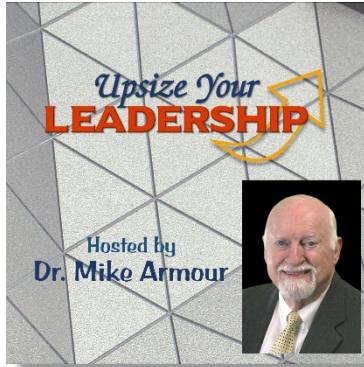


Creating a Culture of Innovation

Hosted by Dr. Mike Armour

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My most widely-read book in the corporate world was written in 2006 and entitled *Leadership and the Power of Trust*. You may have heard me mention it on prior podcasts. Last week, the book passed a new milestone. A second edition, updated and expanded came off the press. It's now available on Amazon, if you're interested. And Amazon provides a free preview of the book which takes you through the opening chapters.

Among the revisions in this second edition is a new Foreword, written by Ross Smith at Microsoft. Of all the people who read the first edition, Ross and his colleagues did more than anyone else to put the book's principles into practice. He therefore

graciously agreed to write the Foreword for the new edition, outlining how they implemented guidelines in the book to build a high-trust culture.

Recently I delivered a keynote entitled *Innovation Is a Team Sport*. In that presentation, I outlined how my work with Ross and his team changed my perspective on innovation. In today's podcast, I'm taking you behind the scenes of my work with Ross and inviting you to think about how you can develop a culture in your organization which encourages innovation. When you become more adept at fostering innovation, you inevitably upsize your leadership.

Innovative technology has always fascinated me. I was an early adopter of personal computing. Before the first IBM PC or Apple MacIntosh came to market, I had already owned several desktop computers. But my primary interest was in what innovation produced, not the process of innovation.

Then, around 2007, that changed. An experience at Microsoft kickstarted my interest in innovation as a process. I got a call one day from Ross Smith at Microsoft. At the time, he directed the Windows Core Security Team, charged with fortifying Microsoft products against hacking.

My book *Leadership and the Power of Trust* was soon to be released, and Ross had found an advance review of it on line. He asked if I would be willing to send him a digital copy of the book and allow him to duplicate it for about a dozen of his team members. "Once the book is out of press," he said, "send me a dozen copies along with an invoice. But we're working on a project right now that could profit from an advance copy of the book."

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Eventually Ross' order grew to three dozen books and an invitation for me to travel to Microsoft headquarters to consult with his 80-member team. They had recently undertaken an initiative that immediately intrigued me. It was an organized experiment to see if they could enhance innovation by strengthening trust within their team. Thus their interest in my book.

For the first time ever, I was immersed in an examination of the process of innovation. And also for the first time, I came to see innovation as a team sport. I had never thought of it that way before. I had always associated the word "innovation" with the work of individuals – a Thomas Edison, a Henry Ford, a Bill Gates or a Steve Jobs.

My first visit to the Microsoft campus, however, gave me a completely new perspective. Ross and his team were up against the most sophisticated hackers in the world. Finding innovative ways to stop the cyber bad guys was their daily bread and butter. Their task required a level of ingenuity and innovation which surpassed what one or two people alone could possibly accomplish. Theirs was an all-hands-on-deck enterprise.

In my initial meetings with the team, their foremost question was, "How can we create a culture which promotes innovation as much as possible?" They not only saw *innovation* as a team sport. For them, the process of *creating an innovation-friendly environment* was likewise a team endeavor.

Over the next few weeks, using my book as a guide, they designed a masterful process to strengthen trust within their ranks. They undertook the effort with a working hypothesis. They theorized that if they made trust-building a strategic priority, they could foster greater levels of innovation.

As this initiative moved forward, impressive results emerged. Deeper trust facilitated more open communication, more timely feedback. With that freer flow of information, collaboration became more pronounced, more thorough. In short order the team's effectiveness at identifying vulnerabilities in Windows products increased 28.5%.

And what about the innovation-friendly culture which they wanted to develop? It blossomed, too. One of the items on their yearly employee survey was, "I am actively encouraged to pursue new and innovative ways to perform my job more effectively." The level of agreement with that statement improved 10-15% annually, so that eventually, 97% of the team concurred with it.

A more striking proof of their success came with Microsoft's annual Innovation Fair. This was an internal event, somewhat like a science fair at a high school. It allowed workers to showcase innovations which they had implemented or were developing. For several years running, people from Ross' team dominated the awards at that competition.

To my knowledge, however, the team never asked a very basic question, namely, what exactly is innovation? Not everything which goes by that name deserves the title. I frequently hear something described as innovative, when in reality it's merely a striking example of what I would consider ingenuity or inventiveness.

In the popular mind, the line between ingenuity and true innovation has become increasingly blurred. We are incessantly bombarded with marketing announcements of some "new and innovative" product. We've become accustomed, therefore, to thinking of anything new and dazzling as an innovation.

The problem is compounded when we confuse innovative thinking with innovation itself. When I ask people to define “innovation,” the most frequent responses is, “Thinking outside of the box.” But thinking is not innovation. Innovations are implemented, not merely thought about. Innovation always begins with an innovative idea, of course. But until the idea is translated into robust implementation, no innovation has occurred. We merely have a novel, unproven concept.

Innovation thus results from 1) a culture aligned to nurture it, 2) some novel idea which holds the realistic promise of a needed breakthrough, and 3) robust implementation of the idea. Of these three aspects of innovation, the cultural component is the most pivotal. Unless the corporate culture fully supports and encourages innovation, even the most innovative ideas are likely to wither on the vine.

So, let’s talk about the cultural component of innovation for a moment, shall we? In case you haven’t noticed, organizational cultures aren’t always friendly toward innovation. And there’s a simple reason for that. Innovation is about change, and culture, by its very nature, resists change. You see, a primary function of culture is to provide stability and predictability in human relationships. Some people need more stability and predictability than others, to be sure. But none of us wants to live or work in a world where everything is unpredictable.

Thus, whenever people start working together in a group, it’s not long before their patterns of behavior begin to coalesce into a set of norms. These norms are not necessarily prescribed. They just evolve. Pretty soon, certain things are valued in the group, others are not. Certain subjects are considered open for discussion. Others are systematically ignored. There’s a consensus way of making decisions, an established method of settling disputes. An organizational culture is emerging. And because this culture is an expression of these norms, it becomes the vehicle for assuring stability and predictability within the group.

Substantive change threatens to disrupt this stability and predictability. And because culture is self-protective, it fights back. And the tenacity with which it fights back is often a function of how large the change is.

One of my favorite metaphors to illustrate this came from Virginia Satir in the 1950s. She was an innovator. She pioneered the field that we today call family systems therapy. She was one of the first to practice therapy with an entire family rather than in one-on-one settings. Families, just like organizations, have a culture. And Satir came to recognize that these cultures could be viewed as a system.

Now, the purpose of any system is to maintain balance. You’ve perhaps heard me make this point before. The heating and air conditioning system in your house serves to maintain a balanced temperature and humidity. The lighting system in that house maintains a balanced luminosity. Inventory systems maintain a proper balance of goods or materials on the shelf. When the balance is disturbed, the system has built-in mechanisms to restore that balance.

Satir compared cultural systems to a mobile suspended from the ceiling. It has several elements hanging from the crown of the mobile. When the mobile is motionless, it’s because the elements have interacted with one another to create a balance. If you walk up to that balanced mobile and tap one of the elements, the entire device starts a little dance. The purpose of the dance is to restore the balance once more.

But if, instead of tapping an element, you slap one of them, the resulting dance is very exaggerated. Your slap has so radically disturbed the mobile, it must go to greater extremes to restore the balance.

Now, consider this possibility. What if you walked up to the mobile and put a paper clip on one of the elements. The mobile would respond with a little dance before establishing a stable balance point. But because of the weight of the paper clip, the balance point has now shifted slightly. Then add a second paper clip. And a third one. Little by little you can change the balance point of the mobile in a wholesale manner without ever triggering an exaggerated dance.

As leaders, we are prone to rush large-scale change too quickly. And when we do, we get major pushback. That reaction is the mobile trying to reestablish balance after it has been slapped. Whenever possible, therefore – and it's not always possible – leaders are well-advised to implement change incrementally. Although incremental change takes longer, it tends to be more enduring and less disruptive.

So, think about it. Let's imagine that the culture of your organization is not particularly innovative and you set out to create a culture which is open and receptive to innovation. Such a change itself is a major innovation. It really smacks the mobile. The team at Microsoft sensed this reality, which is why they did not move immediately to some bag of tricks for increasing innovation. They first set out to create a culture which truly celebrated innovation. And they wisely made that culture-building effort a team endeavor.

Now, they had an advantage that most of us don't have when we set out to transform an organizational culture. They were an integral part of a company that prided itself on innovation. Year after year Microsoft was named one of the ten most innovative companies in the world. So there was at least a corporate commitment to innovation, even if that commitment was not always evident in day-to-day operations.

And the fact is, Ross' team believed that Microsoft was no longer embodying its reputation for innovation. They noticed a pattern which had established itself. In large measure, Microsoft was developing fewer and fewer of their innovative products in house. Instead, they were buying small innovative firms, then incorporating products which these firms had developed into Microsoft's suite of offerings. Why, the team members asked, had a company which spearheaded some of the greatest innovations in history lost its innovative edge?

This question intrigued them so much that they took it upon themselves to research it. They began by interviewing people who had come into the Microsoft community through some of these small acquisitions. The researchers were looking for the answer to one simple question. What was it about these small companies which had made them so innovative? No matter who the team interviewed, the answer was always the same: the secret sauce was corporate culture. And one of the most striking features of that culture was a high level of trust.

Interestingly, the culture which the respondents described sounded very much like what Microsoft's culture had been in its earlier days. But the company had become so large, bureaucratic walls had become so rigid, decision-making had become so multi-layered and cumbersome that innovative ideas died on the vine while waiting for adoption. Thus, in launching their initiative to enlarge innovation, Ross and his team were actually taking a counter-cultural stance in a culture which perceived itself as innovative. Counter-cultural movements must always be a team effort, or they are doomed to languish.

As Ross' team tackled this task, they took a page from my book. Remember, their strategy was to increase innovation by first building deeper trust. In *Leadership and the Power of Trust*, I outline five things which people must feel in order to trust. First, they must feel safe. Physically safe. Emotionally safe. Psychologically safe. Interpersonally safe. Fear and high anxiety choke out trust. Second, they must feel informed. If management does not care enough about me to keep me informed, I'm not likely to give management my undivided trust. Third, they must feel respected. We do not tend to trust people who fail to treat us with respect. Fourth, they need to feel valued. When who I am, what I believe, or what I do is treated dismissively, it's unlikely that I will reciprocate this disrespect with trust in those who have shown me so little respect. And fifth, they need to feel understood. They need to feel that decision-makers and the decision-making process truly listened to them and sought to develop a clear grasp of their viewpoint.

In *Leadership and the Power of Trust*, I devote a full chapter to each of these five factors. Ross and his team took those five factors as a roadmap for developing a high-trust culture, and only then did they focus on making it a more innovative culture. Nor did they rush this process. They devoted months to it. They recognized the necessity of getting the culture right above all else. They worked first on establishing a culture which was conducive to innovation before they turned to refining the process of innovation.

If you grab onto no other takeaway from today's podcast, grab hold of that one. To create an innovative organization, start by devoting the time and energy required to create a culture which will undergird innovation.

You've perhaps heard me say in the past that there are three king-makers in today's hypercompetitive business environment. The three are agility, speed, and innovation. The agility to turn on a dime without losing momentum. The speed to respond quickly without sacrificing quality or customer care. The innovation to stay ahead of the pack. A culture which is receptive to innovation will also more readily accept the changes which make for greater agility and speed. So, be a leader who fosters innovation. But first, create a culture which will embrace it.

Dr. Mike Armour is the managing principal of Strategic Leadership Development International, which he founded in Dallas in 2001. Learn more about his leadership development services at www.LeaderPerfect.com.

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