



## Insights from The Clarion Institute Creating a Climate for Innovation

By Michael M. Chayes

Innovation has been high on the corporate agenda for several years. With proliferating competition and fewer sources of enduring competitive advantage, companies are focused on how they can drive future growth through innovation in products, services, and business models. The constant flow of new articles, books, and seminars on innovation testifies to how urgently businesses are trying to crack the code. Whenever a potential source of business value takes center stage in the collective mind, be it innovation, customer excellence, or supply chain management, the usual analytic approach is to seek out those few “gooses” who seem to be laying golden eggs, cut them open and see how the magic happens. Of course, like in the fable, what you tend to end up with is just one dead goose. The factors that drive success for a particular company may be easy to describe, but their magic is hard to replicate. Ask anyone who’s spent years trying to fly profitably like Southwest, or build mp.3 players like Apple. Companies that innovate successfully have created a climate for innovation that is greater than the sum of the parts. This article will focus on how several key elements work their magic in producing that kind of climate.

### Innovation Process

For practical purposes, it's useful to think of the innovation process as containing four separate phases: idea generation, idea evaluation, development, and commercialization. In reality, in terms of the factors that drive success, there is no clear dividing line; the methods and processes that companies put in place to manage each phase shape the overall innovation climate and exert influence across the whole process. For example, implementing an

overly-backward-looking idea evaluation process can discourage idea generation and choke off the commercialization pipeline. In the current public dialogue on innovation, authors and speakers tend to reflect their own personal experience or interest, emphasizing one phase or another of the overall process. However, creating new business value consistently over time requires that all aspects of the innovation process be operating above a basic threshold of effectiveness. A breakdown or serious deficit in any one phase disables the whole process. Climate and process reinforce one another in determining how easily innovation progresses.

Creating a productive innovation climate is challenging because of the way that "mindset" typically interferes with our ability to see the world openly, flexibly, and creatively. Mindset, which is basically the sum of our beliefs about how the world operates, not only shapes the actions and decisions we take, but also limits our view of the possibilities and the amount and kind of information that we take in. Mindsets are generally difficult to change; not least, because they operate largely out of awareness and because our human natures tend to favor familiar and predictable patterns that we can feel in control of. While there can be genuine excitement in seeing the world freshly, for most people, most of the time, it can also entail a degree of discomfort that we are disinclined to tolerate for long, let alone, seek out. In the workplace, individual and collective mindset is shaped by many forces, including history and temperament, organizational culture, risk tolerance, past and current business success (success tending to breed complacency), richness of experience, the variety and diversity of the information environment and social and political pressures. Creating a climate in which prevailing

mindsets can be challenged and innovation can thrive means recognizing the specific, often subtle, factors in the organization that operate to potentially stifle fresh thinking. The battle for innovation is largely a battle against mindset.

With innovation, as with many aspects of human and organizational functioning, one of the first questions is usually, "Is it the people or the environment?" In other words, "Do we just need to hire more creative people, or is there something about the way we're managing?" In this variant on the "nature-nurture" controversy, the answer is, these are not polar opposite choices; both are important. Talent and environment exist on continuums of their own. There are individuals who will be creative in any environment you put them in, as well as those who will have difficulty creating almost anywhere. Equally, there are organizational environments that can defeat innovation in even the hardiest souls, as well as those that have amazing success at generating innovation from a large part of their employee base (think Toyota Production System). Focusing on the extreme ends of either continuum does not lead to a long-term integrated solution. What are of more practical value are the steps that businesses can take to improve the overall climate for innovative thinking in their organizations. Companies are best served by providing the conditions under which the largest possible proportion of their employees can potentially create greater value for their customers and for the organization itself. There are a number of factors that contribute to an innovation climate including: information richness, diversity, fear reduction, and teamwork.

## Information Richness

One of the factors that influence the potential for innovation is the information richness of the work environment. Researchers have pointed out how much innovation is dependent on – even defined by – the creative recombination of existing ideas and technologies. Hargadon (in *How Breakthroughs Happen*)

talks about innovation as relying in significant part, on bridging organizational boundaries and trafficking in ideas and technologies that originate in diverse environments. It is part of creating and exploiting a climate of information richness and diversity. Work environments that are information rich provide grist for the creative mill for everyone immersed in them. They provide the raw material from which ideas can be creatively combined and recombined and fresh insight can emerge. Information richness can be fostered in numerous ways through ventures inside-and-outside the company. The goal is to break traditional boundaries and create new linkages between people and ideas. Richness can be stimulated by, for example:

- Cross-company collaboration
- Benchmarking visits
- Attending seminars in related fields
- Rotating between departments
- Creating stimulating intranets
- Putting info feeds on the desktop
- Encouraging personal projects
- Customer visits
- Joining professional associations

When the challenge is seen broadly as enriching the informational/experiential environment in the service of generating broader thinking and problem-solving, there are numerous methods that will work for different companies. The goal is not to compound indiscriminate information overload, but to encourage stimulation and a broader stretch for ideas.

## Diversity

Diversity can be regarded as part of developing information richness, but deserves special mention of its own. Going back to the question of mindset, few things reinforce a narrow mindset more strongly than working every day with a group of people from similar backgrounds who essentially look, think, and talk

the same. The concept of workplace diversity was originally applied to achieving better racial and ethnic balance in companies dominated by white males. But, equally or more important when it comes to innovation, is diversity of thought and perception.

Achieving meaningful diversity in a given context will differ for each company. Superficial differences don't stimulate very much; differences in education, work experience, geography, value system, and personal career passion are more meaningful. Diversity of thought can be helped along by conventional methods like creating teams that have racial, ethnic, gender, or functional diversity, or it can be pushed into higher gear by employing more radical methods. Bob Sutton (in *Weird Ideas That Work*) takes the-bull-by-the-horns suggesting things like hiring "slow learners" who are less readily influenced by existing organizational norms, hiring people who make you uncomfortable (or who you actually dislike!), and encouraging people to defy superiors and peers. The point is to create an environment in which diverse ideas and points-of-view are not just tolerated, but actively and forcibly injected into the organizational mix. Sutton's radical suggestions highlight how routinely we operate in a homogeneous comfort zone and how hard we need to work to explicitly disrupt it in the service of innovation.

Diversity is no more a "silver bullet" than any other method of influencing the organizational climate. The trick to making it work is managing it, balancing the relative disorder and discomfort it may generate with the need for common purpose and stability.

## Fear Reduction

One of the most important, yet subtlest forces discouraging an innovation-friendly climate is fear. It comes in many forms and exists from the executive suite to the shop floor. Fear is most apparent in hierarchical companies where the clear message is "you get along by going along"; if you value your career and a

conflict-free workday, you don't challenge your superiors or the conventional wisdom. While it's never stated explicitly, the message gets communicated through things like leadership behavior, who gets promoted, the conduct of meetings, and performance management criteria. Without saying it in so many words or intending to, companies discourage an open exchange of ideas which limits creative challenges to business decisions or behavior. In doing so, they severely dampen the likelihood of consistently generating innovation.

Fear of failure is more common and disabling than fear of career suicide. Companies that demonstrate by words and actions that failure "is not an option," discourage risk taking and experimentation, activities that are crucial to innovation. Companies that innovate successfully have learned that the only unacceptable behavior is inaction. Without active support to turn ideas into prototypes and experiments – recognizing that the overwhelming majority will fail, but that the learning and few winners are invaluable – innovation never gets off the ground.

To create an innovation climate, you have to not only drive out fear, but go in the opposite direction, encouraging openness, free discussion, experimentation, and challenging the status quo. It is easier to talk about than to implement. Human beings are rather sensitive to situations that will potentially diminish their sense of self-worth, so openness and tolerance can't be faked. More than just being encouraged to speak up or risk-and-fail-without-negative-consequence, employees need to be actively invited to engage themselves fully in the task of creating value for their companies and themselves.

## Teamwork

Despite the continuing popularity of the image of the "lone genius," research in innovation has consistently demonstrated how important teamwork is to innovation success. The team is important for a number of rea-

sons. In most cases, several minds are better than one in terms of the sheer quantity and quality of ideas that can be generated. The right teams inherently create greater information richness for their members. More important, well-functioning teams provide an incubator, nurturing and strengthening fragile early insights that could easily be extinguished without support and elaboration. Teams also build on the ideas of their members, where a lack of "pride of authorship" creates a free flow of ideas that grow and morph through multiple iterations. Except where "groupthink" dominates, teams provide the inherent diversity of thought and perception that enhances the quality of any idea that survives earnest debate. Teams can also provide the broad variety of skills necessary to shepherd an idea from its earliest inception through the hurdles of evaluation and eventual commercialization.

Teams in-and-of themselves are not a panacea. They can bring out the best in people, as well as the worst. When they are formed, the membership should be carefully selected in order to create groups that are diverse, yet balanced and self-regulating, and where there is an overarching shared commitment to the work. It is also important that teams have the right sort of leadership, either an individual leader or agreed to norms and procedures, to keep them productive and guide them through the inevitable conflicts and challenges. When done right, few organizational tools have greater potential to increase the level of innovative thought at lower cost.

## Taking Action

There is an old debate in psychology about whether you have to change attitudes to get behavior change, or whether, if you change behavior, attitudes will follow. There is a lot of evidence now for the counter-intuitive notion that, if you change behavior, attitudes will take care of themselves. The implication is that it's not necessary, or helpful, to spend a lot of time talking (or reading) about innovation. Just start doing things. If you lead a company or business unit, or a functional group or work group, pick your spot and start taking action. Start small, changing the way you handle meetings to invite more diverse thinking and challenge. Don't settle for too-rapid, pro forma agreement. Encourage people to reach further into different businesses for ideas and data to enrich discussions and the range of visible options. Be hard-nosed in scrutinizing to what degree you stimulate or tolerate an atmosphere of fear. Throw more problems to teams rather than individuals, creating teams that aren't just "the usual suspects." Information richness, diversity, fear reduction, and teamwork all play a role in creating a climate for innovation. Recognizing how much we intuitively seek familiarity and predictability, tolerate more discomfort. Appreciate how much creating a real climate of innovation doesn't mean "swamping the boat," but encouraging some "perpetual rocking."

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