Creating the Conditions for Sustainable Innovation
The Leadership Imperative

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Organizations need innovation to survive and thrive. Thus, they need leaders who excel at driving innovation. But many leaders fall short when it comes to fostering ideas. What can be done to support leaders as they create conditions that nurture innovation?

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Innovation. It is not just a survival strategy. It is THE survival strategy of our time.

Our most talked-about and revered citizens and organizations are known for their ability to create new solutions that are valuable to the marketplace and elevate their standings in the business world. Across all industries and disciplines, the ability to innovate is universally admired.

Creating the Conditions for Sustainable Innovation

But what does innovation mean for leaders?

Few would argue that leaders are the major influencers of innovation for every organization. Those on the frontline manage teams of individual contributors and are the conduit for up-to-date knowledge, market trends, business challenges, and the customer. Higher up the ladder, it's on the shoulders of senior leaders to create a culture that reinforces ideation and brings the best ideas to fruition.

So what is the state of leadership and innovation? That's what the following pages seek to illuminate. We start with a section that makes the case for innovation. We then present the findings of research we undertook to explore the connection between leadership and innovation. Finally, we offer some recommendations that all organizations can put into action with their leaders to foster higher levels of innovation among associates.

We hope this information will help drive innovation in your organization.

THE CASE FOR INNOVATION:
BACK ON TRACK

September 2008 marked not only the collapse of financial markets, but the rapid decline in innovation as a key corporate priority. In the few years prior to the crash, innovation had become the fuel for hot economic growth. And then, "innovation" as an organizational priority dropped off the radar charts. Managing during the crisis focused on survival. Layoffs were common, R&D budgets were slashed. CEOs were doing everything possible to avoid risk and uncertainty, not pursue them.

Now innovation is back with a vengeance. And on the off chance you're skeptical, in this section we'll delve into why innovation is so important.

Not a day goes by without innovation stories on the front pages. According to a recent *New York Times* article[1], innovation is "the crucial ingredient in all economic progress—higher growth for nations, more competitive products for companies, and more prosperous careers for individuals." Seventy-two percent of CEOs ranked innovation as one of their top three strategic priorities, up eight points since FY'09[2]. The *2011 Conference Board CEO Challenges* report[3] placed innovation in the top five challenges list for Asia, Europe, and the United States. Innovation has truly been re-established as the currency of business growth.

Why So Critical: Innovation Drivers

There are a number of driving forces behind the re-emergence of innovation.

• While the status of the financial crisis remains uncertain, organizations still operate in an environment of conservative spend. R&D dollars are scarcer, meaning that organizations need to be innovative, while at the same time more targeted in their internal investments. While on the surface those goals appear at odds, that may not necessarily be the case. The Corporate Executive Board recently dispelled the myth that more ideas always generate more innovation.[4] Rather, better-performing companies prefer fewer, bigger and more predictable innovation bets. Internal R&D investment trends match this pattern. A recent Booz Allen Hamilton report[5] showed a negative correlation between R&D spend and successful innovation.

- You've heard this before: there is little you can do today that can't be copied by a competitor more quickly and easily than ever before. Over the last decade, the average time to copy another company's new product has dropped from 369 days to 266![5] The impact: companies can't rest on their past laurels. It's why organizations like Apple, Unilever and Marriott continue to launch new products and services month after month, year after year. And, contrary to some pundits who prefer the "wait and copy strategy," first movers enjoy a 36 percent better stock return.[5]

- Innovation has become more than just a company priority; it has become a national imperative. Noted journalist Fareed Zakaria pointed out that Barack Obama mentioned "innovation" or "innovative" 11 times in his 2010 State of the Union Address.[6] Yet, Zakaria is also quick to draw our attention to a sobering statistic. The Information Technology Innovation Foundation ranked the U.S. last of 40 countries in terms of improved innovation capacity over the past decade. In the meantime, China's government investment in corporate innovation will shortly outpace that of America's.

The Innovation Advantage

There is substantial evidence that companies that focus on innovation enjoy better business performance.

- Companies who reported high innovation effectiveness had a 76 percent product success ratio versus 54 percent for companies with medium or low effectiveness ratings.[4]

- Highly innovative companies enjoy better sales and profits from new products when compared to their less innovative counterparts (48 percent vs. 21 percent and 49 percent vs. 21 percent respectively).[4]

- A 2010 Boston Consulting Group study[2] demonstrated that innovative companies enjoyed a whopping 12.4-percent point advantage in their three-year total shareholder returns compared to their peers.

Getting to Point B: Innovation Drivers

Hop on the innovation bandwagon and expect a long and bumpy ride. Many organizations mistake creativity for innovation. No doubt, it is a very important ingredient in the dish, but not the only one. Looking backward, you can't help but respect the ingenuity behind 3M's Post-It Notes or Steve Jobs' incredible ability to use technology to transform century-old business models.

Yet there are many companies with creative ideas and creative people who are not effective at driving innovation in their organizations. They fail because they are unable to turn those ideas into sustainable business. They fail because a "neat" idea may not be something customers want or are willing to pay for, or worse yet, because a real winner gets executed miserably. Statistics indicate that 46 percent of R&D dollars get wasted on new products that never get off the ground or fail early.[7] In 2000 P&G had many new ideas. Yet only 15 percent of them ever realized their profit and revenue targets. A decade later, their success rate has more than tripled.[8] Their journey, like those of many other successful innovators, began by experimenting with the art and science of the innovation process. They took a closer look at the structure and process changes they needed to make to move from idea to successful execution.

While there is not "one right answer," organizations are addressing a number of key areas:

• What's the best structure and organizational design to optimally foster successful innovation?

• How do you best combine top-down and bottom-up innovation?

• How do you move from a culture of risk aversion (the number one barrier to innovation, according to the Boston Consulting Group[2] report) to one of calculated risk-taking?

• What combination of innovation categories has the highest payoff (e.g., product, service, business model)?

• What are the ways deeper customer insights can help guide better hit rates?

• What are the best practices for moving from a new creation to successful execution of that creation?

The Linchpin: The Role of Leadership

While organizations vary widely in their approach to innovation, there is one common thread. The ability to consistently conceive of, create and bring to market new innovations is highly dependent on the quality of talent and the environment in which they work. And, in turn, responsibility for the quality of talent and a culture highly conducive to innovation squarely falls on leaders at all levels. In fact, the research on behavior of leaders spotlights them as one of the most, if not the most, important drivers of innovation. In a recent IBM study,[9] over 60 percent of a sample of 1,500 CEOs cited creativity as the most important leadership quality over the next five years. According to the research, "CEOs now realize that creativity trumps other leadership characteristics. Creative leaders are comfortable with ambiguity and experimentation. To connect with and inspire a new generation, they lead and interact in entirely new ways." In DDI's *Global Leadership Forecast* 2011,[10] fostering creativity and innovation was rated as the third most critical skill for the near future by over 12,500 leaders from around the world, and showed the biggest surge between its criticality in the past three years, and for the next three. Yet, a full 50 percent of the leaders in the sample considered themselves ineffective at doing it, more than any of the other critical skills! A leader's impact on employee innovation cannot be overstated: Teresa Amabile, a pioneer in research on the role of leadership in inspiring creativity, demonstrated how leaders can either nurture or destroy innovative behaviors based on their behaviors.[11]

And, nowhere is this point about the role of leadership made more compellingly than in a recent work by Gary Hamel. In a widely-read 2009 *Harvard Business Review* article[12] Hamel stresses the need to innovate the role of management itself. Working with Hamel as part of our *Global Leadership Forecast* 2011,[10] we found leaders themselves often describing their organizations as rigid, restricting the opportunity to innovate to only a select few, or tending to value those who value the status quo more than the renegades. With nearly 1 in 3 employees who participated in the forecast feeling that their own creative ideas are squashed by organizational bureaucracy, it's time for a wakeup call for many organizations today.

# ABOUT THIS INNOVATION RESEARCH

In our experience, a clearly identified set of specific behaviors that relate to a leader's role in fostering innovation is lacking. Subsequently, we don't know how well leaders are performing on key behaviors, making it challenging to benchmark and prioritize development areas.

Organizations are no longer questioning whether it makes sense to invest in creating an innovative culture—the current business environment and economic context has made this an unquestioned truth. The more pointed question on every leader's mind is and should be, "How do we institutionalize innovation so that we are doing it in a repeatable and sustainable way that brings measurable business value?"

DDI and LUMA Institute set forth to study and answer that question. We worked together for close to six months to operationalize a definition of innovation, and the specific leadership behaviors that drive employee innovation. This was a first and essential step in our work to develop a curriculum to improve a leader's ability to create and foster the conditions where innovation flourishes among employees.

Our working definition of innovation is a new solution (e.g. product, process, business model) that drives differentiation and measurable business value. The model in Figure 1 summarizes the overall context in which innovation occurs, and offers the foundation for our research.

FIGURE 1:
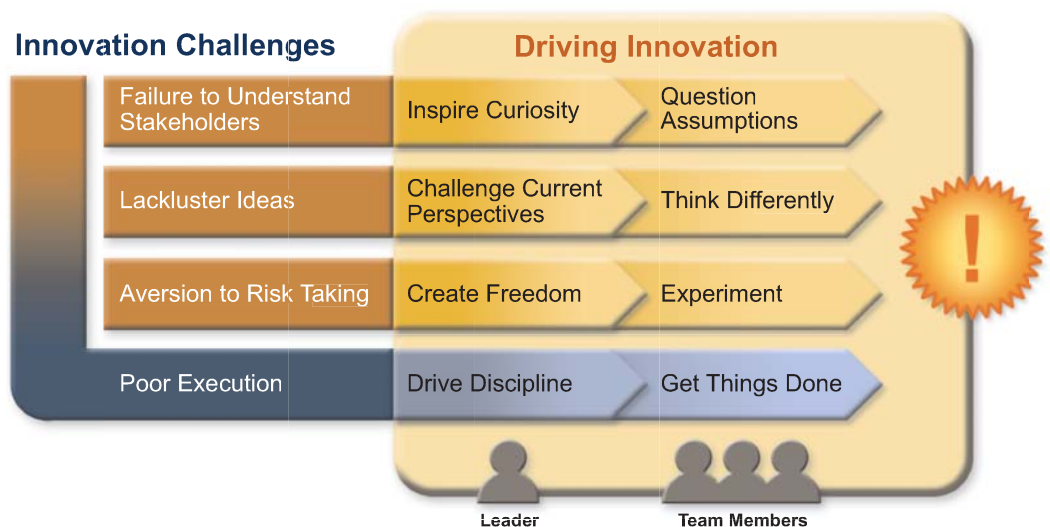
On the left-hand side of the model are four common barriers to organizational innovation. These challenges are the kind of issues that keep CEOs, investors and other senior stakeholders up at night, as they inhibit organizational innovation. On the far right are the new behaviors these stakeholders wish to see from those on the frontlines. The middle column describes those leader behaviors that help associates overcome the organizational challenges, and that are ultimately brought out in associates. The leader behaviors outlined below are crucial to creating and sustaining an environment in which associates are motivated and enabled to innovate.

- **Inspire Curiosity** – Innovation leaders encourage employees to expand their understanding of both internal and external stakeholders: who they are, how they are interdependent, and the unique contexts in which each one operates.

- **Challenge Current Perspectives** – Innovation leaders help employees view problems and opportunities differently and envision alternative possibilities.

- **Create Freedom** – Innovation leaders empower experimentation, risk taking, learning from mistakes, and valuing effort over perfection.

- **Drive Discipline** – Innovation leaders help employees identify execution implications early and often and align efforts to ensure successful implementation of innovative solutions.

Building on this framework, we gathered information about the actual prevalence of these behaviors in today's organizations. We identified 20 specific leadership behaviors; five behaviors reflect each of the four challenges above (see Appendix 2 on page 24 for a complete list). Then we created two surveys: one for leaders and one for employees. We asked leaders to agree or disagree that they demonstrate these behaviors (for example, "I sponsor frequent brainstorming sessions to generate and develop ideas"). For an alternative perspective, we asked an independent group of employees to agree or disagree that their current leader demonstrates these behaviors (for example, "My leader sponsors frequent brainstorming sessions to generate and develop ideas"). Our survey also included items about the climate for innovation and how innovation is prioritized amongst other objectives, for both the leader's own work group and in the organization as a whole.

Our final sample was diverse. It spanned demographic groups, leader levels, industries, and companies of various sizes (see Appendix 1 on page 23 for further details). In the resulting data, we uncovered trends that highlight widespread deficiencies in leader-driven innovation. In several cases, these trends run counter to long-held notions. Our observations are distilled into the findings in the next section.

THE FINDINGS

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FINDING #1: Leaders are not actively engaged nor are they personally invested in driving innovation.

When we surveyed leaders about innovation, we asked them to agree or disagree that they demonstrate each behavior. For this section and in the remainder of the report, we use agreement rates to gauge the prevalence of a leader's behaviors.

When we look at individual leader behaviors—as reported by the leaders themselves—regardless of the challenges they target, five rose to the top of the list of most frequently performed behaviors targeting innovation, all with agreement rates over 75 percent (see Figure 2).

FIGURE 2: INNOVATION BEHAVIORS MORE FREQUENTLY PERFORMED BY LEADERS

Leader Behaviors	% of Leaders Agreeing
I demonstrate unwavering openness and appreciation for unique ideas and opinions.	78%
I urge employees to continually expand their understanding of business trends and emerging issues.	77%
I challenge employees to vigorously engage themselves with our customers' interests, needs, and motivations.	77%
I guide employees who fail or make mistakes to reframe the experiences as learning opportunities.	77%
I give employees full latitude to choose the best path to accomplish their goals.	75%

The high agreement ratings of these behaviors illustrate that leaders do accept and encourage their teams' innovation efforts. These are unquestionably positive and valuable behaviors on the part of leaders. However, they are relatively passive, not requiring a leader to take a personal risk or confront the status quo. In contrast, when we turn to the five least frequently performed behaviors, they are more dynamic and active behaviors—those which demand a leader's personal attention and require him or her to challenge organizational paradigms.

FIGURE 3: INNOVATION BEHAVIORS LESS FREQUENTLY PERFORMED BY LEADERS

Leader Behaviors	% of Leaders Agreeing
I enable employees to regularly observe and interact with suppliers and other companies in our industry.	60%
I protect designated time away from core activities for employees to generate new ideas.	60%
I sponsor frequent brainstorming sessions to generate and develop ideas.	59%
I support employees' key decisions even when they are not based on extensive data and analysis.	56%
I encourage employees to spend less time problem-solving and more time understanding stakeholder views.	41%

Contrasting with the most-performed behaviors, these less common behaviors involve conscious efforts to prioritize time for idea generation and information gathering above base work activities (see Figure 3). They compete against the pressures of meeting daily priorities, putting considerable pressure on leaders, especially at lower leadership levels. These activities also conflict with commonly accepted leadership principles, for example, that major decisions require abundant supportive data or that problem-solving should take precedence over perspective-taking. Comparing the most and least common leadership behaviors, it is clear that the behaviors extensively performed related to innovation are more often passive rather than active, and more likely to be closely aligned with conventional wisdom about leader responsibilities.

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FINDING #2: The big gap: Leaders think they exhibit behaviors associated with driving innovation far more frequently than employees think leaders do.

Surveying both leaders and employees allowed us to pinpoint the gaps that existed between these two groups. Those differences turned out to be both pervasive and concerning, yet they also reveal how leaders can focus and advance their innovation-generating skills, and how organizations can accelerate leaders' efforts.

To look at this issue broadly, we grouped the 20 leader behaviors into the four challenges they address—Inspire Curiosity, Challenge Current Perspectives, Create Freedom, and Drive Discipline. On every set of leader behaviors linked to innovation challenges, leaders reported agreement ratings considerably higher than employees who rated their own leaders. These trends are displayed in Figure 4.

The leader-employee gap in agreement rates ranged from a massive 29 percent for behaviors reflecting Challenge Current Perspectives, to a still troublingly high 23 percent for behaviors associated with Inspire Curiosity. Why do associates rate their leaders so low relative to these innovation behaviors? There's a very real possibility that leaders simply overestimate their own skills. When asked about their specific level of skills for driving a culture of innovation in a separate question, 76 percent rated themselves as above average or excellent. Employees, however, perceived only 57 percent of their leaders to be above average or excellent in these skills. It could also be a failure on the part of leaders to be transparent about their efforts to generate and advance new ideas. Leaders need to clearly state their goals related to innovation. This, in turn, will increase employees' awareness of these activities, and ultimately, will strengthen the leaders' impact on employee-bred innovation.

FIGURE 4: AGREEMENT RATINGS OF LEADERS AND EMPLOYEES BY INNOVATION CHALLENGE

Creating the Conditions for Sustainable Innovation

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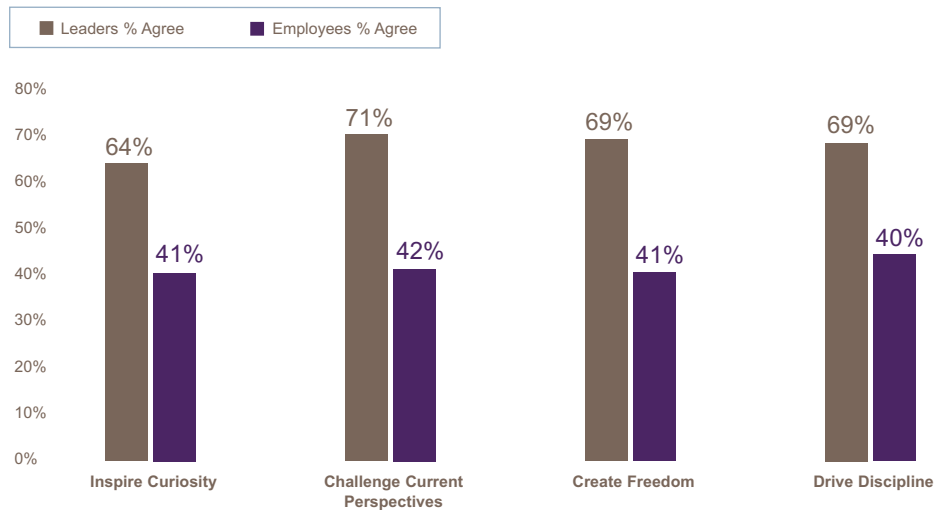
Finding #3: Leader actions to foster employee innovation will likely fail without an organization-wide commitment to innovation.

Leaders need to be innovative, but much of the onus for driving innovation lies with the organizations for which they work. So what is the role of the organization's culture of innovation (or lack thereof)? The short answer is: the stronger the culture of innovation is, the more both leaders and their teams will report that innovation behaviors are demonstrated (see Figure 5).

FIGURE 5: ORGANIZATIONAL COMMITMENT TO INNOVATION AND PREVALENCE OF LEADER INNOVATION-RELATED BEHAVIORS
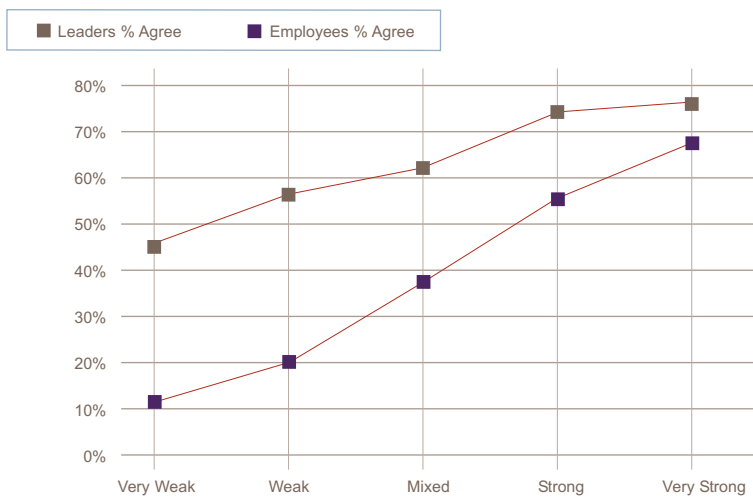
We asked everyone who responded to this survey to rate their organization's commitment to innovation, ranging from "Very Strong—Innovation is a driving priority, deeply permeating both culture and structure of the organization" to "Very Weak—Innovation is a non-priority, and the organization's culture and structure directly counteract such efforts". We then compared these answers to the ratings of leaders' innovation-related behaviors by the leaders themselves and by employees. For this finding, we looked across all 20 behaviors to calculate an overall measure of their prevalence amongst leaders.

The pattern that emerged shows that, perhaps predictably, cultures that are strong on innovation include leaders who rate themselves—or who are rated by their employees—highly, too. What may have been less predictable was how quickly the gap closed between leader and employee perceptions at higher levels of commitment. In fact, at very strong commitment levels, this gap is negligible. Clearly, the overall organization attitude toward innovation is a crucial factor—as senior leaders and corporate strategies present a compelling vision of innovation, alignment soars between leaders at all levels, and employees.

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Finding #4: The more senior the leaders, the more they create the conditions for innovation.

Based on leader perspectives on their own behaviors, differences between senior and first-level leaders were sizable, with senior-level leaders exhibiting much higher agreement rates for all challenges. Although there was a clear linear trend from level to level, differences between senior- and mid-level leaders, and between mid- to first-level leaders, were smaller and not statistically meaningful (see Figure 6).

FIGURE 6: DISPLAY OF INNOVATION BY LEVEL
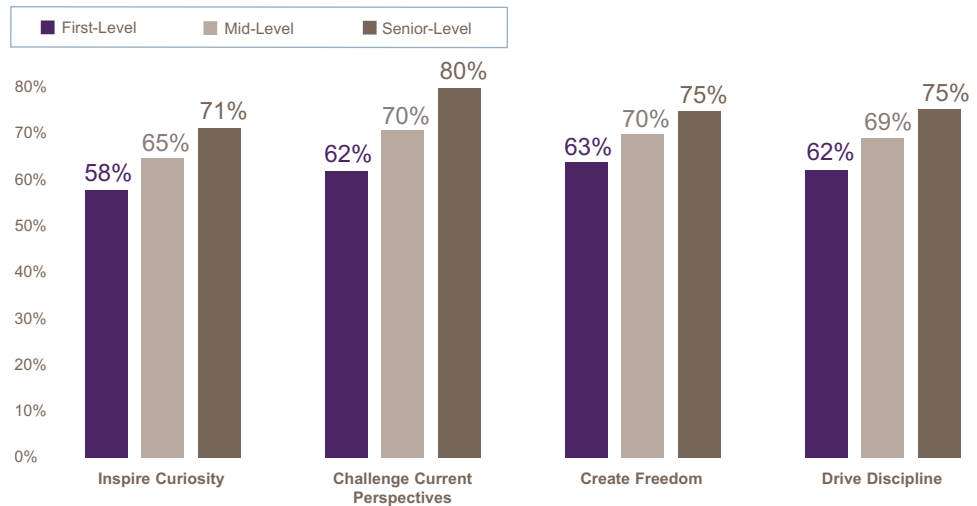
While higher-level leaders may in fact perform more innovation-building behaviors, this finding may also highlight the impact and criticality of leader autonomy and scope of influence. First-level leaders may simply not have the power to notably drive employee innovation. Higher-level leaders may also have more resource control given that they are more likely to be in positions where they are responsible and accountable for driving innovation across wide spans of the organization. As first-level leader ranks have thinned, they may also be consumed by day-to-day job activities and tasks. Pursuing innovation may come with risks they don't care to take, or have the time to.

Organizations must clarify for leaders of all levels the role they can and should play in propelling employee innovation—it cannot be positioned as the exclusive domain of senior leaders. In fact, it is critical that senior leaders help develop new behaviors, as well as provide the systems, structures, support and autonomy to drive innovation throughout the organization. These efforts may be particularly fruitful for lower-level leaders who, as our findings indicate, may be far less likely to demonstrate innova-tion-fostering behaviors while being more attuned to the customer's perspective. They can and should be a critical contributor in addressing innovation challenges.

Finding #5: There are no significant differences in innovation-fostering behaviors across age or gender.

The large and diverse participant group in this study allowed us to diagnose whether certain groups were more inclined than others to demonstrate innovation-related behaviors. Some of the stereotypes or assumptions we were able to examine include:

• Younger leaders are more willing to take risks.

• Younger employees have higher expectations of their leaders, which could result in lower ratings of leaders' innovation-fostering behaviors.

• Female leaders are more risk-averse than their male counterparts, and thus less likely to compel innovation.

The reality? **None** of the above stereotypes or assumptions is borne out in our results.

Only minute differences existed when comparing male and female leaders, and when factors such as leader level were controlled for, the differences disappeared completely. We also looked at variation between age groups to detect any behavioral differences—and again, we found no clear trend by age group. Rather, innovation-fostering behaviors were evenly distributed across leaders regardless of age. For both gender and age, then, our findings do not suggest any meaningful effect of demographics on leaders' innovation-related behaviors.

Finding #6: Who killed innovation? When identifying the perpetrator, leaders are less likely to look in the mirror.

A leader's negative impact on employee innovation—by destroying or starving it—can be extremely damaging to an organization's pursuit of innovation as a strategic goal. As the first reviewers of ideas generated by individual employees, leaders are the make-or-break deciders on what ideas are pursued, and which ones are not. From the perspective of an employee who has taken the personal initiative and risk to develop and propose a radical idea, poor leader openness can severely inhibit innovation motivation—possibly permanently—to the company's detriment.

While this effect is relevant for leaders of any level, the scope of a leader's poisoning influence on employee innovation grows as he or she climbs the organizational hierarchy. For example, a first-line leader may, through negative reactions to new concepts, demotivate the few individuals under his or her supervision. A senior leader can have a far greater impact, perhaps on dozens or even hundreds of employees, spanning entire business units and departments.

We focused on one specific question highlighting perceived obstacles to employee innovation. For leaders, we asked, "My team would say their greatest barrier to being innovative is:…" The four choices are listed in the table below. For employees, we asked a similar question, but framed it as the greatest barrier they see to their own innovations. Figure 7 lists the percentage of leaders in each level, and of employees, choosing each barrier.

FIGURE 7: THE GREATEST BARRIERS TO INNOVATION, AS CHOSEN BY DIFFERENT LEVELS OF LEADERS AND BY EMPLOYEES

	Leaders			Employees
	First-Level	Mid-Level	Senior-Level	
1. "I don't have enough information about the business to really offer ideas of value."	33%	32%	41%	28%
2. "My boss wants to be the person who generates all great ideas."	20%	24%	20%	28%
3. "My ideas never seem to go anywhere or get stalled."	21%	26%	14%	19%
4. "New ideas aren't welcomed. We get stuck on how things have been done."	26%	18%	25%	25%

Across all leader levels, leaders are most likely to attribute a team's barriers to innovation to the employees themselves and the information on which they base their ideas. In practice, a leader who discards ideas with low perceived value can appear closed-minded and dismissive to employees. Leaders were much less likely to see themselves as wanting "to be the person who generates all great ideas." It's troubling in that more than a third of leaders at all levels (35 percent) appear to be characterizing employees as fundamentally lacking the information to "really offer ideas of value." And this is worst at higher leader levels—a full 41 percent of senior leaders take this perspective, and only 20 percent of senior leaders admit that their team sees them as wanting to be the sole idea-generation engine.

Finding #7: Industry differences highlight market trends and the importance of a differentiated view of innovation challenges.

Our leader-level study participants ranged across nine industries with enough individuals to reliably examine differences: business/professional services, construction/ engineering, financial services, health care, IT/telecommunications, manufacturing, media, public sector, and retail/wholesale. Across all innovation-fostering behaviors, leaders in the IT/telecommunications and media industries were strongest, averaging agreement rates about behaviors targeting innovation challenges of 76 percent and 78 percent, respectively. While innovation permeates most industries to a degree, the fluid and constantly-evolving nature of these two in particular make it unsurprising that they are the industries with the most prevalent rates of leaders driving innovation. At the other end of the spectrum were public sector and business/professional services. Not only were leaders' innovation-fostering behaviors relatively infrequent, but these were also the only two industries where a majority of leaders said their organization's commitment to innovation was either unlikely to change, or likely to decrease, over the next three years.

For one industry, the importance of a differentiated set of innovation challenges and related leader behaviors became clearly evident. In health care, leaders are low compared to other industries for behaviors related to Inspiring Curiosity and Challenging Current Perspectives. This is no surprise given the heavy layers of current and future regulation imposed on this industry. A health care leader who vigorously Challenges Current Perspectives, for example, may rapidly run afoul of well-established policies and procedures targeting patient safety and avoidance of medical errors. And in this industry, leaders are probably looking for greater adherence than curiosity. On the other end of the spectrum, it's no surprise that health care leaders excel in Driving Discipline; over 75 percent of them report engaging in behaviors targeting this area. Once a new innovation is proven worthy, health care is an industry where everyone is likely to march to the same beat.

RECOMMENDATIONS

So, what can be done to foster innovation in your organization? When it comes to driving innovation through leaders and their teams, we have several recommendations.

Close the employee/leadership gap. Simple truth: Leaders play a pivotal role in fostering and creating a culture of innovation. Our results show that most leaders feel they excel at the behaviors that lead to higher levels of innovation. But, employees do not see their leaders the way leaders see themselves. From the employee view-point, leaders struggle to inspire curiosity, challenge current perspectives, create the freedom to innovate, and drive discipline. This may not be surprising, but it remains an enormous challenge to organizations ramping up their focus on innovation. Our perspective is that the skills leaders need to drive innovation are developable (see sidebar, page 20). We are not implying all leaders can become highly creative. They don't need to be. But most can do a far better job at learning and consistently applying the behaviors covered in this research, and in transferring the autonomy for innovation to their employees. Organizations must provide their leaders with the necessary skills to effectively function in this critical role.

Build a top-down and bottom-up culture of innovation. Encouraging new approaches to leadership, involving employees and customers in all innovation-related processes, rewarding creative effort, learning from failure—all are elements of an organizational culture that is 100 percent supportive of innovation. A recently issued study[13] showed significantly higher profit and five-year CAGR for organizations that aligned their business strategy with an innovation focus. Our own study shows a very promising trend for organizations that take broad actions to achieve a highly-visible and company-wide commitment to innovation. In these organizations, leaders report themselves as extensively displaying innovation behaviors. And, it appears, employee perceptions of leader behaviors are similarly positive. In fact, there is almost no difference between the two groups in organizations where there is a very strong cultural commitment to innovation. This is likely a two-way street—that is, prominent organizational support reinforces the use of leader innovation behaviors. More extensive use of these behaviors, in turn, helps build a stronger innovation culture.

Examine innovation by level. The contributions of a frontline-level leader will be drastically different than those of a more senior one. While every level plays a critical role in innovation, it's important to consider actions that are appropriate to that level. Organizations must concentrate on the ways in which each level is uniquely endowed to drive innovation. Senior leaders are stewards of the culture. Mid-level leaders translate strategy into tactics. Frontline leaders are closest to the business, and will likely hear about trends first. Individual contributors are both a source for ideas, and for execution. The critical point: Innovation is everyone's job. And while level matters greatly, gender and age don't. Don't stereotype the ability (or inability) of any leader, at any age or of any gender, to excel at demonstrating innovation-related behaviors, as these assumptions will likely be mistaken and can be damaging if allowed to continue.

Ignite innovation action. As we saw in Finding 1, leaders are most comfortable supporting innovation from the sidelines and with a minimum of personal engage-ment. While safer for leaders, these passive approaches are also less likely to truly spur employee creativity to the degree needed in a highly competitive and rapidly evolving business environment. Big ideas often start with many little ones, as well as failures that teach valuable lessons along the way. Leaders need to be personally comfortable with learning from mistakes and letting go of perfectionistic tendencies that make it difficult for the teams to have the freedom and curiosity necessary to innovate. Leaders who aren't willing and able to dive in and accept these risks to provide employees with the necessary freedom will fail.

To change, organizations must shake things up, and push leaders toward action. Make it clear that innovation requires risk acceptance and unambiguous commitment on the part of both the leader and the employee.

Communication is key. Organizations need to supply leaders with current informa-tion about key business trends and strategies, and how these translate into the impetus for innovation and ideas when it comes to their teams. Driving execution is challenging, especially when it comes to innovation. Organizations may need to empower others by building accountability, fostering employee involvement, engaging team members in the creative process, and developing a work environment where employees are expected to grow, learn, and experiment with new concepts. Finally, for positions where innovation is key, organizations should also imbed innovation behaviors—for leaders and employees—directly into the competency models and performance plans for the roles.

INNOVATION INTOACTION

Four things to do immediately to support innovation in your organization.

1. Senior Management Sets the Pace

You heard it before: Start at the top. Senior management support is essential for almost every initiative to work. But, in the case of innovation, it is a lot more than support. Senior managers must see innovation as a major business objective. They need to show they are willing to take calculated risks. They need to establish a culture that fosters openness, experimentation and customer intimacy. And, they need to put into place the processes that will turn good ideas into profitable businesses.

2. Choose the Right Leaders

DDI assesses thousands of leaders each year for selection, promotion, and development. One of the biggest derailers we see in leaders is aversion to risk. Fair to say, a leadership team of all high risk takers spells certain trouble. But a team where almost everyone is risk averse will guarantee an "innovationless" environment. A science-based profile for leaders who are likely to foster innovation should be embedded into your selection/promotion systems.

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3. **Develop Innovation Leaders**

    Begin to look at the ability to both innovate and build a culture conducive to innovation as a set of skills and behaviors which can be developed. There are specific techniques that can help both leaders and employees think more creatively, connect with stakeholders (including customers), and evaluate new ideas. Courses, like DDI's Driving Innovation, teach leaders how to drive innovation (but not necessarily be the source of all innovation themselves) as they learn to challenge assumptions, inspire curiosity in others, encourage experimentation, and reward ideas that work out—as well as those that do not.

4. **Build a Business Process for Innovation**

    P&G has become the poster child for innovation, and for good reason! They made tremendous improvement in their innovation success rates (measured by the number of successful new product introductions balanced with a reduction in product failures). They did this not just by building a fountainhead of new ideas spawned by close customer interactions and observations, but by having a clear business process for bringing the right new ideas to market. Their chief innovation officer is accountable to make this process work throughout P&G's global footprint. The key learning here is that innovation is a lot more than new ideas; it is the science and discipline of tying innovation to business success.

APPENDIX AND SOURCES

APPENDIX 1: METHOD SECTION

In August 2011, Development Dimensions International surveyed 513 leaders and 514 non-leader employees in the United States. Leaders and employees were independent (non-paired) groups. Responses from these individuals guided the findings contained in this report. The demographics of those surveyed were:

Leader Survey:

- **Gender:** 51% male, 49% female

- **Geography:** 100% United States

- **Age:** 16% 29 or younger, 25% 30-39, 27% 40-49, 13% 50-54, 19% 55+

- **Leader level:** 27% first-level supervisors, 45% mid-level managers, directors and VPs, 28% senior-level VPs

- **Primary industry:** 11% Business/Professional services, 6% Construction/Engineering, 8% Financial services, 8% Healthcare, 7% IT and Telecoms, 1% Logistics and distribution, 10% Manufacturing, 2% Media, 1% Pharmaceuticals, 6% Public sector, 16% Retail/Wholesale, 1% Utilities; 24% Others

- **Company size:** 46% 100 employees and less, 34% 100 – 5,000 employees, 20% more than 5,000 employees

Non-Leader Employee Survey:

- **Gender:** 51% male, 49% female

- **Geography:** 100% United States

- **Age:** 22% 29 or younger, 25% 30-39, 20% 40-49, 13% 50-54, 20% 55+

- **Primary industry:** 5% Business/Professional services, 3% Construction/Engineering, 5% Financial services, 11% Healthcare, 5% IT and Telecoms, 3% Logistics and distribution, 11% Manufacturing, 3% Media, 2% Pharmaceuticals, 10% Public sector, 12% Retail/Wholesale, 3% Utilities, 28% Others

- **Company size:** 28% 100 employees and less, 46% 100–5,000 employees, 26% more than 5,000 employees

Some numbers do not sum to 100 due to rounding.

APPENDIX 2

TABLE OF LEADER BEHAVIORS BY INNOVATION CHALLENGE:

LEADER AND EMPLOYEE AGREEMENT RATES

Inspiring Curiosity

Leader Behavior	Leader	Employee
I challenge employees to vigorously engage themselves with our customers' interests, needs, and motivations.	77%	54%
I urge employees to continually expand their understanding of business trends and emerging issues.	77%	51%
I challenge employees to take unfamiliar perspectives in order to question their assumptions.	67%	37%
I enable employees to regularly observe and interact with suppliers and other companies in our industry.	60%	35%
I encourage employees to spend less time problem-solving and more time understanding stakeholder views.	41%	29%

Challenging Current Perspectives

Leader Behavior	Leader	Employee
I demonstrate unwavering openness and appreciation for unique ideas and opinions.	78%	43%
I ask thought-provoking questions to drive exploration of new possibilities.	74%	42%
I promote cross-functional collaborations to fuel the generation of new ideas.	72%	43%
I encourage active and passionate debate about the merits of new concepts.	71%	41%
I sponsor frequent brainstorming sessions to generate and develop ideas.	59%	39%

Creating Freedom

Leader Behavior	Leader	Employee
I guide employees who fail or make mistakes to reframe the experiences as learning opportunities.	77%	47%
I give employees full latitude to choose the best path to accomplish their goals.	75%	43%
I empower employees to pursue new ideas autonomously rather than needing others' approval for every decision.	73%	41%
I create abundant opportunities for employees to take action on their big ideas.	67%	40%
I support employees' key decisions even when they are not based on extensive data and analysis.	56%	33%

Driving Discipline

Leader Behavior	Leader	Employee
I champion the merits of employee-initiated ideas to senior management.	75%	42%
I connect employees who have ideas for new projects to others who can help them take next steps.	73%	42%
I introduce employees to structured tools and techniques designed to enhance their creativity.	69%	40%
I promote employee-driven research and experimentation to iteratively improve new concepts.	68%	42%
I protect designated time away from core activities for employees to generate new ideas.	60%	33%

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Evan Sinar manages a team of industrial-organizational professionals to create DDI's screening, testing, and assessment solutions. Evan has consulted with DDI clients including Wal-Mart, Procter & Gamble, Marriott, Citi, Volkswagen, and General Motors. Evan serves as a thought leader on topics such as technology-delivered testing, legal defensibility, and candidate reactions. He also has authored numerous publications and presentations for major journals and professional conferences.

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Rich is responsible for leading DDI's global research programs, launching new solutions, and executing DDI's brand and marketing strategies. During his tenure at DDI, Rich has authored five books on leadership and teams and written for more than 20 publications on global talent management. Rich has helped organizations around the world develop their senior leaders. He also serves as a judge for CNBC's ABLA, interviewing dozens of Asia's top CEOs each year.

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