Originally published by:
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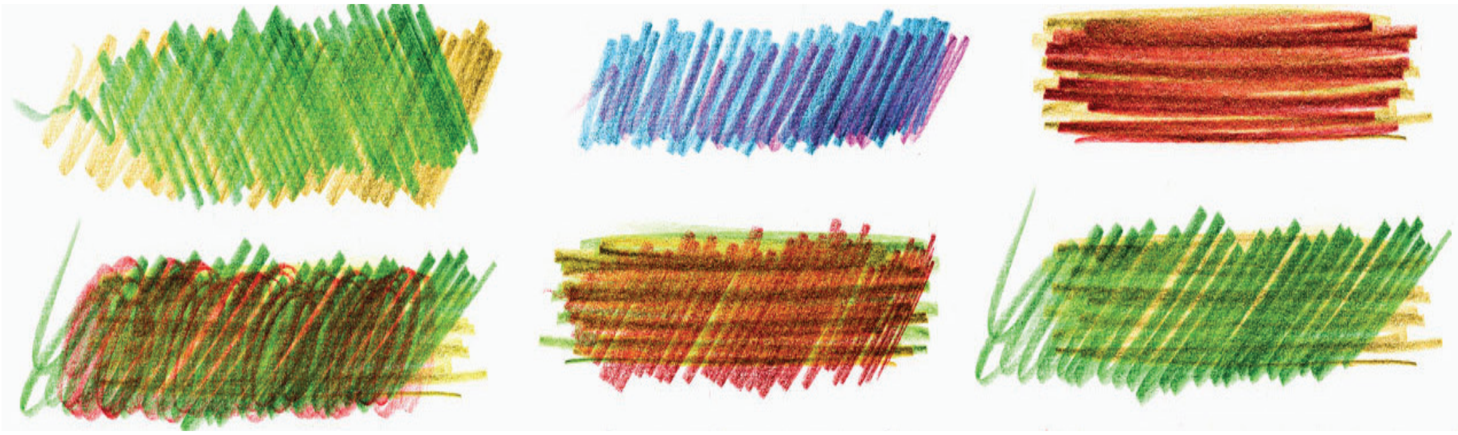

6 Ways to Create a Culture of Innovation

Reward employees with time to think, while providing them with the structure they need.

By Soren Kaplan

Every organization is designed to get the results it gets. Poor performance comes from a poorly designed organization. Superior results emerge when strategies, business models, structure, processes, technologies, tools, and reward systems fire on all cylinders in symphonic unison.

Savvy leaders shape the culture of their company to drive innovation. They know that it's culture—the values, norms, unconscious messages, and subtle behaviors of leaders and employees—that often limits performance. These invisible forces are responsible for the fact that 70% of all organizational change efforts fail. The trick? Design the interplay between the company's explicit strategies with the ways people actually relate to one another and to the organization.

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Here's how to influence the soft stuff.

1. Be intentional with your innovation intent

Most corporate visions and missions sound alarmingly alike: Become the #1 provider of blah, blah, blah. These generic, broad-based goals might rev up sales teams, but they do little to spark ingenuity. Perhaps the worst thing a company can do is give "innovation marching orders" without any guide posts. That's when the focus gets lost and teams spin their wheels.

The goal: Frame the way you want to change the world, and make it about the customer. For example, the software company Intuit—the developer of Quicken, Quick Books, and TurboTax—makes its mission abundantly clear: "To improve our customers' financial lives so profoundly they can't imagine going back to the old way."

2. Create a structure for unstructured time

Innovation needs time to develop. No one ever feels like they have time to spare. People get so consumed with putting out fires and chasing short-term targets that most can't even think about the future.

Giving up control when the pressure is greatest is the ultimate innovation paradox. That's why iconic brands like 3M and Google give their employees about 10% "free time" to experiment with new ideas. The software company Atlassian encourages employees to take "FedEx Days"—paid days off to work on any problem they want. But there's a catch: Just like FedEx, they must deliver something of value 24 hours later.

Companies such as Intuit use time as a reward because they believe it's the biggest motivator of corporate intrapreneurs. Intuit gives its best business innovators three months of "unstructured" time that can be used in one big chunk or spread out over six months for part-time exploration of new opportunities. So using time wisely creates a major incentive to get more time to play with (hopefully wisely).

3. Step in, then step back

Providing "free" time for employees to experiment with new technologies, products, or processes can catalyze the next big thing. But too many companies—and the consultants they hire—attempt to over-engineer the innovation process. A better option: Give just enough structure and support to help people navigate uncertainty and tap into the creative process without stifling it.

There are some pretty good off-the-shelf tools that can help build employee skill sets. Some of the best are freely available, such as the Stanford Design School's Boot Camp Bootleg. Intuit applied the design thinking underlying Stanford's model to create its Catalyst Toolkit, a guide that was made available to all employees and the public and which includes self-serve ingredients for cooking up innovation.

People as diverse as software engineers to human-resources managers have used the toolkit to innovate internal work processes or create new products, including SnapTax, which lets customers file their taxes in less than 15 minutes on their mobile phones. Promoting these types of toolkits help convince employees that leaders care about their development while they also promote best practices that can be adapted to the needs of the individual or team.

4. Measure what's meaningful

Management guru Peter Drucker once said, "What's measured improves." Said another way, You get what you measure. For many companies, coming up with ideas often isn't the problem. The challenge is turning them into something real that delivers an impact. So what metrics should you use?

First, you have to figure out what to measure. In its early days, Facebook measured how often its users returned to its site. Everything they did focused on blowing out this single metric. OpenTable, the restaurant reservation service, focused on two metrics that allowed it to become the dominant player: growing the numbers of restaurants in its network and increasing the number of consumers making reservations.

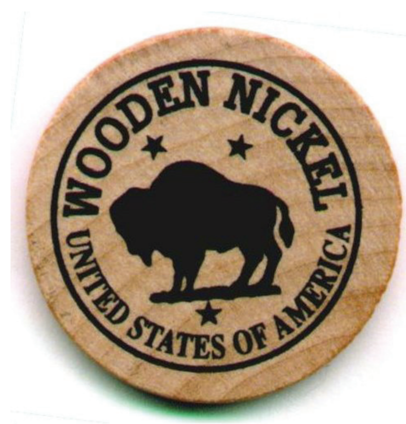
Customer-oriented numbers are clearly essential. But other indicators can drive internal innovation, too. After Proctor & Gamble realized the importance of outside partnerships in driving market breakthroughs, the company decided to measure (and increase) the percentage of new products that used breakthrough technologies from partners. Externally driven innovation jumped from 10% to more than 50% and resulted in new products, including Mr. Clean Magic Erasers and Tide Pods.

Other metrics that promote organizational innovation include:

- Percent of revenue from products or services introduced within a given period of time (say, the last fiscal year).
- A pipeline of new ideas that includes a set ratio of short-term products or services and longer-term game changers (say, 75%-25%).
- Percent of employees who have been trained and given tools for innovation.
- Percent of time dedicated to discovering, prototyping, and testing revenue-generating new products, services, or business models (say, 10-20%).

5. Give "worthless" rewards

Recognizing success is critical, but most companies stop there. An annual innovation award is just not enough to catalyze a culture of innovation. Sure, formal rewards are good for the short term—but they don't keep people truly engaged.



The most powerful and robust type of recognition—the kind that shapes organizational values—often occurs more informally. Several members of Colgate-Palmolive's Global R&D group initiated a "recognition economy" by distributing symbolic wooden nickels to colleagues who had made noteworthy contributions to their projects. The fortunate recipients didn't hoard their winnings. They passed them on to others who had chipped in on projects that they themselves had led.

Nickels are now distributed in meetings, but it's not uncommon for employees to return from lunch and find a few nickels anonymously placed on their desks. It's a fun and validating idea; such informal acknowledgments encourage a collective spirit and help promote the free flow of ideas.

6. Get symbolic

Symbols represent the underlying values of an organization, and they come in many forms—values statements, awards, success stories, posters in the hallways, catch phrases, acronyms, and, yes, those wooden nickels. Those who intentionally curate the innovation symbols of their companies essentially curate their innovation cultures.

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Intuit installed the kitchen table where Scott Cook dreamed up the company with his wife in its innovation center—and employees are encouraged to sit around it for idea jams. Netflix names its corporate conference rooms after blockbuster movies (for one, King Kong) as a reminder of the continuous breakthroughs its employees are creating and promoting.

But symbols can be more than just physical objects. Poignant experiences, for example, live on as stories and folklore—and shape the mindsets and behaviors of new and existing employees. At Google, the story of the time Sheryl Sandberg made a bad decision that cost the company millions lives on—not because of the error itself but because of co-founder Larry Page's response: "I'm so glad you made this mistake," he said, "Because I want to run a company where we are moving too quickly and doing too much, not being too cautious and doing too little. If we don't have any of these mistakes, we're just not taking enough risk."

Rather than let stories naturally unfold from leaders' unconscious behavior—which may or may not support innovation—some companies explicitly shape stories to convey key values. The trendy fast-food chain Noodles & Company created a kind of corporate folklore when it invited local marching bands to show up and spontaneously play at nearly 100 locations around the country. Finding differentiation in the fiercely competitive fast-food field is a tough and ongoing effort, and the story remains a constant reminder that everyone needs to consistently "march to the beat of a different drummer."

No rubber stamps

Every company's culture is inherently different. So when you're cultivating innovation, you're cultivating a unique system. Which means you have to be thoughtful about your approach. Whatever you do, it should align with the values of the company and with the company's goals. And in each case, you have to make it easy and rewarding for the people whose roles and dynamics influence the very innovation culture you're trying to cultivate.

Author

Soren Kaplan is the author of two bestselling and award-winning books, ***Leapfrogging*** and ***The Invisible Advantage.*** He is a former corporate executive, an affiliated professor at USC's Center for Effective Organizations, and founder of InnovationPoint. Based in San Francisco, he delivers keynote speeches, leadership development, and consulting on business strategy and innovation throughout the world.