

# Innovation Soup



# Innovation Soup

## *A Recipe for Organizational Success*

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*Innovation Soup: A Recipe for Organizational Success*

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Cover design by Sanjida Smrity

Interior design by Exeter Premedia Services Private Ltd., Chennai, India

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First published in 2022 by  
Business Expert Press, LLC  
222 East 46th Street, New York, NY 10017  
[www.businessexpertpress.com](http://www.businessexpertpress.com)

ISBN-13: 978-1-63742-305-9 (paperback)

ISBN-13: 978-1-63742-306-6 (e-book)

Business Expert Press Human Resource Management and Organizational Behavior Collection

First edition: 2022

10 9 8 7 6 5 4 3 2 1

# Description

**Not your average cookbook. This is a research-based recipe for innovation!**

This book is for anyone wanting to kick-start innovation in their organization. It is ground-breaking in two ways:

- It is based on data, combining empirical research, literature reviews, business cases, and interviews.
- It tells a story of two friends in diametrically opposite business predicaments due to Covid. Their story is complex and layered, making for an engaging reading.

For too long, innovation culture has been amorphous. InnoQ™, built on years of rigorous research, breaks innovation into 11 dimensions that can be measured, tracked, and improved. We share real world data and examples showing the power of the 11 dimensions and provide concrete ways to improve on them. The pandemic has fundamentally changed the way organizations do business for the next many years—creating a culture of innovation is now more important than ever.

**This book is perfect for leaders, innovators, managers, and students.**

## Keywords

innovation; organizational culture; measurement; collaboration; empathy; diversity; creativity; high-performing organization; improvisation; leadership





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# Preface

This book delivers a rigorous, data-based approach to building a culture of innovation in your organization. To make the extensive research and the data behind this book palatable and digestible, we have intentionally packaged the information in an engaging story format. The book begins with the story of Peter and David, two friends who find themselves in diametrically opposite business predicaments due to the Covid pandemic, because of differences in innovation culture. Their story is layered and complex—it’s a tale of frustration, friendship, rivalry, and respect. An innovation consultant, Laura, could be a beacon of hope. But is she able to help? We invite you to read on to find out.

We use the story of Peter, David and Laura, as it unfolds, to layer in an exegesis of the 11 dimensions of innovation culture. We explain the extensive research that went into a diagnostic tool for measuring innovation culture called the InnoQ™ and describe how it can be used to improve innovation culture. We share real world data showing the power of the 11 dimensions and how they can be used to benchmark innovation culture. We also suggest concrete ways to make changes and improve on the dimensions to get your “innovation soup” right.

For too long, innovation culture has been amorphous and hard-to-define. Grounded in research, this book offers a straightforward and practical framework for assessing, tracking, and improving innovation culture. We have packaged its contents in an easy-to-read format, focusing on how to implement this work—starting tomorrow—above all else.

As a McKinsey report recently stated, “prioritizing innovation is the key to unlocking postcrisis growth,” with a survey finding that most (90 percent) managers are convinced that the pandemic will fundamentally change the way they do business for the next many years.<sup>1</sup> Understanding

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<sup>1</sup> “Innovation in a Crisis: Why it is More Critical than Ever,” *McKinsey & Company*, June 17, 2020. [www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/innovation-in-a-crisis-why-it-is-more-critical-than-ever](http://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/innovation-in-a-crisis-why-it-is-more-critical-than-ever).

and building an organization's innovation capabilities is now more important than ever.

There are many books on innovation. There are three ways this book is different:

- It is based on a thorough data-collection and analysis conducted by the first author, case examples from companies, and the research and experiences of both authors.
- Every chapter starts in a novel, narrative format designed to get readers' attention using a continuing story that makes the information relatable and memorable.
- We know how busy you are! We are too. As such, we have attempted to keep everything brief, compelling, and practical. While packing in information along the way, our chapters are short, and get to the point with key takeaways and action items provided.

PART 1

# Setting Up



## CHAPTER 1

# A Tale of Two Companies

“15 years, David!”

“I know! They were fantastic years Phil! I can’t thank you enough for all those years of hard work,” said David, looking into Phil’s eyes.

“You know our situation,” he continued with a tone of desperation and despair. “I really don’t have any other choice. I am sorry.” He meant it. He really liked Phil. He hated letting anyone go, much less Phil. Over the years, their families had gotten to know each other. He and Phil also shared a passion for beer. They would often head out after work to try out a new brewery and had become great friends over many a pint.

They were seated in David’s office, a well-appointed room on the c-suite corner of the fourth floor of an austere building that served as corporate headquarters for his company. A balding man in his 50s, David was dressed in a tie, khaki pants, and a pressed shirt. He had kind eyes, a bulging mid-section, and a warm, effusive manner. He was liked by his employees, although he often wondered if they respected him.

There was a lot Phil wanted to say. He was experiencing a range of emotions: anger, frustration, disappointment, and hurt. He was hurting more than anything else. He had given the best years of his life to this company and now he was just being let go by someone he thought was his friend. He was seething but looking across the table he could feel David’s discomfort. Deep down he knew David hated doing this but had no choice—given the circumstances, this wasn’t a surprise. He just couldn’t bring himself up to saying anything. He just got up and left the room, slamming the door on his way out.

This was the third team member David was letting go this week. Covid-19 had devastated his small manufacturing business that made kitchen supplies. His customers’ customers kept away almost completely, which meant his customers were keeping away from him. It was fast. His orders just melted away and he just couldn’t afford his team anymore.

Like most small businesses (< 500 employees), he had less than 15 days of cash reserves. Credit also became tighter. The situation had lasted much longer than David had anticipated. Although he was getting some government loans from the pandemic, he still had to cut his labor.

He had inherited this business from his father, Steve, a second-generation Greek immigrant who had worked hard to establish this company. A hard working, ambitious man, Steve had an iron grip at work and home. David grew up in his shadow. Steve was regimented and set in his ways, single handedly building his business from scratch. Up until his death a year ago, his footprint could be seen in every aspect of the business.

In another part of the town, there was a similar office in a similar building. Peter was seated in his room on the c-suite corner of his offices. Peter was also in his early 50s, an energetic, charismatic CEO of his uniform-production company. He was also well liked by his team.

“Nice work! Things have been great this past quarter!” said Peter to a loud cheer from his team gathered in the conference room.

“We have reached another milestone. I can’t believe Covid-19 did not affect us at all. We were able to pivot and come around shining.”

He was addressing his second quarter meeting of 2021. His uniform-production company had made exciting changes in the past few months. Up until Covid, its biggest customers were bars and restaurants. The company had gone through some amazing transformations in business process to adjust to life with the coronavirus and to changing customer demands. It had been nimble and fast, and found an innovative way to keep afloat.

The meeting was going well. There was a sense of celebration, of relief at having survived a pandemic and coming out on top, and a general feeling of hope for the future in a post-Covid world. Even though a variant of the virus was threatening the public again, the staff’s innovations had made sure the company would continue to perform well. The mood was celebratory and effusive. There was cake, hors d’oeuvres, and champagne. The festivities of Peter’s meeting made it stretch far longer than the one David had in his office.

David was scheduled to meet Peter that evening for happy hour in the brewery down the street, but Peter texted that he was running late from wrapping up his team’s meeting. Peter and David knew each other from

their MBA days. They had both enrolled in evening MBA classes at the Ohio State University. They often carpooled from Cincinnati, where they lived, to Columbus. They had also been class and project mates. Being business owners (a relative minority in their class of working professionals), they had decided to stay in touch. Although in aligned industries, they were not competitors. David had inherited his business from his family, while Peter started it on his own.

Having concluded his day early, David drove over to the brewery, deciding to wait for Peter if he was going to be late. The meeting with Phil had rattled him and he needed a drink. Sol was one of the many new breweries that had mushroomed recently. Set back from the street, the brewery was housed in a former factory with tall ceilings, large windows, and a warm, welcoming vibe. The bar was on one end of the cavernous hall. Although it was early, the crowd was already starting to pick up. He walked up and ordered a small flight of beers. He liked tasting the new beers on tap before picking one. Picking up his flight he sat down to wait for his buddy.

After what seemed like an interminable wait, Peter walked in. David stood and waved. Spotting him, Peter started toward his table. He looked happy and excited.

“You look ecstatic,” said David. The warm handshake that they usually greeted each other with was now gone, ravaged by two years of a relentless pandemic. Just like everyone around them, the two buddies were now used to not shaking hands.

Peter gave him an affectionate look before saying, “We just celebrated a fantastic quarter!”

“Good for you,” said David, grudgingly.

“How’re things with you?” asked Peter.

“Why don’t you get your beer, and we can chat?”

“Sure. Be right back,” said Peter. He bounded off to the bar, placed his order, and came back to the table with his IPA.

“I just fired my third guy this week.”

“Oops,” said Peter, not knowing quite what to say. There was a brief silence. Peter had known things were not going very well for David.

“Sorry to hear that man. Cheers?” he said, nervously trying to lighten the mood.

David did not reply. Instead, he took a long sip of his beer. After a moment's pause, he finally said, "Cheers to you! You guys just celebrated a great quarter!"

"We did."

"How did you guys do it?" asked David.

Peter shrugged his shoulders, trying to be modest.

"What's going on man?" continued David. "I am screwed, you are partying!"

"I don't know dude. Luck? Different industry?"

David shook his head. "Don't be modest or gracious. I think I know what it is..."

"And that is . . .?"

"Culture. There is something about your company. I have always felt it. There is an energy, a spirit. It always felt like your people could take risks, that they enjoyed challenges, and there was a spirit of collaboration."

"You are too kind," said Peter, a little embarrassed. He felt bad for his friend and wondered if the success of his own company was making matters worse.

"I inherited my company from my old man," said David. "He had very clear views on how to run things. Until pretty much last year, he was into everything there. I don't blame him; it was his baby. But I feel like there is an outdated, stifling culture—a lack of openness and change. He was just not into that stuff."

"Lots of companies have suffered at the hands of Covid," said Peter.

"I know but we could have done better."

"I think you are being too hard on yourself David."

"I don't think so Peter," said David, taking the last sip of his taster. "I need more beer. Would you like another?"

"I am okay thanks."

"Be right back."

Peter hoped David wasn't about to get drunk. He felt that for David, the firing of his third employee this week was bad enough, but what was making it worse was how well business was going for his friend. Peter blamed himself for sounding celebratory this evening. He remembered back to the David he knew from his class days. He was competitive and especially liked to do better than Peter on every assignment.



David came back with his beer. Without waiting a second, he continued. “I also tried my best. I spent money on R&D, hired an innovation manager. Set up incentives for innovation, nothing really worked. I do think there is something in a company’s culture dude. Something impermeable, something palpable. A sort of personality, a soul.”

Peter nodded pensively.

David, in his usual acerbic manner, said “It’s like two people having the exact same circumstances but, due to some special sauce, one comes out ahead whereas the other is devastated.”

\* \* \*

Okay, let’s stop here. While this story is fictitious, there is more to what the two gentlemen above are talking about than many may realize. Let’s see if David might have a point.

David’s organization had not made any efforts to diversify its offerings, grow and expand, or find new customers or markets. The company was very set in its ways, confident in its way of doing things but not ready to try out new ideas and actions. It worked fine until the environment threw a challenge at it—Covid.

Peter’s company was facing the same headwinds as David’s, and yet it had flourished. Is it possible then that the culture of Peter and his team really made the difference? Given the largely simultaneous effects of Covid on both their companies, is it at all possible that there was a difference in their cultures that led to different outcomes? At a minimum, it seems one was able to innovate while the other couldn’t.



## CHAPTER 2

# The Soup

How is creating an innovative organization like making soup?

Innovation is often put on a pedestal. There is a voluminous literature on innovation—both academic and practitioner. In fact, there are scores of business books with innovation in the title. The interest in innovation is not surprising, as everyone wants to innovate. And a good case can be made that a failure to innovate will sound the death knell for any organization. Just ask David.

However, innovation is not like a predictable assembly line or a precisely controlled procedure that can be switched on at will. According to Matt Ridley in *How Innovation Works: And Why It Flourishes in Freedom*, which chronicles the history of the concept, innovation is an incremental, bottom-up, almost serendipitous process rather than a procedure developed according to a fixed plan.<sup>1</sup> He says that it is always a collective, collaborative phenomenon, not a matter of lonely genius. The author bases his lessons on tracking the genesis, evolution, and ultimate outcomes of scores of actual innovations. Creating the right conditions for innovation can only happen when a mix of collective forces are at play.

True innovation does not come from a single individual, even if that individual is Peter from the story mentioned earlier, or Steve Jobs. It does not come from a single event or initiative or investment. Innovation is not precise, nor perfectly programmable. There is empirical support for this suggestion, with studies showing that the innovation process as it unfolds over time is messy, iterative, and often involves two steps forward, one step backward, and several steps to the side.<sup>2</sup>

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<sup>1</sup> M. Ridley. 2020. *How Innovation Works: And Why it Flourishes in Freedom* (New York, NY: Harper).

<sup>2</sup> A. Van de Ven, H. Angle, and M.S. Poole. 1989. *Research on the Management of Innovation* (New York, NY: Harper and Row).

True, repeatable innovation is collaborative, and bottom up; it is holistic, organic, and ongoing. Creating an innovative organization, in that sense, is like making soup—a *soup of ingredients that, if given just the right stir and sustained over time, will create the kind of collaborative, high-performing organization that every person should aspire to being a part of and building*. There is a need for the right environment, ingredients, and processes, with a need to taste and adjust and keep the pot boiling. It's all in the culture of the organization. The culture is the soup.

Based on extensive research, the first author (Sanjay) found 11 dimensions of innovation culture that are the key ingredients for innovation soup. Without these, no fancy equipment or tools or investments are going to do it. Whether you're starting a new company or seeking to reboot your organization's culture to be innovation ready, this book will show you the ingredients and recipe for creating this soup.

Another way of looking at this is that if you *don't* have a plan for building and sustaining an innovative culture, there is simply no way to be effective in the longer term. In the words of Tony Hsieh, the late CEO of Zappos,

Our number one priority is company culture. Our whole belief is that if you get the culture right, most of the other stuff like delivering great customer service or building a long-term enduring brand will just happen naturally on its own.<sup>3</sup>

Zappos invests heavily in employee team building and culture promotion. The company is also so sure that employees will like and advance its culture that it offers \$4,000 to new hires to quit!

Hsieh is not alone. Didier Elzinga, CEO of Culture Amp said, “We believe to be successful; you need to put culture first.”<sup>4</sup> Brian Chesky, the

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<sup>3</sup> “Zappos CEO Tony Hsieh: Full Interview Transcript,” *Marketplace*. August 19, 2010. [www.marketplace.org/2010/08/19/zappos-ceo-tony-hsieh-full-interview-transcript/](http://www.marketplace.org/2010/08/19/zappos-ceo-tony-hsieh-full-interview-transcript/).

<sup>4</sup> D. Elzinga. n.d. “What is a Culture First Company—And Why Does it Matter?,” *Culture Amp*. [www.cultureamp.com/blog/what-is-a-culture-first-company-and-why-does-it-matter](http://www.cultureamp.com/blog/what-is-a-culture-first-company-and-why-does-it-matter).

CEO of Airbnb, wrote a provocatively titled article on *Medium* titled, “Don’t F\*%\$ Up the Culture.”<sup>5</sup> As he notes,

The stronger the culture, the less corporate process a company needs. When the culture is strong, you can trust everyone to do the right thing. People can be independent and autonomous. They can be entrepreneurial. And if we have a company that is entrepreneurial in spirit, we will be able to take our next “(wo) man on the moon” leap.

Innovation culture starts from the top. Top leadership needs to create a culture where success and failures are rewarded. We interviewed Dr. Shekhar Mitra,<sup>6</sup> former senior vice president of Global Innovation at Procter & Gamble (P&G) about his experiences on this aspect of the culture and its importance in driving significant innovation. Shekhar was associated with and led several breakthrough innovations in the industry including Aleve, Prilosec, and Crest Whitestrips.

He recalled his experiences on the cultural elements of the organization—the ability to learn fast from failures, the drive for reiterative design and prototyping, and complete transparency and open communication with teams and leaders on data and learning. During the early development of both Aleve and Prilosec, the FDA advisory committee was not satisfied with the sufficiency of efficacy and safety data submitted, sending teams back to the drawing board to design additional clinical and consumer label comprehension studies to ensure appropriate OTC (over the counter) medication standards were followed. Similarly, the tooth whitening Crest Whitestrips went through many iterations in design to ensure superior ease of use and noticeable efficacy. In all these instances, what

<sup>5</sup> B. Chesky. April 20, 2014. “Don’t Fuck Up the Culture,” *Medium*. <https://medium.com/@bchesky/dont-fuck-up-the-culture-597cde9ee9d4>.

<sup>6</sup> In an interview with S. Mitra, former senior vice president of Global Innovation and a member of P&G’s top leadership team, the Global Leadership Council. Post retirement from P&G, he has spent seven years as a board member and strategic advisor to several F500 companies and new ventures. [www.linkedin.com/in/shekhar-mitra-ph-d-4b427b47/](http://www.linkedin.com/in/shekhar-mitra-ph-d-4b427b47/).

initially appeared to be setbacks and failures led to a much better offering to the consumer.

As Shekhar recalled, in all the examples, leadership was fully committed to the process. The pushback (e.g., from the FDA) and the iterations needed were not seen as failures but a path to provide the best offering consistent with the values and mission of the company. Team members were supported and rewarded for this behavior to share learnings from both successes and failures and create the best design to delight the consumer.

Every leader needs to know the recipe for making sure their organizational culture is at its peak when it comes to innovation. Every employee of a business also needs to know what ingredients they should demand so that their workplaces are thriving rather than merely surviving.

## Innovation Is Natural

As markets mature, as competition stiffens, as human desires and wants shift, there is no choice but to innovate. But still, does every factory, office, or organization need to be trained on innovation? If it is humans who are running all these factories and offices, and it is humanity's innovative capabilities that have brought us to where we are, why suddenly do we need all this literature and all these methods to train us on how to innovate?

Innovation is natural to us, just as creativity is. After all, creativity is the fuel that innovation runs on. Remember when we were children? We had active imaginations, thoughts, and said and did the craziest things. We built castles where there were none and turned trees into forts. We were geniuses at creativity, and then we went ahead and got educated. Don't just take our word for it; there's a boatload of research on this.<sup>7</sup>

It's the same thing with organizations. Entrepreneurs give birth to ideas that are, like children, a hotbed of creativity and then, while scaling up, they become too complex, bureaucratized, and complicated. At that point, they then feel the need to be "taught" how to innovate. They feel the need for interventions and specific initiatives.

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<sup>7</sup> K. Robinson. 2011. *Out of our Minds: Learning to be Creative* (Hoboken, NJ: Capstone).

As the World Economic Forum report on “The Future of Jobs”<sup>8</sup> details, in a future replete with new products, technologies, and ways of working, creativity and innovation will increasingly be the most important need for organizations. However, being an innovative organization is not about having an innovation manager, nor is it about one’s number of patents. True innovation is not orderly, nor can it be driven only by a specific division or champion. Innovation must be organization wide and reside in the DNA of an organization’s culture. Research shows that a company’s culture is, in fact, the biggest barrier to innovation, even with the right systems and resources in place.<sup>9</sup>

At the end of the day, organizations do not need to *do* so much as they need to *undo*. When training working executives to be creative, we ask them to “be like children” and undo some of the effects of their education and socialization processes. Similarly, organizations need to remove barriers to innovation and set themselves on the path to continual creativity. In the next chapter, we dive into the 11 main ingredients of innovation culture, before breaking down what each means and what you can do—and undo—starting tomorrow at work.

## What Is Innovation Culture?

Innovation is not just about the shiny new product. Peter did not make anything new. Instead, his company innovated around the obstacles created by Covid-19. Quite often people confuse innovation with new products. While it is great to have exciting new patents, and be cranking out something new every year, innovation is more than that. Walmart innovates constantly, yet not all its innovations are obvious to its customers.<sup>10</sup> Innovation can be tangible or intangible and can be absent or present in

<sup>8</sup> “The Future of Jobs,” *World Economic Forum*, January 18, 2016. [www.weforum.org/reports/the-future-of-jobs](http://www.weforum.org/reports/the-future-of-jobs).

<sup>9</sup> G.J. Tellis, J.C. Prabhu, R. Sethi, and K. Chandy. February 2009. “Radical Innovation Across Nations: The Preeminence of Corporate Culture,” *Journal of Marketing* 73, no. 1, pp. 3–23. doi:10.1509/jmkg.73.1.3.

<sup>10</sup> “Innovation,” Walmart. <https://corporate.walmart.com/newsroom/topics/innovation>.

different areas of a business. In fact, Doblin identifies 10 types of innovation pertaining to distinct aspects of a company's operation, such as innovation in core processes, brand building, or distribution channels.<sup>11</sup>

So, it's not just the cool kids over in product design labs or the marketing team that are solely responsible for innovation. Different companies can innovate in slightly different ways and must do so given variations in industry. For example, a formally structured manufacturing plant with bosses at the top and workers at the bottom will need to choose some different strategies compared to a team-based video game company with a flatter, more informally networked structure. However, a core convergence of factors still applies to both examples. Consequently, as we'll show, you must be "innovation ready" across the length and breadth of your organization.

We define innovation culture as a sum of the culture, systems, policies, practices, and processes in an organization that enable it to be innovative. Going back to the soup analogy, innovation culture is the soup of ingredients that enables an organization to be innovative. Our definition of innovation culture comes from a thorough review of literature, both academic and practitioner, layered with empirical findings from Sanjay's research that has led to the development of a cool tool, the InnoQ™, that you can use to see how innovative your organization currently is and, more importantly, what to do about it. For more details on InnoQ™, see Part 4 of this book.

The right culture is trajectory changing, setting the stage for continuous innovation. In fact, according to the resource-based theory that emphasizes resources and capabilities of the firm as drivers of competitive advantage, innovation culture is "a valuable organizational resource because it is created over time, is intangible, is difficult to imitate, and has the potential for moving the firm to a position of competitive advantage."<sup>12</sup>

A brilliant strategy without a great culture is "all hat and no cattle"—or as Peter Drucker is alleged to have pointed out, "Culture eats strategy

<sup>11</sup> "Ten Types of Innovation," Doblin. <https://doblin.com/ten-types>.

<sup>12</sup> E.J. Kleinschmidt, U. De Brentani, and S. Salomo. September 2007. "Performance of Global New Product Development Programs: A Resource-Based View," *Journal of Product Innovation Management* 24, no. 5, pp. 419–441.



for breakfast.”<sup>13</sup> If you don’t believe us, just look at some companies such as Southwest Airlines, Nordstrom, and Zappos, where leaders point to their companies’ cultures as the secret of their success. Strategy is on paper, whereas culture determines how things get done. From the page to the stage, culture is comprised of the collective heart, head, and soul of an organization.

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<sup>13</sup> S. Hyken. December 05, 2015. “Drucker Said ‘Culture Eats Strategy For Breakfast’ And Enterprise Rent-A-Car Proves It,” *Forbes*. [www.forbes.com/sites/shephyken/2015/12/05/drucker-said-culture-eats-strategy-for-breakfast-and-enterprise-rent-a-car-proves-it/?sh=652b11722749](http://www.forbes.com/sites/shephyken/2015/12/05/drucker-said-culture-eats-strategy-for-breakfast-and-enterprise-rent-a-car-proves-it/?sh=652b11722749).