

Creating ROI Through a Culture of Innovation

Companies embracing change and innovation are building a Culture of Innovation: A work environment cultivated by leaders to nurture unorthodox thinking, apply new processes and encourage innovation to drive long-term value for the business.



Digital transformation is occurring at an unprecedented pace, creating a more connected world and providing new opportunities for companies to grow. Against a backdrop of constant organizational change, creating a Culture of Innovation is an investment in the future of any business. It's an insurance policy against being radically disrupted.

In our paper [“From C-Suite to Digital Suite: How to Lead Through Digital Transformation.”](#) we discussed the importance of digital leaders driving a Culture of Innovation to guide their workforce through transformation. This Solutions Brief takes the next step, outlining practical steps organizations should take to build a Culture of Innovation, produce measurable results and see a significant return on investment (ROI).

THE LEADERSHIP IMPERATIVE

In times of organizational and industry transformation, current and future leaders must be open to change and ready to take opportunistic risks. Foundational leadership skills like endurance and adaptability continue to be critical. Yet in the digital age, effective leaders must also unleash talent, and at times fail fast to accelerate performance. Organizations that invest in leaders with these skills will adapt more quickly to the needs of an increasingly digital future.

Developing a Culture of Innovation requires an organizational mindset that elevates and enables individual employee contributions. This must be led from the top. The process isn't easy, but with the right approach, a business can maintain its commitment to continuous improvement while driving a sustainable competitive advantage to achieve

short- and long-term ROI. Ultimately, an organizational culture should be more than an abstract concept, but instead produce measurable and quantifiable change.

DEFINING A CULTURE

Conventional business wisdom has valued an organization based on tangible assets – buildings, brand and human capital. Digital organizations today are judged on much more – beliefs, purpose, character and overall decision-making. These assets build the foundation for culture. In short, organizational identity is determined by the answer to this question: What defines an organization and what does it aspire to be?

KEY ELEMENTS THAT DRIVE ORGANIZATIONAL CULTURE INCLUDE:

- Manifestations of values and beliefs
- Approaches to work and interactions
- Behaviors, policies, decision-making processes
- Power structure and information flow
- Interactions and relationships
- Control systems
- Character in action
- Traditions and stories

Case Study:



LEVERAGING THE POWER OF PEOPLE TO DRIVE CHANGE

TomTom's technology is everywhere. Every day, 800 million people globally use this technology in taxis, on mobile phones and to deliver packages on time.

To remain competitive, the company has embraced change as the digital world accelerates. TomTom pivoted into software development for the B2B market, using its expertise in GPS, location, routing, navigation and maps to provide embedded mobility solutions.

The impact of this transformation affected every level of the organization. TomTom's leaders recognized that the digital age requires new mindsets and new ways of working across generations. Their goal was to unleash their people's potential for innovation. To reach this goal, they needed to assess and measure the potential of their leaders and makeup of their culture.

TomTom partnered with Right Management to assess its leadership and help identify the right talent to lead through their transformation. Right Management's P3 Leadership Assessment model, which focuses on people, purpose and performance, was used in combination with TomTom's leader competency model. In six months, TomTom assessed 750 managers in 35 countries. This investment to identify the right leaders is what helped TomTom successfully complete its digital transformation and drive ROI for the company.

Today, TomTom has 5,000 employees who are eager to outsmart the competition and delight customers with innovative solutions. For TomTom, it is about the journey – and the destination.

WHY CHANGE? MEASURING THE RETURN ON CULTURE

In times of transformation, culture is a primary enabler of growth. Studies show a clear return on investment in culture, especially a Culture of Innovation, where companies focus as much on tomorrow as today:

- Industry leaders achieve greater productivity increase from investment in new technology than industry followers do (70 percent vs. 30 percent).¹
- Companies allocating 25 percent or more of their R&D budgets to software and services (vs. products) report faster revenue growth than key competitors allocating a smaller portion.²
- Organizations with a formal innovation system and structure in place see significant yields: 51 percent are first to market with most innovations, products and new services.⁴
- 34 percent of business leaders have seen a positive impact from their own digital transformation.³

To achieve positive returns on organizational culture, leaders must first accept that creating a tangible Culture of Innovation is one of their top challenges.

EXECUTION MATTERS

Moving from creativity to innovation requires thinking, planning and strength of execution. Many organizations struggle to close this gap. Even with a plethora of creative ideas, strategy and execution bring those ideas to life. Strong real-world implementation truly enables creativity.

Imagine if an organization could turn just 20 percent of its creative ideas to reality. Those ideas mean growth targets exceeded, radical positive transformation and more novel and useful products and services than competitors offer. The right talent and the right culture enable creative ideas to execute successfully in the real world.

Organizations must be clear in building a culture that walks its talk. Employees cannot hear their organization celebrate disruption, only to be punished for risk-taking. Corporate websites cannot be filled with statements about valuing innovation if the organization is hyper-focused on cost-cutting to produce short-term results. This is the balancing act for any organizational culture change.

THE 9 INDICATORS OF INNOVATION

How do leaders know if their culture supports innovation? Successful, innovative companies have nine key traits in common. If a company creates a culture with each of these elements, they are likely to be innovation-ready.

1. Trust: Trust is the safety net that gives permission to try something new, without knowing the outcome. Distrust, in contrast, is a sign of dysfunction and disarray. Trust enables innovation by providing an atmosphere that allows and accounts for inevitable mistakes.

Take Action: *Leaders must be willing to allow those tasked with innovation to find creative solutions within the context of a broader transformation plan. Credible leaders articulate that plan clearly and provide the framework for innovation to take place.*

2. Curiosity: Curiosity is the lifeblood of creativity. To build a Culture of Innovation, organizations should create a climate that nurtures critical thinking, where challenging authority and speaking up are encouraged, even if it means creating discord.⁵

Take Action: *Leaders' behaviors — particularly what they routinely do — have a strong influence on the behavior and performance of their teams. And the more senior that leaders are, the more impactful their behaviors will be on the rest of the organization. To nurture curiosity leaders should practice what they preach and display their own learning to demonstrate how they unlock their curiosity.⁶*

3. Experimentation: Humans are natural experimenters – we practice, succeed, fail and then experiment again. Organizations succeed when they keep experimenting while focusing on the horizon as the dynamic environment continuously changes.

Take Action: *Gather feedback from consumers, employees, investors, competitors and even machines and systems to inform new approaches. Carve out time in product and process life cycles to iterate, try new approaches and learn.*

4. Persistence: Being tenacious, steadfast and entrepreneurial will help an organization persist when roadblocks arrive. A successful organization provides support, guides and adapts as issues arise. Unsuccessful cultures give up in the face of adversity. These are the companies often left behind because they are unwilling to persist through challenging moments.

Take Action: *Innovative organizations expect hurdles on their route. Embrace change and ambiguity, build time in the work process to examine difficulties. In flexibility and agility, opportunity is often found.*

5. Grit: The secret to outstanding achievement is not talent alone, but a blend of direction, determination and passion called grit. People with grit show courage, strength of character and resolve during inevitable difficulties, making this a key differentiator in today's marketplace.

Take Action: *Lead with character to develop a culture with grit. When a successful leader makes mistakes or experiences failure, they accept responsibility and learn the lessons so as not to repeat them. They acknowledge failure, seek ways to mitigate fallout and avoid pointing fingers or blaming others.*

6. Collectiveness: Anything of value happens as the result of team effort, where people set aside their own interests to achieve something collectively that they could not achieve by themselves. Too often, organizations focus merely on an individual's functional role and hope that good team performance somehow follows. A more effective approach focuses as much on traits and tendencies as on their skills.

Take Action: *Consider the two roles every person plays in a working group: a functional role, based on their formal position and technical skill, and a psychological role, based on the kind of person they are.⁷ Observing the balance of roles in a team offers insight into its dynamics. It also indicates the likelihood of success or failure for an assigned task.*

7. Diversity: Diversity of thought leads to better decision-making and better results; for innovation to happen you need diverse perspectives to navigate a rapidly evolving world. Old assumptions can be dangerous to the long-term health of the business.⁸ Instead of focusing on addressing bias, organizations should turn their attention to conscious inclusion – ensuring all people feel invited in and their human potential is valued.

Take Action: *Organizations must go beyond programs and put words into action. While the CEO needs to own it to create systemic change, we can all start doing something different today. Change can come from individuals. Ask yourself: What will you commit to make it happen? Who will you sponsor and who will you invite in?*

8. Communication: Successful innovation should be driven by a clear vision and purpose. Leaders should articulate this openly and regularly to set the parameters for new ideas. Great communication also means sharing ideas and understanding opposing viewpoints.

Take Action: *Clearly articulate what innovation means to the organization, the vision and the purpose of the company. Encourage open networks and feedback loops marked by candor and constructiveness.*

9. Learnability: In the Digital Age new skills emerge as fast as others become obsolete. Half of today's most in-demand skills weren't even on the list three years ago. This puts a premium on learnability, the desire and ability to quickly grow and adapt one's skill set to remain employable. What you know is less relevant than what you may learn and knowing the answer to questions is less critical than having the ability to ask the right questions in the first place.⁹

Take Action: *Hire people with high learnability. Too often we focus on training and development while undermining the importance of proper selection. But the reality is that it's easier to prevent and predict than to fix and change.¹⁰ Good selection makes training and development more effective because it is easier to augment potential.*

THE FINAL STEPS

Establishing a Culture of Innovation may have differing degrees of speed depending on the organization and the industry. In any industry, innovating and adapting is a baseline expectation in today's transforming business environment. Investing in innovation and culture as an inextricable pair will prepare any organization for its digital future. Done well, the return can be significant and swift.

QUESTIONS TO ASK

- **What is your measurable return on culture?**
- **Where is your leadership mindset on innovation?**
- **How is the organization supporting investments in establishing and leading a Culture of Innovation?**
- **What Culture of Innovation traits are strongest within an organization? Where are your biggest gaps?**
- **How is the organization making a Culture of Innovation a sustainable reality?**

Right Management experts can help assess organizations' Culture of Innovation and provide solutions to increase return on investment. Contact us to learn how we can help you create a Culture of Innovation.

References

^{1,4} World Economic Forum: *Maximizing the Return on Digital Investments* – May 2018

² PwC: *The 2016 Global Innovation 1000 Study*

³ Accenture *US Innovation Survey 2015*

^{5,6,9,10} Harvard Business Review: *4 Ways to Create a Learning Culture on Your Team* - July 2018

⁷ Harvard Business Review: *Great Teams Are About Personalities, Not Just Skills* - January 2017

⁸ World Economic Forum: *How to be a male feminist at work* - March 2016



Right Management is the global career and talent development expert within ManpowerGroup®. We help organizations become more agile, attractive and innovative by creating a culture of career management and learning that nurtures future talent, motivates and engages people, and provides individuals with opportunities to increase their value throughout their careers. We improve time to value through our expertise in organizational effectiveness, career management and individual development. Our approach is centered on the fact that organizations thrive when individuals are successful in their careers. We've spent the last 35+ years identifying workforce challenges and developing innovative solutions, enabling our globally informed methods to be time-tested across more than 50 countries. For more information about Right Management, visit: www.right.com.