



EXECUTIVE SUMMARY

CREATING THE CONDITIONS FOR SUSTAINABLE INNOVATION

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DDI and LUMA Institute conducted this research to find out how organizations institutionalize innovation via their leaders so that it occurs in a repeatable and sustainable way that brings measurable business value. The study's model depicts the overall context in which leader-driven innovation occurs, including challenges behaviors leaders need to take to drive innovation and the behaviors their team members need to demonstrate to be innovative.

We expanded four leader behaviors into 20 specific actions, then surveyed both leaders and team members about their prevalence in organizations today. Our survey also included questions about the organizational climate for and prioritization of innovation. The sample was diverse, allowing us to examine demographic trends as well.

KEY THEMES AND FINDINGS:

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

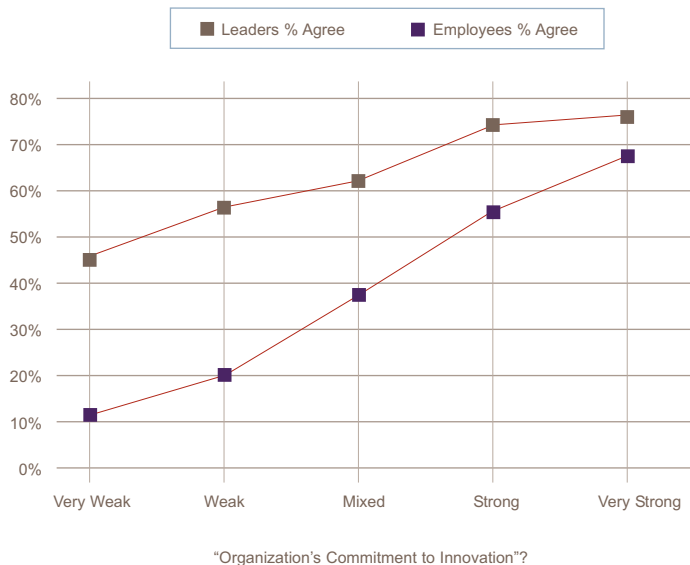
Of the 20 behaviors we included in our survey, leaders indicated that they frequently demonstrate those behaviors that are more passive in nature, with active behaviors unfortunately more rare. That is, while leaders report encouraging their team members' innovation attempts, they are less likely to break status quo to drive innovation. Passive behaviors that showed high levels of use included openness to unique ideas (78 percent agree they do this), urging employees to understand business trends (77 percent), and challenging employees to engage with customers (77 percent). Active behaviors that are less frequently displayed include encouraging employees to spend less time problem-solving and more time understanding stakeholder views (just 41 percent do this), supporting employees' decisions even when they are not based on extensive data and analysis (56 percent), and sponsoring frequent brainstorming sessions to develop ideas (59 percent).

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

When we average the response rates of leaders in the first finding, roughly three-quarters of leaders think they do well at demonstrating the behaviors that drive innovation. But when we asked team members how their leaders stack up, only about half indicated that driving innovation is something their leader does well. There's a consistent disconnect—across all innovation challenges—between what leaders think they are doing to address these challenges, and how team members are perceiving leaders' actions.

FINDING 3: Leaders actions to foster employee innovation will likely fail without an organization-wide commitment to innovation.

In this finding, we organized leaders' and employees' ratings of a leader's ability to drive innovation by their ratings of organizational commitment to innovation. The graph below shows the results.



In organizations where the commitment is very weak, demonstration of innovation behaviors is also low—and the gap between leader and employee perception is large. In organizations where the commitment is strong, leaders and their teams roughly agree that behaviors are demonstrated often and the gap is nearly eliminated.

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

We examined the demonstration of innovation-driving behaviors by leaders, broken down by first-, mid-, or senior-level. Senior-level leaders exhibit much higher agreement rates (over 70 percent) that they demonstrate the behaviors than first-level leaders do (about 55 percent). Mid-level leaders fell in between first-level and senior-level leaders in their agreement rates.

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

Many stereotypes exist when it comes to age, gender, and innovation. Our research shows there are no differences between the abilities of younger and older leaders, or between male and female leaders, to demonstrate innovation-driving behaviors.

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

We asked leaders and team members about barriers to innovation, and both identified the other as the main source of the blockage. Team members are likely to say their leader wants to be the person who generates all the good ideas, while leaders—especially those at higher levels—are most likely to say that their team members don't offer ideas of value.

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

Innovation-fostering behaviors are most prevalent in the IT/telecommunications and media industries. They were least frequent in the public sector and business/professional services. The health care industry showed a split, with lower levels of behaviors when it came to challenging current perspectives, but much higher levels for driving discipline. Construction/engineering, financial services, manufacturing, and retail/wholesale came out in the middle. The across-industry differences we observed also show that certain innovation challenges—and the leader behaviors targeting them—are more important in some industries than others. That is, leader-driven innovation must span several different approaches.

RECOMMENDATIONS

- > **Close the innovation gap.** Leaders don't necessarily have to be sources of many ideas themselves, but they need to foster ideation within their teams. These skills are developable, and will help address the gap uncovered in Finding 3.
- > **Build a top-down and bottom-up culture of innovation.** A culture that encourages new approaches to leadership, involves employees and customers in all innovation-related processes, rewards creative effort, and learns from failure is important to foster a commitment to, and culture of, innovation.
- > **Examine innovation by level.** Innovation is everyone's job, but every level will do that job differently. Senior-level leaders are the stewards of culture. Mid-level leaders translate strategy into tactics. Frontline leaders are closest to the business and current with trends.
- > **Ignite innovation action.** We saw that leaders are more passive when it comes to innovation. To shake things up, organizations must provide freedom and support leaders who take risks, try ideas, and learn from failed attempts.
- > **Communication is key.** Organizations need to supply leaders with current information about key business trends and strategies, and how these translate into the impetus for innovation and ideas when it comes to their teams.

LEARN MORE

For more information on driving innovation or to download the full report, go to www.ddiworld.com/sustainableinnovation.