



## Is Your Culture Innovation-Ready?

By Gerry Schmidt and Lisa Jackson

What do corn flakes, microwave ovens, saccharin, and Viagra have in common?

Each was an innovation breakthrough we now take for granted.

Before we reveal their other common bond, a word on the trend toward innovation:

Over the past 10 years, operations and process efficiency dominated the change landscape for increasing competitiveness in business. But in an age of increased global competition, process improvement is becoming the land of diminishing returns.

Research shows executives are counting on innovation for the next big wave of growth. According to a Boston Consulting Group study, 72 percent of companies will increase spending on innovation in 2006; 41 percent will increase spending significantly. Similar results are reported in recent studies by IBM Research Group and Booz Allen Hamilton.

However, nearly one out of two companies is unhappy with its return on innovation spending.

Lack of metrics to measure innovation and an over-reliance on outsiders are two culprits. But the most serious roadblock to organization-wide innovation is a corporate culture that singularly demands, rewards, and reinforces the opposite of innovation: conformity, complacency, and cost-reduction.

Remember those corn flakes and microwaves? Each of these products was discovered by accident while trying to create something else. Great discoveries are frequently made through error. But in a Six-Sigma, no-tolerance-of-mistakes environment—perpetuated by an innate fear of the unfamiliar—how can HR help leaders balance the risk/failure equation, stimulate people's inherent creativity, and increase innovation?

### **Innovation: Big Payoff or Just Another Failed Change?**

Every HR executive would love to play a major role in making his or her company more innovative. In fact, the trend data indicate this might just be the leadership opportunity of the decade for HR.

The caution: Given that 75 percent of change efforts are doomed to failure, the odds are against innovation being able to save the day unless a very deliberate approach to culture change is employed as part of the strategy.

---

*"Over the past 10 years, operations and process efficiency dominated the change landscape for increasing competitiveness in business. But in an age of increased global competition, process improvement is becoming the land of diminishing returns. Research shows executives are counting on innovation for the next big wave of growth."*

---

Following are three remedies HR executives should consider in partnering with their leaders to support innovation:

### **Success Factor 1: Why Innovate?**

Too often, the call for innovation is broad, random, and unrealistic, with an expectation of short-term payoff.

If you clearly define the opportunity innovation provides to the business – the strategic outcome – creativity and innovation become a process to manage and aim toward that defined outcome. As a result, people more effectively align their personal motivations with your organization's goals.

To begin, you must define the relative importance of three primary innovation strategies:

- Improve the customer experience.
- Create breakthrough products and services.
- Align internal operations to better support the first two outcomes.

While you must succeed at all of these, emphasizing one will create a stronger message, a more focused effort, and a clearer platform from which to engage people.

**Improve the Customer Experience.** This innovation strategy means changing a key element of the business model for how, where, and when customers do business with you. Examples: Netflix astonished the video industry with its convenience factor; Starbucks made grocery shopping a more uplifting experience.

**Create Breakthrough Products and Services.** It's not just about branding; it's about renewing or expanding demand for a product by changing the business model or partnering with marketing, sales, distributors, end users, and maybe even competitors. Example: iPod transformed the way music is bought and listened to.

**Align Internal Operations.** Good design principles aren't just for the product-development group any more. They apply to internal support systems, structures, and operations. Example: Home Depot used innovative methods to re-tool its entrepreneurial culture and make operations more disciplined. That shift resulted in revenue growth from \$46 billion to \$80 billion in three years; at the same time earnings per share doubled.

### **Success Factor 2: Balance the failure/risk equation**

Innovation is the output of creativity. But creativity can't occur in an environment where fear of failure reigns. Initiate an honest dialogue with your senior leaders and spend time observing how these four innovation predictors show up in your organization:

1. Define failure. What does the failure really mean in your organization? What happens when someone makes a mistake or a product fails?
2. Clarify risk. How do you define risk-taking in your organization? Where can people afford to take risks? Where can you not afford to take risks? Are people visibly and publicly rewarded for taking chances?
3. Eradicate fear. Is it safe to speak out in your organization? Is there a process in place to manage healthy conflict and debate? Do people trust leaders and each other?
4. Allow creativity. Does your organization make time and room for the creative process?

Balancing the risk/failure equation will require conversations about these issues from the top-down.

### **Success Factor 3: Create safe havens for innovation**

There are two significant leverage points from which innovation can flourish:

1. Most leaders and managers were once promoted because they demonstrated innovative behavior. But the vast majority of leaders do not adequately speak the language of innovation in meetings. A simple and powerful strategy to increase innovation is to change meeting language so people speak openly without fear of repercussion.
2. HR leaders are an untapped gold mine for how their company can better support innovation. The challenge: HR is often not a partner in the development of innovation strategy. HR executives need to develop a strong business case for the move to innovation, which includes business trend data. Next, they need to demand and develop a relationship with a strong business leader who knows that re-tooling culture so innovation can thrive requires planning, assessing, measuring, and managing it as you would any critical business strategy. And lastly, they need an honest view of how the organization tolerates risk, fear, and creates safe havens for innovative behavior to blossom.

Following this yellow brick road to innovation is not easy. But it pays off by giving the best and brightest talent a good reason to call your company home.

Lisa Jackson and Gerry Schmidt are corporate culture experts and authors of the book *Transforming Corporate Culture: 9 Natural Truths for Being Fit to Compete.* They offer a proven method to teach leaders how to evolve their corporate cultures to perform better, innovate faster, and show they truly care about people in an unprecedented era of rapid change and transformation. Visit them on the web at [www.CorporateCulturePros.com](http://www.CorporateCulturePros.com) or follow them on Twitter at: <http://twitter.com/corporateculture>