

# How to Embed Innovation into Your Organizational Culture, Part 2: Adopting and Sustaining Ideas

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*The most innovative companies manage innovation holistically across the entire enterprise. In Part 1 of this article (BSR January–February), Cassandra Frangos, former human capital practice leader at Palladium Group, discussed key practices used by successful innovating companies to move innovation from idea to reality. Here, she offers successful practices used in the adoption phase of the innovation process, practices you can embed as objectives in your innovation scorecard to help ensure that ideas are successfully adopted—and that your innovation process is a sustained effort.*

Companies that successfully innovate apply specific practices related to culture, talent management, and organizational structure—key areas within the foundational learning and growth perspective of the Balanced Scorecard that also link to the customer and process perspectives. These practices are managed across the three fundamental phases of the innovation process: generating ideas (phase 1), moving ideas to reality (phase 2), and adopting ideas by commercializing them or enabling internal or external customers to apply them (phase 3). (See *Figure 1*.)

Once an idea has won the sponsorship and funding it needs to become a new product, service, or business process, it is ready to be commercialized (launched as a new product, service, or process) or passed on to an internal or external customer for the customer's use. In this phase, adoption, just as in phases 1 and 2, an organization's cultural practices, talent management practices, and structure strongly determine success. These best practices can also help sustain innovation as a process.

## Culture

In the realm of organizational culture, knowledge sharing plays a key role in influencing whether the company adopts

a new product, service, or business process. By sharing knowledge about an innovation, people deepen their understanding of why it makes sense and what it's meant to accomplish, as well as how they can tackle problems that may arise during adoption. Knowledge sharing can be fostered through a variety of activities and technologies; consider embedding these objectives in your innovation strategy map.

### **Objective: Link people through social networks and other Web 2.0 tools**

Increasingly, companies are using social networks to share knowledge in innovating and promoting idea adoption. Some companies use internal tools such as wikis to record information in a collaborative fashion; others use mailing lists and intranet forums. New Zealand's Kiwibank, a 2009 Palladium Balanced Scorecard Hall of Fame winner, uses XPC Inside, its own private network within Palladium's online Execution Premium Community (XPC), for discussing and overcoming obstacles in strategy execution. Such knowledge-sharing technologies bring people together in person and later in a virtual environment. They also help foster interaction among people of different personality types—for example, intro-

verts who aren't comfortable speaking up in a live forum but who would participate in online discussions.

### **Objective: Establish informal sharing sessions**

Hold lunch meetings as a way to get people talking about the challenges they face with their innovation projects. Some meetings could feature a technical presentation (that could be videotaped). Others might be freewheeling discussions in which senior-level project managers invite participants to talk about their project challenges and brainstorm solutions.

## Talent Management Practices

Talent management practices are as important in sustaining the overall innovation process as they are in adopting the ideas themselves. To ensure that the commitment to innovation is sustained, organizations need to groom future innovators. Only then will innovations gain long-term traction and generate new ideas that could ultimately create fresh forms of business value. But probably only 5% to 10% of your high-potential leaders have the skills and attributes required to become innovators,<sup>3</sup> and grooming future innovators is no small feat. Finding such talent is hard enough, but the bigger problem is what to do with it. Consider these practices.

### **Objective: Give potential innovators the right assignments**

Identify individuals who seem to have potential, and give them assignments that strengthen their innovation skills. Starwood, the hospitality company, identified a midlevel product manager as a potential innovator and then assigned him to lead a team to develop new in-room entertainment services (a project outside of his full-time responsibilities). He'd had little leadership experience, but because of a successful track record within his group, and because his division head saw his potential, he was given a chance.<sup>2</sup>

1 D. K. Rigby, K. Gruver, and J. Allen, "Innovation in Turbulent Times," Harvard Business Review, June 2009.

2 J. Cohn, J. Katzenbach, and G. Vlask, "Finding and Grooming Breakthrough Innovators," Harvard Business Review, December 2008.

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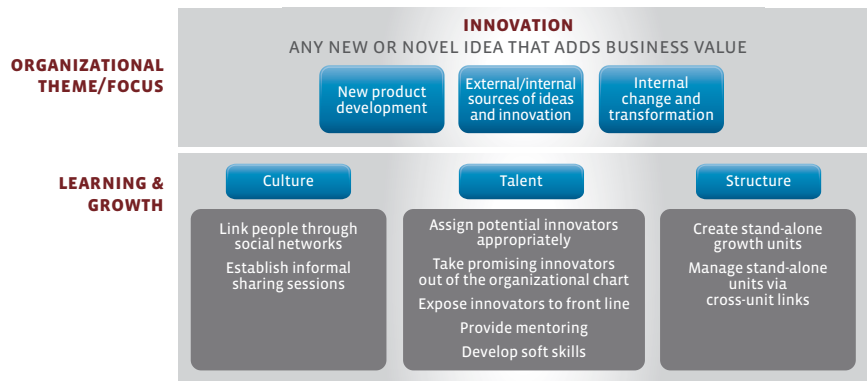


FIGURE 1: SECTION OF AN INNOVATION STRATEGY MAP (WITH SAMPLE OBJECTIVES)

*These sample objectives in the learning and growth perspective reflect best practices for phase 3 of the innovation process: adopting and sustaining ideas.*

How can you be confident that managers have the skills required to succeed in a new assignment? Examine the problems they've wrestled with in the past. Their earlier success is less important than the experience they gained dealing with the problem and developing the skills and intuition to meet future challenges successfully. Indeed, one problem with predicting future success from past success is that managers can succeed for reasons not of their own making, and we often learn far more from our failures than our successes. Failure and bouncing back from failure are critical lessons. As long as they are willing and able to learn by doing things wrong and recovering from mistakes, managers can acquire an instinct for better navigating through the minefield the next time around.<sup>3</sup>

#### **Objective: Take promising innovators out of the formal organizational chart**

Take potential innovators out of their line positions, and replant them in the middle of your company's organizational chart, where there are no formal boxes or job titles. There, they can become "innovation hubs," with easy access to influencers across the organization, more autonomy, and broader (albeit more ambiguous) job responsibilities. Positioning them in this way allows them to better see how existing products, ideas, people, or even entire businesses can be recombined in new, value-adding ways.<sup>4</sup>

At financial services company J.P. Morgan Chase & Co., senior managers ensure that rising innovators land in the right hub positions. CEO Jamie Dimon, along with the head of HR, spearheaded what the company calls "ascension plans" to chart a handful of possible career paths for future innovators in concert with the innovators themselves. "It is foolish," Dimon asserts, "to think there's only one possible, ideal career path for our high-potential managers [who are] most likely to one day orchestrate large-scale innovations." If the right position does not exist for one of the firm's innovators, Dimon or another executive team member creates it. He considers developing breakthrough innovators to be one of his key responsibilities.<sup>5</sup>

#### **Objective: Give future innovators opportunities to gain precious commercialization insights**

Provide would-be innovators opportunities to learn about the end-user and sales considerations critical to achieving commercial success. A global industrial products company in the UK insists that its rising innovators do a stint in the sales department, where they can learn key elements of successful commercialization: what makes customers tick and how to develop the salesmanship vital to spearheading large-scale innovation efforts down the

<sup>3</sup> C. R. Christensen and M. E. Raynor, *The Innovator's Solution: Creating and Sustaining Successful Growth* (HBS Press, 2003).

<sup>4</sup> Cohn, Katzenbach, and Vlask, *ibid.*

<sup>5</sup> *Ibid.*

road. They work alongside experienced salespeople developing pitches, analyzing customer needs, going on client calls, and even helping to close sales.<sup>6</sup>

**Objective: Provide mentoring**

Pair future innovators with carefully selected mentors who can continually educate them about the people they'll likely encounter and the interactions they're likely to have while advancing the adoption of innovative ideas. Assigning mentors enables protégés to test new ideas and assumptions with a seasoned expert before introducing them to others in the company. It also helps them understand the underlying agendas of the senior executives who must be won over. Mentors can share information that might be relevant to a particular course of action (for example, someone else may have already tried it and failed) and can test drive and sharpen protégés' arguments to help build their confidence.

There's mutual advantage to internal mentoring. Mentors gain insights on how innovators think and what motivates them—valuable information for helping foster and sustain an innovative environment.

**Objective: Develop potential innovators' soft skills**

The companies I studied invest heavily in developing future innovators' soft skills—particularly communication skills. Innovators are usually technical or have deep expertise in their field, and their communication skills may not be up to par. One business leader created an internal conference for innovators to present their ideas and projects, with a series of 10- to 15-minute talks, each followed by 10 minutes of questions. The forum gave participants a chance to learn how to speak in front of people and also gave others an opportunity to meet these up-and-comers and recognize their talent.

<sup>6</sup> *Ibid.*

<sup>7</sup> Rigby, Gruver, and Allen, *ibid.*

<sup>8</sup> C. A. O'Reilly III and M. L. Tushman, "The Ambidextrous Organization," Harvard Business Review, April 2004.

<sup>9</sup> *Ibid.*

**Organizational Structure**

When ideas are adopted, they move from a team setting to a home in the formal organizational structure. There, people must spend time and money nurturing these ideas so that they deliver, and continue to deliver, their promised business value. To create homes for your company's innovations, consider these approaches.

**Objective: Create stand-alone growth units**

Establish stand-alone units charged with creating new growth businesses. Examples of this approach include Cisco Systems' Emerging Technology Group, Procter & Gamble's FutureWorks division, and IBM's Emerging Business Opportunities program. Of course, setting up these units requires extensive resource commitments and careful planning. Procter & Gamble's FutureWorks division is a fully staffed team dedicated to all three phases of the innovation process: identifying, developing, and seeding new growth platforms for the corporation.

As with business units, stand-alone innovation units are profit centers. They may be defined by brands, product lines, customer segments, geographic regions, or other criteria. Their work includes choosing which customers to serve, which products and services to offer, which competitors to challenge, and which capabilities to draw on. Their leaders must balance creative aspirations with commercial realities.<sup>7</sup>

**Objective: Manage stand-alone units through cross-unit links**

Some organizations balance innovation with business as usual by becoming "ambidextrous."<sup>8</sup> They separate their new, exploratory units from their traditional, profit-oriented ones, allowing each innovation unit to adopt its own processes, structures, and culture. At

the same time, they maintain tight links across these units at the senior executive level, managing organizational separation through a tightly integrated senior team. This approach may provide a way for companies to pioneer radical or disruptive innovations while also pursuing incremental gains. Indeed, one study showed that more than 90% of the ambidextrous organizations researched achieved their goals, compared with much lower percentages among organizations that used other types of structures (such as cross-functional teams).<sup>9</sup>



Given the difficult challenges facing organizations today, no company can afford to take an ad hoc approach to innovation. Innovation should follow a disciplined, three-phase approach: generating ideas, moving them toward reality, and adopting them for the long term. When bolstered with powerful practices related to culture, talent management, and structure, this approach will help your organization continually advance and realize promising ideas, even through the most challenging stages. More important, it will foster a culture that ensures good ideas are in steady supply. ■



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**To learn more**

*This article and Part 1 (which appeared in the January–February 2011 BSR) are derived from Frangos's white paper, "From Brilliant Idea to Measurable Business Value: How to Sustain Innovation in Your Organization." To obtain a copy, please email her at [cfrangos@cisico.com](mailto:cfrangos@cisico.com).*

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