

Leaders are critical about creating a sustainable culture of innovation, but they shouldn't be.





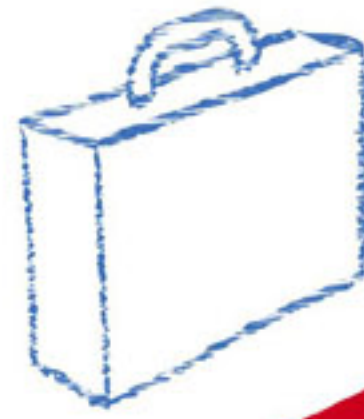
INNOVATION-DRIVEN LEADERSHIP

By Audrey Smith and Ellie Hall

Riding out the economic recession of the past few years, many organizations put the brakes on aggressive growth targets, vigilantly watched costs, and slashed spending on research and development. In such a conservative environment, innovation—and the risks that went with it—moved to the back burner.



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Innovation needs to be an organizational norm that is reinforced by the organizational culture. And, for many organizations, becoming more innovative requires nothing short of a culture transformation.

But as the global economy has tentatively returned to health, organizations are realizing that *not* innovating is a risk they simply can't take. They no longer can rely on the products and processes that have served them well in the past to navigate the complexity of the global economy and ensure their future success. As a result, innovation again is viewed as critical.

The evidence, both in the form of research and anecdotal examples, is seemingly everywhere. Consider these examples:

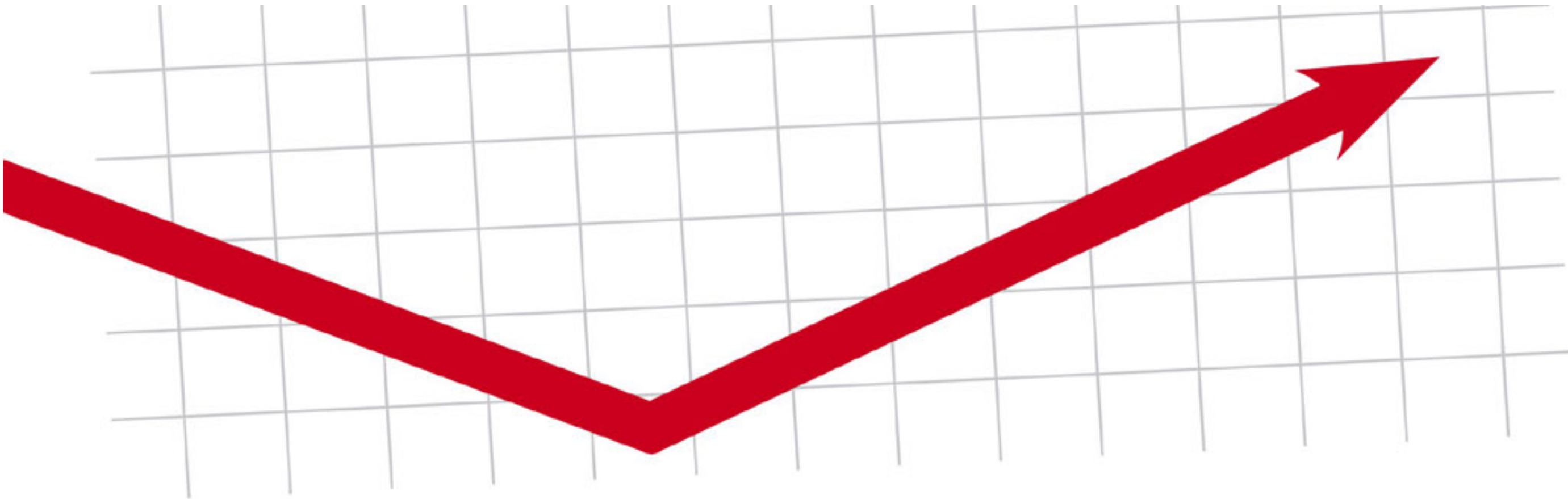
- An August 2011 article in *The New York Times* described innovation as “the critical ingredient to all economic progress, higher growth for nations, more competitive products for companies, and more prosperous careers for individuals.”
- In a 2010 Boston Consulting Group study, 72 percent of CEOs ranked innovation as one of their top three strategic priorities. The figure was eight points higher than it had been in an earlier study in 2009.
- In the 2011 Development Dimensions International (DDI) Global Leadership Forecast, nearly 12,500 leaders from around the world cited fostering creativity and innovation as one of the top three business priorities for the future.
- Echoing the language of many executives at major companies, when Scott Thompson was named CEO of Yahoo earlier this year, in his first conference call with the media and analysts he was quick to go on record with a commitment to innovation: “We’ll be back to innovation, we’ll be back to disruptive concepts,” he said. “I wouldn’t be here if I didn’t believe that was possible.”

- Similarly, Ron Johnson, the former Apple executive who helped launch that company’s successful retail stores, also set a course for innovation upon being named CEO of venerable retailer J.C. Penney last year. He said he looked forward to “re-imagining” the American department store.

Yet, innovation, for all of its acknowledged importance amid continued economic uncertainty, and seismic shifts in technology and the business landscape, continues to confound. Organizations are struggling to have the right innovation approach in place to adapt, do more with less, solve complexity, and come up with new solutions their customers want, as well as those they don’t even know they need.

Because every organization is defined by a unique mix of business challenges and strategic priorities, each must decide how it will define innovation—that is to say, the type of value-added solutions it most needs to innovate. Regardless of what that definition looks like, innovation success will turn on an organization’s ability to generate and cultivate ideas in quantity, to, in the words of author Peter Sims, place many “little bets” to increase the likelihood that one or more of these ideas will end up having a big impact on the organization.

Innovation is a social phenomenon that not only requires many people to generate and implement ideas, but also requires that those individuals interact, work together, and build on one another’s perspective, thinking, and creativity. In the words of Doug Conant, former president and CEO of Campbell Soup and one of the most respected business leaders of recent years, “The action is in the interaction.”



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This isn't necessarily bad news. To the contrary, this fact should provide a useful reference point for organizations that are baffled by innovation, yet have experience going through major shifts, such as successfully implementing initiatives such as TQM or Six Sigma.

TQM and Six Sigma initially were about techniques for improving quality, especially in the manufacturing realm. But over time, as organizations discovered that quality improvement could be applied effectively to most organizational functions or activities, these initiatives became less about the collection of things an organization does and more about what an organization collectively is—its culture. What worked to facilitate major culture shifts such as those required for TQM or Six Sigma initiatives—alignment, communication, accountability, and systems—should apply much the same for driving innovation.

The obstacles to innovation—and how leaders overcome them

What does an innovative culture look like? When an organization has in place a strong innovation culture, its people will facilitate innovation by questioning assumptions, thinking differently, experimenting, and successfully implementing new ideas and solutions. Leaders, of course, play a critical role in making this happen. And to understand what leaders must do to drive innovation, it's important to first understand the challenges that typically confront

organizations as they strive to innovate.

In our research and experience working with organizations around the world, we have identified four common innovation challenges: failure to understand stakeholders, lackluster ideas, aversion to risk-taking, and poor execution. We examine each of these challenges, as well as the actions leaders need to take to overcome them. (Of course, as with all strategic and culture initiatives, innovation must begin at the top with the support and active involvement of senior leadership. If you are an HR or OD leader and perceive that this critical "leadership from above" is absent, you can help raise awareness among senior leaders about their role in innovation by facilitating a discussion about the definition of and objectives for innovation within the organization.)

Failure to understand stakeholders

In an era where so much changes so fast, speed has become a standard requirement of business. But in the rush to identify a problem or opportunity (the first step in innovation), there is a tendency to rush to generate solutions before stakeholders' true needs, desires, behaviors, and experiences are fully understood.

DDI recently surveyed 513 leaders and 514 nonleaders in the United States about innovation in their organizations. The results of that survey confirm that too many are doing too little to understand stakeholders: "I don't have enough information about the business to really offer ideas of value" was cited as the greatest barrier to innovation by leaders at all levels and also by employees.

What leaders need to do: Inspire curiosity. For innovation to flourish, people

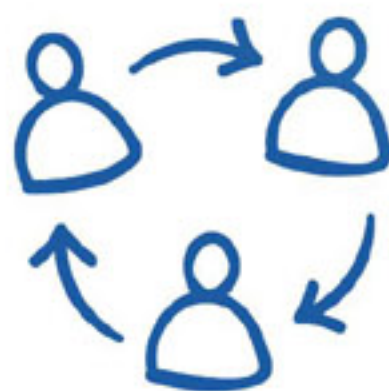
need to be encouraged to be curious and constantly ask "Why?" and "What if?" They need to think outside of their own backyard, and be encouraged to read widely and explore.

Leaders can facilitate and promote this curiosity (not nearly enough do; DDI's survey revealed that just 58 percent of first-level leaders inspire curiosity) by promoting and modeling an inquisitive mindset. They also need to create opportunities for their people to gather the information and gain the perspective they need to understand the needs of customers and other key stakeholders.

Procter & Gamble has done this by having its employees live in households around the world to study the habits and needs of customers. More accessible and easier-to-execute options for promoting inquisitiveness include role plays; on-site visits with customers; and "ride-alongs" with salespeople, service technicians, or others who interact with customers on a daily basis. In a global company, opportunities to interact and work with those from international offices can enhance global acumen and lead individuals to be more inquisitive about the needs of important stakeholders they may not have previously considered.

Lackluster ideas

To thrive and remain competitive, organizations need a full range of solutions that run the gamut from incremental (nondisruptive) to breakthrough (disruptive). While the degree to which a solution is disruptive will vary, each one must add value. And that's where many organizations struggle: They lack a fully functioning "idea engine," fueled by different perspectives and collaboration, to innovate solutions. In fact, in DDI's survey just 62 percent of first-level



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leaders and 70 percent of midlevel leaders were seen as challenging current perspectives—a behavior required for generating new ideas.

What leaders need to do: Challenge current perspectives. Leaders who challenge current perspectives keep an open mind and resist the urge to reinforce the status quo by dismissing wide-ranging ideas out of hand. They also strongly value a diversity of perspectives and help their people span barriers, bridge geographic distances, and connect with others who can challenge and fortify their thinking. Providing training and networking opportunities, facilitating interactions with those from other parts of the organization, and giving work assignments that take individuals out of their usual work environment are all ways to help team members expand their thinking and spark new ideas.

Also valuable is cross-disciplinary inquiry that seeks to connect individuals with others not only from different parts of the organization but from other industries as well, in a spirit of inquisitiveness and exploration. For example, what can a corporation learn from paramedics about crisis management? What can a sales organization learn from a not-for-profit about cultivating customer relationships? The arts, such as jazz music and improvisation-based comedy, also provide valuable models for effective, sometimes remarkable, collaboration.

Leaders need to provide the resources—budgets, manpower, and flexibility—required to explore and act on new ideas. But perhaps none is more important than providing clarity of focus and prioritization—that is to say, not focusing on too many things at once—so that individuals not only see

the link between their jobs and the need to think and explore new solutions, but they also feel that they can devote a portion of their time to innovation.

Some organizations have adopted initiatives such as “innovation Fridays,” where employees are encouraged to step away from their day-to-day job tasks and spend the time thinking on developing new solutions. But such initiatives aren’t successful without leaders reinforcing that they are important and holding their people accountable for using the time as intended.

Aversion to risk-taking

The recession has made organizations more risk averse and conservative. In innovation terms this is a major problem because fear of failure is one of the greatest enemies of innovation. While initiatives tied to incremental changes, such as adding new features, cutting costs, and improving marketing strategies, can sustain predictable growth, they stop short of the disruptive innovations that organizations tend to seek out. When people lack the freedom to experiment and fear the consequences of costly “mistakes,” they shy away from the new and unknown, and stick to a safe path.

What leaders need to do: Create freedom. By creating freedom, we mean freedom from the fear of failure. Nobody likes to fail and, in truth, in most organizations failure is rarely viewed as favorable or even a viable or acceptable outcome, especially when budget dollars and careers are on the line. It is little surprise, then, that in our survey this was the area where leaders scored the lowest.

One of the most important things leaders can do to help drive innovation



is to lessen the likelihood of risk by identifying opportunities for “acceptable risk”—projects or challenges where failure will have less of a negative impact on the organization. For instance, if a leader is charged with two initiatives, she might identify the less critical of the two and seek out opportunities within that initiative that would present an opportunity for low-risk innovation.

In addition to minimizing risk on the front end, the leaders who are adept at innovation understand that failure, even repeated failure, is synonymous with learning and is, therefore, a prerequisite for success. In fact, they reframe the entire mindset about failure by changing the language. Instead of using the word *failure*, they emphasize *learning*, *iteration*, *prototyping*, and *testing*—and they set up formal systems and processes to put action behind the words.

Another aspect of creating an environment of freedom is keeping in check the desire for perfection. The speed with which innovation needs to happen demands that new solutions be formulated and tested through an iterative process of ideation, quick and dirty prototyping, testing, learning, and applying what is learned. This process can be stopped dead in its tracks by the drive for a perfect solution right out of the gate.

Many leaders can struggle with this approach because they may be perfectionistic by nature—a trait that may have contributed to their career success. Those leaders who are effective at innovation, however, are able to keep separate their own individual leadership style and the need of the organization to move fast to make innovation a reality.

Poor execution

In innovation terms, a solution or idea that isn’t moved beyond the idea stage is a lost opportunity because it doesn’t add value for the organization. An idea that isn’t implemented might even cause collateral damage as the organization fails to capitalize on an innovation that could have ultimately provided a strong revenue stream or a competitive advantage.

On a larger scale, innovation initiatives that aren’t sustained also provide minimal or even no payoff. Most organizations wouldn’t think of implementing a cost-cutting initiative or a new sales strategy without also committing to the discipline and accountability needed to make them stick and ensure their success. Yet, when it comes to innovation, this commitment is often absent.

What leaders need to do: Drive discipline. Innovation, like all organizational imperatives, requires discipline. Leaders who are successful at driving innovation are effective at facilitating the structure and accountability that ensures that innovation objectives are met.

They also break down the silos that can separate idea generators and idea implementers. In addition, these leaders facilitate both camps working together to explore the implications of implementing a new solution, and identify and meet head-on the potential challenges. What’s more, involving additional people earlier in the process can increase interaction and collaboration, leading to even more ideas that can, in turn, help to make the solution that much better.

A key role

Innovation doesn’t happen only in innovative organizations, but it doesn’t

happen anywhere without leaders playing a key role. When your leaders take the action they need to for their people to question assumptions, think differently, experiment, and get tasks done, they help to create and sustain a culture that drives innovation—and your organization is better positioned to see a clear path through complexity.

It’s an innovate-or-die world. If you want your organization to remain competitive, your leaders need to be able to step up to the challenge.

Audrey Smith is senior vice president of DDI’s Executive Solutions Group; Audrey.Smith@ddiworld.com. **Ellie Hall** is an executive consultant for DDI’s Executive Solutions Group; Ellie.Hall@ddiworld.com.

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