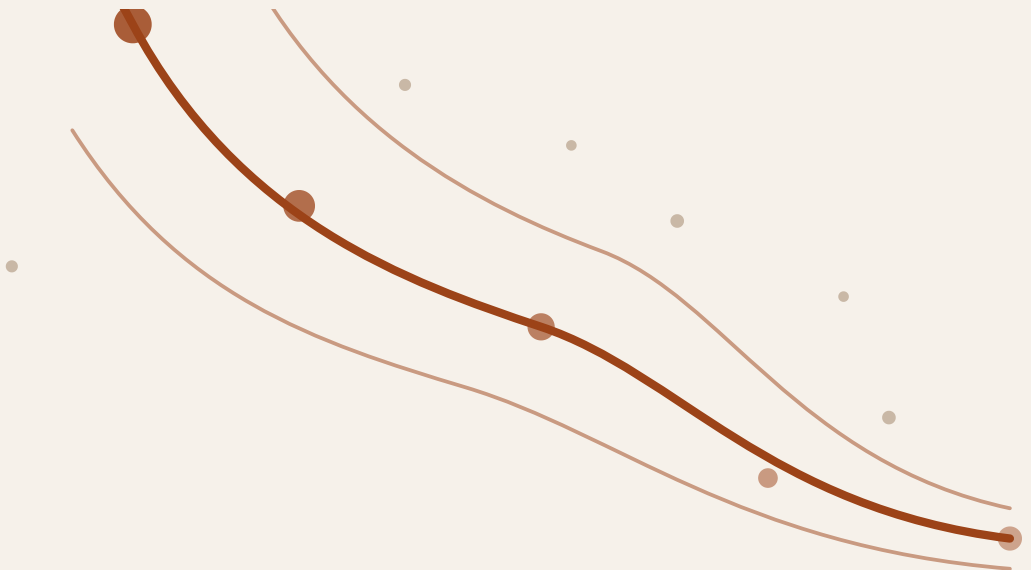


Innovation Management

From scattered initiatives
to a sustained organizational capability

Dr. Omar A. Alsamani



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Chapter 8

8 Innovation culture and the enabling environment

In this chapter we approach culture as the unwritten rules that determine what people do when no one is watching: whether they put forward their ideas, whether they admit their mistakes, and whether they experiment. We examine how these rules take shape and the ways in which they change.

Introduction

Opening case: a government agency (composite case)

A government agency launched an internal campaign titled “Try, Learn, Advance,” hung its posters in the corridors, and the CEO devoted his annual address to accepting failure as a path to learning. A few months later, a pilot launched by one team to simplify an online service ran into trouble, and the agency received complaints from some service users. An investigation committee was formed, and the team leader was transferred to another department. No circular was issued afterward, and none was needed; employees had understood the real rule. In the next round of the ideas competition, the number of submissions fell by half.

The posters were sincere; they expressed a genuine wish on the part of the leadership. But employees learn culture from what they witness more than from what they are told, and in a single week they learned what an entire campaign could not teach them. It is this gap between what is declared and what is practiced that we examine in this chapter, in order to see how to build a culture in which innovators find what they need.

Learning Objectives

After studying this chapter, the reader should be able to:

- 1 Distinguish between the three levels of culture, and explain the gap between espoused values and actual behavior.
- 2 Describe the tensions whose two sides an innovative culture needs to hold together.
- 3 Distinguish psychological safety from comfort, and link it to high standards.
- 4 Classify types of failure, and identify the appropriate response to each.
- 5 Identify forms of recognition and motivation that nourish intrinsic motivation, and design flexible entry routes for different thinking styles.
- 6 Identify the mechanisms through which culture is formed and changed, and apply them to one's own organization.

8.1 What is culture?

Organizational culture has many definitions, the most widely used being Schein's, which describes it as a pattern of shared basic assumptions that a group has learned as it solved its problems, and that has worked well enough to be taught to new members as the correct way to perceive, think and feel (Schein, 2010). Schein distinguishes three levels of culture, illustrated in Figure 8.1.

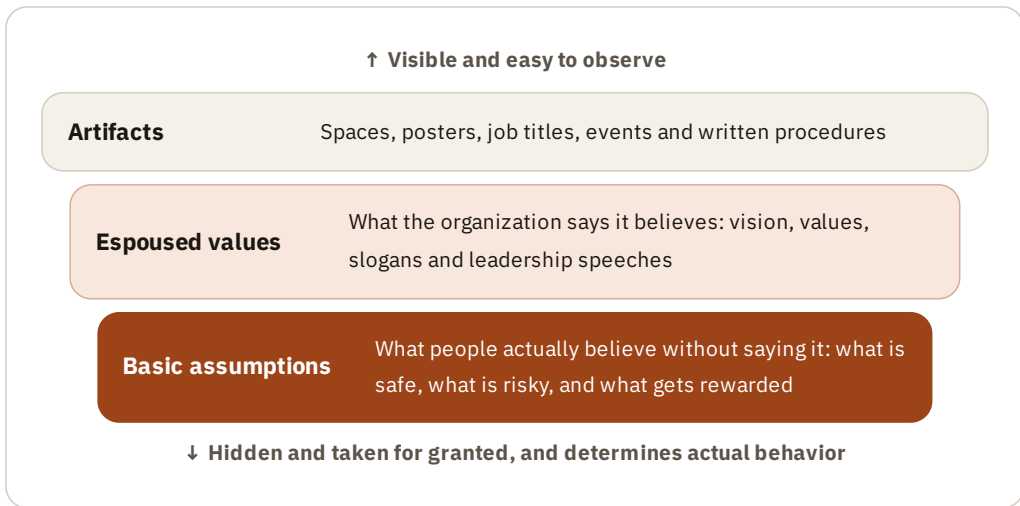


Figure 8.1 The levels of organizational culture, adapted from Schein (2010).

The value of this distinction is that the deepest level is the one that governs behavior. In the opening case, the artifacts and the espoused values changed, while the basic assumption remained as it was: mistakes are punished. When what is declared conflicts with what is assumed, people follow the assumption. This is why many “innovation culture” programs that begin with colorful spaces and slogans fail: they work on the two upper levels and leave the third untouched.

Alongside culture, the concept of **climate** is used to describe the patterns of behavior and feeling that people observe in their daily work, such as the degree of trust, openness to ideas and room for experimentation (Ekvall, 1996). Climate lies closer to the surface and is easier to measure, which makes it a useful indicator of culture; we return to it in the chapter on measurement.

8.2 The necessary tensions in an innovative culture

Innovative culture is usually described in attractive terms: tolerance of failure, freedom, collaboration and openness. Pisano argues that this description is incomplete, and that stopping at it explains why such a culture is so hard to

build. Each of these qualities needs a counterweight to balance it, or it turns into its opposite: tolerance of failure without standards becomes laxity, and freedom without discipline becomes chaos (Pisano, 2019). Table 8.1 summarizes these tensions.

Table 8.1 The necessary tensions in an innovative culture, adapted from Pisano (2019)

Desired quality	Its counterweight	What happens when the balance is missing
Tolerance of failure	No tolerance for incompetence	Avoidable mistakes are excused in the name of experimentation
Willingness to experiment	Rigorous discipline in experimentation	Many experiments that test no clear hypothesis and are not stopped when they fail
Psychological safety	Candor in critiquing work	Politeness that protects relationships and weakens ideas
Collaboration	Individual accountability	Consensus decisions whose consequences no one owns
Flat structure	Strong leadership	Endless debate, with no one to settle the direction

This analysis is consistent with the concept that ties this book together: *autonomy within boundaries*. An innovative culture is clearer than others about its boundaries, and freer within them. That is what makes it difficult: it asks leaders to be supportive and demanding at the same time.

8.3 Psychological safety and high standards

Edmondson defined **psychological safety** as a belief shared by members of a team that the team is safe for interpersonal risk-taking: asking a question, admitting a mistake, disagreeing or offering an unfinished idea without fear of

embarrassment or punishment. In her study of fifty-one work teams in a manufacturing company, she found that psychological safety was associated with team learning behavior, such as seeking feedback and discussing errors, and that learning behavior was in turn associated with team performance (Edmondson, 1999).

Psychological safety is sometimes understood as comfort, niceness or lowered expectations. Edmondson stresses that it is the opposite: it is what makes candid discussion possible. To illustrate, she places it on one axis and the standards expected of the team on another, as in Figure 8.2 (Edmondson, 2019).

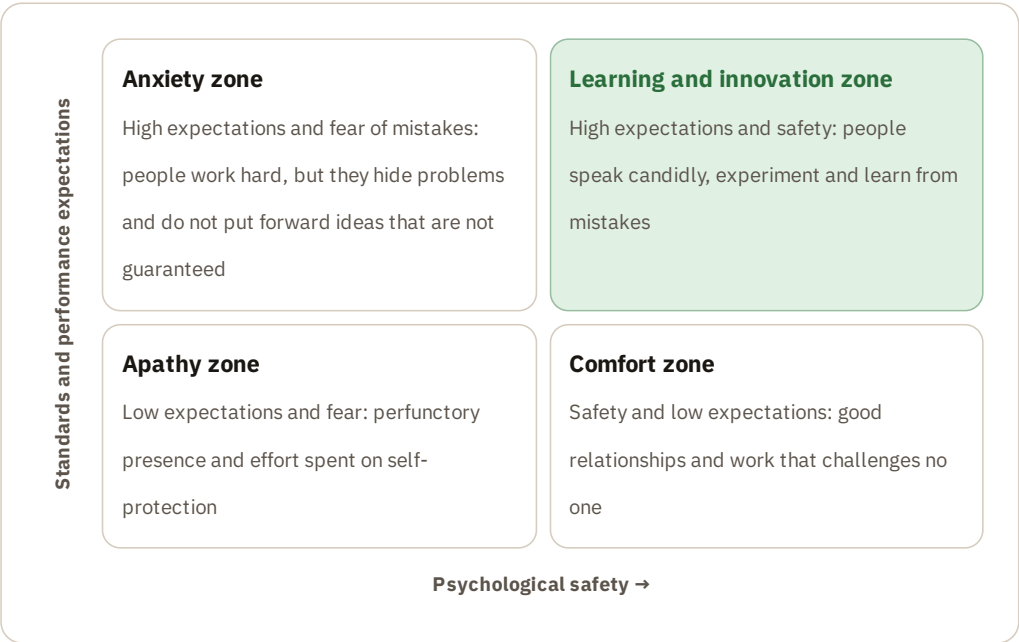


Figure 8.2 Psychological safety and standards: four zones, adapted from Edmondson (2019). The top row represents high expectations, and the right-hand column high safety.

The figure explains the point made in Chapter 3 that the environments most capable of innovation combine genuine care for people with high expectations of them. A leader who raises expectations without building safety pushes the team into the anxiety zone, where performance looks good until the hidden problems come to light. A leader who builds safety without expectations

creates a comfortable team that does not innovate. The learning zone requires both together. Psychological safety is also tied to employee voice: safety is the condition that leads people to speak up, and an open leader is the first thing they test before deciding to do so.

In Practice

In your next meeting, before offering your own view, ask: “What could make this plan fail?” Then wait. If an objection comes, thank the person who raised it before you respond. A team learns more from how you respond to the first objection than from any talk about openness.

8.4 Dealing with failure

Many organizations say they accept failure, then treat every failure the same way. Edmondson proposes distinguishing among types of failure according to their causes, because each type calls for a different response (Edmondson, 2011). Figure 8.3 illustrates this distinction.

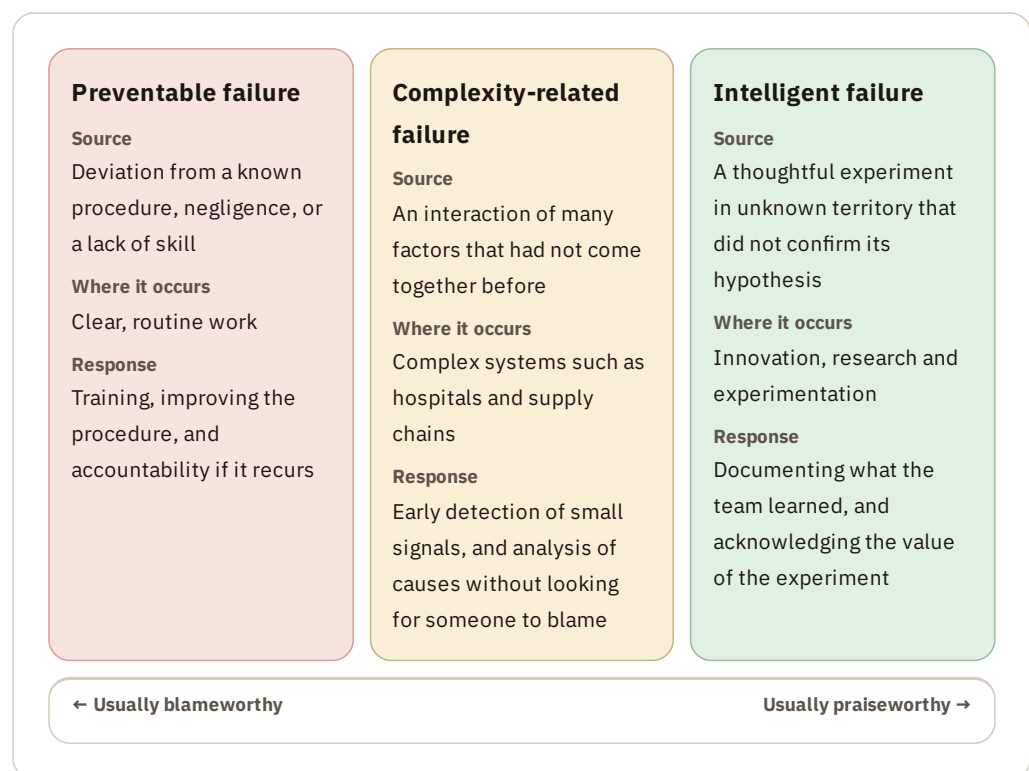


Figure 8.3 Types of failure and the appropriate response to each, adapted from Edmondson (2011).

Intelligent failure has conditions: the experiment must take place in genuinely unknown territory, serve a valuable opportunity, build on what is already known, and be small enough that its loss is bearable. An experiment that fails after meeting these conditions yields knowledge that was not available before. In the opening case, however, an experiment of the third type was treated as if it belonged to the first, and employees learned not to experiment.

Economic research supports this distinction. Azoulay and colleagues compared life scientists funded by the Howard Hughes Medical Institute, which provides long-term funding, tolerates early failure and leaves researchers free to change direction, with comparable researchers funded by a government program with short cycles and predefined goals. They found that the first group produced high-impact papers at a markedly higher rate, and also produced more papers that attracted little attention; in other words, they

experimented more and succeeded more (Azoulay et al., 2011). This is what theory predicts: incentives that tolerate early failure and reward long-term success are the best suited to motivating innovation (Manso, 2011).

This complements what Chapter 7 presented about the learning loop in the innovator's path: an idea that did not succeed returns to the start of the path with new knowledge if it is treated as an intelligent failure, and its owner's willingness to try again ends with it if it is treated as a shortcoming.

Caution

Accepting failure does not mean celebrating it. An organization that celebrates every failure confuses the three types just as an organization that punishes every failure does. The test comes down to two questions: Was the experiment well designed? And did we learn from it?

8.5 Recognition and motivation

Organizations often turn to awards and financial rewards to encourage innovation. These rewards raise a long-standing question in creativity research: do external incentives undermine the intrinsic motivation on which creativity depends? The meta-analysis by Byron and Khazanchi offers a balanced answer: rewards are positively related to creative performance when they are tied to creativity itself rather than to mere task completion, when they carry information about the quality of performance, and when they give the person some degree of choice (Byron & Khazanchi, 2012).

Three practical principles follow from this:

- **Reward what you actually want:** a prize for the number of ideas submitted produces many weak ideas. It is more useful to recognize the quality of an experiment and what the team learned from it, even if it did not succeed.

- **Make recognition informative:** explaining why a piece of work is being recognized tells its author what they did well, and tells others what the organization values.
- **Give non-material recognition its due:** crediting the idea to its owner, involving them in implementing it, and giving them the opportunity to present it to the leadership. These are among the innovator's needs set out in Table 7.1.

Yet reward, whether material or symbolic, remains only one form of motivation. An environment that meets the needs for autonomy, competence and relatedness nourishes intrinsic motivation, which is the kind most closely aligned with creativity (Gagné & Deci, 2005). Amabile and Pratt's model adds that the most powerful driver of people's working day is their sense of progress in meaningful work (Amabile & Pratt, 2016). These are things shaped by the details of daily management more than by budgets.

Recognition holds a special place for gifted and innovative people. In the phenomenological study with innovative entrepreneurs presented in Chapter 7, participants repeatedly stressed that a supportive community begins with appreciating and acknowledging talent. One of them described creative people as highly sensitive to recognition of their worth, adding that ignoring this need may drive them to withdraw or turn inward. For them, recognition extended from a kind word to smoothing the way for tasks, removing obstacles, and protecting creative people from having their energy drained by routine operational work (Alsamani, 2026 [Arabic]). This is consistent with a study of distinguished, successful innovators, which showed that working with a supportive team that handled operational matters was among the main things that freed them to focus on developing their innovations (Alsamani, 2023). Table 8.2 presents forms of motivation, most of which call for attention more than budget.

Table 8.2 Low-cost forms of motivation

Form	Need it meets	Example from the university
Acknowledgment and attribution	Recognition of worth	Naming the idea's owner at the college council or in the university newsletter, and keeping their name on the idea when it is implemented
Involvement in implementation	Meaning and belonging	Assigning the proposer to lead its pilot or to serve on the pilot team
Partnership in the work	Belonging and competence	A faculty member joining a student project as a partner and mentor, in addition to their role as assessor
Access to leadership	Recognition and influence	Presenting the idea directly to the dean or vice dean and hearing their view of it
Protected time and freedom	Autonomy	Hours set aside for the project in the schedule, and freedom to choose how to solve the problem
Meaningful challenge	Competence and meaning	Assigning a real problem facing the university instead of a hypothetical exercise
Removing obstacles	Progress	Streamlining procedures, and relief from some routine duties during the project
Documentation	Lasting recognition	Recording the participation in the student's skills transcript or in the employee's performance file

8.6

A culture with room for different thinking styles

Innovation programs tend to reward a single type of innovator: the person with a bold idea who presents it well. Kirton, however, showed that people differ in their style of creativity just as they differ in its level: some are **adaptors**, inclined to improve existing systems from within and with precision, while others are **innovators**, inclined to move beyond the existing framework and propose alternatives that differ from it (Kirton, 1976). An organization needs both styles: the first produces most of the incremental innovation on which operational efficiency depends, while the second opens up new possibilities. A culture that celebrates only one of them forfeits half its capacity.

The differences extend well beyond creative style. Some people think out loud and need dialogue, some need time alone before they share an idea, and some express an idea better through a prototype than through words. An enabling culture therefore needs **flexible entry routes** for ideas:

- A short conversation with someone who has the authority to steer the idea to its next step.
- A prototype or a practical demonstration instead of a written document.
- A written proposal for those who prefer to think on paper.
- The option of submitting the idea in the name of a team or of its owner alone, as the owner prefers.

The value of these routes depends on all of them leading into the same system and being held to the same standards. Flexibility of entry means removing barriers unrelated to the quality of the idea, while the standards remain the same.

8.7 How does culture change?

If people learn culture from what happens, then changing it runs through changing what happens. Schein identifies a set of **primary mechanisms** by which leaders embed culture, whether they intend to or not (Schein, 2010). Table 8.3 presents them, along with what people learn from each and an example from the university case we follow throughout the book.

Table 8.3 Culture-embedding mechanisms, adapted from Schein (2010)

Mechanism	What people learn from it	Example from the university
What leaders pay attention to, measure and monitor	What really matters	If periodic reports ask only about exam pass rates, that is what professors will care about
Responses to incidents and crises	What is safe and what is risky	How the first experiment was treated when a professor changed the way a course was assessed and some students objected
Allocation of resources	What the priority is	Are hours or a budget allocated for developing courses through innovative projects, or does this remain voluntary effort?
Role modeling and teaching	What behavior is expected	Leaders who take part in judging student projects and ask about them
Allocation of rewards and status	What is valued	Does supervising students' innovative projects count toward promotion and the annual evaluation?
Recruitment, selection and promotion	Who succeeds here	Is the ability to teach creativity taken into account when selecting new professors and department heads?

The table reveals why campaigns fail: they work with a single tool, rhetoric, while the six mechanisms pull in the opposite direction. The reverse route is slower and harder, but it is the only one that changes assumptions: leadership starts with one or two mechanisms that everyone can see, such as its response to the first intelligent failure, or counting the supervision of innovative projects toward promotion, and then keeps them consistent until people believe them.

Principle

Culture is what happens after the first failure, after the first objection, and after the first idea that comes from the most junior employee. These moments are more truthful than anything written about values.

Chapter tool: Revealing incidents

With your team or a group of colleagues, recall the most recent incident of each type in the following table. Describe precisely what happened, without embellishment, then write down the message people took from it. Compare these messages with the values your organization espouses; the difference between them is the distance that culture change needs to cover. Then choose one incident and decide how you will respond to a similar one next time.

Chapter tool Revealing incidents

Incident	What happened	The message people took away	The response we want
The most recent experiment that did not succeed			
The most recent objection to a leadership decision			

Incident	What happened	The message people took away	The response we want
The most recent idea from a new employee or someone at a lower job level			
The most recent mistake admitted by the person who made it			
The most recent promotion or award			

Chapter Summary

- Culture has three levels: artifacts, espoused values and basic assumptions. The last of these governs behavior and resists slogans.
- An innovative culture rests on combining balanced qualities: tolerance of failure with intolerance of incompetence, experimentation with discipline, safety with candor, and collaboration with accountability.
- Psychological safety is a condition for candid discussion, and the learning and innovation zone is reached when safety and high standards come together.
- Failure comes in types: preventable, complexity-related and intelligent. Each type has its own response, and confusing them teaches people not to experiment.
- Rewards support creativity when they are tied to creativity itself and carry information about the quality of performance. The most effective forms of motivation cost little: acknowledgment, involvement, autonomy, and a sense of progress in meaningful work.

Gifted people in particular are highly sensitive to recognition of their worth.

- An enabling culture makes room for different thinking styles, offering ideas flexible entry routes governed by a single set of standards.
- Culture changes when leaders change what they pay attention to, measure and reward, and through how they respond to revealing incidents.

Key Terms

Organizational culture Organizational culture	The shared assumptions a group has learned and passes on to its new members as the correct way to think and act.
Creative climate Creative climate	The patterns of behavior and feeling observed in daily work that encourage or hinder creativity.
Psychological safety Psychological safety	A shared belief within a team that asking questions, objecting and admitting mistakes will not bring punishment or embarrassment.
Intelligent failure Intelligent failure	An unexpected result of a small, thoughtful experiment in unknown territory that yields new knowledge.
Culture-embedding mechanisms Culture-embedding mechanisms	The practices from which people learn the actual culture, such as measurement, reward and responses to crises.

Review and Discussion Questions

- 1 Why do culture change programs that begin with spaces and slogans fail? Explain your answer using the three levels of culture. **Understanding**
- 2 Choose one tension from Table 8.1, identify which of its two sides your organization leans toward, and describe the effect of this. **Analysis**
- 1 Classify the three most recent failures in your organization according to Figure 8.3, and compare the response that actually occurred with the appropriate response. **Application**
- 2 Design a recognition system for innovation initiatives in your organization that takes into account the findings of the meta-analysis on rewards. **Application**
- 3 “Psychological safety makes teams lax.” Evaluate this statement in light of Figure 8.2. **Evaluation**

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How does an organization move from scattered initiatives that celebrate innovation to a sustained capability to produce it?

This book traces the path of innovation from the first signal to a solution adopted in practice that creates value, and analyzes the organizational foundations that make this path a settled practice: strategy, systems, culture, governance, teams and measurement, with people at the center.

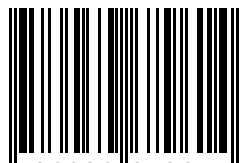
It rests on three pillars: a clear, high-priority problem; motivated people whose needs are met; and a system that connects them and turns effort into repeatable results. It combines international research evidence with the Saudi context, and pairs each chapter with a tool that can be used in a real organization.

Its twenty chapters are organized in five parts: foundations; institutional foundations and people; the initiative journey; value and the ecosystem; and an application to the university innovation ecosystem.

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