# Q&A

## Tim Ragan

## *Q. How do you program innovative thinking into company culture?*

*A.* When someone in a business context mentions "innovation", we tend to think about someone like Steve Jobs, Henry Ford, or perhaps Thomas Edison. We often associate innovation with an individual and their force of personality, entrepreneurial spirit, and dogged determination to bend the world to their way. Although that viewpoint fits nicely with our hero-worship romance, it can too easily miss the actual reality of what "innovation" is, and it glosses over the imperative that all leaders face, in terms of their personal role in building sustainable innovation capabilities into their organizations. As excellent leaders already know from personal experience, the ability to continually innovate the stream of products, services, and processes can be programmed into any company by getting the mix right between strategy setting and implementation culture. However, to answer the question of *how* to program innovative thinking into company culture, we must first determine what we actually mean by "innovation" and by extension, what a "culture of innovation" actually looks like in action.

Innovation can be defined as: "the process of translating an idea or invention into a good or service that creates value or for which customers will pay" (Business Dictionary; tinyurl.com/3xnhek9). This definition suggests that innovation: i) is a process and ii) must produce something that creates measureable value that can be economically exploited by the innovating organization. Extending that concept, we can think of a "culture of innovation" as one where we regularly work at developing and implementing ideas that can be translated into value-adding activities for the business.

The key question now becomes: "How do management teams develop a company culture that motivates such behaviour?" The short answer is that programming "innovative thinking" into a company requires management teams to nurture two unique but complementary approaches: i) setting strategy with clarity and discipline, and ii) developing a culture that rewards experimentation and learning through doing. This programming, of course, starts with the executive team. Everyone in an organization witnesses firsthand what

actual behaviour is nurtured and rewarded by management, and they evaluate the clarity of the strategies, goals, and objectives that flow down from the top.

**Strategy Setting**

Executive teams can effectively program the "strategy setting" aspect of innovative thinking into their business in the following ways:

1. Clearly articulating the business strategy and determining where key innovations in product, process, or business approach may drive compelling value.

2. Translating the strategy and the innovation intent into clear, measurable targets and ensuring that everyone understands their roles and responsibilities.

3. Ensuring alignment around that strategic intent and related action plan to help ensure everyone involved shares a common view of the strategy and is able to communicate it.

4. Working with the entire executive team on a regular basis to ensure regular and rapid feedback on implementation progress.

5. Facilitating a regular re-vectoring of the plan based on the real feedback and results gained from the marketplace, external environment, and the organization itself.

However, these activities only describe the mechanics, or process, of programming innovation. Just as we see with software programming, a solid design process must be married with meaningful content to achieve anything worthwhile out of the overall programming activity.

But, what is considered "good content" when working to program a culture of innovation? First and foremost, real innovation comes from envisioning a different game or different outcome and being open about how one might get there, while believing absolutely that the

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outcome is both achievable and worthwhile. Innovation is generally not driven purely by market research and focus groups, or incremental improvements; it is more disruptive and game-changing than that. The essence of innovation is best embodied in the statement commonly (mis)attributed to Henry Ford: "If I had asked my customers what they wanted, they would have said a faster horse." (O'Toole, 2011; tinyurl.com/42j6p2b) And, innovation does not only occur with products or services – it can also happen with process innovation.

Effective innovation starts with exploring where dramatic value might be unlocked in the business, if leadership could envision a "different future". This in turn requires:

- a high degree of curiosity, a comfort with probing into inquiries where the answer is unknown (and possibly unknowable)

- a willingness to embark on experiments that may fail

- a bias toward reaching out and collaborating wherever and whenever possible

- a readiness to embrace failure as a learning mechanism and to reward such failure

- proactive management of timeframes such that experiments can be run long enough to clearly prove or disprove concepts, but no longer than absolutely necessary so that resources are not squandered

Therefore, the innovation content is "messy" and, in many respects, is the exact opposite of the business culture that is unwittingly built into many organizations where rewards accrue to those that play it safe, follow the rules, and support only incremental improvements.

Despite the formal statements that companies often tell about themselves about innovative thinking and thinking "outside the box", all too often it seems that the overriding culture might be more accurately summed up as:

> *"This is the way we've always done it. It worked for us up to now and so the way forward is to do more of it, perhaps just more efficiently. It doesn't pay to experiment because failure is a one-way ticket down the ladder or out of the company. It doesn't pay to challenge the strategy or question things, because I'll be seen as a troublemaker or worse. And if I'm not clear on what I'm*

> *supposed to do I'm not going to declare that in public because people will think I'm thick. So, I'll nod in agreement at the right time, and then go off on my own and do whatever I think needs to be done. Luckily, most everyone's goals and objectives are vague and not well managed so if I don't deliver I'll likely be able to blend into the woodwork and blame the general environment as holding me back from delivering."*

In a culture like this, the best people ultimately become frustrated and, not being able to find any traction for meaningful change and effective contribution, will most often leave the organization. A high rate of turnover among key employees is a tell-tale sign that significant "cultural rot" may be setting in.

## The Structure of Innovative Thinking

Intentionally building a culture of innovation requires the antithesis of the more common "play it safe" culture of most businesses. Working through the major structural elements in more detail allows us to explore both the discipline of strategy setting and the associated experimentation culture that combine to build "innovative thinking". These structural elements can be combined through five steps:

*Step 1: Articulate the business strategy and determine key innovation areas*
Unfortunately, many business strategies are not clear, precise, or measurable. At the extreme, they are merely platitudes, stating goals as: "we want to be the best in customer satisfaction" or "a clear number 1 in our market". Reasonable statements, to be sure, however they generally do not have the next level of details that addresses questions such as: "What does that actually mean?" and "How do we measure success?" If this detail is missing – and unfortunately in many cases it is – then the probability of achieving these objectives amounts to a slim chance. To further complicate things,the goals are often unclear, as are the methods of measuring progress toward them . The starting point is often also not clear or precisely defined. As an example, a typical "strategic goal" might be presented to the company as:

> *"Our customer-satisfaction levels are not acceptable. We need to dramatically improve them, and fast. In particular, customers complain a lot about product quality, so we have to focus on that and get a lot better, a lot more quickly. We know what we need to do – let's go make it happen!"*

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Of course the reality is that once the general cheerleading and enthusiastic demonstrations of support for improvement bleed away, all that is left are vague, empty statements that cannot be easily acted upon. Compare that situation with an actionable business objective such as:

> *"We need to improve our customer satisfaction levels, as measured by our standard quarterly customer survey and our random phone surveys. We are currently rated at an aggregate of 3.2 out of 5 in our surveys, with particular concern about product quality, which is rated at only 2.1 out of 5. Our business objective is to improve our scores to an aggregate of 4.5 within the next 18 months, and to score a minimum of 4.2 on the product-quality metric within the next 12 months."*

With this statement the company has clearly identified goals, targets, and measurement systems.

### Step 2: Translate the strategy for innovation into clear targets

Embedded in the business-outcome statement is also a clear area for a potential product, process, or service innovation to add value: within 12 months, the goal is to double product quality, as measured by standard survey question responses. This statement forces the organization to now ask itself, "What actually drives customer satisfaction with the product quality?", and including a requirement for a two-fold improvement helps push people outside their comfort zones and look for non-incremental solutions. Now that a clear goal has been stated, and related success measures have been identified, it is now a straightforward matter to pull together a cross-functional "tiger team" (tinyurl.com/cu3yfz7) of experts, assign an executive champion, and develop a more detailed action plan for targeting this improvement area.

In our example, the tiger team may discover that the largest contributor to the dissatisfaction with "product quality" is in fact the product packaging, due to the sheer volume of over-packing required for transit safety. This finding might prompt the tiger team to consider potential what-if scenarios involving dramatic changes in packing materials, transport options, or other potentially innovative solutions. Ideally, the tiger team will embrace potentially unorthodox approaches, such as: teaming with key customers to experiment with common processes; forming non-traditional teaming relationships within the business to provide a different perspective; and examining how other non-similar businesses and industries set about addressing similar challenges. All of these tactics go to the heart of helping embed and sustain "innovative thinking" into company culture.

### Step 3: Ensure alignment of team members and communications

By the very nature of the message – very specific and clear, with measureable outcomes and target dates identified – it is much easier to test alignment across the executive team and to ensure clear and clean communications throughout the organization as to the strategic intent the company is operating within. A common problem in many executive team cultures is one of "malicious compliance", where the strategy is publicly embraced but ignored or actively worked against inside the executives' domain. Again, with clarity about the strategic intent, the objective and small measurable milestones that are published and regularly reviewed, this attitude becomes easier to spot and confront.

At this point, the tiger team has embarked on a number of investigations, each requiring some cross-functional resourcing, given the nature of the investigations. With clear alignment of these projects to the company's strategic imperative of doubling product quality within 12 months, it becomes much easier to secure, support, and defend these resourcing requirements for all involved (e.g., line managers, project participants, executive sponsors), because there is high visibility and commitment to the desired outcomes.

### Step 4: Implement a "heartbeat" for rapid feedback

In the course of one week, sales calls can be made, experiments can be planned and started, products can be built, critical customers and prospects can be contacted, and key projects can be moved forward by measureable amounts. Therefore, a weekly measurement discipline can become an ideal "heartbeat" timeframe for most companies. The key to making weekly "heartbeat" meetings successful is to make them an integral part of the executive team's management system – short, regular, with a small handful of critical business metrics tracked and discussed, clear actions taken, and resulting issues taken offline and clearly addressed.

In our example, it is clear that we are not going to improve product quality from 2.1 to 4.2 in a single week, so what can be reported at the executive level that is meaningful? The role of the executive sponsor is to present a very short, meaningful update to the execut-

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ive team that will provide transparency about the project and its progress, or lack thereof. The sponsor negotiates with the rest of the executive team to define what constitutes a "short, meaningful update" and presents standard metrics accordingly. The executive team also has an important role in helping to shape the scope and risk of the various investigations and experiments.

In our example, because the doubling of product quality is a stretch goal, it is critical for progress to be reported transparently. It is also essential for everyone to have a clear understanding of the overall portfolio of activities, what might constitute success for each activity, and how each activity contributes to the overall strategic goal. It is the executive sponsor's responsibility to ensure that the tiger team is infused with "innovative thinkers" and has access to the resources it needs to push forward; it is the executive team's responsibility to ensure that the executive sponsor and tiger team have a clear understanding of their approach to their design challenges and related success measures.

*Step 5: Regularly update the plan to adapt to reality*
In any organization, plans go awry for a multitude of reasons. As Field Marshal Helmuth von Moltke the Elder makes clear: "No plan survives first contact with the enemy." (tinyurl.com/cur325) Moltke was not implying that plans were not important, but rather that it is a matter of having a plan and adjusting it in real time as the picture evolves. Weekly "heartbeat" meetings provide a mechanism for receiving regular feedback and, when progress is slow or the expected results do not materialize, the executive team can have an intelligent, data-driven conversation about whether the plan "as is" still makes sense or must be changed. This moment is when the executive team must put their expressions of support into action and show the tiger team that experimentation trumps the status quo, that rapid exploration and failure is strongly preferred over playing it safe, and that the company culture not only supports but rewards a culture of experimentation.

This weekly routine – and the degree to which the executive team embraces it – is a direct measure of the company's management discipline. The ability to embrace, build, and continually fine-tune this "discipline habit", combined with the ability to build and nurture a real culture of experimentation and "learning by doing", is a core competence of an effective executive team.

## Conclusion

With the approach described here, it is indeed possible to program innovative thinking into company culture. A culture that continually seeks to question the status quo, that embraces experimentation and the failure that often accompanies it, that seeks and encourages feedback to provide greater context, and that is unafraid to react to changing circumstances in the pursuit of measureable business success, greatly improves its chances of success. By the very definition of "innovative thinking", such a culture will continue to innovate – that is, to work at continually translating ideas, insights, and inventions into goods, services, and business processes that create value for the company.

## About the Author

**Tim Ragan** is the founder/owner of C-View Strategies (cviewstrategies.com), a business-design consultancy, and he is the owner of Career Coaching International (careercoachint.com), where he helps people discover their talents and interests, and accelerate their career objectives. He has over 25 years of experience in numerous functional, management, and executive capacities on three continents with major communications players including Mitel, Nortel, Newbridge Networks, and Alcatel. Tim has a BSc in Electrical Engineering from the University of Alberta in Edmonton, Canada, and an MBA from the University of Ottawa, Canada, where he teaches "Business & Society", a course that examines the ethical and moral implications of modern business and its interaction with government and civil society. He also regularly teaches graduate-level courses on business-process transformation.