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The Key to Innovation is Culture, not Spending



Last week Booz & Co. released their 7th annual [Global Innovation 1000](#) report titled “Why Culture is Key”. In it, Booz surveyed 600 innovation leaders at global companies, large and small. They conclude, as they have consistently over the past seven years, that ‘there is no statistically significant relationship between financial performance and innovation (R&D) spending.’

Among their conclusions:

The Top Innovators Are Not the Top Spenders

Apple, Google, and 3M were voted as the top innovators by their peers. Yet, none of them are in the top 10 in terms of R&D spending, and many outperform their competition in a number of areas, including financial performance and shareholder return.

Much R&D Spending is Wasted

Overall, R&D budgets were up last year, about 9% according the survey. Companies continue to throw dollars at new technology and incremental innovations on products. Rather, they should be need seekers who are obsessed with finding the articulated and unarticulated needs of their customers. This is where culture is born and where innovation can blossom. However, most companies still struggle to turn R&D expenses into profitable products and to make gains against their competitors who continue to out-innovate them.

An Organization’s R&D Talent and Culture of Innovation is as Important as the Dollars Spent

In reality, more of those dollars should be allocated to building the right team with the right leaders at the helm. Without the right talent, it’s harder to align the business strategy with innovation, and innovation with the company culture.

The C-Level and leaders of R&D need to assess how a new executive will embody the culture and how passionate they will be about the products and customers who are the ultimate beneficiaries of these innovations.

A few questions to ask the hiring team regarding prospective R&D candidates:

- Is the innovation strategy effectively articulated? If not, is this the person who can do it?

- How will this person align the information and cultural gap between R&D and the organization's executives?
- How will this person accelerate the execution of innovation success?

The study shows that business results are driven mainly by 'strategic alignment (with overall business strategy)' and 'a culture that supports innovation'. In fact, 44% of the companies surveyed have both highly aligned cultures and highly aligned innovation strategies. As a result these companies reap more profits and enterprise value.

Aside from the numbers and the surveys, it's logical to think that a highly aligned company culture is correlated to innovation success. Think about Apple and Google, it's not just about having the best technology. In fact, much of their technology is not particularly complex. But the technology was built around identifying - and sometimes creating - customer needs.

We encourage you to view the report in its entirety [here](#).