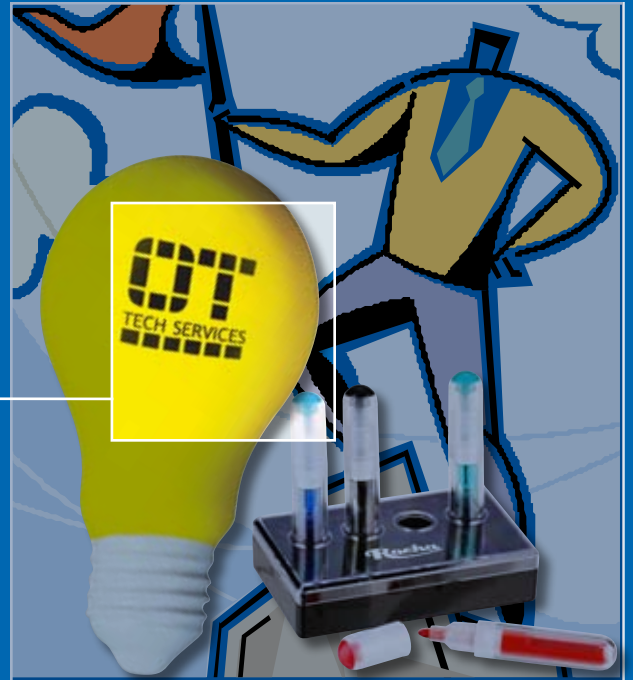


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Building a Culture of Innovation

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With all of the business decisions that you face in a day, it can be easy to lose focus on the one element which serves as the lifeblood of business and sets the stage for business differentiation, growth and success. Without it, none of the modern conveniences we enjoy would exist. Imagine it: a world without cell phones, automatic washing machines, laptop computers, the Internet...even electricity itself.

Thomas Edison tapped into it when he conceptualized electric power generation and distribution to businesses and homes. Steve Jobs experienced the power of it when he unveiled the Macintosh computer to a wildly enthusiastic audience at Apple Inc.'s 1984 shareholder meeting. Mark Zuckerberg, founder of social networking site Facebook, is still watching the ripple effects of it, as the Web site—once limited to the student body of Harvard—now attracts daily site visitors from around the world.

That “it” is innovation.

If the purpose of innovation is to create business value, then it's no wonder nearly everyone wants a piece of it.

Challenge is, how to get it?

Though it might be tempting to attempt, you can't just demand innovation of your employees or coworkers, as they sit in their cubicles sweating out impending deadlines. Though some innovation comes as a flash of genius, the large majority of it requires more investment than that. In most cases, innovation doesn't just happen on command. It takes time, concentrated effort, and a culture that allows its spirit to flourish.

That's right: you must create a culture of innovation within your organization in order to have even a chance at successfully realizing it.

And, that's easier said than done. Management Consultant Tom Peters says many managers love the idea of innovation, yet don't have the tolerance for it. They're happier financing research-driven, product-based, incremental development, rather than taking on the high risk and high failure rate inherent to the innovation process.



"Most people I talk to say they support innovators," Peters said. "They admire them and reward them. But most of those windbags get sweaty palms when it comes to betting bucks on the bay...They're happier to watch their well-trained, well-fed, obedient little ponies trotting around their R&D (research and development) paddocks." ¹

Truth is, according to Peters, though most everyone says they want it, people have a tough time getting comfortable with innovation. Why?



First, the odds of actually bringing a product to market that sells successfully are not great. Even in the best economic climate, it can be hard to see the benefit of investing time and resources in an effort that offers delayed gratification, if any. For example, at Pfizer Pharmaceuticals, it can take up to 15 years for a drug to go from an abstract concept to reality; few companies are willing to invest in projects that offer a far shorter payback period. Yet, innovation is so prized at Pfizer that they are willing to invest 17% of their gross annual sales into it. Innovation does not come cheap, nor does it come easily. ²

At DuPont, another company Peters points to as a leader in innovation, it can take up to 250 raw ideas to produce one major marketable product. As one leader at DuPont says, innovation is actually risk management.

"If you're committed to innovation, you've got to have a very high tolerance for risk and failure," said Peters. "You've got to be willing to handle a long and challenging track, look unfrowningly on frequent failures, and trust that the occasional serendipitous discovery will prod movement in an idea that was stuck at the starting gate." ³

You may argue that you can't just free people up to think and create, especially when times are tight. Certainly you have deadlines to meet. You have goals to reach. You have investors and leadership to please. This reasoning is a primary reason why so many companies say they want to be innovative, but never quite get there.

Innovation experts say worrying about reaching short term goals is short-term thinking. "You can't shrink your way to greatness," said Arthur Martinez, past chairman and CEO of Sears, Roebuck & Co. Are you one of the many companies which are downsizing right now? Are you scaling back on the freedoms you give your staff, and loading more of the same projects onto their plates? If you want to be innovative and to empower your employees to do the same, it's time to think differently.

¹ Kao, John. *Innovation Breakthrough Thinking at 3M, DuPont, GE, Pfizer, and Rubbermaid (Businessmasters Series)*. New York: Collins, 1997.

² *Ibid.*

³ *Ibid.*

One survey covering nearly 50 countries across a wide variety of businesses reported that nine out of 10 senior executives believe generating growth through innovation is essential for success in their industries. 4 Innovation strategist John Kao asks seminar attendees how many think innovation and creativity are strategically and fundamentally important for their businesses. He says 90-98 percent raise their hands. Then he asks, “How many of you have an innovation system in place that your people understand and that leads to the realization of value on a reasonably consistent basis?” The number of hands drops to two or three percent.⁵

The reason: while the idea of innovation appeals; the risk often seems too great. Stability and predictability lead to steady profits. Innovation is messy—it’s about adaptation and change, which can be difficult to profit from. Innovation, it seems, is like going eel fishing with your bare hands: it may sound adventurous and fun, but in the end, it’s hard to hold on to.

Think about your organization. Do you have an innovation system in place that consistently leads to the realization of value? Could you raise your hand? If not, we have some solid steps that may help as you work to strengthen the innovative spirit in your organization.

Key 1: Take an internal innovation audit.

Ask yourself: Are you ready?

Just as a journalist must first conduct research before delving into a news story or a graduate student complete a literature review before writing a thesis, you have to take a hard look at your organization before determining whether you are ready for, or even open to, innovation.



“Too often innovation is viewed as a one-shot deal, a quick injection of new ideas or process improvements designed to shake up the status quo. In fact, innovation should be systematic and perpetual, built into the company’s culture and processes,” explained Tom Peters.⁶

It’s time to ask yourself some hard questions. So, before you set off on establishing a continuous innovation program, do some navel-gazing.

“The Ten Faces of Innovation: IDEO’s Strategies for Beating the Devil’s Advocate & Driving

⁴ Kelley, Thomas, and Jonathan Littman. *The Ten Faces of Innovation IDEO’s Strategies for Defeating the Devil’s Advocate and Driving Creativity Throughout Your Organization*. New York: Currency, 2005.

⁵ Kao, John. *Innovation Breakthrough Thinking at 3M, DuPont, GE, Pfizer, and Rubbermaid (Businessmasters Series)*. New York: Collins, 1997.

⁶ *Ibid.*

Creativity Throughout Your Organization” spells out seven questions you should ask yourself to determine whether your organization is ready to launch into developing a culture of innovation.

- How will our company define a successful innovation program?
- How will your organization fund the innovation process?
- What corporate resources (staff, space, technology, etc.) will be available to support your effort?
- How often will the stakeholder groups meet to review your innovative propositions?
- How many task teams will you sponsor yearly? How often will you put together these teams?
- How much logistical support will be given to your innovation staff (time away from regular duties, prototyping tools, administrative support, etc.)?
- What rewards or recognition can people expect for participating in this program?

If you are struggling to answer any of these questions, it’s likely you lack the organizational and logistical support you need to establish a culture of innovation. “Good Directors give their innovation teams every edge they can. Lobby your firm’s management to gain the financial and corporate backing that can help make your innovation programs a success.”⁷

So say those questions are a breeze for you. Next, you want to go about giving birth to a culture of innovation in your organization. Just a quick warning... you may need to get yourself a sledgehammer.

Key 2: Focus on culture.

Don't be afraid to destroy and rebuild.

We’ve all seen organizations that put new systems in place that fall flat. We’ve seen co-workers roll their eyes when a new standard is established; they’re simply not behind it. The old way is comfortable. Employees and co-workers know what to expect. A large part of the population simply doesn’t like change. The way you interviewed the people you brought on board to the way you’ve empowered or disempowered them in the past through your organizational structure



⁷ Kelley, Thomas, and Jonathan Littman. *The Ten Faces of Innovation IDEO's Strategies for Defeating the Devil's Advocate and Driving Creativity Throughout Your Organization*. New York: Currency, 2005.

and management style—everything leading up to this point—will influence your success in creating a culture of innovation. And, if that hasn't been your culture up to this point, brace yourself because this bit of advice is strong. You may need to destroy pieces of what you have built.

Kevin Kelly, author of "Out of Control", agreed, "It's generally much easier to kill an organization than to change it substantially. Organisms by design are not made to adapt...beyond a certain point. Beyond that point, it's much easier to kill them off and start a new one than it is to change them."⁸

In order to create a culture of innovation where previously there was none, you must re-imagine your organization. In "Innovation: Breakthrough Thinking at 3M, DuPont, GE, Pfizer and Rubbermaid", experts suggest you mentally rebuild your company from scratch.

Ask yourself:

1. How would it be structured?
2. What would the technology look like?
3. Who would you hire?
4. In what ways would it be innovative?
5. How would you empower your staff to think innovatively?



Then, compare those ideas to where your organization is right now.

As you hone your vision, know that a culture of innovation requires a challenging atmosphere that embraces honest failures. It starts with developing your organizational mission, evaluating whether your organization acts the way you say you will.

To build a culture of innovation, experts say it is important to create a space where people can actively work to fill three essential roles:

- Look for insights to develop into ideas, and then into value-adding innovations.
- Support innovation by helping creative people overcome the obstacles that impede their innovation efforts.
- Define the firm's expectations and policies to favor innovation.⁹

⁸ Peters, Tom. *The Circle of Innovation: You Can't Shrink Your Way to Greatness*. New York: Vintage, 1999.

⁹ Kao, John. *Innovation Breakthrough Thinking at 3M, DuPont, GE, Pfizer, and Rubbermaid (Businessmasters Series)*. New

By contrast, if you establish an organization that pressures employees to deliver on their innovations within highly structured production timelines, you essentially squash the muse. Your employees, in response, will promise only limited goals. Likewise, cutbacks—a rampant tactic in today’s business climate—run the same risk.

“Are you squelching innovation? Slashing product lines, slashing development, cutting costs and increasing efficiency is antithetical to innovation. Cynicism sets in.”¹⁰ Take a close look at what you might be doing to breed cynicism. For employees to feel free to bring different, new, exciting, earth-shaking ideas to the table, you’re going to have to look at the expectations you’re setting for productivity, and how you are rewarding or punishing employees for the work they do.

So you’re probably asking...what works? A tongue-in-cheek answer: the relentless pursuit of inefficiency!

“Do it right the first time is insane advice. Nobody does anything...INTERESTING...right the first...or the twenty-first...or the forty-first time. Doing the new means screwing around, trying stuff, and messing stuff up again and again and again.”¹¹

Don’t be fooled: optimization is not innovation. It’s actually the opposite of it. So many organizations spend their time polishing yesterday’s apple that they are blind to the new crop. “Wealth is not gained by perfecting the known, but by imperfectly seizing the unknown,” explained Kevin Kelly in WIRED magazine’s “New Rules for the New Economy.”¹² Forget trying to improve, perfect, optimize, polish or adjust your way to success. Turn your organization’s sights to the new crop...the one nobody else has noticed is growing; better yet, the one that has yet to be planted.



Business leaders need to build up a greater tolerance, even passion, for waste: wasted time, wasted resources and wasted energy, in order to encourage the free flow of innovation that will lead to breakthroughs in business, including service improvements and product development. Doing this often means taking a hard look at current practices and finding new ways to support the spirit of innovation.

Key 3: Choose your innovators.

Now that you’ve imagined your culture of innovation, to whom will you give the freedom

York: Collins, 1997.

¹⁰ Kao, John. *Innovation Breakthrough Thinking at 3M, DuPont, GE, Pfizer, and Rubbermaid (Businessmasters Series)*. New York: Collins, 1997.

¹¹ Peters, Tom. *The Circle of Innovation: You Can’t Shrink Your Way to Greatness*. New York: Vintage, 1999.

¹² Kelly, Kevin. “New Rules for the New Economy.” *Wired*. 11 Mar. 2009.

www.wired.com/wired/archive/5.09/newrules_pr.html

to innovate? When you asked yourself the seven key questions to determine whether your organization is ready for a culture of innovation, who did you envision as staff? Turns out, choosing employees to create a culture of innovation is quite different than choosing employees to create a harmonious work environment. Who knew?

Working hard to build a team that works well together? According to Tom Peters, you might want to reconsider. You may also need to toss out the notion that employees should agree with you. Instead, focus on becoming a connoisseur of talent, seeking to recruit diversity on staff. With diversity on your team, you will be able to tap the wide-ranging experience and opinions, vision and purpose of the anything-but-like-minded people—giving you access to a rich cross section of innovative thinkers.

Peters points to Steve Jobs, recently of Apple, Inc., as an example of someone who knows how to hire for successful innovation. For his product development teams, Jobs sought to hire individuals with intriguing backgrounds and extraordinary taste, like artists, poets, and historians. Jobs believes the magic in hiring artists and poets is that they have exposed themselves to some of the best work that humans have ever done, and they bring that knowledge and experience to their projects. Take a look at your staff. Have you hired any artists and poets lately? Have you considered the value of bringing in people of widely varying interests, who have exposed themselves to the great works of humankind?



Experts say a sure-fire way to destroy any sense of creativity and innovation in your workplace is by assembling homogeneous teams. “The lure to do so is great. Homogeneous teams often reach ‘solutions’ more quickly and with less friction along the way. These teams often report high morale, too. But homogeneous teams do little to enhance expertise and creative thinking. Everyone comes to the table with a similar mind-set. They leave with the same.”¹³ You can bank on some interesting discussions when you bring such a diverse group of people together—discussions that may not always be civilized, and may even introduce tensions you’ve not had to deal with in the past. It may not be comfortable, but people on the team will push each other outside their comfort zones – and may help propel you to the next level.

In fact, if it’s easy to get consensus, it’s time to get a different team. “If you have two people who think the same, fire one of them. What do you need duplication for?” argued Jerry Krause, former general manager of the Chicago Bulls.¹⁴

And, if you find that you’re having difficulty seeing eye to eye with a staff member,

¹³ Amabile, Teresa, Dorothy Leonard, Jeffrey Rayport, Elleen Morley, Andrew Silver, Wetlaufer Suzy, and Peter Ferdinand Drucker. *Harvard Business Review on Breakthrough Thinking*. New York: Harvard Business School P, 1999.

¹⁴ Peters, Tom. *The Circle of Innovation: You Can’t Shrink Your Way to Greatness*. New York: Vintage, 1999.

you're on the right track to making innovation your corporate culture. The most valuable employee you have could be the one who disagrees with you most. Who on your staff has the guts to disagree with you? Are you encouraging that behavior or... are you stifling an alternative point of view that can break you out of the business box? If you are penalizing employees for standing up to you, you're building a group of employees who nod like bobble heads in your team meetings. Is that really what you want? That level of agreement is a warning sign – it's actually the antithesis of innovation.

More than hiring people who think outside the proverbial box, you also want a group of innovators who are motivated and won't be looking to leadership to point the way. Said Fred Wiersema, "I don't think any company should hire people who aren't self-starting, who need regular hand-holding. You want people who embrace uncertainty, take initiative, and aren't afraid of projects that have no immediately discernible direction."¹⁵

How far can this go?

- Seek out people with a wide range of interests and expertise. Peters called them "the crazies." Jobs hired artist and poets. You might look for inventors, world travelers or mountain climbers. The key is to look for people who bring in ideas and experiences differ from those of the other members of the team. For example, if your focus is innovation – and you think a candidate is perfectly suited to your corporate culture, ask yourself if they also offer a fresh perspective. Live in a culture of three piece suits and corporate speak, where everyone drinks the same type of coffee? Hire someone with tattoos and piercings who drinks Mountain Dew and plays corporate bingo in meetings. Don't have anyone on staff that goes to the theatre or reads classic literature? Hire a woman who does. Go ahead; tap her brain for refreshing ideas. See what happens.
- Listen carefully to the questions the candidate asks you. Look for someone with insatiable curiosity. As Rosabeth Moss Kanter explained, "Curiosity is the foundation, the soul of innovation. You want people who are voracious for information."¹⁶ If the candidate doesn't have any questions, that should concern you. When you are focused on innovation, you're not shopping for 'yes men,' you're looking for information gatherers, thinkers, analyzers who can synthesize information and turn it into new ideas.
- Don't forget, you have to attract the talent. "You have to remember that



¹⁵ *Ibid.*

¹⁶ *Ibid.*

the best and brightest people are very much in demand. When they go for an interview, they're auditioning the company as much as vice versa," said Wiersema.¹⁷ Remember that you are being interviewed as much as they are, and adjust your interviewing techniques appropriately. Are you purposely making your interviewees uncomfortable to test them? Ask yourself whether feeling that way would make you want to take a job with a company. Probably not. Show your company in its best light. Tune in to what the candidate is looking for in an employer and what their goals are for the future. That will make your organization stand out, making your offer even more attractive to a candidate.

Key 4: Structure for innovation success.

Give the innovators a system in which they can succeed.

Managing innovation differs from other managerial tasks. In staffing an innovative team, you've put together a team of wild horses. A company needs to resist the urge to restore order, keep them in control and hold tightly to the reins. Innovation is systematic, but it also requires a bit of freedom.

How do you balance competing interests?

You need to have a well-designed, supportive innovation system, said Rosabeth Moss Kanter. "The problem is that most of them don't work very well. Often the systems consist primarily of screening ideas and denying resources to the majority of them. What's missing? Encouragement. Nurturing. Involvement."¹⁸

Ideas are delicate, and easily squashed. Like baby chicks, still damp and just freed of their shells, they must be nurtured. How can you, as a leader, protect those precious resources?

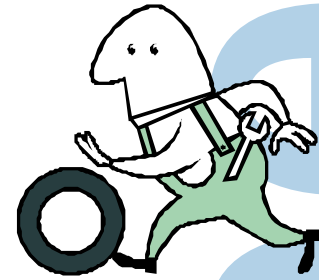
- Build an environment where failure is tolerated, even considered a good thing.
- Encourage the free flow of ideas, and don't tolerate hoarding by an individual or department.
- Be willing to accept a low success rate.
- Spend time and money on unit and individual renewal.
- Thrive on change.



¹⁷ *Ibid.*

¹⁸ *Ibid.*

- Become a diversity freak. Hire thinkers from a wide variety of backgrounds.
- Keep politics out of the reward system.
- Groove on your service or product. Make sure your staff groove on it too, and are determined it should be as cool as they come.
- Don't try to reinvent the wheel (i.e. optimize), but take a new idea and test it fast.
- Work with others/outside on new projects, big and small. Outsiders can often see needs your industry or competition is failing to fulfill, and opportunities for you to grow. Think Southwest Airlines, which was developed not by airline experts, but by lawyers with a keen eye to differentiation.
- Believe that everyone on your team is a genius creator. You chose them for their varying perspectives, right? Did you hire the tattooed and pierced candidate? Did you hire an artist? Now, trust them to shine!¹⁹



How can you create an encouraging, nurturing environment for innovation?

Check out 3M, which has a 15 percent rule. Employees can devote up to 15 percent of their time on projects of their own choosing, without getting approval from leadership or even telling managers what they're working on. To realize such a level of innovation, you have to trust your people, of course, and they have to trust you. This means recreating your performance measurements, while still meeting your business needs.

Nurturing innovation also means you have to allow employees to take initiative on their own. Resist the urge to appoint an innovation czar. Innovation, say experts, has to become a thread in the fabric of the organization. It has to be owned by everyone. If employees are looking to one person for guidance, the spirit of innovation is lost. More, the essence of innovation must be nurtured by your organizational leaders. This is a sentiment John Kao stressed: "If talented people see their ideas die because of mismanagement, they lose faith in the whole process of innovation."

Key 5: Embrace prototyping.

Effective prototyping, even fast and rough prototyping, is a valuable tool for an innovative organization.

According to "The Ten Faces of Innovation: IDEO's Strategies for Defeating the Devil's Advocate and Driving Creativity Throughout Your Organization," Sony takes about five

¹⁹ Ibid.

days to prototype while other companies in the same industry may take several months.²⁰ While some companies want every detail thought out before it is presented to leadership, prototype-driven companies operate differently. They like to play. “They are open to new ideas. They cherish quick-and-dirty tests and experiments. Free-flowing exchange around rough models is the norm.”²¹

Want to get going? Start by creating an innovation lab:

- Make room for 15-20 people, even if teams are small. You want room to share results and work in process with colleagues.
- Dedicate the space to innovation – so it can survive without scheduling or moving, in order to maintain innovation momentum.
- Leave ample wall space for sketch boards, maps, pictures, other visuals. Avoid using precious, expensive materials or delicate surfaces that would in any way inhibit creative use of the space.
- Locate your lab in a place convenient to most team members. Select a place where team members won't be interrupted by phone calls, but close enough that even part-time innovators can drop in on short notice.
- Foster an abundance mentality. Stock the lab with an oversupply of innovation staples: prototyping kits, sticky notes, tape, foam core, poster board, scissors, X-Acto™ knives, storyboard frames, felt markers, research kits, etc.²²



These five steps are designed to help you create an innovative culture—but their use extends beyond creation of the innovative culture to sustaining that culture as well. Organizations, like organisms, are alive and they change over time. Simply because your organization has achieved innovation zen doesn't mean you will always be at that peak. Innovative cultures thrive on challenging thoughts and discussion. And, even the most innovative players from the most diverse backgrounds can get comfortable working together. So, if your innovation efforts are beginning to feel stale, use the steps as inspiration for re-energizing your team's innovation efforts. For example, if your innovation team is stumped...introduce new ideas through a new experience. Or, bring in temp talent to get a new perspective. Change locations to shift thinking. The methods may change, but the underlying principles (audit, culture, structure, staff and prototyping to support creativity) remain the same.

²⁰ Kelley, Thomas, and Jonathan Littman. *The Ten Faces of Innovation IDEO's Strategies for Defeating the Devil's Advocate and Driving Creativity Throughout Your Organization*. New York: Currency, 2005.

²¹ *Ibid.*

²² Kelley, Thomas, and Jonathan Littman. *The Ten Faces of Innovation IDEO's Strategies for Defeating the Devil's Advocate and Driving Creativity Throughout Your Organization*. New York: Currency, 2005.

Steve Ross, the late CEO of Time Warner is known for having said, "in this company, you'll be fired for not making mistakes." ²³ He was on to something: failure is an inevitable part of innovation. It's evidence of risk taking. Where there is no failure, businesses are playing it safe by polishing that aging apple, which is getting less appetizing every day. As an essential part of the process, failure should be embraced.

As you strive to stretch your organization's reach and capabilities, take comfort in knowing that the missteps along the way are practice runs en route to potentially launching the industry's next great innovation... a necessary part of discovering the power of that it: innovation.



²³ Peters, Tom. *The Circle of Innovation: You Can't Shrink Your Way to Greatness*. New York: Vintage, 1999.

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