Navigating Innovation Roadblocks
Key Differences between Innovative And Non-Innovative Organizations

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Introduction

We have all heard the cautionary tales. Blockbuster missed the opportunity to innovate around streaming video rentals and lost their once-cornered market to Netflix. Kodak, the former leader in the film industry, filed for bankruptcy in 2012 because they struggled to adapt to the world of digital photography (a technology that they invented). Companies, leaders, and consultants offer the same advice—***innovate or die***. Experts have noted the following:

- Innovation is one of the top 10 trends affecting business and leadership (Criswell & Martin, 2008).

- Executives cite creativity as the number one leadership skill needed for dealing with an increasingly complex future (IBM, 2010).

- Creativity and innovation are essential requirements for organizational success (Mumford & Simonton, 1997).

- Willingness to rapidly prototype early versions of innovations is one of the top 10 new leadership skills that will be needed in the future (Johansen, 2012).

However, despite the consensus concerning the importance of innovation, it continues to be an area with which organizations and leaders struggle. In fact, drive for innovation was identified as one of the primary challenges organizations face based on a survey of over 1,000 leaders around the world (Martin, 2007). Given that leaders and organizations seem to care a great deal about being innovative, what is holding them back? Why aren't companies as innovative as they want to be?

In order to better understand how innovation works in organizations, the Center for Creative Leadership (CCL®) conducted an online survey of 485 people from organizations around the globe, asking them to share their experiences with innovation in the workplace, including what their organizations do to encourage innovation and what common roadblocks they face when trying to implement innovation. (To learn more about the specifics of this study, see the About the Research section at the end of this paper.) We present new insights from this research that shed light on the gap between the desire for innovation and the effective implementation of innovation within organizations. Specifically, we discuss:

- the extent to which organizations struggle with innovation;

- the key differences between organizations that are effective and ineffective at innovation;

- the common roadblocks that prevent innovation in organizations;

- ways leaders and organizations can improve their innovation efforts.

What is Innovation?

Scholars typically define innovation as *creating and implementing something new that adds value*. (Horth & Vehar, 2015)

We asked survey participants to define innovation in their own words. People had a wide variety of answers, ranging from saying that they didn't know what innovation meant, to saying that innovation can mean anything. However, the most common theme that came up in these definitions was that innovation means "new ideas." (The word cloud included here shows the distribution of the most common words used in the definitions of innovation.)

The Struggle to Innovate

Survey respondents rated how important they believed innovation was for their organizations (from very important to not at all important) and how effective they believed their organizations currently were at innovation (from very effective to not at all effective). As the chart below illustrates, nearly everyone reported that innovation was very important to their organizations. However, people differed greatly in how effective they felt their organization was at innovation, providing ratings all over the spectrum from very effective to not at all effective. It seems that while almost everyone wants to be innovative, few are succeeding. Despite the perceived importance of being innovative, 43% of respondents reported that "encouraging innovation" is a challenge that their organization currently faces.

Figure 1
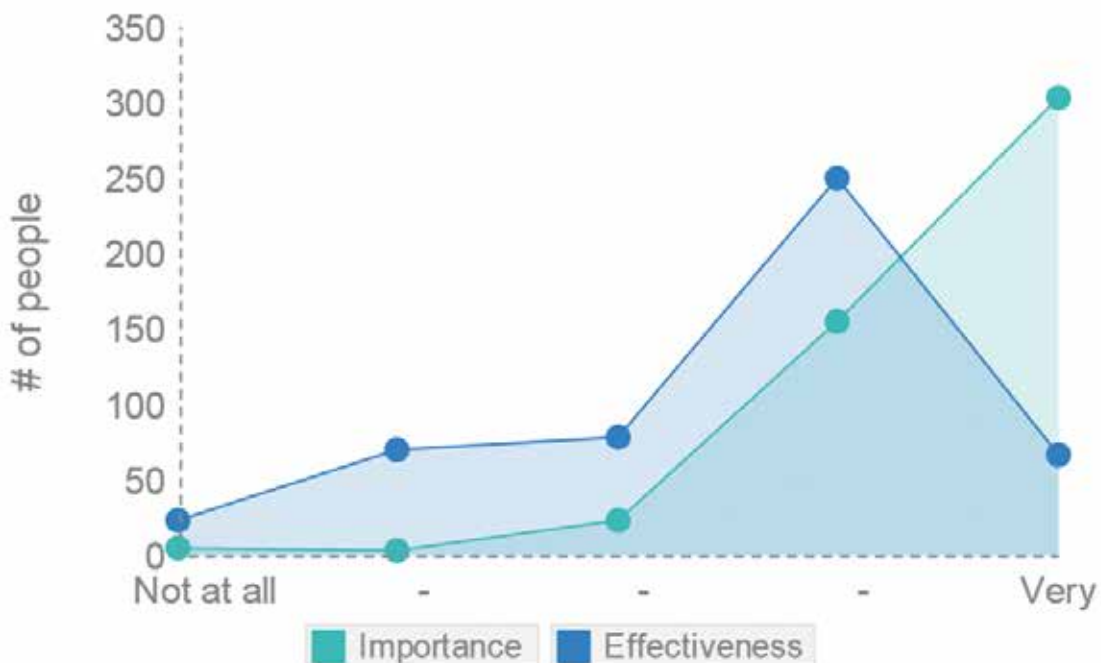
Are organizations simply not trying? One possible explanation for this variability in effectiveness is that some organizations believe innovation is important in theory, but are not attempting to do anything about it in practice. However, at least among the organizations surveyed, our results suggest that this was not the case. Overall, 72% of respondents said their organizations have made attempts to improve innovation. Although the organizations that were good at innovation were slightly more likely to have made attempts to improve innovation (82%), the majority of ineffective organizations also reported making attempts to improve innovation (65%). This suggests that it is not the lack of effort that keeps organizations from being innovative. **Rather, it seems that many attempts at innovation are falling flat.**

Figure 2

Has your organization made attempts at improving innovation?
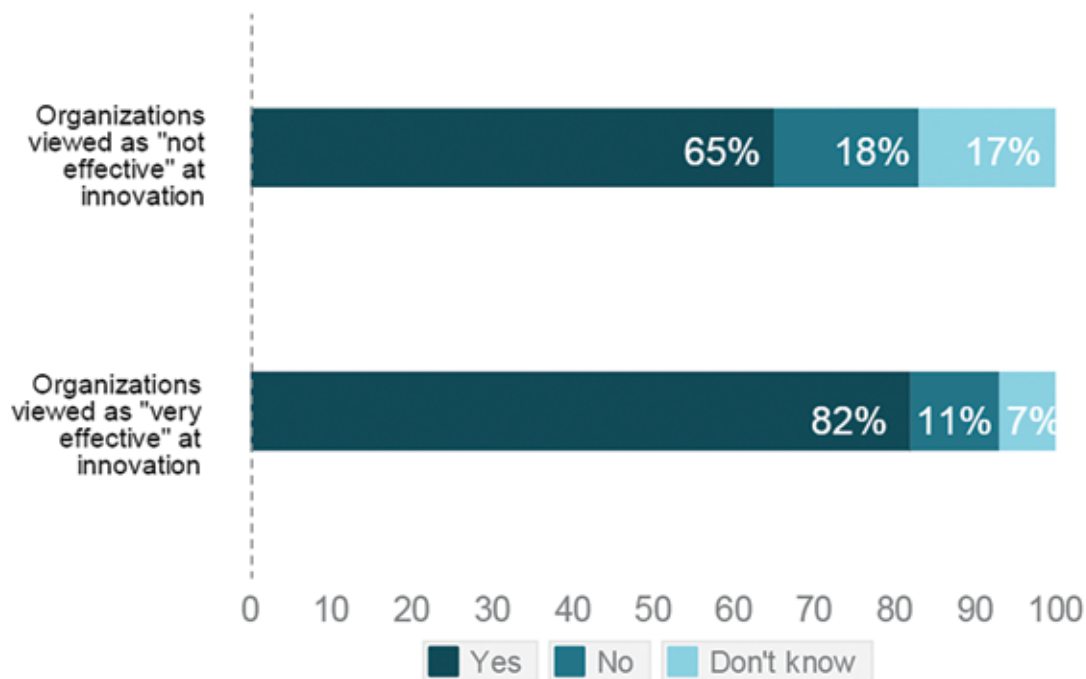
When asked what happens when organizations try to innovate, many respondents shared grim stories:

Specialists only, please:
"Any attempts to make specific people responsible for innovation has been a failure as it demotivates everybody else (labeling them) as 'not smart enough to be considered part of it,' 'just good at running the day to day,' etc."

All smoke, no fire:
"The senior leader spoke of innovation, used the word in every large and small presentation he gave and got everyone excited, but no one, himself included, did anything. I feel like there was a misunderstanding of what innovation actually meant and what needed to be done to promote and execute on innovation."

No training, lots of fear:
"At one point, our leader set the expectation of an innovative culture for our company. What hindered (it) was the culture of fear related to making mistakes. Further, our organization was not innovative to begin with and there was no change management, training, or understanding of how to move from not innovative to innovative."

Respondents also shared the strategies their organizations have tried to implement innovation and the biggest roadblocks to implementation they faced. Overall, we found that many organizations struggle with the same issues. For instance, many respondents cited fear of risk taking as a factor that keeps their organization from being innovative, as well as an overall lack of resources. However, when we compared the answers of respondents who said that their organization was very effective at innovation with those who said that their organization was not effective, we found five key areas in which they differed. (Please see the *About the Research* section for statistical analyses supporting these findings.)

Five Key Differences in Organizations That Are Effective at Innovation

1. **Ineffective organizations lack leaders who encourage innovation.** When asked to identify the three biggest roadblocks out of a list of nine common roadblocks to innovation in organizations, almost one-third (30%) of the respondents from ineffective organizations selected "leaders don't encourage innovation" as one of their three main roadblocks. In comparison, only 9% of respondents from effective organizations thought leadership was a roadblock. Similarly, leadership was the second most common answer among respondents from ineffective organizations regarding the one thing that would improve innovation the most at their organization.

Implication: Leadership matters. And more than just talking about innovation, it's important for leaders to demonstrate behaviors that actively encourage innovation. A common issue is that leaders demand innovation, but then criticize and kill new solutions. By definition, innovation is strange and different, and without the risk tolerance to experiment, prototype, and pilot new concepts, the actions of leaders speak louder than the hollow words of encouragement.

Do leaders in your organization allow people to take a chance on innovation? How could your organization work to ensure alignment between what it said (e.g., "Innovation is important.") and leadership behaviors?
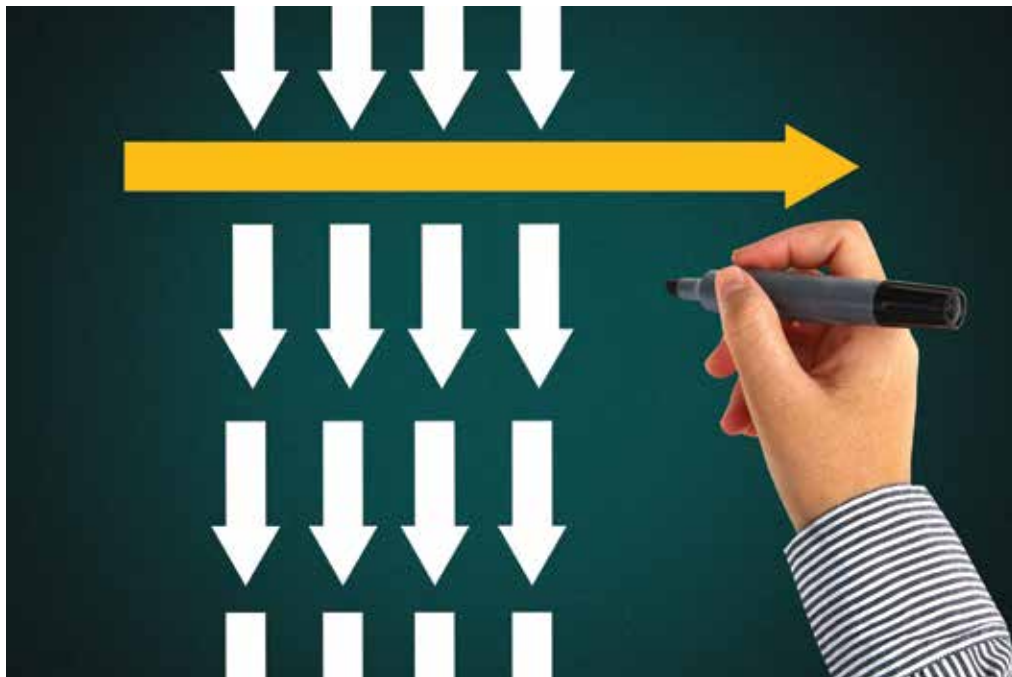
2. **Ineffective organizations have cultures that do not support innovation.** More than one-half (56%) of respondents from ineffective organizations selected "culture that does not support innovation" as an innovation roadblock. In contrast, only 11% of respondents from effective organizations thought that organizational culture was a roadblock to innovation in their organizations. Similarly, respondents from ineffective organizations also were more likely to select a "culture that supported innovation" (39%) as the one thing that would improve innovation the most at their organization. Tellingly, many respondents from effective organizations did not feel like there was "one thing" that would improve innovation at their organization, and no specific issues rose to the top of the list.

> *Implication:* Culture matters. A useful definition of organizational culture is "the ways that things really get done (versus official processes)." Culture change takes years, yet by looking at what's working in the culture that can be leveraged—as well as what overtly blocks innovation—organizations can begin to create a culture that sustains innovation.

> **What could your organizational culture leverage to encourage innovation?**
> **What cultural obstacles need to be broken down?**

3. **Effective organizations have a formal innovation strategy.** When asked whether their organization had a formal approach to innovation, 66% of respondents from effective organizations said yes, while only 20% of respondents from ineffective organizations said the same. This suggests that while most organizations are trying to be innovative, many ineffective organizations are using informal efforts and this may not be enough. This difference is also reflected in the finding that people from ineffective organizations were more likely to be unsure whether their organizations had made attempts to improve innovation (see Figure 2). Therefore, organizations that want to be more innovative should think about developing a formal strategy for innovation and the best ways to communicate the strategy to their employees.

> *Implication:* Strategy matters. The saying "talk is cheap" applies here. Leaders and organizations that truly want to be innovative must have an intentional strategy for innovation. There are many success stories from which to learn, yet what works in one organization won't work in others. Adapting the strategy to your unique organization is critical to success.

> **How might you develop a formal innovation strategy? How might your organization align people, processes, output with your organizational culture and environment?**

4. Effective organizations have a budget dedicated to innovation. Not only do effective organizations have a formal strategy for innovation, they also have a budget dedicated to implementing their innovation strategy. Of the people surveyed, 90% of respondents from effective organizations said that their organization has an innovation budget, while only 58% of respondents from ineffective organizations said the same. Innovation requires resources and without a formal budget, many organizations fail to put their money where their mouth is.

Implication: While talk is cheap, creating and implementing something new that adds value is not and should be viewed as a critical, long-term investment. Many organizations that are effective at innovation put in place innovation venture capital funds to build and run experiments to determine viability of concepts. Others choose the specific challenges that are open to suggestions and development by all people in (and sometimes outside) the organization, with funds dedicated to testing concepts before the solutions are known.

How does your organization currently budget for innovation? How might you free up venture capital funds for experiments and prototypes?

5. Ineffective organizations lack a direction for innovation. A final difference between effective and ineffective organizations is having a clear direction for innovation. While only 17% of respondents from effective organizations selected this issue, 39% of respondents from ineffective organizations selected "no clear direction" as a major roadblock. This suggests that although most people say innovation is important to their organization, ineffective organizations cannot answer the question: "Innovation for what?" They do not appear to have specific goals for innovation.

Implication: Innovation is a means to an end, not the end itself. When the hype overtakes the need, organizations often lose sight of why innovation is important. Start with a clear statement of purpose for innovation, with very few objective measures of success. This helps to align efforts within the organization and ensure that the work being done is focused on the desired outcome.

How might your organization create clear direction, alignment, and commitment for innovation?

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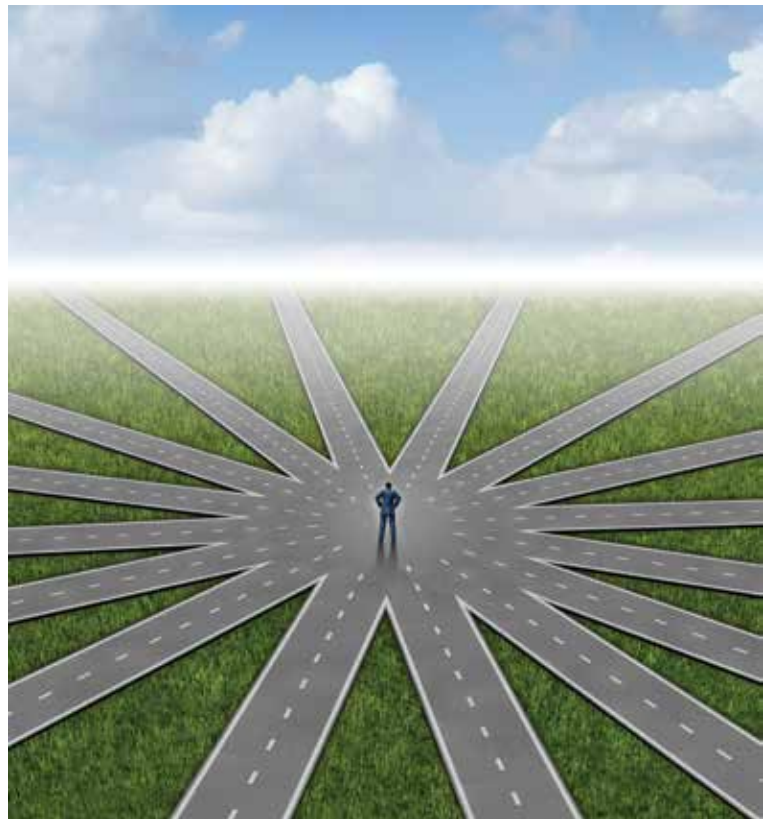
These hard numbers are consistent with the stories shared by survey respondents. We asked: "When people say they want more innovation, what are they hoping to see?" Respondents replied with some of the following statements:

Empty words:
"Our industry is constantly changing and innovation is the phrase most often used to suggest finding new products and services for customers when something changes."

Buzzword du jour:
"Honestly, innovation is one of the current buzzwords I don't think most people would know. It sounds good."

It means everything:
"Change the game: stay ahead of competition/make them obsolete. Achieve better profit margins."

Magic wand required:
"They want 'more,' often with 'less.' The problem to be avoided is that staying 'the same' means that you will be overtaken by the rest of the world that is innovating."

Overall, respondents highlighted the positive outcomes they hoped to gain through innovation, such as improved performance, productivity, efficiency—and above all—increased revenue, and competitive advantage. However, in general, there was less clarity and direction around what specific innovation goals are set to achieve these distal outcomes. It is clear that innovation is thought to improve many important outcomes, but the connection between innovation and these BIG outcomes is not always clear to organizations or their employees.

5 Key Differences

between innovative & non-innovative orgs

1 Leaders

9%

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Organizations that are effective at innovation are less likely to have leaders who don't encourage innovation.

30%

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2 Culture

11%

56%

Organizations that are ineffective at innovation are more likely to have cultures that don't support innovation.

3 STRATEGY

66%

20%

Organizations that are effective at innovation are more likely to have a formal innovation strategy

4 Budget

90%

58%

Organizations that are effective at innovation are more likely to have a budget delegated for innovation.

5 Direction

17%

39%

Organizations that are ineffective at innovation are more likely to lack clear directions for innovation efforts.

Innovation Roadblocks: Barriers versus Balancing Acts

Overall, when we looked at the roadblocks selected by effective and ineffective organizations, we found some clear differences between what holds effective and non-effective organizations back. Ineffective organizations were most likely to list structural and systemic roadblocks, such as organizational culture and lack of direction, as their main challenges. Because these roadblocks are structural and systemic, addressing them is likely to be challenging and slow-going, and they are therefore very real *barriers* to innovation. These issues are ones that clearly *need to be addressed* in order to bring about innovation; innovation is unlikely to happen without clear direction and a culture that supports it. Moreover, direction and culture are unlikely to change without effective leadership.

Organizations that are effective at innovation also face roadblocks. However, these challenges are generally not barriers to overcome, but rather tensions that all organizations must manage. For example, respondents for organizations that are effective at innovation listed fear of risk taking (ironically very common among successful companies that stand to lose credibility or risk

their success by not doing something new) and lack of resources as the most common roadblocks. Regardless of how innovative organizations are, most must cope with limited resources and assess risk whenever undertaking a new endeavor. Although they are still challenging, these roadblocks do not have to be completely removed for innovation to happen. Rather, organizational leaders need to find ways to *achieve the right balance* of the tension between innovation and the organization's day-to-day business needs. Notably, organizations that are effective at innovation can focus on maintaining this balancing act because they have already removed (or never faced) the larger innovation barriers that thwart many organizations that are ineffective at innovation (e.g., culture, leadership).

Interestingly, "not enough ideas" was the least common roadblock selected overall. This is somewhat unexpected given that when we asked our panel to define innovation, the most common description was "new ideas." Thus, while people believe that innovation is about idea generation, it seems to be the practical implementation of ideas that organizations actually struggle with.

Figure 3

Roadblocks to Innovation

Effective Organizations | Ineffective Organizations

- Not enough ideas
- Lack of talent
- Not given the right projects
- Lack of resources
- Leaders don't enourage innnovation
- Lack of collaboration
- No clear direction
- Fear of risk taking
- Culture does not support innovation

30%   0%   0%   30%   60%

Summary of Key Insights

The findings from this survey offer several key insights for organizations attempting to become more innovative:

- There is a great deal of consensus that innovation is important to the success, survival, and prosperity of today's organizations; however, many organizations struggle with innovation effectiveness, despite their efforts to address it.

- Organizations that are ineffective at innovation struggle with many roadblocks, including cultures and leaders who don't support innovation, fear of risk taking, a lack of direction, and ineffective collaboration that stalls efforts to innovate. Many of these challenges represent barriers that, if not eliminated, will continue to prevent an organization from being innovative.

- Even organizations that are very effective at innovation still face innovation challenges. However, these challenges often consist of tensions to balance rather than barriers to remove. It is the task of leadership to understand how to both run the day-to-day business and invest in the innovation process, which will provide the future for the organization. This tension is not a bad thing; it's about finding balance. Managing limited resources and establishing the right level of risk taking are two important aspects of finding this balance.

- For organizations hoping to become more innovative, a good place to start is to ask what the organization wants out of innovation. When we asked this of our respondents, many said "something different" or "to not stay the same." However, not wanting to stand still is not the same as knowing where you are going. When organizations lack a clear direction for their innovation efforts, they often do not have formal strategies or budgets in place, and they fail to develop a supportive culture for innovation. In this way, successful innovation and leadership are deeply and inherently linked—leaders are largely responsible for setting the direction, strategy, budget, and culture for their organization. Without leaders who focus on supporting innovation within these areas, organizational efforts are likely to struggle.

Resources for Improving Innovation at Your Organization

CCL has developed a variety of resources for addressing innovation leadership. These include:

White Papers
- Innovation: How Leadership Makes the Difference
- Innovation Leadership: How to Use Innovation to Lead Effectively, Work Collaboratively, and Drive Results
- Becoming a Leader who Fosters Innovation

Assessments
- KEYS

Tools
- Visual Explorer Letter-sized Facilitator's Guide Set

Leadership Courses
- Driving Results through Innovation Leadership

Guidebooks
- *Making Creativity Practical: Innovation That Gets Results*
- *Developing Your Intuition: A Guide to Reflective Practice*

Book
- *The Leader's Edge: Six Creative Competencies for Navigating Complex Challenges*

About the Research

Methods and procedure. An online survey was sent to members of CCL's *Leading Insights Panel*. Respondents shared their experiences with innovation in their organization, including how successful their organization has been at innovation and what their organization has done to try and cultivate innovation. 485 participants volunteered to complete this survey (281 men, 203 women). Of these participants, 66.5% were from the Americas, 19% were from Asia, and 14.5% were from Europe, the Middle East and Africa. Organizational level of participants varied: 24% were C-level/executives, 20% were directors, 23.3% were management, 13.4% were staff, and 19.3% were from another level in the organization.

Quantitative analysis and results. Chi-square tests demonstrated that respondents who reported that their organizations were "very effective" at innovation (versus not effective) were more likely to state that they had a budget for innovation (versus no budget) (X^2 (1, N = 140) = 37.63, p <.001), and a formal strategy for innovation (versus no formal strategy) (X^2 (1, N = 140) = 33.03, p <.001). Chi-square tests were also run to demonstrate that organizations that were ineffective at innovation were more likely to select culture (X^2 (1, N = 159 = 36.53, p <.001); leadership (X^2 (1, N = 159) = 7.13, p <.01); and direction (X^2 (1, N = 140) = 9.01, p <.01); as innovation roadblocks. Chi-square tests comparing effective and ineffective organizations on the other roadblocks were not significant.

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Acknowledgements

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