





SECTION ONE

**6 Ps OF ESSENTIAL
INNOVATION**



PERCEPTION

“Culture guides discretionary behavior, and it picks up where the employee handbook leaves off. Culture tells us how to respond to an unprecedented service request. It tells us whether to risk telling our bosses about our new ideas, and whether to surface or hide problems. Employees make hundreds of decisions on their own every day, and culture is our guide. Culture tells us what to do when the CEO isn’t in the room, which is of course most of the time.”

—FRANCES X. FREI AND ANNE MORRIS

Stephen R. Covey, author of *The 7 Habits of Highly Effective People*, wrote, “to change ourselves effectively, we first had to change our perceptions.” As individuals, we have to be able to step outside of our contexts from which we operate routinely and acquire a less biased vantage point on who we are and why we do

what we do. The same is true for organizations, but in a more dramatic way. The collective perception of the members of an organization fuels its common beliefs, which drive individual behaviors, which ultimately defines the culture of the organization itself.

Is your organization innovative?

Does your organization have a culture of innovation?

Creating a culture that is effectively and sustainably innovative begins with changing how individuals throughout all levels of the organization *perceive* innovation—how it is defined, how it works, and what it does. That is why gaining an understanding of how you, your leadership, and staff perceive innovation at your organization is so critical. A baseline definition of what innovation currently means at your organization must be established before you can begin the journey of building a culture of innovation beyond it.

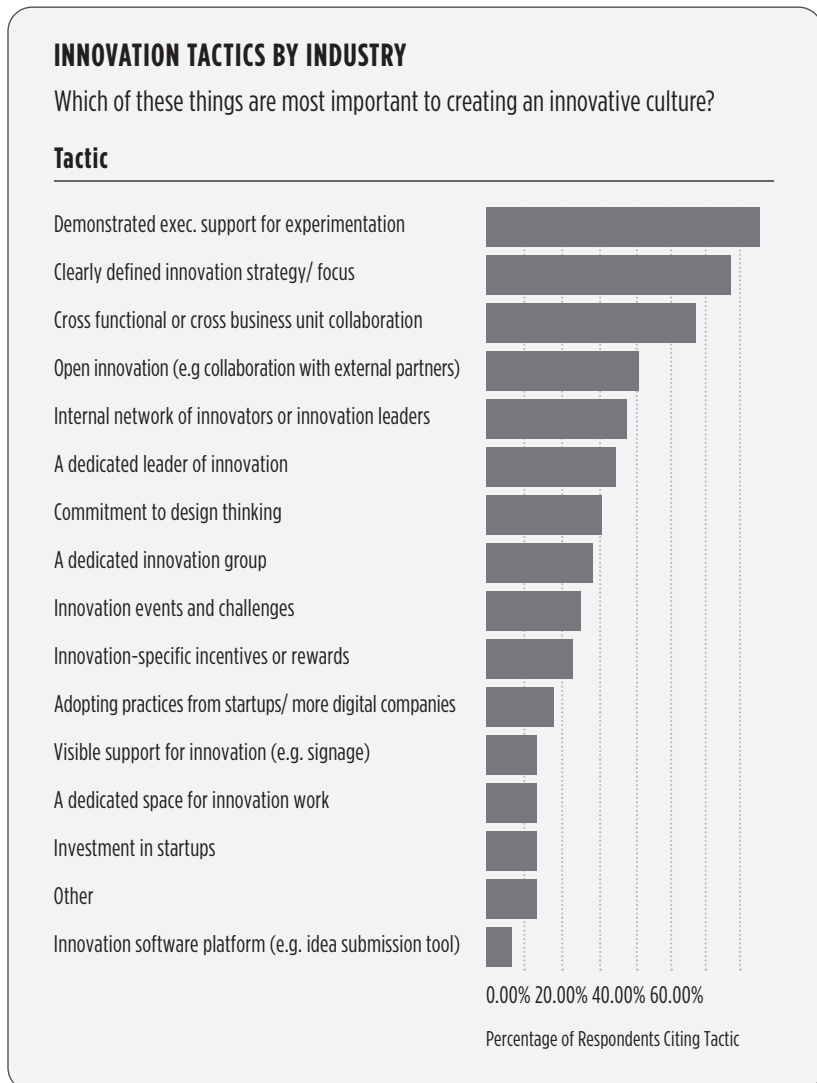
This chapter provides tools that will help you create a blueprint for creating a culture of innovation. Creating a culture of innovation is a long, multi-year journey and this material will only be as useful as the trust you place in the process. The tendency to rush through this discovery phase and to assign your own biases and assumptions must be avoided at all costs. A *culture* of innovation must be formed before the *capability* of innovation can be introduced.

Mark Fields, former CEO of Ford Motor Company said, “you can have the best plan in the world, and if the culture isn’t going to allow it to happen, it’s going to die on the vine.”

INNOVATION HEALTH ASSESSMENT

In 2020, Innovation Leader (now InnoLead) surveyed 270 corporate leaders and posed the question: What tactics do corporate innovators feel create and support a culture of innovation?

Here is what they found:



Wouldn't it be interesting to see how your organization performs across all these dimensions? Understanding to what degree your staff perceives their organization is accomplishing each of these tactics is the essential first step in your journey to becoming an innovation organization.

To help acquire this understanding, start with the free Innovation Health Assessment available at www.essential-innovation.com. You may send the link to as many people as you wish. It is critical that a representative sample be taken across all levels of your organization from the most senior to the most junior. If your organization employs more than 100 people, a good rule of thumb is to collect a total of 30 assessments spread across all levels. If there are more than 100 people within departments, collect 30 assessments from each department. A basic report is generated that will provide a good idea of your staff's perception of innovation.

Before you begin: Take a moment and assume the mind of an unknowing beginner, a naïve investigator. Kill your inner expert. This is a theme that will be repeated throughout the book. When we think we know everything, we have stopped learning. You are about to have the enviable opportunity of learning how your staff perceives innovation. Do not assign meaning to the data. Let it speak for itself. To achieve this level of openness, forget everything you know about everything you know, and you will discover the truth faster.

The point of this assessment is to establish a baseline for where your organization is today in terms of being innovative, as perceived by your staff. The scoring is compiled across four pillars:

1. **Senior Leadership Pillar:** Examines how staff view the innovation behaviors of departmental and senior leaders. Title will be important so you can slice the data into senior leaders vs. the rest of the staff. This will also help you understand how leaders view each other.
2. **Staff Pillar:** Provides staff with the opportunity to evaluate the degree to which they believe they are empowered and equipped to innovate.
3. **Culture Pillar:** Evaluates the extent to which beliefs and behaviors of a healthy innovation culture are present in the organization.
4. **Sustainability Pillar:** Examines the role that innovation plays in exploring and planning future growth opportunities.

Each pillar represents areas of your organization that are critical to creating and sustaining an innovation organization. The questions under each pillar are designed to surface insights that reveal what is currently driving or inhibiting your organization's progress on its innovation development journey. Analysis consists of a comprehensive score that describes your organization as Underdeveloped, Developing, or Developed in its innovation culture and capabilities across departments and titles. The report helps identify gaps such as people leaders' inability to lead with an innovation mindset, lack of tools that equip staff to apply innovation effectively, foresight versus myopia, and the appetite for learning through experimentation.

THE SCORING RUBRIC

Underdeveloped

Innovation capabilities are underdeveloped across one or more pillars preventing an innovation practice from fully developing. The opportunity is to develop a strategic plan that establishes basic principles and practices from innovation across pillars.

Developing

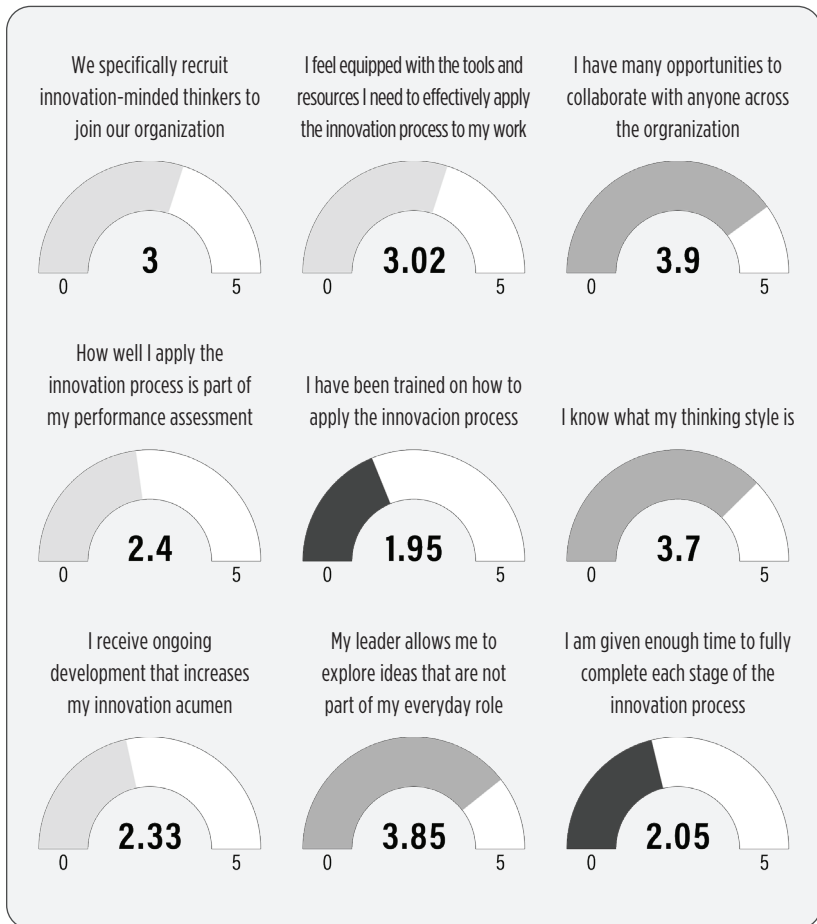
Medium to low scores are present within at least one pillar indicating gaps exist in these areas. While there are medium to high scores in some areas, these lower scores place organizational drag on the progress towards becoming a fully developed innovation organization. The opportunity is to define the gaps and develop a strategic plan to close them while maintaining current momentum in the key drivers of the higher scores.

Developed

No low scores exist within any pillar. The opportunity is to optimize engagement and to continually improve the organization's ability to lead with an innovation mindset and to apply innovation principles in its everyday operations.

To illustrate how straightforward the Innovation Health Assessment can be, an assessment conducted with a large manufacturing company, we'll call Lahebner, yielded the following findings.

STAFF PILLAR



Regarding the Staff Pillar, you will notice yellow and red scores. These represent gaps or areas for improvement. Executives discovered there were two deficiencies at Lahebner:

- Knowledge of the innovation process
- Understanding of how to apply it to everyday work

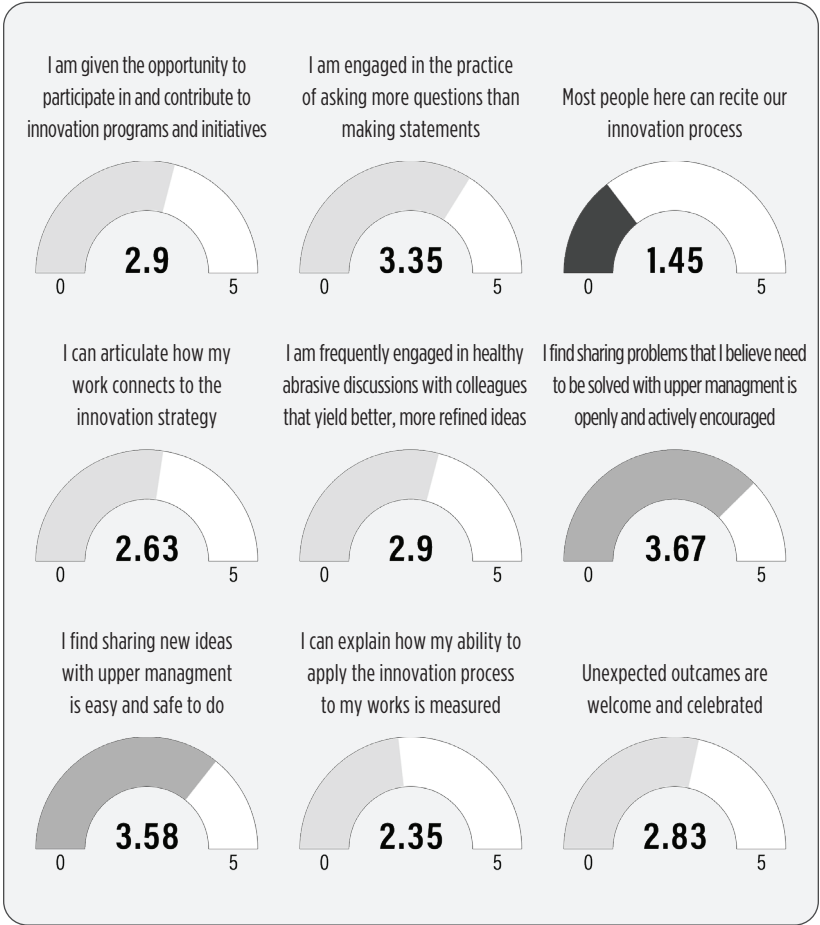
We will address the latter first. Although collaboration, exploration, and thinking styles scored well, staff believed they had not been trained on how to apply the innovation process. They also believed they did not have enough time to complete each stage of the innovation process.

The scores suggest that leaders at Lahebner should focus on these two areas of deficiency if they hope to become a resilient innovation organization. It is not enough that staff are merely aware of the innovation process. Without knowing how to apply the innovation process and allowing enough time to apply it well, innovation will not become a capability at Lahebner. There is a significant difference between education (knowing the innovation process) and application (turning ideas into value).

In this case, Lahebner implemented an innovation coaches program. Volunteers from several departments agreed to be trained on how to coach others so they too will be equipped with how to apply the innovation process. What they discovered was that as more staff became skilled in applying the innovation process, it became more apparent that to do it well, requires time. Once leaders became aware of this investment need, they allowed more time in project plans to conduct each step of their innovation process more thoroughly. This time need was especially true for the iterative process of prototyping (more on that in the “Process” chapter). It may seem counterintuitive, but taking the necessary time in the first part of the innovation process allows the project to move faster in the back half.

The outcome for Lahebner was that more project teams were able to develop better solutions faster and launch them with fewer problems.

CULTURE PILLAR



As stated earlier, the survey revealed that the other deficiency at Lahebner was that staff were unable to recite the organization’s innovation process, as you see in the meter in red below. The score suggests that innovation is not a topic that staff hear leaders talk about often. Innovation’s importance in everyday work is likely not modeled by senior leaders, so staff are not held accountable to make thinking innovatively part of their routine.

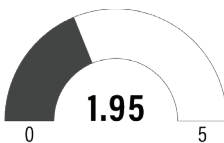
Change and disruption can hit cultures like this particularly hard. When unforeseen forces require the organization to think in new ways, it catches leaders and staff off balance; unprepared to optimize the opportunity. They must then abruptly learn innovation in a reactionary setting which usually does not create meaningful results. If instead, staff were already trained and routinely approached their work with an innovative mindset within a culture that encourages innovation, change and disruption are less likely to have a shocking effect. Staff in an innovation organization can more effectively pivot to exploring new, high-quality ideas quickly.

Also notice the significant presence of yellow scores. Overall, Lahebner had specific cultural gaps that must be addressed before any effort is allocated to standing up innovation capabilities.

The first step in rectifying the deficiencies is to understand all the possible causes for these results. For example, why haven't staff been trained on the innovation process? Why are they not able to recite it?

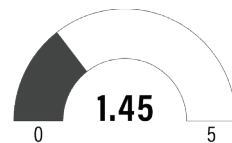
The Innovation Health Assessment points to strengths and weaknesses but understanding the root cause of them is the real value of this endeavor. By isolating two key results (as shown in the diagram below), specific plans can be developed to address these gaps and can help point attention toward specific areas of root cause investigation.

I have been trained on how to apply the innovation process



STAFF PILLAR

Most people here can recite our innovation process



CULTURE PILLAR



In this case, further investigation found there was not a formal innovation process at all at Lahebner. Different departments pieced together versions of a process, but there was no common process or language across the company. This is the type of insight that can help organizations map their journey toward becoming an innovation organization in the most efficient and effective way possible. If you are starting from a place of “Underdeveloped”, or having no formalized innovation capabilities at all, these gaps will be important points to which a disproportionate amount of attention should be given before launching innovation at your organization.

In some cases, assessment results may push leaders to consider the core assumptions under which their organization has operated for years. This proposition can be challenging for organizations for three reasons. First, with age comes rigidity. The older an organization, the less likely it is to embrace the idea of evolving its culture. This reticence can be due to deeply rooted hierarchies and complex relationship systems. Second, success can breed complacency. When times are good, organizations are reluctant to introduce self-inflicted change. On the other hand, when times are challenging, the tendency is to eliminate any initiatives that are not essential to sustaining the current business model, even when a new business model may very well lead the company out of the valley of hardship and into prosperity. Third, legacy mindsets are difficult to change.

When leaders have been in position for a long time, they naturally default to the leadership and decision-making system on which they have always depended. An assessment that suggests a shift in culture is necessary to become an innovation organization, challenges existing decision-making systems. This usually introduces the idea that cultural shifts are necessary which can threaten legacy leaders' long-held positions.

REALITY CHECK

Because actively learning and understanding new things are the basic building blocks of any innovation organization, every leader must be open to the feedback from this survey. The Innovation Health Assessment reflects how well your staff believes you are doing when it comes to innovation, and the scores may sting a bit. If you are not willing and able to accept criticism with a welcoming spirit of continuous improvement, then chances are you have a culture that is also unwilling and unable to accept the adaptability, collaboration, and trustworthiness that comes with being an innovation organization. Said differently, if the culture is not ready to accept innovation, it could be because the members of its culture do not believe the leaders are truly ready to accept innovation.

Followers take behavioral cues from their leaders, particularly when it comes to innovation. If you want your organization to be innovative, it is up to you to model innovation behaviors such as curiosity, counter-intuitive thinking, mining for unusual ideas, and inviting suggestions for new directions (just to name a few), even if it means your own potential blind spots and shortcomings will be laid bare.

You must also be willing to protect the constructs of innovation itself and defend it against competing priorities of core business initiatives. In the words of Vijay Govindarajan and Chris Trimble, authors of *The Other Side of Innovation*², “organizations are not designed for innovation. Quite the contrary, they are designed for ongoing operations.”

Designing your organization for innovation could require that part of your role becomes ensuring a balance between managing the present work of the core organization with forging a future through innovation.

The world around us is changing so rapidly, standing still is moving backward.

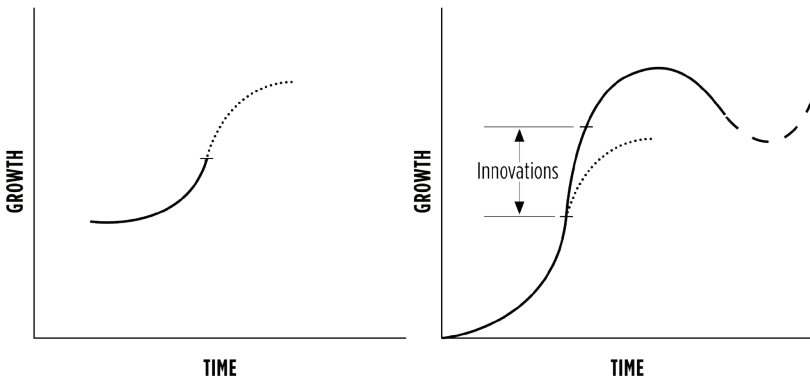
Unpredictable circumstances deal many organizations crushing blows by imposing sudden change. When it comes to change, there are two types of organizations. On the one hand, non-innovative organizations are only able to formulate some sort of reaction to changes and hope that the rate of external change does not outpace their ability to eventually change internally. Change in these types of organizations, even on a small scale, becomes a disruption, which becomes a distraction for leadership, which leads to inefficiencies in leading people, which leads to poor employee experience, which leads to inefficient execution, which leads to poor customer experience, which leads to the organization painfully, reactively retooling and rebuilding or withering and dying altogether.

On the other hand, there are organizations that have a healthy innovation culture and welcome change, can thrive through disruption with agility and flexibility, and seek opportunities to push positive forces of change into the world in surprising ways. The Innovation Health Assessment helps leaders realize which type of organization they are leading.

WHEN IS THE RIGHT TIME TO START?

Although the results of the Innovation Health Assessment may convince you that your organization should become a developing innovation organization, the question is: Are you ready? At some point, the growth of your organization will reach an inflection point where the rate of growth will begin to decrease at an increasing rate. Over time, if unattended, growth will eventually flatten, then

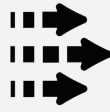
decline. Your aim as a leader should be to push the inflection point as far out into the future as possible. The way to shift the inflection point is through constantly innovating. This could sound like an ominous task unless yours is an innovation organization. If that is true, then constantly innovating is not only an everyday mode of working, it is who you are as an organization.



Many organizations find themselves in the first section of the curve, before the inflection point. In this section of the curve, most resources can be consumed by supporting the current demands of the company and the challenges that come with managing day-to-day activities. If this is you, it may not be the right time to dive into the deep end of the organizational transformation pool. Transformation of this nature requires broad support from the organization's highest leaders. If there is no room on upper management's agenda for becoming an innovation organization, then you may be more effective planting the seeds of essential innovation by conducting ongoing, intentional conversations with key stakeholders until your organization reaches a point where it can give some of its attention to your transformational initiatives.

Shifts of this nature will take time and there is no time like the present. It will also need a champion for the cause. Perhaps there is no one better suited to create innovation momentum where you are than you!

- There is no such thing as an innovative company. How healthy the culture of innovation is within each sub-department collectively determines how innovative a company is. Getting this right at the sub-department level is key.
- Change is permanent. Its velocity is increasing, and the stakes are higher than ever. Do you confidently and methodically lead through disruptions or suffer through them? Do your behaviors and language consistently demonstrate your commitment to embrace change and see it as a source of fuel rather than a source of fear?
- When it comes to innovation, is your organization Underdeveloped, Developing, or Developed? Becoming an innovation organization requires an honest analysis of how innovative your staff perceives your organization to be. If your staff were asked today, would they define innovation in a consistent way, and agree unanimously that your organization is an innovative organization?
- Evolving into something new means evolving away from something old. Are there specific assumptions about how your organization currently operates that should be left behind to open new opportunities for growth?



YOUR MOVE



REFLECTION:

How have you contributed to creating an innovation organization? What do you believe is the best opportunity for you to serve your organization that would improve its scores?



REACTION:

What did you find surprising (positively and negatively) about the scores? What are the root causes behind the lowest scores?



ACTION:

What conversations about these results will you have and with whom? What short-term and long-term outcomes do you hope these conversations will accomplish? Who will help you achieve these outcomes?