

# Everyday innovation

How to enhance innovative working  
in employees and organisations

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**NESTA is the National Endowment for Science, Technology and the Arts.**  
**Our aim is to transform the UK's capacity for innovation. We invest in early-stage companies, inform innovation policy and encourage a culture that helps innovation to flourish.**

## Executive summary

The imperative to promote innovative working remains strong in all sectors despite the current economic climate. However, although these aspirations exist, many working practices that promote innovation are not being readily adopted by organisations. When comparing sectors, this is particularly prevalent in public sector organisations. Here, some working practices may actually inhibit innovative working. Similarly, whilst the employee characteristics and behaviours that enhance innovative working (such as motivation for change, openness to ideas and original problem solving) can be clearly identified and measured, there is limited evidence that organisations are actively integrating the research evidence into corporate HR policy and practice.

Leadership capability, organisational culture, and organisational values are among the most important organisational factors and initiatives that enhance innovative working. Although there is a growing awareness of this, there is a persistent gap between what we know about these factors and how they are put into practice; how to enhance innovative working continues to be the most significant challenge for organisations. This report uses several practical examples to show how to promote everyday innovative working at the employee, group, leader and organisational levels.

The research reported here focuses upon the critical role employee characteristics and behaviours play in innovative working and reveals the key organisational factors that enable or inhibit innovation. Most importantly, we present the practical implications regarding how to best facilitate innovative working and promote innovation in organisations. The evidence base for this research was drawn from a comprehensive review of the relevant literature,

key stakeholder interviews, case studies and a UK-wide survey facilitated by the Chartered Management Institute (CMI) based on 850 responses from CMI member organisations.

### **Innovative working remains an imperative for most organisations**

In the context of the current economic crisis and pressing social challenges, organisational capacity to innovate and improve productivity is becoming an imperative.

Results from the survey indicate that innovation is considered one of the few proactive strategies an organisation can take to regenerate growth and fight a recession. Innovative working is expected to be reinforced in the current economic climate to meet the demands of an increasingly competitive marketplace. Of the 850 responses, 78 per cent considered innovation 'very' or 'extremely important' to their organisation's agenda in terms of products, processes or business models. There were surprisingly high levels of optimism regarding the future; 77 per cent of respondents report being 'optimistic' about the future of their organisation.

Despite some interviewees viewing the current economic climate as a strong incentive to innovate in all aspects of their business, others report the need to focus on certain types of innovation like incremental innovation in business processes, which typically require fewer resources than more radical forms of innovation. This concurs with a third of survey respondents who expect the available resources for innovation to be significantly reduced. Importantly, the public sector was found to be less focused on

promoting innovative working compared to the private and not for profit sectors.

**Key implications:** More effective and targeted use of the scarce resources available within organisations is required. Encouraging and promoting the adoption of innovative working practices within the public sector should be a focus for the future.

### **Motivation, openness to ideas, and original problem solving: The top three employee characteristics and behaviours for innovative working**

An organisation's ability to innovate is highly dependent on the quality of its employees. Motivation for innovation, openness to ideas and original approaches to problem solving are key contributing factors to promote innovative working. Specifically, the need for self-efficacy for innovation is emphasised. However, despite this finding only 29 per cent of surveyed organisations include these factors in their selection and development practices. Our case examples illustrate how to address this practically.

**Key implications:** Organisations can do more to actively identify and develop employee attributes and employee potential for innovative working.

### **Organisations that actively promote and reward innovation are most effective at bringing about innovation**

Providing 'individual and team incentives or reward programmes that encourage innovation' and having 'work time devoted to developing ideas' were reported as among the most effective initiatives for promoting innovation. Innovative organisations directly reward employee innovation and use intrinsic rewards based on recognition, status and reputation. By contrast, despite recognising a need, less than a third of our survey respondents make use of reward programmes or directly link innovation to their appraisal system. Flatter organisational structures and valuing risk taking were described as key to innovative working and were less evident in large public sector organisations.

**Key implications:** Many organisations acknowledge that innovative working should be recognised and rewarded. However, financial rewards are not necessarily the most effective policy in this area. An organisational culture

that supports innovation is critical to promote innovative working, including tolerance of failure and valuing risk taking.

### **Managerial support and working practices can promote innovative working**

The survey and interview results confirm that managerial support (e.g. 'Managers provide practical support for new ideas and their application') is a necessity for effective innovative working. Working practices vary according to the sector, although research consistently shows that managerial support is a key moderator for success. Regarding working practices in general, survey results show employees from public sector organisations citing significantly fewer working practices as conducive to innovative working compared to employees from the private sector. Interviews confirmed this finding, suggesting current 'public sector working practices dis-incentivise innovation'. Many organisations are faced with significant barriers to innovation currently with a 'lack of resources' reported as the most significant obstacle of all.

**Key implications:** Innovation must be supported at all levels with managers being responsible for encouraging and reinforcing innovative working. This is particularly important in the public sector where hierarchical structures are reported as more prevalent. Public sector organisations should review current working practices that might impede innovative working in this context.

### **The role of leadership is crucial in promoting innovative working**

'Leaders modelling behaviours that encourage innovation' was identified in the survey as one of the three top catalysts for innovative working. Research literature shows that traits specifically related to the ability to lead for innovation include intellect, planning ability, problem-solving skills, and emotional intelligence. In the interviews a range of key leadership characteristics and behaviours were confirmed as promoting innovation, including confidence, courage, motivation, curiosity, openness to ideas, an open style of communication, flexibility, encouragement of risk-taking, and being optimistic about the future. Of these, according to several of our interviewees, one of the most critical characteristics of leaders is their ability to encourage risk-taking. Some of the most

significant challenges in facilitating innovation lie with keeping employees motivated and balancing the encouragement of risk with the necessary control when required. Public sector employees were more likely than private sector employees to list barriers to innovation that were associated with leadership e.g., ‘risk aversion and a fear of failure among leaders’ and ‘too hierarchical a structure across staff levels’.

**Key implications:** To promote innovative working, leaders must devote specific time for developing new ideas, offering informational feedback and engaging in creative goal setting. To keep innovative employees motivated, leaders should adapt a transformational leadership style (more inspiring, motivating and collaborative) to generate a shared commitment amongst employees. Organisations should incorporate specific training and development interventions into current management development programmes to promote the behaviours that enhance innovative working. Larger, public sector organisations in particular need to ensure managers/leaders are fully supportive of and trained in facilitating innovative working.

### **Innovative working in employees and organisations can be enhanced**

Based on the literature review, case examples and interviews, practical approaches to enhance innovative working are presented. Measurement of innovative working is identified as a key area for development for organisations. Assessment of innovation has typically focused on outputs relying on external measures such as revenue growth, with few indicators capturing innovative working. Opportunities for measuring innovative working, behaviours and performance in practice within the innovation process are provided. Case examples illustrate how information can be captured and used to direct and enhance employee innovation activities.

In seeking to enhance innovative working, 60 per cent of organisations from the survey reported using leadership/management training to promote innovative working. However, it is clear that there is no off the shelf one-size-fits-all solution. Three organisational initiatives found to best predict employee level idea generation were ‘work time devoted to developing new ideas’, ‘team incentives’ and ‘induction programmes that emphasise innovation’. Our interviews and case examples suggest that the success of initiatives at enhancing innovation is highly dependent on the organisational culture

and therefore a multi-pronged approach to intervention is more likely to succeed. The case studies presented provide an insight into the development of how to promote an innovative culture.

**Key implications:** Use of diagnostic metrics for innovative working can help direct opportunities for intervention. Organisations should devote more time to developing new ideas as well as introducing bespoke incentive schemes and induction programmes that promote innovation. Bespoke management development activities can enhance innovative working. When introducing new initiatives, organisations are likely to need to take a multi-pronged approach to intervention that is tailored to the context.

### **Summary of key findings**

- **Skills and behaviours that contribute to innovative working in organisations can be identified and measured:** Our research identifies validated psychometrics for this purpose.
- **Innovative working is not an activity restricted to a ‘subset’ of people with certain characteristics:** The perception that there is a special ‘sub-group’ of people who are ‘innovators’ in organisations is a misinterpretation of the research evidence in this area. Labelling employees as innovators, or not, is precarious for many reasons. Research evidence clearly shows self efficacy for innovative working (a belief and confidence in one’s ability to innovate) is a major determinant for innovation behaviour.
- **Research evidence supports the proposition that innovative working/behaviours can be systematically enhanced:** Although complex, the evidence indicates that it is possible to plan and implement behavioural and organisational change that significantly enhances innovative working. A ‘one-size-fits-all’ approach to promoting innovative working is not possible and a bespoke approach, following early diagnostic reviews, is most likely to succeed.
- **Government and corporate policymakers have an important role in promoting innovative working in the UK:** Policymakers can play a role in integrating research findings on the characteristics and behaviours that support innovative working into policy initiatives.

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# Part 1: Introduction

## 1.1 Background

Innovative working is now at the very heart of the UK government and corporate agenda. Policymakers recognise that to remain competitive, and indeed survive, in the face of unprecedented economic, social, demographic and environmental challenges, organisations need to adopt new approaches to encourage innovative working. Many argue that prioritising innovation is one of the few ways of delivering higher value goods, business models, and services. In particular, the White Paper *Innovation Nation* published in Spring 2008 by the Department for Innovation, Universities and Skills (DIUS),<sup>1</sup> gave a prominent place to *innovation and people* in organisations, in all sectors.

Since the 2008 DIUS White Paper, the world has changed. Our research study was commissioned in September 2008. By late autumn 2008 the extent of the global economic crisis was only just unfolding. As a result of these changes, we review the extent to which the imperative to promote innovative working in all sectors remains. The focus of this report is on defining the characteristics and behaviours associated with innovative working in organisations. With few exceptions, there has been a lack of integration of the psychology, management and entrepreneurship literatures in this area. There has been a tendency to analyse large scale, top-down innovation initiatives with little attention on the important role that employee characteristics and behaviours play in innovative working in organisations. As a result, the research literature often fails to provide direct recommendations regarding validated interventions on how to promote innovative working in organisations. In this report we

address this deficiency by exploring the human resources required and case examples of interventions to promote innovative working across all sectors.

## 1.2 Aims and deliverables

The overall aims of the research are to:

- Identify the employee characteristics (attitudes, skills, abilities) and behaviours that contribute to innovative working.
- Assess the effect of the organisational context and culture in enabling or inhibiting innovative capability and behaviour in individuals.
- Determine whether, and how, such innovative characteristics and behaviour can be developed in individuals within organisations.
- Identify methods whereby this development can be actively stimulated within organisations.

Specific deliverables include:

- A systematic and extensive literature review relevant to innovative people in organisations drawing upon entrepreneurship, innovation, and the business and psychological literatures.<sup>2</sup>
- Development of a framework to summarise the various resources available within an organisation for innovative working.<sup>3</sup>

1. Department for Innovation, Universities and Skills (2008) 'Innovation Nation'. White paper. London: DIUS.  
2. Patterson, F., Kerrin, M. and Gatto-Roissard, G. (2009) 'Characteristics and Behaviours of Innovative People in Organisations.' Literature Review prepared for the NESTA Policy & Research Unit. London: NESTA.



- To use this framework to integrate the vast literature base and to highlight the areas for further work.
- Review the framework using a national survey<sup>4</sup> and senior stakeholder interviews.
- Analysis and delivery of HR policy implications, including an exploration of potential linkages with other NESTA research and policy initiatives.

### 1.3 Research methodology

The evidence used for this report was collected using a multi-method approach over 14 months (September 2008 to December 2009). In order to gather an accurate picture of the evidence related to the employee skills, characteristics, and behaviours that support innovative working in organisations, the research was delivered in three phases as follows:

- 1. Phase 1 Literature Review:** A comprehensive review of current literature and research on innovation in organisations was conducted, with a specific emphasis on the characteristics, behaviours, and roles of employees. The review included consideration of work by leading academics on the subject in the UK and abroad and was published by NESTA in February 2009.<sup>5</sup> This was used primarily to inform the design of later stages of the study.
- 2. Phase 2 Senior Stakeholder Interviews:** Primary evidence was gathered in the form of semi-structured interviews with stakeholders drawn from government, business, academia and the third sector. Sampling was devised to provide representation from various sources (e.g. HR directors, CEOs, innovation experts). Thirty interviews were conducted by telephone and/or face-to-face in the spring/summer of 2009. Interview questions covered organisational cultures for innovation; behaviours and skills for innovative working; leading innovation; working practices; and organisational resources for innovative working. A list of organisations consulted is provided in Appendix A.
- 3. Phase 3 Organisations Survey:** The third phase of the project involved an electronic survey facilitated in partnership with the Chartered Management Institute (CMI).

The aim of the survey was to provide a barometer of current management practices to promote innovative working. The survey of CMI organisations was conducted between May and July 2009. Fifteen thousand questionnaires were sent electronically to a sample of CMI organisations, and 850 replies were received. The full results of the survey have been published separately.<sup>6</sup> The survey covered the following areas:

- Innovation strategy and the impact of the recession.
- Working practices relevant to innovation.
- Barriers and catalysts to innovation.
- Individual characteristics/behaviours for innovation.
- Managing innovative people.
- Organisational resources.
- Idea generation and implementation.

### 1.4 Report structure

The literature review and the employee survey have been published separately and in more detail elsewhere.<sup>7,8</sup> The main purpose of this document is to report the outcomes from the stakeholder interviews and case examples and integrate findings from the literature review and survey. The report has the following sections: Part 2: Innovative working and the impact of the recession; Part 3: Characteristics and behaviours for innovative working; Part 4: Organisational factors influencing innovative working; Part 5: Managing, leading and promoting innovative working; Part 6: How to enhance innovative working in employees and organisations; Part 7: Summary and final reflections.

3. Ibid.

4. Chartered Management Institute (2009) 'Innovation for the recovery: How to enhance innovative working in employees and organisations.' London: CMI.

5. Patterson, F. *et al.* (2009) Op. cit.

6. Chartered Management Institute (2009) Op. cit.

7. Patterson, F. *et al.* (2009) Op. cit.

8. Chartered Management Institute (2009) Op. cit.

## Why explore characteristics & behaviours to support innovative working?

Professor Fiona Patterson

My interest in innovative working started when I was an advisor on assessment and organisational development in the Head Office of the Ford Motor Company. At that time, in the early 1990s, having been one of their best sellers, the new-shape Ford Escort was launched to a generally lukewarm press reception. Engines were carried over from previous models; the early cars were criticised widely for their poor styling, dull handling, flexing bodies and spongy seats. Ford, to their credit, quickly set to work to put the problems right. With the rising threat of competition from Japanese companies, innovation and speedy delivery were a must.

I was commissioned by the HR Director to deliver a project to explore the characteristics and behaviours of innovators, and to launch various development activities to promote innovative working. The research literature is vast but there were few validated practical approaches out there. I started by observing and talking with engineers in the design centres in Essex and Cologne. In 1993, there were over 4,000 engineers employed in Britain and Germany. I was struck by how the Company was searching to promote innovative working whilst most employees already had highly creative pursuits outside of work. I sat in on various design meetings and realised that the consensus decision-making approach being used often had the undesirable effect of averaging out new ways of thinking.

As a result, our team designed a range of interventions to promote innovative working at all levels across the organisation. Inspired by this experience I studied employee innovation for my PhD, which I'm delighted to say Ford sponsored. When some of the senior management team asked me the topic of my PhD, there were a few jibes that creativity in UK engineering was a lost cause. By the end of my studies, I had developed a new integrative measure of the characteristics and behaviour on innovative working covering not just the problem-solving components but also the social and motivational aspects relating to innovative behaviour. I discovered that employees were

rewarded for being neat, conscientious, punctual, reliable, and fulfilling obligations at work. I was able to show that the work styles and characteristics associated with innovation were related to being less attracted by traditional work styles and the status quo, and more towards being attracted to novelty and original ways of doing things. Curiosity is important, as is motivation to change and a confidence and willingness to challenge current thinking. You can't separate out the characteristics and behaviours from the working environment. And yet most HR systems and practices rewarded behaviours that actually de-selected innovation.

I published a psychometric measure of employee innovation (the Innovation Potential Indicator) with Oxford Psychologists Press. After five years of research and validation studies I could identify those employees with a greater motivation towards change and innovation. The model and measure was nominated for a Best of British Design Council award. The FT ran a piece when I published the measure. In 1998 I was invited to share my early research results with the senior HR Development team at Ford. They were impressed with the credibility of the model and measure. However, at the end of the meeting the Director said: *"This is excellent work, however, I believe you're saying that in order to promote more innovative working, our management practices will need to change and the Human Resource systems we have in place will need to focus less on rewarding being methodical and dutiful and more towards rewarding change and innovation? Having considered this at length, we want to thank you for your efforts but I don't think the Company is ready to promote more innovative working"*.

Over the past ten years, I've had the same conversation many times. Senior managers say to me: "It's too remote, too fluffy, too big an issue for people to grapple with – changing behaviour". I'm regularly asked *"Thanks for the evidence but just give us two simple things we can do to promote innovative working"*. The research evidence is clear – there is no 'off-the-peg' solution

or a 'sheep dip' training course that will be the panacea. Shifting behaviours and organisational cultures takes a sustained effort, it isn't simple. But, it can be done. When I started my research, I used to spend effort convincing organisations to invest in promoting innovative working. Given the current economic crisis, I no longer need to persuade organisations of the need, it's now more about the 'how' and 'when'.

Working with NESTA on this research project has provided the opportunity to look again at these issues in the current economic climate. We hope that the evidence base from the literature and examples from practice will help develop organisational innovation capability. The evidence clearly shows that tangible actions can be taken to change working practices and promote innovative working.

## Part 2: Innovative working and the impact of recession

### 2.1 Defining innovation

West and Farr<sup>9</sup> emphasised the positive nature of innovation; “... *the intentional introduction and application within a role, group or organisation of ideas, processes, products or procedures, new to the relevant unit of adoption, designed to significantly benefit the individual, the group, the organisation or wider society*” (p.9). In this report, we adopt NESTA’s definition of innovation as “*change associated with the creation and adaptation of ideas that are new-to-world, new to nation/region, new-to-industry or new-to-firm*”. This is an intentionally broad definition of innovation, which goes beyond the traditional view of innovation often restricted to technological and product development or R&D environments. The NESTA definition encompasses all sectors and includes new services, business models and processes. Su Maddock, Director of the Whitehall Innovation Hub, supports the view that “*innovation is about relationships, not product... the labelling of innovation as innovation of products is not helpful as it misses out a whole stream of people*”.

Most of our interviewees suggest that the term ‘innovation’ is not helpful as it is interpreted differently in different organisations. Our results showed that organisations that clearly articulate what is meant by ‘innovative working’ are more likely to be successful in their attempt to encourage innovative behaviours. For the purposes of this report, we refer to innovative working and innovative behaviours. We acknowledge that innovation is a process comprising aspects of idea generation and idea implementation and that many different people resources are required. Our literature review examines issues regarding definitions in more detail.

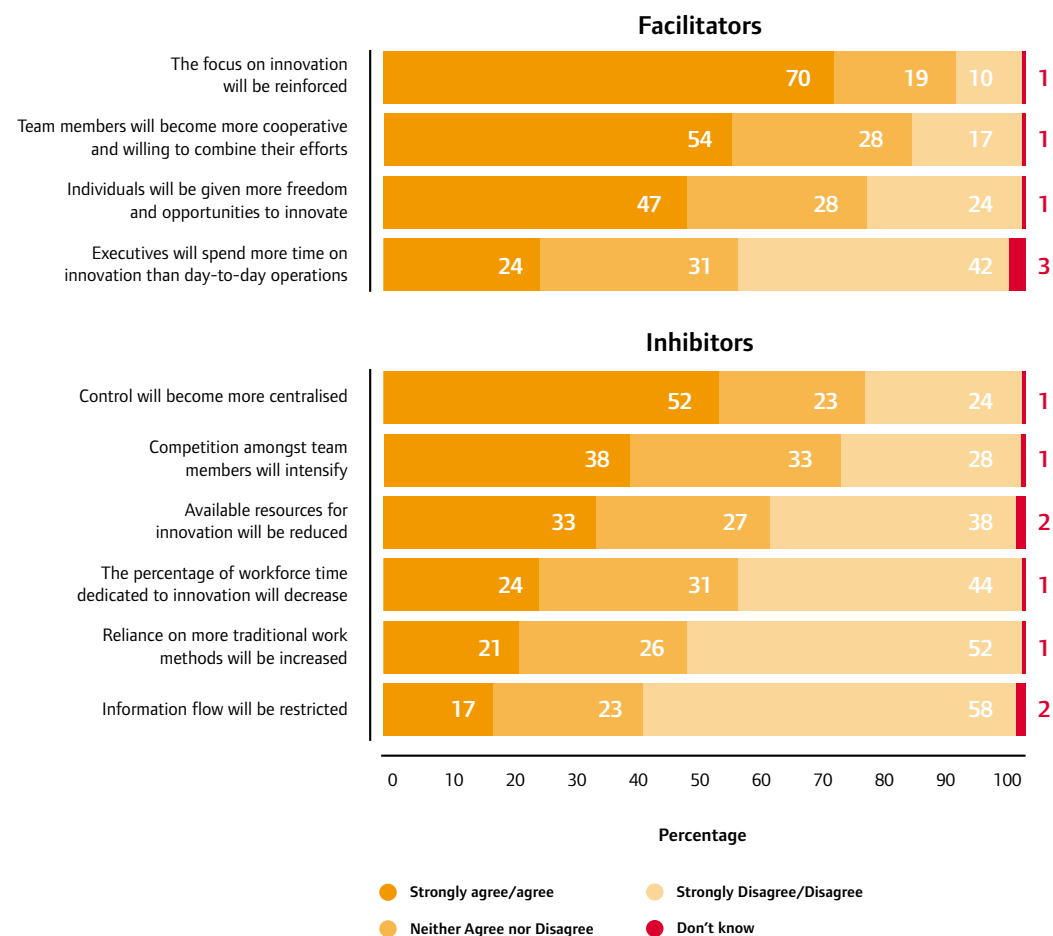
### 2.2 Innovative working will be reinforced in the current economic climate

History shows that crises often spur innovation. The propensity to innovate is one of the few ways an organisation can respond proactively to a fiercely competitive marketplace. Our interviews confirm that the majority of organisations, in all sectors, ranging from small enterprises through to international conglomerates are now taking innovation very seriously. “*Now more than ever, there is an imperative to innovate. The priorities within innovation have changed, with organisations showing a greater focus on delivery of returns*” (Jon Bentley, Innovation Leader at IBM Global Business Services).

This view is supported by our survey results, where innovation remains a highly valued imperative for organisations in the UK. The vast majority of the 850 respondents to our survey (78 per cent) reported that innovation was ‘very’ or ‘extremely important’ to their organisation’s agenda in terms of products, processes or business models. Over half of all respondents (58 per cent) indicated that the importance of innovation had increased over the past 12 months as a result of the recession. Results show that respondents believe the economic situation will promote innovative working. For example, as shown in Figure 1, around half of all respondents agreed or strongly agreed that ‘team members will become more co-operative’ and ‘individuals will be given more freedom and opportunities to innovate’. Furthermore, the majority agreed or strongly agreed that the ‘focus on innovation will be reinforced’ (70 per cent). Given the current economic climate, this is a surprisingly strong endorsement indicating that

9. West, M.A. and Farr, J.L. (1990) ‘Innovation and Creativity at Work: Psychological and Organizational Strategies.’ Oxford: John Wiley & Sons.

**Figure 1: Response to the current economic climate**



**Base:** N=824-846 as non-responses are not included in the calculation of proportions

innovation has a key role to play in climbing out of a recession. However, over half of respondents also agreed or strongly agreed that ‘control will become more centralised’ and a third agreed that ‘competition amongst team members would intensify’ both of which some researchers argue are inhibitors to innovative working.

Our interviewee responses also indicate that whilst some organisations view the current economic climate as a strong incentive to innovate in all aspects of their business, others report focusing on certain types of innovative working, like incremental innovation in business processes, which typically require fewer resources than more radical forms of innovation. *“Innovation is usually associated with the creation of new products but in this climate the focus will shift to cost-effective ways of optimising what we have”* (Peter Harrison, Innovation Manager at Entheo, a

UK-based innovation and change consultancy). *“The economic crisis should be used as a catalyst for innovation. If that opportunity is not taken, the long-term costs can be ever greater. Playing it safe by choosing less risky projects is a strategy that we have adopted in the past and it failed; it is not the right way to do things for us”*. (Claire Whitaker, Director at Serious, an international music producer).

Whilst most organisations acknowledge innovation as vital for their long-term success, the literature shows that in a recession many businesses typically sacrifice the financial resources dedicated to innovation. This is confirmed in our survey results, where a third of respondents consider that the available resources for innovation will be reduced as a result of the current economic situation (see Figure 1). Furthermore, almost a third of organisations surveyed reported that resources and facilities were currently not readily

available for use in testing new ideas; the imperative is on making more effective use of the scarce resources that they have. However, unexpectedly, given the current economic situation, the large majority of respondents reported being 'optimistic' about the future of their organisation (77 per cent).

Many interviewees listed employee engagement as a core resource in promoting innovative working. *"We know there's a causal link between employee engagement and organisational performance. The problem is with the current economic climate, this could damage employee engagement, and people tend to be more committed when they have a sense of safety, a sense of control in the organisation. I'm sure the same goes for innovative working. One of the reasons employees may still feel optimistic is that a crisis helps shift behaviour... there's almost a sense of anticipation of what might happen and therefore more potential for significant change"*. (Linda Holbeche, former Director Research & Policy, Chartered Institute of Personnel & Development, CIPD).

an 'under-developed understanding of how to nurture and foster innovative working' were often cited as contributing factors in our interviews. *"The response to the economic climate in relation to innovative working varies from company to company; ultimately it comes down to leadership"* (Peter Harrison, Innovation Manager, Entheo Consulting). Our survey findings confirm that senior leadership's development of an innovation strategy and related priorities is described as one of the most important catalysts for innovative working in organisations.

### **2.3 The public sector is less focused on innovative working**

The capacity of organisations to innovate varies considerably by sector and region. Previous research has identified the public sector as being *"less driven to be innovative and slower to adopt and implement innovations"* (National Audit Office survey, 2007; p.11). Survey results reported here broadly confirm this to be the case today. A higher proportion of employees from the public sector were significantly more likely than private sector respondents to endorse the statements 'available resources for innovation will be reduced' and 'control will become more centralised' as a result of the current economic situation. This is likely to reduce the potential for innovative working.

Although there are many examples of innovative practices and initiatives among public sector organisations (see case example below), the approach to innovation in the public sector is often described as being fragmented, with a lack of resources and rigorous methods aimed at promoting innovative working. Although examples or 'pockets' of innovative working could be observed in most organisations, this was not usually indicative of a broad innovative working culture. 'Cultural barriers', 'bureaucracy', and

## Public sector innovation

The Whitehall Innovation Hub, run by the National School of Government's Sunningdale Institute, was established to act as a focal point for innovation and to help support innovative thinking and practice across Whitehall, following the white paper *Innovation Nation* in 2008. The Hub is involved in carrying out research and consultancy, building networks and learning events for leaders, developing corporate mechanisms to encourage innovation, and assessing government interventions across different countries. The Hub is working in partnership with the National Sunningdale Institute Fellows to support innovation across the public service system, with an emphasis on developing and delivering new integrated approaches to leadership and system innovation. Central to the Hub's strategy is an *"open model of innovation flow, based on the idea that innovative practices are adopted by those who have seen the point in them"*. By stimulating cooperation across government with an increasing reliance on networks, the Hub is attempting to encourage innovative working practices across Whitehall. The Hub is also involved in developing curricula and activities that shed some light on leadership for innovation, specifically in relation to how leaders create the conditions required for successful innovation.

Dr Su Maddock, Head of the Whitehall Innovation Hub, suggests that the issues surrounding public sector innovation are the same across all government agencies and departments. The tendency with policymakers is to *"devise, work out, plan and then 'tell people' what to do"*. She argues that this does not fit well with

fostering innovation. Su comments that *"more recently place based innovation has become more accepted in Whitehall – and departments are beginning to reach out more – this is very positive and will start the slow process of a new type of government emerging which is more connected and less command control. The recession is treated as an opportunity that can contribute to a more connected and regionally sensitive inclusive government."* She also points to the fact that the UK government is still very much focused on keeping up with technological innovation at the expense of *"people innovation" and "relationships in context"*. The reason for this is that the *"latter you might be able to observe but often are less able to have the capability to change"*. The focus on technology as a strategy is easier to change and influence. What the public sector needs, Su argues, is a transformational process of *"radical innovation" and "transformational change"*. She believes firmly in the value of people as *"carriers of innovation, everyone being innovative, problem solving, collaborative"*.

Martin Collett, Head of Organisational Development at Tameside Metropolitan Borough Council points out that the strategy for innovation within local government in the current economic climate is about changing the shape of the organisation to meet financial needs but also to maintain a reputation of excellence. Therefore, innovation in this climate *"is not just about cutting services, making redundancies or stopping doing things. We need to plan the next three years and have the best strategies for organisational design"*.

### Key findings:

- Innovation is currently a **highly valued imperative** for organisations in the UK.
- 78 per cent of survey respondents reported that innovation was now 'very' or 'extremely important' to their organisation's agenda.
- 70 per cent of respondents reported that the **focus on innovation will be reinforced** in the current climate with almost half of all respondents indicating positive change e.g., 'team members will become more co-operative' and 'individuals will be given more freedom and opportunities to innovate'. However, over half also believe 'control will be more centralised' with significantly more organisations adopting this approach in the public sector.
- Interviewee responses indicate that, given the current economic climate, organisations will focus on certain types of innovation (e.g. incremental innovation) which require **fewer resources**.
- Survey and interviewee responses indicate that the **public sector is less focused than other sectors on promoting innovative working** arguably at a time when it is most needed.
- Evidence shows **promoting** and encouraging innovative working contributes to long-term organisational survival.
- In a recession many businesses sacrifice the **financial resources** required to promote innovative working.

### Implications:

- Innovative working is regarded as one of the few proactive strategies an organisation can adopt to survive a recession.
- More effective and targeted use needs to be made of the scarce resources available within organisations to promote innovation.
- Promoting innovative working within the public sector could be a focus for the future.



## Part 3: Characteristics and behaviours for innovative working

### 3.1 Openness to ideas, original problem solving and motivation are the top three characteristics for innovative working

Our literature review<sup>10</sup> explores the association between innovation and employee behaviours and characteristics such as the influence of cognitive ability, personality, motivation, knowledge, behaviour, and emotion and mood states. Key messages from the review are:

- **Intelligence** is a necessary but not sufficient condition for innovation. Although cognitive ability is related to innovation, it does not account for a large amount of the variance observed in employee innovation.
- The most common **personality** trait associated with innovation is openness to experience. Conscientiousness is found to be a negative predictor of innovation, notably in the case of being dutiful and methodical. The influence of other personality traits (e.g. extraversion) is domain/context-dependent.
- **Motivation** is one of the most important predictors of innovative working. Management style significantly influences employee motivation to innovate. Innovative people are intrinsically motivated by change such that extrinsic rewards do not necessarily enhance innovative working.
- Domain-specific **knowledge** is a key human resource for innovation in organisations.
- Studies focusing on the **employee behaviours** associated with innovation highlight personal initiative, proactivity and social competence.
- The association between **mood** and innovation is complex and requires further investigation. Emotional intelligence might be an important requisite for innovation but this is still relatively unexplored.

Research literature shows that personal initiative and motivation contribute to innovation, particularly in relation to the implementation of ideas.<sup>11,12</sup> Some characteristics and behaviours are more effective or desirable at different phases of the innovation cycle.<sup>13</sup> As shown in Table 1, these findings were confirmed in the survey where respondents ranked **motivation** or **personal initiative** as one of the top three employee behaviours contributing to innovative working. This is confirmed by our interviewees. *“Risk taking, resilience, motivation, and imagination are the key characteristics of individual innovators”* (Robert Farace, National Resourcing Manager at the NHS Institute for Innovation). **Openness** to ideas is one of the most important individual characteristics for innovation,<sup>14</sup> which was confirmed in our survey with six out of ten respondents ranking openness amongst the top three individual contributors to innovative working in their organisation (see Table 1). Derek Smith, CEO at UBS Service centre says: *“open mindedness, a willingness to share ideas, and to adapt and develop are at the core of employee innovation”*.

Many of our interviewees recognise the value of **resilience** for successful innovation. *“Bringing an idea to the market is one of the most difficult aspects of innovating”* (Jurij Paraszczak, Director of IBM Industry Solutions, New York. Successful innovators must be skilful at making their case when trying to overcome the barriers that often come

10. Patterson, F. *et al.* (2009) Op. cit.
11. Patterson, F. (2004) Personal initiative and innovation at work. ‘Encyclopaedia of Applied Psychology,’ 2, pp.843-855.
12. Sternberg, R.J. and Lubart, T.I. (1999) The concept of creativity: Prospects and paradigms. In Sternberg, R.J. (Ed.) ‘Handbook of creativity.’ New York, NY: Cambridge University Press. pp.3-15.
13. Amabile, T.M. (1988) A model of creativity and innovation in organizations. ‘Research in Organizational Behaviour,’ 10, pp.123-167.
14. Patterson, F. (2002) Great minds don’t think alike? Person level predictors of innovation at work. ‘International Review of Industrial and Organisational Psychology,’ 17, pp.115-144.

between the development of a good idea and its implementation. Resilience, persistence, personal initiative, and communication skills are especially important in the context of innovation in large, bureaucratic organisations, where barriers to innovation are more manifest. *“Employees’ ability to communicate their ideas successfully is also crucial for innovation. If the case for an idea is not made sufficiently well, the idea will not be taken forward”* (Mike Addison, Open Innovator, Procter & Gamble).

Alistair Leathwood (FreshMinds’ Managing Director), says that *“confident people tend to innovate”*. This concurs with research evidence showing **self-efficacy** to be positively associated with innovative behaviours.<sup>15,16</sup> (See also the work on young people and characteristics by Chell and Athayde<sup>17</sup>). This was confirmed again in our survey, where three in ten respondents listed **self-belief/confidence** among the top three employee characteristics that contribute to innovative working in their organisation. The word ‘courage’ was used regularly in our interviews as a key characteristic particularly for those leading innovation.

The research literature consistently shows intelligence is a necessary but not sufficient condition for innovative working.<sup>18</sup> The evidence from our survey and interviews also supports this. Two aspects of cognitive ability, **problem solving** and **strategic thinking**, were endorsed by 50 per cent and 35 per cent of our

survey respondents respectively, to be amongst the top three individual contributors to innovative working in organisations (see Table 1). There are differences observed according to sector and **job complexity** for example, the level of knowledge for biotechnology R&D roles will be significantly different from those required in lesser skilled jobs.

### 3.2 Organisations typically neglect to incorporate characteristics and behaviours for innovative working into recruitment and selection criteria

Given that innovation has become a greater priority for an organisation’s agenda in the current climate (over 70 per cent of survey respondents confirmed this), businesses must attract a healthy supply of talented individuals who are then given opportunities (and the support) to innovate. Derek Smith, UBS Poland Service Centre Chief Executive, explains that some time ago, opening a branch in Krakow was a tactical one: it made the job of attracting talented people considerably easy. *“Poland has a plethora of young, enthusiastic, talented graduates...people are the sources of new ideas; some people have lots of ideas”*. Accessing and attracting talented individuals as a key to an organisation’s propensity to innovate was a recurrent theme from our interviews. *“Paradoxically, in today’s poor employment climate, there is no lack of*

15. Axtell, C.M., Holman, D.J., Unsworth, K.L., Wall, T.D. and Waterson, P.E. (2000) Shopfloor Innovation: Facilitating the Suggestion and Implementation of Ideas. *Journal of Occupational and Organisational Psychology*. 73, pp.265-285.
16. Parker, S.K., Williams, H.M. and Turner, N. (2006) Modeling the Antecedents of Proactive Behavior at Work. *Journal of Applied Psychology*. 91, pp.636-652.
17. Chell, E., and Athayde, R. (2009) ‘The identification and measurement of innovative characteristics of young people.’ NESTA Research Report. London: NESTA.
18. Feist, G.J. and Barron, F.X. (2003) Predicting creativity from early to late adulthood: Intellect, potential, and personality. *Journal of Research in Personality*. 37, pp.62-88.

**Table 1:** Employee characteristics and behaviours that contribute towards innovative working

	Percentage of whole sample endorsing the following characteristics/behaviours as important for innovative working
Openness to ideas	59
Problem solving	50
Motivation/personal initiative	43
Strategic thinking	35
Leadership and management skills	33
Self-belief/confidence	29
Willingness to take risks	28
Emotional intelligence	13
Tolerance of ambiguity	8

**Base:** N=841, 9 respondents did not answer this section of the survey

*talented individuals looking for a job, and organisations are now able to pick the most promising ones”, (John Grieves, Head of Innovation Advisory Services, Ernst & Young consulting).*

An organisation’s ability to innovate is highly dependent on the quality of its employees. This message was confirmed in our interviews and again in our survey results where ‘investment in talent for innovation’ was identified as one of the top three catalysts for innovative working. *“One of P&G’s unique strengths is its pool of skilled labour. We recruit the best and most ambitious people from university. The company is able to maximise the talents and knowledge of those recruited by implementing a ‘promote-from-within’ structure”.* (Mike Addison, Procter & Gamble).

Although the research literature has clearly identified the characteristics and skills of innovative people,<sup>19</sup> our studies here show that by marked contrast, only a minority of organisations are acting on this evidence regarding HR policy. For example, recruitment practices that recognise the characteristics and behaviours to support innovative working are present in just 29 per cent of organisations surveyed. There are exceptions, however, as illustrated in our interviewees. For example, at Breakthrough, a UK-based breast cancer charity, innovation is amongst the employee behaviours assessed both at selection and as part of quarterly and annual appraisals. The value of identifying innovative working in the performance management criteria is recognised by many of our survey respondents: 23 per cent identified it as one of the top three most effective organisational policies to facilitate innovative working.

19. Patterson, F. et al. (2009)  
Op. cit.

### Identifying skills and behaviours for innovative working at Amey

Amey is one of the country’s leading public services providers, managing the UK infrastructure and business services (motorway, Tube, local school, council services) with 11,000 employees. Amey has a formalised innovation agenda through its Business Improvement Team (BIT) utilising techniques such as Six Sigma. Employees can learn core skills in improvement within BIT. Members of this team are ‘parachuted’ into different projects on a needs basis. Innovation forums and champions within each contract group of people also support this innovation activity.

Scott Hobbs, Head of Talent at Amey, was approached by BIT to support the human resources and behavioural side of innovation. He says of Amey’s approach that *“although we want the blue sky thinkers, we can’t sustain this and what we really need is everyday innovation”*. Facilitating this has been part of his responsibility for talent across the organisation. *“We are seeking people able*

*to take innovation and process it in practical terms – not just blue sky thinking.”*

In looking for the appropriate behaviours to support innovation, Amey’s approach has been to look at talent they have already and focus on what can be incorporated into the graduate selection and development programme. An integral part of the ‘talent pipeline’ is ensuring that behaviours and values that support innovation are embedded in the system of selection and development of graduates in the company. Currently the Graduate Programmes take in 125 per year in areas such as engineering. However, as he points out *“many people have a reaction to the word innovation, either thinking it’s not what they do or it is done elsewhere in the company”*. Assessment centres for graduates use exercises that test elements of innovative and creative thinking as well as the implementation of new ideas (e.g. ways of marketing particular product).

### Key findings:

- Interviewees and survey respondents report **motivation/personal initiative, openness to ideas, self-efficacy/confidence, original problem solving** and **strategic thinking** as key employee characteristics that contribute towards innovative working.
- **Attracting and investing** in innovative employees was also noted as important with ‘investment in talent for innovation’ ranked as one of the top catalysts for innovative working.
- Despite recognising the importance of including innovation within **selection and recruitment material**, only 29 per cent of surveyed organisations currently act upon this.

### Implications:

- Organisations can do more in their HR practices to actively identify and develop employee attributes and potential for innovative working.

## Part 4: Organisational factors influencing innovative working

### 4.1 Innovation must be entrenched in organisational values

Researchers have identified several consistent characteristics of work environments that influence innovative working.<sup>20</sup> As described in our literature review, research shows that a supportive and stimulating work environment enhances idea generation and innovation.<sup>21</sup> Various resources contribute to this aspect including: supportive management practices and leadership, constructive evaluation and feedback, supportive and stimulating co-workers (see Figure 2). Previous research has identified the critical importance of developing a culture that facilitates innovation.<sup>22</sup> An organisational culture that supports innovative working encourages risk taking and the exchange of ideas; promotes participation in decision-making; has clear goals and rewards for innovation; and provides psychological safety in relation to idea generation. The evidence shows there to be clear sector differences. Further, innovation behaviours, such as challenging current thinking and non-conformity, in one organisation, may manifest differently in another.

Our survey results confirm that organisations that actively promote and reward innovation are most effective at bringing about innovation. For example providing 'individual and team incentives or reward programmes that encourage innovation' and having 'work time devoted to developing new ideas' were listed as among the most effective initiatives for facilitating innovation. Evidence from our interviewees also reflects the literature findings. In order to flourish, innovation must be entrenched as one of the core values of the organisation and the organisational objectives must be visibly aligned with those values.

*"Culture and history are the main catalysts. The view that innovation is the right way forward for the business occurs from the top down and it has been engrained in the company since its formation, over 170 years ago. It is absolutely true that innovation is the lifeblood of the organisation"* (Mike Addison, Open Innovator, Procter & Gamble). *"P&G now also augments its internal innovation by constantly striving to create and nurture an organisational culture that is always looking externally for solutions and is proudly championing the adoption of ideas found elsewhere. We believe that the customer is the boss, and we constantly strive to make products more relevant – using the best ideas, regardless of their origin to achieve this"*.

Different challenges in developing a culture to support innovation are observed across sectors and organisations. For example, one interviewee in local government suggested that middle to senior managers are the key to thinking creatively and having the confidence to move forward with new ideas. *"The culture is risk adverse in the organisation, the community and the press. Many councils may have a political dogma with [political] members in place for many years – their response is often, 'we've been so successful in the past why change?' Innovation to them sounds risky. Changing culture is about influencing member's innovativeness as well as the employees of the council."* (Martin Collett, Head of Organisational Development, Tameside Metropolitan Borough Council).

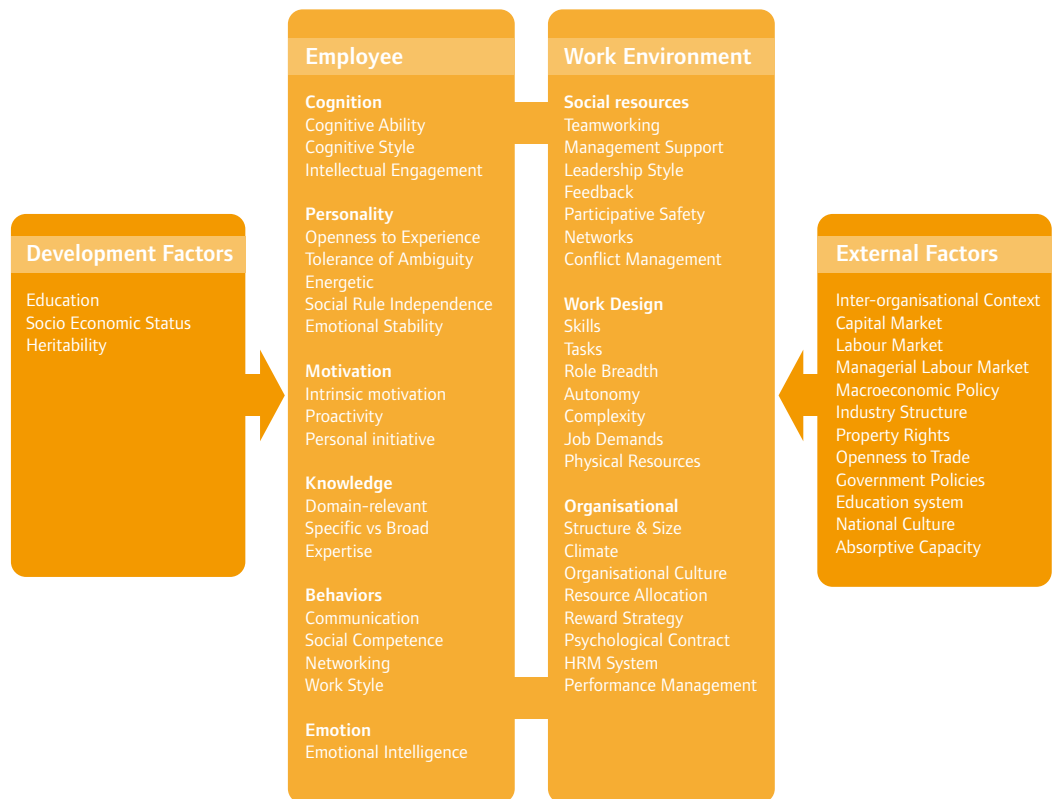
In the private sector, Scott Hobbs Head of Talent at Amey, has a similar challenge in promoting an innovation culture because of the nature of their business contracts: *"Ninety per cent of our work are long term contracts*

20. Csikszentmihalyi, M. (1999) Implications of a systems perspective for the study of creativity. In Sternberg, R.J. (Ed.) 'Handbook of Creativity' New York: Cambridge University Press. pp.313-335.

21. Patterson, F. et al. (2009). Op. cit.

22. West, M.A. and Richter, A.W. (2008) Climates and cultures for innovation and creativity at work. In Zhou, J. and Shalley, C.E. (Eds) 'Handbook of organizational creativity.' New York: Taylor & Francis Group. pp.211-236.

**Figure 2: People-relevant resources for innovation in organisations**



Source: Patterson, Kerrin & Gatto-Roissard, 2009.

*– sometimes 25 years but often 5-10 years. Promoting or encouraging new ways of doing things faster, better, cheaper is often difficult in this culture as the end point is so far away”.*

Indeed some interviewees questioned whether organisations really do want to be innovative. Does it fit with how the organisation typically operates?

#### 4.2 More organisations need to recognise and reward innovative working

Our survey results show that whilst innovation is often an important part of a manager’s job role, only 32 per cent of organisations directly link their appraisal system to rewarding innovation. Similarly, our survey results indicate that it is rare for organisations to clearly relate personal development plans to innovation.

However, research confirms that organisations viewed as innovative usually directly reward employee innovation in some way. Almost one in three organisations surveyed identified ‘individual incentives or reward programmes that encourage innovation’ as one of the top three most effective interventions for boosting innovation. Importantly, there is a significant discrepancy between the reported effectiveness of reward strategies and practices to promote innovative working, and their apparent availability in the organisations we surveyed (only 30 per cent of respondents reported making use of reward programmes for innovation). A similar pattern of results was found for team-based incentives to promote innovation, which were deemed effective, but available only in a minority of surveyed organisations.

For a small number of organisations interviewed, rewards for innovative working were financial. For the greater majority,

the rewards were more intrinsic, based on recognition, status, and reputation. In Saint-Gobain British Gypsum, Richard Batley, the HR Director, reports using both approaches: *“The suggestion scheme has been successful, with many ideas being submitted. We’ve also been careful to reward the top innovators, both individuals and teams, by giving Bronze, Silver and Gold awards dependent upon commercial success – we’ve been generous here with rewards often stretching to thousands of pounds to encourage sustained efforts. By prize giving at events, the recognition for ideas was very visible – peer recognition is very important – the event itself generated an emotional commitment to innovative working as it was memorable and exciting”*. Some organisations reported providing promotion opportunities to employees or teams that successfully innovate.

In overview, the approaches to rewarding innovative working and behaviours were highly varied and reflected the cultural norms of the organisation. *“We don’t financially reward innovative working or outputs. The view on rewards and innovation is that the company policy should be directed to free people up to take part in innovative activities/practice. Reward is not necessary as activities relating to innovation are part of their job. There is however a best practice forum that provides a mechanism for recognition of ideas”* (Scott Hobbs, Head of Talent, Amey).

Through our interviews we found isolated examples of successful use of performance appraisal processes to promote innovative working. At Breakthrough, the breast cancer charity organisation, there is a widespread recognition that providing employees with the right incentives is important to sustain innovation. *“To this end, the recognition policy is taken very seriously. Employees’ annual appraisals and quarterly performance reviews are aligned with innovation, one of the organisation’s core values. It really does work”*. (Brett Terry, Head of HR and Organisational Development, Breakthrough). Similarly, the bi-annual developmental appraisal at FreshMinds, the award-winning research and recruitment consultancy based in the UK, includes a measure of drive and risk taking. Alistair Leathwood, Managing Director, explains that it is important to *“[include] material that states it is safe to take risks and that there is room for failure”*.

In overview, our research shows there is not necessarily one best way to reward working practices to promote innovation. In terms of

predicting employee-level idea generation, our survey results suggest that ‘striving for a reputation for innovation’ and ‘managerial support and practices that enhance innovation’ are the working practices endorsed as being most important.

#### 4.3 Flatter organisational structures and a tolerance of failure facilitates innovation

In general, the research literature consistently shows that flatter organisational structures facilitate innovation.<sup>23,24</sup> This finding was confirmed in this study. Some interviewees suggest that: *“Innovation is easier to achieve in smaller organisations which are often less prone to hierarchical structures. Bureaucratic cultures and authoritarian command and control management styles are much more prevalent in the public administration sector, while managers working in smaller companies are more likely to describe culture as participative”* (Alistair Leathwood, Managing Director, FreshMinds Consulting, UK).

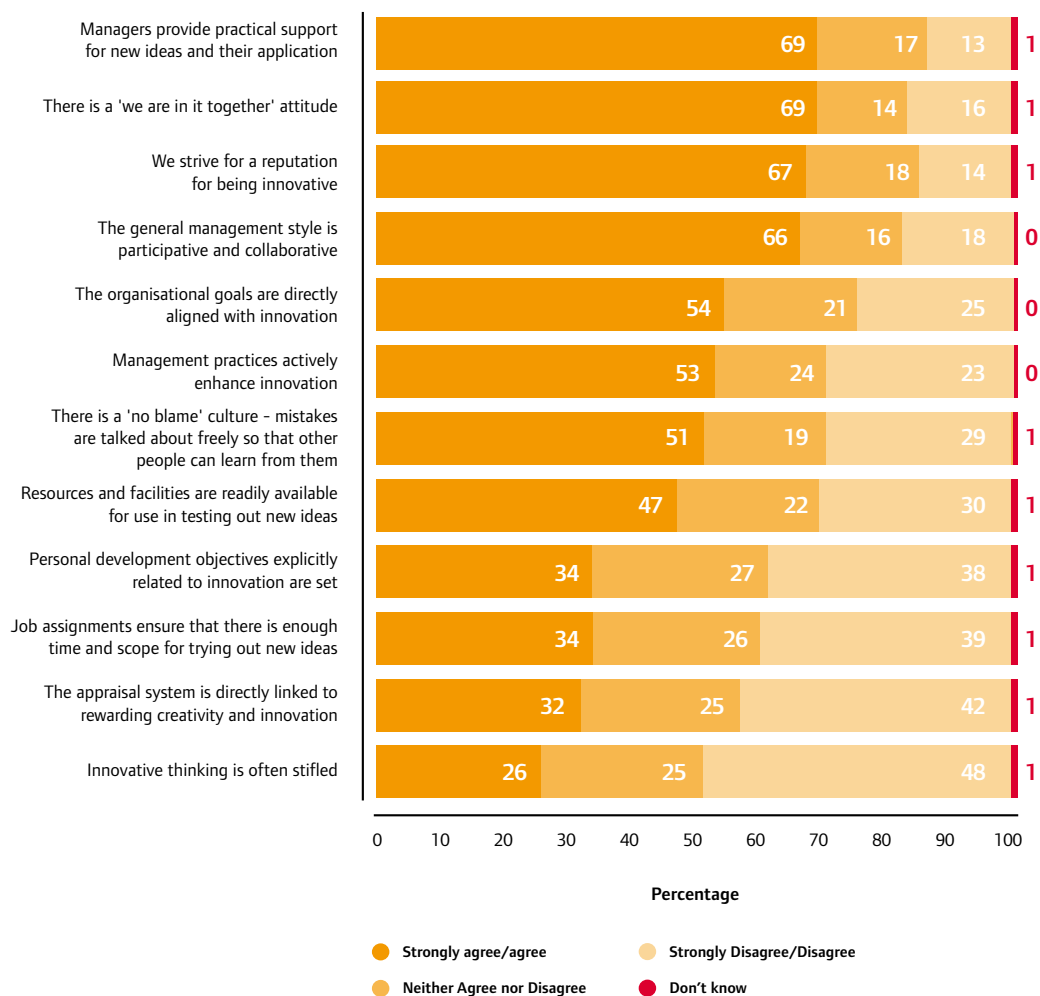
The case studies confirm that in order to embed innovation, it is especially important to articulate the goals and vision. *“It is important to provide the right framework, top-down directive, and autonomy within that”* (Derek Smith, CEO at UBS Poland Service Centre). It is also clear that organisations focusing on longer-term outcomes over short-term gains are much more likely to successfully innovate. Organisations with an innovation culture *“value risk taking as much as success”* (Alistair Leathwood). In order to successfully innovate, organisations must be prepared to have *“a certain degree of inefficiency”*, he adds. All of our senior stakeholders interviewed agree that *“room for failure”* and *“space and time for individuals to innovate”* are essential precursors. This is also confirmed by our survey results where a quarter of all respondents consider ‘tolerance of failure and promotion of risk taking’ to be in the top three catalysts for innovative working. Our interviewees often described the need for ‘mechanisms for protection’ whereby employees are shielded from certain repercussions linked to failed innovations. Our case studies clearly illustrate that organisations with an innovation culture respond to failure and under-performance in a very specific way, allowing ‘room for not just setbacks but failure’.

23. Ibid.

24. King, N. and Anderson, N. (2002) ‘Managing innovation and change: A critical guide for organizations’. London: Thompson Learning.



**Figure 3: Working practices that facilitate innovation within organisations**



**Base:** N=843-849 as non-responses are not included in the calculation of proportions

#### 4.4 Managerial support and working practices that promote innovation

Over half of the organisations surveyed reported having organisational goals that are aligned with innovation (see Figure 3). However: *"Asking employees to innovate more is not the right approach as it is too generic and too disconnected from the real world"* (Jurij Paraszczak, Director of IBM Research Industry Solutions in New York). The research literature clearly shows that in order to promote innovative working, organisational goals must be specific.<sup>25</sup> In supporting the goals, the three most common working practices cited by survey respondents to facilitate innovation were 'managerial support'; a 'we're in it together' attitude; and 'a strive to acquire a reputation for innovation' (see Figure 3).

However, as shown in Table 2, employees from public sector organisations cited significantly fewer relevant working practices as conducive to innovation compared to employees from the private sector. This is an important finding as the survey analysis finds that the prevalence of specific working practices to promote innovation serve as significant predictors of innovative working. *"Public sector working practices dis-incentivise innovation. Paper chasing processes undermine judgements where over time the decision making process is weakened"* (Su Maddock, Innovation Whitehall Hub).

Results here show that different working practices are likely to be used in different sectors to achieve different business outcomes, as might be expected. For example, financial service organisations are more likely to offer

25. Csikszentmihalyi, M. (1999) Op. cit.



**Table 2:** Working practices cited as significantly more prevalent in the private sector compared to the public sector

	Percentage of employees from the private sector citing the following working practices within their organisation	Percentage of employees from the public sector citing the following working practices within their organisation
The general management style is participative and supportive	73	60
We strive for a reputation for being innovative	74	63
There is a 'no-blame' culture – mistakes are talked about freely so that other people can learn from them	60	44
Resources and facilities are readily available for use in testing out new ideas	54	36
Job assignments ensure that there is enough time and scope for trying out new ideas	40	29
The appraisal system is directly linked to rewarding creativity and innovation	34	29

**Base:** N=841, 9 respondents did not answer this section of the survey (p<.05).

**Table 3:** Barriers to innovative working

	Percentage of whole sample citing the following as top barriers to innovation
Excessive financial constraints	49
Lack of time	46
Lack of resources	36
Risk aversion and a fear of failure among leaders	28
Too hierarchical a structure across staff levels	25
Unclear leadership strategy and goals towards innovation	22
Insufficient incentives in place to encourage innovation	18
Insufficient training and development resources for innovative ideas	18
Insufficient talent for innovation	16
A lack of autonomy in job roles	14
Insufficient opportunities and mechanisms to share knowledge with others	14
A lack of support from managers	7

**Base:** N=840, 10 respondents did not answer this section of the survey.

## Working practices to promote everyday innovation

Peter Cheese, Head of Learning & Development, Accenture says: *"In the UK, organisations need to focus more than ever on learning and development of their workforces. We need to ensure we have the necessary skills and show people how to connect, to innovate and also to increase workforce engagement – these are fundamental to the recovery process. We also need some clarity about how our employees are really feeling. A great deal of trust has been damaged. We need to be able to answer questions such as 'what's important for innovation in an uncertain environment – what are the dynamics for recovery in this setting, and repairing employer-employee engagement?'"*

*"Engaged people are usually prepared to contribute more, so engagement becomes an important driver of innovation but why should they if they don't trust the leadership in their organisation? There's been almost constant fire-fighting in many businesses over the last year, it's been enormously stressful, and it means that some organisations have lost some of their best people, or are in danger of losing them as the job market begins to recover. Improving engagement begins with understanding the issues and strengthening the connections at every level in the organisation. Every manager needs to take responsibility for this, but they also need to be supported and trained to strengthen their skills and*

*encourage the right behaviours.*

*"As we begin to see the early signs of recovery, organisations now need to look afresh – think about the basics and their key values and use this great time of change to streamline, refine, and improve the way things get done, the processes, and organisation..This kind of innovation is something every employee can be part of, and being part of this will help them reconnect and engage.*

*"Looking ahead is the first part of the recovery process. Key questions are; how do we encourage innovation in difficult times? What do leaders need to do to promote innovation? How do we involve people in the process of recovery? The worst thing to do is to close the Executive doors – this creates fear and distrust. We need to learn things at a faster rate than we ever have before, learn to innovate faster, and learn how to manage change and become more agile for the future. We need to embrace new ways of working, for example in using social networking, the way that more and more people communicate today. In our own business, travel budgets have been cut, social networking technology has now become part of the day to day in how people communicate and learn from each other. Don't let the crisis go to waste – we can't afford not to make the most of it to shift behaviour and working practices."*

26. Sauermann, H. and Cohen, W.M. (2008) 'What makes them tick? Employee motives and firm innovation.' NBER Working Paper N.14443. Cambridge, MA: NBER.

financial incentives for innovating, whereas in small, charity or consulting organisations, more use is made of intrinsic incentives. However, the research evidence from the literature shows that intrinsic incentives are more likely to promote sustained innovative working in organisations.<sup>26</sup>

### 4.5 Excessive financial constraints, lack of time and lack of resources are the top three reported barriers to innovation

Table 3 presents the barriers to innovation reported by survey respondents. A lack of

resources was reported as the main barrier to innovative working (e.g. 'perceived excessive financial constraints', and 'lack of time'). Comparing responses between sectors showed that employees from the public sector were significantly more likely to list 'risk aversion and a fear of failure among leaders' and 'too hierarchical a structure across staff levels' as common barriers to innovation; private sector employees were more likely to cite 'lack of time'.

Claire Whitaker, Director at Serious, identifies "attitude to failure, especially true in this economic climate", the "pressure to deliver", and "bureaucracy" as the main barriers to

innovation. Our results suggest that in the public sector the prevalence of a risk-adverse attitude in particular often inhibits civil servants from innovating. Our interviewees reported that national performance measures, budgets, and targets often leave little room for innovation in the public sector. *"The specificity of outcome measures"* for example is identified as a barrier to innovation in universities by Peter Spurgeon, Professor of Health Services Management, Warwick University.

A lack of appropriate and sufficient incentives to innovate was reported as a barrier in many large organisations, especially in the public sector. *"Paper chasing in the public sector undermines judgements and weakens the decision-making process. The controversial case of Baby P is an extreme case in point of what happens when a decision-making process becomes weakened over time. Public servants are often over-concerned about the consequences of failure: negative media*

### Developing innovative working at UBS Poland Service Centre

Headquartered in Zurich and Basel, UBS is one of the world's leading financial firms, serving an international client base with its wealth management, investment banking and asset management businesses. In a bid to expand its business process off-shoring capacity in Central Europe, UBS decided to set up a new service centre in Krakow in 2007. UBS Poland Service Centre is responsible for providing the corporation's organisational units with services including analysis, transaction, data processing, and IT.

Derek Smith, Executive Director of UBS Poland Service Centre takes innovation very seriously. The concept of the company is very simple: to embed innovation in the culture and to attract, build, and support a pool of excellent and motivated employees for innovation. The main drivers of innovation within the company are leadership, the culture of the organisation, and the performance management systems.

A wide range of initiatives are in place to support innovation. "We need the resources, as well as the enthusiasm", Derek Smith comments. The firm's 3-day induction programme emphasises the importance of innovation as a company value and the fact that making mistakes is not a problem as long as certain rules are respected. Line managers attend a half-day workshop which provides them with the specific skills related to managing innovation. The performance of all employees is actively managed through regular meetings with the CEO, opportunities to discuss development needs and goals, and evaluation of on the job and off-the-job training. Performance-pay is

also tied in with innovation. The company has invested in a quality team responsible for working on innovation processes and there is one full-time employee whose role is to foster innovation (in an office with 100 employees). Employees are given the chance to drive their own development, and they are trained in the process improvement methodology Six Sigma. All staff are also given the opportunity to run several internal initiatives, such as the social or sports clubs. The company emphasises that team sports are valued over individuals sports, and within this framework, employees are given the opportunity to run their own social or sport club.

Quick win initiatives to enhance innovation are also in place. One example is the creation of the 'I Think Programme' which involved sending all employees an intellectually challenging puzzle every Friday for eight weeks. Employees who successfully completed the challenge received small monetary rewards and prizes. During the Go Green campaign, employees were given the opportunity to come up with Green ideas that could be applied either in the office or outside the office. Employees who came up with valid ideas were given small prizes.

Derek Smith comments: *"In order to innovate organisations need to allocate the right resources. Making the right choices when deciding where to allocate the resources can be especially hard in difficult financial times, but there is no doubt that now more than ever is the time to innovate".*

coverage can lead to risk aversion, even if the content of the media stories is not related to innovation” (Su Maddock, Director of Innovation, Whitehall Hub).

The size of big corporate organisations like P&G can be a barrier to some internal innovation. *“If the amount of money that we can potentially make from an idea is too small it won’t be developed in P&G, these ideas or projects won’t progress however we will consider sharing these opportunities with smaller organizations who can make appropriate returns from them – the other side of the Open Innovation coin”*, commented Mike Addison, new business developer at P&G. Scott Hobbs at Amey suggests *“it is often the ability of people to effectively articulate ideas that is a key barrier. Also at an early stage, they are asked to ‘prove an idea’ can deliver benefit which is often difficult at an early stage.”*

Results suggest that the concept of an ‘innovator’ at the individual level is often burdened by negative stereotypes. Su Maddock argues, *“the word ‘innovation’ is not helpful at the level of individual...it suggests stereotypes and a ‘done over there syndrome’”*. Peter Spurgeon, Professor of Health Services Management at Warwick University notes the lack of tools to *“spot and support individual innovators in the NHS”*. He agrees that the ‘innovation’ label is not helpful. This view is shared by several of our interviewees who are concerned about the stigma attached to the term innovator and the lack of shared meaning assigned to it. Consequently, several of our case study organisations have made the conscious choice to avoid the term innovation as it can be counter-productive, choosing instead to refer to innovation with a variety of terms such as ‘continuous improvement’, ‘fresh thinking’, or ‘diverse thinking’.

#### Key findings:

- Interviewees and survey respondents highlight the importance of embedding innovation within **organisational values, through organisational initiatives**. ‘Individual and team incentives or reward programmes that encourage innovation’ and ‘work time devoted to developing new ideas’ are reported among the most effective initiatives for facilitating innovation.
- Almost one in three organisations surveyed identified ‘individual incentives or reward programmes that encourage innovation’ as one of the top most effective interventions for boosting innovation. However, **less than a third make use of such reward programmes or directly link their appraisal system to innovation**.
- A small number of interviewees mentioned the use of financial rewards with the majority mentioning **intrinsic rewards** based on recognition, status, and reputation.
- Interviewees said **flatter organisations** and structures promote innovative working and are described as **less common in larger, public sector organisations**.
- Both interviewees and survey respondents highlighted the importance of **valuing risk** within organisations with a quarter of survey respondents considering ‘tolerance of failure and promotion of risk taking’ as a top catalyst for innovation.
- The three most **common working practices** cited by survey respondents to facilitate innovation were **‘managerial support’**; a **‘we’re in it together’** attitude; and **‘strive to acquire a reputation for innovation’**.
- Respondents from **public sector organisations** cited fewer working practices conducive to innovation.
- A **lack of resources** was reported as the main barrier to innovative working (e.g. ‘perceived excessive financial constraints’, and ‘lack of time’).

### Implications:

- An organisational culture that supports innovation is tolerant of failure and values risk taking. These practices were reported as less evident in public sector organisations.
- Many organisations reported that innovative working should be recognised and rewarded. However, financial rewards are not necessarily the most effective HR policy.
- Innovative working must be supported at all levels with leaders responsible for encouraging and reinforcing it. This is particularly important in the public sector where hierarchical structures are more prevalent.
- Leaders/managers should reinforce the importance of innovative working in their everyday management practices.
- Organisations should consider introducing team incentives, found to be a significant predictor of employee-level idea generation.
- Public sector organisations should consider reviewing working practices to promote innovative working.

## Part 5: Managing, leading and promoting innovative working

### 5.1 Leaders and managers play a key role in nurturing and motivating innovative working

Research evidence clearly identifies leaders and managers as playing a decisive role in fostering and nurturing innovative working within organisations.<sup>27</sup> However *“the role and influence of leaders may not be as widely understood outside the behavioural and psychology literature. For example, economists who are traditionally involved in the area of innovation have not necessarily seen the role leaders can take in relation to behavioural change, and may find it difficult to see the tangible and measurable impact of leaders”* (Su Maddock, Innovation Whitehall Hub). Our results imply that a better understanding of

the role for leaders in promoting innovative working and innovation behaviours may facilitate changes in management practices in this area.

Responding to the challenges associated with the current recession places substantial demands on leadership and management skills. A leader's ability to successfully develop and manage a skilled and motivated workforce is crucial. The importance of leadership and management skills in this area is recognised worldwide. In the UK, government initiatives included a £30 million per annum 'Train to gain' programme designed to improve the leadership and management skills of SMEs. Such initiatives raise the profile of management skills ensuring UK firms can more easily

27. Tierney, P. (2008) Leadership and employee creativity. In Zhou, J. and Shalley, C.E. (Eds) 'Handbook of Organizational Creativity.' New York: Taylor & Francis.

### Training and development to promote innovative working

Jan Rideout, Innovation Technical Director, at Saint-Gobain British Gypsum says: *“Promoting skills training and development was perhaps the most important thing we did to underpin the push to promote innovative working at Saint-Gobain British Gypsum. Creating a discipline and rigour in our work from design through testing and then product launch. The amount of resource we have spent on training and skills development directly correlates with our product development outputs. We also improved the quality of feedback and recognition that our people received through the appraisal system called Agreement for*

*Growth. The Executive were committed to ensuring everyone in the business had regular feedback, that excellent performance is rewarded and employees were presented with stretching but realistic targets. We made sure we celebrated good work rather than creating a ‘bad news’ climate. It was challenging at first, especially in communicating what innovation looks like in terms of behaviours. The Execs were also keen to see early pay-offs and I had to fight my corner in reinforcing the message that innovation takes time. Our focus was on everyday innovation more than radical, revolutionary innovation.”*

**Table 4:** Catalysts to innovation

	Percentage of whole sample citing the following as top catalysts for innovation
Managers' support and openness to innovation	46
Leaders modelling behaviours that encourage innovation	40
Setting up the right team of people for innovation efforts	32
Autonomy and freedom in carrying out job roles	29
Senior leadership's development of an innovation strategy and related priorities	26
Tolerance of failure and promotion of risk taking	23
Development of networking opportunities	19
Dedicated resources for innovative ideas and development	18
Incentives or reward programmes that encourage innovation	18
Clear targets and metrics for innovation initiatives	15
Investment in talent for innovation	14
A flat organisational structure	14

**Base:** N=836, 14 respondents did not answer this section of the survey.

access knowledge housed in the UK's leading management schools.

The role of leadership was a recurrent theme in our interviews and it was also prominent in the survey results. As seen in Table 4, four out of ten respondents identified 'managers' support and openness to innovation' and 'leaders modelling behaviours that encourage innovation' as the top catalysts for innovative working in their organisation.

In terms of management practices, results indicate that for two out of three organisations surveyed, the management style is viewed as 'participative and collaborative' and that 'managers provide practical support for new ideas and applications'. Similarly, results also indicate that, 'unclear leadership strategy and goals towards innovation' were identified as one of the most common barriers to innovative working. Across sectors, respondents from the public sector were significantly more likely to list 'risk aversion and a fear of failure among leaders' and 'too hierarchical a structure across staff levels' as common barriers to innovative working. In private sector employees were more significantly likely to cite 'lack of time'.

The role that leaders play was reviewed by our interviewees. *"Innovation is a top-down process where leaders must give a clear message about the values of the company"* (John Grieves, Head of Innovation Advisory Services, Ernst & Young). *"Leaders play a crucial role in fostering innovation; they must provide employees with the right mandate, and to provide autonomy within a given framework"* (Derek Smith, UBS Poland Service Centre). *"Leaders play a crucial role in shaping the culture of an organisation"* (Peter Harrison, Entheo). Leaders are responsible for setting expectations and for the implementation of an innovation strategy.

As shown in Figure 4, survey respondents cited 'encouraging innovative individuals to focus on the practical applications of their ideas' and 'keeping innovative people motivated' as the most challenging aspect of managing innovative people. Regarding differences across organisational sector, employees from the public sector were significantly more likely to list 'keeping innovative people motivated' and 'helping innovative employees to fit within their team'. By contrast, employees from the private sector were significantly more likely to list 'finding appropriate tasks for innovative people' and employees from the not for profit sector were more likely to cite

## Leadership and management styles that promote innovative working

Linda Holbeche, former Director of Research and Policy, CIPD says: *"Managers of innovative groups, those of high performing teams, act as a shield – taking the flak. Symbolically, this signals to the team they are safe to do what they need to do. The nature of their support encourages engagement, and managers of innovative teams have frequent communication with the team in order to sustain high performance. Innovative working is both an enabler and an output and the culture must be conducive – there must be a culture that values learning, that encourages people to cross boundaries.*

*"Speed and pace are things that help promote innovative working although there are clearly sector differences in how innovative working happens. Some of the key ingredients that promote leading innovative working are self-efficacy, capacity for learning, good quality strategic thinking and an ability to unpack big issues; having personal autonomy and sustained motivation. You've also got to be working in an organisation that is aligned with your values. The things that block innovative behaviours are anxiety, uncertainty about futures, too much short-term thinking and too little resource.*

*"Creating an emotional commitment is really important in driving innovative behaviours. It's clear that in times of emergencies, this creates an emotional connection where 'whatever it takes' becomes the modus operandi. I've also seen this in companies that have some form of external threat such as in the tobacco companies. Here, often employees have a shared identity as people might judge them looking from the outside. In a way they accept each other for what they are, and share a climate of 'us against the world', a shared purpose and engagement. This 'we are in it together' culture really does promote innovative working".*

In the public sector, Su Maddock (Whitehall Innovation Hub) also observes that in examples of recent innovation: *"It is leaders that champion the activity but often with an emotional commitment or component where they have felt moved to do something. A string of networks, and persuasion and driving a business case for new idea implementation make it happen. Leaders need to be brave and have the courage in implementation".*

'encouraging innovative individuals to plan and organise' (see Figure 5). In general, for both employees and those managing them, employee motivation remains a key component to successful innovative working. The research literature suggests that motivation is the key link between employee innovation and the role of managers in promoting innovation behaviours.

### 5.2 Leader characteristics, behaviours and leadership styles for innovative working

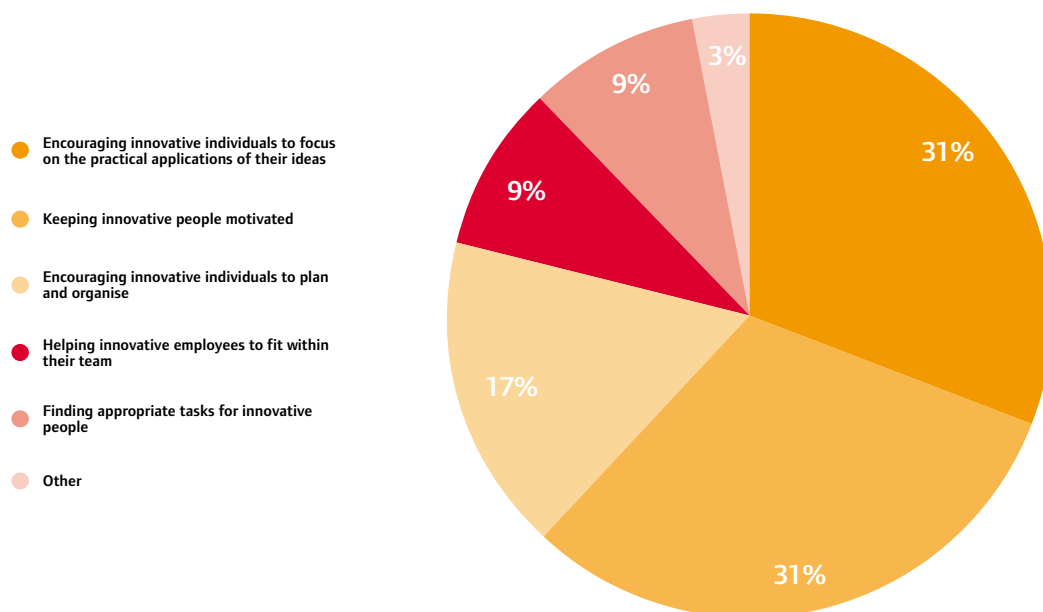
Research suggests that traits specifically related to the ability to lead for innovation include intellect, planning ability, problem-solving

skills, and emotional intelligence.<sup>28</sup> In the interviews conducted a range of key leadership characteristics were confirmed as promoting innovation, including: confidence, motivation, curiosity, openness to ideas, approachability and flexibility. Important leadership behaviours include encouragement of risk-taking, an open style of communication, participative/collaborative style, giving autonomy and freedom, support for innovation (verbal and enacted), constructive feedback, and being optimistic about the future. Of these, according to several of our interviewees, one of the most critical characteristics of leaders is their ability to encourage risk-taking. However, in many organisations there are specific processes and metrics in place for the sole purpose of controlling risk. The question of how to balance the need for risk taking,

28. Zhou, J. (2008) Promoting creativity through feedback. In Zhou, J. and Shalley, C.E. (Eds) 'Handbook of Organizational Creativity'. New York: Taylor & Francis.

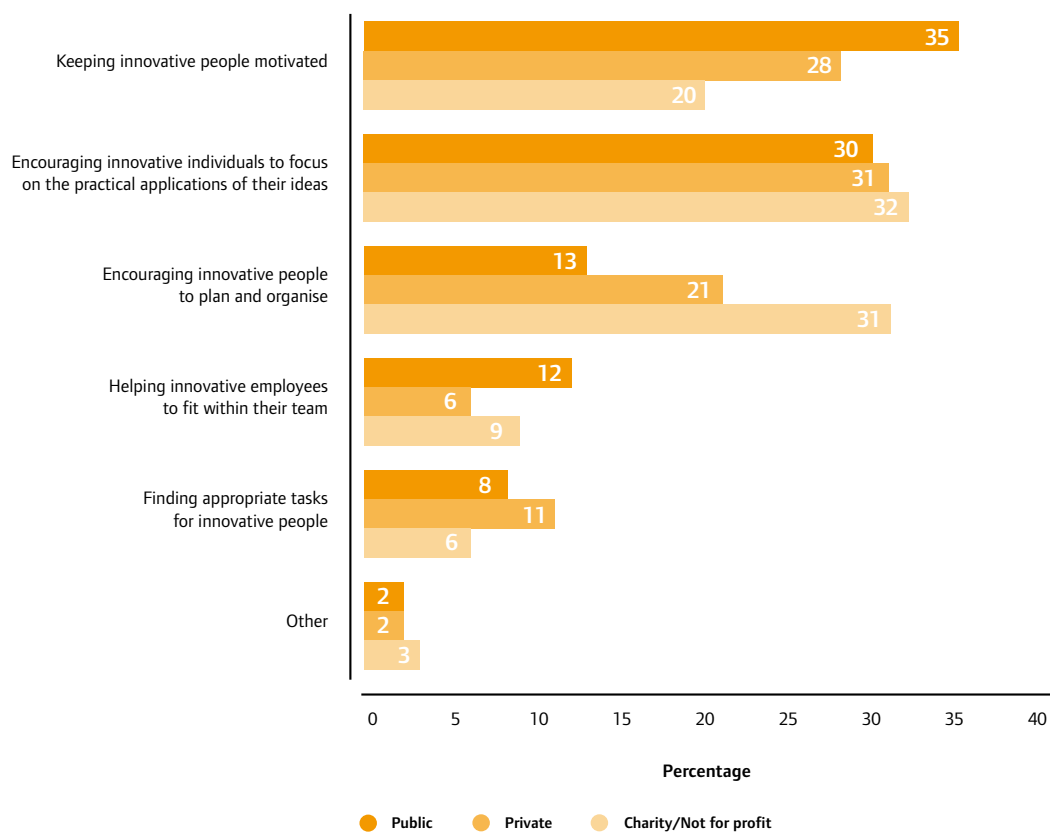


**Figure 4: Challenges with managing innovative people**



Base: N=847, 3 respondents did not answer this section of the survey

**Figure 5: Challenges with managing innovative people**



Base: Public: N=847, non-responses are not included in the calculation of proportions.

## Different innovations and different leadership styles at Procter & Gamble

Procter & Gamble was formed in 1837. Today it manufactures a wide variety of consumer goods including consumer products for beauty care, feminine care, fabric care, home care, healthcare, snacks, beverages, and pet health and nutrition. P&G's growth, exemplified in its 138,000 employees, and loyal customers all over the world is the result of a constant stream of innovation, the company argues. P&G is renowned for its ability to continuously adapt to changing customer demands and it takes pride in the success of its innovation strategies. Mike Addison has worked for P&G for over 25 years. He is now responsible for P&G new business development, a role which he summarises as P&G's "UK gatekeeper within open innovation".

Mike describes P&G's innovation strategy. *"Within P&G, one can distinguish between three types of innovations. The vast majority of innovations within the company fall under the umbrella term of 'Sustaining' innovation. The 'Sustaining' innovation category can be subdivided into 'Incremental' innovations and 'Transformative' innovations. Changing the*

*perfume of a product is an example of an incremental innovation, whilst introducing the concept of a liquid detergent where only powder detergents existed before is an example of a transformative innovation. 'Disruptive' innovations are concerned with the re-invention of businesses. The introduction of Crest Whitestrips for example stemmed from insights into the US population propensity to spend on cosmetic dentistry and bleaching, coupled with P&G's overarching goal to constantly re-develop brands in order to meet evolving customer needs. It is an example of a disruptive innovation."*

*"Different types of innovation require different managerial and leadership styles. Organisations that recognise the need to manage 'Sustaining' and 'Disruptive' innovations differently take an important step towards fostering and nurturing innovation in organisations. Management must encourage and motivate employees to think creatively. To achieve this, innovation must be tied to the broader vision of the organisation" (Mike Addison, Open Innovator, Procter & Gamble)*

which is an inherent part of the innovation process, and the need to control risk (where entirely uncontrolled risk is not desirable) is a difficult problem to solve. Evidence from our interviews suggest that leaders and managers play a crucial role in determining and maintaining this difficult balance. Our research suggests that fostering a culture of 'risk tolerance' is a complex undertaking. This can require adopting appropriate incentives and successfully communicating messages to employees that innovation is essential. Leaders must believe and demonstrate through various means that innovation is a strategic priority, which needs to be clearly and regularly articulated effectively to all employees. *"In order to reinforce the value of innovation, I repeat the message that innovation is crucial during regular meetings with all the members of staff"* (Derek Smith, UBS Poland Service Centre). *"Actions speak louder than words, if leaders are going to talk the talk; they've got*

*to walk the walk"* (Peter Harrison, Entheo). *"When we said innovation was in the vision we had some doubts expressed, but we were persistent and kept on with the message to the point that people eventually did understand it and support it. We encouraged a tolerance for novelty, raised awareness of our customers' needs for change, and began using a process of customer insight to drive innovation. Increasing our awareness and knowledge base was another key ingredient to promote innovative working. Developing an ongoing conversation with the business has been fundamental in creating a shift towards innovative working"* (Richard Batley, HR Director, Saint-Gobain British Gypsum).

Our survey results provide further evidence that leaders and managers play an important role in supporting innovative individuals. Over a third of respondents identified leadership and management skills amongst the top three

factors conducive to innovation. This finding is illustrated by our interview findings: *“In our organisation we see leaders as enablers versus gatekeepers”. “We don’t have anything like line managers in our organisation; we have people who have an enabling/mentoring role. They provide support for innovative working”* (Jon Grieves, Ernst & Young). In terms of management styles that support innovative working, Scott Hobbs from Amey suggests that the most effective leaders act as facilitators “...

*simply learning how to hear ideas, not pushing back immediately. Finding a way to react that’s appropriate. It’s not complicated, just good management practices within organisations”.*  
 Su Maddock, Head of the Whitehall Innovation Hub agrees that this should be the case across government; *“the civil service senior management role is to facilitate the [innovation] process not necessarily have the ideas... leadership programmes and development can help this”.*

### Key findings:

- The role of **leadership is crucial in promoting innovation** with four out of ten respondents identifying ‘managers’ support and openness to innovation’ and ‘leaders modelling behaviours that encourage innovation’ amongst the three top catalysts for innovative working.
- ‘Unclear leadership strategy and goals towards innovation’ were identified as one of the most common **barriers** to innovative working.
- Respondents from the **public sector** were significantly more likely to list ‘**risk aversion and a fear of failure among leaders**’ and ‘**too hierarchical** a structure across staff levels’ as common barriers to innovative working.
- Survey respondents cited ‘encouraging innovative individuals to **focus on the practical applications** of their ideas’ and ‘keeping innovative people **motivated**’ as the most significant **challenges** for managing innovative people.
- Our case examples show that leaders and managers play a crucial role in **balancing the encouragement and control of risk**.

### Implications:

- To promote innovative working, managers/leaders must devote specific time for developing new ideas, offering informational feedback and engaging in creative goal setting.
- To keep innovative employees motivated, leaders may benefit from a transformational leadership style (more inspiring, motivating and collaborative) to generate a shared commitment amongst employees.
- Organisations should consider incorporating specific training and development interventions into current leadership/management training programmes to promote innovative working.
- Larger, public sector organisations need to ensure managers/leaders are fully supportive of and trained in facilitating innovative working.

## Part 6: How to enhance innovative working in employees and organisations

### 6.1 How to measure the propensity for employee innovation

A plethora of variables have been clearly identified as contributing to innovative working in organisations, and yet the measures used to profile employee innovation are often weak and lack validity. In a 2008 McKinsey survey, most organisations failed to measure the performance of their innovation portfolios effectively. The majority still tend to focus on external measures of innovation, such as revenue growth, customer satisfaction and the percentage of sales from new products or services. Research suggests that organisations over-rely on the use of financial measures of innovation, at the expense of measures that can capture innovative working and behaviours within the innovation process. A NESTA project on hidden innovation and the production of an Innovation Index for the UK is a positive step forward, with the objective of developing metrics that inform corporate policymakers and businesses across all sectors.<sup>29</sup>

In order to achieve sustained innovation performance and to target interventions appropriately (and prioritise efforts accordingly), organisations must access innovation metrics that are more accurate in measuring innovation across a wide range of work activities, including the contribution of employees. Our research literature review presents valid tools for comprehensive innovation audits, focusing at all levels including the organisational, team and employee level.<sup>30</sup> These tools can help diagnose an organisation's innovation potential.

Devising legitimate measures of innovative working is a complex undertaking. Research shows it is possible to measure

innovative potential at the employee level in organisations. The Innovation Potential Indicator (IPI)<sup>31</sup> provides a framework for understanding individual characteristics that lead to, and those that inhibit the realisation of, innovative performance in organisations. At the group level, the Team Climate Inventory (TCI)<sup>32</sup> is designed to examine the shared perceptions of how things happen within a particular team, especially in supporting innovation. The measure proposes a profile of how the team identifies problems, generates and implements solutions. At the organisational level, KEYS<sup>33</sup> is one example of a survey tool which assesses management practices, profiling the climate for creativity and innovation within organisations. Unlike many psychometric tools purporting to measure innovative behaviours and working practices, these tools have been scientifically validated in the academic research literature. Combining different approaches to diagnostic metrics is likely to be a considerable improvement over the use of uni-dimensional measures as it enables organisations to capture the inputs and outputs of innovation across the innovation process at all levels in an organisation.

### 6.2 How organisations can transform their culture to embrace innovative working

Changing the culture of an organisation is a slow process. Ultimately, research shows that leaders are responsible for setting the values of the organisation and for successfully embedding innovation in the work environment. This is supported in our survey findings where four in ten respondents listed 'leaders modelling behaviours that encourage

29. NESTA (2009) 'The innovation index: measuring the UK's investment in innovation and its effects.' London: NESTA.
30. De Jong, J.P.J. and den Hartog, D.N. (2008) Innovative work behaviour: Measurement and validation. 'EIM Business and Policy Research'. Working paper, pp.3-23.
31. Patterson, F. (1999) 'The Innovation Potential Indicator: Test manual and user's guide.' Oxford Psychologists Press. Available from OPP or for research purposes from the author.
32. Anderson, N. and West, M.A. (1998) Measuring climate for work group innovation: Development and validation of the team climate inventory. *Journal of Organizational Behavior*, 19, pp.235-258.
33. Amabile, T. M. (1995) 'KEYS: Assessing the climate for creativity.' Greensboro, NC: Center for Creative Leadership.

## A measure of characteristics and behaviours for employee innovation

Patterson developed the IPI (Innovation Potential Indicator), which provides a framework for understanding individual characteristics and behaviours that lead to, and those that inhibit, the realisation of innovative performance in the workplace. The research evidence shows that the measure can predict an employee's propensity to innovate. The IPI includes the all important motivational aspect of individual innovation. It is different in theory and psychometric properties to other measures of creativity and entrepreneurship. The IPI is based on a more integrative approach, encompassing aspects of **work style, motivation, personality and intellect**.

Research leading to the development of the measure used a multi-method approach exploring the characteristics and behaviours associated with innovative working. The results showed four factors important in predicting innovative working including:

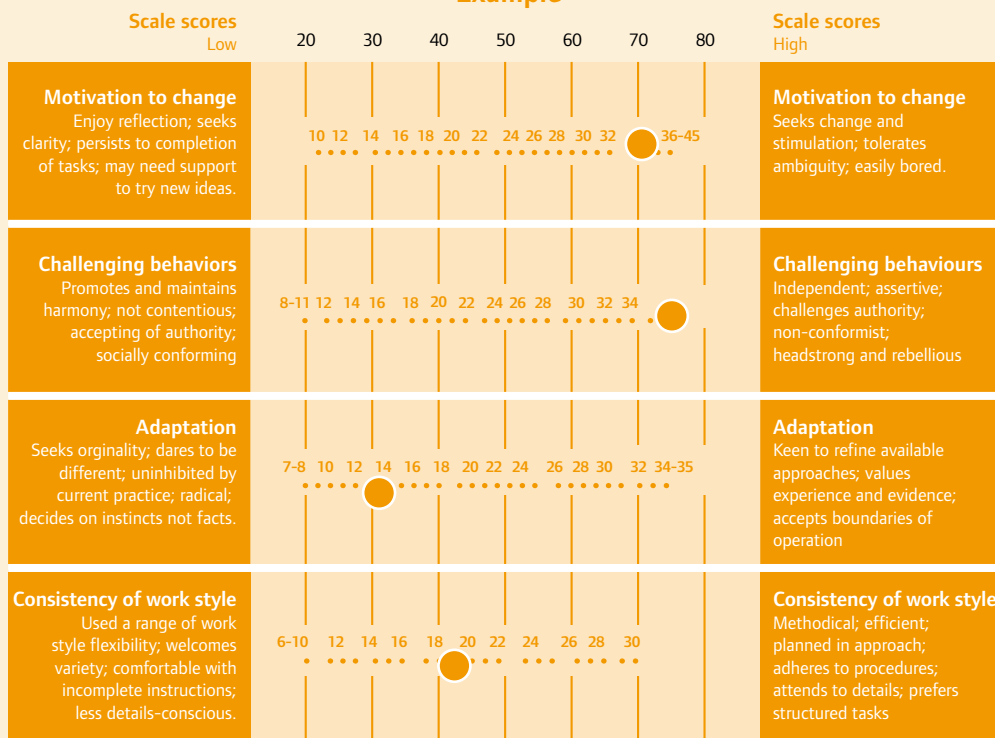
- **Motivation to Change (MTC)**: extent to which a person is open and motivated

towards change, imaginative and welcomes new ways of tackling issues in the workplace. High scores predict innovation.

- **Challenging Behaviour (CB)**: an individual's degree of readiness to champion change and to challenge others' ways of thinking. High scores predict innovation.
- **Adaptation (AD)**: preference for tried and tested methods in problem solving versus aiming for more original solutions. Low scores predict innovation.
- **Consistency of Work Styles (CWS)**: extent to which an employee person has a preference for structured or unstructured work demands and environments. Low scores predict innovation.

It is used in many organisations to explore and develop innovative working and preferences. Example output for individual response to IPI is illustrated below.

### Example



## Promoting an innovation culture at Saint-Gobain British Gypsum

Richard Batley, HR Director, Saint-Gobain British Gypsum, says: *"In 2005, the executives at Saint-Gobain British Gypsum were working through a process of setting the vision for the business; conversations centred upon creating sustainable competitive advantage. Promoting innovation and innovative working was a key part of this vision and the senior team engaged in lots of communication about innovation around the business. We had to articulate what innovative working looks like in our organisation. We had to define it for people and we were keen not to set off in delivering lots of different initiatives. We did lots of thinking about it, especially with our Technical Director, Jan Rideout, combining culture and behaviour with process discipline behind innovation.*

*To signal change, and start to move organisational behaviour we deliberately used innovation language in the Technical Director's job title and specific and regular references in meeting agendas and internal communications. In making the culture more innovative we decided to combine the innovation process led by Jan and*

*behaviour change interventions by me, the HR Director. We also appointed a senior manager whose title was Innovation Manager; we introduced the Innov8 ideas scheme.*

*We have shared goals and incentives for all senior managers to drive innovation collectively. Together, HR and Technical functions facilitated the changes. Process discipline in the way projects are launched through to delivery was crucial. We recognised this and we developed Project Leadership training to bring cross-functional teams together effectively to deliver against milestones; we've seen our ability to hit project milestones almost double over the last two years. We are encouraging people to think differently, work cross-functionally and in networks. Organisations label people functionally and I think this can be a real barrier to using skills and knowledge available to drive innovation and change."*

Appendix B provides more detail on this case example and how the organisation promoted innovative working.

innovation' and 'manager support and openness to innovation' as the top catalysts for innovation. Many of our interviewees also agree that in order to successfully innovate, the value of innovation must be clearly articulated to all employees. Innovation must be encouraged and supported at all levels using various bespoke interventions. When it comes to HR policy deployment for innovative working, this presents some key challenges in how to do it.

Research shows that to promote innovative working, organisations must be visibly committed to this as an active choice and commit resources accordingly. The evidence suggests that the first step is to analyse the current culture, then tailor solutions accordingly. In other words, what works in one organisation doesn't necessarily work in another. Research shows that the concept of organisational ambidexterity, a firm's ability to simultaneously pursue exploration and

exploitation requires a set of complex individual and organisational characteristics including; enriched jobs, shared vision and culture, trust, discipline, flexible/supportive leaders.

### 6.3 Diversity enhances innovative working

*"In order to successfully innovate, it is important to bring in a diversity of people. We're trying to select people with different backgrounds, in an effort to drive innovation"* (Jonathan Potts, Head of Learning and Development, UK Border Agency). It is a view that is shared by Derek Smith, Executive Director of UBS Poland Service Centre, and former managing director of UBS Mumbai. *"Our recruitment and selection process champions individuals who have different backgrounds, ethnicity, and interests", and who, importantly, "fit the culture of the organisation".* He

## A diverse workforce is key to promote innovative working at IBM

With over 380,000 employees worldwide, IBM is the largest and most profitable multinational computer technology and IT consulting corporation in the world. IBM holds more patents than any other US-based technology company. In 2003, IBM embarked on an ambitious project to re-write company values. Using its technology, the company hosted Intranet-based online discussions on key business issues with 50,000 employees over three days. As a result, the company values were updated; they include: *“Dedication to every client’s success”, “Innovation that matters – for our company and for the world”, “Trust and personal responsibility in all relationships”*.

IBM views diversity as the engine of innovation, and with a workforce that

numbers 350,000 across 170 countries, IBM is fortunate to have a large diverse workforce at hand. Gender, culture, race, and geography bring immense variation in life experiences, as do employee skill sets. IBM Research has approximately 3,200 engineers and scientists at eight labs in six countries. They make up a formidable force for solving specific problems and coming up with innovative solutions.

Jon Bentley, Executive Partner at IBM Global Business Services and former partner at PricewaterhouseCoopers, suggests that *“different people may be more naturally disposed towards different types of innovation”*, and that risk takers in particular may be more suited for breakthrough innovations.

argues that the ability to manage different people can be challenging and it is vital to the organisation, hence the importance of effective and informed leadership. Our survey identified ‘setting up the right team of people for innovation efforts’, as one of the top three catalysts for innovation. Our results confirm the value of diversity in promoting innovative working with nearly one in three survey respondents endorsing setting up ‘cross-functional teams’ amongst the top three most effective interventions to facilitate innovation.

### 6.4 Relationship building is key to innovative working

Increasingly, organisations are coming to regard both internal and external networks as vital sources of innovation. *“Organisations are coming to realise that they need to improve the management of their internal and external relations”*. (Fergus Boyd, Head of IT Innovation, Virgin Atlantic). Most of our interviewees regard the ability to meet up with colleagues both formally and informally critical to their organisation. Employees are given an array of social networking opportunities through the organisation of away-days, annual trips, off-site meetings, and weekly

social gatherings. The *“value of networking opportunities and meeting/interacting with a diversity of people is clearly an important ingredient for innovative working”* (Claire Whitaker, Director at Serious, Music Producers). This view is reflected in our survey results where one-fifth of all respondents listed the ‘development of networking opportunities’ as a top catalyst for innovation.

### 6.5 Leadership development, cross-functional working and brainstorming activities are the most common initiatives to promote innovative working

Although most organisation now view innovation as one of their top priorities, the initiatives to stimulate innovative working vary significantly in style and content. Our survey results show that the majority of organisations are adopting some form of initiative to support innovative working. For example, as shown in Table 5, 60 per cent of organisations reported using leadership/management training to promote innovative working, 47 per cent report the use of cross-functional teams and 32 per cent job rotations. Purpose-built innovation and creativity labs are rare, with only 8 per cent



## Social networking at Virgin Atlantic

Established in 1984 with one just plane, Virgin Atlantic Airways is now Britain's second largest airline and the third largest airline to carry across the North Atlantic. Headquartered in Crawley near Gatwick Airport, south of London, it has offices in the USA, Caribbean, South Africa, Hong Kong, Tokyo, Shanghai, Delhi, and Lagos. Virgin Atlantic has enjoyed huge popularity, winning a huge array of awards from around the world, including Best International Airline and Best Scheduled Airline to the USA, and most recently, recognition for its new Upper Class Suite and Heathrow Clubhouse.

The airline industry was significantly affected by the tragic events of September 11 2001, which led to an immediate significant reduction in passenger demand and the bankruptcy of a number of airlines. With recent challenges associated with the recession, it is clear that in order to compete and survive in this challenging environment, it is crucial for airline companies to adapt and evolve.

In a bid to pioneer a range of innovations for setting new standards of service Virgin Atlantic recently launched V-JAM in November 2008.

V-JAM is a day-long workshop, which brought together a diverse group of staff, customers, suppliers, partners, developers, and social media experts. The idea was to connect people and bring together groups with shared interests to share insights and brainstorm new ideas for improving the travel experience. The agenda for the day was to explore the future of air travel and in particular the role that social media can play.

Lots of good discussions took place on sustainability, enabling travellers to be more productive in the air, family friendly flights, and how to make more of traveller data.

The participants were left with an open invitation to send Virgin their proposals and Virgin Atlantic is planning to take up to six projects forward.

34. Rickards, T. and de Cock, C. (2003) *Understanding organizational creativity: toward a multiparadigmatic approach*. In Runco, M.A. (Ed.) 'Creativity Research Handbook.' Vol. 2. Cresskill, NJ: Hampton Press.

of organisations making use of this resource. Nonetheless, when designed appropriately, the research evidence is encouraging for purpose-built innovation labs. Indeed, most of the stakeholders interviewed described the need for an appropriate physical environment and facilities that are more conducive to innovative working. Kevin Waudby, Head of Innovation at Cancer Research, explains how his company is about to address this when they relocate to a new office next year: *"In a bid to innovate more the company has decided to invest in the concept of 'water cooler movements', where employees relinquish their own desk space, allowing them to sit somewhere different everyday"*. Participants in our interviews provided many examples of initiatives that work to promote innovative working in their organisation, such as job rotation or job secondments, or the dedication of resources in the shape of a team or a person whose sole role is to improve innovation within the company.

In terms of methodologies for innovative working, brainstorming is reported as the

most common method used today to foster idea generation, being cited by 45 per cent of our survey respondents. Perceptions of its effectiveness are high, with a large proportion of respondents to the survey identifying it as one of three most effective methods for enhancing innovation (see Table 5). However, the research evidence rarely supports the view that brainstorming is a highly effective methodology to promote innovative working.<sup>34</sup> As highlighted in our interviews, the success of such methodologies is highly dependent on the existing culture of the organisation and the linkages with other organisational initiatives.

In overview, our results confirm that innovative working manifests itself through a variety of practices and a range of indicators have been used in the past to measure innovative working within organisations. In our survey we asked about the levels of resources allocated to innovation (considered to be an indicator of the level of effort employed), and measures of achievements (i.e. extent of idea generation for new or improved goods, services, processes



**Table 5:** List of available and most effective resources/initiatives

Percentage of whole sample citing the following resources/initiatives as available in their organisation		Percentage of whole sample citing the following resources/initiatives as most effective for facilitating innovation	
Leadership/management training	60	Leadership/management training	31
Cross-functional teams	47	Brainstorming activities	31
Brainstorming activities	45	Work time devoted to developing new ideas	29
Job rotation/secondments	32	Individual incentives or reward programmes that encourage innovation	29
Individual incentives or reward programmes that encourage innovation	30	Cross-functional teams	28
Recruitment selection criteria that recognise innovation and creativity	29	Team incentives or reward programmes that encourage innovation	24
Risk-management training	27	Recruitment selection criteria that recognise innovation and creativity	23
Work time devoted to developing new ideas	26	Job rotation/secondments	20
Induction programmes that emphasise innovation	22	Training courses specifically aimed at developing innovativeness	19

**Base:** N=850. These responses sum to more than 100 per cent as this was a multiple response question which allowed respondents to tick three options.

**Table 6:** Rank order of importance of organisational resources/initiatives in terms of predicting idea generation

Organisational resources/initiatives	Rank order of importance
Work time devoted to developing new ideas	1
Team incentives or reward programmes that encourage innovation	2
Induction programmes that emphasise innovation	3
The identification of idea champions	4
Job rotation/secondments	5
Brainstorming activities	6
Training courses specifically aimed at developing innovativeness	7
Recruitment selection criteria that recognise innovation and creativity	8

and working practices). Whilst responses are based on self-report rather than actual data, the results suggest that ‘work time devoted to developing new ideas’, ‘team incentives’

and ‘induction programmes that emphasise innovation’ were seen as the most successful at predicting employee-level idea generation (see Table 6).

## 6.6 Bespoke solutions to promote innovative working

What initiatives to promote innovative working are likely to produce the best returns? Research shows that return on investment for initiatives for innovative working vary significantly by sector and between organisations. Considerations here include factors external to the organisation such as type of industry, competitive positioning of the organisation, and the business model employed.

Evidence shows that initiatives to enhance innovation are more likely to be successful when they build from those with a track record of successful innovation. *“Training can be valuable, especially if there is an element of apprenticeship in it. Working closely with innovators, learning from other people who have been successful at innovating in the past, is an important aspect of successful innovation.”* (Mike Addison, Procter & Gamble).

Our evidence also shows high performing organisations vary in their use of resources and initiatives for innovative working. However, initiatives are likely to be more effective when there is a multi-levelled, co-ordinated approach. The isolated use of brainstorming activities for example is unlikely to promote sustained innovative working. The research literature also points to the concept of ‘entrainment’ as a metaphor for co-ordinating interventions. Here, organisations have cycles of activity according to the business model and customer needs, and any intervention must account for this ‘cycle of activity’, where there may be windows of opportunity, where the timeliness of interventions is more likely to take hold and meet less resistance.

The majority of our interviewees agree that high performing innovative organisations have one aspect in common: they all encourage a risk-tolerant culture. Research on leader-employee exchange behaviours show leaders tend to have the strongest impact on employee perceptions of organisational culture and the success of an innovation initiative will often depend on the quality of its leaders (in addition to the talent of its employees).

to support organisations with how to promote innovative working. The framework is a starting point to review the management practices and employee behaviours that support innovative working.

## 6.7 A diagnostic framework for supporting innovative working

Building on the research evidence, we present a diagnostic framework in Appendix C designed

## Key findings:

- Organisations tend to use relatively unsophisticated **measures** of innovative working despite the existence of validated tools that can measure innovation potential at the employee, group and organisation levels.
- **Diversity** is an important ingredient for innovation to occur. One in three survey respondents endorsed setting up cross functional teams as amongst the top most effective resources for facilitating innovative working.
- The importance of **networking** was highlighted with one-fifth of survey respondents reporting the 'development of networking opportunities' amongst the top three catalysts for innovative working.
- To promote innovative working 60 per cent of organisations reported using '**leadership/management training**' with 47 per cent reporting the use of '**cross-functional teams**' and 32 per cent '**job rotations**'.
- Only 8 per cent reported the use of '**purpose-built innovation and creativity labs**' despite evidence suggesting their worth.
- Interviewees provided many examples of initiatives that promote innovative working including **job rotation or job secondments**, or the dedication of resources in the shape of a team or a person whose sole responsibility is to improve innovative working.
- '**Brainstorming**' is reported as the most common method used to foster idea generation, being cited by 45 per cent of our survey respondents and perceptions of its effectiveness are high.
- Results suggest that 'work time devoted to developing new ideas', 'team incentives' and 'induction programmes that emphasise innovation' are the most successful at **predicting** employee level idea generation.
- Initiatives to enhance innovation are more likely to be successful when they **fit the current culture** of the organisation and there is a multi-level approach to initiatives for innovative working.

## Implications:

- Using diagnostic metrics for innovative working at the employee, group and organisational level can be helpful in directing interventions.
- An organisational culture and leadership that supports innovation is key to facilitating innovative working.
- Organisations should cultivate a diverse workforce and encourage the development of networking and relationship building to promote innovative working.
- A skilled leadership is required to manage a diverse workforce.
- Many organisations should consider devoting more time to developing new ideas as well as introducing incentives and induction programmes that promote innovation.

## Part 7: Summary and final reflections

### 7.1 Summary and final reflections

How does this evidence help corporate policymakers in understanding how to introduce, encourage and sustain innovative working in organisations? The research literature review and survey report explores several implications for working practices but with a particular focus on organisational HR interventions.<sup>35</sup> These include:

- employee attraction
- employer reputation and brand
- organisational culture and climate surveys for innovation
- recruitment strategies
- induction programmes and early socialisation
- selection and assessment for innovation
- development and skills for innovation
- social networks and knowledge sharing
- work design
- motivating innovative employees

The need to raise skills levels to support innovation in the UK is generally acknowledged. However, as pointed out by Lucas and Claxton<sup>36</sup> these are often “*bland statements about ‘unlocking talent’*”, which provide little direction for HR policy and practice. Similarly, they highlight that although the *Innovation Nation* White Paper<sup>37</sup> was one of the few government White Papers to include a reference to ‘innovative people’

the specifics regarding skills and behaviours required were severely limited. This current report commissioned by NESTA reflects the desire to understand more about the specific role of ‘people’ behaviours and innovation in organisations. To summarise, our key findings are provided below and future areas for research, policy and practice are suggested.

#### **Assertion 1. Skills and behaviours that contribute to innovative working in organisations can be identified and measured reliably.**

This report provides a detailed analysis of the skills and behaviours that contribute to innovative working in organisations. Evidence from the literature review, survey report and interviews provides a clear indication of the skills, behaviours and attitudes that predict innovative working and indeed points to empirically validated psychometrics to assess these in the workplace.

In a recent NESTA research report, the identification and measurement of innovative characteristics of young people was piloted.<sup>38</sup> On the surface the innovative characteristics identified appear similar (creativity, self-efficacy, energy, risk propensity and leadership) to those established in the workplace with an adult population. This will help direct education policy on skills development for the future. There are differences however in the behaviours found observing young people within a school context to those observed in the workplace with an adult population.

35. Patterson, F. *et al.* (2009) Op cit.

36. Lucas, B. and Claxton, G. (2009) ‘Wider Skills for Learning: What are they, how can they be cultivated, how could they be measured and why are they important for innovation?’ NESTA Research Report. London: NESTA.

37. Department for Innovation, Universities and Skills (2008) Op. cit.

38. Chell, E. and Athayde, R. (2009) Op. cit.

**Assertion 2. Innovative working is not an activity restricted to a subset of people with certain characteristics.**

The perception that there is a special group of people who are ‘innovators’ in organisations is a misinterpretation of the research evidence in this area. This study confirms the dangers of adopting this approach (and related stereotypes). Labelling employees as innovators, or not, is precarious for many reasons. Research evidence clearly shows self efficacy for innovative working (a belief and confidence in one’s ability to innovate) is a major determinant for innovation behaviour.<sup>39</sup> If employees believe they are not capable, or indeed, expected to innovate in their job role they won’t. Reinforcing messages on the importance of diversity and inclusiveness for innovative working will be important for future government policy and organisational practice.

the implications of young people entering the workplace and the influence on behaviour and skills development could be important in the transition between school and innovative working in organisations. Using evidence reported here, government policymakers could more clearly identify the management standards and practices that promote innovative working.

**Assertion 3. Research evidence supports the proposition that innovative working and innovative behaviours in organisations can be systematically enhanced.**

How to change behaviours and skills for innovative working is identified as a key challenge for many organisations. The case examples and evidence from the research literature shows this is not simple or easy. Although complex, the evidence indicates that it is possible to plan and implement behavioural and organisational change programmes to significantly enhance innovative working.<sup>40</sup> A diagnostic framework is presented in this report offering approaches to initiate appropriate bespoke interventions.

**Assertion 4. Government policymakers have a significant role in promoting innovative working in the UK.**

Government policymakers can play a significant role in integrating findings on characteristics and behaviours that support innovative working into policy. For example, there is a need to integrate educational research and policy with findings regarding innovative working in organisations and corporate HR policy. Specifically, research on the skills and behaviours of young people should be integrated with research on adult populations in organisations. Understanding

39. Frese, M. and Fay, D. (2001) Personal initiative (PI): An active performance concept for work in the 21st century. In Staw, B.M. and Sutton, R.M. (Eds) ‘Research in Organisational Behaviour.’ Amsterdam: Elsevier Science. 23, pp.133–187.

40. Anderson, N. and Gasteiger, R.M. (2007) ‘Innovation and creativity in organizations: Individual and work team research findings and implications for government policy.’ Research report commissioned by the Dutch scientific council for government policy (WRR). The Hague: WRR.

## Appendix A: List of organisations consulted in the interviews

Organisation	Sector	Position
1. Accenture	Consultancy	Head of Talent and Organisation Performance
2. Amey	Infrastructure Services	Head of Talent
3. Breakthrough	Charity	Head of HR & OD
4. Cancer Research	Charity	Head of Innovation
5. Chartered Institute of Personnel Development (CIPD)	Professional Association	Research and Policy Director
6. City University	Public Sector	Vice Chancellor
7. Entheo	Consultancy	Innovation Manager
8. Ernst & Young	Consultancy	Head of Innovation Advisory Services
9. FreshMinds	Consultancy	Head of HR
10. FreshMinds	Consultancy	MD
11. IBM UK	Technology	Innovation Leader IBM UK
12. IBM US	Technology	Director of IBM Research Industry Solutions
13. National School of Government	Public Sector	Director Whitehall Innovation Hub
14. National Audit Office	Public Sector	Research & Practice
15. NHS Education for Scotland	Public Sector	CEO
16. NHS Institute For Innovation	Public Sector	National Resourcing Manager
17. NHS Institute For Innovation	Public Sector	Head of Innovation Practice
18. P&G	Manufacturing	Open Innovator
19. Saint-Gobain British Gypsum	Manufacturing & Engineering	Innovation & Technical Director
20. Saint-Gobain British Gypsum	Manufacturing & Engineering	Innovation Manager
21. Saint-Gobain British Gypsum	Manufacturing & Engineering	UK HR Director
22. Serious	Music Producer	Director
23. Shell	Oil & Gas	Recruiter for Europe & Asia
24. Tameside	Government	Head of Organisational Development
25. The Home Office	Government	Head of Assessment And Development
26. The Museums, Libraries and Archives Council	Public Sector	Senior Policy Adviser – Excellence, Improvement And Innovation
27. UBS	Banking	CEO
28. UK Border Agency	Government	Head of Learning and Development
29. Virgin Atlantic	Travel	Head of IT Innovation
30. Warwick University	Public Sector	Professor of Health Services Management

## Appendix B: Creating an innovation culture – a case study

Saint Gobain British Gypsum is a major authority in the UK construction industry and the country's leading manufacturer and supplier of gypsum-based plastering and dry lining solutions. With a long history of providing cost-effective and reliable products, the company is a market leader. Using over a century of expertise British Gypsum has developed the UK's leading range of wall,

wall lining, floor, ceiling and encasement systems, for the residential, commercial and RMI (refurbishment, maintenance and improvement) sectors of the construction industry. British Gypsum had not invested in innovative working traditionally, but in 2005, the company recognised a growing need to change.

### Promoting innovative behaviours using i-SMAT at Saint-Gobain British Gypsum

Paul Howard, Innovation Manager, Saint-Gobain British Gypsum: *"Safety is well established within British Gypsum and is now firmly embedded within the culture of the business. However this was not always the way and this has only occurred through the application of a number of initiatives. One of the most successful initiatives was the behavioural safety approach. We needed to achieve a similar behavioural shift in the area of innovation behaviours and it was decided to adapt the familiar tools utilised within the safety program to achieve the same end result – culture change for innovation."*

*"We therefore developed i-SMAT (Innovation-Senior Manager Audit) based on the intervention we used to shift behavioural change for safety. The main thrust of i-SMAT is to stimulate discussions between senior managers and employees across the business at all levels on the topic of innovation – from ideation through to*

*product launch. Several senior managers were trained in a one-day workshop to run 15-20 minute face-to-face discussions with employees about innovative working in the company. Through the i-SMAT programme we carry out planned and unplanned i-SMAT discussions. By using planned discussions (i-SMAT meetings are planned with employees in advance) we can guarantee that senior managers are discussing innovative working across all levels of the business at a set frequency, covering all functions and locations. In the discussion, the senior manager asks the employee about their involvement in the new suggestion scheme, and incidences of their part in promoting innovative working. As a result of the discussion, the senior manager records the outcome anonymously so that we can gauge innovation behaviours. Here, data is captured about positive or negative displays of innovative working. Simultaneously we collect valuable data on the status of our innovation culture."*

*"i-SMAT is based around defined key behaviours that research shows are part of established innovative organisational cultures. The i-SMAT discussions establish a measure of our 'compliance' with this set of behaviours. This data can then be stratified by function, level etc, and over time allows us to identify areas of best practice. It also indicates where we think specific actions and interventions are required. The data allow us to measure the effectiveness of our interventions by collecting data before and after, e.g. project leadership training. There was some scepticism at first, but because we shaped the method to fit our current culture, i-SMAT has been a real success. There's still lots to learn but it has allowed*

*us to promote and measure the innovation culture within our business and provides guidance on the priorities for innovation development".*

Richard Batley, UK HR Director says: *"The approach appealed to the rational side – an approach that was essentially 'data-driven' fits with the current culture and this sector. The approach works because it's people-centred and senior managers reinforce the messages around innovation and the vision. It also acts to review current processes so feedback is timely. Every quarter, the steering group meets to review the data and decide strategy on next steps".*

### Supporting innovative working

The organisation introduced a number of initiatives to support innovative working including:

- Leadership development: a new training and skills development intervention for the senior management team on project leadership (not management) skills was introduced. The Executive were committed to ensuring everyone in the business had regular feedback, that excellent performance is rewarded, and that employees were presented with stretching but realistic targets.
- Reward and recognition: A key area related to the reward strategy (through innovative working being explicitly related to the bonus scheme) and a new

ideas suggestion scheme with rewards was instigated, called 'Innov8'.

- Working practices and evaluation: New processes and methodologies for knowledge capture were introduced in the Technical Centre. Concerted efforts were made to bring together new cross-functional teams to work in product development including Marketing, Technical and Sales staff. The primary motive was to deliver more effective products. The teams were brought together to accelerate the traction behind new ideas and to promote long-term sustained delivery of innovation. A new staff opinion survey was launched in which innovative working was a core theme.



## Key success factors for promoting innovative working in Saint-Gobain British Gypsum

The company has evaluated the success of the various initiatives over a number of years. The key success factors for the company in promoting innovative working are set out below. I-SMAT provides:

- Ongoing, visible dialogue about innovative working from the senior management team.
- A mechanism to increase motivation and commitment towards innovative working.
- Direct feedback based on observable behaviours and facts regarding innovative working.
- Self review of performance towards innovative working.
- Reminder for employees about the company suggestion scheme.
- Reviews that are explicitly linked to the company vision and other company initiatives such as project leadership training.
- A method that is relatively easy to implement built from previous successful interventions, and is cost efficient.
- Data to evaluate changes.
- A signal about what senior managers pay attention to.

## Promoting an innovative culture

Richard Batley, UK HR Director comments on the key steps in the development of the organisation tool. *"There was no off-the-peg solution so we looked at our experience in Safety where we can honestly say we have achieved real change. To develop a culture that supports innovative working successfully, we had to establish a shared commitment that innovation matters, then work to get the right people involved from all functions, not just Technical. The reality is therefore that culture change is usually slow progress...what works in one organisation doesn't necessarily work in another. With the i-SMAT approach, the whole intention was to catch people doing things right*

*(not wrong) – making it rewarding. I think i-SMAT plays to the human need for recognition – positive conditioning if you like, as a Director, I'd much prefer to catch people doing something right! We took a multi-pronged attack, borne out of systemic thinking about innovative working i.e., 'these will re-enforce this... that will detract from that'...Several years on, with a sustained effort innovation is now what people pay attention to with and we have an ongoing dialogue about innovative working. There's still a way to go, our idea feedback for example needs to be better to sustain the commitment, so we're looking at ways to do this".*

## Appendix C: A diagnostic framework for innovative working in organisations

Resources	Diagnostic review	Possible barriers to be encountered	Actions
<b>Organisational strategy aligned with innovative working</b>	<ul style="list-style-type: none"> <li>How is innovation defined in this organisation? Is it clearly defined and articulated?</li> <li>What type of innovation does the organisation pursue (product, services, process)?</li> <li>Does the organisation have a realistic strategic plan for innovation? Are the objectives clear?</li> <li>What is the focus of the organisation in terms of goals for innovation?</li> <li>What is the annual budget in absolute terms and as a percentage of revenue that is dedicated to the pursuit of innovation?</li> </ul>	<ul style="list-style-type: none"> <li>Employees may not have a shared meaning of innovation</li> <li>Innovation in this specific sector/organisation may have a negative connotation</li> <li>There may be a mismatch between the emphasis on specific resources for innovation and the type of innovation pursued (e.g. incremental vs radical)</li> <li>The organisation may not have any strategic plan</li> <li>Too much emphasis may be placed on short-term goals</li> <li>Resources may be insufficient for enhancing innovative working effectively</li> </ul>	<ul style="list-style-type: none"> <li>Clearly define innovation by providing concrete examples and relating it to outcomes</li> <li>Consider terminology and language regarding innovation</li> <li>Adjust the focus on organisational resources for innovation according to the type of innovation pursued</li> <li>Develop a strategic plan which focuses on attainable innovation performance objectives</li> <li>Align the strategic goals of the organisation to prioritise innovative working. Emphasise long-term goals rather than short-term targets</li> <li>Explore funding sources for making the necessary investments</li> <li>Revise the allocation of funding sources</li> </ul>
<b>Organisational culture/climate aligned with innovative working</b>	<ul style="list-style-type: none"> <li>Do the leadership and employees regard innovation as one of its core values? Is the value clearly defined and articulated?</li> <li>Is innovation a clear value that is shared by senior managers, managers and employees?</li> <li>Have the organisation core values and norms evolved in recent years? Do they promote innovative working?</li> <li>What characterises the organisational response to crises in recent years?</li> <li>What is the organisation's attitude to risk?</li> </ul>	<ul style="list-style-type: none"> <li>The leadership may not have a clear sense of the organisation's core values. Are they clearly articulated?</li> <li>Even if innovation is mentioned as a core value it may have little impact unless it has support and commitment from leadership and employees</li> <li>The organisation core values may be anchored in the past</li> <li>Response to crises in the past may have been conservative and therefore risk taking is discouraged</li> <li>The consequences of taking risks and failure may be too much for the organisation to accept</li> </ul>	<ul style="list-style-type: none"> <li>Develop a clear set of values based on wide internal and external consultation. Ensure that there is ownership at all levels</li> <li>Emphasise the value of innovation in HR policies and operations</li> <li>Revise the core values, re-iterate the value of innovation</li> <li>Consider the history of the organisation when attempting to enhance innovation. Learn from past mistakes and the current culture</li> <li>Reinforce the message that failure is tolerated when attempting to innovate</li> </ul>

Resources	Diagnostic review	Possible barriers to be encountered	Actions
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Are employee skills, characteristics and behaviours for innovative working identifiable?</li> <li>• Are employee skills congruent with innovation goals?</li> <li>• Do employees have innovation as a key performance goal?</li> <li>• Do the selection and development policies support the skills and behaviours for innovative working?</li> <li>• What is the reputation of the organisation (regarding innovation)?</li> </ul>	<ul style="list-style-type: none"> <li>• Selection and development activities may not be appropriately focused on the characteristics and behaviours required for innovative working</li> <li>• The organisation may have not invested sufficient resources in employees/teams/functions to promote innovative working</li> <li>• The organisation may not have a reputation for being innovative</li> </ul>	<ul style="list-style-type: none"> <li>• Revise the selection process to emphasise importance of behaviours and skills for innovative working</li> <li>• Address skills deficiencies through training of existing staff and/or recruitment of qualified new staff</li> <li>• Review HR policy to include employees whose job is to enhance innovation</li> <li>• Create a dedicated person/team/function for innovation</li> <li>• Improve the perception of the organisation as one that values innovative working. Consider the use of employee surveys and follow up with actions to address employer branding</li> </ul>
<b>Leadership and management</b>	<ul style="list-style-type: none"> <li>• Are the attitudes and actions of leaders and managers congruent with the pursuit of innovation?</li> <li>• Are the skills required for leading and managing innovative working identified?</li> <li>• What are the selection criteria for senior staff?</li> <li>• Are managers trained in supporting innovative employees?</li> <li>• What is the percentage of leaders' time spent on innovation rather than day-to-day operations?</li> </ul>	<ul style="list-style-type: none"> <li>• 'Silo mentality' where there is an unwillingness to share information</li> <li>• Managers and leaders may be unwilling to take necessary risks and allow room for failure</li> <li>• Managers and leaders may fail to encourage diversity at all levels of the organisation</li> <li>• Managers and leaders may be too focused on short-term results at the expense of long-term goals</li> <li>• Managers and leaders may fail to address de-motivated employees</li> <li>• Managers may not have the necessary skills to support innovative people and innovative working</li> <li>• Leaders may have not enough time dedicated to innovative working</li> </ul>	<ul style="list-style-type: none"> <li>• Enable managers to facilitate employees attitudes towards valuing innovation</li> <li>• Reinforce importance of feedback through employee surveys and regular employee consultations</li> <li>• Consider revising selection criteria for managers and staff to include characteristics and skills that are important for supporting innovative people in organisations (e.g. openness to ideas, communication skills, original problem solving)</li> <li>• Revise manager development to include specific training for managing innovative employees. Help managers encourage innovative individuals to focus on the practical application of their ideas</li> <li>• Review the percentage of leaders' time dedicated to innovation</li> </ul>
<b>Organisational structure &amp; work design</b>	<ul style="list-style-type: none"> <li>• Does the organisational structure promote innovation?</li> <li>• Are employees able to work across cross different functions?</li> <li>• Is there a mismatch between workload distribution and availability of resources?</li> <li>• How much freedom do employees have in structuring their tasks and roles?</li> <li>• Is the physical work environment conducive to innovation?</li> </ul>	<ul style="list-style-type: none"> <li>• The organisational structure may be too hierarchical</li> <li>• Leaders and managers may not be accessible to employees</li> <li>• Employees may be trained to handle only narrow tasks, resulting in decreased opportunities to share knowledge</li> <li>• Excessive workload may negatively impact on an individual's ability to innovate</li> <li>• The job description and job role may be too prescriptive and not include innovation</li> <li>• A work environment characterised by lack of adequate space and absence of basic amenities may reduce opportunities for networking and reduce innovation potential</li> </ul>	<ul style="list-style-type: none"> <li>• Promote a flat organisational structure, allowing frequent interaction between managers/leaders and staff</li> <li>• Create multi-skilled employees through systematic job rotations</li> <li>• Regularly review employees' workload. Ensure that employees have enough time to innovate</li> <li>• Allow employees autonomy in conducting their job role</li> <li>• Improve the work environment by maximising opportunities for interaction and networking. Consider the use of purpose built innovation labs</li> </ul>

Resources	Diagnostic review	Possible barriers to be encountered	Actions
<b>Performance management and work practices</b>	<ul style="list-style-type: none"> <li>• Are the performance goals aligned with innovation? Are they congruent with the external environment, history, and available resources of the organisation?</li> <li>• Does the organisation use performance indicators that measure innovation potential?</li> <li>• Does the organisation set innovation goals and targets? What is the process for achieving targets?</li> <li>• Is developmental appraisal aligned with innovation?</li> <li>• Is there a system of rewards for innovation?</li> <li>• What specific initiatives are in place to foster innovation?</li> <li>• What is the percentage of employees/managers/leaders who have received training in innovative working?</li> <li>• How is innovation evaluated?</li> </ul>	<ul style="list-style-type: none"> <li>• Performance objectives may not be clearly aligned with innovation. They may be inconsistent with the incentives and reward programme. They may place too much emphasis on short-term goals and results</li> <li>• Too much bureaucracy can be a significant barrier to innovation</li> <li>• Developmental appraisal may not include a measure of innovation</li> <li>• Innovation efforts may not be rewarded and recognised</li> <li>• There may be a lack of initiatives specifically aimed at enhancing innovation</li> <li>• Innovation may be measured according to traditional outcome metrics which do not fit the innovation goals of the organisation</li> </ul>	<ul style="list-style-type: none"> <li>• Are performance goals aligned with innovation? Are these congruent with the external environment, history, and available resources of the organisation?</li> <li>• Does the organisation use performance indicators that measure innovation potential?</li> <li>• Allow performance goals to be aligned with innovation attempts</li> <li>• Define performance objectives taking into account the external and internal constraints as well as the culture of the organisation</li> <li>• Align reward and development mechanisms with performance objectives</li> <li>• Streamline bureaucracy</li> <li>• Include innovation attempts in your annual developmental appraisal</li> <li>• Ensure that innovation efforts are recognised or rewarded accordingly</li> <li>• Consider the use of initiatives aimed at boosting innovation (e.g. training managers in innovation methods). Tailor initiatives according to innovation outcomes and culture of the organisation</li> <li>• Revise the metrics for innovation. Go beyond the use of traditional measures such as revenue growth due to new products or services and number of ideas in the pipeline. Consider measuring both inputs and outputs of innovation. Include measures at the individual, team levels</li> </ul>
<b>Team work and networking</b>	<ul style="list-style-type: none"> <li>• Are employees able to collaborate across units, businesses, and subsidiaries?</li> <li>• Do projects involve team members from different backgrounds and interests?</li> <li>• Does the organisation recognise the value of networking?</li> <li>• Can employees be transferred to other tasks or geographical locations?</li> </ul>	<ul style="list-style-type: none"> <li>• The organisation may tend to hire the same type of people, reducing diversity</li> <li>• There may not be enough opportunities for networking both inside and outside the organisation, at all staff levels</li> <li>• Employees may be recruited for specific tasks</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure that employees have opportunities to work in diverse groups</li> <li>• Consider hiring for diversity and creating diverse teams for innovation</li> <li>• Ensure employees are given regular opportunities to network both inside and outside the organisation</li> </ul>



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