

HR's Contribution to Creativity and Innovation

“There are so many areas where HR can help create a culture that supports creativity and innovation, whether as a leader or a strong advisor. The question is, why aren't most of us doing more?”

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Executive Summary

- 1 This report considers the issues involved in developing creativity and innovation in organisations. It highlights the particular contribution HR professionals can make and the levers HR can pull to develop an organisation culture that supports creativity and innovation.
- 2 Creativity and innovation are different concepts, requiring divergent skills and approaches:
 - Creativity is the application of imaginative ideas to practical opportunities for invention.
 - Innovation is the process of applying creativity to achieve workable solutions or develop new products. Successful innovation requires both the new ideas generated by creativity and the disciplined application of innovation – a combination of skills, mindset and rigour.
- 3 Innovation is critical in today's fast-moving, hyper-competitive business environment. Some organisations and industries have a greater need for innovation for their businesses to survive and flourish. However, all organisations need to innovate to some degree, and developing the capabilities to manage innovation effectively is a key business requirement.
- 4 The degree to which HR is involved in developing organisation capability in this area depends to a large extent on the importance of innovation to the firm's success. Regardless of the level of demand for innovation, HR professionals can learn from the efforts of companies like Google and Disney in which creativity and innovation are part of their cultural DNA. In these and other highly creative and innovative organisations, HR often takes the lead in ensuring the components of the organisation are designed to support a culture of innovation.
- 5 A survey exploring how HR supports creativity and innovation today found that HR is focused on:
 - bringing an innovation angle to more 'traditional' HR activities such as selection, development and reward;
 - helping leaders develop skills to support creativity and innovation; and
 - developing an innovation culture.HR has more to do in areas such as helping innovation teams function effectively, bringing customer insights into innovation efforts, and optimising physical work spaces for innovation.
- 6 Although the pace of innovation is different across industries and between firms within the same industry, we find that organisations that are successful in the longer term tend to be better at anticipating market changes and innovating consistently in the face of external threats. HR has an opportunity to challenge the organisation to give adequate consideration to future challenges and opportunities in strategy discussions, and to set an example to the business by identifying future trends, bringing them to the attention of senior management, and taking an innovative approach to HR service delivery.
- 7 HR can play a role in developing innovation strategy, whether this is through helping identify future business opportunities, facilitating the strategy development process in a way that gives adequate airtime to issues of planning for innovation, or making sure there is a clear 'line of sight' between the firm's plan for innovation and HR's agenda and actions.

'To add value to discussions of innovation processes, HR professionals need to bring what they know about people and human systems to the conversation, a perspective which those in charge of research or innovation may be lacking.'

8 Organisation cultures that support innovation share common features, including openness to creative ideas, a rigorous approach to innovating, acceptance of risk-taking and experimentation, willingness to learn from failure, and strong external orientation. Organisations that are built on these principles – often building on the core beliefs of founders – tend to be more innovative. However we find it is possible to develop a more innovative corporate culture by taking a systemic approach to culture change focused on changing behaviours of key players who in turn help others experience the benefits of new ways of thinking and acting. The beliefs and behaviours of senior leaders are critical in moving towards and sustaining a new culture.

9 Options for developing an organisation design to support innovation are explored. These include:

- ambidextrous organisations, in which innovation units are structured as separate units, sheltered from the prevailing bureaucracy of the rest of the firm;
- virtual and network organisations, that allow businesses access to a wider range of ideas and expertise than they can house within their own organisation boundaries; and
- agile organisations, able to move quickly to develop and implement new strategies in response to changes in the external market.

Companies also need to attend to the 'lateral organisation' – the processes and networks that form the reality of how organisations function day-to-day. Innovation projects typically cut across geographies, functions and unit boundaries, and lateral aspects of the organisation need to be explicitly designed to support innovation.

10 We find that HR needs to rethink how its activities support innovation. Particular consideration needs to be given to:

- how resourcing strategies and approaches need to be reconfigured to attract people with the right skills, mindsets and motivation for creativity and innovation;
- coaching leaders to support innovation and ensuring leadership development programmes focus on the right capabilities;
- providing support for the set-up and ongoing operation of innovation teams; and
- designing reward systems consistently with the firm's ambitions in regard to creativity and innovation.

11 Above all, HR needs to ensure it is highly knowledgeable about what is needed to drive innovation and support creativity, that people processes support – and do not work against – developing the right culture, and that HR sets an example by experimenting with new approaches and being creative and innovative about how HR services are delivered.

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