

How to Create a Culture of Innovation

by Stephen Shapiro

I DEFINE INNOVATION AS AN “ORGANIZATION’S ability to adapt and evolve repeatedly and rapidly to stay one step ahead of the competition.” A culture of innovation, when done right, gives you a competitive edge because it makes you more nimble with an increased ability to sense and respond to change.

A culture of innovation has less to do specifically with new products, new processes, or new ideas. There are of course discrete innovations such as the iPhone or a battery that is powered by viruses (MIT has developed this). These are valuable and necessary in order to create a culture of innovation.

“If I had an hour to save the world, I would spend 59 minutes defining the problem and one minute finding solutions”

Albert Einstein

But a culture of innovation is more than new ideas. It needs to be repeatable, predictable, and sustainable. This only happens when you treat innovation like you treat all other capabilities in your business. This means having, amongst other things, a defined process.

An organization’s innovation process must achieve three things. It must:

- focus on the “right” challenges
- find appropriate solutions to those challenges, and
- implement the best solutions.

These translate into three “portfolios” an organization must create:

- A portfolio of challenges
- A portfolio of solutions
- A portfolio of projects

Let’s take each one at a time.

A Portfolio of Challenges

All companies have challenges. They can be technical challenges on how to create a particular chemical compound. They can be marketing challenges on how to best describe your product to increase market share. They can be HR challenges around improving employee engagement.

An organization’s ability to change (i.e., innovate) hinges on its ability to identify and solve challenges. Challenges are sometimes referred to as problems, issues, or opportunities. But at the end of the day, they are all just various forms of challenges. I will use these terms interchangeably here.

Where do you find these challenges? You can find them anywhere – from customers, employees, shareholders, consultants, vendors, competitors, and the list goes on.

Let’s face it, companies have no shortage of challenges.

And guess what, some of the most important challenges to solve are hidden due to organizational blind spots and assumption-making.

The “meta-challenge” for all organizations is to find which challenges, if solved and implemented, will create the greatest value. Given that organizations have limited resources and money, prioritization is critical.

My favorite quote (used many times in this blog) comes from Albert Einstein – “If I had an hour to save the world, I would spend 59 minutes defining the problem and one minute finding solutions.” Most companies spend 60 minutes of their time finding solutions to problems that just don’t matter.

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Therefore, the first step in creating a culture of innovation is to surface, identify, and codify challenges. And then you must become masterful at valuing, prioritizing, and framing these challenges.

Think of your innovation portfolio much like you would handle a financial investment portfolio. You want some safe bets (incremental innovation) and some riskier investments (radical innovation). You also want a variety of innovations ranging from technical challenges to marketing challenges, and service challenges to performance improvement challenges.

Once you have the right challenges to solve, the next step is to find solutions.

A Portfolio of Solutions

Every challenge has multiple potential solutions. And there are multiple ways in which to find these solutions.

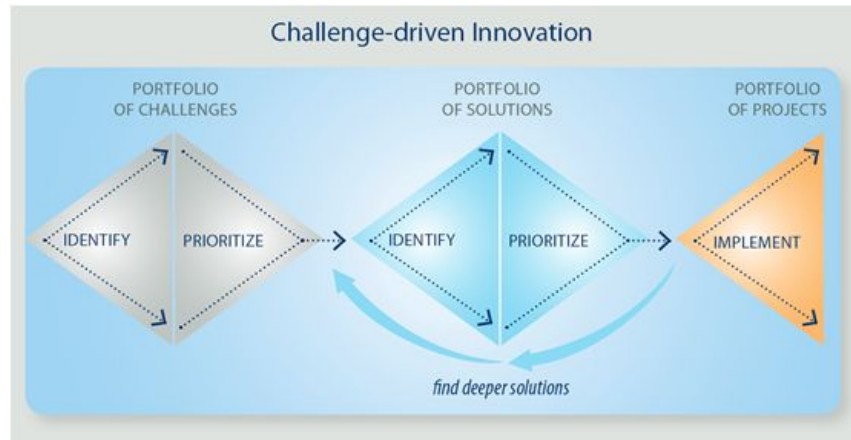
Some challenges are solved in the moment by the person who thinks them up. Most challenges in fact are solved this way. These challenges tend to be “unarticulated” in that they are not presented to the organization as a problem to solve.

Other challenges are more complex and require specialized expertise. You need to find the right person(s) with the right knowledge.

Others require less technical expertise and are solved through creative thinking.

For each challenge, you need to first determine which mechanism would best yield a viable solution. Approaches include, but are not limited to...

- **Internal Individual/Team:** This is the most common way challenges are typically solved.



This is when you use internal resources whose job is to solve these types of challenges. For example, this would be the development team members assigned to a particular product. They are paid to solve their product development challenges. Brainstorming is often the tool of choice.

- **Internal Crowdsourcing:** Sometimes the best solutions are found by people who typically do not work on this problem. It might be a customer service representative finding a great new branding idea. Or maybe it is tapping into R&D people who are in different parts of the organization. Sometimes this can be achieved through company-wide competitions.
- **Outsourced (External Single Source):** Some challenges can be solved (and potentially implemented) by a third party who takes ownership for delivering the result. Typically, outsource partners are found through some type of RFP process. eLance.com is a well-known example of a platform that matches specific challenges with bidders who are able to solve specific types of problems.
- **External Crowdsourcing:** Some challenges are best solved by a diverse group of external solvers who can independently work on a solution to your problem. In some circles, this is referred to as Open Innovation. InnoCentive and 99Designs.com are two good examples of this. A

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challenge is posted and solutions are provided by a wide variety of solvers.

These are only a few of the many approaches. If one technique (e.g., internal team) does not yield a workable solution, try a different approach (e.g., external crowdsourcing).

Regardless of which technique(s) you use, the result will be a portfolio of solutions for the given challenge. Depending on the technique you use, you may end up with a low signal to noise ratio. This is the ratio of a signal (what you want – that is, good ideas) to the noise (what you don't want – the duds). Your success is often based on your ability to separate the wheat from the chaff.

The next step is to strengthen and select the best ideas, combining them into a comprehensive solution. If you find a solution that works, the next step is to implement.

A Portfolio of Projects

The final attribute of a culture of innovation is the ability to take all of the selected solutions and turn them into programs/projects so that they can be converted from ideas into reality.

There are many ways of making innovation a reality. One approach includes “Build It, Try It, Fix It” – an iterative development process where you learn by doing rather than analyzing. This is particularly useful when there is a high level of uncertainty about customer interest. Other more “waterfall” type development approaches are more linear and rely heavily on analysis and testing (analyze, design, build, test, deploy).

Regardless of how you implement, without this step, you end up with lots of ideas on the cutting room floor, none of which create value.

During implementation, it is critical that you keep track of the value proposition for each project, having

the courage to change direction, or, in some cases, killing ideas altogether.

Bottom Line

A culture based on surfacing, solving, and implementing valuable challenges can make innovation repeatable and predictable. This requires more than just a process, it requires an entire innovation capability [read my perspectives on the innovation capability].

“When the pace of change outside your organization is faster than the pace within, you will be out of business”

My mantra is, “When the pace of change outside your organization is faster than the pace within, you will be out of business.” And as we all know, today's pace of change is crazier than ever. A culture of innovation, when done right, can give you a leg up in a highly evolving marketplace.

During his 15-year tenure with the international consulting firm Accenture, Shapiro established and led their Global Process Excellence Practice, delivering innovation training to 20,000 consultants. In 2001 he left the management consulting world to write his first book, 24/7 Innovation. He has since been featured in Newsweek, Investor's Business Daily, Entrepreneur Magazine, O - The Oprah Magazine, The New York Times, and other prestigious publications. He is also the author of Goal-Free Living and The Little Book of BIG Innovation Ideas. His next book is Innovation Personality Poker to be published by Penguin's Portfolio imprint September 2010. He has presented his own tried-and-tested formula for success to hundreds of thousands of people in 40 countries. Among the dozens of leading organizations he has advised are Staples, GE, BP, Dell, O2, Johnson & Johnson, Fidelity Investments, Pearson Education, Nestle, and Bristol-Myers Squibb. In addition to writing books and giving speeches, he is the Chief Innovation Evangelist for InnoCentive.