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

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

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

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

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

VALUES

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

BELIEFS

Over time we have learned what works and what doesn’t, and what leads to success or
failure. Each time an action led to a successful outcome, it strengthened our beliefs. None of this is clearly written down as policy or procedure, but it has a huge impact on how we behave in certain situations. What do we believe about ourselves, our competitors, our customers, and how we play to win in the marketplace?

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

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

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

1. ASSESS THE CURRENT INNOVATION CULTURE

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

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

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

2. DEFINE INNOVATION AND SET THE FOCUS

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

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

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

The “language” of innovation is also important. A common language (what do we mean by insight, disruption,
business model, experiment, etc.) will facilitate communication among innovators and with leadership, resulting in faster and better decisions. Communicate your innovation definition, ambition, and language broadly.

3. PROVIDE TOOLS, TRAINING, AND SUPPORT

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

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

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

4. ENGAGE YOUR EMPLOYEES IN THE INNOVATION JOURNEY

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

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

5. KEEP THE COMMUNICATION FLOWING

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

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

Continue to keep employees informed of your innovation progress. Highlight insights, new ideas, and new market experiments. Convince employees that this is not the “latest initiative,” but core to the future for your company by
making innovation communication a regular part of all company communications. Assure employees that innovation is a key part of executive meetings and discussions.

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

6. LEADERSHIP SETS THE TONE

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

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

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

6. MEASURE YOUR INNOVATION PROGRESS AND PERFORMANCE

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

ARE WE THERE YET?

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

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

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

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