

## BUILDING A CULTURE OF INNOVATION

**CHALLENGE** A global pharmaceutical company that competes primarily on the basis of innovation wanted to improve its ability to carry out this strategic imperative.

**RESPONSE** One way to improve business performance is to focus on culture; however, different strategic imperatives require different organisational cultures to support them. Towers Perrin analysed results from the company's employee opinion survey to assess how well the organisation's culture sustains innovation and to identify how the company might best adapt its culture to support innovation more effectively.

**RESULTS** Towers Perrin uncovered the specific cultural elements that this company needs to strengthen to better support its innovation strategy. The company is now in a position to conduct a deliberate process of culture change to nurture innovation and thereby improve its prospects for strategic success.

### ALIGNMENT DRIVES STRATEGIC SUCCESS

In many years of working with global companies, Towers Perrin has found that for an organisation to be effective in translating its goals into results there must be alignment between its business strategy and its organisational culture. Alignment is achieved when the shared beliefs, values, and ways of working within an organisation drive the realisation of specific strategic goals and objectives.

### WHAT CULTURAL CHARACTERISTICS SUPPORT INNOVATION?

Based on recent surveys of US and global companies, Towers Perrin has uncovered the core cultural characteristics or cultural drivers of companies succeeding on the basis of innovation (see table).

#### Cultural drivers of innovation

Leveraging diversity and thought	Openess to new ideas and different perspectives
Positive supervisor relations	Respect in and trust of one's immediate boss
Collaboration and teamwork	Benefiting from teamwork and group effort
Supporting for risk taking	Willingness to take prudent risks, tolerate failure
Bias for action	A tendency to decide and move quickly
Flexible work arrangements	Allowing for non-standard working hours
Leadership	Credible and decisive leadership
Stimulating environment (interpersonal)	Lively, active discourse with well-respected peers
Effective information sharing/warehousing	Easy access and open sharing of critical information
Anticipating/driving future customer needs	Always remaining close to the customer's needs
Stimulating environment (physical)	Tools to support innovation, eg, work space, software
Rewarding innovation	Recognising and compensating those who contribute

The most desirable qualities of the culture depend on the particular business strategy the organisation is emphasising.

### EXAMINING ONE COMPANY'S CULTURE OF INNOVATION

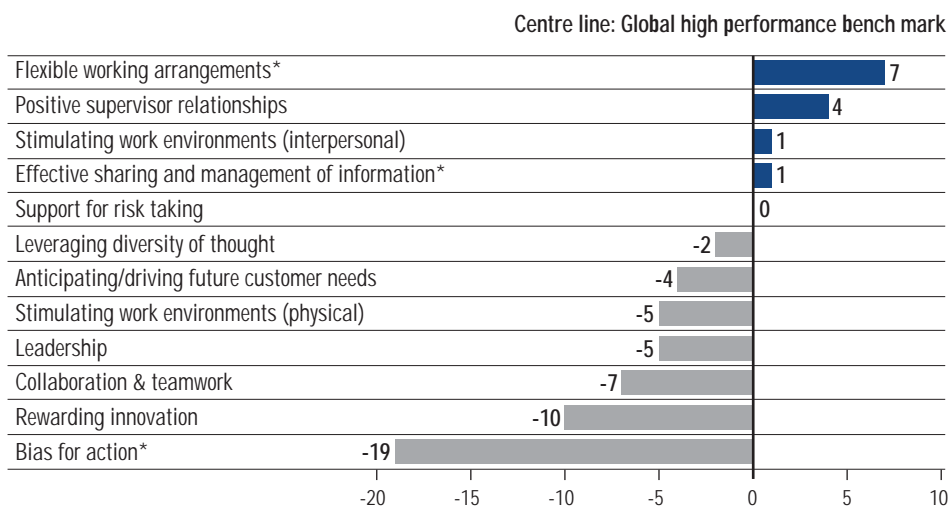
As one element of its transformation plan, the company formulated a people strategy called People Commitment that identified improvement in employee engagement as its foundation. Along with other internal measures, the company used the results of its most recent customer satisfaction and employee opinion surveys to identify the seven major components of the People Commitment. The programme focused on rewards and recognition, career development, work-life balance, leadership, outside image, support of innovation and the company's contributions to the community. The launch incorporated a delivery schedule of 12 months for execution of the major initiatives.

### Towers Perrin measures the success of the programme

Towers Perrin sought to determine to what degree, and with what consequence, the drivers of innovation listed in Figure 1 above exist at this pharmaceutical company, and to identify areas of culture change that would have the most beneficial impact in supporting innovation. Towers Perrin conducted four different analyses of the company's employee survey scores to draw its conclusions.

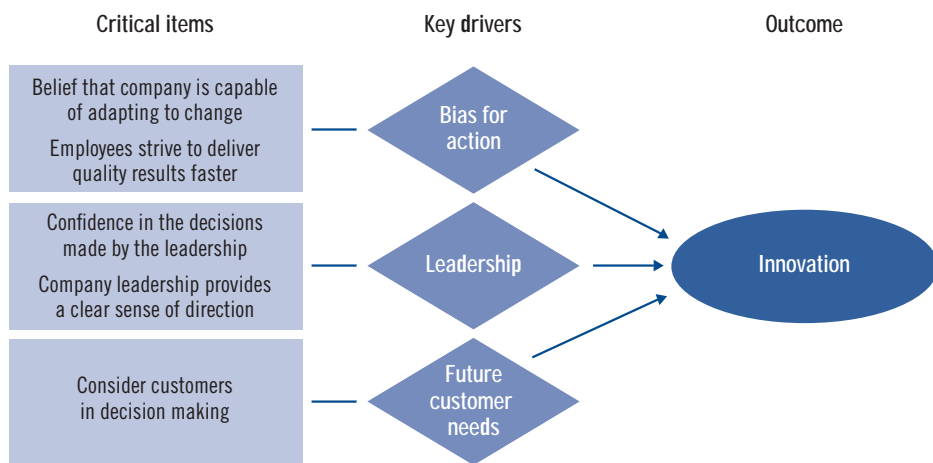
For the first analysis, Towers Perrin compared the opinions of the company's employees on the drivers of cultural innovation with scores on those same items from Towers Perrin's Global High Performance Norm. This benchmark consists of companies demonstrating both superior financial performance and excellent management practices. The results of this analysis are depicted in Figure 1.

FIGURE 1: Comparing company scores on Towers Perrin's cultural drivers of innovation



Shaded bars denote a statistically significant difference ( $p \leq .05$ )  
 \*Indicates score based on a single item

FIGURE 2: Identifying company-specific drivers of innovation



As Figure 1 shows, in some respects this company's culture is highly supportive of innovation, while in other respects the culture supports innovation to a considerably lesser extent. Lowest-scoring areas compared with the benchmark are stimulating work environments (physical), leadership, collaboration and teamwork, rewarding innovation and bias for action. These results begin to suggest a set of issues that the company may need to improve to strengthen its culture of innovation.

These results do not, however, demonstrate the specific components of the culture-innovation link for this particular company. To make that determination, Towers Perrin conducted a second analysis: a series of key driver analyses to determine the strongest statistical predictor of perceptions of innovation among employees at this company. The results, shown in Figure 2, reveal that three factors most strongly influence perceptions of innovation in this company: bias for action, leadership and anticipating/driving future customer needs.

A culture can either support or hinder a company's business objectives.

In other words, areas of this organisation where innovation is currently seen as very strong are also those areas where employees hold highly favourable views on bias for action, favourable regard for leadership, and a high level of anticipating/driving future customer needs. This suggests that focusing on these areas, in particular, will have the most pronounced impact on a culture that sustains innovation at this organisation.

Towers Perrin's third analysis comprised a secondary key driver analysis to determine the strongest statistical predictors of employee perceptions of bias for action. Since bias for action is the strongest driver of innovation in this pharmaceutical firm, understanding the factors that contribute to a bias for action can help the company to pinpoint how best to strengthen its culture of innovation. The results, shown in Figure 3, reveal that a bias for action is born out of a culture that rewards innovation, supports risk taking, effectively shares and manages information, and provides interpersonal stimulation.

These cultural factors, if emphasised, will have the most beneficial impact on a bias for action which, in turn, will lead to greater innovation inside this organisation.

Towers Perrin's fourth and final analysis involved examining the degree of consensus among management and non management employees inside this organisation, across all topic areas that affect innovation. A lack of consensus regarding the strength of these cultural drivers of innovation can signal an insidious disconnect between managers and other employees that can exacerbate problem areas by making them more difficult to recognise, understand and address successfully.

FIGURE 3: Identifying company-specific drivers of bias for action

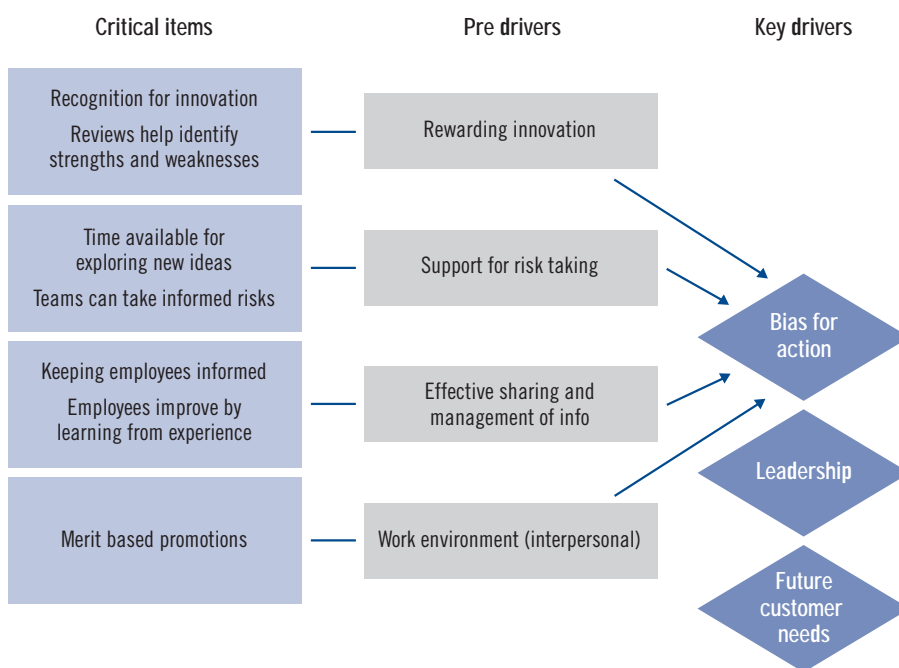
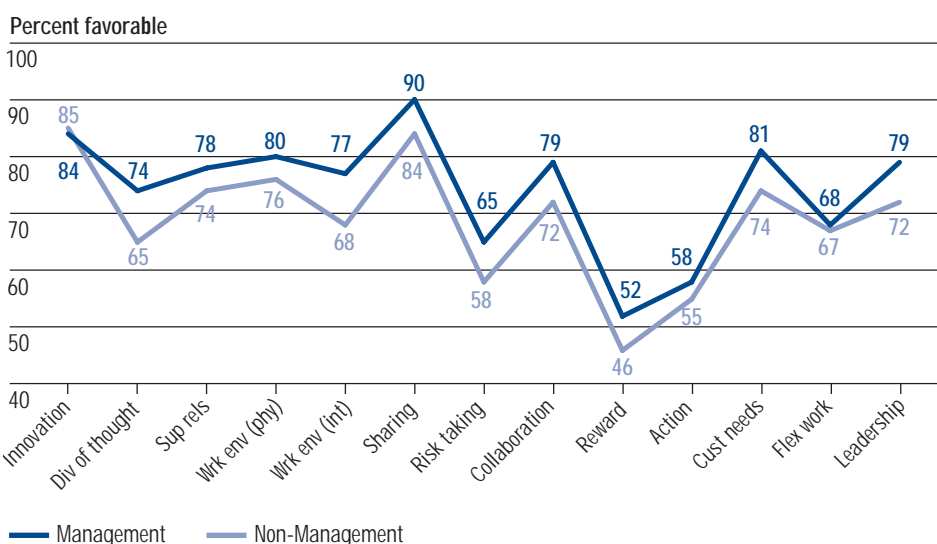


FIGURE 4: Examining management/non-management consensus on Towers Perrin's cultural drivers of innovation



The results of this analysis, depicted in Figure 4, reveal that, in general, managers' views are more favourable on most – but not all – areas when compared with those of non-managers.

The largest disconnects between the two groups can be seen in the areas of diversity of thought, stimulating work environment (interpersonal), risk taking, collaboration and teamwork, anticipating/driving customer needs and leadership.

Areas of disconnect include risk-taking and collaboration.

#### CONCLUSION: BUILDING A CULTURE OF INNOVATION

When examining results from its analyses Towers Perrin concluded that four issues stand out as particularly important for this company to improve in order to support innovation more effectively – leadership, collaboration and teamwork, rewarding innovation and bias for action. In the first analysis Towers Perrin found that, of the cultural dimensions supporting innovation, these four issues were among those rated least favourably by company employees when compared with respondents in high-performing organisations. Therefore, there is room to improve in each of these areas.

In addition, since Towers Perrin's key driver analyses found that bias for action and leadership are direct drivers of employee perceptions of innovation in the company, and rewarding innovation is a key determinant of bias for action, any improvement in those areas is likely to have a beneficial impact on innovation. Finally, Towers Perrin's analysis showed that for two of those areas, leadership and collaboration and teamwork, there is a significant lack of consensus across management and non management groups. This suggests that any improvement efforts in those areas must first involve understanding and reconciling the very different perspectives of those two employee populations.

Armed with these specific findings, this company now has a blueprint for the ideal organisational culture it must create in order to promote its strategy of innovation and achieve business success. The key attributes of this ideal future state are as follows:

- Leaders inspire confidence in their decision making.
- The company embraces change and reacts quickly to market conditions.
- The organisation's best and brightest workers are recognised for new ideas.
- Information is shared freely and openly.
- Employees collaborate effectively, leveraging each other's strengths in pursuit of common organisational goals.

## ABOUT TOWERS PERRIN

Towers Perrin is a global professional services firm that helps organisations improve their performance through innovative human capital and risk and financial services solutions.

In the human capital area, Towers Perrin helps organisations develop and implement workforce strategies that align with business needs, address critical talent issues, drive higher performance and ensure the right return on their investment in people. Areas of focus include workforce effectiveness; rewards effectiveness; benefit programme effectiveness (including retirement and health and welfare programme strategy, design, implementation and management); assistance with mergers, acquisitions and restructurings; HR function design, service delivery and technology; change management; employee communication; human capital metrics; and employee and organisational surveys.

Towers Perrin has offices and alliance partners in the world's major markets. More information about Towers Perrin is available at [www.towersperrin.com](http://www.towersperrin.com).

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