

Advancing an Innovation Orientation in Organizations: Insights from North American Business Leaders

C. Brooke Dobni¹, Mark Klassen²

¹Professor of Strategy and PotashCorp Chair for Saskatchewan Enterprise, Edwards School of Business, University of Saskatchewan

²Assistant Professor of Accounting, Edwards School of Business, University of Saskatchewan
dobni@edwards.usask.ca, mklassen@edwards.usask.ca

Abstract. The word innovation is widely referred to in business circles as the next level of competitive advantage. However, for many organizations today, it lacks tangibility as managers struggle with developing an innovation orientation that provides sustainable value creation. Using a mixed methods research approach, the aim and contribution of this paper is to report the qualitative findings of Fortune 1000 (F1000) organizations concerning their efforts to implement innovation agendas. Over 1100 business leaders were surveyed, which proves to be one of the largest surveys of innovation to date amongst the F1000. This article sets out to answer three basic questions as it concerns the implementation of an innovation agenda in organizations. These questions include: What does innovation mean to organizations? What has been the biggest challenges to introducing and sustaining an innovation orientation? And what has worked well in supporting an innovation orientation? What we have discovered is that leaders' thoughts on innovation are anchored on the need for changing the status quo and trying something new. They are also particularly aware of the correlation between innovation and performance. The change theme is further echoed as the predominant barrier to change. That is, breaking the inertia of the status quo is seen as one of the top barriers to innovation. Further, our findings identified six common challenges to introducing, executing and sustaining innovation. These barriers revolve around resistance to change, organizational process, leadership, funding and resources, the external environment, and customer adoption. Finally, there are a cluster of activities that have worked well to support successful implementation of an innovation orientation in organizations. Important activities such as leadership for innovation, knowledge management, organizational structures and processes, and aligned performance management were identified by leaders as noteworthy to successful innovation.

Keywords. Innovation, Implementation, F1000

1. Introduction

One of the world's greatest modern day innovators, the late Mr. Steve Jobs weighed in on innovation in 1998, when he asked whether we were 'getting it'? This is a valid question as research shows that organizations still struggle with innovation. For example, a recent industry study undertaken by Accenture (2013) revealed that only 18% of executives believe their company's innovation efforts deliver a competitive advantage. Both Mr. Job's insight, and the Accenture study among others, take on an even greater significance in a time when North America continues to struggle to sustain its GDP position amongst the world's largest economies (Economist, 2014).

Yet innovation is everywhere. Recently, the Wall Street Journal reported that the word "innovation" in the U.S. was used over 33,000 times in 2012 in quarterly and annual reports, that it has been in the subject title of nearly 300 books published

during that period, and that almost one-third of U.S. business schools use the word in their mission statement (Kwoh, 2012). This suggests that there are a lot of things we already know about innovation – but simply put, “are we getting it”, or has innovation become a ubiquitous term? We set out to answer these questions, and more importantly, to find out what the major challenges are, and what works and what doesn’t.

It seems that “getting innovation” has taken on a new relevance. What we do know for certain is that for organizations to remain competitive and to grow, they must innovate. Executives get this, and as a result, innovation is very much an emerging practice in organizations. In a recent survey done by the Boston Consulting Group (2014), three-quarters of the 1,500 global senior executives surveyed reported that innovation is among the top three priorities in their organizations, suggesting that leaders of these organizations view innovation as a critical pillar in achieving value creation. And more organizations today than ever are at the front end of an innovation system: innovation goals are being discussed, cultures re-jigged, and for the first time efforts are being made to tie performance metrics to innovation outcomes. Thus, the questions we posed prove to be very timely.

2. Why all of the Hype about Innovation?

Before we get into the findings, it is important to understand why there is so much interest in a concept that is so hyped, yet not very well understood from an implementation perspective. In the past decade, there has been renewed academic and practitioner interest around innovation in organizations, and in particular, the effects of an innovation culture on strategy and organizational performance (Christensen and Raynor, 2003; Govindarajan and Trimble, 2005; Hamel, 2002; Hammer, 2004; Senge and Carstedt, 2001). In addition to the studies highlighted in this article, many of the recent editions of the *Harvard Business Review* and the *Sloan Management Review* are almost solely dedicated to the topic. This focus is not surprising as innovation has been touted, for some time now, as the differentiator that will move organizations to the next level of competitive advantage (Amit and Schoemaker, 1993; Prahalad and Hamel, 1990).

The literature has developed to the point where we can begin to answer these questions. We now have a better understanding of valid measures of innovation culture through models which have been adequately validated across industries (Dobni, 2008; Wang and Amhed, 2004). We also know what constitutes innovation success (Alegre et al., 2006; Griffin, 1993; Jonash and Sommerlate, 1999). Further, there is a good deal of literature to support the relationship of innovation and performance in organizations (Nambisan, 2013; Wong, 2012; Jimenez-Jimenez and Sanz-Valle, 2011; Dobni, 2010; Dobni, 2011). The challenge now becomes one of how does an organization manage its innovation orientation, and how can leaders effectively implement an innovation agenda?

Innovation is important for many reasons, and one of the most compelling is its relationship to organizational performance. Enhancing the innovative ability in organizations is one of the most important levers to increasing profitability and growth in organizations. To illustrate this, studies undertaken by leading American consulting organizations suggest that there is huge untapped potential to improve profit growth through innovation management. For example, an Arthur D. Little study (2013) of over 650 organizations found the top quartile innovation performers obtain a 13% higher profit than the average performers. Additionally, the top performers had a 30% shorter “time to break even” for new services and products. A study by Booz and Company (2014) found that organizations who have a strong alignment between

their business and innovation strategies outperform their peers, including a 40% higher operating income growth over a three-year period and 100% higher shareholder return. These are significant numbers, and as a result, it is no surprise that innovation is high on corporate agendas. Further, a more controlled study by Dobni (2011) revealed that an innovation orientation is related to organizational performance overall. In this study, he concluded that high innovating firms had a positive relationship with the top line growth, customer satisfaction, bottom line growth, and profitability. Alternatively, organizations possessing low innovation orientations had significant negative correlations with return on investment, firm performance, and overall enterprise value.

3. Methods

Our research follows a mixed methods approach (Tashakkori and Creswell, 2007) as we utilize a survey to collect both quantitative data and qualitative data. Using both quantitative and qualitative approaches increases the credibility of the research findings (Nachmias and Nachmias, 1987: p.207, Yin, 1994: p.69, Silverman, 2003:p.233) in particular by extending findings beyond those observable using a single method (Grafton et al., 2011). Although “mixing” research methods has been criticized as inconsistent from an epistemic and ontological foundation perspective (Johnson and Onwueguzie, 2004), a pragmatic research philosophy argues that using all approaches to understand the problem will avoid a narrow research perspective (Grafton et al., 2011, Branen, 2005, Cressell and Clark, 2007). Establishing validity and reliability in a mixed methods approach is important (Ihantola and Kihn, 2011). As such this section explains matters pertaining to validity and reliability in our research methods.

The qualitative section of the survey instrument was preceded by a series of questions to measure innovation culture. In a mixed methods approach, it was important to anchor the qualitative assessment to a reliable and valid understanding of innovation culture. This assessment allowed the researchers to gain a perspective of innovation culture, which then guided the coding protocol. The approach for measuring innovation culture is further delineated below.

3.1. Quantitative Survey Methods

To impart a meaningful analysis, and to maximize participation of busy executives, it was important to have a manageable survey – knowing that we required responses in both areas (quantitative and qualitative) to support the mixed methods approach. These constructs displayed the highest variance explained in support of the factors in the Dobni (2008) model (see Figure 1). The diagnostic was developed through extensive theoretical inquiry and has been empirically tested. Based on previous research, the metric has been validated by a factor analysis and is considered valid and reliable (Dobni 2008, Wang and Ahmed 2004). In addition, the diagnostic has previously been used by approximately 800 companies over a seven year period. This model measures the intention to be innovative, the resources to support innovation, knowledge management behaviors necessary to influence a market/value orientation, and the environment to support the execution of innovation. The initial model was comprised of 69 constructs to measure 12 drivers of innovation, however for this research, given the knowledge that the sample included extremely busy executives, the 19 constructs that displayed the highest variance explained across the 12 drivers were used. The metric is valuable to not only measure the state of the innovation culture, but as the F1000 study results will show, can be beneficial to guide implementation activities. Each of the factors in the model were briefly described to

the sample. Each of the drivers are introduced in Table 1.

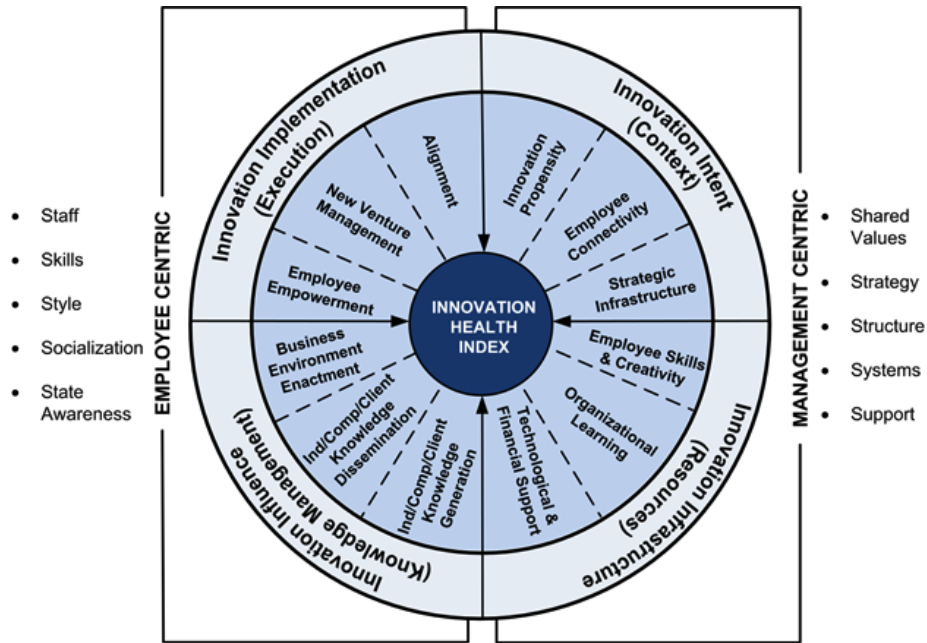


Fig. 1. 12 Drivers Innovation Culture Assessment Metric

Table 1. The 12 Drivers of Innovation

DIMENSION: CONTEXT	
Innovation Factor	Explanation
Innovation Propensity	The degree to which the organization has formally established – within their business model – architecture to develop and sustain innovation. This would be communicated through vision, goals, and objectives, and adopted by the senior leadership team.
Employee Connectivity	This involves how employees think of themselves vis-à-vis their colleagues. For example, do they feel that they can contribute? Do they feel valued and equitably treated? Do they trust and respect management? Do they resonate with what the organization is doing, and are they working together to achieve the vision?
Strategic Infrastructure	Infrastructure for the purposes of innovation involves the business model employed to support the strategy process and innovation overall.
DIMENSION: RESOURCES	
Employee Skills and Creativity	The extent to which employees have the skills to be innovative. This includes levels of personal creativity and the surrounding environment (time and space) to allow their skills and creativity to be utilized.
Organizational Learning	Properly tooling employees involves committed education and training programs that focus on developing processes that facilitate the learning of new behaviors, and then post training reinforcement.
Technical and Financial Support	The extent to which the organization provides resources (financial, time, people, other) to support innovation initiatives.

DIMENSION: KNOWLEDGE MANAGEMENT

Knowledge Generation	The environment to support knowledge generation by employees from all stakeholders of the company including industry and organizational value chain knowledge.
Knowledge Dissemination	The environment to support the dissemination of knowledge to the right people on a timely basis.
Business Environment Enactment	The ability of employees, based on knowledge generation and dissemination, to understand the dynamics of their business environment in efforts to define value-added projects and initiatives. These advantages can be identified by observing and understanding the industry, competitors and stakeholders, emerging technology, channels, knowledge flows, and future cluster development.

DIMENSION: EXECUTION

Employee Empowerment	This involves the psychological empowerment of employees and their perceived ability/confidence to undertake autonomous actions that contribute to value creation.
New Venture Management	This involves the level or degree to which employees can pursue what appear to be opportunities or initiatives with less certainty than they are traditionally comfortable with or for which policies allow for (i.e. intrapreneurial activity).
Alignment	This is a measure of alignment to support desired innovation-related behaviors. For example, the performance management and management control systems, and the alignment of innovation strategy with the organization's strategy.

The 19 scale items across the 12 factors displayed eigenvalues greater than one and accounted for nearly 72% of the explained variance. Kim and Mueller (1978) observe that an "eigenvalue 1" criterion is one of several rules-of-thumb available for addressing the number of factors in question, and that combining it or supplanting it by other rules such as criterion of interpretability is a legitimate approach. Reliability testing was undertaken to refine the factor measures. The general approach taken was to evaluate each construct in respect to its reliability contribution to the culture assessment. The primary method chosen to assess reliability was the internal consistency method (Nunnally, 1978; Peter, 1979). In practice, this method dominates in part because it requires only one instrument and one administration. This, combined with the problems associated with other methods (test re-test method and the alternative form method) made it a logical choice. In the end, Cronbach's alpha (Cronbach, 1970) coefficient was considered as the ultimate measure of reliability as it has become the most universally adopted approach for single instrument, single administration methods. Factor loadings displayed coefficient alphas ranging from .72 to .91; all greater than .70 - as recommended by Nunnally (1978).

3.2. Validation Analysis

The validity of a measure refers to the extent to which it measures what is intended to be measured. Given that this model employed a factor analysis, two different types of validity were considered, content validity, and construct validity. Each of these as it relates to this index is further discussed below.

In respect to content validity, a measure can be said to possess content validity if there is general agreement among the subjects and researchers that constituent items cover all aspects of the variable being measured; therefore, content validity depends on how

well the researchers create items that cover the content domain of the variable being measured (Nunnally, 1978). Although the judgment validity is somewhat subjective, the procedures used are consistent with ensuring high content validity. The constructs developed for the 12 driver's model were derived from an exhaustive review of the literature and detailed evaluations by both academics and practitioners alike. This process led to a refinement of the constructs used, and in the final analysis, pretest subjects indicated that the content of each factor was well represented by the constructs employed.

Construct validity is concerned with the extent to which the theoretical essence of the measure is captured. In this case, construct validity was evaluated by examining convergent validity. This analysis revealed a strong correlation among the 12 factors which indicated that they were converging on a common underlying construct. All of the correlations exceeded .70 and all were significant at $P < .001$. Convergent validity was also indicated by the high alpha (.79) attained when the score on a one factor solution in an exploratory factor analysis (eigenvalue = 3.5, and 55.2% variance explained).

3.3. Sample

The primary objective of this research was to develop an understanding of innovation culture and the issues associated with the implementation of innovation. To this end, the sample was designed to target senior manager and higher level employees. This is consistent with the approach suggested by Selltiz et al. (1976) and Nunnally (1978) that the subjects used should be those whom the instrument was intended. These respondents are the ones that are most likely the architects of the environment for innovation and the ones whose behaviors will be most influenced by an innovation orientation. The sample included employees from F1000 organizations. The F1000 is a listing created by Fortune magazine detailing the 1,000 largest companies in the U.S. based on revenues. Since revenues are the basis for this ranking, only companies that make revenue figures publicly available are eligible for inclusion on the list. The F1000 criterion also contributed to the development of a homogeneous sample, or a collection of respondents who has similar organization "status".

A sample list matching the established criterion was purchased from ConsumerBase LLC in Chicago. From the initial list of 50,000 subjects that met the management level cut-off, 20,000 names were randomly chosen, and invited to participate in the survey via an electronic invitation which included the survey link. Data were collected between January and July, 2012, and resulted in 1,127 useable responses.

3.4. Qualitative Methods

As discussed, the survey included three open-ended questions which were analyzed using content analysis techniques based on the guidelines of Nachamias and Nachamias (1987), Miles and Huberman (1994), Smith (2003) and Ryan et al. (2003). Consistent with approaches advanced by Miles and Huberman (1994), we used several matrices to display the data to highlight both consistency and differences across responses. This initial procedure was deductive in efforts to develop a set of themes to be used for categorization within each question forming the subcategories. Generally, this procedure was performed until there was a saturation of subcategories. Definitions and explanations that were logically consonant were created for the subcategories to facilitate the coding process and increase consistency and reliability (Ryan et al., 2003). Using selective coding, the components of each subcategory were identified. We then grouped each response from the open-ended responses into the subcategories, matching the actual survey question response to the subcategory. To address construct validity, two researcher teams consisting of the authors and two

PhDs familiar with the research and survey independently performed the coding procedures at the sub-category level. Coding checks resulted in coding agreement in over 90% of the cases, an acceptable level for qualitative research (Miles and Huberman, 1994). Further the open-ended questions were included in the piloting of the survey with individuals who would be considered similar to the sample survey respondents and adjustments to the questions were made (Smith, 2003), including reducing the number of open-ended questions. Although generalization is difficult with qualitative research (Yin, 1994), external validity is increased with the qualitative responses in that the respondents were all senior level management with F1000 organizations as described above. The final data set included 292 responses for question 1 (What does innovation mean to your organization?) coded into 5 themes; 280 responses for question 2 (What has been the biggest challenges to introducing and sustaining an innovation orientation?) coded into 6 themes; and 110 responses for question 3 (What has worked well in supporting an innovation orientation?) coded into 6 themes.

4. Results

4.1. Quantitative Findings

Although the focus of this article is on the qualitative findings of the F1000, the quantitative findings provide a baseline perspective that provides a lens for the findings and conclusions as it concerns the qualitative data¹. We can conclude from the empirical data that F1000 organizations are likely average when it comes to innovation. Figure 2 provides an overview of the survey results by innovation driver. The average score for the F1000 organizations is 68%. Our view of the F1000 being “average at best” is consistent to other global rankings which puts the US ahead of countries such as Canada and the EU 27 average but below countries such as Sweden, Finland and Switzerland (The Global Innovation Index, 2014; European Commission, 2014), indicating that there is room for improvement.

Interestingly two of the highest scoring drivers in the survey were employee related. Employee empowerment (81%) and employee skills and creativity (73%) scored above average. In relation to the other drivers, this suggests that employees, if given the chance, have the ideas and creativity to be innovative. Lower scoring drivers such as alignment (60%) and new venture management (62%) suggest that organizations are not doing a good job at moving ideas forward, and in particular aligning strategically important areas with employees’ innovation efforts. Further, organizational learning (63%) also scored low suggesting that the organization is not learning to the extent that it needs to advance innovation efforts.

The three drivers related to knowledge management were descriptively different. Organizations did a better job at generating knowledge (74%) than they did at disseminating knowledge (68%) and using knowledge to make decisions or enact in their business environment (67%). The lowest scoring driver related to strategic infrastructure (at 59%). This is the infrastructure needed to support innovation,

¹ Findings and discussion of this research can also be found in an unpublished summary report on the Author’s (Dobni) website. The information for this website can be found under Dobni and Nelson (2013) in the References.

including the business model employed to support the strategy process and innovation overall. Once again, this low scoring driver is not related to the skills, creativity and empowerment of employees, but to larger structural issues within the organization.

We also found a slight perception gap in the survey results. Specifically, higher ranking survey respondents (C-suite) on average had a 3% higher score than lower ranking respondents (directors and managers). The gap is noteworthy in that innovation efforts “in the eyes” of senior management may not necessarily be what is occurring within their organization, that is, they may be overestimating their innovation orientation.

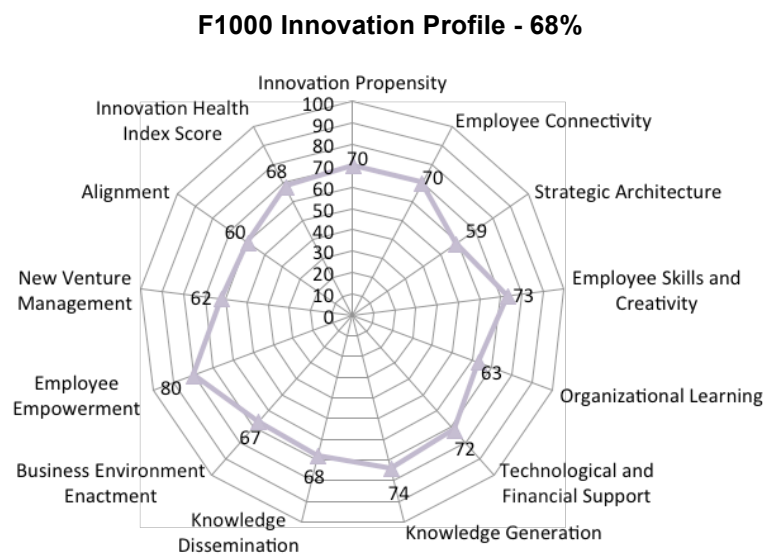


Fig. 2. F1000 12 Drivers Innovation Culture Profile (n = 1127)

4.2. Qualitative Findings

We have concluded on the basis of the quantitative findings that innovation amongst the F1000 is comparatively average at best, and there is room for improvement. This is consistent with other recent findings. For example, a Boston Consulting Group (2014) study found that 75% of American companies viewed innovation as extremely important, yet a previous study found that less than 20% of organizations considered themselves to be successful at creating and sustaining an innovation environment (Arthur D. Little, 2013). Why is this the case, and why do organizations continue to struggle with innovation? We shed some light on these issues through the results of the qualitative findings.

Question 1: What does innovation mean to you? One of the challenges for organizations today is understanding what innovation is, and more importantly, how innovation can benefit them specifically. The DNA of innovation is grounded in almost every functional discipline of management and includes such things as innovation leadership, context to support innovation activity, knowledge management, and execution of innovation. There are frameworks and matrices abound outlining the spectrum of innovation which range from one dimensional, for example, a new product development focus, to multi-dimensional and disruptive,

forces of which attempt to set existing industries back to zero, or create such value that entire new industries are spawned.

Innovation as a descriptor is so widely used that its reference has become somewhat generic, therefore the issue of intangibility that many organizations face today. Specifically, if you do not understand it, you will not be able to implement it. The literature conceptualizes innovation in a variety of ways, however most of the definitions imply the adoption of a new idea or behavior (Cordero et al., 2013; Jimenez-Jimenez and Sanz-Valle, 2011). Definitions of innovation found in the literature also vary depending on the context and scope of the analysis. Some definitions are quite general – for example, to have creative employees, and others quite specific – referring to the types of behaviors and specific roles engaged by employees. In an organization environment, examples of innovation are often expressed through a tangible action or an outcome that is linked to a behavior or activity. Examples of this include the implementation of ideas surrounding new product/services or modifications to existing ones, restructuring or cost savings initiatives, enhanced communications, personnel plans, new technologies, and unique employee behaviors or responses to unscripted situations (Martins and Terblanche, 2003; Robbins, 1996; West and Farr, 1990). In these situations, the metric for success is dependent on the nature of the outcome itself.

Similar to academic literature defining innovation, the qualitative responses from North American executives were varied and diverse in response. The following 5 themes were developed based on the 292 responses. Following, we have provided these themes, as well as a brief description of each.

Theme 1: New, different and change. Consistent with theoretical definitions (Cordero et al., 2013; Jimenez-Jimenez and Sanz-Valle, 2011, West and Farr, 1990), executives associated innovation with doing something new, something different, or a change from the status quo. The context of the qualitative responses varied but the words, “new, different and change” were the top descriptors to the question. For example there were many comments similar to, “Innovation means taking a lead in trying something new”. Not surprising this definitional insight resurfaces when leaders were asked about the biggest implementation challenge. Breaking the organizational inertia and resistance to change was the top barrier to implementation.

Virgin Galactic is an example of one organization that has embraced change to a level of creating a new industry. The British owned company was an extension of Richard Branson’s Virgin Group portfolio of diversified companies primarily. Virgin Galactic’s business of providing tourism space travel is “new” to the extent of creating value from a unique product offering that did not currently exist. Whether the change is as bold as creating a new industry or smaller scale such as overhauling an internal process, the new and change theme is sacrosanct to organizational leaders’ perspective on innovation.

Theme 2: Linking Innovation to Performance. Many executives included a linkage between innovation and performance in their comments. “Performance” was described in a variety of words including profit, value creation, competitive advantage, industry leader, success, sustainability and survival. Similar to research (Christensen and Raynor, 2003; Govindarajan and Trimble, 2005; Hamel, 2002; Hammer, 2004; Senge and Carstedt, 2001), the general notion was that innovation, however it was defined, leads to enhanced market and financial performance. This is not uncommon as there is an expectation that the most innovative firms lead their respective industries. We highlight some of these firms in sections that follow.

Organizations such as Apple, Nike, Google and General Electric consistently are recognized as some of the most innovative companies in the world. Their longevity and sustained ability to generate value are visibly noticed by leaders and were

identified as examples in the qualitative responses in the survey. Likewise, there are examples abound of organizations who have failed to maintain an innovation orientation. Blackberry, Kodak, Nortel, Kmart and Blockbuster are good examples of organizations once thought to be leaders in their industry, which did not successfully innovate in response to a changing environment.

Theme 3: Cultural and Behavioural. Executives also linked innovation to the culture of their organization and the behaviour of the employees consistent with culture being the linchpin to behavior management as described by Schein (1984). Innovation is a culture, and the generally accepted notion of culture is the collective actions (and reactions) of employees based on how they think. These behavioural outcomes can be a source of competitive advantage as culture is very difficult to imitate, unlike strategy, where the productive lives of competitive strategies are shortened as a result of the competitor's ability to copy and implement them.

Whirlpool is a good example of an organization that adopted innovation as their culture, and there culture has become their strategy – effectively crowning innovation as their strategy. In the early 2000's, Whirlpool made a decision to fundamentally change the way they do things. They felt that the best way to do this was to engender an innovation culture in everything they do – from idea generation through to manufacturing and customer relationship management. It was a multi-year plan that was not without risk. In the end however, and with perseverance, they fundamentally changed the way they the organization operated. Whirlpool's 10 year quest toward enterprise innovation, where they have proven the axiom that the culture eats strategy, has its proof in their results. In Whirlpool's example, where home appliances have assumed a commodity-like status, they have been able to differentiate themselves from competitors to the point where their market capitalization has over tripled in the past year alone.

Theme 4: Enterprise Oriented and Risk-Based, and Entrepreneurial Activity. For many executives, innovation is enterprise oriented as opposed to one dimensional, and can reside in a change of ideas, processes, products and procedures, consistent with West and Farr's (1990) definition. From an enterprise oriented perspective, respondents articulated multiple aspects of their business such as processes, products, services, technology, people and business models.

Executives also felt that innovation is related to risk taking and having an element of entrepreneurship amongst employees. For example the comment 'thinking outside the box and willing to take risks', illustrates how many executives added the risk taking notion to their qualitative answers. Comments generalized that employees are more enterprise oriented and entrepreneurial than often given credit for, and that many attempts to express these behaviours are thwarted by control boundaries set by the organization. Adobe, an American software company, provides each employee that attends their innovation training sessions a red box kit which has everything the employee needs to execute an innovative concept. The red box includes a \$1,000 credit card and specific steps to kick start their idea. In Adobe's case, there are no committees, approvals or oversight processes that inhibit the employee's ability to execute an idea.

Theme 5: Incremental and Leveraging Existing Resources. There were a number of responses that highlighted the need to leverage existing resources and improve upon current practices. An example comment related to this theme is, 'Innovation means looking at all the resources you have, around you, and available to you to enhance and achieve the goals of the organization'. This is a broad generalization, but might not be far off the mark. Research shows that 70% of innovation activities come from the core organization compared to 30% from externally related advancements (Nagji and Tuff, 2012).

Smith & Wesson, an iconic American gun manufacturer founded in 1852, faced tremendous external pressures from government who were enacting gun control legislation. Smith & Wesson looked internally as a solution and capitalized not on their ability to manufacture guns, but on their historical brand of security. This resulted in new product offerings such as security systems, advisory services and training.

Question 2: What has been the Biggest Challenges? We discussed earlier that innovation for many organizations lacks tangibility, which has led to a good deal of frustration amongst leaders. Specifically, if they do not understand it or are not sure how innovation will work (or what it can do) in their organization specifically, then early attempts at “becoming innovative” often fail or are abandoned too soon. In efforts to shed some light on this, we asked business leaders about their challenges. This question generated a lot of interest, with 280 leaders providing insight.

The following table categorizes the executives’ responses (and frequency) by the six themes that emerged, and provides a sample response(s) to the question.

Table 2. What has been your biggest challenge around Innovation?

Theme (n=280)	Explanation	Sample Response
Inertia (26%)	Openness to risk, resistance to change, moving from status quo	“Our biggest challenge is cultural. Our organization lacks a history of successful innovation and has not yet committed to the effort and focus required to make innovation successful in the future.”
Execution (26%)	Seeing innovation ideas though to fruition, performance measurement and incentives, processes and governance of innovation initiatives, information systems	“Our challenges include the process to vet ideas allowing only the strong to survive. If this step is too stringent we end up with too little innovation. If this step is too loose we end up with innovation that does not sell, leading to waste and a negative P&L.” “Moving from prototype to scaled-diffusion is a big challenge, as is innovating with products.”
Leadership (18%)	Senior management and corporate leadership, commitment to innovation, “walk the talk”, setting innovation priorities	“Significant amount of effort is involved is involved in getting upper management buy in. Proof of concept is an important element in securing that buy in.” “Currently our executives are very reactive instead of proactive to trends and new markets.”
Funding & Resources (14%)	Funding and resources for investments in innovation, finding time to be innovative, skills and talent	“Our biggest challenge to innovation initiatives is resources. We keep trying to do what we’ve always done while at the same time with the same people look for opportunities to implement innovative processes.”
External (8%)	The economy, compliance, regulatory and legal issues	“The fact that our world is heavily regulated and audited. We might want to innovate but cannot due to regulations or audit expectations.” “The biggest challenge has been the poor economy.”
Customer Adoption (6%)	Gaining customer input to drive innovation, customer acceptance of innovation outputs	“Biggest challenge is getting customers to take a chance on new/innovative ideas/technology. No customer wants to be serial no. 1 on a new product.”

The themes in the table illustrate that one of largest barriers to innovation is the status quo inertia embedded in the organization. Interestingly as previously noted, leaders most commonly define innovation as “new, different and change”. It would appear from the barrier question that cracking the “change” puzzle with innovation is fundamental to moving an innovation agenda forward. Leaders also articulated that the execution of moving innovative ideas forward also ranked as the largest barrier. In aggregate, the top two themes expressed a majority consensus that internal processes operating within the organization and the general resistance to change account for the largest barriers to innovation. Factors such as leadership, funding and resources, albeit important were secondary compared to the primary barriers of change and process. A smaller percentage expressed an opinion that external factors posed the biggest challenge, whether due to the economy, regulatory, or the customer’s unwillingness to adopt new idea outputs.

Question 3: What has Worked Well? Innovation has worked well for many organizations, as evidenced by the Fast Company’s (2014) listing of the world’s 50 most innovative companies. This is a listing of organizations that “get it”. They prove to be industry leaders; not only do they create new value on a consistent basis, they often redefine the competitive landscape. This listing of most innovative organizations includes long tenured companies such as Google, Apple, Nike and Dodge.

There are also other examples of industry leaders that are not as recognizable on the surface for their innovation pursuits, yet such efforts have been equally effective. For example, Wal-Mart’s innovation platform around procurement and supply chain management - which has transformed retail, and Smith and Wesson’s product portfolio management process, as previously discussed, is an example of shifting resources to take advantage of their brand identity. These examples of innovation happen on a daily basis, and sets the platform for systematic approaches to manage innovation efforts.

Interestingly, what has worked well almost mirrors the challenges that were identified by the sample in the previous question, suggesting that organizations that have had success with innovation have been able to address these challenges. Table 3 outlines what has worked well from the 110 responses that were received.

Table 3. What has worked well?

Theme (n=110)	Explanation	Examples
Processes - to execute innovation (28%)	Structuring processes to move ideas to completion	<ul style="list-style-type: none"> • Leveraging new tools and techniques (e.g. software development process) • Focus and build on incremental improvements or existing programs • Fast track processes for innovation projects • Adequately budgeting and funding initiatives/programs • Lean, continuous improvement, quality programs • Corporate competitions and innovation programs
Leadership - committing and demonstrating their intent to be innovative (26%)	Active senior leadership involvement to communicate the importance and commitment to innovation	<ul style="list-style-type: none"> • Trying new things that may not work and allowing failure • Encouraging “out of the box” ideas • Communicating the importance of innovation • Senior executives demonstrating passion towards innovation • Supporting and embracing change • Celebrating innovation success

Knowledge Management – related to developing a market orientation (19%)	Collecting internal/ external information and disseminating it to create and evaluate new ideas	<ul style="list-style-type: none"> • Understanding practices from competitors and other organizations • Looking to innovations in other industries • Acquiring customer information/intelligence • Integration of systems to obtain more complete information • Partnering with customers and suppliers for new ideas and/or product development • Collaborating with smaller innovative firms and universities
Organization Structure and Roles - to execute innovation (16%)	Creating organization structures and roles that promote empowerment, idea sharing and innovation execution	<ul style="list-style-type: none"> • Flat organization structures • Utilizing and empowering innovation teams (e.g. brand or product innovation teams) • Removing teams from their normal work environment • Recognizing individual innovation champions to promote innovation throughout the firm • Organization structures that are promote open communication
Performance Management - incentive and reward systems to support innovation on a systematic basis (7%)	Formalizing reward systems, goals and targets oriented towards innovation success	<ul style="list-style-type: none"> • Linking innovative accomplishments to performance reviews • Rewarding innovative effort whether successful or not • Establishing goals and targets for innovative initiatives • Innovative competitions, programs and teams are rewarded based on results.
Strategic Planning – alignment of strategic planning and processes with innovation goals (6%)	Leveraging the strategic planning process to entrench innovation as a core strategy	<ul style="list-style-type: none"> • Incorporating innovation into the strategic planning process • Communicating the vision and the imperative to be innovative • Using the strategic planning and portfolio review process to ensure strategic initiatives are innovative

5. Conclusions

What does this all mean? As starters, the absence of a well-articulated innovation strategy that outlines how the organization can address organizational inertia and process to support an innovation agenda are the largest constraints to companies in reaching their innovation targets. Limited organizational design, leadership for innovation, and knowledge infrastructure for innovation are also impairing growth in organizations.

Innovation efforts have to be identifiable and significant enough to signal to employees to think and act differently. This is also the tipping point where the culture begins to value enterprise innovation, and where organizations experience the objective correlative results on top-line and bottom-line performance. This would include value added customer focused strategies, a pipeline of new products and services, and more effective and focused systems, processes, and business models.

Moreover, there are two important concepts concerning innovation in organizations: the innovation to organizational performance correlation, and systematically managed innovation. Academic research has consistently shown a general relationship between innovation and performance does exist (Christensen and Raynor, 2003; Govindarajan

and Trimble, 2005; Hamel, 2002; Hammer, 2004; Senge and Carstedt, 2001), which has been further reported by many consulting studies (Accenture, 2013, Arthur D. Little, 2013; Booz & Company, 2014). The basic message is that innovation efforts if executed by organizations are rewarded through value creation. Understanding this correlation is critical for executives as they pursue an innovation agenda. Secondly innovation can be systematically managed. Research has shown the processes adopted impact the innovation culture of an organization (Drucker, 1991; Hellriegel et al., 1998; Robbins, 1996). The qualitative response themes (leadership, knowledge management, idea process, structure) are in the control of organizations allowing them to systematically manage innovation.

What North American businesses can benefit the most from at this point are investments in leadership and innovation training. It is apparent that employees are both empowered and creative, and the economy is not an obstacle; however there are significant hurdles, inhibitors, and distractors that need to be managed. It's a challenging environment, and the key question becomes one of how c-suite executives should focus their limited attention and resources on a handful of key drivers that support innovation. CEOs that get it have already have communicated a strong case for change, have cemented senior leadership commitment, and have thought strategically about the tradeoffs that will see innovation pursued on a holistic, integrated approach. Developing and sustaining innovation orientations will take bold leadership.

For those serious about advancing their organization's innovation agendas, we suggest the following foresight and best practices:

1. The organization has to be prepared to adopt innovation as a central theme. If an organization uses the concept of innovation loosely, then it will not have the necessary senior management support to get traction. To support this, there needs to be a clear "innovation strategy" that sets out what the organization intends to achieve through innovation, and how the organization will adopt an attitude of change to break down long-standing risk-averse inertia. This must be clearly communicated and understood throughout the organization, and form the basis for start and sustainment of innovation discussions.
2. Innovation thrusts are long term investments, and it will take years, not months to embed sustainable change in the way employees think and act. Therefore organizations need to be patient as well as persistent in the pursuit of advanced innovation cultures.
3. Innovation culture needs to be measured so that an organization can establish a baseline understanding of their current innovation state and measure/monitor improvement over time. A culture assessment also enables the organization to develop effective innovation implementation activities that are focused and can be completed in realistic time frames in a cost effective manner.
4. It is important for the organization to develop a simple, robust and proven governance approach to innovation that allows the progression of ideas from initial stimulus through to implementation. Early (and quick) wins are essential in reinforcing the innovation program. Support mechanisms and resources need to exist in efforts to encourage the use of a consistent innovation process e.g. tools and processes, internal champions, teams or experts, formal training programs, and financial resources.
5. It is essential that a significant number of employees are involved in the innovation process either to drive innovation themselves or to support the progress of others.
6. Knowledge management is critical to support ideas around products,

services, and processes necessary to create strategic value from innovation. It is important that knowledge is not only systematically captured, but effectively disseminated to the point that information can be used by employees for innovation.

7. Finally, the support for innovation behaviors of employees must be embedded in the performance management system (i.e. results matter and employees need to be rewarded accordingly).

Notwithstanding our findings and observations, the contributions of our quantitative and qualitative research should be understood through the limitations of the research. The mixed methods approach of this study could be extended to better understand innovation implementation in organizations. Of particular interest would be to perform quantitative survey analysis on the qualitative findings of this research. That is, construct validity would be increased through the development of survey constructs specific to our three open-ended qualitative questions answered by survey respondents. Additionally, context validity would be improved through single or multiple unit case studies to better understand the contextual environment of organizations as they move forward with implementing innovation agendas.

Innovation will be key to global competitiveness and advancing the organization's agenda will be a first step in addressing the crisis drift in major economies. Although the discussion around innovation has reached epidemic levels, our findings would suggest that U.S. business is just beginning to catch the wave of innovation. An innovation orientation will be important to enable emergent strategy focus, execution, and organization agility in an environment of continuous change. As traditional competitive strategy portfolios become hygiene and the productive lives of standard strategic portfolios shorten, staying the course will no longer suffice in the pursuit of sustainable growth under high uncertainty. Strategy without innovation is no longer an option.

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