Drive an Innovative Culture

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To foster innovation, learning leaders should examine how their organizational culture can be used to build creative capacity.

Culture drives innovation. From Apple's startup culture to 3M's culture of out-of-the-box thinking to Samsung Electronics' culture of strong support for risk-taking, there are many examples of how unique organizational cultures have driven successful innovations. Despite these and many other cases, managers and leaders often focus on organizational structure, job characteristics, management processes and capital as the main drivers of innovation. However, recent studies suggest that organizational culture is the strongest driver of all and is perhaps a root source influencing many of the factors that have a more visible effect on innovation outcomes.

Organizational culture refers to the underlying values, beliefs and principles that serve as a foundation for an organization's management system as well as the management practices and behaviors that exemplify and reinforce those principles. While organizational culture encompasses various elements, high-perform-ing organizations have certain elements in common.
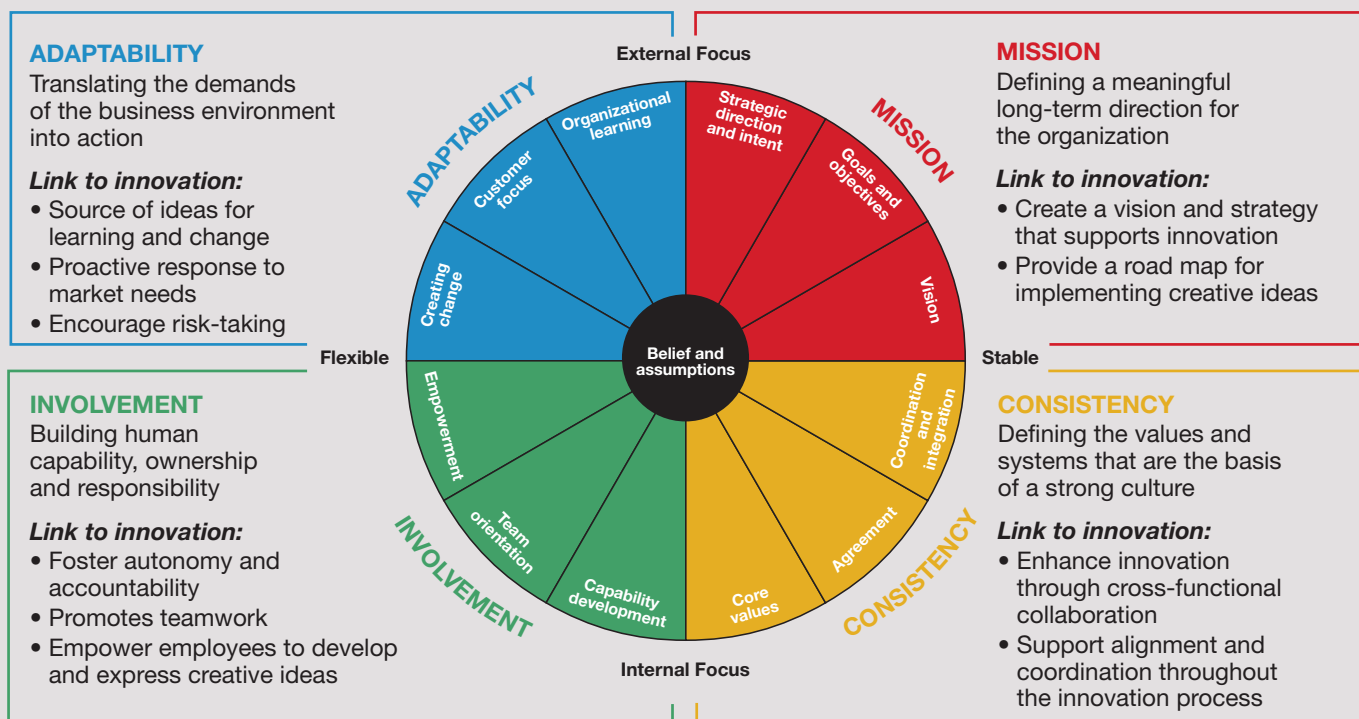
The Denison Organizational Culture Model includes four essential traits — mission, consistency, involvement and adaptability — of high-performance organizational culture. Studies by Denison Consulting — an organizational culture and leadership development consulting firm — have shown that these traits are important for organizational performance. Company consultants hypothesized that each trait would be important for innovation.

Three studies were conducted — the results from which were published in 2012 — using the Denison Organizational Culture Survey developed based on the model in Figure 1. High scores indicate a high level of clarity and alignment related to elements of organizational culture, whereas low scores indicate that cultural capabilities are not well developed in the organization.

Exploring the Culture-Innovation Link

The three studies included 294,197 employees

FIGURE 1: ORGANIZATIONAL CULTURE AND LINK TO INNOVATION

ADAPTABILITY
Translating the demands of the business environment into action

Link to innovation:
• Source of ideas for learning and change
• Proactive response to market needs
• Encourage risk-taking

INVOLVEMENT
Building human capability, ownership and responsibility

Link to innovation:
• Foster autonomy and accountability
• Promotes teamwork
• Empower employees to develop and express creative ideas

MISSION
Defining a meaningful long-term direction for the organization

Link to innovation:
• Create a vision and strategy that supports innovation
• Provide a road map for implementing creative ideas

CONSISTENCY
Defining the values and systems that are the basis of a strong culture

Link to innovation:
• Enhance innovation through cross-functional collaboration
• Support alignment and coordination throughout the innovation process

Source: Denison Consulting, 2012

from 664 organizations, and the data was gathered during the past 12 years. The culture survey was used to assess organizational culture in all three studies and captured different aspects of innovation for each study. They measured innovation based on employee ratings of the organization's performance in new product development and innovation effectiveness and by using market growth assumptions retrieved from Standard & Poor's Compustat database.

Overall, there are strong positive effects from adaptability, mission and involvement on innovation outcomes. First, when it comes to new product development, performance was significantly higher for organizations with a highly adaptive and mission-oriented culture. The regression analysis showed that organizational culture explained about 23 percent of the variability in new product development performance, and that adaptability was the single most important predictor followed by mission (Figure 2).

The study also measured innovation effectiveness in terms of creativity and successful implementation of creative ideas. The regression analysis showed that about 84 percent of the variance of innovation effectiveness could be explained by organizational culture (Figure 3). While all four culture traits contributed to this finding, results pointed to the importance of adaptability and mission as strong cultural innovation drivers. Involvement emerged as a third factor, suggesting that organizations can enhance innovation by empowering and developing their people.

The last indicator of innovation effectiveness is market growth assumptions. On average, market growth assumptions were significantly higher for organizations with high scores on all four cultural traits. As with the previous studies, additional analysis supported mission, adaptability and involvement as the primary drivers of innovation indexed by this metric.

Having a clear strategy that aligns people with the larger organizational goals and being nimble and fluid enough to respond to opportunities in the marketplace when they arise are key sources of innovative advantage for an organization.

Another source of organizational advantage can be found in the power of employee involvement. When employees are empowered, work in teams and are given opportunities to develop their capabilities, they are more likely to generate and express new ideas.

Further, in a highly consistent organization, there is a strong culture and a clear agreement on the do's and don'ts. Given that consistency reflects the organization's capability to perform in a steady and predictable manner over time, too much consistency can be detrimental to innovation, particularly when organizations lack clear capabilities in other areas. For example, if an organization is replicating its internal processes with-

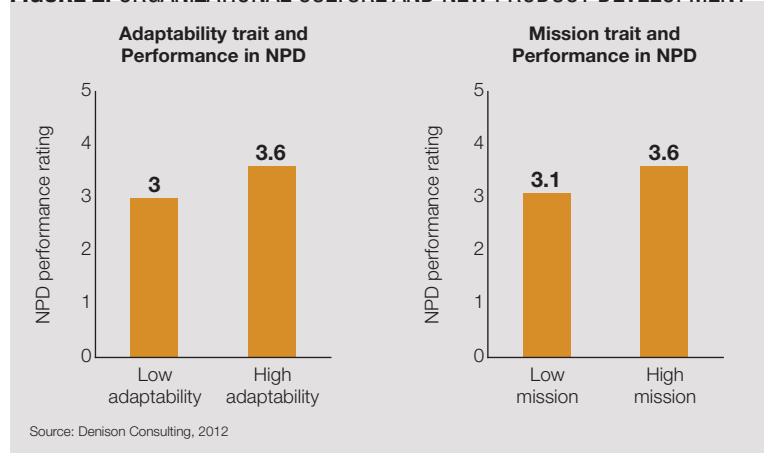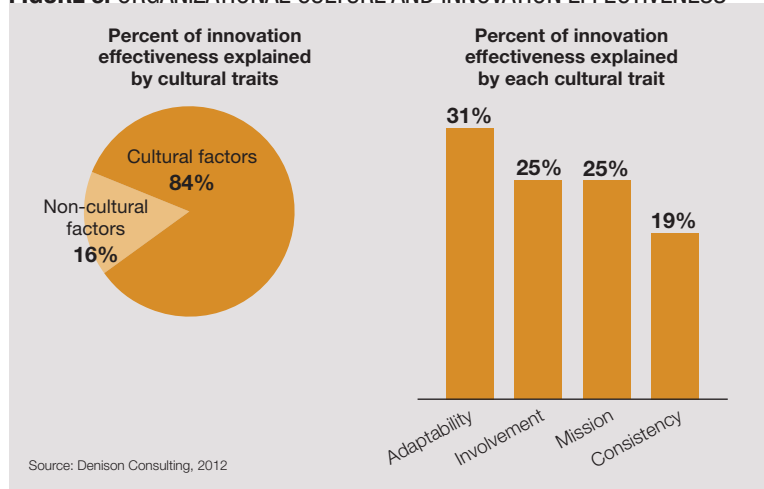**FIGURE 2:** ORGANIZATIONAL CULTURE AND NEW PRODUCT DEVELOPMENT

Source: Denison Consulting, 2012

FIGURE 3: ORGANIZATIONAL CULTURE AND INNOVATION EFFECTIVENESS

Source: Denison Consulting, 2012

out a clear understanding of what customers want and the corresponding capabilities needed to support change, the organization is very likely to produce the same results rather than innovate.

The Styles of Innovation

An innovative culture is not a one-type-fits-all approach. Denison research identified three styles of innovation culture.

Customer-driven innovation: Innovative organizations are adaptable. With an outward focus, they quickly respond to customers and competitors, value risk-taking and act on the type of innovations the customer values. To build a customer-driven innovation culture:
- Listen to customers and find new ways to collaborate with them.
- Let outsiders bring new ideas. They can do this in a way that insiders cannot.
- Enhance organizational learning by rewarding educated risk-taking and supporting learning forums. Consider failures important sources of learning.

Vision-driven innovation: Having a clear vision allows for new idea development aligned with the direction in which the organization is moving. For instance, innovations at Apple have been largely driven by its strong vision rather than customer ideas. To develop a vision-driven innovation culture:

- Make it the highest priority to adopt long-term strategy and direction. Think of issues with a longer time horizon.
- Engage employees in defining the organization's mission and vision.
- Help employees define their own goals aligned with the organizational mission, vision and strategy.

Involvement-driven innovation: Involvement matters to creativity, an important component of innovation. Organizations driving innovation through highly involved employees invest in their employees, promote empowerment and facilitate teamwork. They ensure freedom and capability to develop new ideas. To foster innovation through involvement:

- Give employees resources and opportunities to be creative. For example, a prescribed innovation timeout can be great for employees to play with new ideas.
- Promote teamwork and reward teams to enhance employee creativity.
- Let employees share their ideas and be open to bottom-up decision-making.

Regardless of the innovation culture style, consistency is needed to facilitate the implementation of creative ideas. To foster consistency to support strengths in the other areas and fuel innovation:

- Develop a system connecting various initiatives to facilitate coordination and integration. Creative individuals need support from others and a system to realize their ideas.
- Create an environment that encourages knowledge flow and stimulates creativity.
- Agree to disagree. Value divergent thinking and encourage constructive confrontation.

Every organization must innovate to survive, and beyond that, to thrive. Developing the right culture traits can foster innovation and help achieve better business outcomes.

If innovation is the goal, learning leaders could benefit from adding culture interventions to their toolbox. By doing so, they can expand upon the impact of their work and add creative capacity to their organizations. ⬤⬤

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sity," Yap said. "Participants identify business opportunities and explore ideas for collaboration across the different divisions during the three-day engagement and interactive workshop that will eventually contribute to the long-term growth strategy of Novartis in Asia."

Novartis also has programs that address employee capability gaps for middle- and junior-level associates. One such offering is the TEAM program. TEAM represents four important factors: teamwork, effectiveness, accelerating execution and managing stakeholders. Existing teams are required to attend together. They learn how to implement change initiatives more effectively, accelerate the implementation and manage their stakeholders using real projects.

"In our last TEAM program, we had eight teams attending with different projects from different countries and divisions within Asia," Yap said. "Two of the teams were working on very similar projects. So, even though they were from different countries, TEAM provided a platform for them to share their experiences, and they were able to leverage cross-country learning."

Project teams in the TEAM program have reported high satisfaction. Participants said they were able to apply the tools and reported an increased acceptance from their stakeholders. One process improvement team reported increased productivity of 11.97 percent.

There are other positive indicators of Asia University's success. The average rating of all the programs delivered to date is 4.7 on a scale of 5. For the SWIM program, Novartis had to organize an additional class to meet demand.

Novartis started with programs targeted at junior managers. Later this year, it will transfer know-how for developing junior managers to local trainers in the region and refocus its energy on senior managers and key talent.

Filling Gaps, Building a Foundation

A 2012 Manpowergroup Talent Shortage survey reveals that significant gaps exist throughout Asia. Many Asia employers report difficulty in filling jobs — 81 percent in Japan, 47 percent in Taiwan, 37 percent in Singapore, 35 percent in Hong Kong and 23 percent in China.

With this in mind, Novartis' China and Asia universities teach its participants leadership and fundamental business skills to address these gaps, but more importantly, they create leaders who can build the business in these growth markets long into the future. ⬤⬤

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