

# The Fundamentals of Innovation Culture



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# Executive summary

**To drive innovation and growth, progressive R&D organizations strive to develop a strong culture of innovation. For many R&D leaders, however, innovation culture is an abstract concept they find difficult to understand, much less influence.**

**We show how, by focusing on influencing innovation climate, R&D leaders can ultimately change the innovation culture and create the desired innovative behaviors.**

# Introduction

**Over time, the role of innovation leaders has become increasingly complex. Simply building better products and services for customers is no longer sufficient; R&D leaders now look to build ecosystems for their products and even consider alternative business models.**

The role of the R&D leader has evolved beyond thinking about technology opportunities alone, and is now expected to link ideas, information, technologies and services together — all while maintaining a customer-first and business-first perspective.

To meet the demands of their increasingly complex role, R&D leaders have historically relied on several levers to propel innovation. These include freeing up resources and funding for innovation, hiring and training people to execute innovation processes, and having access to a pipeline of fresh, innovative ideas. But there is another lever, culture, that is less often used and, as it describes how people act and behave with regard to innovation, can be even more effective.

R&D leaders have historically dedicated less time and energy to understanding innovation culture's impact and how to strengthen it. From our hundreds of conversations with CTOs and a review of the innumerable books by academics and practitioners, it is clear that while developing a culture of innovation is viewed as a vital to any innovation goal, it is also inherently challenging.

This challenge has only become more difficult as day-to-day priorities, risk aversion and measurement challenges prevent R&D organizations from creating an effective innovation culture. Organizations are also experiencing higher rates of reorganization, mergers and acquisitions, making it that much harder to meld and assess multiple corporate cultures. Today's R&D leaders often struggle to quantify, much less define, their organization's innovation culture or understand the factors that strengthen it.

## **This research report answers the following questions:**

**1.**

**What is innovation culture?**

**2.**

**How does it differ from innovation climate?**

**3.**

**What are the benefits of an innovation climate?**

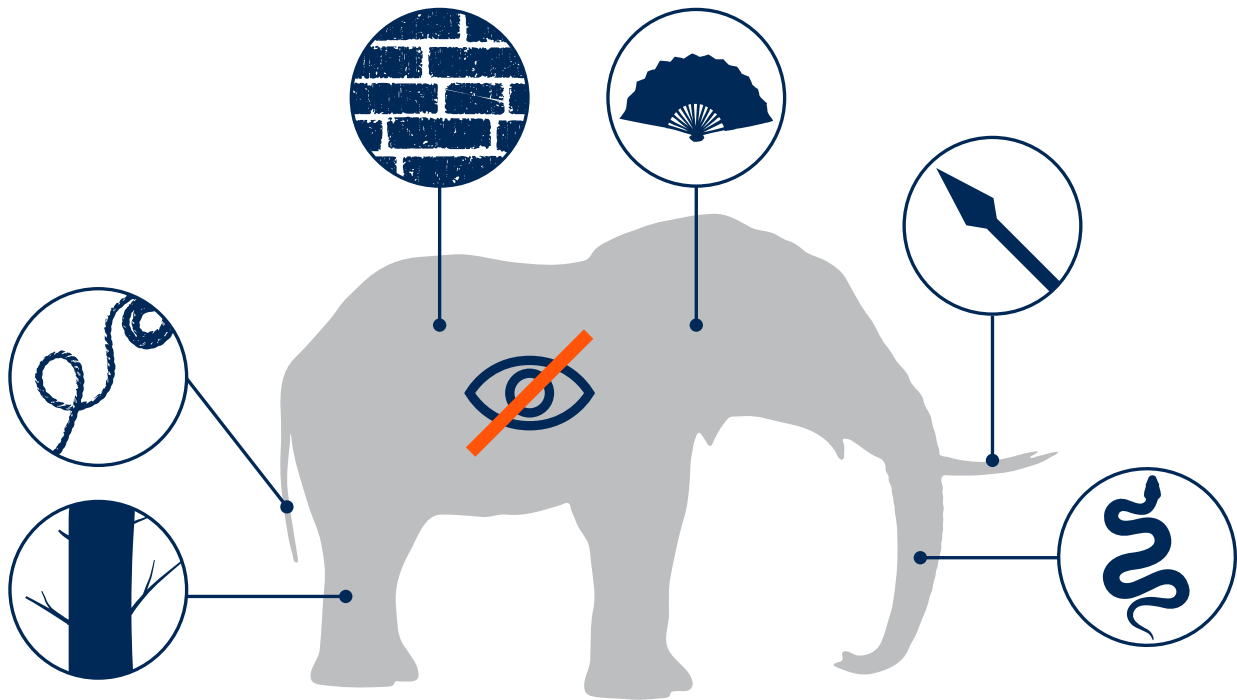
1.

# What is innovation culture?

Only by defining innovation culture at your organization can you hope to improve it.

**Figure 1: The Allegory of the Blind Men and the Elephant**

How Organizations Discuss Risk Culture



Source: Gartner

## **Most organizations talk about innovation culture, but not many have a clear sense of what it is and how to influence it.**

Discussions on innovation culture sound similar to the allegory about the blind men and the elephant (Figure 1), where each person touches a different part of the animal and makes his or her own judgment about what it is. Some describe culture as “the way things are done here,” others as “the sum total of behaviors.” Many vaguely define culture as “anything and everything.”

**However, corporate culture (and innovation culture) has a specific meaning:**

**Innovation culture is the deeply held assumptions, beliefs and values with respect to innovation shared by an organization’s employees.**

**Innovation culture has a few important properties worth noting:**

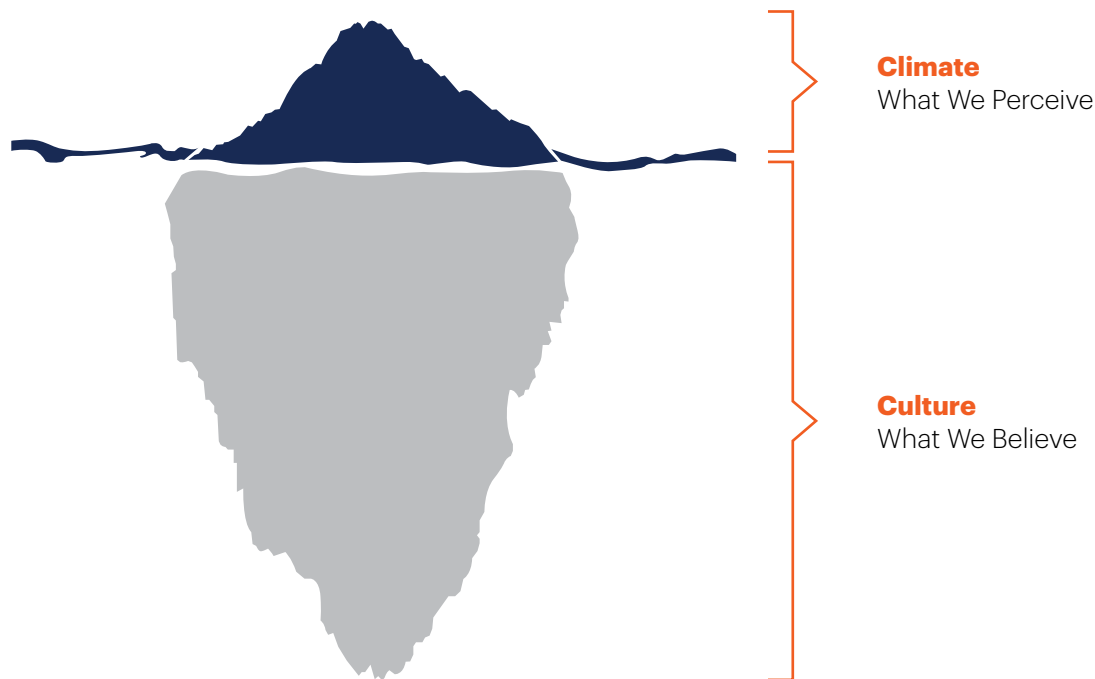
- It is shared. It is a quality of a group (e.g., a department, a business unit, an organization) and not an individual.
- It continually evolves. At any given point in time, we can only observe or record a momentary snapshot of an organization’s innovation culture.
- It is a local construct. There are likely many innovation subcultures within an organization. The more diversified or decentralized the organization, the higher the likelihood of such subcultures.

There is an inherent problem, however, with the definition above. How does one observe or record a group’s deeply held assumptions, beliefs and values on any issue? How do we see into their minds? That’s where the concept of innovation climate can help us.

# How is climate different from culture?

Understand the difference between innovation culture and innovation climate to focus your efforts on the more easily measured construct.

Figure 2: The Iceberg Analogy for Risk Climate and Culture



Innovation culture is like the submerged part of an iceberg (Figure 2). It's incredibly difficult to observe. It evolves slowly and over long periods of time. And it's very difficult to influence and change.

**Innovation climate is the shared perceptions of an organization’s employees about innovation.**

**Innovation climate, on the other hand, is how employees perceive innovation.**

It’s the part of the iceberg we see above the surface. As with culture, climate is not about the perceptions of an individual, because these can and do vary between people. Innovation climate instead stands for the shared perceptions of a group of employees (e.g., a department, a business unit, an entire organization) based on their experiences of how their group values, discusses or manages innovation. These perceptions are shaped by the events, policies and procedures the members of a group experience, and the behaviors they see being encouraged, condoned or punished.

Compared to innovation culture, innovation climate is much easier to observe, measure, and influence (Figure 3). Therefore, in an effort to affect the innovation culture (i.e., shared values and beliefs) of an organization in a meaningful way, changing the innovation climate (i.e., shared perceptions) is the natural place to start.

**Figure 3: Differences Between Culture and Climate**

Why Companies Should Focus on Climate Versus Culture

	<b>Innovation Culture</b> (Shared Values and Beliefs)	<b>Innovation Climate</b> (Shared Perceptions)
<b>Rate of Evolution</b>	Slow	Fast
<b>Ability to Observe</b>	Low	High
<b>Ability to Measure</b>	Low	High
<b>Ability to Influence</b>	Low	High

Organizations that build the right innovation climate, employee perceptions and employee beliefs and attitudes toward innovation will drive behavior change.

Source: Gartner

### 3.

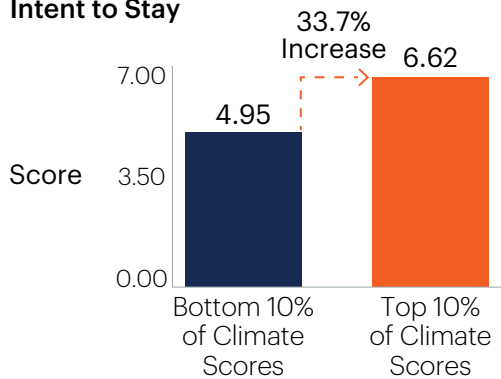
# The benefits of a strong innovation climate

## Ensure your key stakeholders understand why a healthy innovation climate is important for your organization.

As well as providing a firm foundation for a strong innovation culture, a good innovation climate has other benefits. For example, our research shows clear impacts on work engagement, employees' intent to stay, and organizational commitment to innovation projects (Figure 4).

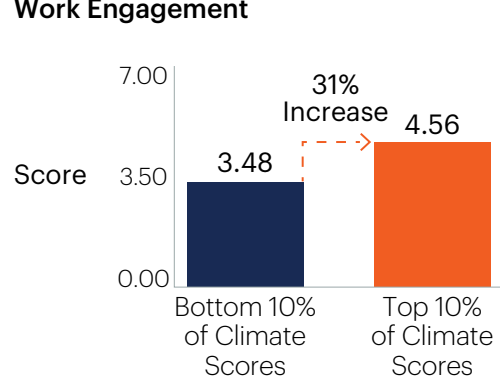
**Figure 4: Benefits of Innovation Climate on Intent to Stay, Work Engagement and Organizational Commitment**

### Intent to Stay



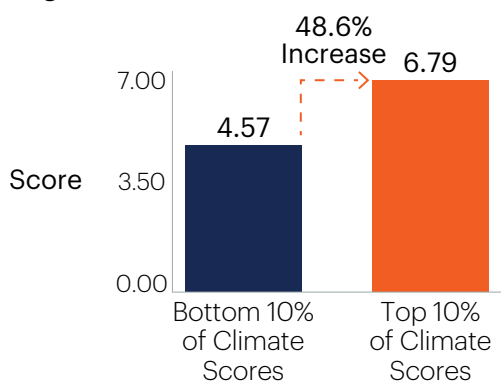
n = 95  
Source: Gartner  
Note: Average score on 7-point scale (Strongly Disagree-Strongly Agree)

### Work Engagement



n = 98  
Source: Gartner  
Note: Average score on 5-point scale (Never-Always)

### Organizational Commitment



n = 95  
Source: Gartner  
Note: Average score on 7-point scale (Strongly Disagree-Strongly Agree)

# Conclusion

**Innovation culture is too deeply embedded within the organizational psyche for R&D teams to observe, measure or influence. Innovation climate is easier to tackle on all fronts.**

**Driving successful innovation is more complex than ever as organizations seek to innovate beyond products into services, ecosystems and business models.**

While measuring and improving innovation culture might seem like a daunting task (with good reason), assessing the innovation climate in an organization — the shared perceptions of employees with respect to innovation — is much easier.

Organizations and R&D teams serious about measuring or strengthening their innovation culture should develop a customized approach to measure and influence their innovation climate.

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