



Socially infused innovation is now more important than ever

Harnessing the **power of culture to drive innovation**

Fundamentals of Innovation

Perhaps more than any other word commonly used in day-to-day business vernacular, the word “innovation” has developed a bad reputation due to its overuse, misapplication, and ambiguity around what it truly means. But the inability of most companies to achieve or sustain innovation seems to indicate that many C-Suite leaders struggle to cast a vision and implement a roadmap to consistently drive innovation.

Research shows that the word’s fall from its peak popularity in the mid-2000s is largely due to its use to glamorize technology-related advances while ignoring the “mundane labor” that it takes to implement and sustain it. Specifically challenging is the identification of the infrastructures, processes, culture, and routine efforts required to make innovation an ongoing contributor of real dollars to a company’s bottom line.

In his landmark book *Good to Great*, strategy guru and business researcher, Jim Collins avoided using the word innovation and challenged business leaders not to fixate on the role of technology, but to learn to *think differently* about it.

“While not all great companies have innovative products or services, they all—without exception — pursue the most profound and powerful form of innovation: *social innovation*. The next wave of enduring great companies will be built not by technical or product visionaries but by social visionaries — those who see their company and how it operates as their ultimate creation and *who invent entirely new ways of organizing human effort and creativity*.” Jim Collins

His follow-up book, *How The Mighty Fall*, confirmed this theory, telling numerous cautionary tales about companies pursuing technological or radical product advances, sacrificing their cultures, values, and even their financial strength.

Enterprises that adopt a holistic approach to innovation rooted in the collective genius of a motivated community with a healthy workplace culture will find success. With their mission, vision, and values as the cornerstones of community and culture, they will thrive. And considering the challenges of doing business in the post-pandemic world, socially infused innovation is now more imperative than ever.

Definition

Innovation when properly defined, resourced, and measured remains vital for a company's survival. While the common definition is intentionally broad, it becomes less ambiguous when the following fundamental components of the term are comprehensively applied as a filter across the enterprise. Note that these can be applied to tangible or intangible elements.

- **DIFFERENTIATION** – that which is produced, performed, or made differently
- **VALUE** – that which generates more value than before
- **EXECUTION** – that which is executed with excellence

Through this lens, leaders can define innovation as **identifying, supporting, and evaluating anything different – not only things that are novel or new – that could provide value to the company, customers, employees, or stakeholders when they are able to be executed with excellence.**

When adopted by an organization, this definition of innovation has the following ramifications:

- ✓ **Anything different means anything.** Ideas, processes, organizational structures, technologies, tools, products, or even policies within an enterprise are all prime targets for innovative thinking and potential modification.
- ✓ **Value is a prism, not just a bottom line.** Some of the most truly innovative ideas are not direct drivers of revenue but function more like catalysts for profit. If your idea of innovation is strictly limited to supporting ideas that will directly generate cash flow, you could miss out on the biggest drivers of growth. For example, making a change to a contract process to make it easier for your customers to do business with you might incur administrative costs, but will generate goodwill and stronger brand loyalty in the long run.
- ✓ **Execution with excellence is measured by consistency, commitment, and values.** The graveyard of abandoned innovations is filled with the best intentions at many companies due to poor execution. When evaluating whether to proceed with a potential innovation, enterprises need to have a *set of firm standards and a clear process* for determining whether or not they can execute it with consistency for the duration needed. Most importantly, the innovation and its requirements for success need to align with the company's core mission, vision, and values.

Reflection Questions:

- How would your C-suite leaders currently define what innovation means in your industry? In your company?
- In what ways do you think your organization's definition of innovation should be expanded, clarified, or changed?
- What are some initial thoughts that you have about using the term innovation with your leaders and employees? Are there any values that might be reinforced or perspectives that could be shifted if you used a different term, like creativity?

Categories

Once defined, it's helpful to broaden your concept of innovation by understanding the categories most relevant to your company's strategic intent and organizational structure. Begin by identifying what aspects of the enterprise should be continually evaluated for potential innovations. Developing a categorical framework for innovations and the typical stage of their development is essential to prevent the concept from becoming an easily dismissible buzzword.

While the following categories are based on the degree of scale and impact required to implement the innovation, no single prescription works for every business. What works for one company's culture, may disrupt another's. What reinforces the strength of one organization's community

could undermine motivation in another. Success is therefore much more likely when your leadership team takes the time to closely align your innovation framework with your mission, vision, values, and strategic roadmap.

Studies show that companies that apportion roughly 70% of their innovation activities and resources to core initiatives, 20% to adjacent, and 10% to transformational ones outperformed their competition by as much as 20%. And while the ratio is generally opposite in terms of profit contribution by category, researchers found that balancing and driving a comprehensive approach to innovation is key to overall company growth and organizational sustainability. The development of the best categorical mix should be an integral part of your company's ongoing strategic planning process.

Category	Impact	Key Characteristics	Examples
Core Innovation 70% of innovation activities and resources	Minimal impact on your current business model, markets, customers, systems, and culture	<ul style="list-style-type: none"> • Incremental • Familiar • Often discovered through routine measurements, road mapping, design thinking, and continuous improvement programs 	<ul style="list-style-type: none"> • Improvements in workflow, process, technology, or other sustaining activity, such as marketing or sales approaches • Product or service performance improvements for an existing and well-established line, or an acquisition that enhances a current line
Adjacent Innovation 20% of innovation activities and resources	Moderate impact on more than one area of business model, markets, customers, systems, and culture	<ul style="list-style-type: none"> • Requires a shift in mindset by employees, customers, or stakeholders • Requires modification that goes beyond routine adjustments or systems 	<ul style="list-style-type: none"> • Significant changes to internal work products, processes, or approaches, such as major shifts in the brand platform or distribution channels • Launching a new product/service line or making an acquisition that serves an <i>existing</i> customer segment • Expanding a current product/service offering to a <i>new</i> customer segment
Transformational Innovation 10% of innovation activities and resources	Radical impact on multiple areas of your business model, markets, customers, systems, and culture	<ul style="list-style-type: none"> • High-risk, high-reward • Requires a great deal of time and investment • Requires a complete change in mindset by employees, customers, or stakeholders • Requires complete change that goes beyond routine adjustments or systems 	Fundamentally changing: <ul style="list-style-type: none"> • Structure or product/service portfolio with little overlap in previous focus areas or market segments • Value proposition, brand, profit margins, customer targets, or shifting the company's production to meet new demands and markets

Reflection Questions:

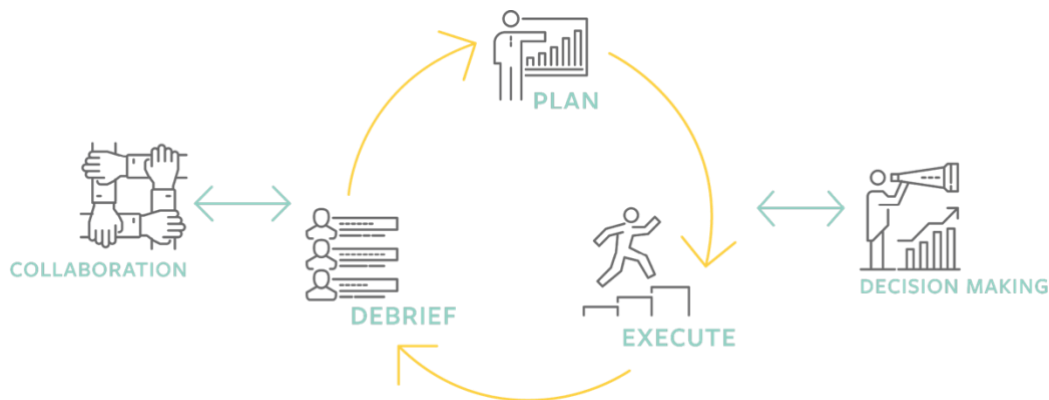
- In which of the innovation categories have you found your greatest success?
- Based on your industry and your company history, which category should receive the highest level of focus and effort?

Process

Defining the process of innovation is just as critical as identifying the category type. According to a *Harvard Business Review* survey of 164 executives at companies with more than \$1 billion in revenue, 42% said the transition from an R&D team or innovation incubation group to the business unit “needs serious work” or is “terrible” at their company. This is despite that 46% of the respondents said the business units provide a significant portion of the funding. This mismatch between financial investment and meaningful engagement highlights the importance of understanding each phase of innovation and seeking buy-in from all internal stakeholders. Greater involvement in both the company’s process and cultural philosophy about what constitutes innovation is key.

Broadly speaking there are two process approaches to aligning talent and resources around innovation – **intertwined and insulated**. As the term indicates, companies that adopt an intertwined approach embed creativity-generating workflows and/or teams within the business units themselves. The insulated approach is used when companies separate the incubation ideas and creativity into R&D departments or innovation labs. Both approaches can be effective if they are consistently supported within the culture, fully resourced, and closely connected to strategic objectives. The trend, however, is toward intertwined innovation because the organizational design more naturally lends itself to interdependent engagement, cross-functional collaboration, and most importantly, creativity sharing.

Leadership and engagement are critical regardless of your innovation approach. Leadership effectiveness at every level is a crucial ingredient for the development and maintenance of a strong, highly productive innovation culture. The following performance cycle is a foundational leadership approach that teaches, normalizes, and reinforces the pursuit of elite performance across the organization. When consistently replicated by leaders, regardless of primary function, this performance cycle will propel your organization through each stage of innovation.



When you embed the performance cycle throughout the innovation process completing each stage with excellence creativity, motivation, and energy are produced organically, rather than forced or contrived.

In almost two decades of C-suite executive coaching across the spectrum of industries, the performance cycle has proven to be one of the most useful tools in fueling innovation and driving organizational change.

Stages

The stages of innovation listed below are broad in scope and nature and provide a baseline for developing a process unique to your company's culture, ecosystem, and industry.

- 1 Identifying and defining the problem scope** – Virtually all innovation begins with the identification of a problem, regardless of the category into which it falls. Pain points and gaps in available market offerings are all opportunities connected to potential customers with identifiable needs. If organizations try to generate innovative ideas just for innovation's sake or attempt to force creativity without a specific connection to a problem, the results are ideas that may sound revolutionary but are incapable of generating marketplace demand. The discovery process is iterative, but it should always begin with the identification of a problem and the scope of its impact. The bigger the impact, the greater the likelihood of demand for a solution.
- 2 Brainstorming and generating ideas** — Once a problem has been identified it should move into a predefined, consistent process of cross-functional brainstorming and idea generation that includes the business unit and employees closest to the point of execution and impact. Developing a routine mechanism to address identified problems and develop potential solutions creates a reliable, transparent method that sets expectations for a fair and equitable process for every employee who participates.
- 3 Formulating and projecting cost-benefit** — Following the development of a viable idea or solution, many companies send the concepts to a special workgroup within the business unit or an R&D team, depending on the type of innovation. Again, a predefined process for fully vetting the viability of the innovation based on a universally adopted set of standards (see the next section) is essential to produce consistently good outcomes, maintain engagement, and encourage future suggestions from employees. Cross-functional, interdisciplinary participation is critical at this stage to avoid wasting resources and funding on concepts that are not viable from a brand, marketing, financial, or technological standpoint.
- 4 Rapid prototyping or piloting** — Regardless of whether the proposed innovation is tangible or intangible the experimentation stage is imperative. Developing a new product prototype or generating a pilot process experience allows the concepts to be tested by a sampling of the intended audience whether internal or external.
- 5 Measuring, evaluating, and refining** — Once a rapid prototype or pilot program is designed, the value, quality, and sustainability of the innovation can be realistically evaluated. In this stage, the pilot may go through multiple rounds of development as revisions are made based on experimental users. The adoption of clear standards for evaluation is critical, not only for the innovation process to generate reliable outcomes, but also to encourage future innovations across the organization.
- 6 Producing and launching** — Following stage five, the concept moves into production and launch where feedback mechanisms should be designed and available at the time of implementation to continue with further refinement. In addition, the widespread launch of a new product or service is a perfect time to capture ideas from the target audience which may trigger a waterfall of new innovation concepts and companies should prepare to record and react to these unexpected opportunities.
- 7 Scaling** — With a commitment to ongoing measurement and evaluation, iterative innovations may emerge, along with new markets. While scaling and expansion of products, services, and processes may appear to be a given, enterprises committed to evaluating and acting on continuous internal and external feedback will make the smartest decisions regarding the timing and extent of expansion.

Reflection Questions:

- Take an inventory of what your organization currently has in place that is (or is not) generating innovation. What areas need the greatest improvement? Are there any common themes among the areas?
- What stages or aspects of the innovation process are under-resourced or misunderstood in your organization?

Standards

Earlier we defined innovation with three underlying components: **DIFFERENTIATION, VALUE, AND EXECUTION**. It is the first component that demands a set of corresponding standards for evaluation — an innovation is something that is produced, performed, or made differently. We noted that being creative for creativity’s sake rarely has much worth to internal or external customers because it doesn’t meet an existing need or solve a problem. Therefore, your enterprise will not be innovative if it doesn’t motivate its employees to explore ambiguous and unfamiliar concepts in search of novel solutions and new ways of doing things.

But the exploration of “brave new worlds” is not for the faint of heart, especially if the explorers themselves are not sure if there’s a safety net waiting for them in case of failure. Generating new ideas and submitting them to scrutiny by peers, and especially by executive leaders, can be an emotionally damaging and incredibly demotivating experience when the ideas are ignored or rejected, even if for good reasons.

Developing, publishing, and consistently adhering to a set of standards by which all idea submissions will be evaluated is fundamental to fostering a workplace culture that enthusiastically embraces and participates in your company’s innovation program.

Studies show that employees feel more comfortable contributing ideas to innovation programs when they can reasonably anticipate how the concepts will be evaluated and what their reward and potential role might be if it moves into production or implementation. Like guardrails on a remote highway in unknown territory, your innovation standards guide the process and act as an emotional safeguard, providing optimum clarity and transparency every step of the way. The standards you adopt should be tailored to each category of innovation. The greater the idea’s complexity and impact, the more standards should be applied.

Most importantly, the guardrails you adopt should provide a sense of freedom with accountability that is not overly restrictive and reinforces a healthy perspective on failure. If your leadership models a culture of competence and performance that simultaneously encourages learning through productive attempts at innovation and creativity, even if they fail to be implemented, then your employees will be more confident in submitting truly novel ideas.

Every organization will have its own standards suited to its culture and business model, but there are two broad categories that apply to any enterprise. While this table of examples is by no means exhaustive or relevant in every industry, it provides a snapshot to spark ideas in developing standards appropriate for your business model and markets.

Strategic and Creative Standards Examples	Organizational and Delivery Standards Examples
<ul style="list-style-type: none"> • Strategic alignment with the existing business model or organizational scope • Originality and uniqueness • Brand and product portfolio alignment • Potential to solve a customer problem (internal or external) • Clarity and concreteness of idea or concept 	<ul style="list-style-type: none"> • Cultural alignment • Relevance and organizational capacity • Initial feasibility and practicality assessment • Production and distribution alignment
<ul style="list-style-type: none"> • Impact on short, mid, and long-term strategic roadmap • Product/service portfolio considerations and impact • Brand potential and reputation impact • Competitive and market factors • Customer value proposition and impact • Production costs, resourcing, talent • Production timeline 	<ul style="list-style-type: none"> • Customer service and support impact COGS and production analysis • Geographic (national, regional, and local) application and adjustments for markets, channels, and customers • Organizational investments and changes • Structures, processes, and workflows • Safety and regulatory compliance • Technology investments
<ul style="list-style-type: none"> • Manufacturing and development efficiency and productivity • Customer service and support ramp-up and training 	<ul style="list-style-type: none"> • Marketing and sales alignment and launch planning, including packaging and promotion • Global distribution and marketing factors, such as language, culture • Partners, networks, and other key influencers

Reflection Questions:

- In what ways are your current standards helping your company generate innovation?
- How could your current standards be improved to generate an even higher level of innovation?

Sustainability

Developed leaders know that a company's next "big idea" can come from anyone at any level of the organization. For example, a janitor at Frito-Lay came up with the most popular flavor of Cheetos. Southwest Airlines owes a huge part of its quirky, but lovable brand's success to a flight attendant who experimented with ad-libbing comedic interjections during in-flight safety announcements. What they had in common was the inclination and courage to experiment with an idea and champion the concept with company executives. While these inspiring anecdotes make it seem easy to cultivate an innovation culture, even visionary leaders sometimes struggle with implementing mechanisms that encourage intrapreneurship within the organization.

Knowing that continuous innovative thinking is the cornerstone of long-term competitive advantage, a diverse team of researchers embarked on a landmark study to understand how leaders might motivate their employees to produce creative solutions. For three decades they studied businesses across industries, ranging from advertising agencies to information technology companies, but it was their case study on a stereotypically "uncreative" company — a manufacturing plant — that generated the most profound insights on innovation and culture.

At the beginning of the researchers' work, only a small percentage of employees participated in the company's idea suggestion program and the plant was floundering to innovate in any area. But the division's leader was willing to work with researchers to study their existing model in-depth and then implement a new approach based on their recommendations. The outcome was the integration of a "holistic process for managing the full life cycle of creativity, designed to ensure that ideas don't get lost and that employee motivation to offer ideas is encouraged, not dampened. It begins with idea generation but doesn't stop there. It also includes help with idea development; substantive, fair idea evaluation that is transparent to everyone; public recognition, and implementation of the most promising ideas."

The results of their nine-year project with the manufacturing plant speak for themselves:

- The 430 employees who worked at the plant submitted 5,000 ideas at an 81% participation rate. That's an average of 14 ideas per employee.
- More than 70% of the 5,000 ideas were implemented.
- The innovations submitted through the holistic process saved the company millions of dollars, improved efficiency, and dramatically change the organizational culture.

The fundamentals of what made the new system so effective at the manufacturing plant are outlined in the researchers' case study ([published here](#) in *Harvard Business Review* in 2018), but here are the most important takeaways throughout the decade of working on the project.

- ✓ **Watch out for backfire.** Creativity that is encouraged without implementation support, development resources, and clear evaluation are likely to cause employee frustration. A lack of communication and meaningful feedback may also create resentment when ideas are continuously rejected without explanation or for the same reasons every time. Companies that implement structures and processes that support a sense of community across functional areas and levels will be the ones that see innovation rise. This includes a safe ecosystem with accountability and authenticity, red tape removal, communication tools, brainstorming forums, and consistent evaluation of every aspect of the idea submission process.
- ✓ **Dismantle barriers to participation.** Many employees won't participate in innovation programs because they believe they lack the skills, aren't smart enough, or work at lower levels within the organization. A host of other psychological and organizational barriers can also come into play, including the fear that managers will steal or take credit for an employee's idea, or that if their idea fails, they will lose their jobs or be overlooked for promotions. When developing a system for innovation, engage employees from across the company in its development, ensuring that potential concerns are addressed early and frequently to generate buy-in and positive word of mouth.
- ✓ **Be transparent and keep it simple.** The cornerstone of the system that the manufacturing plant adopted was a simple submission process based on a clear set of parameters where the ideas and the supporting details were visible to everyone in the company. The plant's leadership invested a substantial amount of time in socializing and communicating the parameters so that they could be easily followed by any employee regardless of specialty or position.
- ✓ **Rally support and provide leader sponsorship.** The secret every great leader knows is that when you champion your employees' ideas, give them the support and freedom to think differently and stand behind them during times of difficulty or pressure, they feel empowered to share bold ideas and try new things. At the manufacturing plant, mid-level leaders were not only required to support and help sell the ideas of their employees, but the leaders were evaluated based on their ability to do so fairly.

- ✓ **Provide quality, clear, and timely feedback.** One of the keys to managing expectations in any situation is the continuous supply of constructive, honest, and timely feedback on an individual and collective basis. Often it is the absence of feedback that undermines relationships and fractures trust more than any other factor. Any method for soliciting ideas from employees, whether they are in leadership or at entry level, should include specific feedback related to their suggestions. The following list of feedback mechanisms offers a wide variety of instruments and methods for capturing both formal and informal insights and creating two-way dialogues.
- Pulsing surveys are a great way to understand how engaged your employees are and where they stand on specific issues or initiatives. Usually, a pulsing survey is anywhere from 1-3 questions asked on a consistent basis, whether they happen weekly or monthly. Because they are short, frequent, and cloud-based, they are convenient options for gaining a good representation of employee sentiment in real-time. Companies like [Tinypulse](#) and [Engagement Multiplier](#) are top rated for their employee feedback solutions and support teams.
 - Collaboration platforms like [Smarp](#), [Slack](#), and [Microsoft Teams](#) make sharing and organizing information easy. It is important to establish clear processes and cadences around using these tools to ensure they are used to their full potential and don't become a distraction or a burden to employees.
 - Another great way to make information easily accessible and create authentic discussions between colleagues, no matter where they're working from, is by utilizing an intranet. Intranets — like [Jive](#) or internal [Microsoft SharePoint](#) sites — provide options for leaders to post articles and internal information, communicate to the entire organization and specific groups, provide discussion boards, and more. Intranets are also incredibly useful in providing consistent reminders regarding the organization's progress toward the year's goals, as well as its mission, vision, values, strategic roadmap, and departmental objectives.
 - Schedule weekly one-on-ones with each team member to gain perspective and provide feedback. At least quarterly, ensure you are having a reciprocal conversation about performance. As a leader, share your insights and perspectives and allow your team member to do the same. The company [Become Unmistakable](#) has a fun and easy way to engage in this cadence of check-ins using their [UMap and Thrive 365](#).
 - Continuing to make social connections between leaders and team members builds social capital, which is an important tenet of trust building. As we invest in relationships with one another, we build equity to rely on later. When people feel more connected to the those they work with and for, they are more likely to work harder and remain loyal.

Reward employees for effort, not only ingenuity and successful ideas. Although more ideas submitted by employees will likely be rejected than not, in the early days of an innovation program, the primary driver of motivation will be recognition of their participation regardless of how successful the ideas are. For many employees, it will take time for them to feel courageous enough to submit bold, new concepts. But leaders who appreciate and reward employees based on their effort and support them as intrapreneurs will see an exceptional level of passion, alignment, and engagement emerge in the company culture over the long haul.

Reflection Questions:

- Rate the effectiveness of your organization's ability to innovate on a scale of 1-5, with 5 being exceptional and 1 being extremely poor.
- What are some ways you can engage and motivate employees at every level to participate in the innovation process of each?
- As you assess innovation at your company, what innovation mechanisms described above will require the most attention to realize the greatest growth?