Research

Creating a More Innovative Culture

From Our Sponsor

Kalypso's CEO, George Young, likes to talk about change with a concept called impermanence—the idea that it is inevitable that things are going to change.

And has that ever felt more true than in 2020?

We're in a time of unprecedented disruption and change. We've seen perfume manufacturers pivot to hand sanitizer, clothing manufacturers switch from jeans to face masks, and non-medical companies retool production lines to make medical devices.

These critically important near-term pivots will save lives, and although they are not (at all) easy, we attack them with urgency and laser focus.

The longer-term implications are hard to imagine right now, but it's likely that our businesses will need to continue to change—both to survive the after-effects and to build the resiliency required to meet future disruptions.

So when the crisis of today is behind us, and companies are ready to consider those long-term changes, one of the most important aspects will be a focus on culture. It will be asking a lot. We'll have already asked people for short-term pivots, and to absorb the inevitable impacts that the next few months will bring.

It's absolutely possible to accept the inevitability of all this disruption and change, and to move an organization through a successful and sustainable transformation. But it's not going to be easy.

That's why we're proud to partner with *Innovation Leader* to bring you an entire report dedicated to change—from setting expectations to building momentum to measuring success. This report is packed with practical advice for leaders like you, looking to drive transformation with an investment in organizational change management that actually delivers results.

In the meantime, stay calm, stay safe, and focus where it counts.

PAMELA SOIN
DIRECTOR, KALYPSO
KALYPSO.COM

KALYPSO

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Introduction

How Can Organizations Create a Culture That is More Supportive of Innovation?

That's the question we set out to answer through a survey and a set of qualitative interviews of innovation, strategy, and human resources leaders. We covered industries ranging from aerospace to utilities to financial services to consumer products. In all, we heard from 270 corporate leaders.

In our view, fostering a culture that is supportive of innovation has never been more important than right now. 2020 will be a year of tremendous stress, pivots, and reprioritizing in every organization. Will your organization be able to source and act on the best ideas—ideas that may come from anyone? Test

them fast enough? Get them deployed with help from colleagues who are working from home? Show your senior leadership the impact you're having—when you can no longer knock on their office doors for a quick chat? A culture that is supportive of innovation is one that is agile. Agility will help many organizations rebound from the challenges caused by the coronavirus outbreak.

So where do you start? We began this project by defining innovation as "something new that creates value." That definition means that innovation exists broadly within any sustainably competitive organization—from making small, incremental improvements to existing products or services all

Edgar Schein's "Three Levels of Culture"

Artifacts and Creations: Visible organizational structures and processes (hard to decipher)

Espoused Values: Strategies, goals, philosophies (espoused justifications)

Basic Underlying Assumptions: Unconscious, taken for granted beliefs, perceptions, thoughts and feelings (ultimate source of values and actions)

the way to launching new, transformative growth businesses.

While there are many different definitions of organizational culture, we also chose to use the definition that MIT Professor Edgar Schein shared in his book *Organizational Culture and Leadership:*

"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."[1]

We also chose to use Schein's "Three Levels of Culture" framework (see the illustration on the previous page) to help make this definition practical:
- **Artifacts and Creations**: Visible organizational structures and processes
- **Espoused Values**: Strategies, goals, philosophies
- **Basic Underlying Assumptions**: Unconscious, taken for granted beliefs, perceptions, thoughts and feelings.[2]

An organization with a culture of innovation therefore has some **Basic Underlying Assumptions** that support the development of new things that create value. Examples might be an employee feeling that "I can make a mistake and everything will be OK," or, "It is safe and important for me to be honest," or "It is my responsibility to come up

with new ideas."

Those assumptions would have developed through the influence of innovation-related **Espoused Values** communicated by senior leaders and others. Examples might be leaders writing the importance of innovation into a corporate values statement, or emphasizing within a company-wide communication the need to be human-centered when developing new products.

Those assumptions would have also developed thanks to innovation-related **Artifacts and Creations**. Examples of such things range widely, from the placement of famous innovator and innovation quote posters, to the sponsoring of innovation events and the creation of innovation-specific incentives, to a general transition from closed cubicles to open workspaces.

In a survey we fielded in Q1 2020, less than **41 percent** of respondents either agreed or strongly agreed that their organization has an innovative culture. Nearly **25 percent** disagreed or strongly disagreed. There is clearly room for improvement.

We conducted this research to give you insight into the journeys that organizations and their leaders have embarked on to put in place cultures of innovation and how they are making progress—or struggling—along the way. We hope that this report, and the questions it raises, will help you assess the culture within your own organization and what you and your colleagues can do to make it more supportive of innovation.

My Organization Has an Innovative Culture

Strongly Agree

6.2%

Neither

35.0%

Agree

34.5%

5.3%

Disagree

19.0%

Strongly Disagree
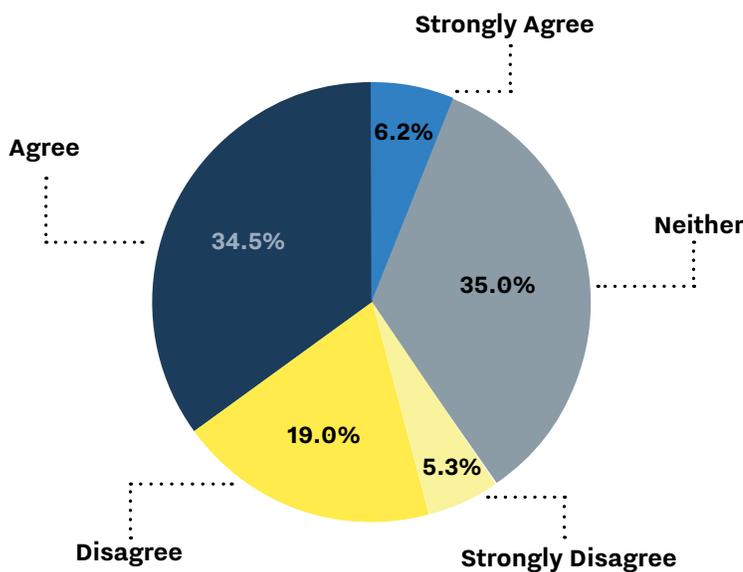
[1] Schein, E.H. *Organizational Culture and Leadership.* San Francisco: Jossey-Bass, 2004.
[2] Ibid.

Innovation Culture in the (Newly) Virtual Organization

As we were finalizing this research report, it became clear that the coronavirus is having a significant impact on how organizations look, feel, and function. We wanted to take a moment to consider the implications of this for innovation culture.

Over the last few months, the coronavirus pandemic has transformed life around the globe. Many organizations usually defined by the buildings and spaces they occupy have had to "go virtual," asking their employees to work from home.

Ideation meetings usually held in physical conference rooms with whiteboards are now held in videoconference rooms, with participants in home offices, living rooms, and kitchens. Informal, face-to-face, relationship-building rituals such as "over the cubicle wall" conversations, water cooler gatherings, and shared lunches are gone completely. We now spend time making sure that our computers have the right videoconferencing software loaded, that our webcams and headphones work, and that there is nothing embarrassing on the walls behind us.

The implications of this "physical to virtual" shift for organizational innovation will vary with the specific profile of each organization. For some relatively young organizations, particularly those "born digital," the shift may be minimal, as employees are already well-acquainted with using new technologies and tools to identify and develop innovation opportunities over distance. On the other hand, larger, more traditional organizations will likely experience some significant challenges when it comes to transitioning things like brainstorming, consensus-building, prototyping, and broader innovation decision-making into this virtual realm.

But from an innovation culture standpoint, a number of new practices may emerge that could positively impact how organizations think, speak, and act in favor of innovation. Three examples:
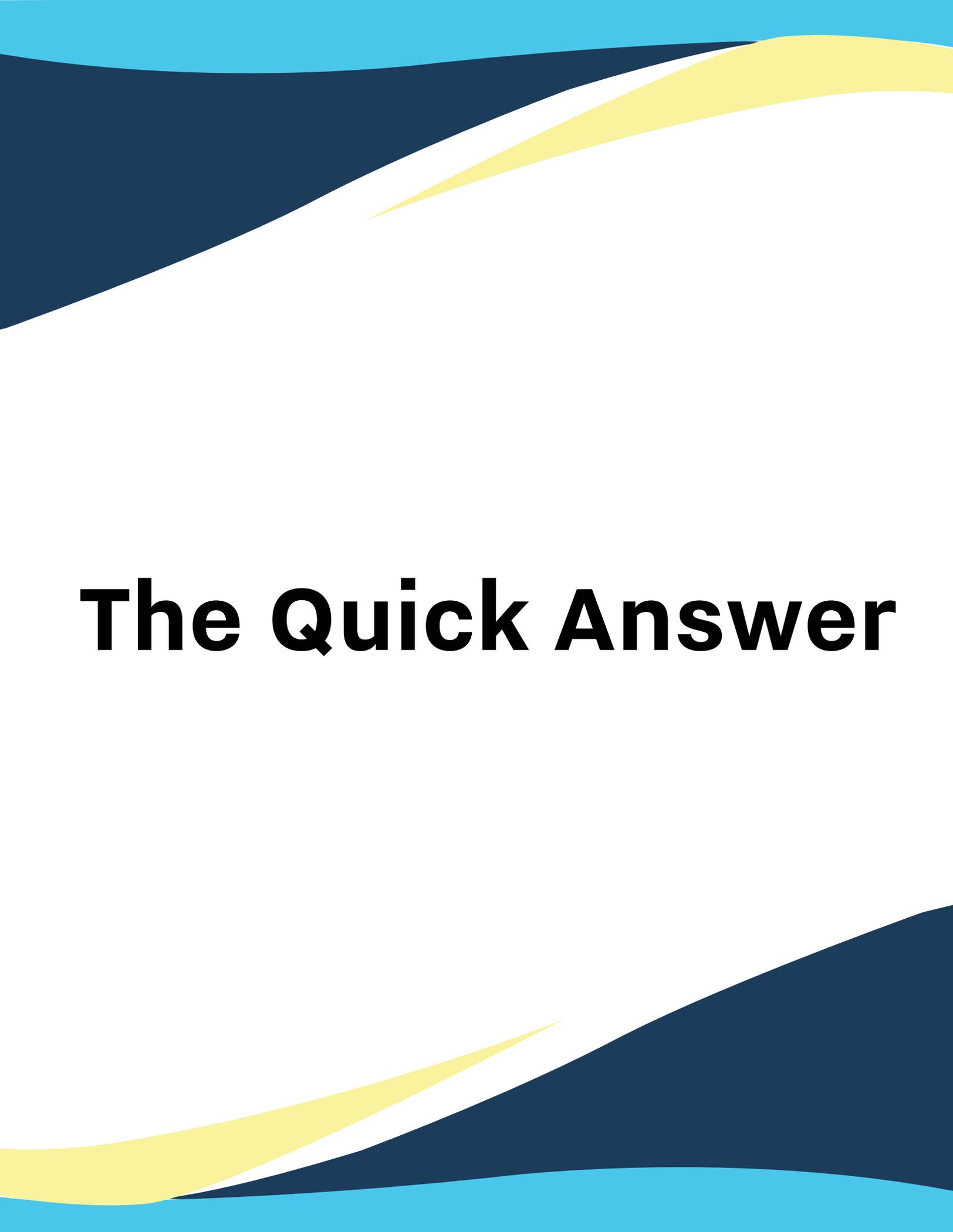
1. A rise in psychological safety. While it sounds counterintuitive, the shift from physical to virtual organizations might actually result in the deepening of interpersonal relationships. Consider the window many employees now have into the personal spaces of their co-workers and into their co-workers' choices of fashion when not in formal, office settings. Pets and children will also pop into the frame. Such intimacy may help build deeper connections and greater trust within an organization. If this occurs, employees may feel more psychologically safe being open and honest when it comes to giving suggestions and feedback during innovation activities.

2. Less HQ-centricity. If we're honest, in many organizations, there's a perception that the only ideas that get "blessed" and move forward tend to originate at company headquarters—or perhaps at the company's research and development center. With more employees suddenly working in the ether, and connected digitally, this seems like a moment when the playing field can productively be leveled. Great ideas may emerge from upstream supply chain partners such as raw material and transportation providers, as well as from downstream partners such as distributors, online stores, and inventive franchisees. Openness to ideas should always have been global and distributed; the current crisis may finally be nudging more companies in the right direction.

3. Better use of front-line employees as voice-of-the-customer conduits. The common wisdom is that innovation teams must get quickly beyond the walls of their organizations if they are to truly empathize with their customers. As a result, innovation teams may not always take the time to determine if their peer teams within their own organizations might contribute valuable voice-of-the-customer insight as well. Technical support teams and sales teams interact directly with customers on a daily basis. Those teams are very likely getting a lot of input about pain points and shortcomings right now. If innovation teams that suddenly can't travel can give those peer teams simple tips (e.g. how to listen for "jobs to be done") and simple tools (e.g. how to capture and submit their insights), they may be able to identify new opportunities for innovation that even traditional, in-person research methods might not uncover.

Ultimately, humans are tribal by nature. Once the current crisis is over, it seems very likely that organizations will restart many of the traditional, face-to-face innovation practices they may have put on hold. There may be a return to office-based culture, or the emergence of a new hybrid of office-based and distributed team members. It is our hope, though, that positive shifts like the three mentioned above will stay in place over the long run.

The Quick Answer

The Journey to a More Innovative Culture:
Five Key Questions

05 IS YOUR APPROACH HUMAN-CENTRIC AND ITERATIVE?

03 ARE YOU ENGAGING IN GRASSROOTS INNOVATION ACTIVITES?

01 DO YOU HAVE SENIOR LEADERSHIP SUPPORT?

04 HAVE YOU OPTIMIZED THOSE ACTIVITIES FOR YOUR ORGANIZATION?

02 ARE KEY INNOVATION CONCEPTS AND PRIORITIES DEFINED?

01

02

03

04

05
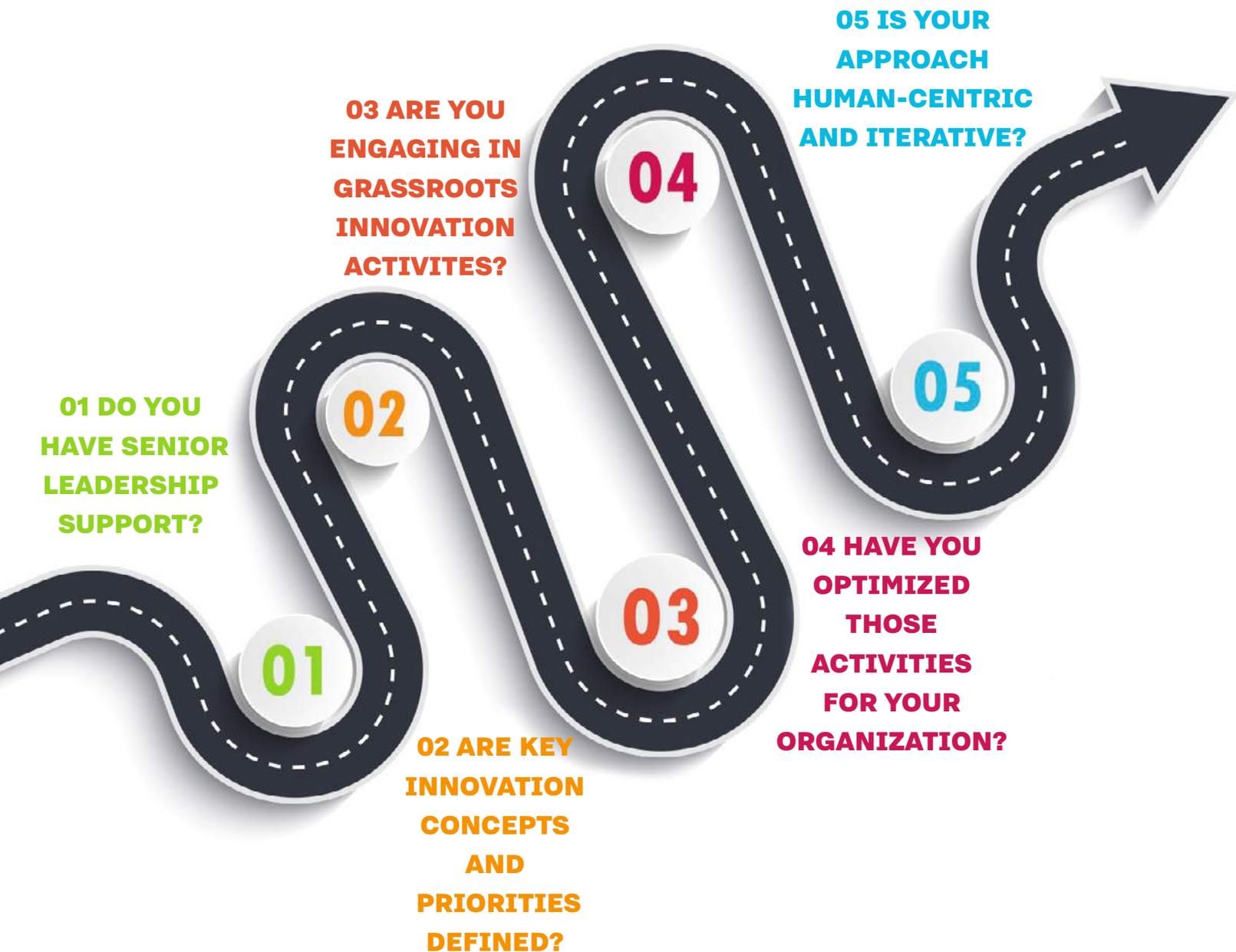
The Five Key Themes

1.   **Senior Leadership Action is Crucial to Success**

- **75 percent** of respondents to our survey identified demonstrated executive support for experimentation as the most important influencer of innovation culture.
- **What it means**: Senior leadership action—or lack thereof—is by far the top determinant of the success or failure of any culture change initiative. Words are not enough. Corporate innovators need to prioritize investing the time and energy upfront to build the necessary relationships and support with senior—and then must do everything they can to maintain them over time.
- *For a deeper dive, turn to page 15*

2.   **Key Concepts and Priorities Must be Clearly Defined**

- **68 percent** of respondents to our survey identified a clearly defined innovation strategy or focus as the second most important influencer of innovation culture.
- **What it means**: Without clear definitions of key concepts such as "innovation" or "innovative culture," it is very difficult (if not impossible) to achieve organizational alignment on strategy, priorities, or actions. This is especially true during moments when organizations experience radical turbulence. Executives must take particular care during such times to clarify the role that innovation will need to play to get their organizations through it. Corporate innovators should therefore take advantage of established senior leadership buy-in to put these key building definitions in place as soon as possible, and make them as concrete and clear as possible.
- *For a deeper dive, turn to page 18*

3.   **Grassroots Engagement Will Move the Organization**

- **58 percent** of respondents to our survey identified cross-functional or cross business unit collaboration, open innovation (**40 percent**), and an internal network of innovators or innovation leaders (**35 percent)** as the next most important influencers of innovation culture.
- **What it means**: Even with strong senior leadership support, a culture change initiative will fail without broader organizational buy-in. Corporate innovators should match top-down action and clarity with bottom-up commitment to innovation activities that get employees actively involved. The more that employees are personally involved in the culture change initiative, the less likely it is that they will stand in its way.
- *For a deeper dive, turn to page 21*

4.   **Deploy the Right Tactics for Your Organization**

- According to our survey, the most commonly-implemented culture change activities vary across industry and company size. For example, you are more likely to find dedicated innovation groups in financial services companies and design thinking practices in consumer product companies. Large companies are more likely to be making investments in startups, while smaller companies sponsor innovation events and challenges.
- **What it means**: There is a wide range of tactics that organizations can employ to shape their culture, and also many variants of each individual tactic. Just "doing something to do something" rarely works well. Corporate innovators should prioritize the tactics that will influence the organization's future in positive ways, while being compatible with its present. In light of the current coronavirus crisis, consider experimenting in particular with new collaboration tools and platforms.
- *For a deeper dive, turn to page 25*

5.   **Stay Human-Centered and Iterative in Your Approach**

- In the end, less than **44 percent** of respondents said they have demonstrated executive support for experimentation, **38 percent** started activities that they eventually stopped, and only **13 percent** of respondents "go it alone" when advancing their innovation activities, operating without, partnering with key stakeholders.
- **What it means**: Improving the culture of innovation within a large organization is a significant challenge. To enhance the chances of success, corporate innovators need to act entrepreneurially (employing approaches like design thinking and lean startup) to produce measurable, quick win results.
- *For a deeper dive, turn to page 29*

Thought Leadership

To Succeed in a Digital World, Transform Traditional Change Management

GUIDANCE FROM OUR SPONSOR, KALYPSO

We wrote this article before the unprecedented emergence of COVID-19, to provide real-world insights and pragmatic advice around enabling organizational change management for rapid digital transformation. Since then, priorities have shifted, but disruption and change are a common theme. When the crisis of today is behind us, our world (and our businesses) will look different. As companies, industries, and economies recover, coping with that change and continuing to adapt for the future will become more important than ever.

In the last decade, the way we innovate has drastically changed.

Just a few years ago, innovations were created through guesswork and long, unpredictable cycle times. We attempted to address the right customer needs with limited, out-of-date data. We innovated *for* customers rather than *with* them, relying on physical prototypes and focus groups for feedback. As a result, we implemented entire quality and service teams just to react to customer problems, rather than preventing them in the first place.

In 2020, transformation is no longer optional. To continue to compete and win over the *next* decade, companies must invest time and resources to:

- Build stronger innovation capabilities, enabling them to discover, create, make, and sell products better, faster, and with more value
- Apply predictive analytics to move from a reactive to a proactive development model
- Collaborate and co-create with customers, enabling them to shape products in real-time.

This requires a comprehensive approach to leveraging digital technology, and in many cases, completely overhauling product development processes and co-creating brand new business models with customers. Yikes.

Your biggest challenge today? Managing through all this rapid change.

THE OCM FLIP: FROM HINDERANCE TO CATALYST

Innovation leaders like you don't need a predictive model to know that most business transformation investments fail. And for more bad news, even if you proactively incorporate an organizational change management (OCM) team into a digital initiative, success is not guaranteed.

Unfortunately, traditional OCM methodologies are short-sighted and cookie cutter. Most companies view OCM as a checklist of activities:

- "Did we train?" "Check!"
- "Did we send communications?" "Check!"
- "Did we have a mass email from a top executive?" "Check!"

These types of deliverables completely ignore what is actually needed to sustain radical change when new processes, technologies, and ways of working are implemented. And with extremely high stakes, digital transformational failures mean that both your people and your business will feel defeated.

It's time to flip traditional OCM to lead your digital charge, not hinder it.

So, what's the game plan?

STOP TREATING OCM AS A STAND-ALONE FUNCTION (AND TEAM)

Your OCM team should shape and drive digital transformation, bring people along for the change journey, and set the organization up for measurable success. Implementing digital capabilities requires a tremendous amount of disruptive change that spans organizational structures, roles and responsibilities, processes, technologies, and data. Flipping OCM to drive this change requires a similar reimagination of your current OCM team's engagement, deliverables, skillsets, and positioning within in the organization.

Let's say your company wants to build a predictive analytics capability. This transformational effort will impact many functions. New hardware components and software platforms are required to gather information and detect patterns. New data science teams must be in place to interpret patterns into insights with tangible actions. New operating processes must be implemented so that the prescribed actions are executed across the entire innovation lifecycle.

Assuming you are like other companies, these work streams are managed under a large-scale transformative program coordinated by your
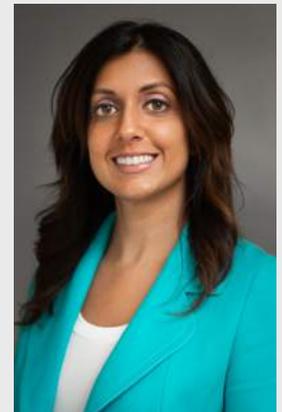
BY PAMELA SOIN
DIRECTOR, KALYPSO

Learn more about Kalypso at kalypso.com

Program Management Office (PMO). You need to avoid making one very common mistake—adding OCM as an independent, lightly-resourced workstream within the program.

In this traditional model, your OCM team is in charge of learning development and communications planning for select portions of the program. They are not involved at the core of defining, designing, and rolling out the entire solution. Used inconsistently, their contributions are purely transactional, checklist-based, and low impact.

For example, your OCM team might request messaging bullet points from the program's work streams, and then put those exact messages into a pretty template to drive awareness across the company.

In that example, deliverables are created, but not *connected* to the heart of the solution or the business case driving the program. And to your end user, everything seems disjointed.

LET THE OCM TEAM LEAD THE TRANSFORMATION WHILE THE PMO DELIVERS

Your OCM team should be intertwined in all aspects of delivery, and this should start with defining the transformation plan up front. Involve the OCM team in executive alignment, awareness, and business case definition sessions. This makes the reasons and rewards for change crystal clear and readily available in the OCM team's toolbox.

These valuable messages can then open every town hall, design session, and training event; they can help in stakeholder alignment discussions; and they can serve as the baseline for tracking a defined business value case.

Next, the OCM team should be deeply engaged in design sessions and testing/confirmation events. By attending every critical milestone and collecting feedback, the OCM team can:

- Guide leadership to anticipate both moments of delight and pockets of resistance
- Transform those insights into communication campaigns and key concept training
- Help the PMO manage scope creep, risks, and other project roadblocks in a way that connects with the user instead of just dismissing their concerns.

By participating in design sessions, OCM practitioners can also offer insights into the design of the solution. They may find opportunities to enhance the solution in ways that engage the user,

simplify their lives, and make them actually want to adopt the solution.

Take the example of an industrial manufacturing company that wants their operations team to use connected tablets to identify potential issues and address them in the field. Knowing that adoption will be a challenge, the OCM team might tap into user needs and recommend a dashboard to gamify the software application and track the team's metrics, motivating them to beat their personal best.

LET OCM TEAMS DRIVE TO MEASURABLE SUCCESS

Even with these changes in place and a successful initiative conclusion, it's premature to declare success. Your new capability still has a wet foundation, and it's easy for things to collapse.

Remember—at the end of an initiative, the PMO team usually goes away, so it's critical to have a strong foundation in place before that happens. If you have not accounted for appropriate post go-live resources and funding, or if your people don't perceive that the promised results have been achieved, you'll start to see your hard work go to waste. Sustaining change is hard work, so the value must be seen or people stop trying.

Transition planning should start at the onset of a program, when the OCM team works with executive stakeholders and the PMO to define success metrics, establish a current-state baseline, and define the plan for tracking and communicating results once the solution is live. Proving and communicating value keeps optimism high and paves the way for future investments.

Sustainable change also requires that your impacted business units are adequately prepared. This is about more than communications and training. The OCM team should help them apply enough budget and resources to fully leverage new capabilities by creating transition and planning tools and helping them conduct analyses.

THE BOTTOM LINE

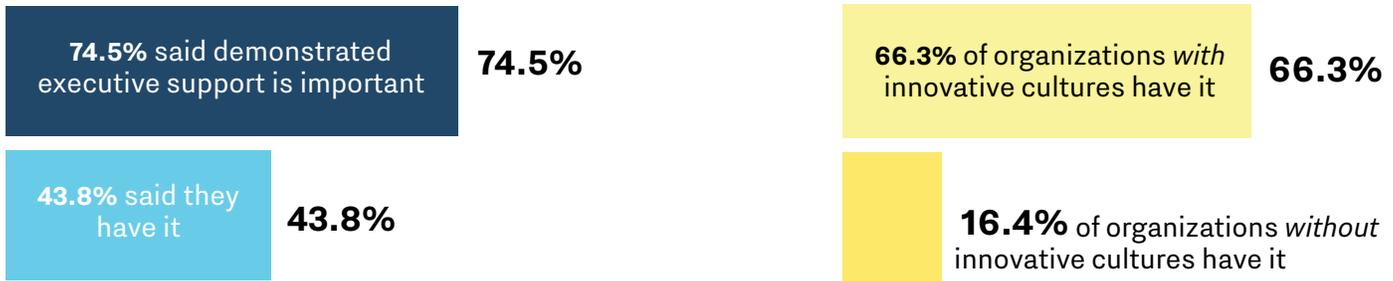Proper change management is perhaps the most important—yet overlooked—aspect of any digital transformation initiative. Empower OCM teams to shape and drive digital transformation, bring people into the change, and set the organization up for measurable success. Companies that deploy OCM teams with the same focus and dedication they put behind the technology implementation will be armed to win. ●

Deep Dives

Senior Leadership Action is Crucial to Success

Demonstrated Executive Support for Experimentation

74.5% said demonstrated executive support is important — **74.5%**

43.8% said they have it — **43.8%**

66.3% of organizations *with* innovative cultures have it — **66.3%**

16.4% of organizations *without* innovative cultures have it

What We Learned

75 percent of respondents to our survey identified demonstrated executive support for experimentation as an important influencer of innovation culture, yet less than **44 percent** of respondents have such support within their organizations.

Of the respondents who either agreed or strongly agreed that their organization's culture is innovative, **66 percent** have demonstrated executive support for experimentation. Of the respondents who either disagreed or strongly disagreed that their organization's culture is innovative, only **16 percent** have demonstrated executive support for experimentation.

What it Means

Senior executive endorsement—or not—of an innovation culture change initiative significantly shapes an organization's **Espoused** innovation **Values**. Senior executive action—or the lack of it—in support of an innovation culture change initiative powerfully influences an organization's innovation **Artifacts and Creations**. If senior executives say the right thing, but their actions do not follow, the conflict that emerges not only devalues their words, but may set a culture change initiative back even further. If senior executives back up their words with actions, the likelihood of initiative success grows significantly. Culture change leaders cannot prioritize highly enough securing active senior executive participation in their initiatives.

Questions to Consider

· Who are the key senior executives I need to get onboard?
  ° Who are other key stakeholders in the organization who could help me get those key senior executives onboard? How can I secure their support?

· What information could I share with senior executives to secure their endorsement and participation?
  ° Emerging strategic opportunities on which our organization might capitalize?
  ° Looming strategic threats that could prove disruptive?
  ° Case studies (positive or negative) of other organizations who prioritized (or failed to prioritize) innovation culture change?
  ° Results from quick, cheap, "under the radar" culture change wins?

· As I engage senior executives in my initiative, what types of endorsements or involvement—in both words and actions—would be ideal?

What We Heard: Executive Support

We asked survey respondents to describe how senior executive support—or the lack of it—accelerated or inhibited their innovation culture change initiatives. Sample responses:

WHEN SENIOR EXECUTIVES DO NOT SUPPORT INITIATIVES...

"I've tried educating executives on design thinking, lean, agile, and scrum. I haven't been able to get buy in. They want to push code without research. They're focused on building a product to sell instead of learning from customers to understand the problem and collaborating iteratively on building solutions that get adopted." — Pharmaceuticals & Life Sciences

"We held several wildly successful 'Design Jams' that resulted in concrete, actionable outcomes that are still in use today. We are now stalled without senior leadership focus, so we can continue with ad hoc efforts, but there's not a lot of upside in lurching along like that. Bubble up is great and we all believe in it, however in large, complex organizations, real traction and momentum starts (or stops) at the top." — Education, K-12

"Business unit management resented having to backfill staff and also having their staff focused on tasks and vision beyond their regular scope of work. Lack of continued executive support led to Open Innovation Challenge winners not receiving the level of support initially promised." — Health Care

"[We're struggling due to] lack of senior leadership support for the innovation discipline and process; they don't understand the value of it. Too much focus on today's problems and seeking incremental solutions. Too much focus on cost cutting and efficiency." — Insurance

"There is no top-down support for change, and we are a deeply tenured organization. Many leaders have spent their entire careers here, so innovative approaches are at best theoretical to them." — Hospitality & Leisure

"[Our biggest problem is] leadership—there's almost a complete lack of innovative vision outside of, 'Do things like we've done them before, but with technology.'" — Pharmaceuticals & Life Sciences

WHEN SENIOR EXECUTIVES DO SUPPORT INITIATIVES...

"[Success came from] attaching innovation (with no clear executive support) to the digital transformation work (with extremely clear executive support)." — Industrial Manufacturing

"[We're successful because we have] leaders with a 'can-do' instead of a 'can't do' attitude." — Higher Education

"The leadership principle that I think is most important is 'Leaders are right. A lot.' What it means is that you're expected to be right a lot...but it also allows you to be wrong in the context of innovation and experimentation. The details of that leadership principle include the words 'leaders work to disconfirm their beliefs' as well. So we're taking an active stand against confirmation bias. When anybody has a new idea, it's human nature to want to find data points that support your idea, and you downplay the ones that don't support your idea. Actually, we're trying to make our ideas fail internally. We want them to fail internally if they are going to fail at all."

— PAUL MISENER, VICE PRESIDENT OF GLOBAL INNOVATION, AMAZON

Innovative Culture Case Study

JEFF ZIAS

INNOVATION LEADER, INTUIT

Intuit is a $6.8 billion software company based in Silicon Valley, and founded in 1983 with a budget management program called Quicken. Intuit's family of products include TurboTax, Quickbooks, and Mint.com

HOW DID BRAD SMITH INFLUENCE THE CULTURE TO BE MORE INNOVATIVE?

When Brad Smith took over as CEO in 2008, several things changed. It had been some years since Intuit had adhered to its initial "personality" based on observing customers and deeply understanding their needs. In Brad's first 100 days on the job, he talked to probably more than 1,000 people inside and outside of the company. He then pared his learnings down to some punchy, and even poetic, findings. He came back and said that we were at risk of being the "best managed slow growth company in the world." And everyone nodded. At that point, the priority was to "find our way again"—to rediscover ourselves as a premier, innovative, growth company. This was a big turning point, and we started to spin up new programs to achieve that goal.

WHAT ARE SOME SPECIFIC EXAMPLES OF HOW BRAD AND OTHER EXECUTIVES SHAPED CULTURE?

Brad and his leadership team took care to rewrite the corporate values to encourage customer-focused, innovative behaviors. The values became more like key behavioral themes that you would recognize as design thinking and open collaboration principles. The six main themes provide a solid cultural structure that guides how the company, and each employee, operate. In fact, when employees get performance reviews, managers contextualize their reviews in those themes.

To make our product offerings serve customers even better, we ran Idea Jams to gather innovative ideas from everywhere in the company. Scott Cook [Intuit's founder] and Brad were always there, and Brad and other executives were always on the coaching panel. Their enthusiasm and involvement sent clear signals to employees. Sure, we were having fun, but the idea of jamming on opportunities to improve customers' lives was also where the top executives were choosing to spend their time. Scott and Brad would ask great questions like, "What customers have you talked to or observed? What have you learned from them?" That use of powerful inquiry really drove behavior in the company. As a result, people either consciously or subconsciously prioritized those questions and the implied behaviors.

A year or two before Brad took over as CEO, Steve Bennett [our CEO at the time], Scott, Brad, and some other executives went down the street to Google to see what innovation tips and tricks they could bring back. Ahead of that "trip," they all agreed to each bring back one idea of their choice to try at Intuit. Even that preparation of how to learn from others was thoughtful and deliberate. Scott came back having seen that Google runs experiments constantly, and he recognized that Intuit didn't have such a culture of experimentation yet—he wanted to focus on making that happen. Brad came back with an emphasis on putting unstructured time [similar to Google's 20 percent time] in place as a cultural move that would give people the space and autonomy to come up with breakthrough ideas.

WHAT ADVICE WOULD YOU GIVE TO COMPANIES THAT DID NOT GROW UP "DIGITALLY DNA'D"?

There are a lot of non-digital product examples that are useful. I've worked with people at IDEO—they've done a lot of non-digital work. They've created physical products that are non-technical and have a focus on the customer. You just need to go out and try developing something using human-centered design principles. These notions of identifying customer struggles and iteratively creating solutions to address those struggles can be difficult to understand when you haven't seen them work. But once you've seen them work, you can't go back. It's a mindset shift. A good way to create the change is to start small, and once you have one success, you've created a bright spot that can be taught and replicated elsewhere. You can influence people much better through a bright spot than through just "talking theory" at them.

Key Concepts and Priorities Must be Clearly Defined

Has your organization clearly defined what it means to have an innovative culture?

73.3% 26.4%

Yes

No

Clearly Defined Innovation Strategy or Focus

67.6% of respondents said it's important — **67.6%**

29.7% said they have it — **29.7%**

43.5% of orgs *with* innovative cultures have it — **43.5%**
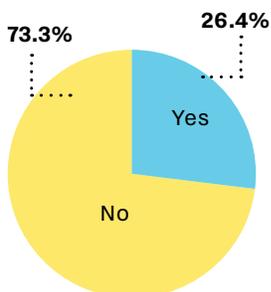
7.3% of organizations *without* innovative cultures have it

What We Learned

26 percent of respondents to our survey said that their organizations had clearly defined what it means to have an innovative culture. **68 percent** of respondents to our survey identified clearly defined innovation strategy or focus as an important influencer of innovation culture, yet less than **30 percent** of respondents have a clearly defined innovation strategy or focus within their organizations.
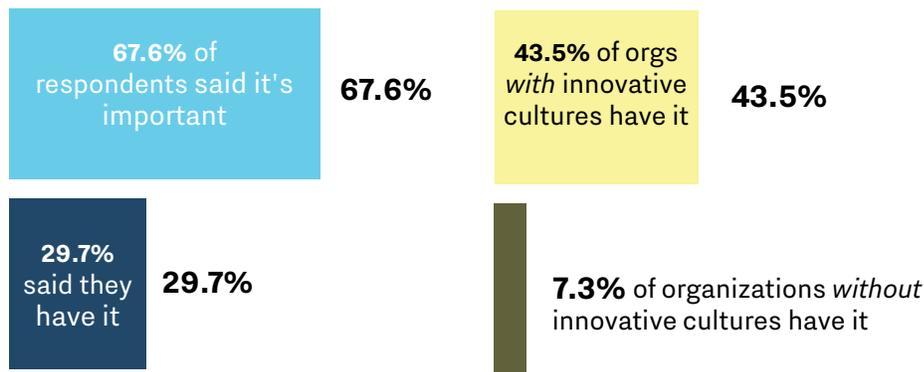
Of the respondents who either agreed or strongly agreed that their organization's culture is innovative, **44 percent** have a clearly defined innovation strategy or focus within their organizations. Of the respondents who either disagreed or strongly disagreed that their organization's culture is innovative, only **7 percent** have a clearly defined innovation strategy or focus within their organizations.

What it Means

The organizational **Artifacts and Creations** that shape culture form a nearly endless list that includes things ranging from art and posters on walls to dress code and work hours to building design, stories, and language. These things are visible or relatively easy to identify. **Espoused Values**, on the other hand, are harder to identify because they emerge frequently from things that senior executives say or write. If key concepts and their associated strategies and priorities are clearly defined and visible throughout an organization (perhaps even literally through posters), they become powerful Artifacts and Creations. If senior executives explicitly or implicitly reinforce those concepts, strategies, and priorities through what they say and write, they become important Espoused Values. On the other hand, if such things are inconsistently defined—or not defined at all—communication and alignment become next to impossible. If an organization cannot communicate and align from top to bottom on innovation concepts and strategies, it will not move forward productively.

Questions to Consider

- Have our executives clearly defined "innovation"? Have they clearly defined our "innovation strategy"?
  - ° (If yes), what are those definitions? Have they been consistently communicated and are they widely understood?
  - ° (If not), what do I think they should be? How can I develop alignment on what I think they should be, at both senior executive and broader organizational levels?
- Have we defined what the ideal culture of innovation would be for our organization? Have we defined what our strategy is to shape our culture as desired?
  - ° (If yes), what are those definitions? Are they clear and commonly understood?
  - ° (If not), what should they be? How can I develop alignment on what I think they should be, at both senior leadership and broader organizational levels?

What We Heard: Definitions and Inhibitors

We asked survey respondents to provide their organization's definitions of innovation and innovative culture. We also asked them to describe how communication—or lack thereof—accelerated or inhibited their culture change initiatives. Sample responses:

DEFINITIONS OF INNOVATION AND INNOVATIVE CULTURE...

"Fail fast, co-create with customers, human-centered design." — Financial Services

"Fostering new ideas across the entire organization that are incubated through a discovery and pilot process, and commercialized based on the successful outcomes of pilot efforts." — Not-for-profit

"[We define it] as one of our core values: We actively seek out opportunities for new products, services, and creative solutions. We believe that innovation requires rigorous analysis, open-mindedness, and a clear understanding of the needs of our clients." — Financial Services

"The world around us is changing and the burden of disease is increasing. We are responding by increasing our focus on growth through innovation—being more patient-centric, doing more with technology, digital and data, and advancing more cutting-edge science." — Pharmaceuticals & Life Sciences

"Innovation is not a tweak of an old product, but a true new development." — Industrial Materials

"Think like an entrepreneur! Empathize with the customer on a day-to-day basis and deliver the highest value projects/products." — Consumer Goods/Consumer Products

"It is a culture in which employees identify pain points and solve them; one in which employees demonstrate a growth mindset." — Retail

"Innovation is embedded in our values; it is a competency everyone is assessed on, and it is an integral part of our company priorities." — Building Products Manufacturing

ACCELERATING INNOVATION CULTURE CHANGE...

"Innovation is integrated into the overall business strategy." — Not-for-profit

"Our messaging internally has changed; rather than 'Think Disruptive' it now focuses on problem solving for today." — Health Care

"Understand the different types of innovation that we are trying to foster and in what sequences." — Financial Services

"Clear vision and concise, consistent articulation and communication across the organization, and externally." — Financial Services

"Over-communicate and message. Focus on data and results. Seek external publication and validation." — NGO

INHIBITING INNOVATION CULTURE CHANGE...

"No clear innovation strategy that everyone understands and is incentivized to support." — Media & Telecom

"There is no clear messaging from executive leadership on what innovation means to us and how they plan to support it." — Engineering & Construction

"No incentive or clear goal to achieve; lack of overall or local strategy for growth, beyond sales." — Industrial Manufacturing

"'Innovation' is not clearly articulated/ understood throughout the organization." — Health Care

"Lack of executive support. Everyone thinks they already know what innovation means and looks like, and poor definition of innovation strategy as a whole." — Energy & Utilities

Innovative Culture Case Study

JULIAN DEAN MORAIS
SENIOR DIRECTOR OF INNOVATION, ITERATE.AI
PRODUCT MANAGEMENT GROUP LEADER, APPLE (2013 - 2019)

Iterate.ai's platform and set of services help innovation teams monitor emerging trends and companies, rank startups and technologies, and engage in proof-of-concept experiments.

WHAT ARE SOME OF THE THINGS THAT APPLE DOES TO CREATE A CULTURE OF INNOVATION?

Apple doesn't do many of the things that more traditional companies do to create a culture of innovation. Apple doesn't have specific innovation groups or labs or spaces, because the company believes that innovation should happen everywhere. I haven't seen things like that at Facebook or Twitter either. For Apple and for those companies, innovation is in their DNA—it's in the air, in the water, and in the walls. All employees know Apple's history and they know that they need to keep Apple, Apple. So while Apple has internal training sessions on Apple's culture, for example, the word innovation isn't specifically called out.

Innovation does come up during the annual performance review process. Employees are graded on three things: teamwork, execution, and innovation. I didn't find this out until I was a manager, but innovation carries the most weight. You can do well in teamwork and execution, but if you are average in innovation, you won't do as well. It's built in this way. This approach encourages people to try to innovate at least a little bit. And it doesn't just mean creating new products. It can be process innovation as well. It also doesn't have to be disruptive. It's just important to do. It's a mindset.

Apple is also a flat, matrixed organization. This makes collaboration and coalition-building essential. People are forced to talk with many people and many groups to get buy-in. But once you get buy-in, you'll have the broader organizational support you'll need to move forward with a new initiative that might stall if approved in a more traditional command-and-control way.

WHAT ARE YOU DOING TO ENSURE THAT THERE'S A CULTURE OF INNOVATION AT ITERATE.AI?

Well, for one thing, I'm mindful that there are different optimal environments for everyone when it comes to idea generation and creative thinking time. Some people like open workspaces; they find lots of energy if there are people around them. It is also conducive to their work if collaboration is key. Other people are very uncomfortable in such spaces; they need small, quiet environments to focus on their ideas. At Iterate, we try to strike a balance. Our strategy team hosts a lengthy brainstorming session every Monday in our open workspace. We work on ideation of new challenges faced by our members, and we also proactively work on "Black Swan" ideas, which are ideas that generate the biggest breakthroughs. It's a super fun session with the entire team where all guards are down and we discuss openly just about any ideas we have to help our members. Then, on Tuesday, it's quiet time. No one comes into the office. Everyone goes to whatever space helps them process the past day's information and to look for creative ideas.

WHAT ADVICE WOULD YOU GIVE TO COMPANIES THAT DID NOT GROW UP "DIGITALLY DNA'D"?

We work with a lot of very traditional companies with traditional hierarchies, cultures, and mindsets. Companies who tend to promote from within and have executives who have been with the company for over 20 years often have a hard time with exponential innovation. It's not complacency per se; it's really about the lack of awareness on what an innovative culture means to the bottom line.

Bringing this kind of change requires a lot of soft skills, and an awareness to seek outside education on exponential organization practices, frameworks, and thought diversity for innovation. In the brick-and-mortar retail and service sectors in particular, I have seen companies that are afraid to adopt emerging technologies because there is a perception that technology removes the human connection. The best way to overcome this fear is to experiment and pilot technologies a little at a time. Most times, you will find that the human connection will still be present—even present in a more meaningful way that's more appealing to a younger generation.

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Grassroots Engagement Will Move the Organization

Important Culture-Shaping Innovation Activities

	…said it's important / …of organizations with innovative cultures have it	…said they have it / …of organizations without innovative cultures have it

1 Cross Functional or Cross Business Unit Collaboration
- …said it's important: 58.0%
- …said they have it: 47.0%
- …of organizations with innovative cultures have it: 62.0%
- …of organizations without innovative cultures have it: 37.0%

2 Open Innovation
- …said it's important: 40.0%
- …said they have it: 46.0%
- …of organizations with innovative cultures have it: 61.0%
- …of organizations without innovative cultures have it: 29.0%

3 Internal Network of Innovators or Innovation Leaders
- …said it's important: 35.0%
- …said they have it: 36.0%
- …of organizations with innovative cultures have it: 50.0%
- …of organizations without innovative cultures have it: 22.0%

4 A Commitment to Design Thinking
- …said it's important: 31.0%
- …said they have it: 34.0%
- …of organizations with innovative cultures have it: 39.0%
- …of organizations without innovative cultures have it: 18.0%

5 A Dedicated Innovation Group
- …said it's important: 28.0%
- …said they have it: 51.0%
- …of organizations with innovative cultures have it: 61.0%
- …of organizations without innovative cultures have it: 44.0%

What We Learned

Ranked in order of importance, the five grassroots innovation activities considered most important by our respondents are: cross functional or cross business unit collaboration, open innovation, an internal network of innovators or innovation leaders, a commitment to design thinking, and a dedicated innovation group.

Cross Functional or Cross Business Unit Collaboration

58 percent of respondents to our survey identified cross functional or cross business unit collaboration as an important influencer of innovation culture, but only **47 percent** of respondents said that they have it in place.

Of the respondents who either agreed or strongly agreed that their organization's culture is innovative, **62 percent** have cross functional or cross business unit collaboration within their organizations. Of the respondents who either disagreed or strongly disagreed that their organization's culture is innovative, **37 percent** have cross functional or cross business unit collaboration within their organizations.

Open Innovation

40 percent of respondents to our survey identified open innovation as an important influencer of innovation culture, while **46 percent** of respondents said that their organizations engage in it.

Of the respondents who either agreed or strongly agreed that their organization's culture is innovative, **61 percent** have open innovation activity taking place. Of the respondents who either disagreed or strongly disagreed that their organization's culture is innovative, **29 percent** have open innovation activity happening.

Internal Network of Innovators or Innovation Leaders

35 percent of respondents to our survey identified an internal network of innovators as an important influencer of innovation culture, and **36 percent** of respondents said that their organizations have such a network in place.

Of the respondents who either agreed or strongly agreed that their organization's culture is innovative, **50 percent** have an internal network of innovators or innovation leaders in place within their organizations. Of the respondents who either disagreed or strongly disagreed that their organization's culture is innovative, **22 percent** have an internal network of innovators or innovation leaders within their organizations.

A Commitment to Design Thinking

31 percent of respondents to our survey identified a commitment to design thinking as an important influencer of innovation culture, while **34 percent** of respondents said that their organizations have a commitment to design thinking in place.

Of the respondents who either agreed or strongly agreed that their organization's culture is innovative, **39 percent** have a commitment to design thinking in place within their organizations. Of the respondents who either disagreed or strongly disagreed that their organization's culture is innovative, **18 percent** have a commitment to design thinking in place within their organizations.

A Dedicated Innovation Group

28 percent of respondents to our survey identified a dedicated innovation group as an important influencer of innovation culture, while **51 percent** of respondents said that their organizations have a dedicated innovation group in place.

Of the respondents who either agreed or strongly agreed that their organization's culture is innovative, **61 percent** have a dedicated innovation group in place within their organizations. Of the respondents who either disagreed or strongly disagreed that their organization's culture is innovative, **44 percent** have a dedicated innovation group in place within their organizations.

Activity	Importance Rank	Implementation Rank
Cross Functional or Cross Business Unit Collaboration	1	3
Open Innovation	2	4
Internal Network of Innovators or Innovation Leaders	3	5
Commitment to Design Thinking	4	6
A Dedicated Innovation Group	**5**	**1**
Innovation Events and Challenges	**6**	**2**

What it Means

Innovation activities are **Artifacts and Creations** that, along with **Espoused Values**, shape the all-important **Basic Underlying Assumptions** that employees make about their organization's approach to innovation. When organizations engage in grassroots innovation activities, they communicate clearly to employees that it is important for organizational members at all levels to engage in innovation. Such a commitment explicitly and implicitly communicates key innovation value messages (e.g. "All of us can—and should—make a difference") that then shape those basic underlying assumptions. As always, it cuts both ways—not engaging the broader organization in innovation activities can send the message that innovation is something only to be done by a select few, or that "someone else is taking care of it."

It is important to note that our survey respondents rated a dedicated innovation group #5 in importance, yet #1 in implementation. Innovation events and challenges were rated #6 in importance, yet #2 in implementation. (See the blue highlighted rows in the table above.) It is likely appropriate to conclude that creating an innovation group is one of the first things that organizations do by default when seeking to improve their innovation success rate. It is also likely appropriate to conclude that the latter set of activities is relatively straightforward to implement (in forms such as creative sessions or speaker series or idea pitch competitions), and so organizations turn there quickly as well. **It is intriguing to consider, though, that our respondents did not rate either thing very important in the end.**

Questions to Consider

· Do we already have grassroots innovation activities in place?
  ° (If yes), what are they? Have they been successful? Are there stories of tangible results that we can tell?
  ° (If no), why not? Has the organization tried some and failed in the past? If yes, which ones and why did they fail? What can we learn from those experiences?

What We Heard: Grassroots Activities

We asked survey respondents to list some of the grassroots innovation activities they put in place as part of their culture change initiatives. We also asked them how the use of grassroots innovation activities (or the lack of them) influenced the success of those initiatives. Sample responses:

GRASSROOTS ACTIVITES IN PLACE...

"Launch an internal social network, hold employee crowdsourcing events (with exec-level ownership), encourage other ground-up efforts."
— Pharmaceuticals & Life Sciences

"Open idea events, so people can feel their ideas are heard even if they do not hold an innovation role." — Consumer Goods/Consumer Products

"Open sessions and discussions. Collaboration with universities. Send young engineers to fairs and conventions." — Industrial Equipment

"Our Eureka program is an internal crowd-sourcing program that allows everyone across the corporation to submit an innovation thought. It is used as a success indicator of how we are developing our innovation culture by our leadership." — Technology

"Executives are beginning to understand 'governance' (as currently practiced) is NOT the key to innovation. Middle managers are slowly coming around. The front line is where 97 percent of the change energy is. We just tap into it. It is infectious!" — Energy & Utilities

"[We have] Innovation Boosters (colleagues) trained in design thinking and responsible for spreading innovation from the bottom up." — Retail

...AND WHAT HAPPENS WHEN THEY ARE NOT

"Top-down culture makes little accommodation for change." — Energy & Utilities

"Bureaucracy, red tape, lack of support from middle managers, fear of failure." — Real Estate

"We are transforming from an 'old school,' lagging company to be more innovative and leading, but there is a lot of resistance to change throughout all layers of the organization."
— Technology

"Events and talks can help. We created the Cross-Industry Innovation Summit at NASA to bring together diverse industries and people like the VP of Uber, the Chief Innovation Officer from L'Oreal, the CEO of UnitedHealthCare, and a famous chef—people completely unrelated to our field. The summits were streamed and recorded so NASA employees not present at the summit could participate. We also had brown bag lunches once a month to discuss case studies internally, and inspire new ways of thinking, new ways of looking at things."

— OMAR HATAMLEH, CHIEF INNOVATION OFFICER, ENGINEERING, NASA JOHNSON SPACE CENTER

Innovative Culture Case Study

STUART MORGAN
INNOVATION LEAD, HELIX INNOVATION CENTER
EMERSON COMMERCIAL AND RESIDENTIAL SOLUTIONS

Emerson Commercial and Residential Solutions is one of two businesses in Emerson Electric, a $17.4 billion manufacturer which was founded in 1890. In 2016, the company created the Helix, an innovation center at the University of Dayton.

WHAT IS THE HELIX INNOVATION CENTER?

The Helix Innovation Center is a 40,000-square-foot facility that provides a collaborative environment for researchers, academia, and industry professionals to develop solutions to industry challenges. The Helix contains four different ecosystems. There is a fully-functional, furnished, and connected residential home to explore and test opportunities in controlled environmental conditions, including ambient temperature from -20°F to 120°F and humidity from 20 percent to 90 percent. There is a licensed commercial kitchen that can serve up to 150 diners. There is a full supermarket. The innovation center itself is a Light Commercial Building ecosystem.

The mission of the Helix is to help Emerson Commercial and Residential Solutions businesses grow faster than they're growing today. We know that an ecosystem framework—considering all the different stakeholders, the environments, and technologies when exploring and advancing innovation—is critical to identifying and validating opportunities that create new value.

WHY DID YOU JOIN THE HELIX?

I was impressed by the fact that Emerson built the Helix in the first place, and I understood it as a very positive sign of the company's leadership taking bold action to drive innovation. The leadership team also recognized that it wasn't going to get innovation out of the Helix just because they built it. They decided to bring in two leaders to help lead the flow of innovation through the facility, and intentionally wanted them to be experienced outsiders. They wanted the leads to have human-centered design experience and demonstrated ability leading innovation work in other industries and other markets. So, in essence, they built this new building and wanted to bring in people that they didn't know and who didn't know the industry to help run it. I felt all of this was very bold and positive; their vision and courage attracted me (and my colleague Jason Born) to join the company.

HOW DO YOU LEAD INNOVATION WITHIN THE HELIX?

We use the Helix to immerse teams in the world of their customers, with the intent of discovering important problems to solve. Working with business unit leadership, we'll organize a cross-functional team to spend time investigating potential opportunities onsite. For example, to explore a new refrigeration system opportunity, we might have people join from marketing, engineering, and regulatory. They'll all spend whatever time is necessary—with the team expanding and shrinking as needed—at the Helix to figure out what they need to learn and how to learn it. The work is very fluid and very focused on learning. We might have five or six such teams in place at any one time.

WHAT ADVICE WOULD YOU GIVE TO COMPANIES THAT DID NOT GROW UP "DIGITALLY DNA'D"?

I believe that action and experience influence culture far more than words. Innovation is a team sport, and you must actually "play" to become effective. Jason and I don't tour around the company teaching innovation skills. If a leader wants to bring elements of the Helix approach into his or her organization, we'll say, "Happy to help! Send your people over and we'll involve them in what we are doing." We also say, "No Spectators." We don't create a new PowerPoint presentation every quarter. We simply do our work and try to share it visibly and transparently with the organization. The important thing is that when teams actually experience working in the Helix—or in dedicated innovation spaces like it—they understand what it is to work within a human-centered, innovative culture. They then bring that experience and learning back to their organization.

When people start to experience thinking and learning in the context of an ecosystem, and working closely with customers to create new value, the old culture becomes obsolete.

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Deploy the Right Tactics for Your Organization

The tables on this page and the following page list the tactics that survey respondents found most effective at creating what they reported to be innovative cultures within their organizations. The first table includes data by organizational size, the second by organizational age, and the third by industry. The numbers indicate how frequently respondents cited a given tactic within each segment—note, there were a number of ties. Each tactic is also presented in a consistent color to make it easy to see how their priority level stays the same—or changes.

TOP TACTICS BY ORGANIZATIONAL SIZE (# OF EMPLOYEES), INNOVATIVE CULTURE (SELF REPORTED)

	<10,000		10,000 to 50,000		50,000+
1	Open innovation (e.g. collaboration with external partners)	1	Open innovation (e.g. collaboration with external partners)	1	Innovation events and challanges (e.g. hackathons, idea searches, offsite tours)
2	Cross functional or cross business unit collaboration	1	Cross functional or cross business unit collaboration	2	A dedicated innovation group
3	A dedicated innovation group		Visible support for innovation (e.g. posters)		Cross functional or cross business unit collaboration
4	Innovation events and challanges (e.g. hackathons, idea searches, offsite tours)	4	A dedicated innovation group	3	A dedicated space for innovation work
	Internal network of innovators or innovation leaders		Internal network of innovators or innovation leaders		Innovation software platform (e.g. idea submission tool)

TOP TACTICS BY FOUNDING DATE, INNOVATIVE CULTURE (SELF REPORTED)

	Before 1900		1901 to 1949		1950 to 1989		1990 to 2009[1]		2010 to present
1	Cross functional or cross business unit collaboration	1	A dedicated innovation group	1	A dedicated innovation group	1	Open innovation (e.g. collaboration with external partners)	1	Open innovation (e.g. collaboration with external partners)
2	Innovation events and challenges (e.g. hackathons, idea searches, offsite tours)	2	Cross functional or cross business unit collaboration	2	Open innovation (e.g. collaboration with external partners)	2	Cross functional or cross business unit collaboration	2	Cross functional or cross business unit collaboration
3	A dedicated space for innovation work	2	Internal network of innovators or innovation leaders	3	Cross functional or cross business unit collaboration	3	Innovation events and challenges (e.g. hackathons, idea searches, offsite tours)	2	Innovation events and challenges (e.g. hackathons, idea searches, offsite tours)
4	Internal network of innovators or innovation leaders	3	Visible support for innovation (e.g. posters)	4	Visible support for innovation (e.g. posters)	4	Internal network of innovators or innovation leaders	3	A dedicated space for innovation work
5	Investment in startups	3	Open innovation (e.g. collaboration with external partners)	4	Innovation events and challenges (e.g. hackathons, idea searches, offsite tours)			4	A dedicated innovation group

1 Several tactics tied for the fifth position

TOP TACTICS BY SAMPLE INDUSTRY, INNOVATIVE CULTURE (SELF REPORTED)

Energy & Utilities		Financial Services		Healthcare		Technology	
1	A dedicated innovation group	1	A dedicated innovation group	1	A dedicated innovation group	1	Open innovation (e.g. collaboration with external partners)
2	Cross functional or cross business unit collaboration		A dedicated space for innovation work	2	Open innovation (e.g. collaboration with external partners)		Innovation software platform (e.g. idea submission tool)
3	A commiment to design thinking (i.e. human-centered design)		A commiment to design thinking (i.e. human-centered design)		Cross functional or cross business unit collaboration		Cross functional or cross business unit collaboration
4	Innovation events and challenges (e.g. hackathons, idea searches, offsite tours)	2	Innovation events and challenges (e.g. hackathons, idea searches, offsite tours)	3	A dedicated space for innovation work	2	A dedicated innovation group
	Visible support for innovation (e.g. posters)		Visible support for innovation (e.g. posters)		Visible support for innovation (e.g. posters)		Internal network of innovators or innovation leaders
	Internal network of innovators or innovation leaders						Innovation events and challenges (e.g. hackathons, idea searches, offsite tours)

What We Learned

Top Tactics by Organizational Size: Three tactics—visible support for innovation, a dedicated space for innovation work, and innovation software platform—only made the lists once. Three other tactics—open innovation, internal network of innovators, and innovation events and challenges—only made the lists twice.

Top Tactics by Founding Date: One tactic —investment in startups—only made the list once, prioritized by organizations founded before 1900. Two other tactics—visible support for innovation and a dedicated space for innovation work—only made the lists twice.

Top Tactics by Sample Industry: One tactic—innovation software platform—only made the list once, prioritized by organizations in the Technology industry. Three other tactics—a commitment to design thinking, internal network of innovators, and a dedicated space for innovation work—only made the lists twice. For an expanded list of top tactics by industry, see page 36.

What it Means

As described in the previous theme, grassroots innovation activities are very important **Artifacts and Creations** that, if implemented correctly, can measurably improve the success of an innovation culture change initiative. It is very important, however, to carefully consider which activities are best aligned with an organization's specific circumstances (e.g. size, founding date, industry). In fact, activities implemented without a clear rationale or ability of the organization to follow-through on the results (e.g. failure to award dedicated people/time/money to the winner of an internal innovation competition) will powerfully communicate the wrong **Espoused Values** and therefore shape the wrong **Basic Underlying Assumptions**.

Questions to Consider

· In which innovation activities are our peer companies engaged? Which ones are bearing fruit? Would they work in our organization?

· Are there activities in which we are already engaged—perhaps not in the official context of innovation (i.e. partnerships with startups or academia)—that are generating tangible results that we can rebrand as part of our innovation initiative?

· Are there particular activities that we think our senior executives will get behind? Can we bring them a set of those options, including the role we would like them to play, to collaboratively get buy-in?

What We Heard: Industry Dynamics

We asked survey respondents to describe the nature of innovation within their industries, as well as specific activities that work well—or don't—*within their industries and their organizations. Sample responses:*

"Open platforms for idea submission, when not aligned to a specific business value challenge, lose energy quickly." — Energy & Utilities

"[We have created a] suite of programs that support innovation and innovation mindsets (e.g. innovation tournaments, innovation training, teaching about aligning with business needs and strategy, etc...)" — Pharmaceuticals & Life Sciences

"[We have a] business value focus, [and our] innovation model is set up to discourage pet projects and force delivery." — Energy & Utilities

"[We have a] large organization [in an] antiquated industry; [innovation] needs more time and patience." — Financial Services

"Industry dynamics are traditional and conservative; we need to have fool-proof, fully cooked solutions to everything." — Automotive, Transport & Logistics

"[Ours is a] mature, industry leading, cash-cow franchise; [a] recent spat of on-market support issues [is] taking resources away from filling the pipeline, and creating a highly risk-averse culture." — Pharmaceuticals & Life Sciences

"[We're dealing with both] industry constraints and sunk costs into current ways of working. Reactive and waiting for government-funded customers." — Health Care

"[We sell] commodity products within a mature company and industry." — Engineering & Construction

"[We have a] good employee culture. Our organization ranks among the top in the nation for the industry we serve, so there is a desire to maintain and/or grow our quality metrics." — Health Care

"Bounded somewhat by multi-variate stakeholders through government, health care system etc...so things need to be collaborated on not just done." — Health Care

"Five different things impact an organization's ability to innovate. Are you small or large? A startup or highly-established? Are you in a young industry, or a mature industry? Is the company tech-oriented or non-tech? Most importantly, are you a troubled company or a successful company? GE and Disney were large established companies in mature, non-tech industries, and already highly successful. All [those things can lead to] the most difficult environment to create an innovative culture. And if you're at the other end of the spectrum, like TiVo was—a small company, a startup, a young industry that they invented, completely tech-oriented—we never talked about innovation. It was all we did all day. It was just, 'This is what we do for a living.'"

— MARTY YUDKOVITZ, FORMER HEAD OF STRATEGIC BUSINESS INNOVATION, THE WALT DISNEY COMPANY; FORMER EXECUTIVE AT TIVO & GE/NBC

Innovative Culture Case Study

STEVE WEISNER

PRESIDENT & CEO, NIHON KOHDEN INNOVATION CENTER

Nihon Kohden is Japan's leading market of electroencephalogram (EEG), patient monitor, automated external defibrillator (AED), and medical electronic equipment.

WHAT SPARKED NIHON KOHDEN'S RECENT INVESTMENT IN INNOVATION CULTURE CHANGE?

A few years ago, Nihon Kohden did something very forward-thinking, particularly for a public company. The leadership team recognized that they were not seeing the level of innovation they wanted in the company and acknowledged that publicly. Nihon Kohden reflected that as part of a new charter statement. That was very encouraging and self-reflective on their part. They then followed that statement with action to invest in a number of areas, including the opening of the Innovation Center in Cambridge, Mass. that I now run. This action demonstrated Nihon Kohden's willingness to embrace a different, broader approach to innovation than the typical research and development process common in the medical device industry.

HOW DO YOU INSTILL THE RIGHT INNOVATION THOUGHTS AND ACTIONS IN YOUR ORGANIZATION?

Engineers from Japan rotate through my organization for a few years. When they first arrive, we agree on which medical problem opportunity to pursue. I then embed them with the customers who have the types of problems that we could potentially solve. An engineer might have a desk at Mass General Hospital in Boston or at Children's Hospital in Philadelphia, say. They are right there with clinicians who give them first-hand feedback on what they're thinking, such as "This device concept is too rigid," or, "A child would not sit still long enough for such a device to work." That's immediate, fail-fast feedback. I also require

my engineers to write quarterly reports on their projects, which include thinking through the whole business model of a concept—the "D" in R&D. They should be thinking not just about device engineering, but how much it will cost and how it will be manufactured, sold, and distributed. Also, most importantly, how we will communicate the concept's clinical value and potential marketability. When they return to Tokyo, they bring all of this gained knowledge with them to educate the teams there.

WHAT ADVICE WOULD YOU GIVE TO COMPANIES THAT DID NOT GROW UP "DIGITALLY DNA'D"?

It's really important that the leader of an outpost understand the culture and rules of engagement in their parent company. For example, in Japan, if I want to work with a professor, I visit them, we agree on a research project and their rights to publish the results. We then sign a contract and we start. That's it. Of course, the process in the US is far more complex and time-consuming because it involves the institution (a hospital or university). Also, consider how in Japan, most people graduate from universities and then join companies for life. Particularly in the medical device field, there are very few entrepreneurs. Again, that's a very different startup environment than the one in the US. So if I go back to headquarters and ask for resources to run a startup competition in the US, my leadership team may be reluctant to approve such a competition, since it would likely have a small turnout in Japan. The leader of an outpost must seek to understand, and respect deeply, such differences, and then carefully engage in education that goes both ways over time.

Stay Human-Centered and Iterative in Your Approach

43.8% …of respondents have demonstrated executive support for experimentation within their organizations

37.5% …of respondents started innovation activities they eventually stopped

12.7% …of respondents "go it alone" when advancing their innovation activities

What We Learned

In the end, less than **44 percent** of respondents have demonstrated executive support for experimentation within their organizations, **38 percent** started activities that they eventually stopped, and only **13 percent** of respondents "go it alone" when advancing their innovation activities (as opposed to partnering with key stakeholders).

What it Means

Innovation culture change initiatives seek to reframe the **Basic Underlying Assumptions** that guide how an organization's members think and feel about innovation. Given that humans are already highly resistant to change, adding innovation—a nebulous and change-related concept itself—to the mix makes such initiatives particularly challenging.

The leader of a culture change initiative should therefore approach their responsibilities as if they were leading a startup. The organization's executives and employees are the customers of any culture change initiative. Those customers have personal, professional, and organizational jobs-to-be-done that they are seeking to satisfy. If the culture change initiative addresses the most important of those jobs for those customers, they will "buy" (in essence, buy into) the initiative.

Culture change initiative leaders should therefore use design thinking best practices to ensure that the initiative development process embraces this customer/jobs-to-be-done focus. Then, they should use lean startup best practices to ensure that any activity—establishing new innovation-centric Artifacts and Creations, for example—is carefully "built," its performance "measured," and then the "learning" generated by the process is used to iteratively improve the activity as well as the broader initiative. Following this approach should lead to quick activity wins and results that can build momentum—or under-the-radar failures that generate valuable learning with little-to-no backlash.

Questions to Consider

- What are the major assumptions that will have to prove for our culture change initiative to succeed?
    - At a leadership level? At an organizational level? At a strategy level? At an execution level?
- Which assumptions, if they prove false, will have the greatest negative impact on initiative success?
- How can you "quickly and cheaply" test those assumptions to increase outcome certainty?
- Are there tests you can run that may generate results that you can use to help win senior executive support? Broader organizational support?
- How can you ensure that you always develop and test new activities with your target internal customers (e.g. senior executives, employees) at their center?

What We Heard: Success

We asked survey respondents to list the philosophies they encouraged through their innovation culture change initiatives, as well as what they did to increase the likelihood that their initiatives would be successful. A few sample responses:

"Fail fast, co-create with customers, [use] human-centered design." — Financial Services

"Tying lean startup, design thinking, and agile together." — Energy & Utilities

"Positive feedback [is important.] Seeing things succeed. It ties people to the mission, to the common purpose..." — Aerospace & Defense

"Training. Talking about it. Testing ideas." — Retail

"Connect the change management [activity] to business opportunities and contribution to top-to-bottom results." — Consumer Goods/Products

"[We] visited all employees to make sure that all voices are heard. [We are] demonstrating some quick wins and quick fails." — Automotive, Transport & Logistics

"[We are starting] with innovation in the core, to engage the business segment leaders who are ultimately responsible for providing resources and [to] influence their direct reports [with] quick wins." — Financial Services

"[We] worked [innovation] into existing business unit projects, exhibited all the usual 'innovation' methodologies (design thinking, human-centered design, agile, kanban, collaboration by design) and the benefits of [them] without slowing projects." — Health Care

"[Keys for us included] regular updates and meetings, driving real business impact in the short-term, demonstrating value addition through innovation in meetings, [and] slowly gaining ground in changing working styles and priority areas within the organization." — Consumer Goods/Products

"As CTO at DreamWorks, I would routinely set up executive demos of interesting work that was happening in the production and engineering groups. This not only helped to showcase the interesting work that was happening in the trenches at our company, but also provided great morale for the teams knowing the leaders of our company were interested in their work."

— ED LEONARD, CO-FOUNDER, BRED VENTURES; FORMER CHIEF TECHNOLOGY OFFICER, DREAMWORKS ANIMATION

Innovative Culture Case Study

KATIE BURKE
CHIEF PEOPLE OFFICER, HUBSPOT

HubSpot is a leading provider of customer relationship management (CRM) software, along with specific tools to support corporate marketing, sales, and customer service activities. With $675 million in annual revenue, HubSpot serves over 73,000 customers and has more than 3,300 employees.

HAVE YOU, OR HAS SENIOR LEADERSHIP, EXPLICITLY MANDATED THAT YOUR ORGANIZATION'S CULTURE BE INNOVATIVE? HOW?

I don't believe you can "mandate" innovation. In fact, most of our culture is based on autonomy, so that sort of thing would run counter to our culture. What I will say is that our founders set the tone at the top, and they have since the beginning, saying they wanted to be a company their grandchildren could be proud of. That meant from day one we were playing the long game, so it meant we had to think global and multi-product, and really understand our target market. If you want to build a company for generations, your culture simply has to be a competitive advantage. In 2013, we launched our Culture Code, and doing so made a public commitment to our customers, partners, candidates, and employees that we were going to make our culture a competitive advantage. It's a promise we take really seriously every single day, and I think our entire leadership team's commitment to culture shows in how we think, operate, and make decisions.

HOW DO YOU, OR THEY, DEFINE "INNOVATIVE ORGANIZATIONAL CULTURE"?

To me, your culture is innovative if you treat it like a product. Just like any product, you have to listen to your customers, you innovate on what's working and what isn't, you sunset things that aren't working, and you focus on what matters most to your candidates and employees. Ultimately, your employees are the judges of whether you're innovative or not, and in a crowded talent market, they have a lot of options. We remind ourselves of that often.

WAS THERE AN "INNOVATION CULTURE BUSINESS CASE" MADE? WHAT ARE THE MAIN DRIVERS?

We always had bits and pieces of a great culture

here, but it wasn't super intentional. Then [HubSpot CEO] Brian Halligan was at his CEO group, and at the urging of Colin Angle, [the CEO of iRobot], decided we should make a more deliberate effort. He asked [HubSpot CTO] Dharmesh Shah to lead it. The rest is history.

I would say the other inflection point for us was pre-IPO. When you're doing your roadshow deck, you talk to a lot of companies who have gone public before you, and so many of them failed to scale their cultures. We didn't want that to happen to us, so we spent a lot of time and energy as a team making our pre, during, and post-IPO culture a priority.

WHAT CULTURE-INFLUENCING THINGS HAVE WORKED PARTICULARLY WELL? HOW DID YOU KNOW?

I think our Women@HubSpot program has been a huge success. Yes, it's an employee resource group, but we also have committed a lot of focus over the last five years to moving the needle on gender diversity, and it shows in our numbers. Moreover, our women's group serves women, but also men and non-binary folks who care about gender equality, so it's become this wonderful haven of people talking about important topics and having fun and giving back along the way. We know it works, because it shows in the numbers of women at every level in our company, but also because we get great feedback from employees and candidates on it. Another thing that has worked really well is our focus on being a best place to work for parents—it's made us a more inclusive company on the whole.

WHAT THINGS HAVE NOT WORKED PARTICULARLY WELL? HOW DID YOU KNOW?

Our Dublin office was our first international office and a huge success—all of our global growth has been pretty amazing. But when we opened multiple global offices, we realized people were starting to make assumptions like, "No one in X

location cares about this," or, "The team in Y is unresponsive." So we actually changed one of our values from "effective" to "empathetic," because we could tell what we needed as a company was more empathy between people, between locations, for our customers, for our candidates, etc. It was a big decision and a big switch, but we knew we had to switch something up.

DID YOU COLLABORATE WITH OTHER FUNCTIONAL LEADERS TO DO THESE THINGS?

Absolutely. Culture is a team sport and everyone is involved. Many of our executives are active employee resource group sponsors and champions. All of them send us ideas and feedback they hear from candidates and employees, and we actively ask new hires to give us feedback on what they think we can do better. We are so incredibly lucky to have so many people who care enough to give us great ideas, tough feedback, and help the culture improve over time.

WHAT ADVICE WOULD YOU GIVE TO LEADERS OF OTHER ORGANIZATIONS WHO ARE SEEKING TO CREATE AN INNOVATIVE CULTURE?

You have to stand for something. Too many companies trying to codify culture try to be all things to all people, and that's not innovative or differentiated. When someone says, "We want to hire good people who do great work," well, who doesn't? That doesn't tell people anything about how decisions get made, how you act when things go wrong, or what type of leader they can expect to work for, so make sure you stand for something.

Appendix

12 of the Best Tools for Real-Time Team Collaboration

RECOMMENDATIONS FROM THE INNOVATION LEADER NETWORK

What are you using to collaborate with your team, run brainstorming sessions, get feedback from partners, and move projects forward at this moment where all work is suddenly remote work?

We put out the call to our network in March 2020. Here are a dozen of the tools they recommended. We decided to focus on tools that support real-time interaction, as opposed to all of the great tools for project management or asynchronous communication. They're listed below in alphabetical order.

1. **Google Docs/Sheets**. These are fantastic tools to share and edit documents and files. You can build out the same documents at the same time as colleagues.

2. **GoToMeeting** empowers meetings via audio or video, allows screen-sharing, real-time annotation, cloud recording, and even transcription. GoToMeeting has the ability to "call out" to meeting participants, rather than waiting for them to dial in. Also check out their GoToTraining and GoToWebinar products, which have different feature sets.

3. **Kahoot**. Who doesn't need a little fun camaraderie right now? Create live trivia competitions or quizzes for your team, or even customers, and let them play simultaneously for bragging rights. (**PollEverywhere** offers similar features, called PollEverywhere Competitions. PollEverywhere is also great for running live surveys and seeing the results as part of video conferences or conference calls; it's much better than the polling tools built into Zoom or GoToMeeting.)

4. **Klaxoon** is a very comprehensive software package for virtual collaboration. It brings together the entire workshop experience in a single interface. It does take a bit of training and work to get participants used to it. But it has everything you'd want for putting together an interactive and engaging workshop.

5. **Miro**. This online whiteboarding tool can be combined with Teams or Zoom for video chat. Miro also enables collaborative, structured, virtual sticky-notes.

6. **Mural**: a digital workspace that allows for very visual collaboration. Mural is great if you're missing sticky notes and whiteboards right now.

7. **Slack**. Great for chatting with distributed teams, asking questions, sharing links to videos or work in progress, and having fun. You can also initiate Internet audio or video calls using Slack. Add the Giphy plug-in so your team can easily pull up animated GIFs. Explore polling plug-ins to conduct polls. And make sure you encourage people to update their status throughout the day.

8. **Remo**. This startup offers virtual office workspaces (with rooms, laid out like actual offices), as well as conferences where people can sit at individual tables.

9. **Teooh** lets meeting participants design avatars and get together in virtual spaces. It accommodates up to 100 attendees. This company is still an early-stage startup.

10. **Trello** is a list-making software for collecting, prioritizing, and organizing ideas or projects. It's also for brainstorming! (x2 This has been a go to platform for multiple streams and teams.)

11. **WebEx**: Group or 1:1 meetings with video, audio, and slides, as well as with a moderated event center and training modules. For advanced workshop design, you should explore using chat as an "idea burst" or fact-finding tool. Some of the lesser used features—such as hand-raising, joint annotating, and simply importing a pre-built PowerPoint template while editing in real-time—can enhance the value of WebEx or any other collaboration tool.

12. **Zoom** allows for group meetings with video, audio, and slides. Participants can annotate things and be placed into breakout rooms to form smaller groups. Hosts can also conduct polls.

More Resources and Links

ADDITIONAL CONTENT RELATED TO INNOVATION CULTURE

1. Innovation Leader collected a set of 20 questions that large companies use in internal surveys to understand whether their culture is getting better—or worse. Find that resource at innovationleader.com/culture-questions.

2. To read our complete interviews with Omar Hatamleh, Marty Yudkovitz, and Ed Leonard, visit innovationleader.com and search for their names. For a list of culture-related things companies have stopped doing, visit innovationleader.com/culture-stopped.

3. Innovation Leader's podcast, "Innovation Answered," has featured episodes on "Startup Culture in Big Companies" and "Silicon Valley's Innovation Culture." Find them on Spotify, Apple/iTunes, or at innovationleader.com/podcast.

4. Read the full list of Amazon's Leadership Principles at amazon.jobs/en/principles.

5. Learn more about HubSpot's Culture Code at https://blog.hubspot.com/blog/tabid/6307/bid/34234/the-hubspot-culture-code-creating-a-company-we-love.aspx.

6. See Intuit's "Values" slide below.

Our Values

Integrity Without Compromise

We speak the truth and assume best intent. We value trust above all else. We hold ourselves and others accountable to the highest standards in all we say and do.

We Care and Give Back

We are stewards of the future and will do our part to make the world a better place. It is our privilege to help others and we do it wholeheartedly.

Be Bold	**Be Passionate**	**Be Decisive**	**Learn Fast**	**Win Together**	**Deliver Awesome**
· Solve BIG customer problems · Create a vision that inspires · Think beyond what is accepted as possible	· Personally embrace and role model change · Inspire with your insights and initiative · Strive to perfect your craft every day	· Choose what we will and will not do · Be transparent with your logic and judgment · Be direct and respectful	· Lead with a hypothesis · Measure and act on what matters most · Savor the surprises	· Deliver exceptional results so others can count on you · Develop yourself and others to do the best work of our lives · Be boundary-less in our thinking and actions	· Delight our customers and partners with experiences they love · Nail the fundamentals and sweat the details · Never stop short of awesome
We can see the future in what we do because we're creating it together. We constantly seek inspiration and connect dots that no one else does. We don't shy away from the world's biggest problems. It takes courage.	You're here because of your unique talents and the fire in your belly to do something meaningful. It shines through in ways that raises the bar for all of us. Never stop growing.	Have a point of view based on data, experience, and instincts. Make the call and own the outcome. Speed matters, because the greatest risk is standing still.	We're in love with customer problems more than our solutions. We walk in our customers' shoes and experiment our way to success. The only failure is the failure to learn fast.	Small diverse teams drive our work and 90% of the decisions are made here. We accelerate each other in pursuit of our mission. We break down barriers. Together, we are one Intuit.	We are proud of the products we deliver because they inspire the imagination and exceed expectations. We create and build our brand in all the work that carries our name: Intuit.

intuit.

Top Tactics by Industry (Expanded List), Innovative Culture (Self Reported)

The broader list of top tactics by industry is below. Some industries have more than five tactics listed due to ties.

AEROSPACE & DEFENSE

· A dedicated space for innovation work
· Innovation events and challenges (e.g. hackathons, idea searches, offsite tours)
· Visible support for innovation (e.g. posters)
· Cross functional or cross business unit collaboration
· Internal network of innovators or innovation leaders
· Innovation-specific incentives or rewards

AUTOMOTIVE, TRANSPORT & LOGISTICS

· Innovation events and challenges (e.g. hackathons, idea searches, offsite tours)
· Cross functional or cross business unit collaboration
· Internal network of innovators or innovation leaders
· Innovation-specific incentives or rewards
· A dedicated innovation group
· Open innovation (e.g collaboration with external partners)
· A commitment to design thinking (i.e. human-centered design)

CONSUMER GOODS / CONSUMER PRODUCTS

· Innovation events and challenges (e.g. hackathons, idea searches, offsite tours)
· Cross functional or cross business unit collaboration
· A dedicated innovation group
· Open innovation (e.g collaboration with external partners)
· A commitment to design thinking (i.e. human-centered design)
· A dedicated space for innovation work
· Visible support for innovation (e.g. posters)
· Investment in startups

ENERGY & UTILITIES

· A dedicated innovation group
· Cross functional or cross business unit collaboration
· A commitment to design thinking (i.e. human-centered design)
· Innovation events and challenges (e.g. hackathons, idea searches, offsite tours)
· Visible support for innovation (e.g. posters)
· Internal network of innovators or innovation leaders

ENGINEERING & CONSTRUCTION

· Cross functional or cross business unit collaboration
· Internal network of innovators or innovation leaders
· Open innovation (e.g collaboration with external partners)
· A dedicated innovation group
· Innovation events and challenges (e.g. hackathons, idea searches, offsite tours)
· Visible support for innovation (e.g. posters)

FINANCIAL SERVICES

· A dedicated innovation group
· A dedicated space for innovation work
· A commitment to design thinking (i.e. human-centered design)
· Innovation events and challenges (e.g. hackathons, idea searches, offsite tours)
· Visible support for innovation (e.g. posters)

HEALTHCARE

· A dedicated innovation group
· Open innovation (e.g collaboration with external partners)
· Cross functional or cross business unit collaboration
· A dedicated space for innovation work
· Visible support for innovation (e.g. posters)

HIGHER EDUCATION

· Internal network of innovators or innovation leaders
· Open innovation (e.g collaboration with external partners)
· A dedicated space for innovation work

· Investment in startups
· A commitment to design thinking (i.e. human-centered design)

HOSPITALITY & LEISURE

· Cross functional or cross business unit collaboration
· A dedicated innovation group
· Innovation events and challenges (e.g. hackathons, idea searches, offsite tours)
· Open innovation (e.g collaboration with external partners)
· A dedicated space for innovation work
· A commitment to design thinking (i.e. human-centered design)

PHARMACEUTICALS & LIFE SCIENCES

· Open innovation (e.g collaboration with external partners)
· Innovation software platform (e.g. idea submission tool)
· Cross functional or cross business unit collaboration
· A dedicated innovation group
· Internal network of innovators or innovation leaders
· Innovation events and challenges (e.g. hackathons, idea searches, offsite tours)

RETAIL

· Visible support for innovation (e.g. posters)
· Open innovation (e.g collaboration with external partners)
· Internal network of innovators or innovation leaders
· Innovation software platform (e.g. idea submission tool)
· Cross functional or cross business unit collaboration
· A dedicated innovation group
· Innovation events and challenges (e.g. hackathons, idea searches, offsite tours)

TECHNOLOGY

· Investment in startups
· Open innovation (e.g collaboration with external partners)
· A dedicated space for innovation work
· Visible support for innovation (e.g. posters)
· Cross functional or cross business unit collaboration
· Innovation events and challenges (e.g. hackathons, idea searches, offsite tours)
· Innovation-specific incentives or rewards
· Adopting practices from startups or leading digital companies (e.g. dedicated time for innovation)
· A commitment to design thinking (i.e. human-centered design)

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