

**NUDGING INNOVATION ACROSS THE FIRM –  
ALIGNING ORGANIZATIONAL CULTURE WITH INNOVATION STRATEGY**

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**ABSTRACT**

Company culture is identified as one of the top obstacles for innovation performance in a global survey of 1,500 executives. Existing since the 1950s, behavioral theory has seen a recent resurgence of popularity in shaping culture. Described in the book *Nudge*, compelling research demonstrates that individual and collective behavior can be influenced through “environmental choice architecture.” The Oxford Innovation Insights Project was established to answer the question – *How and to what extent are firms using “environmental choice architecture” to “nudge” innovation across the organization?* Semi-structured interviews were conducted with 60 “C-Suite” executives, representing 15 different industries. Eighty-six percent of respondents identified innovation as a strategic priority for their firm. A vast majority of respondents (92%) rated their companies as having either a “moderate” or “low” level of firm-wide innovation, whereas just 8% of respondents rated their companies as having a “high” level of firm-wide innovation. The environmental choice architecture components most frequently used by firms to encourage innovation behaviors across the workforce are identified. A strong positive

relationship was found between “high innovation” firms and the number of choice architecture components they use to encourage innovation. Firms having a low level of innovation underperformed market peers, while firms rated as having a high level of firm-wide innovation outperformed the market benchmark.

## **NUDGING INNOVATION ACROSS THE FIRM – ALIGNING ORGANIZATIONAL CULTURE WITH INNOVATION STRATEGY**

Due to the dynamic nature of the global economy, rapid technological change, shifting customer demands, and market entry from unanticipated competitors, innovation has captured the attention of firms throughout the globe. Innovation is not just nice to have. Highly innovative companies realize superior revenue growth, earnings and market performance compared to peers who are less innovative.

According to the McKinsey Global Innovation Survey, 84% of executives identified innovation as a strategic priority crucial to firm growth, but only 6% are satisfied with their organization's innovation performance (McKinsey & Company, 2020). It comes as no surprise that innovation is a top strategic priority for a majority of firms, as innovation has been found to have a significant positive impact on firm performance. For example, an analysis of 600 firms found that the most innovative organizations in the sample achieved 11% higher average annual revenue growth and 22% higher average annual EBITDA than the firms identified as less innovative (Groth, 2011). Moreover, while innovation is vital for the performance of organizations of all sizes, it's particularly essential for large companies looking to grow (or simply to maintain their present market position), with half of the S&P 500 forecasted to be replaced in the next ten years (Nieminen, 2018).

### **R&D is necessary for firm innovation, but it is not sufficient**

With innovation being a top strategic priority across firms, predictably management have invested heavily in their research and development (R&D) efforts (Jaruzelski *et al.*, 2018). However, they have ignored the broader organization where creativity and innovation beyond

R&D occur (Mo, 2016). A study of the innovation efforts of 1,706 manufacturing companies identified the importance of firms approaching their innovation strategy in a comprehensive way, considering the roles of all intangible assets, not only the R&D function (Higón *et al.*, 2017). While another study of 600 firms assessed the effects of companies having both an innovation strategy and a “pro-innovation” culture on enterprise value, finding those firms possessing “highly-aligned cultures and innovation strategies” achieved 30% higher enterprise value growth than firms without a culture aligned to innovation strategy (Groth, 2011).

### **Creativity is just the beginning of innovation**

Although the concepts of creativity and innovation are frequently used interchangeably, it is important to distinguish creativity from innovation. The former editor of the *Harvard Business Review*, Theodore Levitt remarks, “[managers] generally fail to distinguish between the relatively easy process of being creative in the abstract and the infinitely more difficult process of being innovationist in the concrete” (Levitt, 2002, p. 137). Creativity refers to the development of “novel, potentially useful ideas”, while employees may share their ideas with others only when the ideas are successfully implemented would they be considered innovation. Therefore, “creativity might best be conceptualized as a first step that is necessary for subsequent innovation” (Shalley *et al.*, 2004, p. 934). Thus, in the broadest sense, the term “innovation” entails both creating *and* implementing ideas. Moreover, areas of innovation include new products and services, technologies, marketing, analytics and use of data, business processes, or business models (Ringel *et al.*, 2015). Figure 1 identifies the key differences between creativity as a cognitive construct and innovation as an organizational construct.

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### **Organizational culture is crucial to innovation performance**

The often-repeated phrase “Culture eats strategy for breakfast” is attributed to the late management guru Peter Drucker, who believed that organizational culture is the key determinant of success or failure for firms’ strategies (Engel, 2018). Supporting Drucker’s assertion, company culture is identified as one of the top obstacles for innovation performance in a global survey of 1,500 executives (Ringel *et al.*, 2015). Moreover, the authors of the McKinsey Global Innovation Survey state, “The best companies [in the study] find ways to embed innovation into the fibers of their culture, from the core to the periphery” (de Jong, *et al.*, 2015), but tellingly the authors don’t identify how to go about creating that embeddedness. What is required then is a pragmatic approach enabling management to embed innovation across their organization’s culture.

### **An actionable model**

The *Cultural Alignment Model* (Figure 2) was designed based on the concept that individual and collective workforce behaviors are formed by an organization’s environment. Although existing since the 1950s, behavioral theory (Skinner, 1953; 1974) has seen a recent resurgence of popularity in shaping culture. Described in the book *Nudge* (Thaler and Sunstein, 2008), compelling research demonstrates that individual and collective behavior can be influenced through what is termed “environmental choice architecture.” From purchasing more items positioned at eye-level on a store shelf, rather than those below or above eye-level, to encouraging healthy food choices by listing calorie counts of different meal choices on restaurant

menus, we are continually being “nudged” by the choice architecture of our environment. Furthermore, a behavioral approach to managing organizational culture enables clear measurement of progress since desired workforce behaviors can be readily observed, evaluated, recorded and reported (De Brentani and Kleinschmidt, 2004). Behavioral theory offers a practical alternative to personality theory which describes organizational culture as the sum of a workforce’s attitudes and beliefs (Phelps, 2015). Figure 3 highlights the key differences between addressing organizational culture based on behavioral (“nudge”) theory versus personality theory.

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### *Origins of the model*

Underpinned by behavioral theory, an early version of the Cultural Alignment Model originated over 25 years ago as a framework to improve strategy implementation at several UK firms (Galpin, 1996). In the ensuing decades, following the principles of action-based research (French, 2009), the model has been applied and refined while across various industries and geographies.

### **The Oxford Innovation Insights Project**

The Oxford Innovation Insights Project was established to test the Cultural Alignment Model presented in Figure 2, by answering the question – *How and to what extent are firms*

using “environmental choice architecture” to “nudge” innovation across the organization? To address this question, the twelve organizational processes (“cultural levers”) identified in the Cultural Alignment Model were used to define the components that comprise an organization’s environmental choice architecture.

Semi-structured interviews were conducted with 60 “C-Suite” executives from 60 different companies, representing 15 different industries (see Figure 4). Thirteen percent of the respondents have title of Chief Executive Officer or Managing Director, while 87% have other “C-Suite” titles: Chief Financial Officer, Chief Operating Officer, Chief Information Officer, Chief Marketing Officer, Senior Vice President, or Vice President. Each executive was asked to respond to the same four items:

1. *To what extent do you agree or disagree with the statement - Innovation is a strategic priority for our firm.*
2. *On a scale of 1 (low innovation) to 10 (high innovation) please rate your firm’s organization-wide level of innovation.*
3. *Which of the following processes does your firm use to encourage innovation across the organization? (please choose all that apply)*
  - Organizational Values
  - Staffing and Selection
  - Communications
  - Training
  - Rules and Policies
  - Goals and Measures
  - Rewards and Recognition
  - Decision-making
  - Organization Structure
  - Physical Environment
  - Customs and Norms
  - Ceremonies and Events
4. *For the processes that your firm utilizes, please provide examples of how each is designed to encourage innovation behaviors across your workforce.*

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INSERT FIGURE 4 ABOUT HERE  
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### *Key findings*

Q1: Eighty-six percent of respondents to the Oxford Innovation Insights Project “strongly agreed” (63%) or “agreed” (23%) with the statement – *Innovation is a strategic priority for our firm*, while just 14% disagreed with the statement (see Figure 5). This finding is slightly more than but consistent with previous innovation survey results, which found that 84% of participants identified Innovation as a strategic priority (Nieminen, 2018).

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Q2: Most respondents (92%) rated their companies as having either a “moderate” (55%) or “low” (37%) level of firm-wide innovation, while just 8% rated their companies as having a “high” level of firm-wide innovation (see Figure 6).

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INSERT FIGURE 6 ABOUT HERE  
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Q3: The environmental choice architecture components (i.e. cultural levers) most frequently used by firms to encourage innovation behaviors across the workforce were Communication (92%), Organizational Values (58%), and Training (55%) (see Figure 7). The high usage of these three processes may be due to their ease of implementation and they are often seen as the least controversial to apply. Whereas, the low utilization of levers such as rules



and policies (1%), organization structure (2%), ceremonies and events (2%), and goals and measures (4%) may be due to these levers (with the possible exception of ceremonies and events) often being more controversial to implement and their use can create more resistance amongst management and employees. Additionally, a strong positive relationship (.82) was found between “high innovation” firms and the number of environmental choice architecture components (cultural levers) they use to encourage innovation (see Figure 8). While from a limited sample, this finding supports the notion that the more culture levers used the greater the alignment created between an organization’s culture and its strategy (Galpin, 2018).

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Q4: Examples provided by the study participants illustrating how each cultural lever is used in their organization to “nudge” innovation are included in Figure 9. Of note is the simplicity of many of the “nudges” within each lever, as well as the limited time, effort and cost involved in implementing many of the example nudges.

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INSERT FIGURE 9 ABOUT HERE  
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## **Nudging innovation across the firm leads to better market performance**

Forty-eight of the sixty firms represented in the Oxford Innovation Insights Project were publicly traded firms. A comparison of these firms' average annual share price performance over a five-year period (2015-2019) against the S&P Global 1200 Index (ticker symbol SPG1200) for the same period found that the eighteen firms rated as having a low level of firm-wide innovation returned 3.2% lower average annual returns than the benchmark. The twenty-six firms rated as having a moderate level of firm-wide innovation returned 2.1% higher average annual returns than the benchmark. While the four firms rated as having a high level of firm-wide innovation achieved 4.6% better average annual returns than the benchmark. Although from a narrow sample size, these market returns, combined with the strong relationship identified between the number of cultural levers used and higher levels of firm-wide innovation, support the concept that applying more cultural levers to “nudge” innovation across a firm leads to higher levels of firm-wide innovation resulting in superior firm market performance. This finding is in line with previous research into the market performance of innovative firms versus benchmark stock indexes. The “Innovation Alpha Index”, consisting of 120 global and 100 public U.S. highly innovative companies, generated 4.1% higher annual shareholder returns than their peers “because they invest in intangible assets” (van Ark, 2019).

## **Applying the Cultural Alignment Model**

Figure 10 identifies five key steps for applying the Cultural Alignment Model to encourage innovative workforce behaviors.

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INSERT FIGURE 10 ABOUT HERE  
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*A mobilizing jolt of energy through the company*

A typical reaction from various executives who have not addressed cultural alignment using the twelve levers identified in Figure 2 is that the approach appears to be overly bureaucratic. It is a natural tendency of executives to want simple answers to complex issues such as managing culture, frequently asking “Can’t we just replace a few people who don’t match the culture we want?” Or, “Can we just put everyone through a culture training program?” What has become evident through multiple iterations of applying the Cultural Alignment Model in numerous organizations across industries and geographies and supported by the findings of the Oxford Innovation Insights Project, is applying only one, or even a few, of the twelve levers is generally ineffective.

A cultural training program, for example, may provide some awareness of the desired innovation culture, along with a brief “boost” toward instilling the desired culture. But, when everyone returns back from the culture training to their daily jobs, the rest of the organizational environment hasn’t changed at all, reinforcing the disparities in the culture which existed previously. Thus, the time and resources to provide cultural training as the sole source of cultural alignment are wasted. In contrast, implementing most, or all, of the twelve levers is effective at aligning culture with strategy. To make the application of the model manageable, a phased approach should be taken, including short (within 30 days), medium (within six months), and longer-term implementation actions (six to twenty-four months or more).

Applying all twelve levers simultaneously to compare and integrate combining firms’ cultures can seem like an intimidating task to most managers. But changing everything at once would send “a mobilizing jolt of energy through the company...We imagine it would also send a chill through the spine of most CEOs” (Boyett and Boyett, 1998). Consequently, addressing all

twelve levers over the short, medium, and long-term during will effectively stimulate cultural alignment, but it requires determined and persistent leadership.

### **Creating a culture of innovation across a European bank**

With the rapid rise of fintech combined with changing customer preferences about how to access and use financial services, innovation had become a top strategic priority for the leadership team of a European based bank. As a result, the CEO wanted to establish a “culture of innovation” (his words) across the organization, comprised of over 50,000 employees across 37 countries. Although the bank had already established relationships with and invested in several fintech startups, the CEO knew that this would not be enough to create the culture of innovation that would enable the bank to identify and implement the new products, services, processes, technologies and business models required to compete in the future. Ideas needed to come from, and projects had to be pursued, not only within the IT department where much of the bank’s R&D had been occurring, but across the firm. He needed a clear and actionable approach to align the bank’s culture with the innovation strategy, which would have a tangible and measurable impact.

The cultural alignment process began with the “C-level” leadership team of the bank incorporating innovation into the bank’s values and strategy. Then, a twelve-person “Innovation Culture Team” representing a cross-section of managers and employees across the bank’s regional locations, along with three HR representatives, was established to tackle the task. The team applied the Culture Alignment Model to conduct a “discovery phase”, assessing the gaps which existed between the current design of each of the twelve “cultural levers” and the desired future design of each lever required to “nudge” innovative behaviors across the bank’s workforce.

After current and future design gaps were identified, the culture team began a detailed redesign of the content and delivery of the twelve cultural levers, identifying a timeline of short, medium, and long-term “nudges” for each lever. They also developed a detailed budget required for implementation and gained approval for their plans from the bank’s leadership team.

Once the plans were approved, implementation began with “quick win” actions (implemented within 30 days) including regular “innovation themed” communication. Medium-term actions (30 days – six months) such as innovation training for all managers and employees, establishing an idea submission and vetting process for the bank, recognition and rewards for submitting new product, process, technology or service ideas, and the formation of innovation teams to implement approved ideas. Long-term actions (six to twenty-four months) included flattening the bank’s organization structure by removing two layers of management, accelerating the decision-making process for newly proposed innovation efforts, and aligning the bank’s goals, measures and rewards to encourage innovation.

Measurement involving survey and focus group feedback across the bank’s employees was collected monthly for the first six-months, and then quarterly. For all rating periods during the first two-years after implementation began, well over three quarters of the bank’s staff rated the “innovation culture” efforts as “highly effective” or “extremely effective”. Regular adjustments were made throughout the implementation, based on the feedback collected. Beyond the employee feedback collected, idea submissions and participation in idea development and implementation across the bank “increased significantly”. Employee engagement, measured annually, demonstrated increased engagement at both one year and two years post implementation launch.

## **Aligning organizational culture with innovation strategy provides competitive advantage**

The concept of core competencies suggests that firms can differentiate themselves from their competition by developing an integrated set of unique and valuable capabilities, which are difficult for other firms to imitate (Prahalad and Hamel, 1990). Besides being a differentiator, how a firm organizes around a unified set of activities provides a source of strategic competitive advantage. Separately, each capability is valuable. But the principal competitive advantage is found in the integrated combination of capabilities a firm employs in a particular area, making them hard to separate and difficult for other firms to duplicate (Porter, 1996). How then does a firm know if a particular core competence provides competitive advantage?

The VRIO (Valuable, Rare, Inimitable, Organizational) framework has become a standard test of how well a particular core competence does or does not provide competitive advantage to a firm (Knott, 2015). The VRIO framework consists of four key criteria about a resource or capability to determine its competitive potential:

- **Value:** Does the resource/capability enable the firm to improve its efficiency or effectiveness?
- **Rarity:** Is control of the resource/capability in the hands of a relative few?
- **Inimitability:** Is it difficult to imitate, and will there be significant cost disadvantage to a firm trying to obtain, develop, or duplicate the resource/capability?
- **Organizational:** Is the firm organized in such a way that it is ready and able to exploit the resource/capability?

Using an actionable, behavioral (nudge) approach to align a firm's culture with its innovation strategy provides a valuable, rare and inimitable advantage (see Figure 11).

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INSERT FIGURE 11 ABOUT HERE  
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### **Implications for future research**

In order to more comprehensively answer the question – *How and to what extent are firms using “environmental choice architecture” to “nudge” innovation across the organization?* – research should be conducted to:

- Further test the Cultural Alignment Model by repeating the current study to include more respondents and industries.
- Rather than relying on self-ratings, determine a firm’s innovation rating through an external assessment, such as industry expert ratings of firms’ innovativeness.
- Beyond frequency of utilization, assess the strength of innovation “nudge” each cultural lever provides (e.g. strong, moderate, or limited encouragement).
- Compare the level of innovation between industries by expanding the respondent pool to include more representatives from each industry.

### **Summary**

Since innovation has become a strategic priority across firms and industries, executives have realized that to be successful their innovation efforts must span the organization. However, many company’s innovation performance is lacking. Thus, a pragmatic behavioral approach to “nudge” a culture of innovation across the organization provides a valuable, rare, and inimitable advantage for firms.

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Figure 1. Innovation versus creativity

<b>Creativity</b>	<b>Innovation</b>
Cognitive	Organizational
Conception	Implementation
Thought	Action
Subjective	Objective
Difficult to measure	Easier to measure

Figure 2. Cultural Alignment Model – Twelve “cultural levers” to align organizational culture with innovation strategy\*

<b>Cultural Levers</b>	<b>Current Focus and Design</b>	<b>Required Focus and Design</b>	<b>Redesign Actions (Short, Medium, Long-term)</b>
1. Organizational Values			
2. Staffing and Selection			
3. Communications			
4. Training			
5. Rules and Policies			
6. Goals and Measures			
7. Rewards and Recognition			
8. Decision-making			
9. Organization Structure			
10. Physical Environment			
11. Customs and Norms			
12. Ceremonies and Events			

\*Based on the behavioral “nudge” concept – Actively engineering a firm’s “environmental choice architecture” (cultural levers) aligns workforce behaviors (organizational culture) with innovation strategy.

Figure 3. Organizational culture based on personality theory versus behavioral theory

<b>Personality Theory</b>	<b>Behavioral (“Nudge”) Theory</b>
Attitudes	Environment
Beliefs	Processes
Values	Systems
Shared meanings	Actions
Invisible	Visible
Difficult to manage	Easier to manage
Difficult to measure	Easier to measure

Figure 4. Oxford Innovation Insights Project – Industries represented

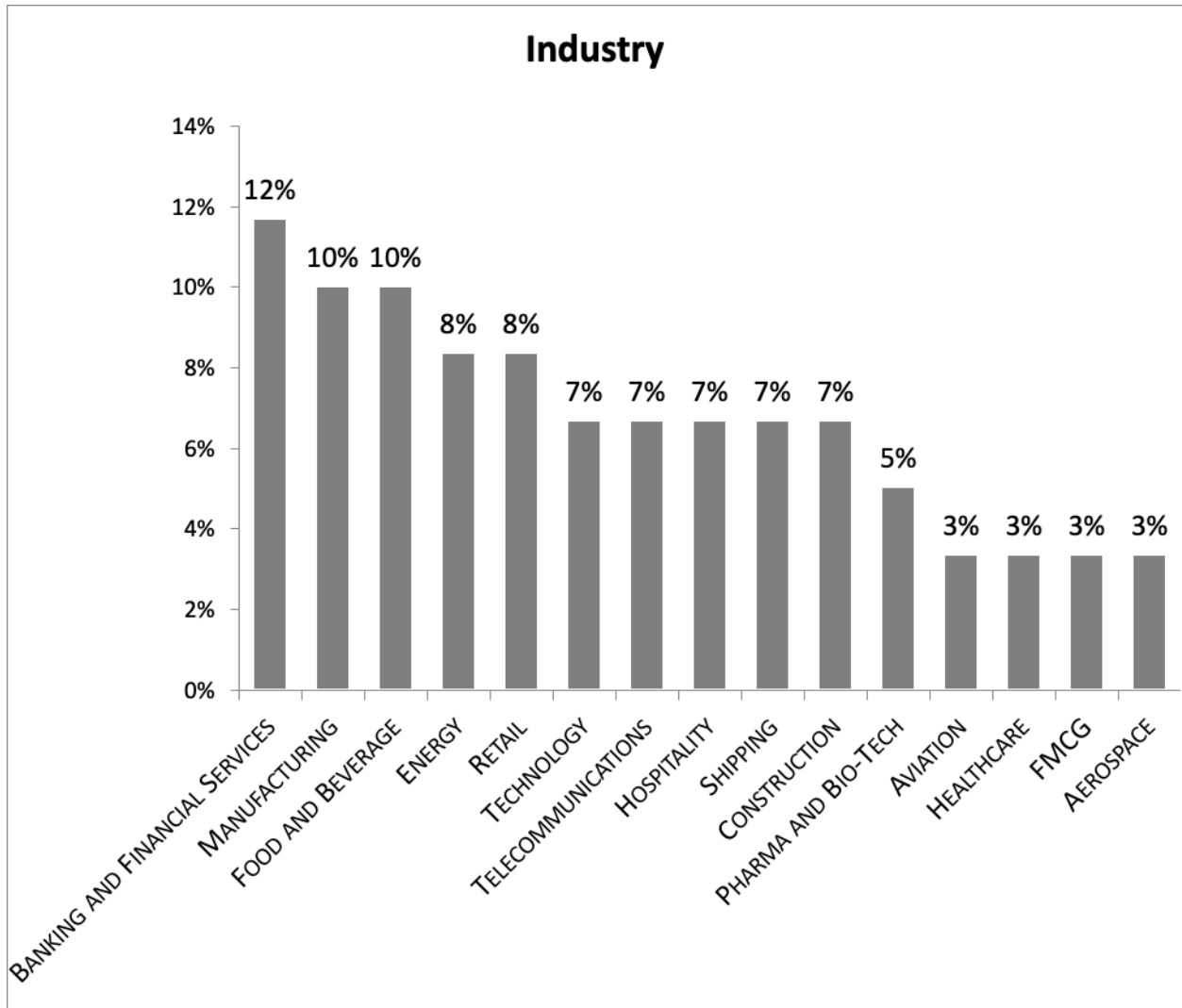


Figure 5. Oxford Innovation Insights Project – Innovation is a strategic priority

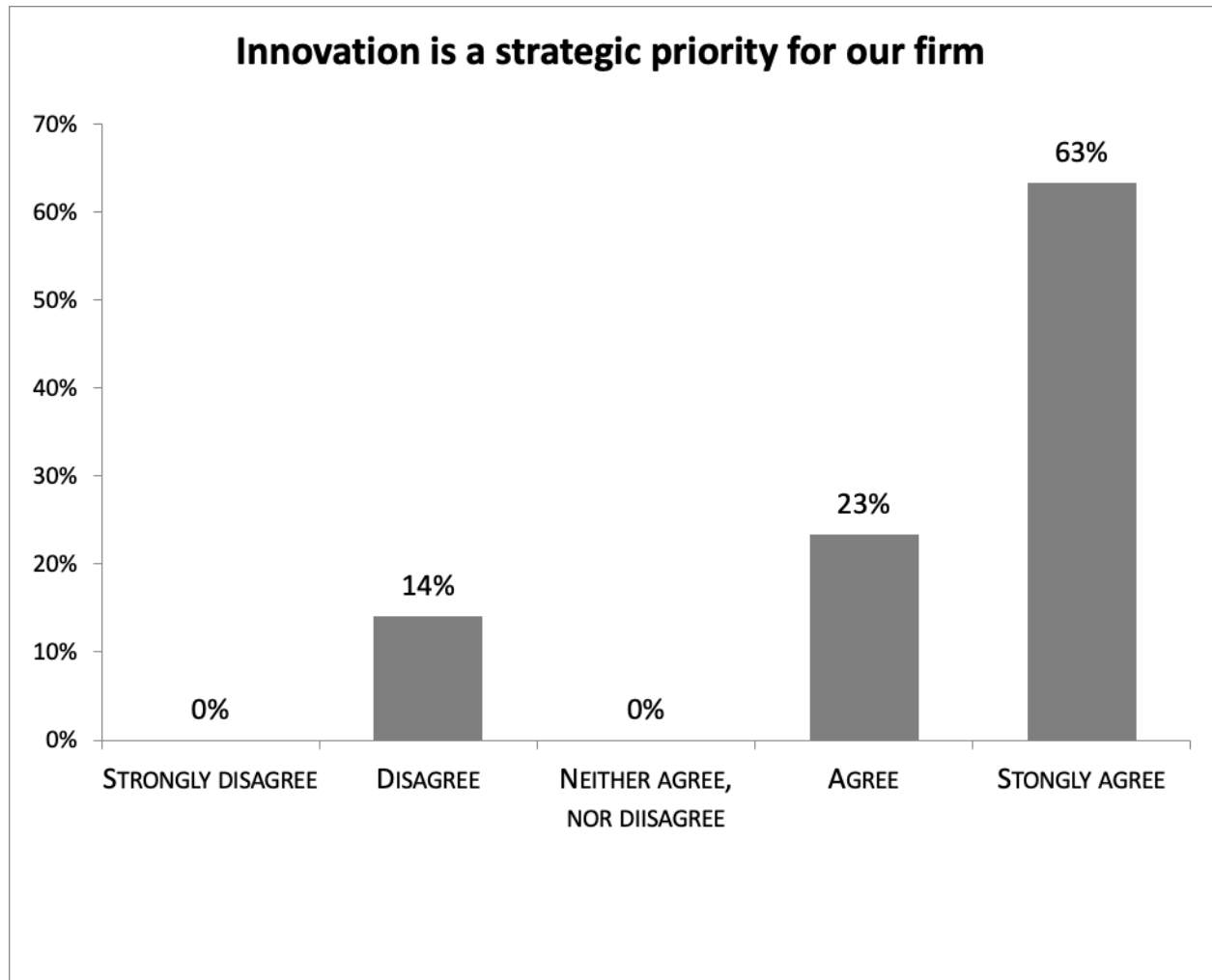


Figure 6. Oxford Innovation Insights Project – Level of organization-wide innovation

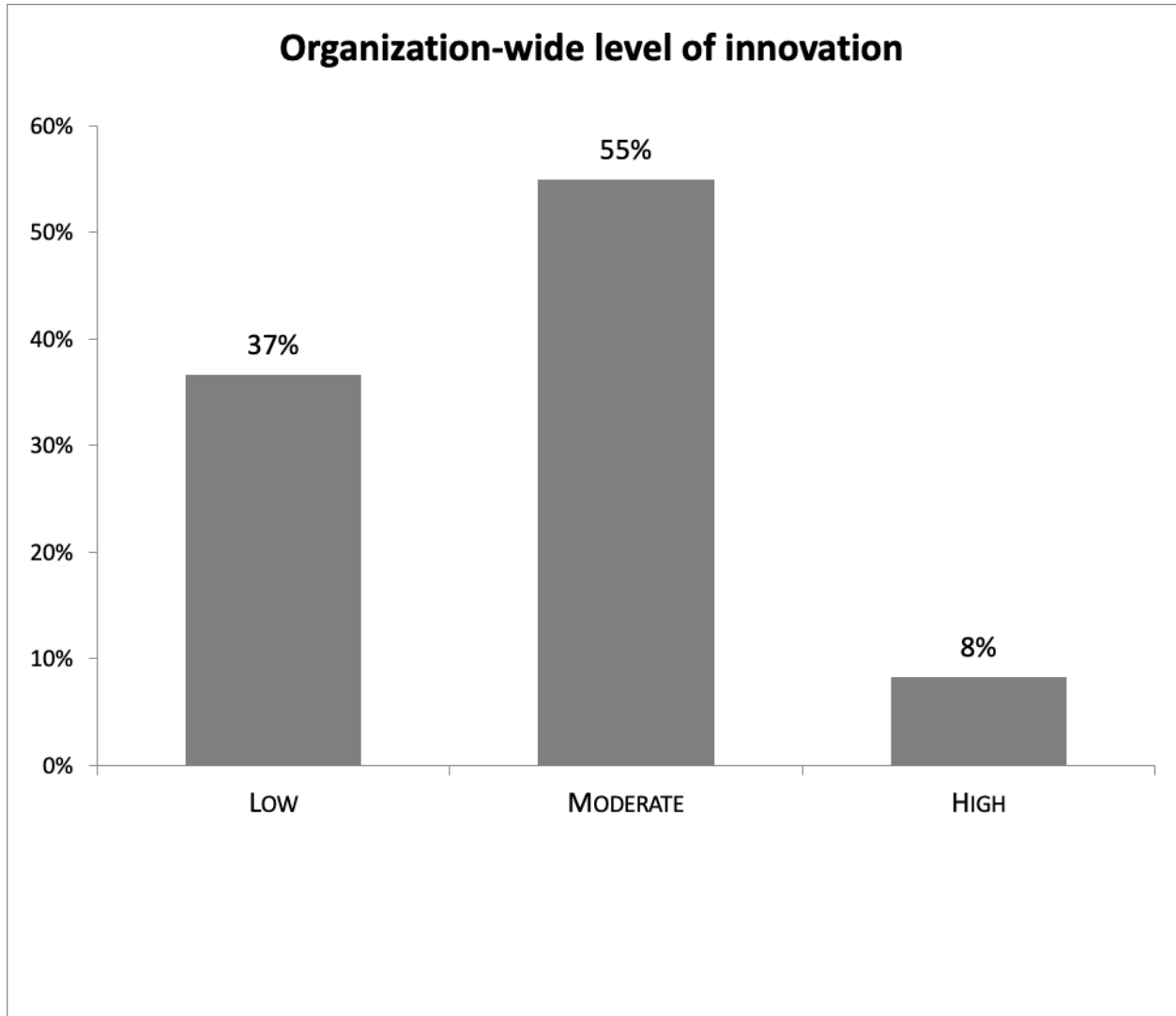


Figure 7. Oxford Innovation Insights Project – Cultural levers used

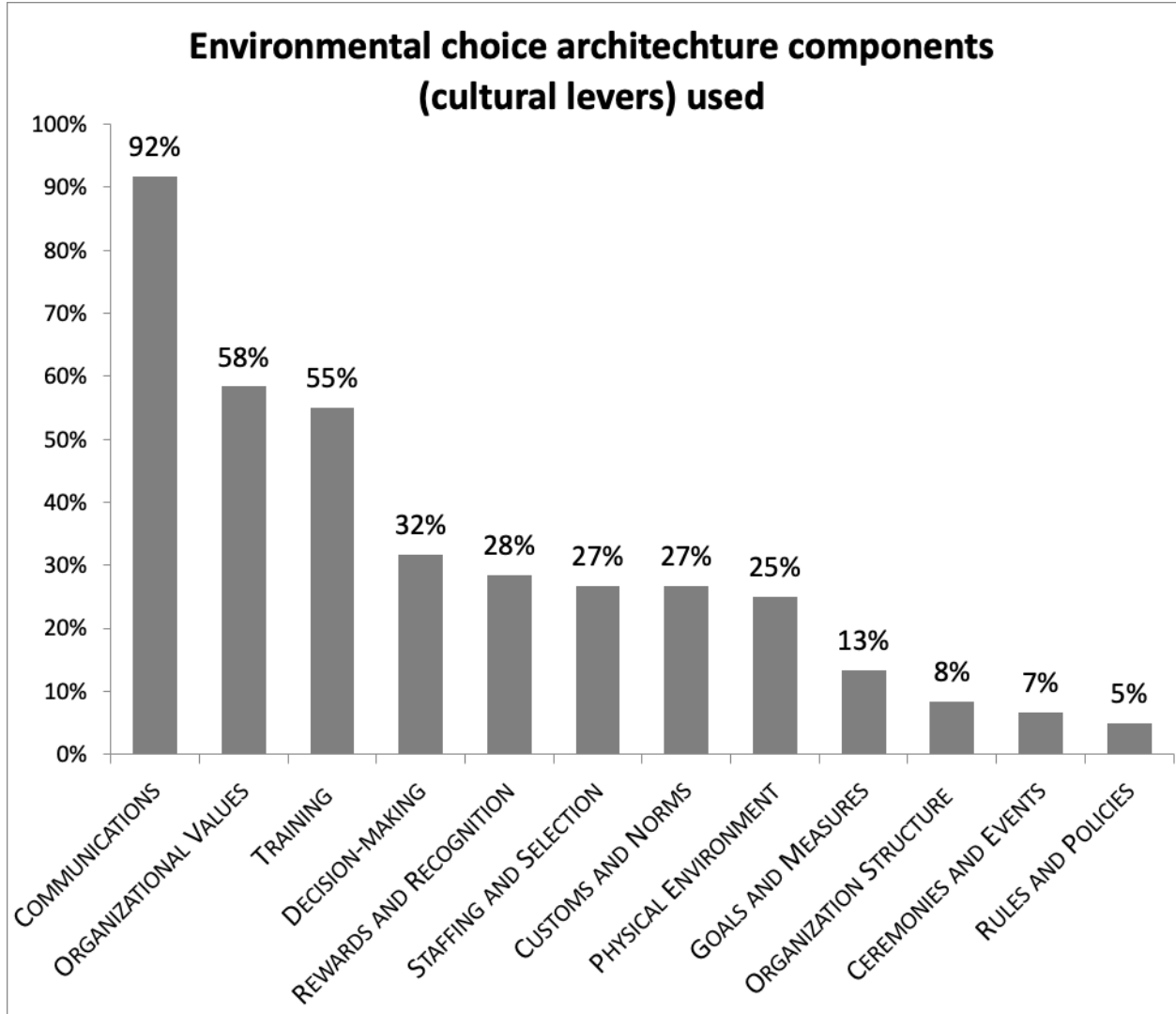




Figure 8. Oxford Innovation Insights Project – Relationship between the number of cultural levers used and innovation rating

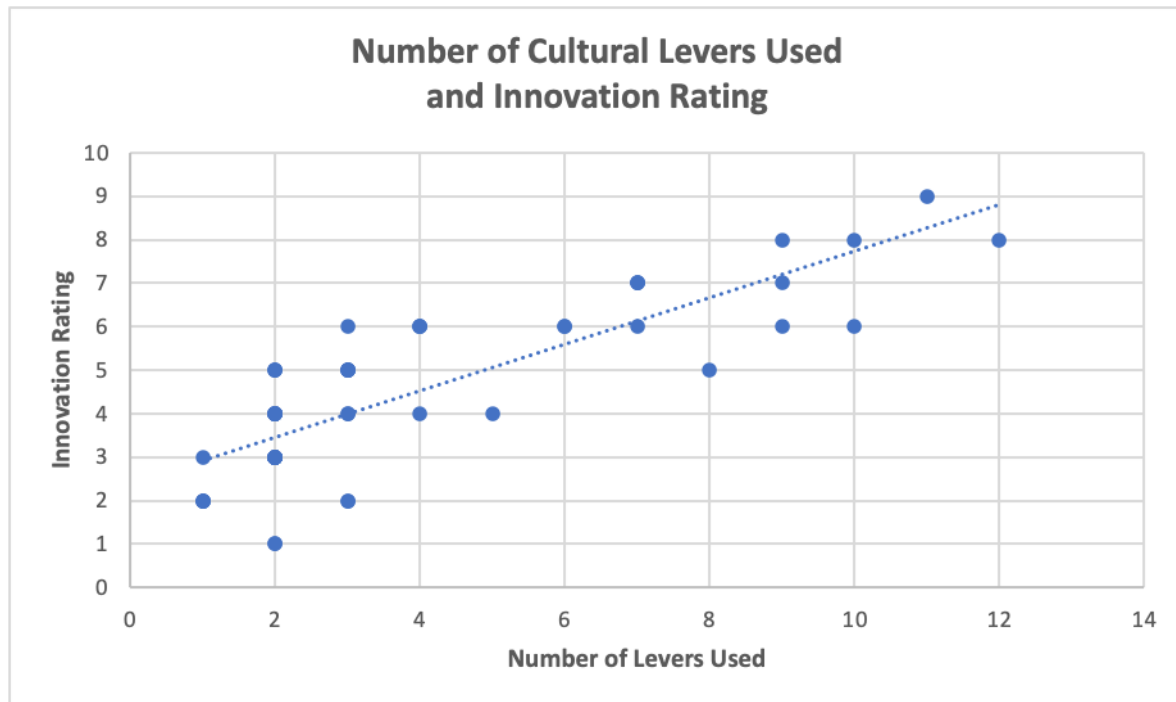


Figure 9. Example innovation “nudges” within each cultural lever

<b>“Cultural Levers” (elements comprising an organization’s “environmental choice architecture”)</b>	<b>Percent of companies using</b>	<b>Example Innovation “Nudges”</b>
Organizational Values	58%	<ul style="list-style-type: none"> <li>• Innovation is included in our corporate values.</li> <li>• We identify innovation behaviors that describe what “innovation” means to the firm (e.g. ‘share ideas to make tasks quicker, safer, or easier for the customer, then test the ideas to see how they work’).</li> </ul>
Staffing and Selection	27%	<ul style="list-style-type: none"> <li>• We have made innovation a key requirement for hiring and promotion of all staff, not just R&amp;D.</li> <li>• We use case interviews to assess a candidate’s ideation and lateral thinking.</li> <li>• During interviews, we ask candidates to “tell us about a time when you implemented an improvement idea (small or large) at work and describe how you measured the results”.</li> </ul>
Communications	92%	<ul style="list-style-type: none"> <li>• We regularly communicate the importance of innovation to all areas and levels of the company.</li> <li>• We use multiple methods to communicate our innovation messages to all employees (e.g. email, face-to-face, newsletters, etc.).</li> <li>• We emphasize that innovation is not limited to new product or service ideas, but also includes coming up with and implementing ideas for new business processes.</li> </ul>
Training	55%	<ul style="list-style-type: none"> <li>• We hold innovation training sessions for most areas of our business.</li> <li>• Our innovation training includes where to look for new ideas, how best to share ideas, and how to implement and measure ideas.</li> </ul>
Rules and Policies	5%	<ul style="list-style-type: none"> <li>• We have established a set protocol for submitting innovation ideas.</li> </ul>
Goals and Measures	13%	<ul style="list-style-type: none"> <li>• We have established “innovation metrics” (e.g. the number of new ideas submitted by department and across the firm, number of ideas implemented, and return on investment of ideas implemented).</li> <li>• We have established informal innovation goals across departments (e.g. cycle-time reduction, services improvement, and cost savings).</li> </ul>
Rewards and Recognition	28%	<ul style="list-style-type: none"> <li>• We provide rewards to employees whose ideas have resulted in business or service improvements (e.g. cash rewards, time off, or gift cards).</li> <li>• We recognize employees for coming up with and implementing business or service improvements (e.g. writeup and photo in the company newsletter, ‘employee of the month’ linked to innovation).</li> </ul>
Decision-making	32%	<ul style="list-style-type: none"> <li>• We have pushed service and business model innovation implementation decisions down to front-line managers and employees.</li> <li>• We have established an “innovation gating” process to approve significant innovation proposals (e.g. proposals above a certain spending threshold).</li> </ul>

		<ul style="list-style-type: none"> <li>• Our innovation gating process involves a set protocol for reviewing and deciding which innovation ideas move forward to pilot-testing and rollout.</li> </ul>
Organization Structure	8%	<ul style="list-style-type: none"> <li>• We have flattened our organization structure to reduce layers of approval for innovation implementation.</li> <li>• We have organized our firm's structure around processes, rather than functional silos to facilitate more business model innovation.</li> </ul>
Physical Environment	25%	<ul style="list-style-type: none"> <li>• We have co-located departmental teams in the same work areas to encourage interaction and innovation.</li> <li>• We have a lot of wall-hangings in our common areas that list our company values, including innovation.</li> </ul>
Customs and Norms	27%	<ul style="list-style-type: none"> <li>• We hold regular "idea sharing" lunches to facilitate innovation across project teams.</li> <li>• We have established "innovation ambassadors" whose role is to seek out and share ideas across departments and functions.</li> </ul>
Ceremonies and Events	7%	<ul style="list-style-type: none"> <li>• We hold quarterly two-day "innovation hackathons", which include different teams, departments, and functions.</li> <li>• We conduct an annual "innovation awards" ceremony.</li> </ul>

Figure 10. Steps for applying the Cultural Alignment Model

Step	Key Activities
1. Form a cross-functional Innovation Culture Team	<ul style="list-style-type: none"> <li>Identify both line and HR management representatives from across the organization to serve as an Innovation Culture Team.</li> </ul>
2. Conduct a “cultural audit”	<ul style="list-style-type: none"> <li>Using the Cultural Alignment Model as a template, identify the current content and alignment of the firm’s strategy and twelve cultural levers in relation to the firm’s desired innovation efforts.</li> <li>Does each element overtly identify innovation as an organizational priority?</li> <li>Is each element aligned with the others?</li> <li>Identify and record potential short, medium, and long-term actions for incorporating innovation into the firm’s culture, across each of the strategic elements and all twelve cultural levers.</li> </ul>
3. Create a detailed Innovation Culture Plan	<ul style="list-style-type: none"> <li>Develop an Innovation Culture Plan including timelines, budgets, milestones, and accountabilities for implementation across each of the twelve cultural levers.</li> <li>Gain senior leadership approval for the plan.</li> </ul>
4. Implement and build momentum	<ul style="list-style-type: none"> <li>Begin by implementing the short-term actions for the various ‘cultural levers’ (i.e. “Quick Wins” that can be implemented within 30-60 days to demonstrate progress and build momentum).</li> <li>Then, progress to implementing the medium and long-term actions.</li> <li>Involve senior leaders in the implementation across the twelve levers.</li> </ul>
5. Track progress, collect evidence, and adjust	<ul style="list-style-type: none"> <li>Conduct regular reviews (monthly to begin, then quarterly) regarding progress of the organization’s innovation culture plan (i.e. what is working well, what needs to be adjusted).</li> <li>Gather data (i.e. workforce feedback via surveys and focus groups) about the firm’s innovation culture (e.g. visibility of actions, views of success, suggestions for improvement); identify number and source of new ‘innovation’ initiatives across the organization (e.g. business process initiatives, customer service initiatives, product initiatives).</li> <li>Adjust as required, based on the data gathered.</li> </ul>

Figure 11. VRIO – Aligning organizational culture with innovation strategy

VRIO Criteria	Fulfills VRIO?	Rationale
<b>Value:</b> Does the resource/capability enable the firm to improve its efficiency or effectiveness?	<b>YES</b>	A firm-wide culture of innovation produces greater product innovation, business process and service innovation.
<b>Rarity:</b> Is control of the resource/capability in the hands of a relative few?	<b>YES</b>	Creating an organizational culture of innovation is unique, as many firms only focus on innovation as R&D.
<b>Inimitability:</b> Is it difficult to imitate, and will there be significant cost and/or time disadvantage to a firm trying to obtain, develop, or duplicate the resource/capability?	<b>YES</b>	Creating an organization-wide culture of innovation is hard to duplicate because of the effort and time involved.
<b>Organization:</b> Is the firm organized in such a way that it is ready and able to exploit the resource/capability?	<b>YES</b>	Creating an organization-wide culture of innovation requires a firm to design and continually manage an integrated bundle of twelve “cultural levers”.