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DR AMANTHA IMBER

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Reading this book I started to think how I might describe it to others. I originally thought it was like a juicy peach, which oozed irresistible innovation juice. I read more and believed this book to simply be a shining gem reflecting innovation opportunity into the readers' mind. I then finished the book and realised I have just discovered the most powerful innovation and leadership toolkit that will be by my side for the rest of my career.

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—**Peter Williams**, Chief Edge Officer, Deloitte

# ABOUT THE AUTHOR

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Dr Amantha Imber is an innovation psychologist, a best-selling author, and the founder of Australia's leading innovation consultancy, Inventium. Inventium has been recognised as one of Australia's fastest growing companies in the *BRW* Fast 100 list, and was also awarded the *BRW* Client Choice Award for Best Management Consultancy in Australia.

With a PhD in organisational psychology, Amantha has helped companies such as Google, Coca-Cola, Disney, Lego, Red Bull, American Express, McDonald's, Virgin Australia, Commonwealth Bank and many others innovate more successfully. Amantha was a finalist in the 2015 Telstra Business Women's Awards.

Amantha is the cocreator of the *BRW* Most Innovative Companies list, an annual list compiled by Inventium that ranks Australia's top innovators. She has written for publications including *The Australian Financial Review*, *BRW*, *Australian Business Solutions* and *Smart Company* and is the author of the best-selling book *The Creativity Formula: 50 scientifically proven creativity boosters for work and for life*.

Amantha had an international record deal for her debut album *Like Samantha without the S*, prays to the God of Kevin Spacey and claims to have once been freakishly good at table tennis.

Visit [inventium.com.au](http://inventium.com.au) to find out more about Amantha and her team at Inventium, what they do and what they've been thinking about lately. You can also find Amantha on Twitter (@amantha) and via her website at [www.amanthaimber.com](http://www.amanthaimber.com).

## CHAPTER 3

# RECOGNITION

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Money or medals, which works best?

If you love good recommendations on places to eat, drink and visit, chances are you have probably used Foursquare at some point in time. Foursquare is a mobile app company that started in 2009 and aims to help over 45 million users find great places to go, based on their current location. Foursquare's New York offices look exactly like what you would expect from one of the most successful mobile app companies on the planet. Exposed beams, polished floorboards and long communal tables abound. There is also a timeline of Foursquare's journey on a blackboard wall (right behind a table-tennis table, of course), which details all the major milestones in the company's short history. The conference rooms are all named after the badges that users can 'achieve' on Foursquare. And a couple of London-style phone booths are available for those who want some privacy for a phone call.

Evan Cohen was chief operating officer at Foursquare for the bulk of its rise to fame (from 2010 until 2014) as one of New York's most successful start-ups. It now has around 200 employees and it's hard to think of it as a start-up anymore. At Foursquare,

recognition is a really important part of how they create a culture where people just love to innovate.

‘Every second Friday is engineer demo day’, explains Cohen. ‘We have a meeting in the main room, and even though it’s just for the engineers to present, a lot of other people come too. The engineers plug their laptops into big screens and they show their colleagues what they’ve been working on. It’s about work in progress, not, “Hey this thing shipped”.’

And while we traditionally think about recognition in terms of something managers should be providing, at Foursquare peer recognition is just as important. ‘They are really fun and interesting sessions but I think there’s a lot of subtle peer pressure to show something pretty cool and dazzle people. The engineers love it when they can get people excited and show how what they are working on is cooler than what it was two weeks ago. And forget what your boss thinks, here’s 40 of your peers looking! Despite the peer pressure, it is a genuinely supportive environment.’

American-based software company Intuit takes recognition for innovation very seriously. The company has created several different types of innovation awards to recognise employees who have produced brilliant innovations. The pinnacle of Intuit’s innovation awards, the Founder’s Innovation Award, is presented by Intuit’s founder, Scott Cook, and CEO Brad Smith. The Founder’s Innovation Award is \$1 million (half given in cash and the other half in stock). The award exists to recognise employees who have made an outstanding contribution to the company’s growth. And while this award obviously involves a huge cash prize, the prestige and recognition factor is enormous.

Hugh Molotsi, vice president of Intuit Labs Incubator, received the award in 2011 for work he had done

in creating and growing Intuit's Payment Solutions business, which now delivers around \$100 million in revenue annually.

As well as the Founder's Innovation Award, which is given out 'as warranted', there are also the Scott Cook Innovation Awards, which are annual. They are presented by Scott Cook at an annual leadership conference that has a company-wide audience. The awards recognise teams that have delivered an innovation that is new to the company and has demonstrated a benefit to one of Intuit's three stakeholder groups: employees, customers or shareholders.

'If somebody has built something, and it's been launched into market and has customers using it, then it becomes eligible for an innovation award', explains Molotsi. 'Similarly, if somebody builds something that improves an internal process that's making employees more efficient, that could also become eligible.'

'Right now, as we speak, there is a nomination process going on, because they solicit nominations from around the company. Anybody can nominate somebody. They have a vetting process and then they'll typically hand out between five and fifteen of these innovation awards. That's a pretty big deal because it's very prestigious. It's company-wide recognition.'

Winners receive a spot on the Innovation Wall of Fame, dinner with the executive team and an expenses-paid three-day trip anywhere in the continental United States. But in addition to the prizes, they are also given up to three months to dedicate to working on an innovation project of their choice.

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Recognition has long been known to be an important driver of employee engagement, but it is also a very important factor in creating a culture where innovation thrives. To understand why recognition and rewards—and more importantly, why specific types of recognition and rewards—are so powerful when it comes to driving innovation, a couple of core concepts from psychology come into play: intrinsic and extrinsic motivation.

Extrinsic motivation occurs when people engage in behaviours simply because of an external consequence that will come from behaving in a certain way. For example, an individual might work extra hard in the month leading up to pay reviews, because they know that by doing so they are more likely to receive a pay rise.

Intrinsic motivation is in place when people engage in a behaviour or activity because of an internal driver—for enjoyment or satisfaction, for example. When individuals are intrinsically motivated, the motivation and thus their behaviours tend to be significantly more enduring than when they are extrinsically motivated. The main problem with extrinsic motivation is that as soon as the consequence or reward is taken away, motivation disappears.

Back in the 1960s it was thought that these two types of motivation worked together and were additive—in that an increase in one would promote an increase in the other. However, what we now know, largely through the work of Edward Deci, a professor of psychology at the University of Rochester, is that extrinsic rewards can actually reduce intrinsic motivation, specifically when those extrinsic rewards reduce an individual's levels of choice and autonomy. The big exception to this rule is that positive evaluation of performance, or recognition, actually increases intrinsic motivation.

When it comes to innovation, organisations tend to 'reward' performance in two primary ways: by providing recognition, whether publicly through company-wide awards programs or more privately through manager–employee conversations; and by providing financial incentives.

Much research has focused on the effects of both types of reward and on discovering which is most effective for a), increasing individuals' motivation to innovate and b), contributing to a culture of innovation. Researchers such as Professor Teresa Amabile have repeatedly found that recognition

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Public or private recognition has been shown to significantly improve the level of innovativeness in people's work output.

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plays an important role in driving innovation. Public or private recognition has been shown to significantly improve the level of innovativeness in people's work output, in addition to strengthening the perception of the organisation having a culture that supports innovation. Financial rewards can be part of that support and recognition (explained later in this chapter) but simple recognition is the more powerful motivator.

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Coca-Cola Amatil, one of the world's top five bottlers of Coca-Cola, has an annual awards ceremony for innovation. Anyone in the organisation can nominate an innovation for an Innov8 Award (which is named after the company's innovation program). The awards are incredibly prestigious and have had an enormous impact in providing recognition to those who have done amazing things within the company.

Derek O'Donnell, creator and leader of the Innov8 program, remembers just how big an impact the awards had, even in their first year, on one of the award-winning employees. This particular employee worked in Coca-Cola Amatil's Northmead manufacturing plant and was of Indian heritage. He was in his mid 50s at the time and came to the awards dressed immaculately in a beautiful suit and wearing a turban. 'He came up to me at the end of the night. He had won an award and there were tears flowing down his face. He said to me, "I just want to thank you". I told him, "Oh, no. You don't need to thank me. You're the one who actually won the award". He replied, "No, you don't understand. My children [who at the time were 17 and 19] have always been the ones to come home with awards. All through their

school journey, they have come home with different trophies and certificates and I have been so proud as their father. This is the first time I'm going to go home and as their father, be able to say I've won an award".

O'Donnell remembers being so excited for the employee that he called him the following day. 'I said, "How did you go with your family last night?" He said, "Well, I got home. It was a bit after midnight. I woke the kids up, and we celebrated, and we all went to bed at half four".

'I was struck by the fact that he is actually very introverted, a quiet man who has worked in the organisation for around 25 years. He had great ideas, but wasn't very confident in expressing them. The Innov8 program and awards allowed his voice to be heard and acknowledged. The pride factor for him was huge.'

Another way that Coca-Cola Amatil provides recognition for great ideas is through an initiative called Innov8 Hours. Innov8 Hours provides the opportunity for individuals or teams who have been working on innovations to present their work to others in the organisation in five- or ten-minute chunks. A typical Innov8 Hour is introduced by a senior leader from the organisation who speaks about why innovation is so important for Coca-Cola Amatil. This is then followed by several short presentations by innovation teams and then time for some discussion around innovation. Innov8 Hours have been known to attract as many as 100 people.

'Innovation is a professional stress release', says O'Donnell, 'because it allows you to positively talk about how to solve something, or to talk about how to bring a new idea to life from scratch. There's energy injected into everybody who attends Innov8 Hours, even if they weren't presenting. People attend with a level of positivity. So not only is it a great avenue for giving people a chance to feel acknowledged and respected, but the audience walks away with a great deal of energy and understanding of the importance of innovation.'

As well as recognising innovation internally, O'Donnell says that a few years ago the organisation wanted to start thinking

about recognition beyond internal initiatives. O'Donnell felt that a natural evolution was to consider involving the company's biggest suppliers in the innovation journey. So in 2010 the Coca-Cola Amatil Supplier of the Year Awards were launched. The company's top suppliers are invited to pen an entry that describes, among other things, the biggest innovation they have produced that has helped Coca-Cola Amatil. The winners are then announced in a grand award ceremony.

Supplier relationships had previously been thought of as more transactional—they were leveraged to provide excellent goods or services and were primarily evaluated on the basis of being the most cost-effective and highest quality. But by inviting the network of suppliers to participate in innovation, Innov8 flourished. 'Being able to leverage all of their brain power was brilliant', says O'Donnell. 'And all of their technical expertise in their core competencies helped solve issues for our organisation, and indeed our customers, which has been incredibly valuable for Coca-Cola Amatil.'

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Several years ago I had a meeting with the head of innovation at a large Australian government-owned organisation. She began to tell me about the organisation's burgeoning innovation program. She told me about an online suggestion box that had recently been launched and how the focus of the program was to collect as many ideas as possible. I asked her how she was eliciting ideas from employees.

'We pay people \$10 per idea', she replied.

'How many ideas do you have so far?' I asked.

'Hundreds. It's been an incredibly popular program so far.'

I then asked her about the quality of the ideas she had received. 'To be honest', she began, 'there are not a lot of great ideas there. People have suggested things such as having free fruit on Fridays, and investing in thicker toilet paper in the staff bathrooms. I haven't seen anything yet that really promises to transform the organisation'.

I wasn't surprised by what she told me, but I was curious as to what she thought about one other thing.

'What do you think would happen if you stopped giving employees \$10 for every idea?' I asked.

She considered this for a moment and replied, 'We probably wouldn't get any more ideas'.

The research into the impact of financial rewards on innovation certainly backs up this experience—although the relationship is not completely straightforward. Yu Zhou, from the Renmin University of China, and his colleagues set out to investigate the impact of financial rewards, such as pay rises, performance linked-bonuses, and team-based bonuses, on innovative behaviours. They also examined the impact of non-financial rewards, such as receiving recognition, on innovative behaviours at work. Two hundred and sixteen employees from a variety of Chinese companies were recruited into the study and asked about how they were recognised and rewarded within their organisations, and were also asked to reflect on their own innovative behaviours.

Zhou and his colleagues found that financial rewards did lead to an increase in innovative behaviours—but only up to a point. They found a U-shaped relationship between the variables, in that innovative behaviours increased with some financial rewards, but as the financial rewards increased, innovation actually started to decrease. In contrast, the relationship between non-financial rewards, such as recognition, was a linear one. The greater the non-financial rewards, the greater the innovative behaviours.

Markus Baer, from the University of Illinois Urbana-Champaign, and his colleagues were interested in exploring the impact of financial rewards on employee creativity, and whether this relationship was influenced by the complexity of an employee's job. The researchers recruited 171 people from two American manufacturing companies and asked them about the types of rewards they received for innovation, and about the complexity of their job. Each person's supervisor was then asked to rate their employee's creativity and innovation performance.

Baer found that financial rewards had very different effects on creativity, depending on how complex and challenging a person's job was. For those with more complex jobs, an increase in financial rewards led to a decrease in innovation. However, for those in simple jobs, financial rewards actually increased the person's creative performance.

Indiana University Professor of Entrepreneurship Dean Shepherd and colleague Dawn DeTienne also explored the complex relationship between financial rewards and innovation. Shepherd and DeTienne were interested in examining how having a deep understanding of the customer and their frustrations relates to the effectiveness of financial rewards on innovation. They hypothesised that a deep customer understanding would actually reduce the effectiveness of financial rewards on innovation. In contrast, they felt that those who did not have strong customer knowledge would be more motivated by financial rewards when it came to producing ideas.

The experiment they set up involved people being briefed on problems that customers had experienced with footwear. One group was presented with a large range of issues and frustrations (presented as real quotes from focus groups), while the second group received a more limited set of customer problems. Participants were then instructed to generate ideas for solving these customer problems. In addition, they were told that there was a financial reward for the best solution generated. One group was told the reward was \$50, while the other group was told the reward was a measly \$1.

The amount of prior knowledge presented to participants had a significant impact on how motivated they were by the financial reward. The size of the reward was a big motivating factor for those with less knowledge about the customer and their problems. The offer of a \$50 reward led to these participants generating significantly more ideas than the offer of a \$1 reward. In addition, the \$50 reward group's ideas were judged to be significantly more innovative than the \$1 reward group's ideas.

In stark contrast, financial rewards had almost the opposite effect for participants with a comprehensive knowledge of customer problems. The size of the financial reward had no impact on the number of solutions generated. But, more importantly, the \$50 reward group put forward solutions that were evaluated as being less innovative than those from the \$1 reward group.

These results may seem surprising. Why would a bigger prize decrease innovation output? The researchers suggest that having a large amount of knowledge (and thus a high level of skill) is a motivator in and of itself, and the financial reward actually gets in the way of this motivation.

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The single biggest problem with financial rewards, however, is that as soon as they are taken away, and assuming that no intrinsic motivators (such as a sense of challenge and autonomy) are in place, motivation for innovation evaporates. After all, if you are only innovating to gain a financial reward, why would you continue to innovate when that reward gets taken away? As such, when given the choice between intrinsic rewards such as recognition, or extrinsic rewards, such as money, intrinsic rewards win every time.

As well as being mindful of the potential downside of financial rewards, it is also worth noting the results of some recent research into the more informal type of recognition that managers can provide. Dr Rebecca Hewett from the University of Greenwich looked at the impact of managers providing verbal rewards, such as saying ‘thank you’ to their team. Hewett asked a group of workers to complete a survey at the end of each day for two weeks and asked them about their motivation with respect to a task on which they were currently working.

When it came to simple tasks, verbal rewards from one’s manager were very motivating. In contrast, for complex tasks (and innovation projects are invariably complex tasks) standard

verbal rewards from a manager failed to motivate. Sometimes these predictable verbal rewards even decreased motivation. The motivation essentially came from being able to get on and make progress. The most motivating kinds of verbal ‘rewards’ for complex projects are ones that are not expected.

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One final point to consider when it comes to providing recognition is that it’s important to be deliberate about what you provide recognition for. It can be tempting to just recognise great innovation performance, but research has shown that recognising the *effort* people have put into innovation is just as (if not more) important. The importance and impact of this need can actually be traced as far back as childhood.

Stanford University psychology professor Carol Dweck has been researching motivation since the 1960s, and is one of the most highly regarded researchers in her field. Not only has she investigated motivation in adults, but she has also conducted research into children and how our mindset development is influenced by the feedback we receive from others. One of the concepts she has explored is the extent to which children believe intelligence is something that is fixed or malleable. Those who believe intelligence is fixed think that you are given a certain amount of intelligence and there is nothing you can do to control or increase it. She referred to these children as having a ‘fixed mindset’. Those who believe that intelligence is malleable think that it can be developed through hard work, study and education. Dweck referred to these children as having a ‘growth mindset’. She has conducted numerous studies looking at the impact these very different mindsets have on behaviour and performance.

In one study, Lisa Blackwell, Kali Trzesniewski and Dweck studied 373 students who were entering seventh grade at a New York secondary school. At the beginning of the study, all students were surveyed to determine their mindset. Students were asked the extent to which they agreed or disagreed with statements such as ‘You have a certain amount of intelligence, and you really can’t do

much to change it' through to 'You can always greatly change how intelligent you are'. Students were also asked about their learning goals at school, through agreement with statements such as 'An important reason why I do my school work is because I like to learn new things' and 'I like school work that I'll learn from even if I make a lot of mistakes'. Not surprisingly, students with a growth mindset were much more likely to believe that learning was a much more important goal at school than achieving high grades.

The students were also asked about the amount of effort they put into their school work, by indicating their level of agreement with statements such as 'The harder you work at something, the better you will be at it' and 'To tell the truth, when I work hard at my schoolwork, it makes me feel like I'm not very smart'. Students with a fixed mindset were far more likely to view making an effort as a negative behaviour—as though trying hard meant that you had low ability. And when met with a bad grade, those with a fixed mindset were actually more likely to study less – and even consider cheating to improve their grades.

The researchers followed these students for two years, and specifically tracked their performance in maths class. Maths was chosen because it is a subject that typically becomes significantly more challenging as high school progresses.

At the beginning of the study, regardless of mindset, students' scores did not differ significantly on their maths tests. But by as early as the end of first semester, the results achieved by the growth mindset group overtook those with a fixed mindset group. By the end of grade 8, the results obtained by the growth mindset group were significantly higher than the fixed mindset group.

But rather than just leave it at that, the researchers decided to stage an intervention with a subset of the students. They wanted to see if those with a fixed mindset could actually be trained to develop a growth mindset. Students in the experimental group received eight workshops that taught them about the brain and how malleable it is, and that intelligence is something that can be developed with hard work and study. A control group was taught

about the brain, but without a focus on its malleability. Teachers (who did not know which students had which mindset) were then asked to monitor students' behaviour and, specifically, their levels of motivation.

The differences were striking—in the control group, only 9 per cent of students were reported to show positive change. However, in the group that had been taught how malleable the brain and intelligence actually was, three times as many students were observed to show positive change in their behaviour. One of the maths teachers commented about a couple of students in the experimental group:

*L., who never puts in any extra effort and doesn't turn in homework on time, actually stayed up late working for hours to finish an assignment early so I could review it and give him a chance to revise it. He earned a B1 on the assignment (he had been getting C's and lower).*

*M. was [performing] far below grade level. During the past several weeks, she has voluntarily asked for extra help from me during her lunch period in order to improve her test-taking performance. Her grades drastically improved from failing to an 84 [on] her recent exam.*

One of the things parents can do is praise children for effort rather than for talent. Saying to your child, 'Wow, that's a really good score. You must have tried really hard', rather than 'Wow, that's a really good score. You must be smart at this', has been shown to improve persistence and learning, and ultimately create a growth mindset.

These concepts have important implications for the workplace when it comes to innovation. Creating an environment where people are praised for their efforts as opposed to their achievements has been shown to have a significant effect in creating a culture where people feel more comfortable embracing innovation, and also in taking a risk — which is a critical ingredient of innovation. So rather than taking the obvious path of recognising achievements, also take time to recognise effort.

## KEY POINTS

- Find opportunities to recognise innovation both formally and informally. This may be in the form of an annual awards night, through to providing regular opportunities for innovators to share their work with others.
- While having an annual awards ceremony for innovation is a fantastic idea, ensure you introduce more regular and frequent opportunities to recognise great innovation.
- Consider giving ‘time’ (to work on innovation projects) as a reward for innovation efforts.
- As well as recognising people within your organisation, consider how you could recognise great innovation from suppliers, partners and customers.
- Financial rewards will only increase motivation up to a point. In addition, financial rewards are far less effective for those who feel challenged by their role, have a high degree of skill, and have a thorough knowledge of the customer.
- When given the choice between rewarding people through recognition versus money, recognition wins hands-down.
- When giving people verbal rewards, such as a thank-you, the most motivating kind are the unexpected ones.
- Don’t just recognise achievements. Make sure you also recognise effort.