

printed from:

strategy+business

S+B BLOGS Published: June 30, 2016

INNOVATION

These Five Behaviors Can Create an Innovation Culture

Rob Shelton



Rob Shelton is a managing director with PwC US and is based in Silicon Valley. He specializes in global innovation.

[✉ EMAIL](#)

Many companies want to establish a culture of innovation, one that will encourage employees to take risks that lead to breakthrough products. But how exactly to build this type of culture often eludes senior leaders — threatening the success of their innovation initiatives.

Interestingly, it may be that their focus on culture is what's holding them back. They are thinking about the big picture, instead of instituting the changes that would actually enable that picture to exist. *Culture* is the net effect of shared behaviors, and therefore adopting innovative behaviors must come first. You change the culture by becoming more innovative — not the other way around.

You change the culture by becoming more innovative — not the other way around.

[As Jon Katzenbach has written,](#)

companies should focus on changing a few critical behaviors — “a small number of important behaviors that would have great impact if put into practice by a significant number of people.” When it comes to innovation, adopting the

following five behaviors can help your organization to make the leap.

1. Build collaboration across your ecosystem. Innovation is a team sport. It requires excellent collaboration among siloed business and functional units and across geographies, as well as with external partners. Finding the best resources inside and outside your organization and combining them is a hallmark of successful innovation.

Internally, to find the best solutions, you need to leverage the full range of expertise across your organization. This requires you to pull capabilities from across the company; this doesn't happen when people are working separately instead of collaboratively.

External collaboration is equally important, because there are billions of IQ points outside your company. If you can harness them, you will establish a significant competitive advantage over those who can't. The best solutions come from working with customers to create a breakthrough product.

2. Measure and motivate your intrapreneurs. *Intrapreneurs* are the folks in larger organizations who couple an entrepreneurial mind-set with the ability to leverage company assets such as channels, brand, and market savvy. [To enable intrapreneurs to succeed](#), you'll need to measure and recognize their innovative efforts. Three metrics play special roles.

The first are leading indicators such as the percentage of employees trained in innovation processes and the size and strength of the internal collaborative ecosystem. The second type of metric measures the process. How many meaningful ideas are in your pipeline? Is your portfolio balanced and robust? Are you commercializing your ideas at a fast pace? Finally, there are lagging indicators, which are the ones most people think about first. These metrics focus on the revenues from new products, the impact on profit, and the effect of innovation on brand.

Metrics fuel motivation: You need to give public recognition to innovators. Bonuses are great, but they're private — no one in the organization sees the check. However,

when you promote someone based on their contribution to and collaboration on successful innovations, coworkers take note. Moreover, it signals management's commitment to the people who demonstrate truly innovative behavior.

Metrics fuel motivation:
You need to give public
recognition to
innovators.

3. Emphasize speed and agility.

Innovation happens best when people move quickly. This doesn't mean slapdash product development.

Innovation requires a blend of real-time data gathering and smart decisions on whether to invest more now or change course.

Successful startups seem to know this intuitively, and that agility often helps them disrupt established companies that have far more resources. For big organizations, it's important to develop similar methods to quickly identify and select ideas and then commercialize them through prototyping.

4. Think like a venture capitalist (VC). VCs tend to focus on big ideas that make the risk worth taking. You should do the same. When you hear a new idea, ask if it can make a significant difference. If not, hand it to someone in operations; it's still a good idea, but you're looking for the next big thing.

When you find an idea that matters, the next question in a traditional mind-set would be: What are the risks? This is where most companies get stuck, because managers tend to say things like "we've never done that before" or "that would mean big changes to the way we work." But the questions you want to ask regarding big ideas are: What are the challenges we need to address to achieve the breakthrough? Which of those could kill the idea? How will we mitigate them?

5. Balance operational excellence with innovation. Some experts think big companies can't prevail in the face of disruptive innovation, even if they excel in operations. The truth is they not only can, but must. The tension that comes from

balancing operations with innovation drives true success in today's world. A recent [PwC survey of CEOs](#) (pdf) worldwide found that 64 percent think innovation and operational effectiveness are equally important. Companies have proven they can achieve operational excellence, lift profits, and grow revenue from existing products while also ideating and developing products that help to reshape their own markets. In fact, innovation can help to bulletproof your company from disruption. [Authors Charles O'Reilly III and Michael Tushman](#) have for years championed the notion of ambidextrous managers at companies like Fuji, which thrived in the era of digital photography even as the shrinking film market left Kodak far behind.

Of course, not everyone at your company is ready to change their behavior today. That's to be expected. But companies that build strong cultures of innovation don't wait for that to happen. Their leaders take charge and demonstrate that innovative behaviors generate undeniable value to the business — and before long, others will follow.



Articles published in *strategy+business* do not necessarily represent the views of the member firms of the PwC network. Reviews and mentions of publications, products, or services do not constitute endorsement or recommendation for purchase.

strategy+business is published by certain member firms of the PwC network.

© 2016 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details. Mentions of Strategy& refer to the global team of practical strategists that is integrated within the PwC network of firms. For more about Strategy&, see www.strategyand.pwc.com. No reproduction is permitted in whole or part without written permission of PwC. "strategy+business" is a trademark of PwC.