

## **CEO Tip June 2013 – Creating a Culture of Innovation – and Keeping it Up**

by Guido Quelle

No-one would deny that creating innovations is indispensable to generating profitable growth—and innovations should not be random spurts from time to time, but should instead be planned and intentional, coming on a regular basis. The questions that arise here are first of all, why some companies produce far more innovations than similar competitors, and secondly, why so many innovations clearly haven't been thought through to the end.

On the first point: If you as CEO, Managing Director or entrepreneur get the feeling that your company isn't producing enough innovations, try taking a look at your corporate culture: Does it promote innovation? Does your company actively look for employees who feel free to think outside the box every now and then (or more often than that), and who are in fact expressly encouraged to do so? Are mistakes greeted with punishments or seen as providing guidance for the future? Is your operative business, the actual "money-making," given more priority than research and development?

I certainly don't want to give the impression that operative business is irrelevant, but in many companies, I've seen for myself that more value is placed on squeezing every last drop out of the operative processes and sending sales and distribution into overdrive, and less is placed on creating something new, and at the same time systematically removing the old from the market. Is this risky? Sure it is. But it's still better to do it of your own free will than to be forced to do so, e.g. by your competitors, who were unfortunately once again one step ahead.

If you really want to establish a culture of innovation, you'll need to set aside part of your own time for precisely those innovations you want to create. If you don't lead by example, your staff won't be convinced that innovations are truly important to you. Conversely, actions make an impression: If you succeed in credibly assuring them and in showing them through your own actions on a regular basis that innovations are a priority for you, and that you're convinced that the company's future rests not just on selling its current products and services, but also in marketing new and innovative ones, they'll know you mean it.

Take a look at your rewards systems: Are there rewards for innovation? Are those employees who focus on innovations praised for doing so? Are they respected? What happens when a planned innovation turns out to be a flop? Is there a major uproar, along the lines of "This should never have happened!", or does your company instead look for the underlying causes and potential lessons to be learned? Remember: Employees act in keeping with the criteria they know they're judged by.

But now for the second aspect of the initial question: The difference in the quality of innovations is above all in connection with one point, namely with listening. To be fair, I also have to mention staying power, because too many innovation projects are abandoned before they have a real chance to succeed, but listening remains the key. When Sales listens to its customers and determines what they really need instead of simply delivering what they currently want; when Sales manages to anticipate what its customers might need, even if the latter can't say what that is themselves; then you've made a major step in the right direction. Any Sales employee who does more than 30 percent of the talking in dialogues with customers is doing a poor job anyway; but that's a subject for another time.

Prof. Dr. Guido Quelle  
Managing Partner  
Mandat Consulting Group (Mandat GmbH)  
Emil-Figge-Strasse 80  
44227 Dortmund  
Germany