POINTERS

EXPERT GUIDANCE ON INNOVATION STRATEGY

How Can You Impact Company Culture?

INSIDE

Making new stuff happen in an established organization isn't easy. So one of the things we try to do at Innovation Leader is provide as much guidance and data, and as many case studies and concrete examples, as we can.

Some of our biggest allies in that mission are the strategic partner firms that regularly share their advice with Innovation Leader's members — at live events, in our website's Thought Leadership area, in our print magazine, and in this series of PDF publications.

For this special summer edition of Pointers, we asked our partners to focus on a topic that we know many corporate innovation and R&D leaders grapple with: having a positive impact on the culture of a large company.

Are you doing some things that are working? Have you seen things that have had a negative impact on culture? I'd love to hear from you...

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Shattering Three Major Myths About a "Culture of Innovation"

BY SCOTT D. ANTHONY & DAVID S. DUNCAN, **INNOSIGHT**

A "culture of innovation." Those three words sound so appealing, conjuring up images of the sorts of places that turn seemingly wild dreams into reality as a matter of course. Places where new ideas flourish, employees feel like their voices are heard, their impact is felt, and their mark is left. Institutions that can nimbly adapt to and thrive within the constant zig-zagging of an increasingly slippery, unpredictable world.

Leaders from older, more mature companies look at organizations that seem to have these cultures – places like Google, Amazon.com, Disney Pixar, and Virgin – with a mix of awe and fascination. Ask them why and they rattle off reasons ranging from staying competitive in the face of fierce competition to attracting talent.

But ask them to define what a culture of innovation is, and they often struggle to do so. This is a problem - if you can't define something you can't tell whether you really have it or not. And if you can't do that, how can you possibly hope to intervene in a meaningful way? Without a clear definition of what a "culture of innovation" is and an understanding of the organizational forces that enable or impede one, even the most well-intentioned efforts to create one are likely to fail.

Nevertheless, companies try; their efforts take many forms. They may try to mimic the surface elements of companies they perceive to be innovative, such as creating open floor plans or sprucing up the food in the company cafeteria. Or they might implement practices that innovative companies seem to have, such as holding idea contests, building open innovation programs, launching accelerators, or opening offices in Silicon Valley. Or they might they hire people who work at companies perceived to be innovative and hope that somehow they can bring some of the magic with them.

These efforts aren't working. Here's at least one piece of evidence to support this claim. Pick any innovation survey from the past decade, and you'll see some variation of the same result. Yes, innovation is critically important. Yes, companies are committing to it. No, most companies aren't satisfied with the return on their investment. No, most companies haven't cracked the code about how to infuse innovation into their cultures.

This article details three persistent myths standing in the way of successfully hardwiring innovation into the day-to-day fabric of an organization and suggests that leaders hoping to shape such a culture need to approach the problem systematically.

MYTH: INNOVATION IS ALL ABOUT NEW IDEAS
REALITY: INNOVATION IS SOMETHING DIFFERENT THAT CREATES VALUE

The words "innovation" and "culture" have each developed something of a mixed reputa-

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tion. They are ubiquitous in daily business speak, but they mean many different things to different people. Because of this, they are each often used vaguely and ambiguously. When you combine them in one phrase, you compound the vagueness and ambiguity! It's no surprise that one of our clients refers to the phrase "culture of innovation" as "utterly bankrupt."

Let's start by defining innovation, as you can't have a culture of something without defining that something. Ask a group of ten people to define innovation, and you are likely to have people say everything from "cool ideas" to "business breakthroughs" to "every day improvements" to "just thinking a little bit different." Ask that group what their favorite innovation is, and you'll hear everything from the iPhone to Uber to the internet to seedless watermelon to microfinance. Clearly people interpret "innovation" in wildly different ways.

None of these answers are wrong. One of the challenging things about defining innovation is that there are in fact **many different types**. Therefore, any attempt to assert a universal definition must encompass all these types, and indicate a way to bridge from the general to the specific.

Here's our universal definition: something different that creates value.

Each word in the definition is chosen carefully. "Something" is intentionally general, so it can encompass the very wide range of things and situations that can provide the medium for innovation. We often think innovation happens in labs, and is done by people wearing white lab coats. But innovation goes well beyond features and functions; it is more than bells and whistles. Innovation can be a new product or service, but it also can be a new process or sales approach. Or it can be a new way to organize an internal meeting or engage with employees. We use the word "different" for two reasons. First, it respects the Latin roots of the word innovation, as innovate describes renewing or altering something. Second, avoiding more dramatic words like "breakthrough" reminds us that often the innovations that have the most impact are those that make the complicated simple or the expensive affordable.

The last two words of our definition, "creates value," are the most important. Here's a test. Close your eyes and think of a symbol for innovation. We're willing to bet a light bulb popped into your head. If we asked you who invented the lightbulb, you would probably say Thomas Edison. It turns out dozens of scientists were simultaneously working on the technology behind the incandescent light bulb. While Edison was indeed a great inventor, with more than 2,000 patents to his name, the reason the world remembers him is because he was a great innovator. Edison didn't just develop a light bulb, he built a system designed to provide light to end consumers, which required building generation facilities, transmission wires, and figuring out an economically viable business model. As Edison reminds us, "Genius is 1% inspiration and 99% perspiration." Invention and creativity are inputs; innovation is the translation of those sparks into value, whether it be revenues, profits, improved employee morale, or other forms.

Edison's quote is further illuminating because it describes the challenges involved in pursuing meaningful innovation. It takes time, effort, patience, and, many times, a deep conviction in the face of setbacks and struggles.

Don't get us wrong. Ideas are great. Well-run brainstorming sessions can produce promising inputs at the beginning of the journey to create value. But when leaders assume that a culture of innovation is all about generating the best ideas, it's like sprinting through the first 100 meters of a marathon, raising your arms, and declaring victory. The short burst releases endorphins and leaves you in the lead for a fraction of a second, but it soon becomes painfully obvious that you've lost the race.

MYTH: INNOVATION IS A MYSTERY MASTERED BY THE RARE FEW
REALITY: INNOVATION IS A DISCIPLINE THAT ANYONE CAN MASTER

Close your eyes and think of a world-class innovator. Edison might have appeared since he was just described above.

Or you might have thought about Apple legend Steve Jobs, Facebook's Mark Zuckerberg, Virgin's Richard Branson, Alibaba's Jack Ma, or Tesla's Elon Musk. There is no doubt that there is much to learn about each of these individuals, but the mythology that the success their companies have had is attributable to lone geniuses is pure fiction.

Focusing on these types of people also reinforces a view that a company seeking to develop its ability to innovate needs to attract someone from whatever the hot innovative company of the moment is. Companies that follow this strategy often find that their hot new talent quickly adapts to their new surrounding and looks and acts like everyone in the organization, or that the organ transplant rejects the host, with the new hire quickly departing. It's easy to discount the importance of knowing how to work within an institutional system. Experienced employees know how things work, and they know who to call to get things done.

Research in creativity (which, as described above, is distinct from innovation but is a core attribute of it) shows that roughly a third of an individual's creative abilities is embedded in his or her DNA. That means roughly two thirds is learned throughout their life. Yes, that means being truly world-class requires at least some genetic gifts. But anyone can become competent at innovation through careful practice.

There is substantial literature about behaviors and mindsets that drive innovation success. On anyone's short list would be the abilities to gain deep customer understanding, to draw inspiration for ideas from diverse sources, to consider multiple paths to innovate, and to experiment in a disciplined way. We can think of these behaviors as being desirable not only at the level of individuals, but at the level of organizations.

How do these behaviors and mindsets translate into day-to-day activities? Put another way, what do good innovators actually do? A good innovator:

- Seeks to know current and prospective customers, not as facts and figures but as living, breathing human beings
- Takes "idea road trips" and uses other mechanisms to get external stimuli
- Seeks ideas from everywhere, including colleagues, customers, suppliers, and outside experts
- Brings together diverse perspectives to break the back of tough problems
- Shows their work, sharing rough ideas early to get useful feedback
- Experiments regularly, sometimes just to learn
- Extracts learning from things that don't work as expected
- Recognizes that commercial failure that produces useful learning is good, not bad.

These are all practices that can be done regularly, and, with the right coaching and training, can be done with increased proficiency.

MYTH: A CULTURE OF INNOVATION RESIDES IN ARTIFACTS
REALITY: A CULTURE OF INNOVATION RESIDES IN BEHAVIORS, ROUTINES, AND RITUALS

So what, at last, is a culture of innovation? Ask people to describe what indicates a culture of innovation, and almost always people will start talking about what they see. Maybe it a well-stocked cafeteria with bright colors. Young employees might be zooming around on scooters or hoverboards. Foosball tables are certainly there. Perhaps there's even a slide. Fun. Free-spirited. And open.

These visual indicators are what long-time MIT professor Edgar Schein described as "artifacts" – essentially, what you see when you look around an organization. While these might be manifestations of culture, artifacts are the tip of the proverbial iceberg – and not the defining attributes of a culture. Companies ship in the foosball tables but see them gather dust, as senior leaders dutifully go down the slides to quiet snickers from colleagues.

So what lies beneath? Schein offers a wonderfully useful general definition of organizational culture. In his 1992 clas-

sic *Organizational Culture & Leadership*, he defines an organizational culture as "a pattern of shared basic assumptions that the group learned as it solved its problems ... that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think and feel in relation to those problems."
Over time, these assumptions become beliefs, are encoded in routines and rituals that drive day-to-day behaviors, and are programmed into and reinforced via key organization systems and structures.

Combining the above, we arrive at the following definition for a culture of innovation: **one in which the behaviors and mindsets that support successful innovation flourish.** Therefore, innovation success comes naturally, as day-to-day routines, recurring rituals, and management systems support the repeated creation of value.

The fundamental challenge leaders face is that large organizations work tirelessly to develop standard operating procedures that produce consistent, reliable results. These procedures constrain the natural curiosity that exists within humans and contain the variation that leads to successful innovation. This is the fundamental paradox facing leaders looking to create a culture of innovation: the systems that enable succeeding with today's model reinforce behaviors that are inconsistent with discovering tomorrow's model.

THINK SYSTEMS, NOT SPANDEX

So, what is a leader seeking to create a culture of innovation to do? The short answer, sadly, is that there is no short answer. Creating a culture of innovation takes time and a coherent, consistent set of interventions. It requires systems, not spandex.

Spandex? About a decade ago, we were advising a Fortune 100 company about how to create a culture of innovation. We cautioned it was hard work. Since you are fighting against entrenched systems, you must think at a systems level. That means:

- Defining it clearly
- Directing it strategically
- Pursuing it rigorously
- Resourcing it intensively
- Monitoring it methodically
- Nurturing it carefully
- Supporting it thoroughly.

The company thought that sounded like a lot of work, so, instead it chose spandex. All its top leaders dressed up in superhero costumes to show employees how serious they were about innovation (IBM spoofed this effort as part of a wonderful series of commercials.) Today, the only thing for which executives are thankful is their costume wearing preceded the dawn of ubiquitous camera phones, so no video evidence remains.

Standing up and yelling about the importance of innovation will not create a culture of innovation. Running a hackathon on its own won't do much either. But, a well thought through, cogent, and connected series of interventions can help to create an environment where the behaviors and mindsets that support successful innovation flourish. Then, by all means, don your best innovation man or woman costume, celebrate, and please, send us a selfie.

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A Stepwise Approach to Achieving an Innovation Culture

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"Culture eats strategy for breakfast, lunch, and dinner." The famous quote is attributed to Peter Drucker, who pointed out that culture is a strong driver of how a company behaves and plays to win. We can safely say the same applies to the importance of culture for innovation performance. A company's culture can both hinder or encourage innovation, regardless of whether innovation is claimed to be a top priority for the business. We admire companies that are innovative—the Apples and Googles of this world—and would attribute their success to the cultures they cultivate. But at the same time, we recognize that we're not them, and their culture would not be the perfect fit for us.

This commonly accepted belief that culture drives innovation success has spurred organizations to try and infuence their company's culture and change it for the better. But very few are succeeding. Why is that, and what can they do about it?

When companies work on their "innovation culture," we see common shortfalls:

- Viewing innovation culture as a problem of motivating employees to "act differently"
- Focusing on skill building in a vacuum in hopes that it will lead to culture change
- Attempting to use isolated interventions (e.g, innovation jams, hackathons, etc.) in hopes of solving what is a more systemic challenge
- Building initial enthusiasm by stimulating the supply of innovation ideas without ensuring that ideas have a way to come to life.

To really influence culture, we first need to deconstruct it into components that we can use to describe it before we can decide what's right for us, our future state, and how to enable change. Defining our future state treats culture as an outcome, a result of actions we take to make the change happen. Culture can be defined by the values and beliefs that guide our behavior. Collectively, they define how we experience culture in an organization.

VALUES

What do we value as a company and as individuals? At its worst, values are no more than words on a website unless they can be demonstrated by how we run our company and how they support the purpose of the organization. Do we really allow people to take risks, put employees first, advocate transparency and collaboration or diversity? Is this clearly supported by how we are organized, the way we have structured our processes, or how we reward our people?

BELIEFS

Over time we have learned what works and what doesn't, and what leads to success or

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failure. Each time an action led to a successful outcome, it strengthened our beliefs. None of this is clearly written down as policy or procedure, but it has a huge impact on how we behave in certain situations. What do we believe about ourselves, our competitors, our customers, and how we play to win in the marketplace?

A STEP-WISE APPROACH TO BUILDING A SYSTEM THAT PROMOTES AN INNOVATION CULTURE

Culture isn't built overnight, and it requires working on many fronts at once. We don't mean you need to do everything at once, but you'll need to start with the big picture view before deciding how to take concerted action. Prepare a roadmap for your culture journey to ensure that all of your actions and initiatives support the big picture. Once that's clear, there are immediate, practical steps you can take to start on your journey of building your innovation culture.

Building a culture that promotes innovation includes both top-down programs and bottom-up initiatives. Leadership takes responsibility for defining the innovation goals, ensuring that there is support (tools, training, incentives) to engage the innovators, and in communicating innovation progress. Once innovation starts to take hold, expect to see more bottom-up participation as the innovators take on the roles of using and proliferating the tools, mentoring new innovators, and speading the language and stories of innovation.

1. ASSESS THE CURRENT INNOVATION CULTURE

An important first step is to understand what is standing in the way of innovation today and what is supporting it. Interview some of the people that have succeeded with innovation and some of those that have given up in frustration. Ask them: What innovations have we missed and why? What innovations have we implemented recently, and why did they succeed when others didn't? What are the most frustrating things that our innovators face today?

Is there a rampant fear of failure in your organization? Do your current KPI's and decision criteria implicitly encourage "more-of-the-same" rather than real innovation? Do employees feel that management doesn't really support innovation? These are some of the innovation impediments that we often hear in our work with clients, and you will likely unearth these and other roadblocks.

The assessment serves as your point of departure and helps you to aim your cultural transformation at the parts of the culture and innovation process that are your "roadblocks." Implementing changes here are likely to produce the quickest results.

2. DEFINE INNOVATION AND SET THE FOCUS

Innovation is a very broad concept. You need to define what it means to your company and communicate your definition and scope. What sort of innovation are you seeking? Incremental or game-changing or both? Internally focused process innovation or external market-focused innovation?

In addition to defining innovation, set the innovation ambition. What big problems will you solve for your customers or your company? How will innovation help to deliver your strategy and contribute visibly to your business performance?

Innovation rarely happens in a vacuum. Innovators need some guard rails to inspire and direct their innovation efforts. Without some shared context and direction, innovators can be overwhelmed by the enormity of the challenge – and do nothing.

The "language" of innovation is also important. A common language (what do we mean by insight, disruption,

business model, experiment, etc.?) will facilitate communication among innovators and with leadership, resulting in faster and better decisions. Communicate your innovation definition, ambition, and language broadly.

3. PROVIDE TOOLS, TRAINING, AND SUPPORT

There are certainly "born" innovators (Steve Jobs comes to mind), but they are few and far between. The good news is that innovation can be learned. Teaching employees how to develop new perspectives is the first step to innovation; recognizing and challenging unfounded beliefs about what customers want and on what basis we should compete; developing real empathy for the customer and uncovering their unmet needs; identifying trends that could lead to significant changes in our industry. These perspectives combined will inspire ideas for new products, services, and solutions. Experimenting with ideas in an entrepreneurial way helps us learn and reduce uncertainty before launching at scale. In our experience, employees want to be innovative but often lack the tools and training to contribute.

Besides training and tools, other support mechanisms can be put in place. Recruit your successful innovators as internal champions and innovation mentors to help those just starting on their innovation journey. Develop and communicate a consistent innovation process, from insight to implementation. Establish "i-boards" or other groups to manage the innovation pipeline and portfolio.

The goal of providing tools, training, and support is to encourage innovation to happen because of the "system," rather than despite the system.

4. ENGAGE YOUR EMPLOYEES IN THE INNOVATION JOURNEY

How do you best engage everyone in the organization to use these new tools and training and start contributing relevant new ideas? Engagement requires inspiration, trust, transparency, and follow-through. Inspire employees by focusing the innovation on issues of importance for the company. Provide clear and transparent decision criteria and feedback; employees don't remain engaged for long when they sense ideas are falling into an (electronic) black hole or have become hostage to an invisible, often political process. Provide constructive feedback to employees to promote learning – and to get better ideas in the future. And build more than the "suggestion box" – create the backend of the process before the front end is launched. Make sure the "winning" ideas are carefully nurtured, and create the infrastructure for experimentation and launch.

Of course, you are unlikely to engage everyone. There are always the hard-core cynics that will resist change, and some people simply won't feel it's the right environment for them personally. It's unrealistic to think that a different culture wouldn't need some different people in the organization.

5. KEEP THE COMMUNICATION FLOWING

Take the opportunity to celebrate the innovation heroes—not only those who have imagined and launched new products and services, but also those whose innovations or experiments have "failed"—to reinforce the message that failure is expected in an innovative company, and learning is a key priority for progress.

Who gets the most respect in your organization? Engineers, designers, marketers? Recruit them to informally communicate innovation goals, examples, and progress. You need to change the narrative so that the stories that new employees hear are stories of innovation heroes and successes.

Continue to keep employees informed of your innovation progress. Highlight insights, new ideas, and new market experiments. Convince employees that this is not the "latest initiative," but core to the future for your company by

making innovation communication a regular part of all company communications. Assure employees that innovation is a key part of executive meetings and discussions.

Keep the communication real and honest; platitudes don't often inspire innovation.

6. LEADERSHIP SETS THE TONE

There is a lot of excitement in the early days of a new innovation initiative, and it is the role of leadership to ensure that the momentum continues. One of the most important jobs of leadership is to follow through on testing and implementing the new ideas. You need to convince the skeptics that their ideas will actually see the light of day. Innovation must be seen as a necessity – not a "nice to have." This means innovation staffing and schedules have a clear priority next to corporate re-organizations, quarterly reports, and other operational issues.

Embed innovation into the company structure and processes by linking innovation to other business processes: strategy, budgeting, operations, and HR. Innovation should figure prominently on the agenda of all leadership meetings.

Broadcast how the organization is implementing innovation initiatives. Seek out early wins to communicate.

6. MEASURE YOUR INNOVATION PROGRESS AND PERFORMANCE

Metrics are an important part of building the innovative culture, because they can help demonstrate success and to track and assess your journey to building the innovation culture. Use "cultural" indicators to assess engagement, awareness of the innovation program and process, and the number of employees trained in innovation techniques. Use "pipeline" measures, like number of ideas submitted, number of experiments in progress, and number of new offerings launched to monitor the health of your pipeline and to set goals. Tie innovation goals to the employee performance management system.

ARE WE THERE YET?

Culture is the outcome of a series of initiatives and programs aimed at changing behavior, and the underlying beliefs and values that drive those behaviors. We have identified a number of practical actions that you can undertake to begin your cultural transformation, but as you've heard many times before, cultural change takes time and patience. To see if your change initiatives are having an effect, keep asking yourself and others around you questions like the following ones:

- Are we becoming less reactive and more proactive?
- Are we becoming less internally-focused and more externally-focused?
- Are we becoming less bureaucratic and more entrepreneurial?
- Are we becoming less overly cautious and more willing to take on educated risks?

To really understand the progress you are making towards a culture of innovation, you will need to answer these questions and many more. Periodically assessing your innovation culture makes sense and helps you to stay on track. The practical actions that we have described here are a first step of a much longer and exciting journey towards achieving a culture that drives innovation successes.

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How To Foster Culture Change Through Lean Innovation

INTERVIEW WITH BRANT COOPER, **MOVES THE NEEDLE**

In this Q&A, Bryan Tublin was joined by Brant Cooper, New York Times bestselling author of "The Lean Entrepreneur" and Co-founder of Moves the Needle, to discuss how embracing lean innovation can help foster culture change.

Key Lessons

- Culture change efforts must be tied to a corporate objective
- Lean innovation allows cultural transformation to occur from both grassroots practitioners and the C-suite, creating a "pincer movement" of change throughout the organization
- Start by solving problems the business already has. This helps prove the new way of working is effective and can have real business impact
- Don't try to emulate startups; focus instead on pulling the right behavior and creativity out of people already inside your organization
- Measure behaviors that indicate your culture is changing, not KPIs
- Gain senior leadership support by running experiments that add value to their core businesses.

Brant Cooper
Co-Founder

Bryan Tublin
Impact Coach

Bryan: Many companies talk about culture change but often don't know where to start. What have you seen to be an effective starting point for companies seeking to change their culture for the better?

Brant: Culture change tends to be a vague word. People kind of know what they mean by it, but it's not tied to anything specific, which is not a good way to start. So a better way to answer this question might be to ask, "how does it not work?"

I've seen this two ways. The first is you get grassroots-level practitioners who are trying to behave a different way. They are usually either young people who grew up around a start-up culture, or they are just different minded. They're usually social, don't want traditional hierarchy, and get bored with repetitive tasks. But because "culture change" is poorly defined, they don't know how to direct their efforts.

You also sometimes see senior management realize, "Holy crap, our company moves too slow. We need to do something differently!" They think they need to fire people up, inspire people. So they try this top-down process, which doesn't work in the long-term. Neither approach works because there's no real objective. There's no cohesion. So the efforts can last a while, but it doesn't stick.

This is why we try to define and talk about innovation transformation. We talk about entrepreneurial spirit and teaching a startup mindset to everybody in the business. We try

to inject everyone with this idea of working differently. If you're working on a big innovation project, you're working this way all the time. But even if you're trying to improve the core business, or even operational performance, there's uncertainty there. So you have to use the same principles. You just do them in smaller amounts.

So first, you need a way of justifying or explaining why everybody needs a dose of this. And secondly, you have to tie all this to your corporate objective, so you can tie the desired behavior directly to the company's priorities. With these two points clear, from the practitioner to the C-suite, now you've got this cohesive story that you can bring together, kind of like a pincer move, where both sides move closer to behaving in ways that change culture.

Of course, I make it sound so easy, but it takes years and years to do this right. But to me, this is what is successful.

Bryan: Is that why you think approaching culture change through innovation transformation or lean innovation is effective? Because you can have impact in those two areas?

Brant: Right, exactly. You can tie the need for change specifically to what those strategic priorities are, so it's not culture change just because we want a new culture. It's not culture change because startups do culture change. It's not culture change because we need to hire Millennials. It may include all of those things, but that's not the why. The why is that we could use this new way of thinking and this new way of acting to achieve the objectives that the C-Suite, senior leaders, the sponsors, and the board of directors are seeking.

Bryan: Do you have any examples that come to mind? Case studies that demonstrate how this can be done effectively?

Brant: I think there are a couple interesting examples. People are always talking about GE, and one of the reasons is because unlike some organizations, they didn't just focus on innovators and accelerators and trying to mirror the startup ecosystem. They really started more with the core business. They asked, "Who needs help?"

So for example, a sponsor at GE in charge of a business unit that was struggling with oil and gas said, "Listen, I'll take any help I can get." Because the business unit was struggling. So instead of focusing on breakthrough innovation, GE goes and makes refrigerators using these sorts of principles. So that's a refrigerator! It's not breakthrough innovation. But they looked for ways to apply lean innovation principles to where there's uncertainty inside the business, instead of pretending to practice breakthrough innovation from scratch.

The lesson here is that you may as well build your innovation muscles by applying them wherever there is uncertainty in the company, hopefully where there is near-term impact. That demonstrates the success of applying these principles.

The other company everybody likes to talk about is Intuit. They plugged a $10 million hole in their back-end systems within 30 days of starting to apply lean innovation in their work. It was a small return compared to their revenue, but still a real return on investment.

So again, I think organizations make the mistake of trying to do cultural change by opening up a lab in Silicon Valley. That's fine as part of the equation, but it needs to be tied to longer-term objectives.

There are other companies that are looking at structural changes. American Family has moved their entrepreneurial spirit type of activity from being just inside their innovation group to scaling it company-wide, and they are killing bad ideas. The way you can get immediate return is to have everybody inside the business walk the talk.

You don't get to fund your pet projects; they actually have to produce evidence first. So there's actually quite a few

examples out there where enterprises are changing the way that they practice. In my opinion, success stories come from looking for ways that you can have a nearer-term impact, versus hoping that one discovers breakthrough innovation to compete with a startup ecosystem in five or six or seven years.

Bryan: You mentioned companies often make the mistake of trying to emulate the startup ecosystem, or trying to become a startup. Can you expand on that?

Brant: Generally, I think our society is very enamored with the startup culture, and there is a lot of positive media about it.

The question I like to ask is, "If you're an enterprise company, and you're generating millions of dollars of revenue, how many startups does it take to create a company that reaches that $1 billion in revenue?" The answer is you need about a thousand startups to achieve that $1 billion in revenue!

So if you're a business whose core product line shows revenues declining by X percent per year, you know you need a new revenue source that generates hundreds of millions of dollars in five years or so. You're not going to get there by opening up a lab and putting five startup teams in there. You need a thousand startup teams.

We look at the startup ecosystem and recognize that entrepreneurial spirit is what they do really well, but in my opinion, large enterprises have those people inside their company as well. The key is getting them out of execution mode and driving out the inspiration and creativity that are already inside the business.

And lean innovation can help companies bring that back. Getting all 10,000 employees to behave differently is how you're ultimately going to mirror the scale of a startup's ability to innovate.

Bryan: What are a few tactical approaches companies can take to embrace lean innovation as a way to change culture?

Brant: The people that are thinking this way need to find like-minded people. You run meetups. You run happy hours. Startups do this, but I think you can do this in the enterprise too. You just find the people that come out and want to learn more about lean startup, or design thinking, or lean innovation, or startup mentality, and you all get together and start talking about it and start thinking about what experiments you can run.

You can also run internal hackathons. Lots of companies get started by doing internal hackathons. My take is that the hackathons should not just be focused on programming. They should help employees learn lean innovation techniques. So the first step should not be getting a bunch of internal people to sit down and write code. The first step is teaching them to validate aspects of their business model, discover what the riskiest assumption is, and overcome that.

Similarly, companies can run workshops to help spread that mentality as well. For instance, Capital One has a super strong design thinking ethos, and they do workshops all over the company to train new product managers, business analysts, and new employees how to act this way. They would get them out of the building to learn customer empathy, learn how to run experiments, and do rapid prototyping. You can do workshops across the organization, which is a great way to build bottoms-up capability and change culture from the practitioner level.

This doesn't mean hiring an outside consultant to do all of the training. That's just not scalable. That's why Moves The Needle offers "train the trainer" programs, so there are ways to build up the capability of training, and building the skill set of other employees, so operating this way becomes part of the employee onboarding process. That's a great way to get started.

Bryan: So it sounds like you're emphasizing a move away from individual ideas, strategies, or pet projects, in favor of developing capabilities, getting employees excited about this new way of working, then implementing practices to help that scale throughout the organization.

Brant: Innovation is so hip right now that every company has innovation practices. My take on that is we can take some of those practices and make them a little bit more real. Most organizations in my estimation are focused on idea challenges. And frankly, the ideation side of things is the easiest thing in the world.

Again, people are creative inside these enterprises, and there is just not one company that I've worked with that didn't have tons of ideas. The problem is they didn't know how to prioritize them. They didn't know how to test them. They used these old stage-gate methods where senior executives would sit around the room and decide which projects got selected based on god knows what criteria.

There are tweaks a company can make to existing innovation practices to make them more effective and to align them with strategic objectives, on both sides of the pincer move [top-down and bottom-up innovation practices]. To me, that's how you get things going. So for example, if you just change those "idea competitions" into "evidence-based competitions" rather than pitch fests, you are already moving forward. If you get everybody a version of Adobe Kickbox and allow them to go and generate evidence of their idea, and then pitch their evidence, you've already started to change the way people are operating inside the business.

And so there is just no reason not to make that move. We mentioned it earlier, but the other common way to get started is starting a lab. Starting a lab is great. You've got a bunch of startups in there who are supposed to be doing incremental or breakthrough innovation. Have those people start the training of the core business so the core business can apply that type of thinking to where there is uncertainty in existing products, existing markets, and existing sales strategies. It can be practiced anywhere inside the enterprise. As you do that, what you will get are small wins inside the core business that will justify the existence and justify the budget for the lab attempting to do more breakthrough stuff.

Bryan: So let's say I've taken your advice so far and implemented some of these practices. How do I know as an executive team member that the culture is starting to change for the better?

Brant: That's a toughie. It's another thing we tend to get wrong. We go straight to vanity metrics. How many people are doing this? How many customers are we interviewing? How many experiments are we running? Those are decent metrics when we are first getting started, but what you want to do is measure the behavior within the organization.

You've got sponsors and they are in charge of core businesses. Are your sponsors starting to bring projects that they eagerly want worked on by people that are acting this way? That's a great sign that you are making progress, because now you've got these sponsors on board and if you have an idea beforehand of who your early adopters are, and who your laggards are, then you can start tracking how fast this is moving.

At the practitioner level, are people volunteering to be coaches? Are coaches coming back and training multiple cohorts? Are people downloading [innovation] tools on a regular basis? Do you have the means to actually track the progress of internal startup teams themselves, beyond return on investment? On that note, companies have to learn how to track startups differently. There's a great article by Andreessen Horowitz called "16 Startup Metrics," which is really for the startup world, but it applies to internal innovation teams as well.

Your HR department is likely benchmarking employee engagement and employee retention data, so you can use those metrics. Are those growing over time for people applying lean innovation?

Whatever you decide to use, the key is that it's behavior-based. These are not KPIs. These are behaviors. You're trying to answer, "Are my people behaving differently, and how do I measure it?" It's not helpful to know how many times a day someone is acting on something within a given space; that's a performance indicator, not a success metric. You want to measure behavior that indicates people are becoming engaged and even passionate about the innovation program itself, and different stakeholders are going to have different behaviors.

Bryan: We've covered a lot so far, and this has been really insightful. Are there any topics we haven't discussed that someone who is looking to implement culture change in an organization should be thinking about as they're getting started on the journey?

Brant: Most companies are likely just starting out in labs and the practitioner's grassroots level. So the big question for this audience is, "How do we get the senior executives on board?"

What I counsel teams to do is go find out who your early adopter sponsors are. Those are the change agents who have already moved up inside the organization and are ready to see the benefit of this. As a team, try to figure out how can you get them to provide cover for you. What are some experiments you can run on behalf of that senior leader that can generate impact? Hopefully if you get one of them, then eventually you get three, and you know you can start moving up the stack that way.

Ultimately it only works at the C-Suite. For whatever reason, something has to happen for them to have the epiphany. They read Eric [Ries]'s book ["The Lean Startup"] or my book or something happens where their eyes widen and they know that they have to act differently. Maybe it's a changing of the guard. Maybe it's the board of directors puts pressure on them. There are a number of ways, but ultimately it's just not going to happen if you don't have that C-Suite pincer that becomes aligned. So you have to act like a startup yourself when trying to roll this out, and you've got to run a bunch of experiments to try and get these people on board.

Alternatively, if you are in the C-Suite and decide you have to do this sort of transformation, you can't just go hire the big three or big five consultants and do this massive reorg. It's not a reorg. It's a transformation in getting people to work in new ways, so your allies are frankly the change agents inside the company and you have to find the champions inside the company and turn them into your proselytizers. And I know many companies have agile developers, and people that are running startups on the side, and people that have come from an entrepreneurial background, and design thinkers. These people are inside the company, and the C-Suite needs to use whatever methods they can to find those people and empower them to start organizing, start training, start running experiments.

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How to Make Open Innovation an Easy Sell in Your Organization

BY DENISE L. FLETCHER, **EZASSI**

Time and again, we have seen businesses disrupt established markets and up-end assumptions that certain industries are immune to significant change. By now, it should be abundantly clear that simply introducing new products and services on a semi-regular basis is not enough to stay alive in an increasingly competitive global economy. From Netflix and Hulu to Uber and AirBnB, new companies are demonstrating the importance of innovation. With that in mind, why does the idea of open innovation continue to be a hard sell when it comes to senior management?

Part of the problem is that management continues to focus on generating innovation by relying on internal teams. While individuals within the company may be independently working on professional development by joining social sites, reading up on trends, and attending conferences, these efforts don't always translate to the office. If management is reluctant to pursue or support open innovation efforts, it may be up to employees to make the sell and work on providing a solution that fits their specific corporate environment.

Denise L. Fletcher
Chief Innovation Officer

If you want to secure the support of senior management and move towards a business model that takes advantage of open innovation, then you need to be prepared to address their fears and make a clear case for the necessity of open innovation at your organization. A few PowerPoint slides won't be enough to motivate management to go outside the company for new ideas. Here are a few tips to help you sell your senior management team on the importance of open innovation:

FORMULATING YOUR PITCH

1. **Start with a question**. Instead of trying to jumpstart the conversation by telling them what they aren't doing right and what they should be doing instead, pose a thoughtful question that will get them thinking about whether they may have become blind to emerging trends. For example: *What strategic plans do you have in place to handle outside threats from competitors?*

The hierarchy of corporations can make it difficult to challenge existing modes of thought. As Alex Cruickshank argues in his article on groupthink, without open dialogues, owners can become "too busy running their business to notice that the landscape has changed." Combine this insular point of view with a hierarchy that discourages criticism, and you have a recipe for disaster.

By asking an open-ended question that encourages discussion, you effectively shift the burden of proof to management. If they are having trouble answering the question, then you have already made your point. It may quickly become obvious that the company has been too concerned with internal affairs to address looming threats.

2. Paint a picture of the future. Do your research and see what companies within your industry are developing that could undermine your success. Look for start-ups and other players that may be operating under the radar, because these are the ones that have the greatest potential to sneak up on you and introduce the next technological innovation that will cause a major disruption.

3. Make the argument for open innovation. More than anything, open innovation provides the opportunity to identify potential threats early on and partner with experts and problem solvers who may be the key to getting new solutions and products to the market much faster. With open innovation, you can work with your customer base to co-invent and develop solutions. You can tap into the skills of people around the world who know your product, but also are ready to offer a fresh perspective.

The Campbell Soup Company is one organization that has successfully used open innovation to continue to fuel the future of product development. The Campbell's "Ideas for Innovation" platform allows for open innovation, internal innovation, co-creation, collaboration, bilateral IP protection, auto-assessment of ideas, and stage-gating idea advancement workflows through to Product Lifecycle Management and Go-To-Market stages, to capture the best ideas and then put them into production.

4. Identify Competitors that use open innovation. Be prepared to show how your direct competitors are using open innovation to get an edge on the market. This information can make your argument seem less abstract and demonstrate the practical applications of open innovation.

5. Come prepared with a plan for safe implementation. With the help of the right open innovation software program, you can provide a safe and secure environment that protects both the company and users. Innovators will automatically be granted intellectual property protection, which will increase the number of submissions you receive.

You can choose to only accept solicited ideas to specific challenges and operate anonymously. This prevents new ideas from being advertised to competitors as they are being developed. In addition, functionalities can be put in place that implement NDA agreements throughout the submission process for continuing bilateral IP protection.

It might also be a good idea to pitch a more measured approach that involves a test run of open innovation and a set time-period for evaluating results and deciding how to move forward. Taking small steps can feel like a much safer option that won't challenge management's comfort level quite as much as a full-scale launch.

6. Provide an open innovation impact assessment. When it comes to making important business decisions, numbers can be more convincing than all the examples and logic in the world. Make sure that you outline the potential impacts, both positive and negative. Areas that you will want to address include revenue increases; cost reduction; investment cost; return on investment; product line contribution; new product development; and breakthrough new product/technology.

Humans are ruled by inherent biases, and nowhere is this more apparent than in corporate America. Even when it becomes obvious that the market and the industry is in flux, businesses can still show strong resistance to adapting. The hierarchal nature of business tends to reinforce these practices, which makes it even more difficult to sell new approaches, such as open innovation. However, if you do your homework and develop a clear presentation strategy, you may be able to turn a hard sell into a sure thing.

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The Who, How & Where of Innovation

BY VIKKI NOWAK, **NOTTINGHAM SPIRK**

We frequently host visits from CEOs who want to tour our Innovation Center and learn about our many successes. Inevitably, they share their frustrations. They've sent associates to seminars, formed innovation teams, called brainstorming sessions, offered bonuses, torn down office walls and done everything else they can think of to capture some of that elusive "startup" magic. In some cases, they've seen short-term success. But too often, momentum lags, or products that seemed promising struggle after launch.

We've written before in these pages about business innovation — the organizational and cultural shift that's often necessary before a company can support all of the critical stages of product innovation. We've helped many client-partners with this process and it's different every time. But there are some fundamental elements that we've found to be crucial to an ecosystem that fosters innovation, on a limited or company-wide scale. The elements are People, Culture, and Setting.

Vikki Nowak
VP, Client Relationship Manager

PEOPLE: IT ALL STARTS WITH HIRING

We maintain close ties to the Cleveland Institute of Art and Case Western Reserve University, and over the decades we've relied heavily on our internship program for hiring. We've had time to evaluate them, and they us.

But we do hire from the corporate sector as well, when we meet someone who seems flexible and confident enough to fit in with our Vertical Innovation process. When we interview them, we don't spend much time talking about their resumes. We're more interested in what drives them. We listen for indications that autonomy, mastery, and purpose are guiding forces. That's why we ask about hobbies. People with hobbies that combine the hands and the mind — painting, playing an instrument, restoring cars — often have the balance of vision and persistence that we value. Hobbies can provide a glimpse into whether the person has the qualities that author Malcolm Gladwell identifies as common among "disruptors": self-confidence, imagination, and dogged determination. We're not interested in how well someone can take direction; we want to know how far he or she can run without it.

But hobbies are usually solo endeavors, and we don't hire soloists. At Nottingham Spirk, "teamwork" and "openness" are not platitudes, but articles of faith. So we also listen for excessive use of "I." We want people who derive satisfaction from solving problems and completing projects, not from getting the credit. In his book "Give and Take: A Revolutionary Approach to Success," Adam Grant describes "Takers" — the most self-centered of three basic workplace types — as people who "self-promote and make sure they get plenty of credit for their efforts." People like that may excel at other companies, but not with us.

After acceptance, the evaluation process continues. At this point, the key attribute we're looking for — or rather, listening for — is a voice. Admittedly, it takes courage bordering
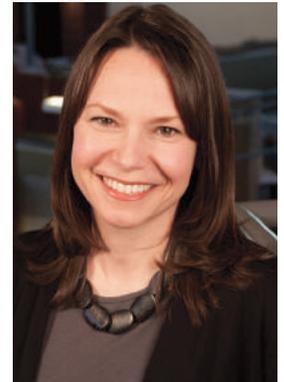
on audacity to speak up in meetings when surrounded by staff members with years or perhaps decades more experience. But audacity is precisely what we need. Without risk, there is no innovation. But without support, there is no risk, and that's where culture comes into play.

CULTURE: FREEDOM AND RESPONSIBILITY

Rookies who are encouraged to speak up will sometimes suggest ideas that have been tried and rejected. And experienced people who chase hunches will sometimes run into dead ends. In neither case do we chastise. When people are worried that mistakes will hurt their careers, they'll try to get by on tweaking old ideas, rather than dreaming up new ones. At Nottingham Spirk there are no career implications for honest mistakes. Not because we don't care about results, but because we understand that achieving the best results means respecting the unpredictable, nonlinear nature of the creative process.

Collaboration is vital to that process, but it may not happen if the boundaries between roles and departments are rigid. The "horizontal handoff," as we call it — in which projects pass from department to department with a "we'll take it from here" attitude — is not the kind of true collaboration that fosters meaningful innovation.

We rely on a flat management structure and a team-based approach to projects. When projects are developed by teams — rather than handed off, assembly-line style — then the team can be tailored to what the project requires. This also helps to blur the lines between designers, engineers, marketers, etc., and that's a good thing; it keeps the project front and center, ahead of concerns about who will get credit or blame.

So how do you manage creative people? As little as possible. We're always mindful of management consultant and writer Peter Drucker's observation: "Most of what we call management consists of making it difficult for people to get their work done."

It's also important to recognize that innovating is demanding, requiring many hours of intense effort — especially when you routinely bring new products to market in under a year, as we do. To stay sharp, creative people need to recharge through time spent with their families and on other passions (like those hobbies we want them to have). Several years ago, we replaced our vacation-time policy with DPTO, discretionary paid time off. "Discretionary" means just that — our associates decide how much time to take, within certain guidelines to ensure that projects don't stall.

When the client needs us to sprint, our associates can put in 80 or 100 hours, and be happy to do it, because they're not already overworked and they know they'll get time to recuperate.

SETTING: THE WORKPLACE MUST HELP, NOT HINDER

Walter Isaacson's 2011 biography of Steve Jobs notes the Apple founder's role in Pixar — including ensuring that the film company's headquarters, built in 1999, would be a place that "promoted encounters and unplanned collaborations." Pixar's success was very much on our minds when we established our Innovation Center in a grand former church in 2005. The space is magnificent, featuring a soaring central dome, but also somewhat warren-like; the route from one point to another can feel rather circuitous, but that's how chance encounters occur.

Since the early 2010s, a lot of companies have rushed headlong into the "open office" trend. But in their eagerness to tap into the power of collaboration that Jobs celebrated, they may have overlooked the other word he used: unplanned. And collaboration is not unplanned when you reorganize your office into one massive conference room and turn every workday into a never-ending brainstorming session.

Constant distractions erode creativity, the very thing that open environments are supposed to promote. The chance encounters that Jobs so valued occur not just between people, but within minds. "At any given moment," writes Jonah Lehrer in "Imagine: How Creativity Works," "the brain is automatically forming new associations, continually connecting an everyday x to an unexpected y." But these associations adhere to their own schedules, often popping up when we're doing something unrelated. To arrive at clever solutions, we need stimulation and quiet, collaboration and separation. (This is another reason for our generous time-off policy.)

Focusing on your physical environment, to the exclusion of other factors, won't get you closer to realizing your true potential than any other management fad ever has, and in fact it could set you back. Study what others have done, think long and hard about what would suit your organization's mission and values, and design accordingly.

FINALLY: WORK HARD

"Science, my lad, is made up of mistakes, but they are mistakes which it is useful to make, because they lead little by little to the truth." — Jules Verne in "20,000 Leagues Under the Sea"

Breakthrough ideas, those proverbial lightning strikes, are not singular events; they are preceded and followed by countless hours of unglamorous and often frustrating work. You may run through an entire alphabet of plans before succeeding. But the only alternative is to fall behind.

Increasing an organization's capacity for innovation requires long-term thinking and ongoing maintenance. The steps can be difficult for those with a history of compartmentalization and tight management practices. But in an increasingly complex business environment, the companies that take these risks will reap the rewards.

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RIP Idea Box – How to Run Ideation Campaigns That Generate Real Value

BY SOFIE LINDBLOM & PEET VAN BILJON, **INNOVATION 360**

Idea campaigns are all based on the simple concept that the more people who contribute ideas, the better. This is sometimes also referred to as the democratization of ideation, or crowd-sourcing ideas. Releasing the creative potential in your organization will provide you with a powerful new resource that can take you into the future. But just believing in the benefits of democratizing ideation is not sufficient for running an effective and successful ideation campaign in your organization. A poorly constructed campaign can be a huge waste of time and effort, and set back the cause of innovation. The best ideation campaigns all manage to balance the free flow of ideas with just the right amount of process and structure.

The old-fashioned "write your idea on a note and put it in the suggestion box" is the most rudimentary form of gathering ideas from multiple people who are not sitting in the same room together. By understanding its shortcomings, we can understand what essential elements we need to add to run an effective campaign.

SHORTCOMINGS WITH THE IDEA BOX:

- The idea box is too open-ended. It simply says, "Ideas" on the outside. Ideas are good, but ideas about what? Properly structuring the problem or the challenge you are trying to address with new ideas is the first step to running a good campaign. For ideations to be business-critical, they need to be connected to strategic initiatives of the organization.
- The idea box lacks transparency and offers no collaboration opportunity. With an idea box, you have no idea what ideas other people are submitting, because you cannot look inside the box. If people could see the breadth and richness of others' ideas, it would spur new thinking and help the next person to think of a better idea that builds on the ideas of others. Many innovations are two or more ideas brought together, rather than a new one.
- The idea box is a totally static device. It sits there on Monday, and it is still sitting there on Friday (with a bit more dust on it). Maybe there are more ideas in there after a week, but unless you open it, you won't even know. And no one really has any emotional incentive to contribute an idea, because nobody else is reacting to their contribution. A proper feedback loop is crucial for us humans to want to keep submitting ideas and contribute to the future of the organization.
- The idea box is in one location. Your organization is usually not. The chances that you get your best ideas when being close to the box are also fairly small. The best ideas might come to you when you're at the gym or driving home. Or when you are in the Singapore office, but only the New York office had an idea box. Shoot!

Sofie Lindblom
CEO ideation360

Peet Van Biljon
Senior Advisor

- The idea box does not allow iteration. Everyone who has worked with idea exploration (vs. execution) knows it is not a linear process, quite the opposite actually. Several iterations are often needed and you need to cluster ideas, test them, and maybe go back to collect new ideas. The idea box is not a very flexible format for iteration. It is more like a black hole.

These are a few fatal flaws of why the idea box often fails. RIP idea box.

Fortunately, we're living in a time where there are better solutions and expertise out there on how to succeed with bottoms-up ideation campaigns to power the direction of your organization.

A good idea ideation campaign should have the following:

- A well-structured challenge that people can get their minds around, and framed at just the right level. If the challenge is formulated at too high a level, it will not spur enough creative thinking and the ideas will be all over the place. If it's framed at too low a level, it will be very concrete but may cut off non-obvious paths to new solutions.
- The possibility to build on one another's ideas. Ideas need to be shared with everyone as they are submitted. This will help build excitement and awareness, as well as spur new follow-up ideas from others. You can accomplish this by posting ideas physically, or more appropriately with a geographically spread-out team, virtually. Mechanisms can be the organization's internal website, email updates, or by using a special app for this purpose.
- Closed feedback loops. As an ideator you put time and energy into submitting your idea. Of course you want to know what happens with it. You want feedback – is it valuable for solving the challenge or not? How will the organization proceed with my idea? You need to be smart about how to set this up since it can be a tedious process if the volume of ideas are large. But it's absolutely crucial in fostering an innovative culture.
- A mechanism that allows the submission of ideas at any time, from anywhere. We know that the creative process is not linear and ideas come to us at the most random times. By running ideation campaigns over longer periods of time and through a digital platform, participants have more freedom to participate when it suits them. This means that participation and engagement increase.
- Global collaboration. Global is the new local. Thanks to the web and digitalization, we have completely new ways of collaborating across borders, which is fantastic for our ambitions to define and run ideation campaigns that generate value. By having people from different countries, teams, and backgrounds collaborate, we benefit from a greater diversity of ideas.
- Taking the ideas forward. Collecting ideas is fairly simple (unless you try and use an idea box), but what really matters is making something out of them. For this, you need a clear sponsor with resources to spend on it and a proper process to cluster ideas, connect hypotheses to the clusters, and design experiments to them. Only after this process do we have data and learnings to make informed decisions on which ideas to move into our project portfolio for further development.

CHECKLIST FOR SETTING UP AND RUNNING A CAMPAIGN:

1. Pick a strategic initiative and select a challenge you want input on.
2. Find a sponsor for the campaign, preferably someone with high credibility in the organization.
3. Define the campaign with a descriptive title that also captures attention. Announce prizes for the best ideas.
4. Set a time window for how long the campaign will be open.
5. Decide which groups to invite and communicate to invited groups why they're invited and what the challenge is about.

6. Monitor progress – are people active and excited or do you just hear crickets chirping?
7. Close the campaign and cluster the ideas in themes, arranging by interesting patterns or common denominators. Give feedback to ideators on the progress of their ideas.
8. Prioritize the clusters and connect hypotheses to the ideas in order to test them.
9. Update ideators on what clusters and hypotheses their ideas belong to.
10. Take decisions on which hypotheses to test and how to test them.
11. Give feedback to ideators on how the tests went.
12. Follow up when experiments have been conducted on how to move forward: either move a cluster of ideas to development, park the cluster, or continue testing to take an informed decision.
13. Give feedback to ideators on what happened to their ideas.
14. Celebrate success by awarding prizes. An award ceremony hosted by senior executives is a great way to recognize good ideas and to send the signal that good ideas are valued.

All organizations can innovate, and good ideas can come from anyone. Successful organizations figure out how to do ideation for future business ideas in parallel with running their core business. We encourage you to unleash the creative potential from all players in your ecosystem, including employees, partners, and customers. But you can only be successful if you try. Start by running a pilot campaign, learn lessons, and scale it up the next time.

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Are You the Reason Your Company is Struggling to Build a Culture of Innovation?

TIMI OLOTU OF **PATSNAP** INTERVIEWS MITCH DITKOFF

Timi Olotu of PatSnap.com interviews Mitch Ditkoff, acclaimed innovation consultant and award-winning author, to discuss the common obstacles innovation leaders face when trying to build a culture of innovation.

It's all the rage—culture of innovation. But are you less of the archetypal transformative leader, and more a source of rage for your employees, your customers... and maybe even yourself?

As explained by Mitch Ditkoff, an innovation culture consultant who has worked with (among others) GE's Crotonville Management Development Center:

> "Many senior leaders see innovation as a huge threat. They say they want innovation. They say they want new ideas. But... if a younger, less experienced person comes up with a novel breakthrough, the senior leader sees it as a threat to their legacy."

During my interview with Mitch, he revealed surprisingly common ways that leaders inadvertently hinder their own attempts to build a culture of innovation, and strategies to mitigate these pitfalls.

1.) YOU'RE IN A HURRY—AKA KILLING THE GOOSE THAT LAYS GOLDEN EGGS

"If I give you apple seeds and say, 'Plant this in fertile soil and you will eventually have an orchard.' And you reply, 'Let me slice the seed open and see if I can find that orchard in there.' Of course, the apples won't be there and you'll have killed the seed."

That's Mitch explaining the problem with trying to find the outcome of an innovation culture in its source. It's the modern equivalent of killing the goose that lays golden eggs.

There is good logic behind why so many innovation leaders take this position—I'll use P&G as an example, based on a Bloomberg piece (published on September 2012) by Lauren Coleman-Lochner and Carol Hymovitz. The article was titled "P&G's 1000 PhDs not enough to crank out new blockbusters."

To increase global revenues from $38 billion to $70 billion, Durk Jager (who was P&G's CEO from January 1999 to June 2000) decided to decentralize the company's R&D function. He also decided to tie R&D activity more closely to the requirements of company divisions and markets. A.J. Lafley, who replaced Jager, continued in a similar vein.
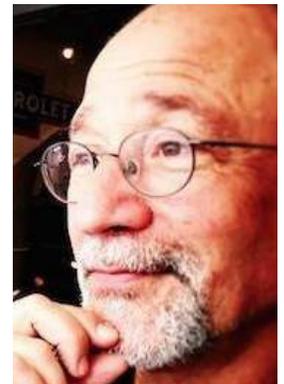
Mitch Ditkoff
Innovation Consultant

Timi Olotu
Senior Copywriter

Even though this shift seemed sensible, when viewed through the lens of the pressure CEOs face to increase ROI and shareholder value, it backfired in dramatic fashion.

P&G's revenue per innovation decreased 50% and R&D intensity declined 44%—from 4.3% of sales in 2000 to 2.4% of sales in 2001.

The fixation on immediate revenue and short-term ROI suffocated P&G's innovation culture and productivity.

Mitch acknowledges the unenviable position in which innovation leaders might find themselves—having to invest in long-term innovation strategies, knowing they may not see the returns during their tenure.

Nonetheless, he suggests getting senior leaders aligned on their views of what a culture of innovation means (and whether they really want what that entails). That way, no one has damaging or unreasonable expectations.

Mitch defines a culture of innovation as follows:

"A culture of innovation is like planting vegetables—it's the fertile ground that allows you to get a yield."

By focusing on making the ground fertile, rather than on the yield, you will inevitably reap the benefits of a culture of innovation.

2.) YOU WANT A ONE-SIDED DEAL—AKA NO PAIN, NO GAIN

"Anybody who is really mindful of what it takes to innovate realizes that ambiguity, chaos, trial and error, adaptability, and so-called failure come with the territory. Very few people really want that."

Those are Mitch's words on leaders who love the idea of innovation, but loathe the reality of the sacrifices it requires.

For example, having to build a culture of innovation suggests one does not currently exist in your organization. By extension, that means many comfortable habits must make way for unfamiliar practices.

One way innovation leaders become bottlenecks is by refusing to embrace the risks of committing resources to ideas borne of an innovation culture.

If you manage to create fertile soil for the seed of innovation, don't revert to type when team members expect you to actually follow through on their initiatives.

Xerox knows a bit about this problem. The book by Douglas Smith, "Fumbling the Future: How Xerox Invented, then Ignored, the First Personal Computer," explains how Xerox did the hard part of breeding game-changing innovation... then failed to follow through.

In response to this book, Xerox created an internal venture fund called Xerox Technology Ventures (XTV). The goal of XTV was to recycle previously abandoned ideas—once bitten, twice shy, eh?

XTV revived the Advanced Work Station (AWS) project, which was abandoned because it was thought that it would take too long (36 months) and cost too much (an additional $25 million).

XTV completed the AWS project in 18 months (half the time) and at a cost of $4 million (less than a quarter of original estimates). According to Josh Lerner's HBR case study on XTV, the fund had earned Xerox an annual return on its investments of 56%.

Mitch advises that while a culture of innovation yields immeasurable benefits, sacrifices must also be made in its attainment.

If you're going to push for an innovative culture, make sure you put in place mechanisms that equip your organisation to fully exploit initiatives borne of that culture.

Xerox did... and to say that it paid off is an understatement.

3.) YOU'RE REACHING FOR THE STARS—AKA SETTING THE BAR TOO HIGH, TOO QUICKLY

"There is the tendency that some leaders have to make people like Steve Jobs heroic. But when innovation is framed as Steve-Jobs-like innovation, 99% of human beings go, 'Well, I'm not Steve Jobs, so what's the point in even trying?'"

Dreaming big is great—leaping big usually isn't.

When you set a standard for your team, always consider your organization's current position and how much of a gulf needs to be cleared for you to reach the promised land. If that gulf cannot be cleared in one leap, do not pretend it can.

So, I'm going to suggest you don't try to immediately convert your organization, based on all the insights in this article.

Instead, I'll leave you with Mitch's thoughts on a good way to begin any innovation culture project:

"I always ask, 'What is your appetite to innovate, on a scale of 1 to 10—10 being disruptive, 1 being incremental?' And then they say, 'Well, we're about a 4.' I say, 'Great, let's start there.'"

Focus on taking each step well—rather than obsessing over some far-off ideal—and you'll eventually arrive at the land flowing with milk and honey.

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The Case for Continuous Innovation

BY SARA HUSK & JAY FOURNIER, **IMAGINATIK**

The specter of "disruption" promulgates the rise of many of today's corporate innovation programs. No smart leader wishes to suffer the same fate as Kodak or Blockbuster – left behind to wither as the world moves on. Powerful new technologies, startups, and ecosystem trends are indeed driving profound change – and the beating heart of the Innovation Imperative.

Nevertheless, we at Imaginatik believe there is a secret power in Continuous Innovation – a programmatic set of innovation activities that drive ongoing improvements within the core business. This is not in spite of transformative innovation – but rather alongside it. Done right, a Continuous Innovation program is a vital ingredient in bolstering a company's disruptive potential.

A CAUTIONARY TALE: WHY CONTINUOUS INNOVATION MATTERS

Consider "Acme Corporation" – a heavy-industrial B2B company, anonymized for this article. Two years ago, the CEO quietly launched an effort to build a next-gen solution based on a revolutionary technology. The result was a step-change improvement on the status quo. Early customer trials suggested Acme had found a new growth juggernaut – the seed of market disruption.

Then things went very wrong. Customers who participated in the beta program were eager to switch – but the rest of Acme Corporation resisted. The product support model was completely different; engineering teams treated the product like a foreign entity; and most mainline employees felt inwardly betrayed. Acme was no longer the same company they had come to love working for.

Two years later, Acme is still trying to recover. Once-excited customers grew impatient as the market launch was delayed indefinitely and began whispering to the competition. Knockoff versions of the disruptive solution became available in the marketplace – before Acme made their offering generally available. The company is now shedding market share, rather than accelerating through a growth curve.

To achieve sustained innovation of any magnitude – from incremental through transformative – it is imperative that an organization involve its people at every level. A Continuous Innovation program creates a base of success, drives improvements to both the top and bottom line, and builds the foundation upon which bolder bets are incubated and launched over time.

LEVERAGE THE POWER OF CROWDSOURCING

Within any organization of material size, there are a slew of small innovations practically begging to be unleashed: product improvements, better internal systems, revamped processes, updated workplace standards, opportunities for heightened customer experience.

Sara Husk
Chief Solutions Officer

Jay Fournier
Innovation Advisor

Some of these changes are already obvious, but never implemented due to time constraints, politics, or the sheer weight of bureaucracy. Others only become apparent when different strains of thought across the organization come together to reveal a better approach.

For several decades, "continuous improvement" disciplines such as kaizen, Six Sigma, and TQM have addressed this need, and still add considerable value at organizations around the world. If such a program exists in your company, great. As an innovation leader, these programs make your job easier, as the human infrastructure for implementing business improvements is already in place.

The innovation team can add significant value to the work of business analysts, process re-engineers, and internal black belts – simply by helping them uncover areas for improvement quickly, efficiently, and cheaply. If such teams don't exist, or aren't in a position to coordinate efforts with the innovation group, then the potential value-add only grows larger.

The key is to recruit employees across the organization to help identify these hidden innovation opportunities. In any department, there are folks who would be thrilled if management asked how they think things could be made better. By employing classic innovation techniques in ideation and crowdsourcing, these voices can be brought to the fore easily, quickly, and collaboratively.

For those considering this path, what follows is a quick-reference guide for building a Continuous Innovation program on the ground.

1. FIND A SPONSOR / PARTNER

Your first task is to launch a pilot effort that creates activity, generates excitement, and demonstrates value.

Inherently, a Continuous Innovation program benefits the core enterprise by improving and upgrading the effectiveness of existing business units, functions, and departments. Therefore, the innovation team needs to find organizational partners who become co-collaborators, and the ultimate beneficiaries of the program's efforts.

Every organization is different, but in our experience certain areas of a business tend to be particularly ripe for this type of collaboration:

- **Operations / Finance**. Almost any company has teams responsible for generating efficiencies, cost savings, and operational improvements. Innovation campaigns can help these folks identify better focus areas faster. We've had clients drive $200M+ straight to the bottom line from a single two-month Innovation Challenge.
- **IT**. The CIO's organization is perpetually at risk of being labeled a cost center and/or institutional roadblock. Yet, proactive attempts to collaborate with business leaders are often ignored. By sourcing IT project ideas more widely across the organization, Continuous Innovation helps the IT function drive a scaled conversation, about which technology initiatives will drive the most value for their business stakeholders.
- **HR**. It is common for HR departments to manage reward, recognition, and incentive programs to improve the level of workforce engagement and productivity. Idea campaigns run by Continuous Innovation programs tighten these efforts by implicating employees directly in the mission – how would you make our company a better place to work?
- **Manufacturing**. Well-run manufacturing companies must constantly look for ways to improve operations. Most typically, these efforts are led by specific teams of workers in Quality, Safety, etc. Collaborative Innovation Challenges can drastically improve the velocity and value of these efforts, while closing the cultural distance between front-line workers and the efficiency / safety experts.

The key in working with internal partners is making sure they maintain control over decision-making and fol-

low-through. As soon as the Innovation group is perceived to be calling the shots and foisting change initiatives on another function, the partnership turns sour and the collaboration will disappear.

2. LAUNCH THE MAIDEN VOYAGE

Opening the door to new ideas from hundreds, or perhaps thousands, of employees is not an exercise for the faint of heart. To win over business sponsors, you must come armed with credibility: a firm grounding in the innovation techniques, software tools, and process expertise needed to deliver a highly-successful pilot program.

There are three main components to achieving this success:

- **Clear outcomes.** Most fundamentally, Continuous Innovation rests on structuring interactions, including what ideas are being asked for, from whom, and with what expectations. Choosing the audience, framing the charter, and scoping the evaluation and follow-through processes are all crucial. The format and time frame also matter. Would a short, intense hackathon work best, unfolding over a few days? Or a distributed, asynchronous online challenge that runs over several weeks or months?
- **Software tools.** Continuous Innovation delivers value by collecting hundreds or thousands of ideas without a corresponding loss in responsiveness, speed, or efficiency. Manually vetting ideas one at a time takes way too long and creates far too much staff overhead. Modern innovation software systems eliminate these difficulties by automating and/or distributing tasks, such as idea development, evaluation, and decision-making.
- **Program management.** Many new innovation leaders assume that managing Continuous Innovation initiatives will be similar to other change programs. But navigating and shaping the creative flow of ideas from a crowdsourced audience requires a deft hand unlike more "execution"-oriented efforts. Understanding how to stimulate the crowd, how to give feedback, the best ways to coach idea authors, etc. is often the difference between success and failure.

For innovation teams that are new to Continuous Innovation, it's best to launch the pilot effort with targeted ambitions. Ask for ideas from a tightly-scoped crowd, on a fairly narrow topic, with a high likelihood of yielding obviously beneficial and eminently implementable suggestions. The purpose is to refine the team's Continuous Innovation skills, generate excitement among participants, and drive impressive results that encourage larger swathes of the company to participate in the future.

Learning and perfecting the discipline of Continuous Innovation takes some practice. Either you can rely on a third-party firm with long-standing experience to guide you, or be prepared for a learning curve.

3. MAKE THE PROGRAM SUSTAINABLE

We've seen Continuous Innovation programs start with a single Innovation Challenge aimed at just 150 to 200 people, which nonetheless produced millions in immediate benefits. Well-run programs then balloon into bigger efforts where the initial results can be replicated and compounded. Over time, the innovation group has a growing effect on company performance, while bringing a wider group of collaborators into the innovation tent.

As a larger program takes shape, episodic or one-off efforts give way to ongoing initiatives, in which ideas constantly flow and generate new value. These "always-on" innovation programs thrive when there is an established culture of idea sharing and collaboration – usually spurred by the early, time-limited efforts.

Making good on the "continuous" aspect of Continuous Innovation, especially done at scale across the enterprise, can have a transformative effect on the organization. Beyond generating direct and tangible benefits to the top and bottom line, the added institutional leverage gained by the innovation function is a fundamentally important lever

for innovation programs of all horizons and ambitions.

For innovation labs and new business incubators responsible for generating disruptive new technologies, products, and market opportunities, the presence of a Continuous Innovation program offers several benefits. First, it provides a stage for the most creative and entrepreneurial employees to self-identify – becoming candidates for a rotational tour of duty working on more disruptive projects. Second, it creates a foundation of teamwork and goodwill between Innovation and the rest of the organization, greasing the skids for productive handoffs when multi-stakeholder coordination is necessary to launch and scale big-bet innovations into the marketplace.

Third, and perhaps most important, a Continuous Innovation program is the fastest and most direct way for an innovation team to demonstrate clear value to the rest of the organization. These results can help make the case for an expanding innovation remit and greater levels of strategic relevance, budget, and autonomy going forward.

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Ideation: The Secret to Explosive Employee Engagement

BY AMY MILLARD, **SPIGIT**

We live in a world where competition is fierce, rampant disruption is happening, and differentiation is paramount to success.

With barriers to market entry shrinking due to the Internet and the general low costs of getting started, new market entrants are flooding in, and differentiation is becoming harder because it's easier than ever to copy product features and functions. However, there's one thing that companies can spend their time and energy on that can lead to huge competitive edge. And it's one that can't easily be duplicated: engaged employees.

How important is having an engaged employee base to a company's success? Just ask Herb Kelleher, the Founder of Southwest Airlines: "They [competitors] can buy all the physical things. The things you can't buy are dedication, devotion, loyalty – the feeling that you are participating in a crusade."

Amy Millard
Chief Marketing Officer

Employees are dedicated and loyal to companies they feel valued at. And in today's entrepreneurial world, it's in a company's best interest to engage and demonstrate how much they value them, and make the most of them as a resource.

But how?

One method that's having significant impact for leading companies is company-wide ideation. In other words, engaging the collective intelligence of your entire workforce to surface ideas for new products, services, operational improvements, and more.

In our recent Business Innovation Report, we found that 78% of Spigit customers are leveraging ideation to increase employee engagement.

Keeping that stat in mind, let's take a look at why ideation drives employee engagement, and why it should matter to you.

DRIVING EMPLOYEE ENGAGEMENT THROUGH IDEATION

To understand why ideation enables employee engagement, you first need a reality check:

In the U.S. alone, 70% of workers are not engaged at work – according to research by Gallup

The question is, why are employees disengaged? If employees are a company's greatest asset, why isn't leadership doing everything in their power to provide an environment where employees can thrive?

In an article in Forbes, Jacob Morgan shares a truth many have come to realize: "Many companies still operate as though employees are expendable, assume that managers are powerful leaders who should control all the information and remain stoic, and that there needs to be a bureaucratic 'pecking order' to how things get done." In other words, employees don't feel valued, and transparency is lacking in the workplace. Feeling like you're just another cog on the wheel is a recipe for disengagement.

So why is ideation a smart strategy for companies who want to improve their employee engagement? Two words: collective intelligence.

Tucked away in the minds of your employees are ideas. Ideas that can have a significant impact on your business if they see the light of day. And the best part is, employees are eager to share them. Unfortunately, too many companies miss this opportunity—only to see these people leave and start their own businesses, or share their ideas with organizations that encourage their involvement.

Ideation enables a company to take advantage of the collective intelligence within their workforce and use it to drive a level of engagement that brings value to both the business and its employees.

When you have an entire employee base that's empowered to think creatively and strategically, and who know their ideas will be heard and action taken action on some of them, you create an environment where engagement thrives. This is the culture hack companies like Google, Facebook, and Amazon have figured out.

When you look at the Facebooks of the world, they actively encourage their employees to contribute, test, fail, and learn. In fact, they popularized the "fail fast" mantra. This gives employees encouragement to lean in and contribute to the success of the business. They know they can challenge the status quo, and that any one of their ideas can be the company's next breakthrough.

At Spigit, we've seen employee engagement in ideation contests at companies ramp dramatically, once they see that their ideas are valued, and the company shows transparency in the selection of the winners. In fact, the average participation rate for Spigit customers increases significantly the second year of their innovation program.

IDEATION IN THE WILD

Now that we've touched on the benefits of ideation and how it's the enabler of employee engagement in a fast-paced, highly competitive world, which companies are great examples of doing it right?

Commonwealth Bank, the largest bank in the Southern Hemisphere, is an example of a company that has heavily invested in ideation – both from a culture and technology standpoint – and as a result has achieved the type of employee engagement companies aspire to.

In an article on their blog, Commonwealth Bank described how their internal ideation program – CommBank Intrapreneur – has been instrumental in transforming its culture and driving employee engagement. Through this program, 50,000 employees are empowered to channel their inner entrepreneur, and - in a recent ideation challenge - contributed over 600 new ideas in just 10 business days.

As Tiziana Bianco, General Manager of Innovation Labs at Commonwealth Bank, explains in the blog post: "The program generated engagement and excitement from all parts of our business. We had ideas from branches in Wagga Wagga to overseas teams in New York City. It was pleasing to see the diversity of ideas, yet the consistent focus on better outcomes for our customers." Not only is the company cracking the employee engagement code through ideation, they are doing so with a global workforce.

Facebook is another example of a company generating explosive employee engagement through ideation. The tech giant uses frequent hackathons with employees to dream up new products and services for the company. In fact, many of the features we see today on Facebook's platform were a direct result of a hackathon.

Whether it's through hackathons or some other initiative, giving employees the freedom to innovate and collaborate is why companies like Facebook consistently find themselves on "top innovative companies in the world" lists year after year. They understand the value of enlisting the collective intelligence of every employee, and using that energy to dream up new possibilities. And in return, employees reward the company with loyalty, dedication, and unwavering passion.

FINAL THOUGHTS

Commonwealth Bank and Facebook are examples of companies that have bought into the importance of not only what an employee thinks, but what they feel when they step into the office. That contributes significantly towards their competitive edge, and has helped each company reach a level of employee engagement companies around the world aspire to.

Just like Commonwealth Bank and Facebook, there's a reason why 78% of Spigit customers use ideation to drive employee engagement. They too see a clear path to explosive engagement and the opportunities it creates.

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Innovation Networks – Needed Now More Than Ever

BY LARRY SCHMITT, **INOVO**

Innovation Networks are no longer an option for large companies. Today's VUCA world (Volatile, Uncertain, Complex, and Ambiguous) requires that companies form robust knowledge networks to have any real hope of delivering the innovations, especially transformational innovations, that are needed for the growth which they aspire to, or to prevent disruption from new entrants.

The concept of company networks is not new, and for years, companies have created internal networks that have taken on many different forms and go by many different names – Knowledge Networks, Communities of Practice (CoP), Innovation Councils, etc. No matter what the name, the intent is the same: connect people in ways that break the barriers imposed by formal organizational structures so they can discover, aggregate, synthesize, and codify new knowledge useful to the firm. The result is an enhanced form of a company network to get the following benefits:

Larry Schmitt
Managing Partner

- Accelerate information and knowledge flow throughout the company
- Collect, synthesize, and make sense of vast amounts of constantly emerging information
- Create insights and catalyze actions that have real implications for the company
- Help expand the breadth and depth of the company's competency landscape.

An internal innovation network today can be the T-shaped entity of an organization that can effectively bring new knowledge, both know-what and know-how, into the company. New technologies, tools, and systems make innovation networks more possible and more influential than ever. It's time for a new look at your company's networks to supercharge them for this accelerating VUCA world.

CHANGING ORGANIZATIONAL BEHAVIOR IN A VUCA WORLD

A large, multinational company with several different business divisions, globally dispersed R&D and marketing operations, and a moderately hierarchical but highly matrixed reporting structure has a financial imperative to meet growth and profitability expectations. This company is optimized for operational excellence, but has the mandate to innovate. In other words, it is like nearly every large company on the planet. Its recent experience with establishing internal innovation networks illustrates the advantages of thinking through the jobs the network needs to do and then how to get these jobs done.

Multi-national, billion dollar companies will always be hierarchical and siloed. They need to be able to deliver the operational excellence that is their primary means of ensuring survival in the short term. The question is not how to tear down structural hierarchy and segmentation, but how to transcend its limitations to achieve a separate but also very

important objective. To do this, you should be developing and supporting internal, knowledge-creating networks to participate in the transformational disruptions affecting every industry.

NETWORKS, COMMUNITIES, AND GROUPS

The language of organizational structure is well established. Corporations are divided into business units and lines of business. Functions are partitioned into R&D, Marketing, Operations, and other disciplines. Work is organized by programs and projects and done by purpose-built teams. All of this is overlaid with matrices that involve direct and indirect lines of reporting. While these types of organizational structures exhibit a wide degree of variation from company to company, they are generally well understood, and, when working as intended, deliver great results for the operational excellence mission of the company.

Networks are a different breed and are not so well understood and formalized in tradition and practice. Networks are groups or systems of interconnected people and can be of any size, geographical scope and configuration. In large companies, the three levels of networks that are of interest are:

- **Ecosystem** – The loosest form of network where the members are related through their participation in a common domain (e.g., an industry, an endeavor, or an interest). Individuals may not even know each other, but they are all interested in, and have some level of experience with, a common domain.
- **Community** – A diverse and dispersed set of individuals who have a common interest and level of expertise that enables them to sense, communicate, and aggregate information across a domain. They are practitioners who define the Community and participate when the topic is of special interest or when they have something specific to contribute. Members of Communities of Practice are also members of the broader Ecosystem.
- **Group** – A collection of individuals who have a passion and level of dedication to advance the level of knowledge and insight within a domain, and who have the energy and organization to nurture the Community over time to insure its continued existence. Members of Groups are also members of the broader Community and Ecosystem.

In other words, Ecosystems, Communities, and Groups are differentiated by their size, their "coupling" (loose to tight) and their level of activity and involvement. All three levels are important. Without a recognized Ecosystem, it's difficult for a Community to function – and without a Community, it's difficult for a Group to function. The influence, however, goes in the opposite direction. A well-functioning Group can enhance the functioning of a Community and a well-functioning Community can enhance an Ecosystem.

THE PRIMARY JOBS THAT NETWORKS DO

The most important job that an internal network needs to accomplish is to cause changes in company knowledge and behavior. This is done by bringing new knowledge into the company in ways that will enhance and expand core competencies.

1. Accelerate information and knowledge flow throughout the company
- Identify and nurture sources of knowledge and expertise across organizational boundaries
- Attract the right people to participate at the right level of engagement
- Increase knowledge velocity (i.e., intake and dissemination) and the likelihood of serendipitous connections

2. Collect, synthesize, and make sense of vast amounts of constantly emerging information
- Increase the breadth, sensitivity, density, and frequency of sampling a domain ecosystem
- Sense and sort signals – strong and weak. Separate signal from noise.

- Understand what is happening in the domain ecosystem – complex system dynamics.

3. Create insights and catalyze actions that have real implications for the company
- Uncover hidden truths the company needs to know
- Accelerate decision velocity in areas of high uncertainty
- Recommend and support important, strategic initiatives.

4. Help expand the breadth and depth of the company's competency landscape
- Expand scope of understanding of new areas (competencies)
- Codify information and knowledge in ways that can be used by others (tacit → explicit)
- Improve current competencies with new knowledge and practice absorption.

It should not be the job of a network to create innovation outcomes – new offering concepts or new business ideas. This is the job of specific innovation project teams and business units. Instead, internal networks create the knowledge foundation and environment within which project teams and business units operate. By expanding the envelope of readily available knowledge and capabilities, a well-functioning network expands the landscape of possibilities for people to come up with ideas for new opportunities and for the company to internalize new competencies. Ecosystem members are good candidates to participate in innovation initiatives.

MOVING FROM AD HOC NETWORKS TO FORMAL INNOVATION NETWORKS

Networks form naturally – they emerge from the innate human desire for connection, communication, learning, and sharing. Leave a hierarchically organized and siloed company alone and people within those structures will naturally form networks. They will reach out to others, talk and meet, share information and expertise and work together as much as they can. But in today's VUCA world, these ad-hoc networks are not enough; they need to be supercharged.

Once a company gets beyond the ad-hoc network and develops a formal network tasked with impact, things become more difficult. Many companies already have internal networks that have emerged organically or have been explicitly chartered and organized. The fact remains, however, that most of these networks often struggle to have impact, and even those that do could use some explicit support to become more influential.

Internal networks face many barriers:

- They take work to create and sustain
- They are always a part-time gig and usually extra work
- They cross natural corporate barriers, creating trust issues
- The few metrics that track impact and results are not always visible.

But companies also have a tremendous advantage when it comes to creating Innovation Networks. Individuals within a company already share a special relationship with others in the company. This relationship can be easily formed – you can find someone and they will return your call or email and meet with you. It is also a relationship that is unrestricted in knowledge and information exchange – confidentiality constraints don't exist and a base level of trust is implicit.

- Given this environment, there are several criteria for the successful creation and operation of a network that has meaningful influence on the company's future.
- Define a salient domain – A relevant and significant theme with a clear charter
- Committed sponsorship – money, time, interest, oversight

- Structure the network into three tiers – Group, Community, Ecosystem
- Make sure there is a working group nucleus with a facilitator
- Constantly cultivate the working group nucleus – people moving in and out
- Solicit a broad and diverse community
- Establish a Group and Community "rhythm"
- Use tools and systems that decrease the friction of interaction and collaboration
- Produce tangible outputs.

The result will be engaged individuals who are interested, motivated, and highly influential.

EXAMPLES OF RELEVANT AND SIGNIFICANT NETWORK DOMAINS

Here are just a few examples of networks that various companies have created. Each situation and context is different, so effort must be put into defining a salient domain that will get buy-in from not just the members, but from the broader company as well.

- Digital Transformation – How does the rapid digitalization of everything affect our internal operations and our offerings? What should we be concerned about? How should we change? What new opportunities are open to us?
- Early Stage Innovation – How should we be enhancing our innovation system? What new processes, methods, and tools should we be employing to discover and incubate?
- Talent and Work-life – How do we identify and retain the talent we need to support our growth? What should the new work environment look like? How does work change in the new world of automation and the gig economy?
- Foresight and Forecast – How do we create future insights that guide our strategy and opportunity discovery? What specific futures will impact us, which ones can we influence, and how?
- Each one of these crosses organizational boundaries to affect every part of the organization. Each one deals with an area of tremendous change and transformation. Each one involves an information ecosystem that is high velocity, vast, and accelerating. Each one defines an on-going area of importance that crosses organizational boundaries and requires long-term action.

THE INFLUENCE THAT NETWORKS HAVE

A network can survive merely through member interest. But a network will not have influence unless it has a measurable impact on a company's behavior and outcomes. For this to happen, a network must:

- Be interesting by creating insights that are surprising and relevant
- Be visible in words and deeds
- Be accessible and transparent with ongoing works in progress
- Be authoritative by promoting members' external validation of expertise
- Be accepting of a diverse membership
- Be demanding by expecting members to contribute
- Be engaged with company stakeholders, especially executives
- Be supportive of uncertain initiatives that can expand the mind of the company.

All of this is possible but it does take effort. Luckily, there are new tools that make the job of creating and running networks easier today than they were in the past.

NEW TOOLS

While the health and vitality of a network is ultimately determined by the engagement of its members, the tools and systems used to support the networks' functioning can make a dramatic difference in how the network functions and ultimately survives. If the network takes a lot of effort for its members to participate in, it will be harder to solicit membership and get meaningful engagement. If, on the other hand, participation is natural and seamless with other work activities, network growth and engagement will be greatly augmented.

Here are the things that you need your network tools and systems to accomplish:

- Shared content space – Items of note, trends, concepts, insights, etc.
- Shared creative space – Discussion of ideas, problem finding, problem solving
- Seamless communication – Foster engagement, capture interactions
- Sensing – Internal and external "sensors" to detect relevant signals
- Measurement – Metrics to see how well the network is functioning
- Trust building – shared experiences, active communication, and mutually respectful behavior.

Unfortunately, the tools most used by companies for their operational excellence are ill-suited to the demands of a network. E-mail (with attached files) and SharePoint just don't cut it as the basis for the networks needed. Fortunately, there are many other tools and systems that are available (with more being introduced every day) that can create the seamless, participatory and engaged interactions that networks require. Some of these are shown in the figure the the right.

Network Operation – Tools for members and facilitators

Community Building Tools – Identify, solicit and engage community members
LinkedIn, Collaborative Forecasting, InnovationJam, BrightIdea, SurveyMonkey,

Community Collaboration Tools – Facilitate seamless and non-intrusive communication
Slack, Dropbox, Bloomfire, Yammer,

Discovery, Aggregations and Sharing Tools – Find, collect, extract, and expose information
Diigo, Brainspace, Evernote, Goldfire, Meta, Luminoso

Synthesis, Decision and Influence Tools – Recognize, extract, analyze and summarize insights
Mindmaps, Alexa Skills, Prezi, Viv

CONCLUSION

How often have you heard the phrase "feed the machine"? It is a common phrase in large companies and refers to the activities needed to provide the corporate hierarchy with the data and information that is demanded – by the ERP system, by executives, and by Wall Street. The phrase is symptomatic of a company's operational excellence orientation, but it is antithetical to innovation.

In contrast, Innovation Networks nourish the mind of the company by creating new knowledge and competencies. Innovation Networks can help break the constraints of short-termism and the hierarchical and matrixed structures designed for operational excellence.

As mentioned in the introduction, Innovation Networks are the T-shaped entities of an organization. They stretch across the breadth of the company and can go deep into the domain. As companies adapt to the VUCA world, the Innovation Network is one of the most effective means to do so. Creating these networks is necessary if a company expects to innovate and compete in the future.

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