (ibid).

6.2 Setting Up the Project Team

Thus far the project had a traditional appearance and the innovative process is hard to distinguish from that of any other project. But if we look besides the formalities, the MOP project was already forming its distinguishing qualities. Amongst which, the recruitment of the project staff had begun and was a combination of Nicolaysen's personal preferences and each involved division's recommendations. To paraphrase Nicolaysen, there were two major criteria for selecting people. Primarily, they had to have a good standing in their original divisions because the MOP project would eventually end up having to push decisions through and would most likely have to do so quickly. The consequences of the project would also be substantial for most divisions, and probably easier to swallow if they knew that someone with a good standing had represented their division.

The other decisive factor Nicolaysen states, an imperative for the selection process was what he calls instinct or "gut feeling"²⁵. He needed people he knew would be willing to work hard and solve problems pragmatically rather than ponder, analyse and hinder the process. Also he wanted people he felt would be able to cooperate well on the prospected project. In fact, this tendency to recruit people based on personal qualities seems to have been present even before Nicolaysen was recruited himself. "[We] wanted someone who was on the attack," one of the informants with close connection to the FL told me. It's my impression that this sentiment diffused downwards.

²⁵ Interview, Nicolaysen

With most divisions represented directly in the project team, the group can be seen as a heterogeneous *innovation team* in the tradition of Darsø. Herlau and Darsø (in Darsø 2001, 111) describe these teams following eight characteristics: “1) a shared sense of purpose, 2) open communication (in a supportive team-culture), 3) trust and mutual respect (with constructive feedback), 4) shared leadership, 5) effective working procedures, 6) building on differences (complementary skills), 7) flexibility and adaptability, 8) continuous learning (reviewing the process)”. The team were unified in the mission to win the MOP market, and knew what they would be measured against. Their mandate was to do what was needed, and in this, they could chisel out a structure and routines that worked in praxis and not just according to tradition.

With the central people on board, the project team needed to fully understand the implications of the pension reform. Some information came with the background material from the authorities: How many potential customers were there? What kind of market were they going to compete in? Other information had to be gathered; what did the customers know about the MOP? What product would be interesting for the companies? And what were the implications for Storebrand?

The latter question also related to the other major challenge: How should Storebrand face the changes that were bound to come as a result of the launch of the MOP? During the summer the project team worked on getting a comprehensive understanding of the implications of the project and what reconfigurations of the company had to be made to ensure the success of the project. This work would later serve as the basis for the choice of strategy decided by the FL in September.

An external consultant was surprised when he joined the project by mid-June and found that there were still a lot of analysing and decision making to be done. The project was not in the implementation stage he had expected. Still, adding up the total amount of projects,

it comprised no less than fifteen IT projects and five business projects²⁶ by the end of June. He was astounded by the tight timetable till the product was supposed to be launched in November. And he was even more surprised by the fact that the legislature had put these demands on the whole financial sector seemingly without understanding the consequences of the tight schedule or effect of not having the regulations ready²⁷.

Almost immediately it became evident that the project could not be run on a small-scale with only a handful of people working part-time. The vastness of the launch implied unprecedented increase in efficiency. According to one of the project members, the efficiency of handling accepted contracts would have to go up from approximately 2 contracts a day to nearly 100 a day at the height of the most intensive period²⁸. Therefore the project had to be scaled up and sufficient resources made available.

6.3 New Ideas and Organisational Inertia

The project management on their side had to establish a common understanding of what strategy should be chosen as well as how they could reach their goals. In addition to its project-internal focus, the MOP project had a responsibility to include other divisions of Storebrand and continuously update them in why and how things were done in the project. The rapport between line organisation and project, and MOP management and company executives had to be established in this phase of the project. And all these pieces had to be fitted within a very short space of time – and under considerable fear of failure.

Additionally they had to construct a product that differed from the traditional Storebrand line. It was a low-margin product that had to be developed quickly²⁹. Preceding

²⁶ Interview, Huun

²⁷ Interview, Huun

²⁸ Informal conversations 060607

²⁹ 2006 was considered end-game for the MOP market. Either they would be able to claim the desired market share, or be left with marginal position in a market that was expected to be very stable. The employers were going to make the decision about a product they had not asked for, and it was expected that they would most likely stick to their choice.

the assemblage of the final product, Storebrand felt the need to establish themselves as the “MOP providers”. They chose a strategy with heavy rotation of TV-ads that did not directly market the product, but rather Storebrand’s core values³⁰. Through this campaign, Storebrand was able to get a head start on the competitors, gaining a first-mover advantage before the product was launched in mid-November.

As the dimension of the project unfolded it was clear that If Storebrand had chosen to stay with the regular routines for project management this would have lead to a heavy and rather chaotic process. Instead they laid out the matrix of the different projects and set a milestone schedule for each project. Compared with regular projects, the MOP project demanded a wholly new way of thinking about projects. The project management had to come up with new conceptual thinking to solve all the fragments in time to start sales by January.

The Trondheim-based company Neras was hired to conduct the market research, but also had the task to set up meetings and follow up on SMEs. In the established Storebrand tradition, this was rather radical and the company’s sales department was sceptical. They were afraid that the quality of the sales calls would decrease, and that in turn, the investment would just be a waste of resources. However, it greatly contributed to establishing initial contact between Storebrand and large numbers of potential customers. The more calls were made, the more accepted deals could be brokered in the end³¹. It also paved way for creating a first-mover benefit for Storebrand and an inhibit link between mandatory occupational pension and Storebrand.

One of the problems they had to solve is how to reach the different types of customers. A fuller debate of these elements can be found in chapter 6.4, and will not be elaborated here.

³⁰ Interview Olsen

³¹ Interview Opdahl

Another example of how “the establishment” fought to maintain traditional solutions was by proposing a strategy in selling “guarantee products” in August 2005³². This type of product was closer to Storebrand’s traditional products, and involved lower risk for the company. In fact this proposal would have meant that Storebrand followed a strategy based on what they were capable of delivering rather than what the customers wanted. In retrospect the establishment’s scepticism was unnecessary. Neras proved vital in contacting cold prospects. The chosen distributive strategy ended up being nearly 500% more efficient than the existing sales division³³. To the establishment’s defence, it should be pointed out that it was a radical change in the way to think about customers. As the People’s pension was a minimal product with small gains per contract, it was less rewarding for employees being paid by the contract. However, this is an example of how structural inertia (Hannan & Freeman 1984) can be combated: clear, pronounced objectives and persistence from the management.

Another way of winning the SME market was through signing deals with business’ organisations. As getting in touch with every SME executive was rather hard, Storebrand entered strategic alliances with such organisations as the Norwegian Institute for Public Accountants (DnR) or Confederation of Norwegian Enterprise (NHO). By having their product “approved” by interest groups, it was assumed that many companies would go for the recommended provider. As Helge Opdahl, Head of the MOP sales team, puts it: “The deals with the business’ organisations is what won the market for us”³⁴.

³² Interview, Løddesøl

³³ Interview, Løddesøl

³⁴ Interview, Opdahl

6.4 Simplicity – for Company and Customer

A decisive factor in the process of distribution of the MOP product was *simplicity*. As Storebrand had to be able to offer proposals on a large scale, it had to be easily generated and sent out. Rather than having the traditional, lengthy process of generating offers they needed a simpler solution. One facet of this simplicity was the possibility the newly established service centre had to immediately fix problems over phone. If a customer needed to change details or had some kind of problem with the contract or other issues it could be resolved by an operator right away.

When it came to marketing, the decision was to start advertising the values of Storebrand and immediately launch a profile campaign although the product was not even close to being finished. A decisive factor, especially in relation to the SMEs, was to raise the level of knowledge about service pension. Most likely the management of SMEs were neither informed nor interested in MOP, and therefore the level of awareness had to be raised before Storebrand commenced their sales effort. This was done both through marketing in the media but also through direct marketing to all companies with three employees or more.

When the product was launched to the SMEs in November 2005, it was named the “People’s pension”. The reasoning behind this name was that it would represent something new to most Norwegians, who themselves had not chosen and to a certain extent did not care much about the MOP. By giving it this name, Storebrand hoped that they would signal that this was a simple product that was supposed to be easily understood as well as it should give value for the price being paid by the employers. Simplicity was also a key factor in setting up the service centre at the Storebrand HQ.

The overall, value-based marketing campaign was accompanied by direct marketing through invitations to regional or local pension seminars. More often than not were these invitation, sent out by mail, followed up by a phone call from Neras. The push was massive,

and according to several interviewees the use of an external call-centre was a first in the pension market. 43,000 invitations for “MOP seminars” were sent out, giving companies an opportunity to come to a seminar and learn more about the implications of the pension reform (Business plan 2005). Although this was not a direct sales pitch, it was a way of warming up the market for a product hardly anyone knew anything about. This can obviously be seen as a good marketing strategy, becoming the first mover and linking Storebrand to MOP, but it can also be seen in light of STS theories. The first-mover concept applies here as well, but the fact that Storebrand were taking on the task of educating their prospected customers even before they had signed a contract is intriguing. When this initial contact was nurtured by follow-up calls and more informational material, the company’s association between MOP and Storebrand became quite strong. Through continuously communicating with their prospected SME customers, Storebrand were able to be on a par with the market. Thus overcoming an inhibit reluctance from the customers towards everything that is “new”.

The sales division that had some early reluctance towards the product strategy, eventually began to see that hiring Neras to make the initial contact had a positive effect. Although their personal profit for signing each deal with the SMEs was small, a lot of time was saved by the fact that the initial contact had been established. Some sales representatives saw how they could in fact achieve great results from going after the smaller deals, thereby creating a more positive drive towards selling the People’s Pension. Reluctance was turned around.

If we take a step back and look at the theoretical approach presented in Chapter 3, it is interesting to take in Schwartz’ ideas about the paradox of choice. In retrospect, it can seem like simplicity was a decisive factor in winning the market. On one hand a simple product and distribution made it possible for the company to handle the vast scale of things, while at the same time creating a product that a reluctant customer actually could understand. This

was especially important in the SME segment, where most executives had to make a decision about a product they could neither grasp nor had asked for.

6.5 The MOP Centre for Sales and Contract Handling

The MOP service centre has already been mentioned several times, but it marked an important change from the traditional way of handling and establishing contracts with the customers. Even more, it was the basis on which Storebrand could build their new and more efficient system for distribution. The initial analysis of the MOP gave two premises that formed the establishment of the MOP centre.

Firstly, the MOP launch was based on selling a product that was mostly automated (could be generated quickly and automatically). A major factor in achieving this was that the IT systems functioned according to specifications. In fact, setting up these IT systems was a bottleneck in rolling out the project.

Secondly, it demanded a high level of knowledge from the personnel at the service centre. Obviously this was a potential weak point in the whole operation. On the one hand the centre had to be established quite rapidly while the IT division created an infrastructure that could both handle the volume of the MOP contracts and have all the functionality for “live” contract establishment. On the other hand the service that the centre was supposed to give, demanded enough time for the employees in the service centre to learn all the details and exceptions of the MOP products.

An interesting trait of the centre was locating it together with everyone else working on the project. Project managers and phone operators sat together on the same open-space offices. The effect was that if a problem occurred, everyone could help out and solve the problem. Instead of separating those who have the responsibility of achieving a 30 % market share from those who are in fact in contact with the potential customer, you gain a double

benefit from collocating the different functions. The “service providers”, the phone operators, got an extensive pool of knowledge to draw from, while the project management could quickly pick up potential problems and deal with them immediately instead of going through a hierarchic bureaucracy

It was vital to have the service centre up and running quickly. Helge Opdahl was in charge of staffing the service-centre, and instead of getting already-employed Storebrand staff reassigned to the MOP project; he hired external, young professionals. Many of these were recruited through employment agencies on short time contracts. The reason for this was twofold: Firstly it was hard to get internal applicants. Many of the sales personnel did not think much about the project, and meant it would only bring them much more work, and not very rewarding customer contact, as they expected a lot of problems. A side effect was also that by only using the existing personnel one would hamper the day-to-day processes at Storebrand.

The second component to recruiting externally was that they could more easily build the project culture they thought they needed to establish the product by having a younger, more malleable project staff. Everyone knew that the project would require long hours and a great degree of alternation by the hour. It was assumed that this would be easier with young staffs that were not halted by path-dependencies. Besides this, it also made it even more important to make the product and the process simpler and more effective, as this call-centre’s success depended on their ability to deal with customer complaints and questions immediately over the phone. Learning these skills and handling a new IT solution required experience in working with a computer, and it was assumed that young people would be better at adapting their experience to these tasks³⁵.

³⁵ Interview, Opdahl

6.6 An Inclusive Project Culture

As mentioned, a congenial side effect of the co-location was that it helped shaping the project culture. By having a flat structure and open office space an atmosphere of collaboration rather than command could prosper. Most interviewees have mentioned the special culture that distinguished the MOP project.

“A sense of us against them”, “enthusiastic” and “fun” are all descriptions used about the atmosphere at the OSP floor in the Storebrand HQ. Before the project was established company management had discussed how they could ensure a different culture than the somewhat tedious traditional culture that defined established divisions in the company. A possibility that was discussed was establishing the whole OSP project as a semi-independent company, a “Lillebrand” - *lille-* (small) as opposed to *Storebrand* (big). But as the ultimate goal was to have MOP reincorporated into the line organisation, management decided against it³⁶. Although it proves that the conscious decision to create a distinct culture was present from the outset of the project.

In fact, there was a desire to actively seek out new procedures and routines in pursuit of increased efficiency. Thore Thomassen, a project manager, emphasized this in his interview:

“We fundamentally challenged everything. Set up a whole new organisation. A completely new way of seating, completely new ways of operation. A whole new set of procedures. [We had to] build a culture where we continuously evaluated what we were doing, how we could improve and learn from each other”³⁷.

Thomassen further explained how they tried to include everyone in important decisions and to create a culture where it was “cool to be”³⁸. A way to obtain this was through “creating an organisation that learns [from] and deals with problems. [Where] everyone know something about everything, and when they discover something, they share it” (ibid). Other interviewees

³⁶ Interview, Petersen

³⁷ Interview, Thomassen

³⁸ Interview, Thomassen

who did not work directly with the project, report “a special kind of atmosphere” on the floor the MOP occupied³⁹.

Besides the aspects of the recruiting for and setting up the centre, the project management played a vital role in establishing the project culture. As Arne Nicolaysen explained in a meeting: “Every time we heard a fax coming in that might be an acceptance, we [Nicolaysen and sales coordinator Henrik Thoresen] fought over who could run over and be the first to snatch the deal out of the machine”⁴⁰. It was done more or less “in public” deliberately to show that this was a team effort, and that every single deal was equally important. As well, it conveys the general atmosphere in the centre where everyone was “equal” and no task more or less important than any other. Following this strategy, the project group were also able to change routines and direction of the project on demand.

Rather than assigning chores and responsibility beforehand, problems and challenges were dealt with in plenum. Whenever a phone operator faced a problem that lacked routine solutions, it was solved as quickly as possible in a collaborative manner. Furthermore, the individuals’ responsibilities grew with how much they took upon themselves. That way, it obliterated the static hierarchy of seniority. As Thoresen, a freshly graduated Msc in Business and Economics from BI, put it: “I feel incredibly privileged to have this kind of first job. I’ve spoken to classmates who are checking invoices at a local office with 50 employees, while I was here *making history*”⁴¹.

“A thing that defined the culture of the project was that we had many people who were self-managing. They did not need to be told, “Do this,” or “Do that”. You gave them responsibility, they did it - things were solved” Thoresen says about the culture. “Not everyone got a lot of responsibility. Those who got responsibility were the ones who

³⁹ Interview, Bakkevig & Lie

⁴⁰ Interview, Nicolaysen

⁴¹ Interview, Thoresen

performed. Those who really took charge and showed that they wanted it, worked hard and delivered quickly got more responsibility”⁴².

Thoresen goes on to talk about the reasons why he got the responsibility he got, and that it mostly had to do with project manager Arne Nicolaysen. “His personality and the way he sees potential in people. How he gives you freedom to develop yourself and room to perform. Almost everyone I’ve spoken to that has worked for him, say the same thing”⁴³. As Thoresen sees it, a major reason for the project’s success is the way that everyone in the team was challenged and encouraged to give it all they had.

The average age of the project team was comparatively very low. Most of the staffers had high education. In addition most were described as “pragmatic”, “positive” and not too “detail focused”⁴⁴.

All in all, there seems to be a project culture that is deliberately positive and attacking. Rather than focussing on the immensity of the challenge, the project team focussed on solving problems and forging ahead with the tasks at hand. To me it seems like the externally recruited contributed to an atmosphere where it was prestigious to come up with solutions that were practical more than in line with traditions. The project management seems to have been aware of their role as leaders rather than managers (Darsø 2001: 79), meaning they executed their responsibility “together with” the staff.

When faced with huge challenges as those related to the time-stressed and important MOP project, the need for a positive team culture seems even more imperative. In regards to the MOP project, the project management seems to have been highly successful in achieving this.

In the end, employees at the Service Centre began to see the effects of their work. Problems were in fact solved directly and their routines for handling challenges proved

⁴² Interview, Thoresen

⁴³ Interview, Thoresen

⁴⁴ Interview, Thoresen

efficient. The time scarcity had fostered a rapid and pragmatic way of solving problems that occurred, thus saving time when changes had to be made in this phase of the project as well. Routines established when things were incredibly hectic improved efficiency even when pressure was relieved. The unleashing of the innovation effort also initiated the company's learning process.

The staffing that commenced in August was continued throughout the fall, and was still influenced by the need to recruit young staffers who are willing to go the extra mile in "making history". As mentioned in the previous chapter, the culture at the MOP centre was deliberately defined by a way of working where everyone did some of everything, and that most decisions are made in collaboration. Rather than having several small kings and queens ruling their domain, problems were solved collaboratively. As Nicolaysen put it: "We were all running across the office when we heard a fax tick in⁴⁵". His co-manager Thomassen describes the division of labour as an arrangement where no job was too small for any member of the team; "If a network cable was needed, I could run over to IT and fetch that. If some evaluations over how we could solve a customer's problem was needed, we all contributed with our point of view"⁴⁶.

6.7 The Successful Innovation Team

The outcome of this way of inclusive problem solving was a key factors to achieving the productivity increase needed for the MOP project to succeed. Rather than following a stringent hierarchy of analysis and time-consuming command lines, problems were solved immediately, making it possible to continue with the progress rather than be stuck with politics. As Quinn phrases it, it was vital for project managers to be "masters of human relations" (1995: 691).

⁴⁵ Informal discussions, 060607

⁴⁶ Interview, Thomassen

Well-defined goals for the project (30 % market share), time constraints and highly motivated, personally committed project managers all contributed to maintaining the manners of day-to-day progress. It is easier for people to adjust to working patterns and fall into line when they are part of a project that has a defined goal within a graspable time frame. All these factors play important roles in explaining the results of the MOP project. If one of these factors had been missing, the project group would have been less efficient and would likely not have reached the 30 % market share that was eventually achieved (although somewhat later than expected). E.g. had the project management not taken a hands-on approach to solving problems or chasing faxes, an atmosphere of indifference might have spread rather than the strong sense of cooperation and communal desire to reach the projected targets.

Another explanatory factor regarding the projects success was the way most project members felt they were part-taking in a very important project. Company executives spoke about 2006 being the “MOP year”⁴⁷, and words were backed up by actual power to self-govern and sufficient resources. As was discussed in Chapter 3 of this paper, it was essential that the project had support from the upper levels of Storebrand management.

Imperative to the success in building a heterogeneous project team are Herlau and Darsø’s eight characteristics. In this relation, the need for “a shared sense of purpose” and “trust and mutual respect” (Darsø 2001, 111) must be emphasized. The project team felt respected and knew that they were contributing to making a difference for the whole company. Not only did this help the project team’s work, but also the level of understanding and acknowledgement they experienced from the rest of the organisation.

⁴⁷ Interviews, Huun, Løddesøl, Opdahl & Nicolaysen

7.0 A Set of Conclusions

There are three different explanatory causes to why Storebrand was able to succeed with their MOP project: The first relates to how external factors *unleashed* the need for innovation in an established organisation. Secondly the *underlying* organisational set-up of the organisation is decisive to the company's ability to innovate. Finally, the project team is critical in forming and *unfolding* the innovation effort and end product.

In the first part of the analysis, Chapter 4, the implications of external decisions and occurrences on the company was discussed. The primary argument to bring out of this is that external occurrences played a significant role in initialising and conducting innovative efforts. In light of the model presented in the theoretic chapter, Figure 4, it was clear that in the case of Storebrand's MOP project, both the end product itself as well as organisational choices were influenced by external factors. The project was first set up once the parliament passed the reform. Although the consequences of a possible reform and the introduction of the MOP had been discussed prior to the reform, it was the majority decision that prompted the establishment of Storebrand's MOP project.

Our second topic related to the underlying organisational set-up that gave the premises for innovation. In Chapter 5 an argument was made that the inhibit qualities of Storebrand as an organisation made this innovation project possible. Had it not been for a type of J-form organisation that was open to new ideas and willing to change, it is less likely that the project would have succeeded. Not only were there inherently a willingness to try out novel ideas, but also the executives dared taking risks that corresponded with their needs. Only through setting clear goals and making sufficient resources available could the Financial Leadership hope to achieve both the desired market share and the preferential efficiency enhancement. In correspondence with our model in Chapter 3, we see that the organisational capabilities over time had been set up to foster this kind of innovation project.

Through direct involvement from company leaders, the MOP project was able and willing to pursue clear and communal goals.

The third and final string of arguments explaining the MOP project's success relates to how the project itself was run. Through recruiting personnel who were willing to turn every rock in pragmatically solving problems that occurred and setting up a heterogeneous adhocracy style innovation team, they were able to over-perform compared to realistic expectations. Project managers were vital in establishing a project culture and problem solving routines that were suitable for achieving goals in a short period of time in a tough market. Even more successful were they at creating a communal sense of belonging that nurtured a willingness to face challenges head-on.

When the external occurrences changed the playing field, Storebrand was already aligned for a new market situation. They were in fact well on their way to innovation in that their culture fostered novel ideas. Top executives were willing to *strategize, finance* and *organise* efforts that possibly broke with tradition. But still their openness to new ideas would have been in vain if they had not had the right people to successfully work on the project.

Furthermore, it should be pointed out that these three components played an integral part in ensuring innovation in Storebrand. Innovation is not just the good idea or the new production method. It's the occurrence of a novel or qualitatively improved product that brings an enhanced value to the market, brought about in a company environment that is ready and willing to let it grow.

This thesis shows that innovation at an organisational level in the service sector is dependent on both external and internal factors. The company is most likely to succeed if they establish an organisational culture that nurtures new ideas, encourages change and is open towards new knowledge. Based on this, an innovation programme needs to both break with the establishment, while at the same time remain in constant dialogue with the existing

structures. Furthermore the company has to be open towards the external network of actors that influence the playing field. Developing a new product in an in-house vacuum will possibly bring about a genuine and good product according to company and business standards, but without catering to the customers needs and level of understanding, the product will most likely fail – thus not making it an innovation but rather an expensive invention.

For Storebrand, the MOP project should not only be seen as a story about how to win a market. It's as much about gaining knowledge about how to conduct innovation in the future. The inimitable comparative advantage of being able to innovate will separate the good from the great service sector companies. The lesson is that innovation truly is complex. There are no quick fixes or short cuts.

For companies in the service economy, this notion of innovating in tight collaboration with the market and based on a heterogeneous project team is becoming increasingly important. As the innovative service or service product is more reliant on the customer's understanding and appreciation rather than industrial or high-tech products of yore, dissociated innovation is a fallacy. Innovative end products come about in the intersection between the three equally important factors; external *unleashing* occurrences, internal *underlying* organisational set-up and how the innovation efforts are *unfolded* through the project efforts.

A goal for the work on this paper has been to investigate the possibilities that lie in looking at innovation in a sector that has not been primarily at centre-stage of STS or other innovation research for that matter. As a continuation of this thesis, there are several options: One could go on studying Storebrand and see how influential the ideas and concepts developed during the MOP project have been for the rest of the organisation. How did the established line-organisation actually accept and adapt to the novel ways of the MOP project?

And did in fact the new benchmark lead to changes in how projects are set-up? If so, to what extent did they succeed in replicating the success?

Another way of furthering this thesis would be to zoom out and look at how other service sector companies set up their innovation efforts. In which ways does the Storebrand case resemble the norm of innovation in other, similar companies? A broader, investigative study of how and what service sector companies think about and organise innovation would be a great supplement to the STS field as well as an aid in ensuring continued economic growth into the new knowledge-based economy.

If innovation research does not take the challenge of re-conceptualising what innovation is and in which sectors it occurs, I am afraid that we lose command of where our economy, as well as society, is going. When companies, organisations and governmental institutions deal in services rather than products that can be touched and seen, we need to understand how the innovative services come about. For innovation is a complex process that not only depends on a good idea, the able organisation or the functioning innovation team - it depends on all of the above.

Bibliography

Books and Articles

- Carlson, Curt & Bill Wilmot (2006): *Innovation. The Five Disciplines for Creating What Customers Want*. New York, NY: Crown Publishing.
- Darsø, Lotte (2001): *Innovation in the Making*. Fredriksberg: Samfundslitteratur.
- Gallouj, Faïz (2002): *Innovation in the Service Economy. The New Wealth of Nations*. Cheltenham, UK. Edward Elgar Publishing Ltd.
- Gallouj, Faïz (2002b): "Interactional Innovation: a Neoschumpetrian Model". In Sundbo, J. & Fuglesang, L. (eds): *Innovation as Strategic Reflexivity*. London and New York: Routledge.
- Lam, Alice (2005): "Organizational Innovation". In J. Fagerberg, D. Mowery & R. Nelson: *The Oxford Handbook of Innovation*, pp. 115. Oxford: Oxford University Press.
- Latour, Bruno (1999). *Pandora's Hope: Essays on the Reality of Science Studies*. Cambridge Mass., USA: Harvard University Press.
- Lazonick, William (2005): "The Innovative Firm". In J. Fagerberg, D. Mowery & R. Nelson: *The Oxford Handbook of Innovation*, pp. 29. Oxford: Oxford University Press.
- Lundin, R. A. & A. Söderholm (1995): "A Theory of the Temporary Organization," *Scandinavian Journal of Management*, 11(4), p. 437–455.
- Mezias, S. J. and Glynn, M.A. (1993): "The Three Faces of Corporate Renewal: Institution, Revolution, and Evolution," *Strategic management Journal* 14: 77-101.
- Miles, Ian (2005): "Innovation in Services". In J. Fagerberg, D. Mowery & R. Nelson: *The Oxford Handbook of Innovation*, pp. 433. Oxford: Oxford University Press.
- Mintzberg, Henry (1979): *The Structuring of Organizations*. Englewood Cliffs, NJ: Prentice Hall.
- Mintzberg, Henry, J. B. Quinn, S. Ghoshal (1995): *The Strategy Process. European Edition*. London, UK: Prentice Hall.
- Nelson, R & S. Winters (1982): *An Evolutionary Theory of Economic Change*. Cambridge, Mass.: Harvard University Press.
- Nonaka, I. & H. Takeuchi (1995): *The Knowledge Creating Company*. New York: Oxford University Press.
- O'Sullivan, M (2000), "The Innovative Enterprise and Corporate Governance," *Cambridge Journal of Economics* : 393-416

- Packendorff, J. (1995) "Inquiring into the temporary organization: new directions for project management research", *Scandinavian Journal of Management*, 11 (4), pp. 319-333.
- Pavitt, Keith (2005): "Innovation Process" ". In J. Fagerberg, D. Mowery & R. Nelson: *The Oxford Handbook of Innovation*, pp. 87. Oxford: Oxford University Press.
- Quinn, James B. (1995): "The Innovation Context". In *The Strategy Process. European Edition*, pp. 684. London, UK: Prentice Hall.
- Schwartz, Barry (2004): *The Paradox of Choice. Why More Is Less*. New York, NY: HarperCollins Publishers.
- Scott, W. Richard (2003): *Organizations – Rational, Natural and Open Systems*. Prentice Hall.
- Simon, Herbert (1957). "A Behavioral Model of Rational Choice". In *Models of Man, Social and Rational: Mathematical Essays on Rational Human Behavior in a Social Setting*. New York, NY: Wiley.
- Simon, Herbert (1991): "Bounded Rationality and Organizational Learning," *Organization Science* 2: 125-34.

Web Resources

Dagens Næringsliv (2006): “-Vi vinner i pensjonsmarkedet”. Article on print 25.04.2006.
Available at <http://www.dn.no/forsiden/naringsliv/article768652.ece>.

Dagens Næringsliv (2007): “Pensjonsvinnerne kåret”. Article on print 6./7.01.2007.
Available at www.mysabbatical.org/sDN_20070106_A_018_Pensjonsvinnerne.pdf

Finansdepartementet (2005): *Lov om offentlig tjenstepensjon*. Downloaded 01.04.07.
Available at <http://www.lovdata.no/all/nl-20051221-124.html>

FNH (2007): MOP statistics/“OTP-statistikk_netutgave_KOJ7u.xls”. Available at
http://www.fnh.no/OTP-statistikk_netutgave_LSERB.xls.file

NHO (2007): “-Mest fornøyd med NHO tjenstepensjon”. Available at
<http://www.nho.no/article.php?articleID=18600&categoryID=355>

Norsk Kundebarometer (2007): *Norsk Kundebarometer 2007*. Available at
www.kundebarometer.com or
<http://www.storebrand.no/site/stb.nsf/Pages/nyhetkundebarometer.html>

OECD₁: “Service Sector: About”. Downloaded 27.06.07. Available at
https://www.oecd.org/about/0,3347,en_2649_34561_1_1_1_1_1,00.html

OECD (2001): *Innovation and Productivity in Services*. OECD: OECD Publishing. Available at
<http://www.oecdbookshop.org/oecd/display.asp?CID=&LANG=EN&SF1=DI&ST1=5LMQCR2K9HG7>. Downloaded on 14 July 2007.

OECD (2005): *The Oslo Manual – Guidelines for Collecting and Interpreting Innovation Data*. Statistical Office of the European Union. Available at
http://epp.eurostat.cec.eu.int/cache/ITY_PUBLIC/OSLO/EN/OSLO-EN.PDF.

Pensjonsreform (2005): *Pensjonsavtale mellom regjeringspartiene og Ap/Sp (19 Mai 2005)*.
Finansdepartementet & Arbeids- og Inkluderingsdepartementet. Available at
<http://www.pensjonsreform.no/pensjonsavtale.pdf>

Internal Documentation

Business plan (2005): *Forretningsplan Obligatorisk tjenstepensjon (OTP)*. Document title:
”20050905 Forretningsplan OTP til FL.doc”

Kreutzer (2006): *Utviklingstrekk i pensjonsmarkedet*. Keynote speech given on 16 November
2006. Document title: ”Idar, Solstrand, 16-17 nov 2006 v5.ppt”

MOP mandate (2005): *Prosjektmandat – Utviklingsprosjekt Obligatorisk tjenstepensjon i
Storebrand Liv*. Document title: ”Mandat OTP ver 1-5.doc”

Status update (2006): *Statusoppsummering*. Document title: ”20060725 Statusrapport OTP til
Styringsgruppen.doc”

Appendixes

Appendix 1: List of interviewees

(Date of interview in parentheses)

Bakkevig, Line (30.03.07): Not associated with the MOP project. Director of Storebrand's Business Market Project division.

Huun, Alexander (05.03.07): External consultant, PA Consulting. Worked on the project in its initial phases.

Lie, Tarjei (06.03.07): Personal Assistant to CEO Idar Kreutzer. Not directly involved with MOP, but knows how the FL worked from Fall 2005

Løddesøl, Lars Aa (03.07.07): "Project Owner" of MOP, Executive Vice President of Storebrand and member of the FL.

Nicolaysen, Arne (27.06.07): Project Manager for the MOP project, background with sales in Storebrand.

Olsen, Terje (06.03.07): Leader of MOP Distribution project. Background with work towards Strategic Alliances and Sales in Storebrand.

Opdahl, Helge (06.03.07): Leader of MOP Sales/MOP Service Centre, background with Sales in Storebrand.

Petersen, Pål (23.05.07): Leader of Supervisory Group (MOP) as well as Storebrand Business Market Service

Thomassen, Thore (05.03.07): Project manager, MOP project. Background with IT, now working on process management/enhancement in Storebrand.

Thoresen, Henrik (05.03.07): Project member, MOP project sales. Was recruited for the project in its initial phase.

Øyen, Espen (06.03.07): Coordinator "Large Customers", MOP project. Came in through the trainee programme in fall 2005.

Appendix 2: Interview guide

This is the basis for the interview guide that was modified for each interviewee.

Intervjuskjema (mal)

Hvem: Navn, stilling

Dato/Sted:

Forhold til OTP:

Formål med intervju:

1. Hvem?

- Navn
- Stilling (formelt)
- Tilknytning til OTP-prosjektet (andel av stilling? lang tid? representant for en avdeling?)
- Ansvarsoppgaver

2. Forståelse for prosjektet

- Gi din presentasjon av prosessforløpet (raskt)
 - Hvor lenge har du kjent til prosjektet
 - Når kom du inn? Hvordan? Hvorfor?
 - Hvem ga premissene for prosjektet?
 - Var formål, organisasjon, fremdrift avgjort på forhånd?
 - Hvem har sittet med styringa/autoritet?
 - Største utfordringer?
 - Hvordan ble resultatet i forhold til dine forventninger?
 - Vil du beskrive prosjektet som en suksess?
 - Hva har fungert bra? Hvorfor?
 - Hva har fungert dårlig?

3. Avgjørende faktorer (personlig oppfatning)?

- Hva er de viktigste faktorene for at resultatet har blitt som det har blitt?
- Er det noen særlig avgjørende beslutninger som har spilt inn på resultatet
- Kritiske faser?
- Vendepunkter?

4. Beskrivende for arbeidsformen/organiseringen

- Har du erfaring fra andre prosjekter (avdelinger) i Storebrand?
- Hva skiller dette prosjektet fra andre(s arbeidsformer)?
- Hvordan vil du beskrive arbeidsformen? (god, dårlig, slitsom, effektiv...?)
- Hvor viktig har din (gruppes) bidrag til prosessen vært?
- Hvor viktige har deres bidrag vært? (medvirkning)
- Hva har vært formålet med deres arbeid? Har du opplevd at deres ønsker har blitt hørt?

5. Har du tenkt at ting burde blitt gjort annerledes?

- Hvilke ting? Hvorfor?
 - Har du fremmet disse tankene? Til hvem?
 - Har det ført til endringer?
 - Hvis ikke: Hva tror du ville skjedd?
 - Hvis ja: på hvilken måte fikk dette noe å si for prosjektet?
-

