Creating a Culture of Innovation

In the "new normal," fostering innovation will be a driver of organic growth. Organizations must have these six key steps in place.

by Jason Krieger

Since the Industrial Revolution, there have been three main business innovations. The first was neoclassical economics to drive a supply-and-demand economy. The second occurred in the 1980s and 1990s when companies like Toyota, GE, and others used process improvement (Six Sigma, lean manufacturing) to drive profitability and growth.

In today's marketplace, these models no longer provide the competitive advantage they once did. So the third major business model will be the driver of innovation moving forward. This model is behavioral economics.

A new major business model will drive innovation: behavioral economics.

Whether these three models were product driven, knowledge driven, or innovation driven, one thing remains constant: They all need people and managers. To execute, you must choose to use people as allies rather than adversaries. Behavioral economics is the science that allows this to occur. There are three mechanisms or levers that an organization can pull to drive innovation using behavioral economic principles. They are culture measurements, capability assessments, and selection of the idea catalysts (the organization's people).

To build a culture that fosters innovation, an organization must hire for innovation talent, build teams that are diverse in talent, and fit individuals to the right role to drive success. Once the people have been identified and placed, management must provide the right training and onboarding relative to innovation and should train managers for skills needed to drive innovative talent.

In addition, firms must have useful metrics, and these should be embedded in the culture of the organization. These metrics include benchmarking tools that allow companies to compare themselves to the best in industry and the best in class. There also must be robust customer input to allow for adequate feedback to the innovation process. Lastly, organizations must have an employee engagement program. Gallup's research indicates that high levels of employee engagement correlate to more idea sharing, better idea generation, more creativity in role, and improved business outcomes (on key items, including customer metrics, productivity, and profitability).

In order to execute on this culture of innovation, firms must have six keys in place.

1. Innovation assessment

Contrary to popular belief, organizations can evaluate and select for innovation talent. By studying your best people, you can hire others like them and identify within your current population the role that individuals play in the innovation process. These roles include *Innovators* (those who generate ideas), *Drivers of Innovation* (those who align ideas with strategies, allocate resources, and build supportive constituencies), and *Drivers to Market* (those who commercialize and execute market-facing activities).

Beyond identifying talent, a selection tool allows managers to focus on the particular needs of these different individuals and understand the specific behaviors that each will demonstrate in the workforce and how to help them make these behaviors as productive as possible.

2. Onboarding and training

When employees join your organization, are you able to provide a scorecard of how they measure up relative to others with regard to the three types of roles in the innovation process? If you are, then when employees enter the business, they should quickly know what innovation role they should play on the different teams they work with. On one team, they may have the highest level of innovative talent; on another, they may be best suited to drive innovation. But without this knowledge, you risk slowing the speed of the commercialization process.

And are you teaching managers how to use the innovation scorecards of their team members and providing them with innovation training? For supervisors to be successful at any level of the organization, they must be able to conduct structured brainstorming sessions, use their team members most effectively, and direct project and portfolio management processes.

3. Innovation index

When you compare your organization to others, how do you know how it's performing relative to innovation? Do you have an index that is broad in scope (companies, industries, and countries) that allows you to compare your progress?

4. Customer metrics

Customer feedback is critical to the innovation pipeline. Are you able to identify your best and worst customers and gather feedback from both? Are you able to take this feedback and constructively use it in the beginning stages of idea generation?

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5. Employee metrics

Employee engagement has been linked to increasing levels of innovation. Engaged employees share their ideas more often, generate more ideas, and generate better ideas. In one example, the ideas an energy company was able to generate from engaged teams produced on average three times the amount of cost savings compared with ideas from teams that were not engaged.

Employee metrics, if done right, allow senior leaders to look across their organization and quickly spot managers who may be blocking the innovation process. Teams that have low levels of engagement are likely to be less innovative, so an engagement program can be an early identifier of poor innovation management pockets within an organization.

6. An innovation scorecard

It has been said that "What gets measured gets done." All organizations should build an innovation scorecard if they are to track and measure progress.

At this point, you may be wondering "What would this look like at my organization?" Think about how your organization currently structures the teams that are working on new products or processes. If your organization is like most, it pulls in individuals from marketing, R&D, sales, finance, packaging, etc. By doing so, you probably feel like you have created a diverse team that can now drive a project to commercialization.

You would be right in this thinking if you not only had team members with diversity of function but also diversity of innovation talent. Without identifying the innovation talents of each individual on the team, for example, you risk putting together a team of all Innovators. You might get a lot of ideas from this group about how to drive this product or process to market, but there will be lack of resource allocation and execution to commercialize.

Now imagine that you chose the same functional group of individuals for this project, but you have a group that is diverse in innovation talent. You will have provided for the entire innovation continuum, including idea generation, concept testing, strategy alignment, resource allocation, and commercialization. Giving each member of the team development tailored to his or her unique skills will help you drive the output more efficiently than your competitors can, thus supplying you with a competitive advantage using your people as the weapon.

Innovation in the "new normal" will be the driver of organic growth. For companies to maximize these efforts, they must shift their focus from R&D to one that embeds innovation throughout the organization, whether the innovation they seek is a new product, process, or business model.

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