

# 5 Building a culture of continuous innovation

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It is crucial for organizations to build and maintain a culture of continuous innovation to be successful. Organizational culture is a set of values, beliefs, and ways of thinking shared by members of the organization (Schein, 2010). According to Gliddon (2006), “as innovations become more radical, management of organizational culture is key” (p. 20). Innovation leaders are able to foster and promote organizational cultures that spark creativity and risk-taking, motivate and reward employees to think out of the box, and channel ideas to increase stakeholder value (Ahmed, 1998). However, these characteristics are not easily replicated by those organizations most in need of developing a culture of continuous innovation. In this chapter, you will gain an understanding of how innovation leaders assess, clarify, and communicate an organization’s culture and values; how they design and implement a new organizational culture; and how they build new roles and responsibilities to support innovation.

## Description

Innovation creates a mindset to envision, shape, and attack the future (Davila, Epstein, and Shelton, 2012). Although much has been written about innovation, it often remains an organizational initiative shrouded with uncertainty. Many organizational leaders do not know where to begin, how to unleash the creative potential of their employees, or how to equip leaders with the right competencies to lead innovation. In other words, many understand the ‘why’ of innovation but are still unclear about the ‘what’ and ‘how’. Building a culture of continuous innovation can help to address the ‘what’ and the ‘how’ of innovation. In this chapter, we will answer for the three key questions:

- What is organizational culture and why is it important?
- What is a culture of continuous innovation?
- How do we build a culture of continuous innovation?

Likewise, we will explore the role of the innovation leadership in building a culture of continuous innovation because one of the biggest influences on innovation is an organization’s culture.

## Research foundations

Organizational culture is reflected in the way that people relate to each other, to the organization, and the organization's environment (Ahmed, 1998; Lau and Ngo, 2004). An organization's culture responds to the organizational environment, structures day-to-day work assignments, and rewards the talents of its people. Besides performance, an organization's culture uniquely distinguishes an organization from other organizations. Employees internalize values, beliefs, norms, and behaviors to fit into the culture of the organization, do their work, and interact with each other professionally. An organization's culture develops over time and is subject to a variety of positive and negative influences. The vision of a founder who has since left the organization, conditions that are not typical or expected to repeat, and practices that were coincident with, but not actually responsible for, the organization's success are examples of such influences. Thus, as an organization grows and matures, the culture may encourage and reward practices and policies that are not appropriate for or counter-productive to the needs of a changing organization, especially for a culture of continuous innovation.

Changes in the market, customer needs and preferences, technology, or the availability of resources all point to the need for developing an adaptive culture that can effectively carry an organization through most situations. If there is misalignment between the organization's strategy, its vision for the future, and its current organizational culture, an organization may be less likely to meet its goals. Thus, to be successful, leaders need to develop an organizational culture that fits an organization's objectives with its strategy (Butts, 2012). For example, work processes need to be tailored to the types of products or services offered and value-driven human resources practices should be aligned. If organizations pursue and articulate an innovation strategy, the organization needs to have a culture of continuous innovation aligned to its innovation strategy.

In a culture of continuous innovation, there are cultural relationships among creativity, innovation, and implementation in a dynamic cycle (see Figure 5.1) such that: (a) creativity is the wellspring of ideas that feed

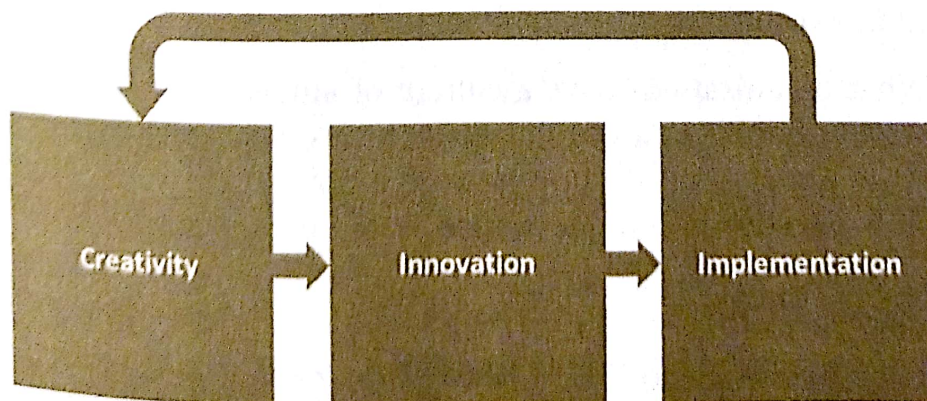


Figure 5.1 Dynamic cycle of creativity, innovation, and implementation

innovation, (b) an innovation happens when creative ideas are transformed into realistic action plans, and (c) implementation fosters additional creativity.

Considering creativity, organizations can establish creativity as a core organizational value and criteria for acquiring and developing talent. In regard to innovation, organizations can communicate the importance of innovations and their quantifiable impact on the organization. An organization can then set measureable innovation goals and allow employees the freedom to choose how they are to be achieved. During implementation, organizations can streamline work processes into project-based activities, review performance and progress toward goals, and provide rewards for achieving goals.

Once the dynamic cycle of creativity, innovation, and implementation in a culture of continuous innovation is initialized, organizations can begin to change their culture. Strong culture has been linked to organizational short-term performance (Denison, 1990; Gordon and DiTomaso, 1992). However, strong cultures do not necessarily create sustainable long-term performance. Therefore, cultural change should be linked to the organization's climate and core strategy. Organizations commonly change to a culture of continuous innovation to develop a strategy of sustainable growth. Although it is sometimes challenging, changing an organization's culture is possible if it is managed in steps (Lewis, 1996). The following is a set of steps organizations can use to develop a culture of continuous innovation. Innovation leaders should help members of organizations answer the questions included in each step.

Step 1. Plan a cultural assessment.

- What does the organization's innovation strategy tell us about the culture?
- Who are the innovation leaders and key stakeholders in the organization?
- What else do we know about the culture? Still need to know?

Step 2. Define the culture of continuous innovation.

- What is the organization's vision/mission and what part does innovation play?
- What do we want people to understand and believe about innovation?
- What are the desired innovation competencies, behaviors, and practices?

Step 3. Audit existing organizational cultures.

- What organizations have a culture of innovation?
- What are their innovation competencies, behaviors, and practices?
- What are current attitudes toward innovation?
- How effective is communication in the organization?

Step 4. Analyze the gaps.

- What are the similarities and differences between the existing cultures and our desired culture?
- How big are the gaps and what is the risk?

Step 5. Plan the transition.

- How can we close the gaps?
- How can we motivate people to change?
- What is the priority and timing of the action plan?
- How will we measure the success of the cultural change?

**Application and implementation strategies**

Innovation is one way organizations can achieve success by improving processes and creating a workforce that is more productive. However, several recent studies have stated that, if organizations fail to build a culture of innovation and properly address cultural issues, they may fail in pursuing organization-wide innovations (Patel, Kohtamäki, Parida, and Wincent, 2015; Van der Panne, Van Beers, and Kleinknecht, 2003). Therefore, we recommend assessing an organization's culture as part of its innovation strategy. This will provide the organization with quantitative and qualitative knowledge about its culture. This knowledge can be used to compare the organization with other organizations that have successfully developed a culture of innovation. This knowledge can also be used to evaluate and select potential strategies for developing a culture of continuous innovation. Organizations that have started to develop an innovation strategy should consider conducting a cultural assessment after a six-month to one-year period. Organizations should seek to align their organizational culture with their strategy for innovation using an integrated view. This integrated view of organizational culture (see Figure 5.2) provides a comprehensive framework for understanding and assessing an organization's culture.

How does an innovation leader decide if an organization's culture enables or is a barrier to successful innovation? The first step in conducting a cultural

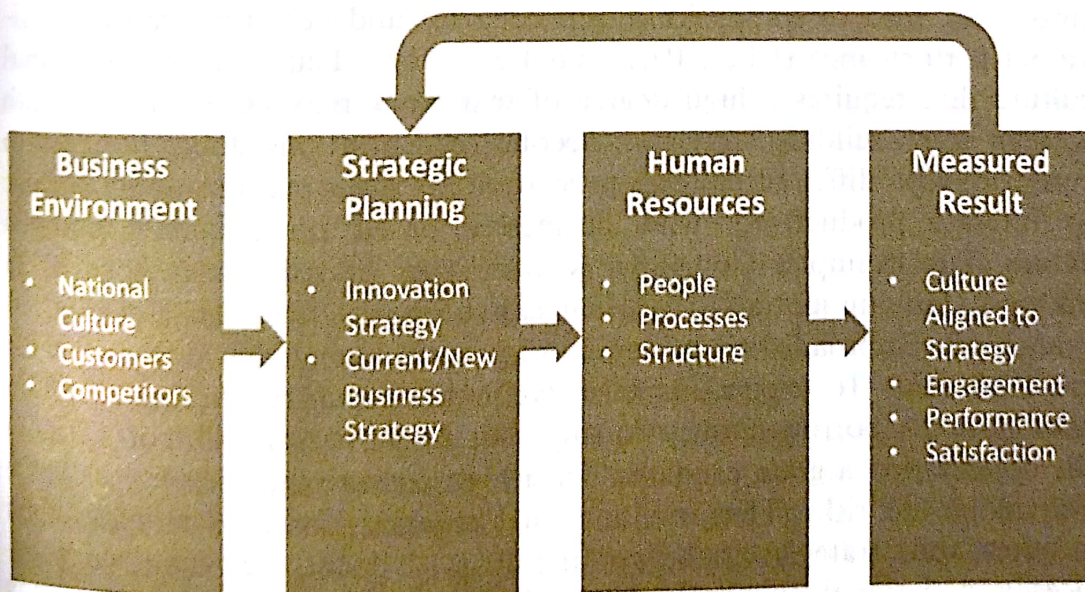


Figure 5.2 Building a culture of continuous innovation

assessment is to articulate the organization's vision and innovation strategy to determine the culturally driven practices and behaviors that will enable them. The next step is an assessment of the current culture and an analysis of the gap between the current and the desired innovation culture. An organizational culture assessment, such as Park and Donahue's *Culture of Continuous Innovation Assessment* can be administered to employees and is an excellent way to assess the current culture and obtain the information needed to conduct the gap analysis. When conducting an organizational culture survey, employees provide quantitative and qualitative information on the way organizational and innovation-focused policies and practices are actually working in an organization. An employee survey also provides information on how employees' view their relationship with the organization. An examination of formal policies may not reveal whether employees believe they are being treated equitably, whether they trust management, or feel engaged in the organization. Because employee perceptions help to drive their work behavior, it is essential to gather this type of information. Employee data is more than employee opinion, it is essential information about the organization that can be used by innovation leaders to plan successful innovations and develop organizational sustainability.

Globalization has connected markets globally and has led to an increase in workplace and organizational activities abroad (Scholte, 2000). Globalization has created a need to understand how business is conducted in many different economic, social, and political environments. When considering the fit between an organization's innovation strategy and its culture, a multinational organization must take into account the differing national values that may place constraints on organizational practices in its operations throughout the world. Globalization effects organizations in two ways. First, organizations need to reflect the culture in which they originate. South Korean employees, for example, in comparison to U.S. employees, tend to emphasize group behavior and performance over individual performance (Rhee, Park and Lee, 2010). Thus, an organizational culture that requires a high degree of teamwork may benefit from South Korean team-building strategies. Second, organizations doing business in countries with different cultures need to adapt their organizational culture to interact productively with businesses based on dissonant cultural values. For example, Company A from the United States believes in taking a fair amount of risk when expanding its business. However, its branch office abroad does business in an environment that does not value financial risks. To expand its business in that country, the branch office may have to borrow money locally, but local banks will not consider the organization a good candidate for a loan because they perceive its behavior to be too risky. Thus, multinational organizations need to adapt their cultures and strategies to be compatible with local organizational practices and national cultural values. Modern trends in globalization may someday lead to a relatively homogeneous global culture that will soften

national differences in organizations (Guillen, 2001; Larson, 2002). However, in today's business world, it is essential to pinpoint and resolve existing conflicts between national and organizational culture for successful innovation (Tödtling and Trippl, 2005).

## **Discussion**

The ability to innovate is a critical benchmarking criterion that differentiates high performing companies from the ravaged ones (Hull and Rothenberg, 2008). Innovation can make a drastic difference in an organization's success by reducing time-to-market for new products and services, improving processes, creating cost efficiencies, and fostering a workforce that is better informed, more productive, and finds greater fulfillment in the workplace. Sustainable innovation requires a positive culture. Innovative organizations foster and develop a culture of continuous innovation that encourages employee creativity and motivates them to improve performance. Innovation is more than just the buzzword of the week. Therefore, short-term cultural development programs are ineffective without long-term strategies. Employees become inured and resistant to a one-time flurry of attention and activity followed by business as usual. What is needed is fundamental and lasting change in all aspects of the organization. Thus, it is important to review and update the HR function in areas such as job descriptions, training and development, compensation, benefits, organizational structure, staffing processes, and employee safety and security initiatives.

An organization's HR strategy is influenced by its cultural values. When the HR strategies and practices are not aligned with the organization's overall strategy, productivity and performance can suffer. For example, an organization whose strategy requires continuous innovation, development of new products and teamwork will be more effective if the organization also values and practices knowledge-sharing among teams and employees. Understanding the practices associated with effective HR and the values underlying these practices will help organizations to optimally align their culture with their organizational strategy. In addition, a culture of continuous innovation can attract and retain employees and help to develop their talent.

To build a culture of continuous innovation, innovation leaders should focus on achieving a lasting competitive advantage, developing new roles that support innovation, encouraging high performance, and implementing employee reward systems that measure innovation. Assessing your organization's culture is a great place to start. By measuring the culture's alignment with its strategy, innovation leaders are able to quantify the organization's cultural gaps and create actionable steps. The structured, analytical approach described in this chapter can unleash the creativity of employees and help your organization to develop a culture of continuous innovation.

### Summary

This chapter discussed the importance of building a culture of continuous innovation. It explored the relationship between an organizational culture and innovation. It reviewed the dynamic cycle of creativity, innovation, and implementation, and its foundations. In addition, this chapter discussed how to assess, identify, and communicate the organizational culture and its values to support innovation. It reviewed a set of steps organizations can use to develop a culture of continuous innovation. This chapter looked at the role that HR plays when developing a culture of continuous innovation. In this chapter, we answered three key questions:

- 1 What is an organizational culture, and why is it important? Organizational culture refers to the values and behaviors of an organization. While organizational culture can be informed by an organization's stated mission, vision, and goals, it is also characterized by its performance, values, beliefs, and ways of thinking shared by members of the organization. An organization's culture is generally created by its leaders. How leaders communicate, behave, what actions they model, and what they expect from their employees sets the tone of the organizational culture. Organizational culture is important because it unites an organization's human resources to achieve the organization's goals and objectives.
- 2 What is a culture of continuous innovation? A culture of continuous innovation is characterized by a dynamic cycle of creativity, innovation, and implementation. Creativity is the wellspring of ideas that feed innovation. An innovation happens when creative ideas are transformed into realistic action plans. Implementation fosters additional creativity. This process subsequently fosters additional creative ideas. Creating a culture of innovation typically starts when innovation leaders establish an innovation strategy.
- 3 How do we build a culture of continuous innovation? Without innovation, an organization becomes stagnant and change is needed to make it sustainable. Successful organizations often describe success in terms of creating new products or services, streamlining processes, and eliminating waste. However, a culture of continuous innovation is multi-faceted and includes periodic assessment of other factors, such as organizational plans, work systems, communications/decision making, managerial leadership, and training/rewards. Changing or building a culture of continuous innovation that is truly effective and transforming for the organization has at least three components. First, the organization's culture must be understood and deliberately crafted. Second, leaders must understand and embrace innovation. Third, employees must understand and buy-into the culture, realize the organization's goals related to innovation, and feel empowered to be innovative. Building a culture of continuous innovation creates a mindset to envision and shape the future.

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## 6 You have the idea, now how do you fund it?

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So, you have an innovative idea? How do you get your leadership team to get on board to fund it? Innovations require funding and the persuasion of leadership teams to support the initiative. Draper (2015) makes a poignant connection between the business engine and the fuel of funding. Without fuel the engine cannot run and without funding an innovation cannot be realized. Whether your idea is meant for a large scale, small scale or entrepreneur level implementation, the identification of a return on investment (ROI) is necessary to add value.

Often the method to identify funding falls on the innovation leader. Gathering a cost analysis and expense forecasting are critical in obtaining approval for the evolution of the innovation. Additionally, calculating the return on investment is not only empirical, but prudent to establish the value of the innovation. Having a working knowledge of the different aspects or means of potential funding may help to provide your idea with the extra emphasis it needs to be seen as a valuable or necessary project by management or investors. Understanding who your stakeholders are and their role in giving your idea the go ahead is just as important as your idea or funding analysis. These stakeholders are looking not only at the innovation, but also the bottom line financial impact of the innovation.

The stakeholders and scale of the innovation help to recognize and identify what should be included in a financial plan. However, the importance of a financial plan depends on factors beyond the stakeholders and scale. Consideration must also be given to compartmentalization into different levels of expenses. The different levels of expense based on factors such as; ground work (expertise, research), technology costs (both physical, human), testing (both integration, regression), marketing and training. Knowing this pushes the innovator into potential areas of inexperience when trying to identify the elements of cost. The innovator must think beyond the idea itself and determine what, who or how the idea touches cost.

### **Description**

Innovations often require innovative methods to fund them. Lewandowska (2013) raises the point that the complexity of raising funds for an innovation

can be risky and sometimes difficult. However, this should not dissuade an innovation leader as there are many ways to present a request for funding. It all depends on the environment of the innovation and the audience it is presented to. Building the ground work to identify the costs associated with the research and implementation provides the innovation leader with a solid footing when approaching leadership teams to fund an innovation. This means the innovation leader needs to understand some common concepts in not only the ability to identify costs, but also in the value the innovation presents for the future.

Finding the starting point begins with finding each cost step that the innovation touches. To find these you have to think about not only the implantation but also development. Since you know the end product you need to know the starting point. Often you must think beyond the innovation and onto more practical needs; these could include:

- The number of programmers needed, their hourly rate and length of time needed.
- The number of project team members needed, their hourly rate and length of time needed.
- The amount of systemic testing needed, and the cost of the testing whether internal or external.
- What materials will need to be tested to implement the idea?
- Are there outside factors such as regression testing or training needs?
- Is the idea a technological advancement, new product, change in procedure/ process?
- Are there copyright or patent concerns?

With these questions answered you can be well prepared to determine what the cost of the innovation would most likely be. However, this may take some leg work and partnership with other teams within your business. If you fear you are not qualified to provide such an analysis, invoke your network of colleagues. Utilize your partnerships within your systems, finance and business lines to help in defining each point you will need for your cost benefit analysis.

Building your financial foundation starts with a cost benefit analysis (CBA). A CBA is used to estimate the benefits versus the costs associated with any given project (Weimer, 2011). It applies a monetary valuation to the potential benefit that may present on any given project (Hwang, 2015). One important thing to note is that costs and benefits can occur at different times in a project cycle and therefore fully vetting the innovation is recommended (O'Brien, 2015). There are several factors to consider when doing a CBA. Costs include items such as those listed above; time, payroll, testing, materials, technology, as well as licensing, patents and legal fees (O'Brien, 2015). Benefits can include additional sales, improvements in processes, reduction in risks, efficiency and advantages in competitiveness (O'Brien, 2015). The CBA provides you with a clear idea of what expenses you will need to cover in your

presentation to management. Additionally, it also presents you with an opportunity to identify if a capital expense is required.

Understanding capital expense or expenditure is essential when the innovation will require a large investment on the part of the business. Larger businesses have more ability to use a capital expense due to the ability to make a financially sound decision to expend the large amount of funds that are required (Leong, 2014). Capital expenditures carry one major difference from operation expenditures and that is based on the fact that a capital expenditure is based on an asset that expands a benefit beyond a single year (Gitman, 2012). The motivation behind using a capital expenditure to fund an innovation is to expand upon the current business, enhance the business or invest in a new idea. These are long-term expenditures. With long-term expenditures comes risk (Moffett, 2009). For this reason, it is imperative you provide full disclosure when presenting the financial framework of your innovation. A capital expense can be substantiated by presenting a return on the long-term investment.

A return on investment deals with knowing what the profit is on the investment that is made (Bendle, 2016). What benefit will the innovation have in the future and can that benefit be equated to a financial gain? Think of this as a long-term goal. You are making a financial assessment of the value that will be gained if the idea comes to fruition (Arney, 2017). While the innovation may cost in the first year or even the longer term, what will the idea provide in terms of profit in the long run. Identifying the progress of the profit line is important to your stakeholders. Initially you may have costs associated with training and technologies that are often one-time costs. Innovation goes beyond something new and exciting and can often be a change to a current process or experience. These costs can turn into higher profits as they improve employee performance, align processes or add value to the customer experience. This can be a very persuasive tool when presenting the innovation to stakeholders or outside investors. While identification of the cost, benefits and return on investment of the innovation can be daunting, keep in mind that the more informed you are about the cost and benefits, the better equipped you are in presenting the innovation to the stakeholders.

### **Research foundations**

Innovation has an impact on large, medium, small and entrepreneurial levels. There are many different ways to fund innovation depending on the business level, financial supporter or the innovation itself (Kasper, 2014). The internal policies and procedures of a business or corporation also have major impacts on the ability to fund an innovation (Spiceland, 2011). Factoring internal or external funding as well as the impact of the funding needed comes into consideration when approaching funding. However these can be broken down into four different basic levels:

- Internal funding – Small financial impact
- Internal funding – Medium financial impact
- Internal funding – Large financial impact
- External funding – Any amount

Innovations that have small financial impacts are more easily funded but can take just as much effort in achieving. Some businesses are able to absorb this type of expense in annual or quarterly budgets and without senior management approval. Not all innovations carry a financial impact that is outside of the normal functional duty of an area or individual and may not include the need for financing (Spiceland, 2011). In these instances, the need to obtain additional funds may not be necessary. However, if funding is required the same steps may be needed for obtaining the funds.

Innovations that have medium financial impact may require a higher level of approval based on the intricacies of the project. The more funding that is needed the more likelihood of additional approval. The funding may require investing activities and financing activities (Spiceland, 2011). Most corporations or businesses have approval limits for certain management staff. For example, a senior manager may have a signing limit of 100,000, while a vice president may have a signing limit of 1,000,000 and so on. Only the business itself can determine the level of financial impact and the funding that the innovation requires.

Innovations that have large financial impacts will require senior management approval or higher. Additionally, depending on the true financial impact may also require the business to add the capital expense to its regulatory reporting on a quarterly or annual basis (Atkins, 2007). A large financial impact has to be presented with a financial plan and a risk assessment. The impact of the risk is extremely important to whether or not the innovation can progress. This is why the CBA and the ROI become so important (Atkins, 2007).

External funding and entrepreneurial funding can be approached for different reasons. The business may not be large enough to fund the innovation without outside assistance or the business is a startup and seed money is needed (Goodman, 2016: 62). External funding may also require a business plan to prove the effectiveness of the current business and to present the potential for a startup. Having the ability to demonstrate that an innovation has a high potential to be a success allows for more opportunities of funding (Lewandowska, 2013).

There are many means of achieving external funding, for example loans, venture capital, equity funding, and even crowd funding (Galope, 2014). Loans come in many forms depending upon the size of the business and the stability of the business. These include loans such as new business, small business, personal or equity, to name a few (Gitman, 2012). Financial institutions require underwriting (the process to verify that the borrower meets requirements set by the financial institution), which may include examinations of the financial status of the business, past credit history, potential collateral

and the potential value of the innovation (Stevens-Huffman, 2012). Requirements vary by financial institution and can take several weeks for approval while the validity of the loan is evaluated.

Venture capital is an investment where individuals or businesses buy an interest in an idea where the innovator has already had success but wants to expand that success (Lewandowska, 2013). The investor looks at the long-term growth potential of the innovation as part of the decision process. In some instances, a venture capital fund is managed by a venture capital firm and fund manager. A stakeholder (investor) utilizes the skill set of the fund manager to invest and determine the validity of a potential business opportunity (Draper, 2015). The firms can have investors from all over the world and foreign investment is a potential backer for innovation (Salkoff, 2015).

Equity funding is taking an interest in the business as an owner and can be more complex as it involves a percentage of the business the investor receives (Draper, 2015). The method potentially involves the selling of stocks to investors as a means of gaining interest of investors (Wonglimpiyarat, 2012). In equity funding the innovator needs to keep in mind that the investor is not only looking for a return on their investment, but also a solid hold on the financial future of the business overall. Keeping this in mind the inventor should carefully consider whether or not they are willing to give up a potential profit to an investor (Goodman, 2016).

Crowdfunding, while newer, is a means to an end by allowing multiple individuals to freely give funds to any given venture (Chan, 2017). It is a method to fund an innovation outside of traditional banking methods, rather utilizing public and personal connections instead (Ennsgraber, 2015). Crowdfunding itself involves a vast number of individual investors pooled from online internet users (Calvo, 2015). Hence it is commonly utilized on the entrepreneur level. A depth of research will be needed when utilizing crowdfunding to gain the most value from the funding method as there are many specialized crowdfunding sites that may be utilized.

### **Application and implementation strategies**

With the clarification of what you've deemed necessary to finance the innovation you know need to understand your stakeholders. Who are the stakeholders? How does the innovation affect their bottom line? Since innovations can come from a multitude of different industries or prospects there are just as many stakeholders that can present. Additionally, the size of the innovation will also have an impact on the stakeholders. Most often if the innovation has a financial impact it will involve the Chief Financial Officer and in turn could involve the Chief Executive Officer. Other considerations need to be taken for the Chief Compliance Officer, Board of Directors and potentially stock holders. Each industry will drive who the stake holders will be. Singh (2014) identified that stakeholders are just as important as the innovation itself as the influence of one stakeholder can move the interest of

another. As well, if one stakeholder feels that the innovation is detrimental to their line of business this could cause dissention. This is why it is important to know your stakeholders and to identify them early on. There are different methods of identification as well as many sources that can provide you with guidance on who should be part of your presentation (Singh, 2014). Identification of the level of impact your innovation has is key. At what level of the organization does the idea impact, department, line of business, and business as a whole? Who are the key players in those areas? In some instances, you may have to present the idea to your direct management team prior to presenting it to senior management.

Some organizations are very large while others can consist of a small leadership teams. In the instance of small leadership teams the task can be less daunting but still requires understanding how each of the stakeholders is impacted by the innovation. On the other hand, larger groups of stakeholders may need to just understand the innovation and what the financial bottom line is. Either way, both must be treated with respect or a need to maintain a well-rounded understanding of the stakeholder is needed (Eskerod, 2016). Think about whom the innovation has an effect on, how do each of these individuals impact the success of the idea and who needs more information than others (Eskerod, 2016).

Keep in mind the project team is included in the list of stakeholders. While they may not be in the decision-making process of pursuing the innovation, they will in the end need to be on board to make the innovation a success. The project team is also responsible for keeping the project budget in line. Any issues with process or product can cause a financial impact. Having a solid plan that allows for potential issues such as these is prudent financially.

The stakeholders are a key part of getting the innovation funded. So how should you present your financial data to your stakeholders? This can be achieved in many manners; however, your audience should be a key factor is how you present the data. Keep the financial data clear and unobscured. Make it easy to read or present and clear and concise. Present the data in a manner that allows the stakeholder to see the overall picture with the ability to drive down to the level of detail that would provide a clear picture. These steps should help in presenting your data:

- 1 Financial Overview – Business Impact Statement – overall cost and overall benefit;
- 2 Breakdown – Cost (physical, technological, human and any other);
- 3 Breakdown – Benefits (policy, procedure, product, customer);
- 4 Return on Investment.

These should come after any information you are presenting on the innovation. Present the idea with positive impacts. Present the financial overview that gives a business impact statement. A business impact statement provides a strong foundation for presenting what the innovation can positively do for

the business (Griffen, 2015). This is a perfect transition to the overall costs and then the overall benefits. By presenting the cost first you are able to counter potential disparity with the overall benefits. You may then go into breakdowns of the cost and benefits if needed. Finally, present the return on investment of what the innovation will bring to the stake holders. This leaves them with a positive view of what the innovation can do. In addition to presenting the above information remember who your audience is. For some the financial data is important, but it may not be as important as the effect the innovation has on a specific area. You may need to also discuss impacts to different areas or personnel. However, remember to present the data in a manner that is positive and reinforce them with the financial data.

## Discussion

Financial data represents the core of the business, but the viewpoint of the business is its customers and values. Innovation leads to better customer experiences, cleaner processes and greater potential for gains. While a business is highly in tune with its clientele, it's the ability to service those clients with the most cost efficient means and services. Financial plans lead these changes and put constraints on what will or will not transpire in a process. Organizations and leaders often utilize formal processes for financing innovations. Innovation in today's business environment is not limited to one industry. In fact, many industries rely on innovations to maintain a competitive advantage. Specifically, financial gains made from innovations (Madsen, 2015). This is not different dependent upon the industry. The main focus for a business is the product and the bottom line.

However, there are some differences in approach based on technologies and on regulatory requirements, as well as where the company is based. Each industry is governed in some way by some sort of regulatory body. In this manner; there are differences in approaches to innovation related to a financial impact. Most of these are discussed based on the size of the business and the impact the business might have if it fails. One important thing to note is that not all innovation ideas come from inside the business itself. We can specifically look at the financial industry and the impact of innovation on banking. The banking industry looks toward innovation to drive its processes. On the other side, we can look at a mandated innovation from Europay, Mastercard and Visa (EMV) to maintain smart-chip based cards (Dahiya, 2014). The innovation was developed by the card industry and not by the banking industry yet it has a huge financial impact on the financial industry. Each financial institution that was impacted made the innovative change based on an outside impact. However, the point of the chip-based card was to deter fraud (Morrison, 2015). Thus, the cost benefit analysis would be driven by lower fraud rates (Dahiya, 2014).

With this example, you can see that innovations do not always come from inside a company. They can be mandated by industry leaders or government

regulations. What doesn't change is the need to do the cost benefit analysis, the return on investment, the financial plan and the presentation to the leadership team. What might change is who on the business level champions the innovation. In this instance, it was left in the hands of product and compliance teams to achieve. Innovation can be inspired both inside and outside an individual business or industry. This means the financial impact can come from inside or outside the individual business or industry. Keeping the competitive advantage also means ensuring that trademarks, service marks and registrations have to be searched as do patents (Harding, 2016). This can require intervention from legal entities both inside and outside of the business. There are some industries that reluctantly make changes that are mandated. In other situations, delays occur due to the inability for an industry to quickly abide by a ruling or change required by someone outside the industry. Furthermore, there are times when changes are mandated and then revoked when it is realized that the industry can't make the change in the time frames promulgated. No matter what the industry, outside mandates will always transpire and therefore the means and knowledge to devise a financial plan is a necessity.

## Summary

Innovations can present wonderful experiences for both the industry and the customer. In order to get the innovation realized there must be a foundation for funding. Taking the steps to identify the key costs associated with the innovation helps to substantiate the knowledge of the innovation leader in identification of expenses. The next step is to identify the benefits that the innovation will present. These are not only the innovation itself, but the positive impact on the business. One must not forget the return on the investment and its impact to the bottom line for the key stake holders. Understanding the steps a business must take to acquire funding is one step in development of the financial plan. Presenting a financial plan along with the innovation provides the stakeholders with a well-rounded picture of what the overall impact of the innovation is. It also provides the leadership team with the necessary information to make an informed decision on the risks that may be associated. As an innovation leader, being prepared with financial data and understanding who the stakeholders is a positive step to presenting the idea. Build upon what the idea is. Present a full picture of what will transpire and what the forward view will be. Focus on the benefits and use them to counter the costs. With a well laid financial forecast and identification of key points the financial plan can substantiate the validity of the innovation.

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