A Guide to What You Should Know:

How to Introduce Innovation into Your Organization

Northeastern University
Organizations today operate in a highly competitive, global environment—one where once-popular video rental and bookstore chains sit vacant, shuttered in the aftermath of Netflix and Amazon’s rise. Now more than ever, innovation is crucial to a company experiencing and sustaining success.

“Companies need to be fast-moving, and their employees and managers need to be comfortable with assessing the global landscape and enabling their organization to change,” says Tucker Marion, an associate professor in Northeastern University’s D’Amore-McKim School of Business and director of the Master of Science in Innovation program.
But, What Does “Innovation” Mean?

Ask a room of entrepreneurs and executives what “innovation” means, and it’s likely each will offer a different answer based on his or her own experience. Innovation is a mystery most companies are still trying to solve—partially because of how long it takes to see results.

At its core, innovation is focused on generating value for an organization. Historically, that value has often been described as “faster, better, cheaper.” Rather, can a business go to market sooner, outperform other products in functionality, and for a cheaper price point than the company’s competitors? Although still critical success factors, innovation in itself extends beyond that.

“Innovation is coming up with new services, products, and processes to transform a company,” Marion says, “either through new sources of revenue, new business models, or new ways to consider how the company operates.”
In his definition, Marion addresses three types of innovation: product, process, and business model. Here’s a look at how the three break down:

» **Product Innovation:** What typically comes to mind when someone says “innovation.” This category covers the development of a new product, as well as an improvement in the performance or features of an existing product. Apple’s continued iteration of its iPhone is an example of product innovation.

» **Process Innovation:** Process innovation entails the implementation of new or improved production and delivery methods in an effort to increase a company’s production levels and reduce costs. One of the most notable examples of process innovation is when Ford Motor Company introduced the first moving assembly
line more than a century ago. Because of the new manufacturing process, assembly time for a single vehicle dropped from 12 hours to roughly 90 minutes.

» **Business Model Innovation**: Business model innovation includes changes in how a product is brought to market. By Amazon serving as a channel for other retailers, the company is able to take a cut of each purchase without needing to maintain inventory of slower-selling products.

79 percent of respondents ranked innovation as a top-three priority at their company.

(Boston Consulting Group, 2015)
A company may choose to innovate in one or all three categories; what matters most is that the organization innovates. If senior leadership fails to continuously challenge their team’s way of thinking, the company’s competitive advantage will soon start to dissipate—or dissolve altogether.

It’s the concept behind the phrase, “Innovate or die”—a stark saying-turned-reality for some of the world’s biggest brands. Take Kodak, for instance. In 1976, the company accounted for 90 percent of film and 85 percent of camera sales in America. In 2012, that same company filed for bankruptcy. What happened in between?

Steven Sasson, an engineer at Kodak, invented digital photography and created the first digital camera in 1975. Rather than capitalize on that first-mover advantage, Kodak fought against the change, fearing a shift toward digital would cannibalize the company’s film-based
business model. As the years progressed, so did interest in digital photography. By the time Kodak decided to adapt, it was too late.

Companies need to prioritize innovation to keep up with advances in technology and respond to customers’ evolving needs. More corporations are starting to agree: In a [Boston Consulting Group survey](https://www.bcg.com), 79 percent of respondents ranked innovation as a top-three priority at their company. In a separate [survey by Deloitte](https://www2.deloitte.com), 78 percent of future business leaders deemed innovation essential to business growth.

Of that 78 percent, however, only 26 percent said their current organization encourages practices that foster innovation.

“All companies want to learn how to more effectively put innovation in their companies,” Marion says, noting that some have hired chief innovation officers or established an internal innovation lab or team to try solving that very problem. “But just because you have that doesn’t mean you’re going to be innovative the next day.”
Innovation takes time. As former Microsoft CEO Steve Ballmer said, “If you want to be an innovator, you have to take the long-term approach. There’s a view that innovation happens overnight and that’s simply not the case.”

Some companies still expect to see quick results—making innovation initiatives easy to cut if the payoff isn’t immediate. Three years after Coca-Cola announced its Founders program, which sought to support startups that could benefit the beverage brand, the company shut it down. After only four years, retailer Nordstrom chose to scale back its Innovation Lab, saying that rather than have a team focused on innovation, it would become the job of every employee.

Innovation teams and initiatives can be successful, however, if a company properly invests in its employees and their ideas.
Kodak created a “complacent culture”—one where senior leadership rested on the company’s current success, rather than plan for its future. In order to avoid a similar fate, today’s executives need to focus on creating a culture of innovation, which they can slowly start building using these six tips.

1. **Give Employees the Freedom to Fail**

   Barbara Larson, executive professor of management at Northeastern’s D’Amore-McKim School of Business, says organizations need to create a climate of “psychological safety”—a term coined by Harvard Business School professor Amy Edmondson.

   “It’s about establishing a climate in which people feel comfortable admitting to well-intentioned
mistakes without being harangued or punished,” Larson explains. “Teams where people feel comfortable admitting mistakes tend to look like they’re making more of them, but they’re really raising them in the open air and learning from them.”

Rather than spend additional time and resources agonizing over a particular log-in feature, companies can release an app update to see how customers react. If the new feature isn’t well-received, the organization can quickly pivot and iterate. Entrepreneurs call this “failing fast”; the sooner employees realize what isn’t working, the sooner they can resolve the issue and refocus their efforts on features and projects that drive success.

Failure can lead to invaluable business lessons. Companies won’t learn from those lessons, however, unless employees know it’s safe to take risks. Some organizations have begun handing out “Heroic Failure” awards to honor those who’ve pursued new or unproven ideas and opportunities they thought could benefit the company.
Innovation, by its very nature, requires a certain level of risk-taking. Before that can happen, managers need to empower employees to test new ideas.

“Organizations need to foster their employees to be entrepreneurs within their companies,” Marion says. “There needs to be a mechanism in place where those who have new ideas or want to try new things can take on that risk.”

At Google, they hold “internal innovation reviews,” where managers pitch product ideas from within their department to top executives. The technology company also hosts 24-hour sprints, called “Fixits,” where employees focus solely on solving a specific problem.

“Fixits are incredibly powerful vehicles not just for fixing a problem, but for generating and spreading knowledge, driving the adoption of new tools, and making Google engineering feel like a cohesive
culture despite its size,” writes Mike Bland, a former senior software engineer at Google.

Companies should invite employees to share ideas, and then provide the proper time and resources to testing and implementing those new features, products, or processes.

Allocate the Proper Resources

If an organization doesn’t properly invest in its innovation team, it’s likely that team will fail.

Most employees’ time isn’t allocated solely to a single innovation project. Because of that, Larson says, team members “experience constant pressure from other work demands and even other innovation team projects.”

Google’s “Fixits” program is an example of how an organization can more effectively manage employees’ time. Getting the right people on the
team—including representatives from senior leadership who can advocate for resources, such as time—can also help.

“If you need the team to make decisions, get people on the team who have the authority to make decisions, and then give those people the bandwidth to actually do the work of the team,” Larson says, noting that organizations too often place one manager on several teams, expecting that supervisor to complete his or her typical list of daily tasks on top of spearheading new innovation initiatives.

Companies should instead invest in the team and properly allocate resources so that employees can stay focused on the task at hand.
Prioritize Innovation from the Top Down

By assigning senior leaders to innovation teams, it’s easier to get buy-in on new ideas from the top of the organization. The move also sets an example—reinforcing that the company’s executives are committed to investing in innovation.

Senior leaders need to do more than mandate change; they need to infuse innovation throughout the organization and stay actively engaged. By prioritizing innovation from the top-down, they’re helping highlight its importance.

78 percent of future business leaders deem innovation essential to business growth.

(Deloitte, 2013)
“A lot of organizations tend to set up innovation teams the way old-school companies used to set up committees and task forces,” Larson says.

That, though, turns innovation into a chore. Employees start treating creative projects as an afterthought, rather than as a potential driver of growth for the company. It’s why senior leadership needs to communicate to every level of their organization why innovation matters and establish the processes necessary to incite change.

**Consider Creating an Incentive System**

One of those processes might be creating an incentive system that aligns each employee’s performance evaluation and compensation to the innovation team’s overall work.

“At the end of the day, you don’t want people to become lone rangers,” Larson explains. “You want the primary focus to be on achieving the team goal.”
In an effort to motivate each team member, Larson says there still needs to be an individual component to the incentive system, but that reviews should be more heavily weighted based on the performance of the team. The benefits of that approach are clear: Incentivized teams increase their performance by 45 percent, compared to incentivized individuals, who increase their performance by only 27 percent, according to research by the International Society for Performance Improvement and the Incentive Research Foundation.

Establish a Team Process Early On

An incentive system is one example of the norms that need to be in place before an innovation team starts working. Before kicking off a new project, employees should also understand the role of each team member, the leadership structure, and the goals of the overall team.
"There needs to be an establishment of a clear team process early on," Larson says. "Setting up a process upfront can seem like it's delaying the work, but if teams go right into task, they usually spend that time in the latter half of their innovation cycle. They find leaks in the canoe too late."

Some companies create a team charter, which outlines the team’s mission, scope of work, objectives, and methods of addressing roadblocks or change. Teams create the charter as a group, so that each member understands and agrees to the overarching vision and is held accountable to the same principles.

"Innovation is so important because we’re living in a highly competitive, global environment."

— Tucker Marion, director of the Master of Science in Innovation program in Northeastern’s D’Amore-McKim School of Business
The Master of Science in Innovation (MSI) from Northeastern’s D’Amore-McKim School of Business equips working professionals with the skills they need to introduce innovation at their organization—including how to foster teams, spot opportunities, and leverage new technology.

Is the program right for you? Here’s why some recent D’Amore-McKim School of Business alumni chose to pursue the MSI and how it’s helped advance their career:

“There are opportunities to innovate everywhere—we just need to be open to the hard work required to capture those opportunities. Too often companies set the course and follow it for as long as they can. Innovation can be uncomfortable as it shakes up the existing ways of doing things—but it is essential in the long-term success of a company.”

Zachary Cook, ‘15, senior director of market development at Salesforce
Casey O’Neill, ’16, product developer for Boston Beer Company

“Day in and day out, I use what I learned every day. I learned the language of business that I wasn’t necessarily competent in before.”

Arnab Biswas, ’15, program manager at Microsoft

“The MSI program provided a set of tools that I can depend on to react to unpredictable changes or be on top of predictable changes in the industry.”

Anna Vogel, ’15, staff R&D engineer at Cytrellis Biosystems

“I am able to evaluate decisions and innovations from a well-rounded business perspective, as well as better understand and communicate the key items senior leadership may look for in a decision or recommendation.”
Are you ready to discover the change you can make on your organization?

To learn more about the Northeastern experience, including its Master of Science in Innovation program, visit northeastern.edu/graduate or connect with our team to receive personalized advice.

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