



CREATING A CULTURE OF INNOVATION

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Every business publication provides strategies and tips for developing successful leaders and increasing profitability. But today's top companies experiencing unprecedented growth are focused on a third area: innovation. Being innovative is not only critical for a company's success but also to its survival. Innovation is dependent on an investment in people, the company culture and the kind of transformational leadership that supports both.

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Innovation is the most important way companies can accelerate the pace of change in today's global business environment. Look at successful companies, like Apple, Twitter and Amazon. They have one common denominator: innovation. Remember phones before the iPhone? Apple changed the way we use cellular phones and went on to develop a slew of complementary products that have made Apple the second most profitable company in the world next to ExxonMobil. It's clear, for companies to be successful and grow in this economy they need to be leaders in innovative ideas and products. We're not just talking about brand improvements or tweaks to an existing line. We expect those. Innovation is company-altering, product changing; it's developing goods or services that can change how consumers and users live and work.

Organizations succeed not only by optimizing current strategies, but also by innovating for the future. For companies to grow, organizations need the best, most creative employees thriving in a culture that encourages big thinking and provides a nurturing environment for ideas to flourish or fail with dignity. It has everything to do with company leadership and its management style and the types of relationships that evolve in the corporation.

So how does a company develop an innovative culture?

It begins at the top with a strong commitment from leadership defining innovation as a top strategic goal of the company. When managers signal that innovation and forward-thinking are strategic priorities, and implement this within performance management structures, this enables innovation to be recognized as a priority that is both monitored and managed. Otherwise short-term goals and objectives, like meeting revenue expectations, will always have an excuse to take precedence. And the long-term strategic goals get overshadowed by the day-to-day tasks.

Innovation Workforce

"Innovation leadership" helps define a dynamic-innovation organization and creates a blueprint for how employees are expected to participate and add value to their organizations. Increasing engagement among employees is critical since it improves productivity which eventually leads to profitability. It's also important to remember that when employees are innovative, they should be recognized for their contributions, which demonstrates that their ideas are valued; it is safe to express them; and that they share risk collectively, along with their managers and teams.



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—JONATHAN ZIEGERT, PH.D.

This kind of recognition can be more effective than monetary incentives in sustaining innovation, which is especially true among millennials, 21 to 31 year olds, one of the largest employee segments in the workforce today. This group has grown up with social media and the Internet, is tech-savvy and flexible — two important traits for idea generation — making it a highly desirable hiring segment. And the good news for employers is that they don’t just care about salaries; work flexibility and mobility are more important influences than salary when accepting job offers.

A study conducted by Jonathan Ziegert, Ph.D, academic director of Drexel LeBow’s Institute for Strategic Leadership, examined how millennials looked for jobs. Ziegert determined that “Millennial workers are seeking jobs that offer variety and provide them with meaningful work and skills that will come in handy across a variety of domains. Millenials are also determined to find a great fit, so it’s very important to highlight innovation among your values and goals.”

A good fit with common goals and values is clearly essential when hiring staff. In an interesting study conducted by Daniel Tzabbar, an assistant professor of management at LeBow College of Business, he and his colleagues examined the relationship among a company’s intellectual capital; its human capital, specifically “star” employees; and collaborative capital, meaning the company’s capabilities of working with others. What they determined is that the “star” employees actually inhibited innovation since they relied on their high-level of expertise, creativity and the free-flow of ideas. On the other hand, collaboration promoted innovation and encouraged new solutions to company challenges.

Group Dynamics

While working in groups is a key driver of idea generation and innovation, employees must be held personally accountable for long-term sustainability. According to Gallup, active employee disengagement costs companies between \$450 and \$550 billion per year, so goals and expectations need to be clear in order to build high functioning teams. Developing relational capital — having strong relationships among employees, partners, institutions and people — is critical to innovation and success and can always be improved upon and developed. Many companies that have embraced the importance of relational capital have incorporated measures to track relationships over

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time to see where improvements have been made or needed. Additionally, if innovation and idea generation are leading indicators of strong job performance, then the performance management system needs to focus on interpersonal skills, learning and group processes rather than strictly individual achievements. Group dynamics need to gain greater importance in evaluating an employee's worth. Human resource professionals should play a key role in cultivating these collaborative employee relationships by bringing colleagues with diverse points of view together as they work across different business units.

Groups thrive when taking a team approach to leadership, according to Ziegert, who conducts research in this area. When companies embrace a team-based rather than a top-down approach to leadership, there is increased employee engagement which improves idea generation, retention and improved employee commitment. When employees work cohesively, the team flourishes, as do individual team members.

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Drivers of Change

In an environment where there needs to be a refocus of attitudes and changing priorities, another option is to engage external influences who can help develop new ways of thinking to drive change. When organizations can outthink their competition, they outperform them. Organizations and leaders can benefit from outside influences, like partners and consultants, to help them sustain short-term and long-range effectiveness and profitability. Consultants work with companies to:

- Develop an understanding of innovation and the role of management to support it
- Increase their understanding of the current environment for innovation and change
- Develop a deeper understanding of the role of employees in innovation
- Develop management tools to justify the ROI on innovation.

Assessments, such as performance management tools, help determine what progress is being made, where there are needs for improvement and how well the entire organization is embracing the shift in innovative thinking. For this to be successful, innovation has to not only be embraced across the organization, but actively pursued.



CASE IN POINT: Leading Through Innovation

A leading manufacturing company faced a challenging environment: Key technology patents were expiring and new technologies were simultaneously being introduced in the marketplace, quickly eroding the company's competitive advantage. Further, the manufacturer was effectively sidelined in key consumer market segments, being relegated to a low margin provider of production inputs, watching larger and more stable retail brands capture consumer margins and build brand equity. The organization needed to restructure and learn how to rebuild and execute an effective growth strategy. The company's talent pool was strong, but could employees withstand more organizational change?

Company leadership contacted LeBow's Corporate and Executive Education team to assist in developing an educational program that would address the company's strategic objectives. Through coursework linking finance and strategy to create shareholder value, to critical thinking skills, to negotiations, culminating in an intensive series of application workshops focused on strategic leadership and leading through innovation and change, the company discovered that in order to survive and grow, it needed to create and promote a consumer brand and build the manufacturing and supply and sales support networks needed to launch this new business model and strategy. By innovating and looking outside the current business model, the company changed its organizational culture and strategic direction by tapping a previously unidentified source of revenue.

While situations like the one outlined above can be successful, shifting company culture to embrace innovation is not just an internal mechanism but one that has to support the strategic fit for a company. A study, co-authored by David Gefen, Ph.D., professor of management at Drexel University's LeBow College of Business, examined the importance of innovation leadership in cultivating the strategic fit of an organization with its environment, and enhancing various economic, relationship and product performance outcomes.

Innovation Leadership

“Innovative leadership is critical in the changing business environment,” Gefen said. “Providing such leadership involves more than just providing a vision and supporting work procedures. It also requires a social process that creates an appropriate organizational atmosphere. Successful innovation leadership also involves manifest behaviors by top management that include encouragement of individual initiatives, clarification of individual responsibilities where performance evaluations are explicit and clear, combined with maintaining a strong sense of task orientation, group relationships, and trust.”

Based on his study of 117 companies that shows the importance of innovation leadership, Gefen and his colleagues concluded that innovation leadership, both directly and through increased strategic fit, significantly enhanced firm performance.

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Chuck Sacco, entrepreneur-in-residence and director of external relations at the Charles D. Close School of Entrepreneurship at Drexel University, has started or helped start six new ventures. His most recent start up was the launch of PhindMe Mobile in 2008, which he co-founded, led and sold to Movitas LLC, a provider of mobile technology solutions to the travel and tourism industries. It's not a stretch to say Chuck knows a thing or two about encouraging innovation in the workforce. He offers this advice:

1. Establish a culture in your company that encourages small team projects that aren't necessarily core to employees' daily responsibilities. For example, 20 percent of a Google employee's time can be dedicated to ideation. There are entire new companies that have come out of that type of environment.
2. Create opportunities for employees to work across different segments and develop new networks.
3. Encourage and reward idea generation.
4. Create an environment where there are no repercussions for questioning status quo.
5. Set aside funding and identify champions to support innovative ideas.
6. Train HR directors to properly support unconventional entrepreneurs within an organization, so they don't work externally and "buck the system."
7. Know when to say when. If a project is failing, be able to re-envision it and start over or be ready to move on.
8. Learn from failures, don't punish them. There's a kernel of a good idea in every failure. Find it.

Driving leadership from the top is an important indicator of company priorities, but open channels of communication among management levels must exist to demonstrate that the company is a safe environment for sharing new ideas and questioning the status quo. Employees need assurance that there will be no retribution for questioning or speaking against current practices.

As company mindsets shift, it's important to communicate often and consistently with all stakeholders involved to ensure participation and acceptance. Here are a few steps to take to ensure all involved parties understand the importance of innovation as it occurs.

Culture Shift. Create a culture that encourages challenges to the norm without fear of penalty or retribution.

Strategic Vision. New strategy is often needed to address market needs. Leaders inform employees of changing market conditions so there are no surprises and to obtain feedback for new solutions.

Engage Stakeholders. Communicate change in direction to all internal and external partners for support and implementation.

Progress and Goals. Ensure all stakeholders continue working toward change by creating checkpoints and timelines for progress.

Change is never easy personally, and professionally it can be even more challenging as you try to change mindsets. Creating an innovative culture begins with management but needs to be supported throughout a company. It's also important to note that innovation isn't an organic process in every environment. Investing in the right leadership and training for executives and professionals at all levels can drive innovation which will reap benefits in employee engagement and, of course, profitability.

The Institute for Strategic Leadership (ISL) at Drexel University's LeBow College of Business is distinctive among U.S. universities in combining the study of leadership with an examination of collaboration, viewing leadership as a collective, not solely individual, process. ISL takes research a step further and examines how the thought leadership of LeBow faculty can be applied within organizations to change and influence behavior and outcomes.

For information, contact Alison Young at leadership@lebow.drexel.edu or visit LeBow.Drexel.edu/ISL.

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