

Leading Innovation: Insights From the Real World

By Craig Perrin and Chris Blauth



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“Innovation is the most important word in the vocabulary.”

—Toshiba America
Information Systems, Inc.
executive

Innovation. Business conditions demand it, and senior leaders say they must have more of it. Still, for all the talk, the innovation results these challenging times call for remain elusive. So, how do *you* make innovation happen? AchieveGlobal set out looking for answers by conducting more than 40 one-on-one interviews with senior leaders and managers from a cross section of industries both in the United States and internationally. Each respondent represented an organization with a proven track record for innovation success. Here’s what we learned.

Innovation Defined: Big, Small, New, or Improved?

While some may argue that it’s the most important word in organizations today, what does innovation *really* mean? Having a shared definition—a common language to describe innovation—is an important first step.

Is innovation big, bold actions or incremental improvements? Does it mean brand new or value adds to existing products or services—the new and improved laundry detergent or a whole new way to clean clothes? Revenue building or efficiency generating?

Leaders define innovation in terms of two broad categories:

- Breakthrough—something new that no one has experienced before
- Advances, enhancements, incremental improvements to, or different applications for existing products, services, and processes

Executives with acute awareness of what it will take to sustain their organizations are more likely to describe innovation in terms of breakthroughs as opposed to incremental improvements. Their manager counterparts echo the importance of new advances, speaking less about breakthroughs and more about innovations that are different and unique.

Although the quest for breakthrough ideas is exhilarating and potentially game-changing, it cannot be the sole focus. A manager from Toshiba stressed the importance of a balanced approach, explaining that “People tend to believe the term innovation always means ‘value innovation’ (creating totally new value and process), but pursuing nothing but value innovation would not help achieve sustainable profit and growth. Much of our business success depends upon whether we can improve our existing products.”

Business Conditions that Demand Innovation:

- Globalization and intense and unpredictable competition
- Industries in flux as industries converge and new ones are created
- A buyer-driven economy, changing customer needs and unpredictable demand
- Shorter product life cycles as competition accelerates the pace of imitation
- The rising power of the customer experience
- Pressure for growth, not just cost control
- Workforce and regulatory concerns as organizations prepare for an uncertain future
- Demanding financial markets

Whether defined as breakthrough or incremental, three fundamental themes are loud and clear.

- Customers are at the center.
- Creativity is one part of the equation; implementation is the other half.
- Innovation means change.

Innovation and customers are inextricably linked. The creation of customer or client value is at the core of any definition. Innovation, after all, is about growth, and what better way to grow than to get and keep customers—lots of them.

An innovation doesn't exist until it is in the hands of those customers or end users who will benefit. References to creativity are frequently paired with real world practicality—words like applied and execution. Leaders know that creativity, although critical at every stage in the process, isn't enough to ensure results.

And whatever the definition, one thing is certain: Innovation sparks change.

Breakthrough innovations change customer behavior and the nature of the market. These bold innovations create the need for new structures

and systems to support them, sometimes impacting or conflicting with the way current products and services are managed.

Innovations that alter existing products and services can cause ripple-effect changes inside organizations, as expectations, job roles and responsibilities shift. These changes need to happen fast, requiring team and individual agility.

For some organizations, innovation will require deeper change—a changed mindset, a rebalancing of priorities, a shift in leadership style, and, perhaps, even organizational structure.

Change capable organizations and the people within them would seem to have a built-in innovation advantage.

Challenges: An Innovation Reality Check

Change is at the center of what makes innovation so filled with possibility and, at the same time, so challenging. Two clear winners emerge in the challenges category, where managers and executives strongly agree. Both relate to the challenge of change: integrating innovation into the existing environment.

- **Time**

“One of the challenges we’re faced with today in business is that every business has been restructured, and there is more work than there are people. So we got our head down on the ground trying to get all the stuff done, and there isn’t a lot of time spent on innovative types of thinking and trying things differently. We’re just trying to get the things that are sitting on our plates.” Xerox executive

- **Existing Organizational Structures**

“If we didn’t have to navigate all of the layers of management and departments within an organization and could do things more nimbly, boy, watch out!” Huntington executive

Time is an ever-present dilemma for managers and executives. Both groups struggle to make innovation a top priority, even when its value and strategic importance is crystal clear.

An Informa executive netted it out by saying, “There is a tension between the requirement of fulfilling the existing product, the needs of



existing customers, hitting monthly targets, hitting budgets—it is a challenge to make sure that innovation is not something that isn't sort of ... well, if we've got time left on Friday afternoon.”

Others look at the challenge of time from a different angle. Some leaders, particularly those in R&D, feel intense pressure to deliver innovations under tighter and tighter timeframes. A Takata manager expressed the concern that, “Insufficient time generally yields very similar products.” Executives cite the big picture need for innovation speed. They are keenly aware that to stay ahead you must innovate faster than your competitors.

Managers and executives alike are frustrated by the need and effort it takes to maneuver through organizational layers, paperwork, and bureaucracy to make innovation happen. Governance, compliance, and strict guidelines are givens that must be managed. Functional silos spark internal competition for success and resources. Navigating the organizational politics that result is both a challenge and a chore. These issues hit innovation implementation speed hard. The big question seems to be this: What structures facilitate meeting the goals of the current business while also facilitating innovative thinking and action?

For executives, funding rounds out the trio of top innovation challenges. Executives describe the tough budget decisions about appropriate allocation of money to support current products and services vs. innovation experiments and projects. Several executives mention that what adds to the challenge is the very nature of innovation itself and the inherent varying degree of uncertainty and financial risk, which is

particularly tough in a business environment with an intense focus on short-term profits and gains.

The third challenge for managers is insufficient top-down support for innovation. Managers cite seemingly insincere “corporate speak” from senior leaders about the commitment to innovation. Given the challenges associated with making innovation happen, failing to lead by example is a real deal breaker.

Innovation Success Factors: What Does It Take to Win the Game?

There is strong advice for those who want to seriously invest in turning innovation talk into action. Five factors seem to play the greatest role in helping to deliver innovative results:

- Make innovation a strategic priority.
- Demonstrate leader commitment.
- Create a culture that supports it.
- Align systems and processes.
- Collaborate broadly.

Make Innovation a Strategic Priority

Given the degree of innovation success of the organizations involved, it's no surprise that the call to innovation has been heard loud and clear. Leaders have internalized that innovation is a core part of their organization's business strategy for continued success, growth, or even survival. Innovation is seen as essential to moving organizations from a defensive to an offensive position in the marketplace, being ahead rather than continually playing catch-up.

An executive from Blue Cross/Blue Shield stated that innovation is now an explicit part of the organization's strategic plan.

A manager from Brady Corporation said it eloquently, *“In this ever-increasing global economy, being innovative is critical to the sustainability and long-term growth of any organization to help differentiate that organization from the competition.”*

It's clear that a key factor in innovation success is consistent messaging that innovation is critical to

the organization's strategy, not a fad or a passing pet interest of a select few individuals. Innovation is a priority and, as such, it should be taken seriously.

Demonstrate Leader Commitment

Saying innovation is important is not the same as showing it. Demonstrated executive engagement makes up another essential element of innovation success—some even call it passion. Some organizational initiatives can take hold at the front-line and generate results from a modest grassroots start. Innovation, although it may indeed begin that way, requires a different approach. To gain needed momentum and sustain it, top-down support is a widely acknowledged prerequisite.

“Without that, you can't do anything.” Gale manager

It's imperative for the senior team to demonstrate that innovation is a priority. Without that level of commitment, the challenges working against innovation will win out and business as usual will reign—and it doesn't stop with executives. Leaders throughout organizational levels must be prepared to demonstrate their commitment. Staying the course and properly allocating time and resources are actions that speak volumes.

“Having that passion for it, that sells it at least for me. That's something I really look for, that somebody's committed that they really believe in it.” Mettler Toledo manager

“It's necessary that all the decision makers ... believe in what you are doing, and they are as courageous as you are.” Stabilo executive

Create a Culture that Supports it Align Systems and Processes

These days, winning the innovation game requires equal attention to two elements that might in years past have brought success alone. Leaders must create an environment that nurtures innovation, while also establishing the systems and processes that facilitate results. One manager explained that it's a

“... balance of that loose environment on the front end and tight environment on the back end that helps the products to go through.” Takata manager

Innovation can only flourish in a fear-free zone—a culture that promotes customer focus and advocacy, constructive questioning and curiosity, as well as individual initiative. Experimentation must be encouraged as a primary means for learning and advancing ideas to the next level.

“On the softer side of things, it was creating an environment that really was different and

Creating a Culture of Innovation

Leaders are pivotal in creating cultural norms. Innovative workplaces share the following cultural characteristics:

Context rich—Information feeds innovation. Leaders ensure free-flowing communication so that innovators can draw on a richness of background and perspective.

Customer close—Creating customer value is central to innovation. Doing so requires a deep commitment to connecting with customer expectations, needs, and wants.

Confidence building—Innovative ideas are not brought forward or executed by individuals who are fearful,

tentative, or waiting for confirmation. Leaders who build confidence build innovators.

Curious—Encouraging people to think in terms of “why?”, “why not?”, and “what if?” leads to new understandings and business opportunities.

Challenging—Resting on past success does not drive innovation. Environments that encourage employees to reach for new heights inspire and enable innovative results.

Collaborative—Innovation is a team sport. People must work together in a variety of structures—from informal networks to officially sanctioned teams—to generate, advance, and implement new ideas.

allowed people to think differently and encouraged different thinking in the early stages, particularly as we kind of went through the first design of these new processes.”
Physicians’ Mutual executive

The environment must contain an element of challenge.

“A strong culture that pushes people to feel that they need to be successful in their mission.”
Toshiba America Information Systems executive

“...failure tolerance but also they have to be demanding. They have to push their people and really make innovation a part of the objectives.” SGL Carbon manager

Clearly, innovation does not just happen by attending to the “softer side of things,” or by chance. Smart people, good ideas, cool environments, even flashes of brilliance fall short of business results in the absence of disciplined, yet flexible systems and processes to enable innovation. Executives and managers consistently referred to “gates,” “checkpoints,” “objectives,” “targets,” and “metrics” in their discussions of what makes innovation happen. Innovation needs to be treated like the serious business that it is.

Collaborate Broadly

Innovation is an “all hands-all hearts-all minds” effort. Everyone’s strengths and talents need to be deployed whether it is for creative idea generation or rigorous implementation. Everyone has a role to play.

“Innovation needs to be driven from all areas. It can’t come from a think tank somewhere or from upper management. The companies that foster that do much better.” Mettler Toledo manager

“Everyone owns innovation.” Vista manager

Effective collaboration both across the organization and outside it creates the synergies required for breakthrough thinking and sound execution.

“There is almost nothing you could achieve just by your own knowledge or expertise.” Toshiba manager

Information sharing, idea exchange and generation, implementation planning, and follow-through must occur within groups, between departments, functions, divisions, brands, plants, and even among countries. Customers, suppliers, and outside experts offer insights that spark new thinking.

Central to this innovation brand of collaboration is diversity. The richness of perspectives that exist among those with highly technical expertise, as well as those with nearly none, those who have a depth of historical knowledge or years on the job and the newcomers, those who think analytically and those who think imaginatively, varied educations and backgrounds—all those differences need to be celebrated and leveraged.

In fact, “diverse” is a word that was spoken by nearly every business leader interviewed.

The Leader’s Role in Innovation

At the center of the leader’s role in innovation is the capability to manage and facilitate a process that will bring results to a new level. A process creates a common language and serves as a critical focal point for appropriately prioritizing and deploying the effort and energy of all involved.

Innovative leaders:

- Commit to take definitive action to support and make innovation happen by speaking

genuinely and backing up their words with action.

- Generate the greatest quantity of and quality of ideas possible by optimizing diversity and sparking new thinking.
- Shape and select promising ideas and opportunities.
- Enable execution by leveraging teams effectively, managing change and problem solving.

“The more diverse a group you have ... often times ... the greater amount of innovation you can spark.” Unisys executive

Leading the Way: Leadership Capabilities for Success

Although every employee has a role in innovation success, the leader’s role takes on particular significance. Given the challenges and potential opportunities innovation represents, the importance of developing innovation’s essential capabilities across leader levels can’t be overstated. Executives and managers prioritize the following key skills and behaviors as most critical to any innovative effort:

- Effective communication
- Thinking skills, strategies, and approaches
- Team formation and leadership
- Employee performance development

Effective Communication

Executives and managers resoundingly agree that leaders must possess a range of communication skills to effectively lead innovation.

“...our communication skills are weakening. We often just exchange e-mails instead of having direct conversation. The chances for innovation under such circumstances will be minimal.”

Toshiba manager

The ability to present and persuade across organizational levels to diverse audiences received significant attention from managers and executives alike. Leaders must master both the core skill of listening through to complex facilitation of groups, at the same time managing multiple issues, cultures, and ideas. They must be able to generate specific and targeted messaging that is clear and consistent, as well as craft global expressions of the vision, and the big picture of what innovation really means. They will need to share information on plans and negotiate for resources, hold effective one-on-one meetings and make group presentations, persuade internal stakeholders and communicate convincingly with customers and others in the marketplace.



Thinking Skills, Strategies, and Approaches

Executives and managers agree that innovation requires a lot of different kinds of thinking. The capacity for strategic thinking, in particular, is a highly prized commodity. A leader’s ability to observe, analyze, interpret, make decisions, and act on complex data is frequently called into action. This skill set is essential when evaluating and selecting ideas to pursue, as well as making the tough call to stop innovation projects at just the right time. Business grounding and acumen provide leaders with the baseline and context needed for their unique contributions to the innovation process.

Team Formation and Leadership

Given the make-or-break nature of collaboration to innovation success, it’s critical that leaders be highly skilled at encouraging high levels of involvement, team chartering, facilitating understanding, resolving differences, and team decision making.

Leaders must also be able to intelligently assemble teams capable of a range of activities, from creative idea generation to testing and evaluating, and fast and seamless execution. Today, leaders must know how to carefully select the right mix of team members for each stage of the innovation process, being sure to consider such factors as experience, technical expertise, geography and/or culture, discipline, and tenure to create a team with just the right mix of individuals capable of delivering innovative results.

Employee Performance Development

To deliver innovative results, leaders must be highly skilled at supporting high levels of employee and team performance. Skills related to empowerment, creating a supportive environment, leveraging strengths, recognizing, redirecting, and holding people accountable go a long way toward making innovation a reality.

“Innovation needs care and feeding.” Toshiba
America Information Systems manager

Executives expressed that leaders must excel at unleashing employee potential, curiosity, creativity, and openness to new ways of thinking. Managers, by contrast, emphasized the critical ability to set the structure necessary for innovation. Defining goals, objectives, and expectations, providing guidelines, establishing timelines, and providing follow-up are all front of mind for implementation-oriented managers.

Individual Contributors: Partners in Innovation Success

In the spirit of true collaboration, the skills required of individual contributors to make innovation happen mirror those required of leaders.

Executives and managers agreed that communication is among the most critical skills that individual contributors must possess. Listening, sharing ideas, engaging in dialogue, and seeking to understand others form a needed foundation. The ability to persuade and educate diverse and varied audiences across multiple levels within and outside the organization build on that foundation.

Individual contributors must develop and draw upon flexible, inquisitive, creative thinking styles balanced with analysis and logic.

“Folks who really think outside the box and people, yet who at the same time, can have their feet on the ground and understand what’s going on organizationally.” Physicians’
Mutual executive

Paralleling the leader’s need to assemble and lead teams, individual contributors must have the skills to collaborate effectively and make the most of

differences as they contribute to these carefully selected teams. Discipline and excellence in execution against individual and team goals rounds out the ideal profile.

Conclusion

Innovation is a high stakes game with enormous potential for gain and equally enormous challenges. Organizations wishing to remain vibrant and viable must take the steps necessary to instill and sustain the culture, systems, structures, and skills for innovation success.

Ask the following questions:

- How does our organizational culture support connecting with customers in meaningful ways?
- Do we have the organizational diversity to spark new thinking?
- Do we have the discipline, resources, and skills to successfully execute innovation all the way to the goal line?
- How change-capable is our organization?

Your success lies not only in your answers, but also in what you are prepared to do if you don’t like the answers.

About the Research

AchieveGlobal identified a need to investigate the concept of innovation in the workplace. The objective of the research was to understand the components of innovation and its behavioral determinants and individual competencies necessary to bring about business results.

A preliminary literature review provided valuable information to guide our understanding of innovation. In order to properly explore the topic in practical terms, we conducted in-depth interviews with individuals from a variety of organizations. We engaged discussions among executive level members of organizations, as well as mid-level members. Interview guides were used to focus the conversation on issues surrounding how innovation is defined, supported, and practiced in organizations.

We used our internal database of prospects and clients, our professional networks, and our international partners to identify possible candidates for the research. To ensure we only included organizations who excelled at innovation, we used Boston Consulting Group's 2006 list of the "Top 100 Most Innovative Companies" as a filter.

Our final sample of 44 interviews included respondents from a broad range of organizations and industries across the globe.

During the research, we spoke with a diverse group of individuals from a wide array of industries in a variety of locations. Industries include (but are not limited to):

Dry Pasta Mfg; Direct Health and Medical Insurance Carriers; Prefabricated Metal Building and Component Mfg; Sign Mfg; Photographic and Photocopying Equipment Mfg; Medicinal and Botanical Mfg, Computer Systems Design Services, Wired Telecommunications Carriers; Search,

Detection, Navigation, Guidance, Aeronautical, and Nautical System and Instrument Mfg.; Offices of Bank Holding Companies; Periodical Publishers; Precision Weighing Instrumentation; Telecommunications Resellers; Dry, Condensed, and Evaporated Dairy Product Mfg.; Direct Property and Casualty Insurance Carriers; Crude Petroleum and Natural Gas Extraction; Lead Pencil and Art Good Mfg; Iron and Steel Mills; Motor Vehicle Parts Manufacturing; Book Publishers; Travel Arrangement and Reservation Services; Communications Equipment Manufacturing; Computer Systems Design Services; and Wireless Telecommunications Carriers; Photographic and Photocopying Equipment Mfg.

Interviewees were located in the following countries: Canada, Germany, Indonesia, Italy, Japan, Malaysia, Philippines, Singapore, Switzerland, Thailand, UK, and USA.

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As AchieveGlobal's Director of Solution Development, Craig is a thought-leader who works cross-functionally and with clients to guide creation of a range of responses to market needs. Since 1986, he has played a central role in developing the company's flagship programs in leadership, sales, and customer service; co-authored two best-selling books; written many articles and position papers; and produced eLearning and video that have earned scores of national and international awards. In 1998, Craig was named Times Mirror Editor of the Year. Craig's positions before AchieveGlobal include curriculum designer, stand-up facilitator, college instructor, and art curator. Craig holds a B.A. and M.A. from San Francisco State University.

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Chris spearheads AchieveGlobal's efforts to develop and maintain products that will prepare leaders at all levels of an organization. He has also been involved with Web-based learning, launching an asynchronous Web-based tool to reinforce the skills taught in AchieveGlobal's flagship sales program, *Professional Selling Skills*[®]. Prior to joining AchieveGlobal, Chris spent seven years with Leica Microsystems, Inc., where he was a financial analyst and product manager. Chris holds a B.S. in Accounting and Finance from the University at Buffalo, and an MBA in Marketing from Canisius College. He is a member of Beta Gamma Sigma Honor Society and the American Management Association.

About AchieveGlobal

In the 21st century, the level of human skills will determine organization success. AchieveGlobal provides exceptional development in interpersonal business skills giving companies the workforce they need for business results. Located in over 40 countries, we offer multi-language, learning based solutions—globally, regionally, and locally.

We understand the competition you face. Your success depends on people who have the skills to handle the challenges beyond the reach of technology. We're experts in developing these skills, and it's these skills that turn your strategies into business success in the 21st century.

These are things technology can't do. Think. Learn. Solve problems. Listen. Motivate. Explain. People with these skills have a bright future in the 21st century. AchieveGlobal prepares you for that world.



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