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## COLLABORATIVE MANAGEMENT

# Building a Creative Culture for Innovation

By PADDY MILLER and AZRA BRANKOVIC

**L**ots of companies today are actively pursuing innovation. By this, we're not just talking about encouraging workers to think creatively, but actually setting up a separate innovation office and designating a Chief Innovation Officer in an attempt to formalize or institutionalize innovation and embed it as part of the business culture.

But what exactly is a culture of innovation? A pair of anthropologists once listed 164 defini-

tions of the term *culture*, and people who work in the field of innovation point to broader national or professional cultures that affect the creation and dissemination of a new idea in an organization. Recent research has found that corporate culture trumps national culture when it comes to producing radical innovation.

As creating an innovation culture is increasingly becoming a corporate mandate, we believe it is worth examining what this could mean and do for an organization.

Following several years of research, we concluded that an innovation culture is best conceptualized as a business culture in which various creative values and behavior interact to weave innovation throughout an organization. It is not limited to one-off projects, but is generative, ongoing and, most importantly, sustainable.

To check that our conceptualization is rooted in reality, we interviewed leaders at 22 large multinationals in the consumer goods, finance, media and technology sectors, as well as players in social media and Internet-based businesses. They included Chief Innovation Officers (hereafter referred to as CIOs), vice presidents and directors of innovation, and innovation managers and innovation champions.

The purpose of our interviews was to learn more about the formalization of the innovation function currently under way, and to inquire how those CIOs, directors and managers were being tasked with building a culture of innovation and what that meant for them. Our conversations also touched on leadership, motivation and strategy when it comes to innovation.

Our findings support the forthcoming book, *The Innovation Architect*, whose title refers to the person responsible for creating an ecosystem conducive to innovation, and which encompasses the various aspects of building such an ecosystem. These results form part of a survey we have conducted with Capgemini Consulting to explore these topics further.

## ■ EXECUTIVE SUMMARY

**Over the past couple of years,** many companies have been taking steps to formalize the innovation function, creating a separate innovation office and appointing a Chief Innovation Officer (CIO). Interestingly, this development coincides with a period of economic crisis, and may signal a growing recognition that the way forward is innovation, which will ultimately affect or condition a company's industry position over the long term.

As companies formalize the innovation function, they're also seeking to create a *culture*

of innovation. But what exactly is an innovation culture? And what's the role of the CIO in creating this culture? The authors think they have an idea, which they test by interviewing CIOs, directors and managers at 22 companies about their experiences of building a culture of innovation. Several key points emerge, particularly related to what kind of leadership model is needed for the task, and they reveal the biggest roadblocks that companies will need to clear in order for innovation to go from talk to action.

In this article, we outline our thinking on innovation culture and discuss the insights revealed through the interviews.

## The Context Is Changing

Innovation is not about one-off ideas. It's an ongoing process involving numerous people, and a means of value creation that relies on a system-wide approach to new ways of doing business.

Today's global economy is increasingly characterized by "open systems" – i.e., more influx and exchange of information and resources with the external environment – and "open problems" – i.e., the need to come up with the right questions, rather than provide answers to given questions.

In this context, employees are expected to respond creatively on multiple fronts and touchpoints. Recent research has noted that managers are no longer the main source of ideas, and that the previous command-and-control leadership style is becoming more distributed.

At the same time, innovation is increasingly seen as an important competitive advantage. With globalization and digitization lowering the barriers to entry, innovation is a point of differentiation in the battle against commoditization.

Major companies like Procter & Gamble look to innovation to maintain their market dominance, and draw on their advantages in size, scale and brand recognition to do so. Having started on its innovation path a decade ago, P&G's innovation model is now quite mature.

But what about other companies? Many talk about innovation, but what are they actually doing? Quite a lot, it turns out.

## Separate Innovation Office

Over the past year, several business news stories have reported on a trend that our own interviews have also confirmed: Since 2008, many companies have been taking steps to formalize the innovation function. By this, we're talking about more than having a committee or council that oversees new business development; rather, companies are creating a separate innovation office and appointing CIOs, thereby giving the innovation function a seat at the top table.

Interestingly, this development coincides with a period of economic crisis for many companies. One CIO we interviewed believed this was no coincidence; instead, many companies recognize that the best way out of the crisis may be to proactively seek out and pursue new opportunities that will ultimately affect or condition their industry over the long term.

Although the scaling-up of innovation activity may look different in different companies, they all have one thing in common: A desire to be more open, both inside and outside the organization.

Hitting hard times back in 2000 was reportedly what prompted P&G to move toward innovation. Whether the 2008 crisis has similarly served as a catalyst, or whether the innovation function was due for institutionalization anyway, or both, companies appear to be elevating its importance.

### Opening Up

These moves to formalize the innovation function have coincided with a broader push that also occurred in or around 2008: A CEO, a board or even a single director began urging that there should be a sustained capability to gather ideas from all individuals within an organization, as well as from external networks such as partners, suppliers and distributors, and to pursue promising ideas rapidly. As one CIO described it, the culture went from one of “everything being done by us” to “letting ourselves be helped by others.”

This has brought increased interaction and collaboration within and between departments, breaching the classic divides that existed between R&D and marketing, for example. IT managers are being asked to bring technologically enabled innovation to the rest of the organization, and roles like Chief Technology Officer have been created to focus on scientific innovation.

Although the scaling-up of innovation activity may look different in different companies, they all have one thing in common: A desire to be more open, both inside and outside the organization. At an individual level, employees are being asked to come up with more ideas, to share them and to listen to other voices; in short, to collaborate.

### The CIO Function

With more CIOs making an appearance, what's their role?

Among those we interviewed, most were in charge of a separate, independent innovation office, while one came under marketing, and another shared innovation responsibility with an R&D head. Although not all report to a CEO,

several advocated for it. Several were also heads of venture arms or new business areas for their companies.

In terms of their roles, three areas of responsibility emerged.

**INTERNAL RESPONSIBILITIES.** Creating an innovation model within the company; embedding processes, techniques and capacities that enable rapid yet sustained innovation. Other activities include: creating a funding mechanism, such as a venture fund; creating a portfolio of innovation initiatives; leading global projects with the involvement of business units.

**EXTERNAL RESPONSIBILITIES.** Creating external alliances and partnerships; bringing new thinking to the table; running open innovation.

**ACTING AS A CATALYST.** Orchestrating all of the above to make things happen; translating ideas into points of engagement with the company's business units; translating company knowledge into commercially viable products.

As companies formalize the innovation function, they're also trying to instill an innovation culture that is more informal. As research shows, a company can have all the right structures and processes in place, but its culture can still block innovation from happening.

Perhaps in recognition of this, companies are paying closer attention to the soft side of organizational change. In the same way that Amazon has spoken of having a culture of divine discontent, companies such as Tata now talk of fostering a culture of creative dissatisfaction, all aimed at fostering mind-sets that are never fully satisfied with the status quo but constantly seek improvements or new ways of doing things. Creating such a culture is also part of the CIO's job.

### Innovation Culture in Theory

The concept of an innovation culture has proven hard to pin down. We define it in terms related to values and behavior. We emphasize practice and employee closeness to the task: A

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living, breathing culture of innovation is one where innovation is implemented, not just talked about. On that basis, we would discount an officially proclaimed innovation culture in a company whose informal practices are nothing of the sort.

We focus on the creative behavior and individual values of employees, which are set in motion by the organization providing an infrastructure for innovation. The organization does this by signaling the desired creative behavior that it expects from its employees, and then providing information and guidance on the process.

The two main sets of behavior are creativity and improvisation, together with the proactive and retroactive dimensions they entail. Individuals take the information they possess and integrate it with new information they have proactively gathered, and then manipulate that information in creative ways, which is driven by their individual values of “how things should be” based on their closeness to the task and sensitivity to their local environment.

Using Mary Jo Hatch’s cultural dynamics model, we suggest that these interactions help to create and re-create an innovation culture. We build on Hatch’s work by considering culture as generative rather than static.

In our framework, the function of leadership is to articulate employee actions, making concepts firm and unifying ideas into a greater whole.

It’s on this understanding that we conducted our interviews to find out what companies were doing with respect to building an innovation culture.

### Innovation Culture in Reality

The leaders and managers of innovation whom we interviewed expressed what they understood by innovation culture.

**IT’S AN APPROACH.** Several CIOs had been given the mandate to create a culture of innovation in their companies, with other directors and managers responsible for pushing innovation in the

business units as well. They recognize that innovation is more than a task; it requires creating an approach for the way the company thinks about innovation, defines it, manages it, puts it on the agenda, makes it part of everyone’s job description and integrates it into the way the company runs its business. One CIO’s team had set up a matrix of people, functions and skills tailored to different employee needs and innovation profiles, all designed to make sure that innovation became part of the company’s DNA.

**IT’S A SET OF ACTIVITIES.** Some defined innovation culture in terms of activities such as pushing ideas forward, motivating business units, and approaching clients to demonstrate forward-looking technologies and solutions.

Some advocated training activities, while others saw them as more appropriate for business unit employees who needed to learn to listen more to others’ ideas.

For R&D, the need was to understand that innovation was just as important as the usual key performance indicators. Researchers were free to go in relevant directions they believed in, so long as they shared their results with others, and there needed to be ways for people to do that.

Another company’s innovation culture focused on leadership activities: taking the initiative, risk taking, decision making and giving feedback.

**IT’S ABOUT BEING OPEN.** Openness, the free flow of information and encouraging people to work together were also mentioned. Many spoke of open innovation – going outside for solutions – which they saw as transformative in enabling faster product development. In lieu of building big labs and hiring specialists, R&D was considering virtual labs and partnerships instead.

**IT’S NEW WAYS OF WORKING.** Interviewees spoke of needing to move away from previous ways of working, or even previous ways of doing innovation, such as having a technology-based innovation culture, to thinking of innovation more broadly. As innovation previously structured

## ■ Innovation Killers

Chief Innovation Officers cite several difficulties that frequently stymie innovation. Clear these roadblocks and you'll soon be on your way.

**NO BUSINESS CASE.** Many times managers waste time on things that the company wants but that aren't scalable. They get dazzled by technology that seems cool and fun, but makes no business sense for the company.

**ORGANIZATIONAL BARRIERS.** Especially in large companies, the many layers of organizational bureaucracy set up additional hurdles for ideas to get past.

**LACK OF TIME.** Creating space to focus on innovation is a real challenge for people who are already busy and overstretched. Many industries focus on delivering results – results being products and prototypes. One director noted that they had to reorient their definition of results to include creative output, and that people had to feel as responsible for delivering those kinds of results as much as any other. This meant telling managers not to block 100 percent of their time but to leave space for creative thinking in order to come up with new ideas. This requires the full support and involvement of senior managers, so that daily pressures don't creep into that precious innovation space.

**BREAKING FROM TRADITION.** Some traditionally minded companies struggle to open themselves up to different ways of thinking. Especially when innovation doesn't yield instant results, it's easy for people to slip back into their old ways. Sticking to familiar paths more often leads to innovation that is defensive and incremental rather than truly radical.

**INCONSISTENT FUNDING.** Innovation projects often happen over the long term and entail certain risks. As such, you need a portfolio of sufficient breadth, so you spread the risks, but also sufficient focus, so you see quick progress. This makes budgeting tricky because

you need to anticipate trends, particularly in technology but also in client and market needs.

One research director noted the tension between short- and long-term results, between too much product development and more advanced research, between showing some value for the company spend and just being seen as a cost center. In this aspect, getting senior management to appreciate what you're trying to achieve is an important determinant in being allowed to innovate across the company, especially when doing it for the first time and dealing with big unknowns.

**CULTURAL BARRIERS.** One manager shared how difficult it was to get multinational teams to work together across cultures. Even if people are open to the idea of doing so, different national and professional cultures invariably get in the way of them communicating effectively: they don't understand each other; they don't have the same priorities; they don't understand each other's markets and trends.

**LACK OF COLLABORATIVE EFFORT.** A consistent challenge is getting each business area to think beyond its silo, so that everyone shares a common vision of what's possible. This requires that other disciplines develop a greater appreciation of the demands of IT, for example, or that technology-driven organizations focus on customer or market needs, and not just think in terms of what the technology can do.

**INSUFFICIENT GRASP OF THE MARKET.** When it comes to having an insufficient external orientation, even marketing came in for criticism. Talking to one customer does not mean knowing the market. There need to be better quality insights into customers and their genuine concerns.

around technologies didn't work out so well, companies have reorganized to leverage synergies and break silo mentalities. Some were doing this by making R&D and marketing both responsible for deliverables. It was noted that this was being done with the same community of people, so they had to understand what was important today and change their way of working.

Technologists and IT employees were seen as needing to take more ownership and leader-

ship; they needed to move away from a fondness for their technologies, toward talking more with customers.

### Between Theory and Reality: Toward a Genuine Innovation Culture

It was interesting to see how these perspectives squared with our own thoughts on innovation culture. In comparing the two understandings, several key points emerged, which

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are well worth exploring if companies hope to construct a genuine innovation culture in their organizations.

**VALUES AND BEHAVIOR.** There was confusion around the term *culture*, although people concurred that an innovation culture comprised certain values and behavior, such as being a good listener, sharing and exchanging ideas, and being self-motivated. Being open-minded or open to change was frequently cited.

In getting people to cooperate on innovation, trust was mentioned as a key factor, especially for people to believe they would be given due credit for their ideas. People also said employees needed to feel that their contributions would be appreciated.

We consider trust to be a psychological variable that forms part of the climate, not culture, of innovation. Clearly, these psychological aspects are important, given the frequency with which people cite them in relation to building an innovation culture in their organizations. But for conceptual and practical clarity, we maintain that a distinction should be made, and we stick to values and behavior for defining an innovation culture.

## ■ ABOUT THE AUTHORS

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**PRACTICE.** CIOs agreed that an experiential approach is vital for embedding an innovation culture and for cultural change – simply making announcements isn't enough.

One CIO did this by creating an innovation project portfolio managed at a local level with links to senior managers at the global level.

Another said its innovation office spent a lot of time on learning and development activities. They put 100 or so people through training experiences, with the intention that, by going through every stage of the process themselves, these people would emerge knowing the entire innovation process so well that it would penetrate to the core and become an organizational competence.

**FORMAL VERSUS INFORMAL.** Opinions on the locus of innovation culture were split between formal and informal channels.

In many cases, the CEO was viewed as the formal communicator of an innovation culture. Key supports of an innovation culture were a CEO's effective use of narrative and storytelling to connect innovation to business needs and the part that everyone played in where the company was going; how much the CEO talked about innovation and why it was important; and to what extent the CEO defended innovation in the face of pressure.

Others mentioned their CIOs as communicating the innovation culture, while one mentioned the person in charge of emerging technologies.

However, it wasn't just formal communication from the top that mattered, but an informal awareness among everyone that they needed to proffer new ideas. Sometimes an innovation culture would be implicit, manifesting itself in shared excitement over an idea or a new feature coming out. One innovation champion believed this was the better route, noting that innovation champions were drawn from different divisions, so that the innovation spirit would infiltrate the entire organization, rather than just being formally handed down from on high. In some cases, there is no single

In terms of what type of leader is needed for innovation, CIOs spoke of someone who has political and influence skills, emotional intelligence, an ability to read people well and significant business experience.

champion, but innovation is considered something that everyone must integrate into their workflows.

In terms of communication vehicles, several found employee newsletters, company get-togethers or even lobby displays to be useful.

A few mentioned social media as a way for people to share ideas online, based on the understanding that no one would steal anyone else's ideas, and recognizing that giving ideas wider exposure was often the best way for them to gain traction. By collaborating through internal social media, many more people could engage with the ideas and make business connections to them, whereas just sharing the idea with a higher-up may not yield as much momentum.

**CREATIVITY.** As with the term *culture*, the concept of *creativity* was interpreted in various ways. One mentioned being creative by practicing lateral thinking – combining an idea or venture from China with one from Brazil, for example. Some of the innovation leaders and managers we interviewed did *ideation* themselves – a process for generating new ideas – but most did not. Instead, they focused on channeling and prioritizing others' creativity.

Another defined creativity as really being open-minded: learning from each other; being able to capture what's going on around you; scouting out new ideas; being aware of and taking information you get from outside, and integrating it into the organization and sharing it with your peers.

Several stressed the importance of the creative *process*, as without a process, creativity in and of itself goes nowhere. As one manager explained, a lot of people think innovation means doing a lot of unreported activity to get the creative juices flowing, but simply generating a lot of ideas without follow-up does not lead to more business opportunities.

**IMPROVISATION.** As interfaces between a company and its stakeholders draw ever closer, and information flows in real time, it becomes

necessary for managers to move quickly and even go outside of what was originally planned in order to capture new opportunities. In other words, it's important to be able to improvise to innovate. Markets evolve very fast, and there needs to be flexibility to launch things in the short term.

Improvisation is also seen in constraint-based or reverse innovation like the kind witnessed in India, where innovative solutions are developed for customer problems at the base of the pyramid, usually involving ingenious tweaks that take the place of a full-blown scientific breakthrough.

Some interviewees said their companies improvised. Others added that IT was unable to keep up. The need for the IT department to become more agile was a recurring theme.

One suggested that there is nothing formal about improvisation, questioning its usefulness as a management tool. Despite an existing body of research on organizational improvisation as a competence, there may still be unease with the concept.

One manager noted the relevance of improvisation during the radical moments, because normally the company understands the needs and solutions.

**LEADERSHIP.** In terms of what type of leader is needed for innovation, CIOs spoke of someone who has political and influence skills, emotional intelligence, an ability to read people well and significant business experience.

The innovation leader tends to do more of the strategizing, with the actual work carried out by other people. For that reason, innovation leaders need to spend significant time with people, making them feel comfortable with the process and enabling them to bring their ideas forward.

An innovation leader cannot shy away from confrontation, either. If something isn't working, he or she has to know when to try a different tack, or have the courage to pull the plug, if necessary.

Trust was mentioned again, especially for

Apart from having a strategy, leaders need to be proactive in mobilizing opinion leaders in the company to get behind it; to inspire, convince and show others how the innovation fits as part of a plan.

ameliorating the threats people may feel when power is being taken away from them. To help build trust, it's important for leaders to involve middle managers in the process.

One way of doing this is to spend time coaching and developing employees, and rewarding them for the right behavior. In this way, should the leader leave, the company won't lose its innovation culture or behavior.

Many characterized leadership as "being a role model." If you're trying to offer leadership in the area of R&D or technology, for example, you'd better know those areas well if you expect employees to look up to you and take you seriously. Being able to radiate confidence is important for gaining credibility, internally as well as among external partners.

Apart from having an innovation strategy, leaders need to be proactive in mobilizing opinion leaders in the company to get behind it. This ability to not just present but inspire, convince and show others how the innovation plan fits as part of a wider business strategy was emphasized.

Ultimately, there was an acknowledgement that leaders cannot singlehandedly change a culture; they can just help guide it and keep putting it into context, over and over again, until an innovation culture truly begins to sink in and take root throughout the organization.

### Collaborative Management Model

What stands out from our findings is the peculiar place of leadership in innovation. Much of the literature on organizational innovation has a managerial orientation and emphasizes leadership as crucial for creating a corporate culture that fosters innovation. Yet this top-down view needs to be balanced with a bottom-up analysis.

We propose that the relationship between employees and managers be one of action and articulation, where leadership unifies scattered action and ideas into a coherent innovation process.

Innovation is driven by a collaborative form of management, which is not easy for big com-

panies to achieve, as one CIO told us.

One example of collaborative management can be found at CERN, the European Organization for Nuclear Research. It features offices of equal size, and the leaders are referred to as "spokespeople" for their respective areas. This hints at the need for local-level managers to feel a certain amount of ownership for innovation – that it's *their* responsibility, too. The innovation office needs to be working closely with them and involving them in decision making, especially to realize global ambitions.

Granted, none of this is easy. It's always easier to define a strategy or list best practices, one CIO said, but execution at the local level is another matter entirely.

Perhaps this is the model of innovation leadership we're headed toward: A dedicated CIO who makes decisions working in conjunction with the local level, bridging all the gaps in between. □

### ■ TO KNOW MORE

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