**Proposals to create an innovation culture in FMP**

One of the challenges faced by FMP, in its quest of creating a culture of innovation, is the lack of incentives provided to staff members. Like most organizations, IDB calculates bonuses and makes promotion decisions based on how well people perform on their core activities. As a division within the Bank, FMP follows the same guidelines.

In order to achieve the desired team involvement in innovation, it is important that the incentives become a norm. **A recent PwC survey of CEOs worldwide found that 64% think innovation and operational effectiveness are equally important.** Systematic innovation goals in employees’ annual plans is thus necessary to ensure that innovation will be incentivized, recognized and rewarded. FMP should adopt similar strategies when it comes to achieving operational effectiveness thru innovation. The incentive mechanism could be achieved by implementing progressively the proposals described below.

# Innovation Awards – Dare to fail

Rewards and recognition fulfill different needs for different staff members. A reward is receiving something in return for the individual performance while recognition is a token of appreciation given to an individual for his performance or achievement. These methods can be used as motivational techniques as all employees are eligible and encouraged to innovate. The following steps will help achieve this goal:

1. Establish innovation targets in FMP annual performance review, particularly time spent to work on developing and implementing innovative ideas. It is recommended that 15% of the time be dedicated to innovation.

**The 15% rule**

At 3M, laboratory employees operate under a "15 percent rule." The company allows employees to spend 15 percent of their time on any idea that could benefit 3M

1. Award annual innovation prizes, as a complement to individual recognitions, to the best innovative solutions. The criteria to consider will be increase in effectiveness, replicability/scaling up, clarity, relevancy, and integration into organizational strategy.
2. Keep names associated with innovation that improved effectiveness in FMP and disseminate successful products or approaches
3. Acknowledge those who contribute new ideas, knowledge, and lessons learned
4. Reward brilliant failure with “Dare to Try Award”. The award would applaud bold attempts at innovation that failed but provided valuable lessons. It celebrates the spirit that drives team members to tackle innovation and to take necessary risks to assist the Division in anticipating, adapting and creating solutions. Smart failures should be embraced as part of creating an innovation ecosystem. Criteria to consider will be a) publicly sharing failures on FMP website/blog, b) derive lessons learned, c) demonstrate how the individual/team worked to promote and build support around the failed ideas, d) describe how failure was handled, e) demonstrate how the individual/team exhibited courage to depart from unusual practice to enable new thinking to thrive, and f) apply lessons learned to achieve results.

# Innovation Champions

While IDB may promote the benefits of innovation to ensure stability and growth, middle managers and staff are only tasked with ensuring optimal performance in the business’s core activities. They have little incentives, capacity or support to see innovation as a core activity of the Bank’s effort to stay ahead of its competition.

Innovation champions can help employees find friendly space to test new ideas, while advocating to managers the need to foster such initiative, win or fail, for the long-term sustainability of the Bank.

Ideally the innovation champions would be peers that have experienced with innovation and change, that believe innovation is essential for the survival and relevancy of the institutions, and that are willing to guide, encourage and mentor staff members who want to test ideas relevant to the Bank.

# Innovation Challenge

In order to foster intrapreneurship, the innovation challenge will work as a marketplace where Challenge Owners, those with issues/situations they want to resolve within the Bank to improve execution, can submit challenges to FMP by inviting our internal talents to provide innovative solutions to the problems on hand. FMP staff will be invited to express interest by providing short proposals which will be reviewed by a committee led by Challenge Owners. Selected participants will work with Challenge Owners to develop and execute innovative solutions. This initiative will promote cross-sectoral collaboration across the Bank.

**Open innovation challenges** are working in organizations such as UNDP, PwC and CISCO. PwC coupled the challenge with an online platform working as a virtual meeting room between challenge owners, experts and innovators.

This challenge exercise can be rewarded with a symbolic bonus. The 2016 EVP exercise in disbursement projections is good example.

# Innovation Training

Employees will receive guidance in developing and executing good ideas. FMP staff will continue to receive trainings and resources to create business pitches that highlight the value of their ideas. Self-training, without financial and technical support of FMP will be reported in T&L as a specific activity and FMP staff will receive recognition on their performance evaluation. This will motivate FMP staff to engage in self-learning activities.

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