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# DRIVING A CULTURE OF INNOVATION

Insights from PageUp's  
Global HR Innovation Study

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# Executive Summary

Innovation is the holy grail of business. It's a quest for enlightenment. The reward – products and services that delight customers and lead to sustainable competitive advantage. The most effective innovation strategies focus on people and talent management practices, placing HR in the unique position to enhance or hinder innovative behaviours and practices within the organisation. Trust, inclusiveness, willingness to take risks, and established processes to commercialise ideas are all necessary for innovation to thrive. What is happening in today's organisations? And what is HR's role in not only supporting, but also driving, a culture of innovation?

In November 2016, PageUp, in partnership with Alexander Mann Solutions, launched the inaugural Global HR Innovation Survey. The survey asked business and HR professionals to rate how well their organisation, and HR, supported a culture of innovation, and to assess the maturity of their current talent management practices.

Our research highlights the following seven big picture trends:

## ***Culture: More than corporate values, it's how we do things around here***

A sustainable culture of innovation requires organisation-wide commitment. It must be driven from the top-down. Executives, managers and people leaders all have a role to play to endorse creativity, idea-sharing and collaboration. Although most organisations encouraged creativity and innovation as a corporate value, for many it wasn't underpinned by other aspects required to create a thriving culture of innovation. Absent for many was a culture that promoted risk-taking and entrepreneurial behaviour, and an environment of trust in which employees could challenge existing assumptions, try new ideas, and fail.

## ***Framework, process and technology underpin company-wide innovation***

Innovation can happen in an ad hoc, siloed manner or become an organisation-wide phenomenon. Democratising innovation requires widespread use of technology and structured processes. We found companies were more likely to have adopted technology than to have established processes – yet both are needed. Technology facilitates collaboration and knowledge sharing, and reduces barriers to entry. Nearly two-thirds of organisations are using digital, social, collaborative, mobile and data technologies to support innovation. In contrast, less than 40% of the respondents had established processes for prioritising ideas and just over half seek and incorporate feedback to improve outcomes. Without frameworks for developing, prioritising and refining, companies will struggle to scale and commercialise ideas, potentially foregoing growth opportunities.

## ***HR has a role to play in driving innovation...but is not delivering***

Driving innovation in the next 12 months is an organisational priority for nearly two-thirds of companies but HR is more confident than its non-HR peers that it has a role to play in this. The challenge for HR is to shift the perception of its value proposition – nearly half of non-HR professionals think HR currently adds no, or negative value, in driving innovation. Even within organisations where innovation is a top priority HR is not as effective as it could be. HR needs to work hard to close this perceived gap and remain relevant. Focus and determination are required to ensure HR delivers the strategic value it inherently holds.

## ***Recruitment, move beyond diversity to building future workforce capability***

Of all the aspects measured, diversity practices scored the highest for HR effectiveness. Two-thirds of companies promote diversity of thought and have established practices for creating a diverse and inclusive culture. But companies need to move beyond talent acquisition strategies focused on diversity, to future-proofing the workforce. Despite the ongoing competition for talent and concerns of skill shortages, strategies to build workforce capability were less established than expected. A focused approach to acquiring talent with the skills, attitude and behaviours needed to drive innovation is still required for many organisations.

### ***Learning & Development - building innovation capability***

A sustainable culture of innovation has everyone innovating. Company-wide capability requires training in innovative thinking processes and frameworks. Very few companies had established practices in place to support the development of such skills. This represents a huge opportunity for HR. Additionally, although knowledge sharing and collaborative work practices were well established for over half the respondents, established development practices to support a cross-functional approach were more limited.

### ***Performance management - more than reward and recognition***

Recognising and rewarding innovation is key to establishing a culture of innovation. There was a mismatch between the number of organisations that say they recognise and reward innovation, and those with established performance management practices for doing so. This suggests that companies are willing to adopt innovative processes without the support of HR. Innovation cannot be truly optimised without ongoing, iterative feedback. Despite a market shift in emphasis from annual performance reviews to continuous feedback, the majority of companies aren't there yet.

### ***Future-proofing your workforce - the role of talent mobility***

Moving beyond traditional succession management, talent mobility is critical to HR's ability to dynamically develop and align the current and future workforce to strategic business needs. Yet, this was the area in which HR had the least traction. Leaders are being developed to drive company-wide innovation – but not necessarily through HR-led initiatives. The ability to quickly bring together high functioning teams is a hallmark of innovative companies. HR had limited traction in this area – established processes for moving talent between roles and visibility into current skill gaps are areas where HR should focus to create credibility and drive future value to the business.

### ***In summary...***

We have previously written that HR needs to continually evolve to remain relevant. Now, more than ever new skills, capabilities and focus are needed to ensure HR delivers strategic value to the business. The function is well-positioned to have a significant impact in supporting and driving the democratisation of innovation, but it's not there yet. To shift current perceptions HR needs to work hand-in-hand with business leaders, learning from executive peers and building credibility to become strategic influencers. HR professionals have a crucial role to play in guiding and shaping their own transformation. It's an exciting opportunity, and will enable HR to propel their organisation on its innovation journey.

***“Innovation can be a process, product, or culture. The business has a responsibility to deliver on all three, but driving norms, behaviours and habits that create a breeding ground for innovation will likely build the highest return.”***

*- Survey respondent*



# Introduction

Many companies want to establish a culture of innovation, one that will encourage flexibility, creativity and support risk-taking. The benefit? Breakthrough products, superior customer experiences and an agile response to market challenges.

Technological advances, new models of work and changing demographics are challenging HR to rethink how it addresses the current and future needs of the business. Organisational redesign is seen as an acute priority by 92% of business leaders to create agile and customer-focused cultures.<sup>1</sup> An adaptable, skilled and educated workforce is seen as a priority by 75% of CEOs.<sup>2</sup> The ability to innovate, adapt and respond with agility to consumer demands is a business-critical imperative. Yet, too often innovation is isolated to specific pockets within the organisation. HR's role in organisational design, engagement and establishing talent management practices has a dramatic impact on the ability to create a sustainable company-wide culture of innovation.

## Our global research

In November 2016, PageUp, in partnership with Alexander Mann Solutions, launched the inaugural Global HR Innovation Survey, which drew insight from 322 business and HR professionals. Participants were asked to rate how well their organisation, and HR, supported a culture of innovation, and to assess the maturity of their current talent management practices. From the responses, we determined:

- Where companies are placed on their journey to create a culture of innovation.
- The effectiveness of current talent management practices in driving and supporting innovation.
- How prepared HR is to meet the future talent needs of the business.

In this report, we explore the challenges organisations are facing in establishing a culture of innovation and the current effectiveness of HR in driving enterprise-wide innovation. We discuss the shortfalls and provide practical advice on how HR can close the gaps.

## What is innovation and how important is it really?

### Innovation defined...

What is innovation? More than just having an idea, it's the ability to make the idea a commercialised reality. To create something of value that customers will pay for, that satisfies a specific need – whether it's a service, product or experience.

Innovation works across the spectrum from small advances in existing products and services through to disruptive new products and business models. Broadly speaking innovation can be classified as:

***Incremental innovation*** – continuous or evolutionary innovation that occurs by incremental advances to existing processes, products, services or technology.

***Breakthrough innovation*** – radical or revolutionary innovations that are often disruptive in nature. Something new and different is created which leads to new markets and industries.

To remain relevant companies must continuously challenge themselves to deliver products and services that are cost-effective, convenient, and increasingly sustainable.

## Why innovation is important...

Highly innovative companies are first to market with new ideas. Whether innovation is about advancing products, processes or services, ultimately it is about remaining relevant in today's fast moving world. Innovation has been identified by many business leaders as the single most important predictor of future growth. Research by Accenture indicates that over 90% of executives believe the long-term success of their organisation's strategy depends on their ability to develop new ideas.<sup>3</sup> Yet many companies struggle to achieve innovation-led growth.<sup>2</sup> In today's VUCA world – volatile, uncertain, complex and ambiguous – agile companies have a superior competitive advantage. The ability to quickly respond to changing customer demands, disruptive technologies and new models of working is imperative.

***90% of executives believe the long-term success of their organisation's strategy depends on their ability to develop new ideas<sup>3</sup>.***

Innovation is moving faster than at any other point in history. Accumulated knowledge is easily and readily shared through digitisation and the ubiquitous nature of mobile and social technology. Start-ups, crowdfunding, crowdsourcing, diminishing costs of production – the barriers to entry are falling. Companies no longer have the luxury of assuming they can maintain market share because they currently hold a dominant position. New models of working such as flexible work arrangements, the gig economy in which temporary positions are common and organisations contract with independent workers for short-term engagements, and the rise of the on-demand economy –synonymous with Uber and Airbnb, are all changing the business landscape.

At the same time organisations are struggling to attract, engage and retain talent. Engagement is crucial for driving discretionary effort which leads to innovation, the sharing of ideas and new ways of doing things. Highly engaged employees work with passion, they drive products forward, create a larger number of new customers, and boost company profits.<sup>4</sup> Innovation and engagement are mutually reinforcing. For 60% of leaders, growth strategies based on democratising innovation led to increased engagement.<sup>5</sup> Yet only 32% of the workforce is engaged<sup>4</sup> and 73% of CEOs say skill shortages are at crisis levels.<sup>6</sup>

New models are required, but what should they look like?

## Why it's important for HR to support and drive innovation

HR is uniquely placed to enhance or hinder innovative behaviour and practices within the organisation. The most effective innovation strategies focus on people and talent management practices. Talent management encompasses the practices and processes companies have in place to manage their most important assets - their people. These include:

- creating a culture which encourages and supports risk-taking and entrepreneurial thinking;
- creating an environment of trust and discouraging an atmosphere of fear of failure;
- identifying, engaging and retaining key talent for innovation;
- developing innovation skills in all employees and building future workforce capability;
- promoting knowledge-sharing, collaboration, job-rotation and cross-functional teams;
- acquiring talent with learning agility, creativity and an innovative mind-set;
- recognising and rewarding innovative ideas and practices;
- leadership development programs that build capability throughout the organisation; and
- organisational design to support the innovation strategy.

A sustainable culture of innovation requires company-wide innovation capability. HR is well-positioned to create a significant strategic impact, but has been criticised for lack of business acumen. To remain relevant, it needs to continue its journey of evolution, building credibility and becoming a true strategic partner to the business.



# Creating a culture of innovation

## What does a culture of innovation look like?

There is a common theme running through highly successful, innovative companies – the democratisation of innovation. Moving beyond the R&D department, or specialised teams, innovation becomes everyone's responsibility. Business leaders and HR work hand-in-hand to build a culture of collaboration, engagement and innovation. But what does a culture of innovation look like?

A culture of innovation has the following characteristics. It:

1. Encourages creativity and innovation as a corporate value, drives innovation from the top-down, develops managers and leaders to promote idea sharing in teams.
2. Has formal frameworks, processes and metrics in place to support innovation. Has systems for submitting, prioritising and commercialising ideas.
3. Recognises and rewards risk-taking, entrepreneurship and innovative behaviour.
4. Builds an environment of trust where failure is seen as a learning experience. Proactively prevents an atmosphere of suppression of ideas and fear of failure.
5. Builds enterprise-wide capability by training/educating all employees on how to be innovative and creative.
6. Embraces diversity of thought, inclusiveness and idea-sharing supported through collaboration, cross-team functionality and job rotation. Encourages interaction with peers, customers, suppliers and internal and external networks of talent as opportunities for collaboration.

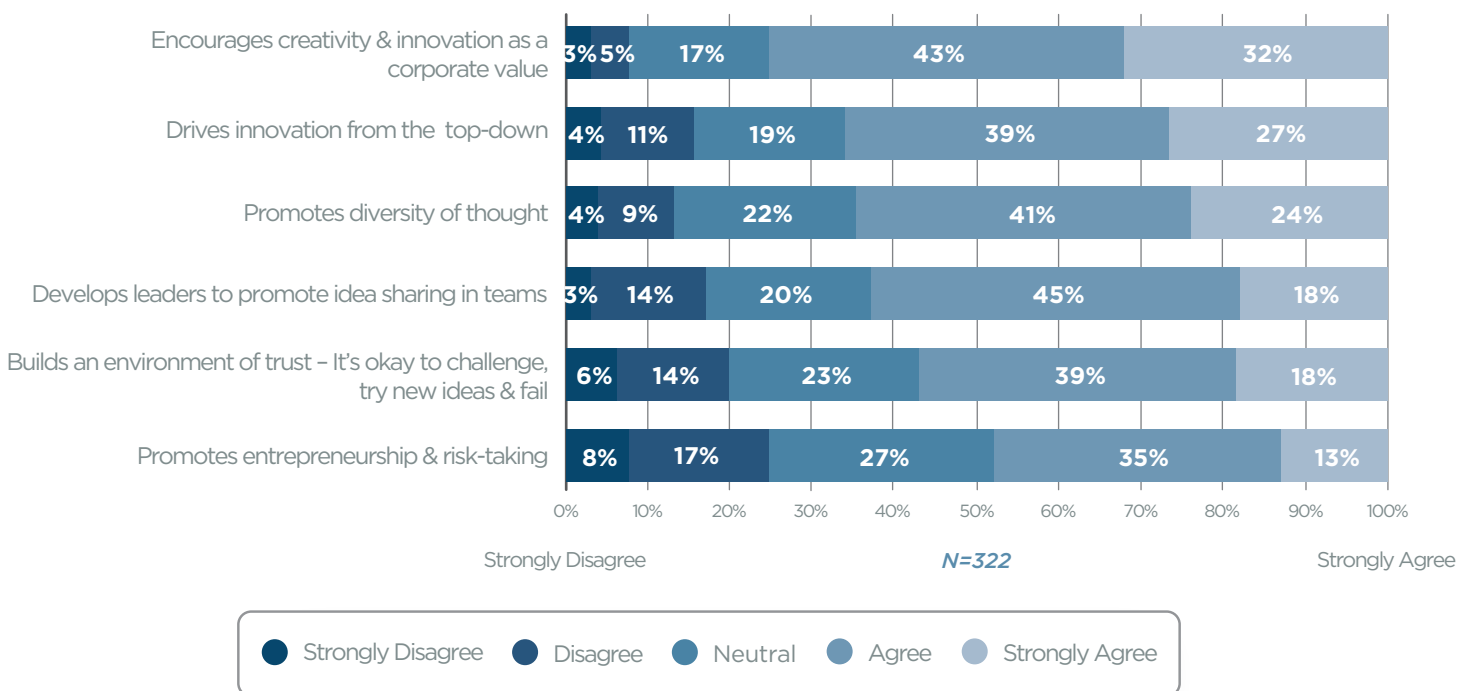
Executives, managers and people leaders all have a role to play to endorse creativity, idea-sharing and collaboration. Trust, inclusiveness, willingness to take risks, and established processes to commercialise ideas are necessary for innovation to thrive. In the following section, we investigate which strategies have the widest adoption.



## Culture: More than corporate values, it's how we do things around here

- Innovation as a corporate value, a top-down approach and leadership development scored highly. However, this alone is not enough to create a sustainable culture of innovation.
- Only 57% of respondents felt confident that their organisation created an environment of trust in which they could challenge existing assumptions, try new ideas and fail. Less than half believed their organisation promoted risk-taking and entrepreneurial behaviour.
- In addition to an organisation-wide commitment to the values and practices supporting innovation, trust in managers and leaders – that it's okay to try and fail – is required to create a thriving culture of innovation.

Figure 1: Respondents' evaluation of their corporate culture



***"HR is the 'culture coach' and innovation is a direct and tangible example of culture in practice. Therefore, HR's role is critical - if we don't coach leaders and team members or cultivate culture, innovation will become a motherhood statement with little traction."***

- Survey respondent







## Leadership matters

The number one enabler of innovation is top leadership.<sup>5</sup> It requires commitment to create organisation-wide capability with innovation at the centre of business strategy. Going beyond the establishment of corporate values, behaviours and practices must be driven top-down with the full support and endorsement of people managers and leaders. To create a sustainable culture, innovative values and practices must become part of the organisation's DNA.

Our research found 75% of respondents believe their organisation encourages creativity and innovation as a corporate value. But did this translate into a sustainable culture of innovation? Not for all. Although 66% agreed or strongly agreed that their organisation drives innovation from the top-down, and 63% that leaders promote idea-sharing within teams, other aspects of innovative culture – trust, risk-taking and agile work practices – scored much lower (figure 1).

## Support for risk-taking and failure are required for innovation to thrive

Innovation is synonymous with risk-taking. Innovative companies create a culture of innovation by encouraging entrepreneurship and risk-taking. They take proactive steps to prevent an atmosphere of suppression and fear, and build an environment of trust. Innovation is about challenging the status quo. That can't happen in a risk-averse environment, or one in which new ideas are shut down.

Our research found that, although the majority of respondents (75%) had innovation as a corporate value, only 57% felt confident their organisation created an environment of trust in which they could challenge existing assumptions, try new ideas, and fail with impunity. Less than half (48%) believed their organisation promoted risk-taking and entrepreneurial behaviour (figure 1).

Employees need to believe they are free from reprisals if their ideas don't succeed. The emphasis should be to quickly try new approaches, discard the non-viable, and iteratively incorporate feedback to improve commercial outcomes. Failure should be seen as an opportunity to learn what matters most to customers. Without trust in managers and leadership – that it's okay to try and fail – idea generation will be severely impaired.

***"HR no doubt has a role but it's also more important for the leaders of the organisation to be strongly behind, promoting and recognising innovation."***

- Survey respondent

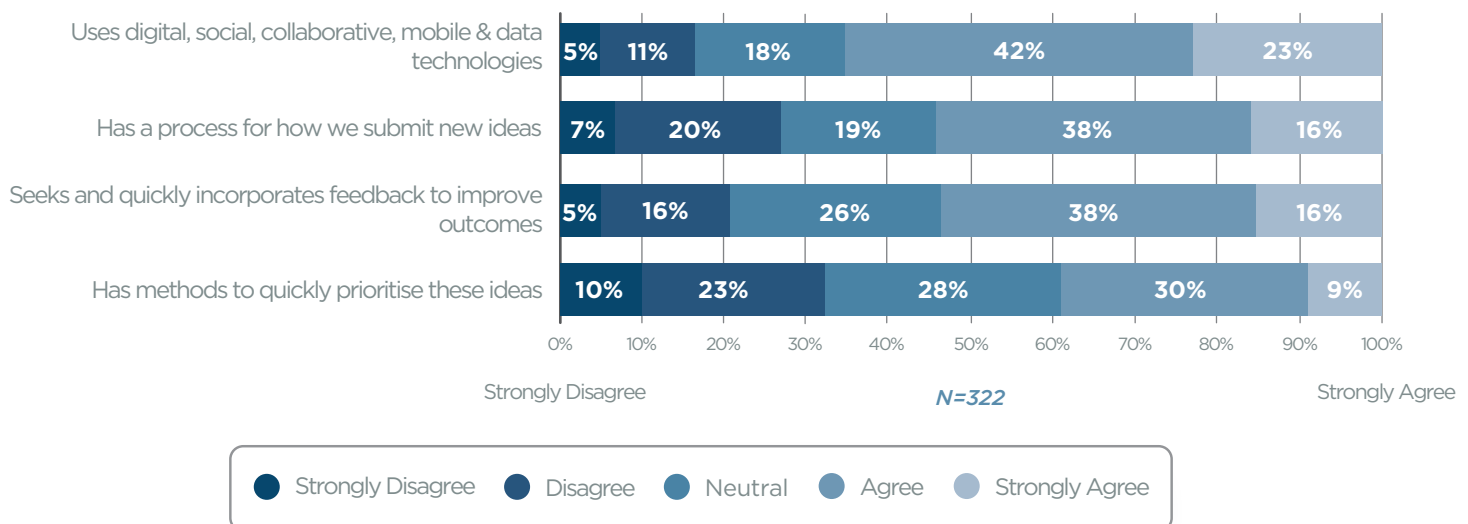


## Frameworks, processes and technology underpin enterprise-wide innovation

Innovation can happen in an ad hoc, siloed manner – or become an organisation-wide phenomenon. Democratising innovation requires widespread use of technology and structured processes.

- 65% of organisations use digital, social, collaborative, mobile and data technologies to support innovation. Technology is an important enabler of innovation, facilitating collaboration and knowledge sharing and breaking down barriers for new entrants.
- However, while over half (54%) of the respondents have a process for submitting new ideas and incorporating feedback, methods to prioritise ideas were less established.
- Without frameworks for developing, prioritising and refining ideas, companies will struggle to scale and commercialise them, potentially foregoing growth opportunities as a result.

*Figure 2: Respondents' evaluation of how their company supports innovation*



### Role of technology in supporting innovation

Access to and adoption of new technology is prolific. Technology is transforming relationships with customers and stakeholders. In response, 51% of CEOs are making significant changes to how they use technology to deliver on stakeholder expectations.<sup>2</sup> There's no denying that technology enables and supports innovation. The latest technologies are readily available and affordable, breaking down barriers to entry. New market entrants are challenging established companies. For 67% of business and IT executives, the speed of technological change is viewed as a threat to their growth prospects.<sup>7</sup> It can also be a barrier to innovation if IT infrastructure becomes overly complex. To remain relevant, organisations need to be able to adopt, implement and utilise new technologies quickly.

Technology is an enabler. It allows business to access data and information, understand relationships between variables, and draw conclusions more quickly than at any time in the past. It's quicker, faster and cheaper. Today, 65% of respondents say their organisation uses digital, social, collaborative, mobile & data technologies to support innovation (figure 2).

Social and mobile technologies facilitate the exchange of ideas and collaborative work practices. This fosters and enables company-wide innovation, overcoming siloed work practices, driving break-through products and initiatives. That's why 73% of highly innovative companies direct their IT spend to support growth initiatives and leverage mobile and social technologies.<sup>8</sup> The adoption of HR technologies can support and drive innovation by embedding HR programs into business as usual. Access via mobile and cloud-based technologies promotes ease-of-use. Already 42% of companies are adapting their existing HR systems for mobile, device-delivered, just-in-time learning, and 59% are developing mobile apps that integrate back office systems for ease of use by employees.<sup>1</sup> The benefits? Continuous micro-learning, knowledge-sharing and collaborative work practices drive engagement and productivity.

## But which idea is 'The One'?

Highly effective innovative companies have established systems for employees to submit product and service ideas or suggestions. Formal frameworks and processes are required not just for the generation and submission of ideas, but also for prioritisation. Our research found that 54% of companies have a process for how to submit new ideas but only 39% had a process for prioritising the ideas. Not all ideas are created equal and prioritisation to develop those that are most commercially viable is necessary. To improve outcomes, and effectively drive incremental or breakthrough innovation, feedback needs to be quickly incorporated during the development stage, yet only 54% of companies say they are strong in this area (figure 2).



There are different models for driving organisation-wide innovation and creativity. In a bid to become more competitive many companies have borrowed from agile practices used by software developers. This is characterised by a collaborative, cross-team approach with a strong customer focus, which quickly incorporates feedback and adjusts parameters in an iterative manner. This drives incremental and evolutionary innovation. Alternatively, design thinking is used by some of the most innovative companies. Creativity is central to the design thinking process. Starting with a problem, divergent thinking is used to explore as many possible solutions and then convergent thinking is used to narrow these down to an optimal solution. Customer or user feedback is used to explore, rapidly test and refine concepts. There is no 'right' model. Alignment with the culture, innovation strategy and overarching goals will determine the best fit.

History is full of good ideas that never came to pass. Effective work practices save time and money resulting in better long-term returns to stakeholders. Without the ability to commercialise ideas companies are missing an opportunity for growth. To drive a sustainable culture of innovation, companies need a focus on creativity and innovative thinking to generate possible solutions, a process for rapidly testing and incorporating feedback, and a customer-centric approach. All underpinned by a framework for developing, prioritising and refining ideas.



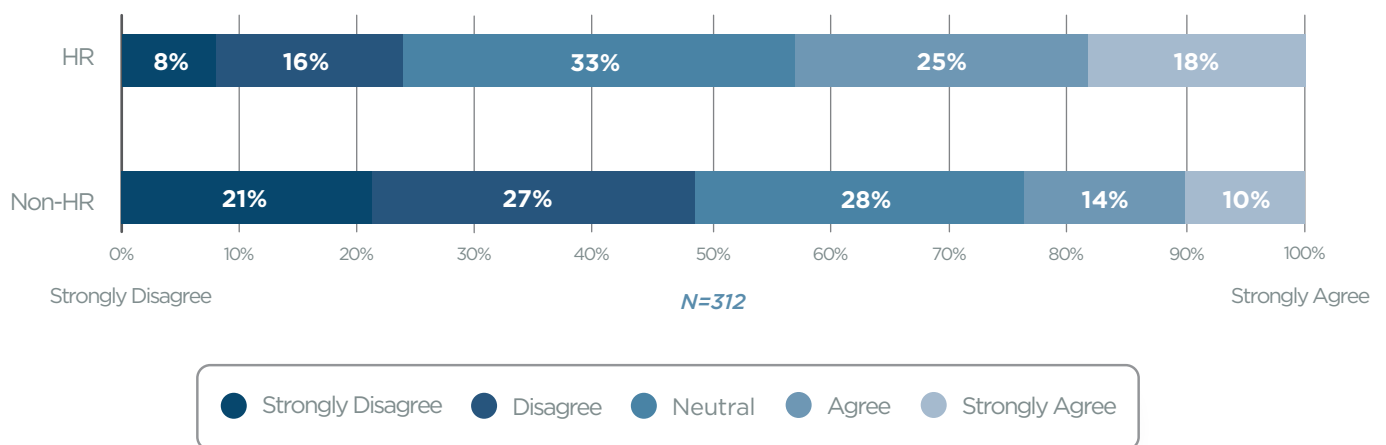
# What is HR doing to drive and support innovation?

- Driving innovation in the next 12 months is an organisational priority for 64% of companies, but HR is more confident (80%) than its non-HR peers (67%) that it has a role to play in driving organisation-wide innovation.
- The challenge for HR is to shift the perception of its value proposition – 48% of non-HR professionals think HR currently adds no, or negative value, in driving innovation.
- Even within organisations where innovation is a top priority HR is not as effective as it could be. Although 85% of respondents believed HR has a key role to play in supporting innovation, only half say HR is currently delivering.

## HR has a role to play in driving innovation...but is not delivering

There is an increasing awareness that innovation is crucial for both short-term competitive advantage and long-term survival. Our research found that 64% of respondents believe driving innovation is a priority for their organisation in the next 12 months. Does HR have a key role to play in supporting innovation? The answer depends on who you ask. For most HR professionals, the answer was a resounding 'Yes', with 80% agreement. In contrast, only 67% of non-HR professionals saw a role for HR.

*Figure 3: Respondents' evaluation of whether or not HR is currently driving company-wide innovation*

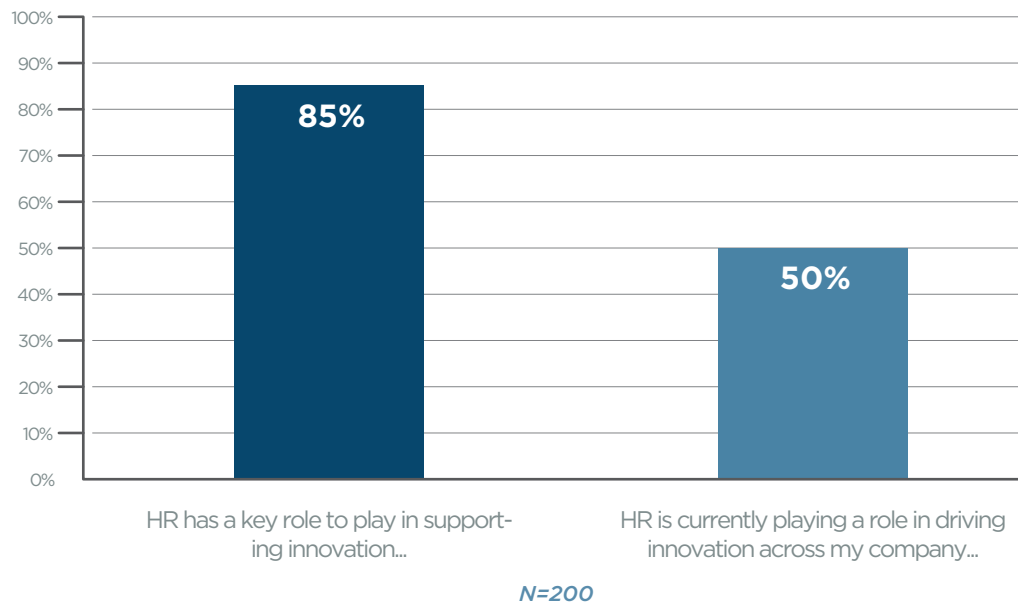


The divide became even more apparent when we asked about HR's current success at driving innovation across the organisation. Less than a quarter (24%) of non-HR professionals believed HR was impactful in this area. Twice as many perceived HR as currently adding no, or negative value, in driving innovation with 48% disagreeing or strongly disagreeing. What does HR think of its own performance? HR professionals are nearly twice as likely (43% vs 24%) to believe they are currently driving innovation within their organisation (figure 3).

Herein lies the rub. How can HR shift the perception of the rest of the business? The answer is: not alone – support of senior leaders and people managers, an emphasis on collaborative work-practices, underpinned by corporate values encouraging creativity and innovation are necessary. The research

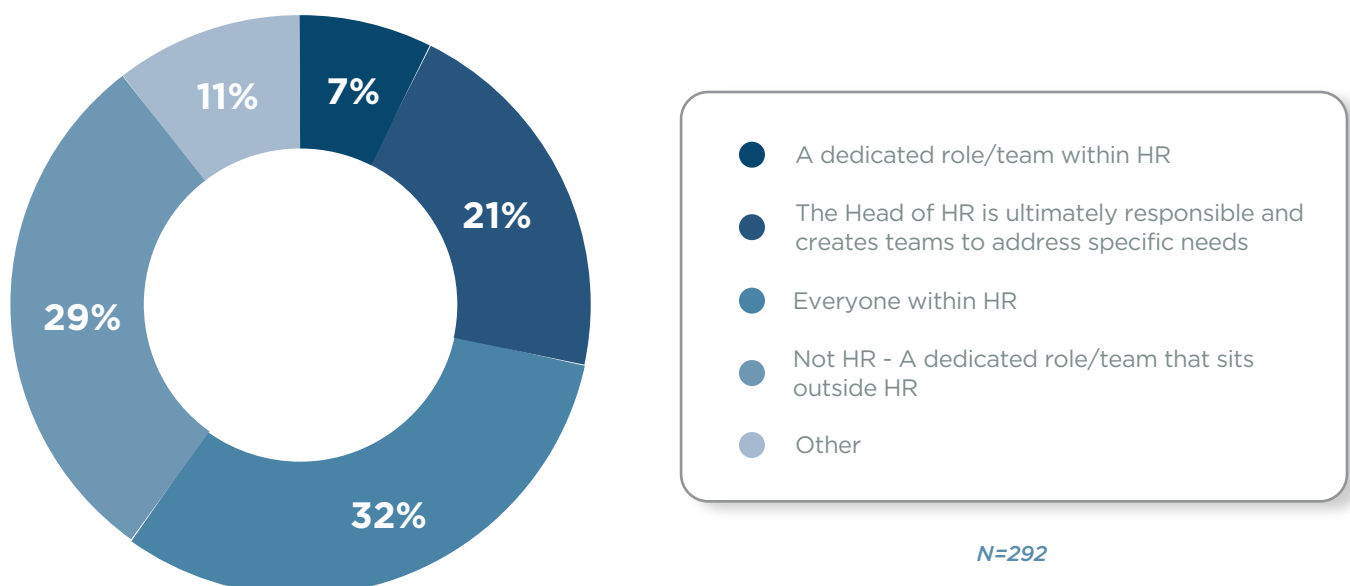
found that when innovation was perceived as an organisational priority there was a stronger link to the positive role HR plays. In fact, where innovation is a top priority, 85% of respondents believed HR has a key role to play in supporting innovation, and half say HR is currently delivering (figure 4). This environment provides HR with a great opportunity to achieve the desired cultural shift.

*Figure 4: HR's role when innovation is an organisational priority*



The benefits HR can drive through reward and recognition, diversity and engagement programs, talent acquisition, talent mobility and learning and development to support a culture of innovation are indisputable. Companies that understand this still see a role for HR. We found that even when innovation was not an HR initiative, instead driven by specific teams or individuals outside of HR, respondents still agreed HR had a role to play in supporting innovation. Looking at the breakdown, innovation was an HR-led initiative according to 60% of respondents, whereas 29% of respondents said innovation in their business was the responsibility of a dedicated team outside HR (figure 5). The remainder fell at opposite ends of the spectrum, either everyone was responsible, or ownership sat with executives and business leaders.

*Figure 5: Respondents' evaluation of who drives innovation in their company*

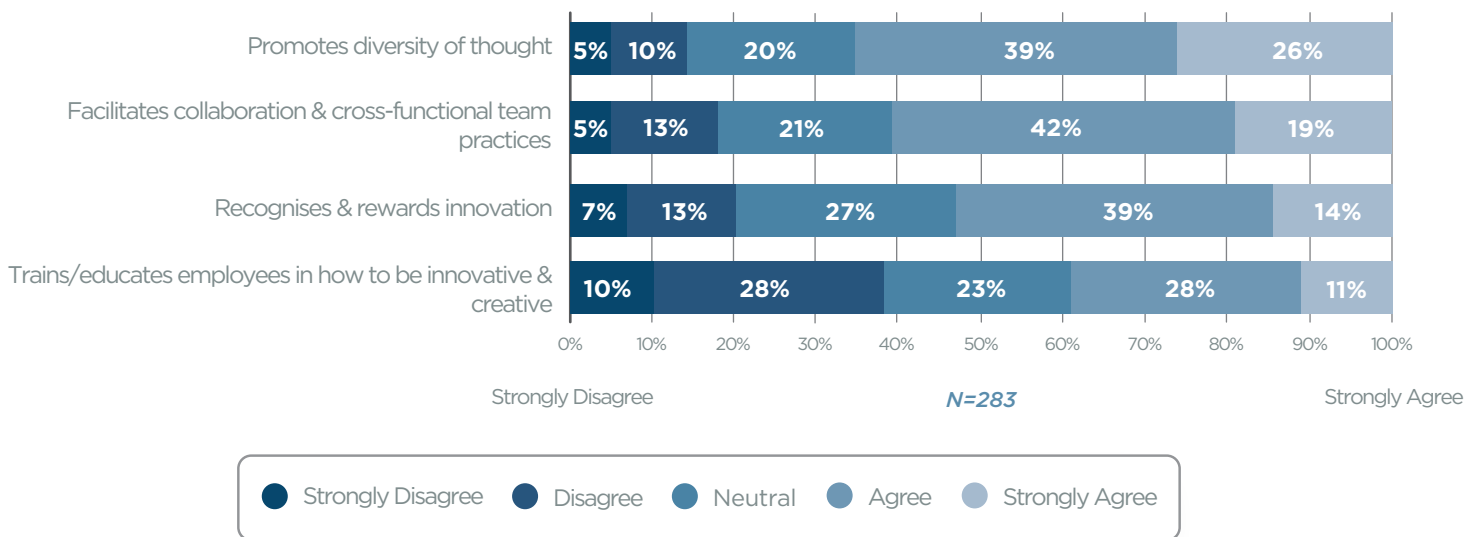


# The effectiveness of current talent management practices

The most successful innovation strategies are those that focus on people and talent management practices. The wider business and HR agree that HR has a role to play in driving enterprise-wide innovation – but they are not quite there yet. Focus and determination are required to ensure HR delivers the strategic value it inherently holds. But where are the gaps? We looked at respondents' evaluation of how their organisation currently supports innovation and compared it to the maturity of their underlying HR practices.



**Figure 6: Respondents' evaluation of how their company supports innovation**



***“HR is often road blocked by other departments & stakeholders who often place other tasks & processes as a priority over culture, engagement and innovation.”***

- Survey respondent

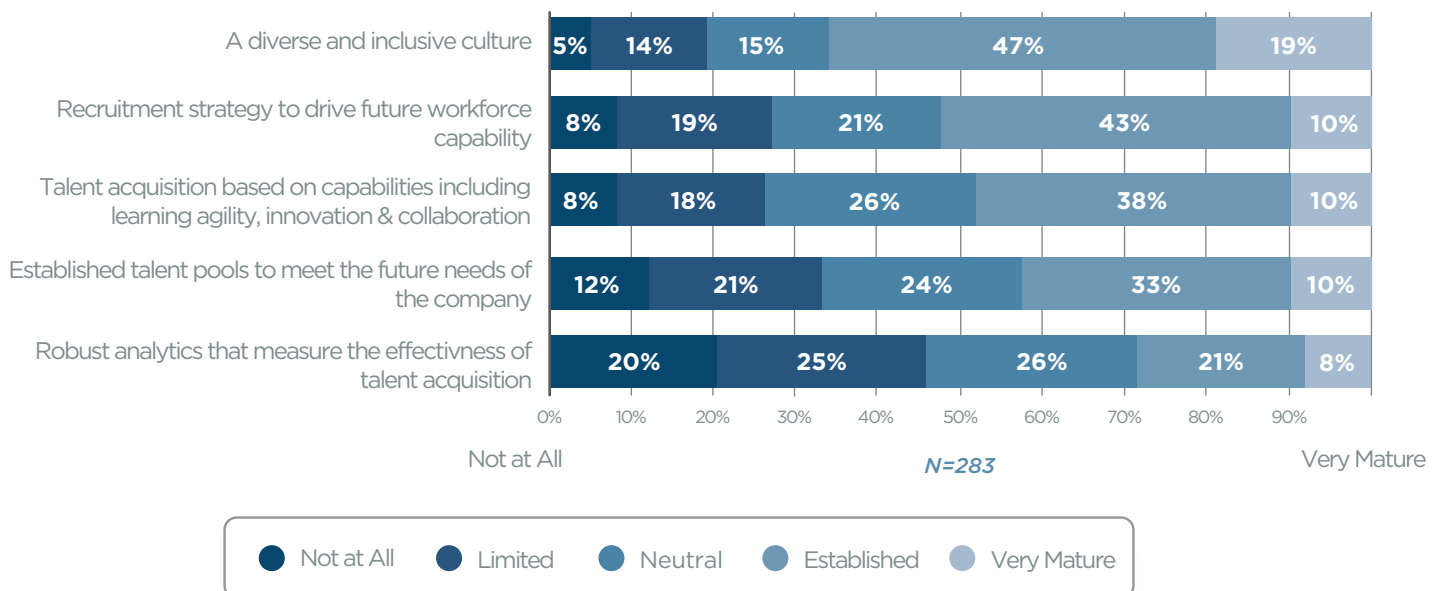




## Recruitment – move beyond diversity to building future workforce capability

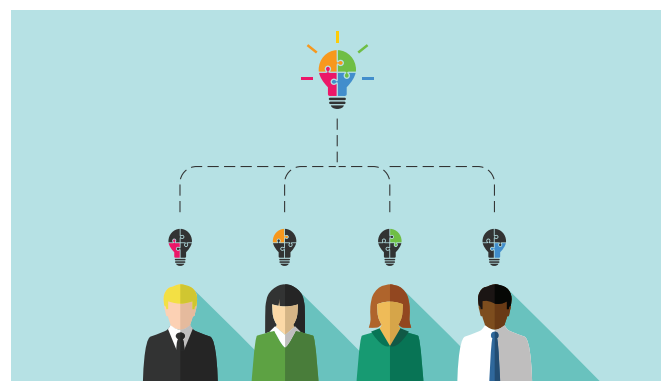
- Of all the aspects measured, diversity practices scored the highest for HR effectiveness. Two-thirds of companies promote diversity of thought and have established practices for creating a diverse and inclusive culture.
- A greater focus on future-proofing the workforce is needed. Only 53% of the respondents were confident their talent acquisition strategies were building future workforce capability. Less than half believed new hires were recruited based on capabilities such as learning agility, innovation and collaboration.

*Figure 7: How respondents rated the maturity of their recruitment practices*



## Move beyond diversity, to build capability and meet the future needs of the organisation

Diversity of thought accelerates innovation. When individuals have different experiences and points of reference it is easier to challenge pre-existing frameworks and assumptions. Both 'traditional' diversity parameters and diversity of background, geography, function, level, expertise and skills are important to create inclusive cultures where diversity of thought can flourish.



Our results indicate 65% of respondents work within organisations that promote diversity of thought (figure 6), and 66% have sound recruitment practices in place to build a diverse and inclusive culture (figure 7). Of all the aspects we measured, diversity practices scored the highest for HR effectiveness. Recent research by The Conference Board illustrates the importance of inclusion and diversity of thought in driving a culture of innovation. The most innovative companies were more than four times as likely (50%) as those that were less innovative (12%) to describe their culture as inclusive.<sup>5</sup>

However, although diversity positively contributes to innovation there is still a need for HR and business leaders to establish and drive a deliberate strategy to build out innovation capability. Only 53% of the respondents were confident that their talent acquisition strategies were building future workforce capability (figure 7). Less than half (48%) believed new hires were recruited based on capabilities such as learning agility, innovation and collaboration (figure 7). To build a sustainable high-performance culture of engaged, innovative and creative people requires creating an environment which retains talent and entices others to join. That's why, to make the greatest impact on attracting, retaining and engaging employees, 30% of CEOs are changing their talent strategy to focus on skills and adaptability in their people.<sup>2</sup>

### The role of talent acquisition in creating a sustainable culture of innovation:

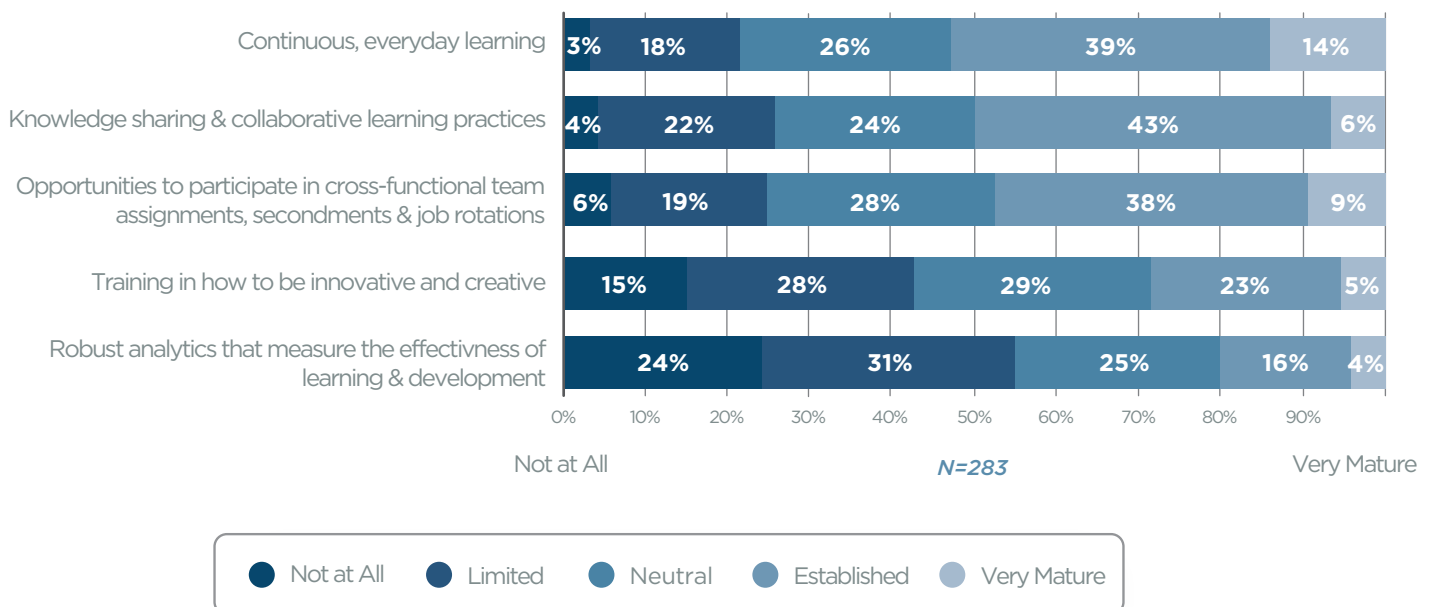
- Build internal and external pipelines of talent so that skilled talent can be quickly moved to where it's needed. Establish talent pools to meet the future needs of the organisation.
- Acquire talent based on building capability in innovation, learning agility and collaborative work practices.
- Move recruitment strategy beyond acquisition based on skill-set and experience to encompass attitude – willingness to challenge the status quo, comfort with ambiguity, creativity, and a solution-based mindset.
- Take a targeted approach to create diversity of thought – different backgrounds, experience, expertise and skills. Avoid the temptation to 'clone' the current workforce and instead build teams that can think differently and move the organisation forward.
- Use robust analytics that measure the effectiveness of recruitment strategies in creating enterprise-wide innovation capability.



## Learning & Development - building innovation capability

- A sustainable culture of innovation has everyone innovating. Company-wide capability requires training in innovative thinking, processes and frameworks. This area highlights HR's biggest shortfall - only 28% of companies have established practices in place.
- Knowledge sharing and collaborative work practices were well established for half the respondents. The proportion of companies who support a cross-functional approach (61%) was greater than those with established learning and development practices. HR has the opportunity to make a greater contribution to 'everyone innovating' through a focus on 'everyone learning'.

*Figure 8: How respondents rated the maturity of their learning practices*



### Yes, we can teach innovation

Innovation is a way of thinking. Contrary to popular belief, although some individuals are naturally innovative thinkers, it is a skill-set that can be taught. Likewise, research has shown creativity can be boosted through training utilising neuroscience techniques.<sup>9</sup> Governments and industry bodies, recognising the imperative economic need for innovation, have created development guides to help organisations foster innovation skills in the workplace.<sup>10</sup>

Innovation can be incremental or breakthrough. Equipping employees with the skill-set to do both is important in building innovation capability within the organisation. A variety of learning strategies can foster the development of innovation – on-the-job, collaborative and formal. Yet, this is the area in which the majority of organisations have failed to focus their effort. In fact, only 39% educate employees in how to be innovative or creative (figure 6), and only 28% have established or mature practices to specifically equip their employees with innovation and creativity skills (figure 8).



## C'mon HR, it's time to embrace collaboration

Our results indicate 61% of organisations facilitate collaboration and cross-functional teams to support innovation (figure 6) yet less than half had established or mature HR practices underpinning this (figure 8). Organic or spontaneous creation of collaborative work groups is important in driving innovation. This approach, however, may be limited to discrete functions, levels or teams. This constrains or traps innovation to pockets within the business. Imagine how powerful enterprise-wide innovation could be, and the benefits driven by a structured approach to developing innovative behaviour and diversity of thought, through cross-functional team assignments, secondments and job rotations.

Research has shown that job rotation is rated as the most effective learning method to foster innovation by L&D.<sup>11</sup> The reason? It drives collaboration and knowledge sharing with insights gained from employees, customers, suppliers and competitors.<sup>11</sup> Mentoring has also been identified as necessary for innovation.<sup>10</sup> The ability to work within other divisions of the business increases exposure to mentors and peers. Collaboration should not be limited to internal networks either. To create a sustainable culture of innovation, collaboration with external networks, suppliers and partners is needed.

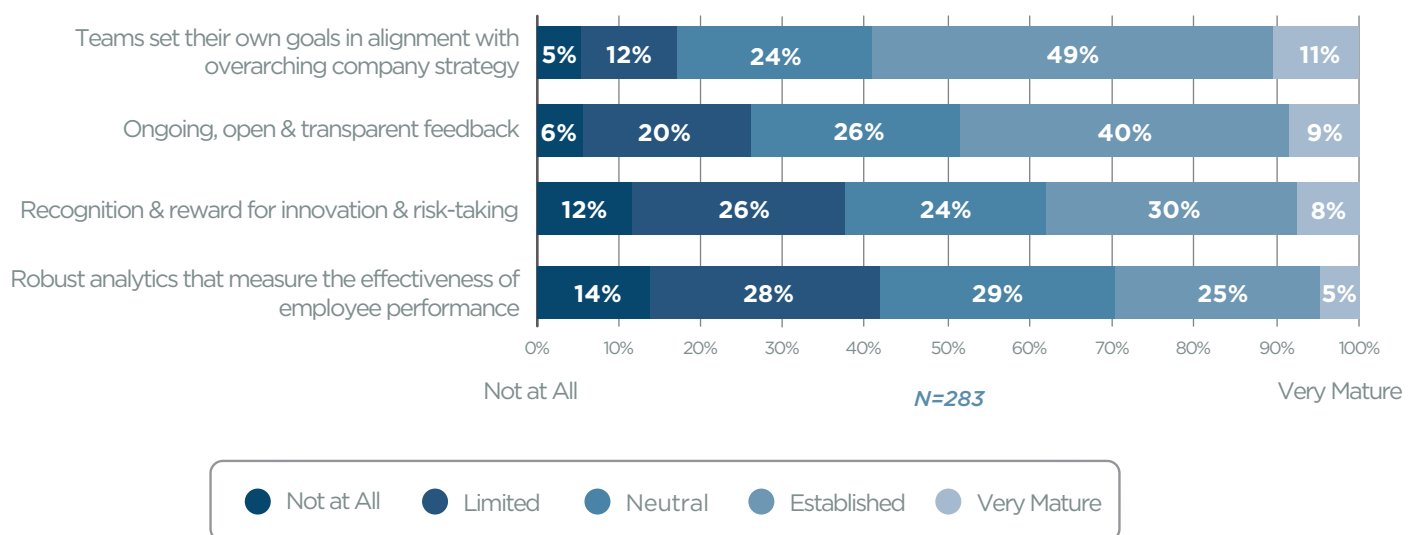
### HR's role in creating a learning culture that supports innovation:

- Facilitate the exchange of ideas and knowledge sharing to promote innovation by creating opportunities to participate in cross-functional team assignments, secondments and job rotations.
- Provide education in innovation and creativity. Starting with onboarding, teach employees how to generate both incremental and breakthrough ideas. Use a variety of learning strategies - on-the-job, collaborative and formal.
- Teach employees how to develop and prioritise innovative ideas, quickly seek and incorporate feedback in an iterative manner, and produce better outcomes for customers.
- Create a culture of curiosity, creativity and innovation through continuous everyday learning supported by social and collaborative knowledge sharing.
- Coach leaders and employees to overcome unconscious bias or established habits that may stifle innovation.
- Develop managers and leaders to create space and time to promote idea sharing in teams.
- Use robust analytics to measure the effectiveness of learning and development initiatives in driving company-wide innovation and creativity.

## Performance management – more than reward and recognition

- Recognising and rewarding innovation is key to establishing a culture of innovation. Currently 53% of companies say they do this but only 38% are supported by established performance management processes.
- 60% of companies allow teams to set their own goals within the overarching organisational strategy.
- Despite the market shift in emphasis from annual performance reviews to continuous feedback, most companies aren't there yet. Less than half have an established process for ongoing feedback.

*Figure 9: How respondents rated the maturity of their performance management practices*



## Reward and recognition - a missed opportunity for HR

The importance of reward and recognition in driving a culture of innovation cannot be overstated. More than just positive reinforcement for new ideas, it must encourage risk-taking and reduce a fear of failure. It reinforces that 'everyone innovating' means the sharing of ideas through collaborative work practices, embracing failure as a learning experience (rather than worthy of reprisal), and continuous improvement.

Given the strong ties between recognition, reward and performance management it was hardly surprising that many companies scored themselves lower on this aspect. Our results found although 53% of respondents said their organisation recognises and rewards innovation (figure 6), only 38% had established or mature performance management practices for doing so (figure 9). This is a missed opportunity for HR and reflects the willingness of companies to support innovative practices without the endorsement or participation of the HR function.

## Continuous feedback is needed for innovation

Innovation cannot be truly optimised without ongoing, open and transparent feedback. Despite a market shift in emphasis from annual performance reviews to continuous feedback, the majority of companies aren't there yet. We found only 49% have established or mature ongoing, open and transparent feedback processes (figure 9). The current swing away from annualised performance reviews and ratings has been criticised for its lack of transparency. However, it doesn't have to be an either/or situation. Putting in place a solution that supports both formal objectives and reviews, coupled with continuous point-in-time feedback increased the transparency of the process for 78% of employees.<sup>12</sup> It also increases the speed for fail-fast iterations to create consumer-centric, commercially viable products, and reinforces innovative and creative behaviours through immediate recognition and formal reward mechanisms.

### HR's role in creating a high-performance culture that supports innovation:

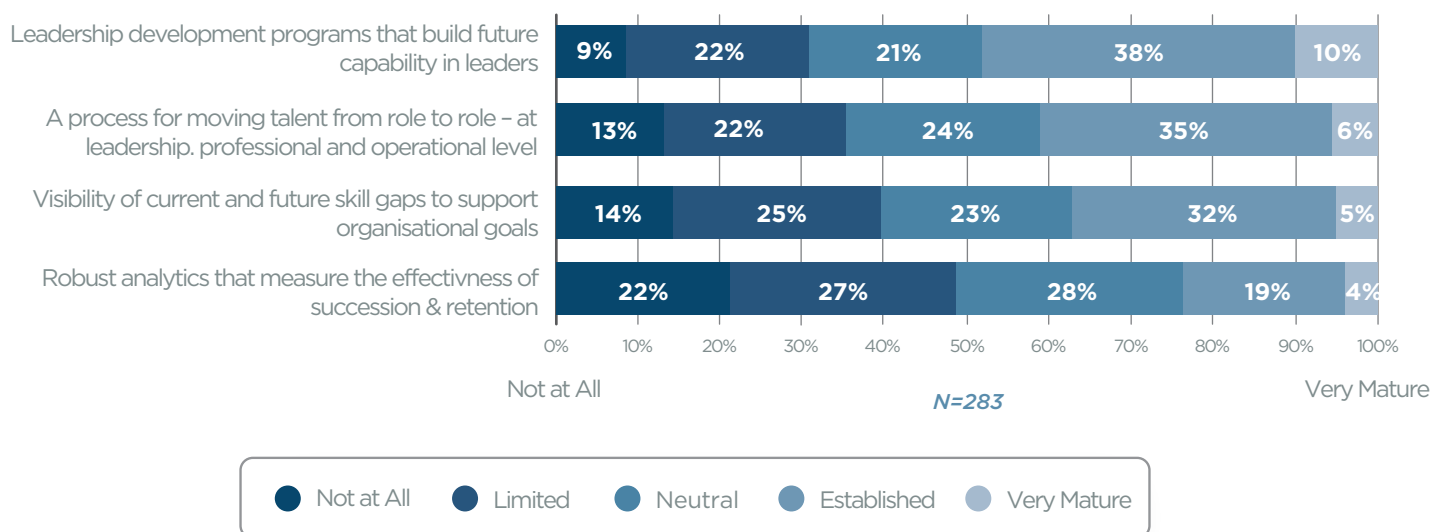
When it comes to prioritising performance management to drive a culture of innovation many companies still have a long road to travel. Only 38% of CEOs believe promoting and rewarding entrepreneurship and risk-taking is critical to creating a culture of innovation.<sup>13</sup> Likewise, only 38% felt that a focus on effective performance management is required to remain relevant and competitive.<sup>2</sup> HR has a pivotal role to play in educating, developing and coaching management and employees in this regard. HR needs to:

- Democratise innovation by embedding it in day-to-day work practices – set objectives and goals with innovation and creativity front of mind.
- Hold managers and leaders accountable for promoting idea sharing within teams, supporting risk-taking and entrepreneurial behaviour and creating an environment of trust.
- Reinforce the importance of innovation and creativity by using recognition and reward schemes that motivate and encourage employees to share and develop ideas – even if the ideas may fail.
- Empower teams to own their approach to innovation. Allow teams to set their own goals within the context of the overarching strategic goals of the organisation.
- Drive engagement and innovation by supporting ongoing feedback, meaningful discussions between managers and employees, and by creating an environment in which employees can do their best every day.
- Establish processes for team-based, collaborative and cross-functional feedback and reward.
- Use robust analytics to measure the effectiveness of performance management initiatives in driving company-wide innovation and creativity.

## Future-proofing your workforce – the role of talent mobility

- Moving beyond traditional succession management, talent mobility is critical to HR's ability to dynamically develop and align the current and future workforce to strategic business needs. Yet, this was the area in which HR had the least traction.
- Leaders are being developed to drive company-wide innovation – but not necessarily through HR-led initiatives.
- The ability to quickly bring together high functioning teams is a hallmark of innovative companies. HR had limited traction in this area too - only 41% had well established processes for moving talent between roles and just 37% understood current skill gaps.

*Figure 10: How respondents rated the maturity of their succession practices*



## How to build the workforce needed for tomorrow, today

What are CEOs doing to develop the workforce they need for today and tomorrow? To remain relevant and competitive, 49% of CEOs say they are changing their talent strategy to focus on their leadership pipeline.<sup>2</sup> Our research indicates that 63% of respondents believe their organisation is developing leaders to promote idea sharing in teams (figure 1). Yet, when asked about developing future leadership capability, only 48% had established or mature practices (figure 10). For many companies, there is a disconnect between HR-initiated programmes and what's happening at an organisation-wide level. When development occurs on an individual basis, rather than as part of an overarching established program, HR and the business are missing an opportunity to build enterprise-wide innovation capability. This speaks to the value HR can drive through the organisation.



One of the hallmarks of highly innovative companies is agility, speed, and flexibility to respond to changing market conditions. The most innovative organisations are able to quickly bring together high functioning teams to solve business problems, develop products or enter new markets. This requires visibility of internal and external networks of talent – current skills and capabilities, ability and readiness to shift roles, and an understanding of how to close the gaps. Of all the aspects we measured, the ability to mobilise talent was the one HR seemed most ill-equipped to do. Only 41% had an established or mature process for moving talent between roles, and visibility into skill gaps appeared opaque for 63% (figure 10).

### **HR's role in establishing talent mobility to support innovation:**

Moving beyond traditional succession management, talent mobility is critical to HR's ability to dynamically develop and align the current and future workforce to strategic business needs. Simply speaking, it is the process of moving talent from role to role. It is the ability to have the right people, in the right place, with the right skills, at the right time. In practice, it requires HR to:

- Establish visibility across internal and external networks of talent. This includes non-traditional work arrangements such as contractors, freelancers and virtual workers. Who and where is the talent? What is their readiness and capability to take on a new role?
- Understand current and potential skill gaps. Have a process to close gaps either through training, development, job rotation or via talent acquisition.
- Create visibility for career growth opportunities for employees. Development opportunities to support career progression, and ongoing feedback, will drive engagement and retention.
- Build future organisational capability through leadership development and a skilled, educated and adaptable workforce.
- Create the agile organisation – the ability to move talent from role to role, quickly bring together high functioning teams, connect internal and external talent communities, and facilitate collaborative and cross-functional team work practices.
- Use robust analytics to measure the effectiveness of engagement, succession and retention initiatives in driving company-wide innovation and creativity.

# Conclusion



***“Innovation is a cultural driver - it is core to performance and should be central to all HR activity”***

*- Survey respondent*

In today's fast-paced world organisations cannot afford to rely on past practices and hope for the best. Agility, flexibility and innovation are required to remain relevant and maintain long-term competitiveness. Organisations must continuously challenge themselves, and evolve their business models and practices, to deliver products and services that are cost-effective, relevant and valued.

Technology is important for supporting innovation and engagement. But it is only one aspect of the story. Innovation requires creativity, insights and drive. The ability to understand what the information means and how it shapes business decisions, to create new products, services and markets. Frameworks and processes are equally important. Without the ability to prioritise, develop and refine ideas, organisations will struggle to make them a commercial reality.

The challenge for organisations is to build enterprise-wide innovation capability supported by a culture which encourages risk-taking and entrepreneurship. In the organisations of the future, attitude will be as important as skills. To succeed, organisations require talent that is ready, willing and capable of learning continuously, working collaboratively, thinking creatively and failing fast. New models of work are emerging, expanding beyond the internal movement of employees to include external networks of talent and non-traditional work arrangements.

The benefits HR can drive through reward and recognition, diversity and engagement programs, talent acquisition, talent mobility and learning and development to support a culture of innovation are indisputable. The wider business and HR do agree that HR has a role to play in driving enterprise-wide innovation. However, the value HR currently brings to the table is viewed as limited. How can HR shift the perception of the rest of the business? The answer is: not alone. It must work hand-in-hand with executives, leaders and people managers to improve its value proposition. And it's a good time to do so - because organisations that are prioritising innovation believe HR should be playing a key role.

The alternative? HR risks becoming obsolete. Already organisations are attempting to embed innovative practices without the endorsement of HR. Focus and determination are required to ensure HR delivers the strategic value it inherently holds.

The democratisation of innovation will see organisations well-placed by their business and HR leaders to meet the challenges of tomorrow.

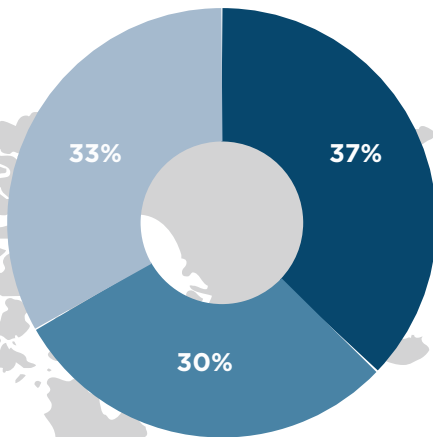
Are you ready?

# Method and Survey Demographics

The research described in this report was based on survey data received from 322 business and HR professionals. The survey was open for four weeks during October and November 2016.

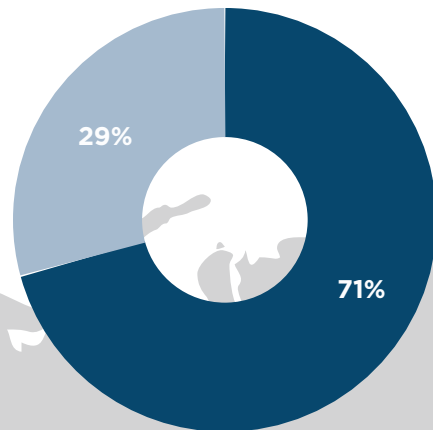
**Figure 11: Survey Demographics**

## Organisational size



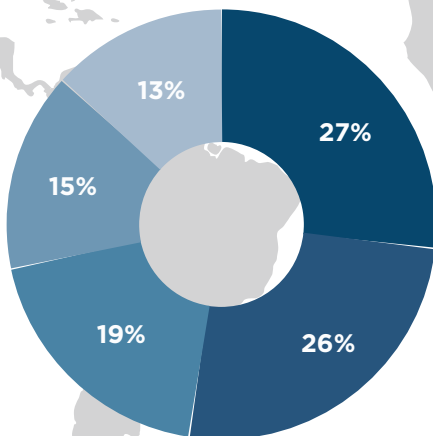
- Small (1 to 500)
- Medium (501 to 10,000)
- Large (10,000+)

## Respondent job function



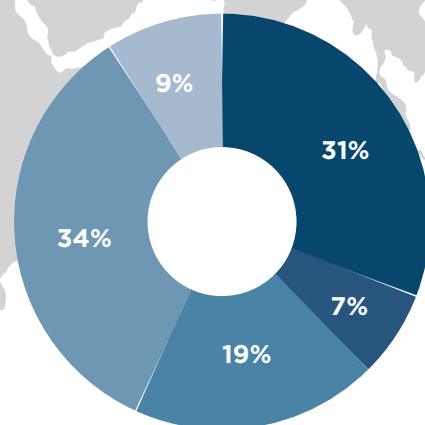
- HR
- Non-HR

## Respondent role



- HR Director / Head of People & Culture (or equivalent)
- HR/OD/L&D Manager (or equivalent)
- HR Consultant (or equivalent)
- Business leader (non-HR)
- Individual contributor

## Region



- Asia
- Africa & Middle East
- Americas
- ANZ (Australia & New Zealand)
- Europe

*Note: Figures may not total 100 percent due to rounding.*

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Rebecca is the Senior Research Analyst at PageUp and is responsible for research in customer and market insights. She has nearly 20 years of experience delivering product, thematic and strategic human capital management research and thought leadership. With a diverse background covering academia, strategic consulting and equity investment, she holds a Bachelor of Science with Honours, Master of Science, Master of Commerce (Management) and a financial industry qualification (CFA).





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