



Creating a successful innovation culture

The role of **HR** in delivering innovation.



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About this report

Methodology

The results presented in this report are based on a mobile-only, 23-question global survey conducted through November 2018.

This survey targeted 5,488 Manager, Director, Vice President or C-Level executives, across 24 markets globally, with influence in the decision-making process of cloud solutions, platforms, and infrastructure or department-specific software. Respondents worked within organisations generating revenues between less than £1 million to more than £500 million, with 100 to 50,000 employees.

Key findings

HR is not able to play the role they should and aspire to within their organisations because **their colleagues don't perceive them as having a seat at the table.**

When it comes to owning the innovation agenda, global respondents do not perceive HR teams as having a meaningful place at the table. In fact, globally, HR teams were positioned the least strongly for leadership or influence compared to all other lines of business measured.

It is clear that there needs to be a collaborative approach put into place to allow HR to have an equal role; one which enables this department to play the role it is worthy of.

In addition to being perceived as playing a passive role in innovation, HR teams have another challenge to overcome. As a whole, the business is placing culture and talent at the bottom of their list of measurable KPIs, both traditional and non-traditional.

We see KPIs related to talent lower down even on HR's priority – in fact, talent is listed at 14% lower than customer satisfaction which tops the list. The problem is, soft KPIs are essential to achieving hard KPIs. If organisations expect productivity to be their key KPI, how can this be achieved if the inputs of culture and talent are not prioritised?

Data quality clearly matters to all audiences – data drives all the other KPIs so it is critical to driving both HR and performance analytics generally. Cooperation around data security, and management across departments, will be essential to delivering on this fundamental metric.

Key findings

How can the leadership team help? When it comes to innovation, **HR teams are looking to leaders of the organisation** to demonstrate their commitment and display a clear vision.

If the 'strategy' gets adjusted too often, or commitments are not consistently adhered to by leadership, then even the best HR department cannot do anything to positively influence an innovation culture. Innovation, or better an environment which fosters creativity, is mid- and long-termed. It mustn't be disrupted by ad hoc changes or inconsistencies in management. As for barriers to this success, HR teams and the broader business are burdened by a high volume of projects – as a result, the majority of innovative ideas never see the light of day.

HR needs to be empowered. This is made clear when looking at the significant gap between the ambition of HR teams to innovate and the action they take to deliver innovative ideas. HR teams recognise that they need to close these gaps – proven by their high aspiration. However, they continue to struggle to make an impact or to be perceived as a strong player in the innovation space.

This could be because HR teams are hindered by having too many projects, falling victim to lack of focus and unclear processes; yet, the same could be said across all lines of business measured.

For HR to better influence innovation, they are aptly identifying their needs; the right data, a clear vision, and an uncluttered process. However, they need to push for outstanding by putting their people experience as high as their customer experience.



Research and analysis

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- Culture-enabling innovation
- Disruptive innovation
- Role of innovation

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- Employee incentives and rewards
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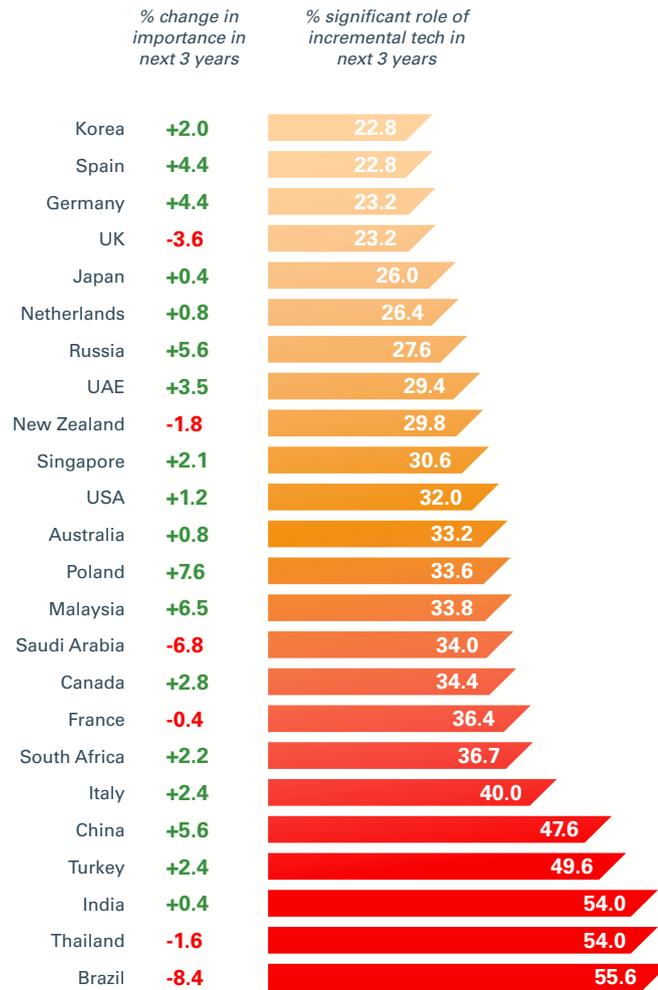


Innovation landscape – Incremental tech innovation

In the next three years **Poland** and **Malaysia** expect incremental technology to play a more significant role (+7%), while countries like **Brazil** and **Saudi Arabia** look to lessen the significance of this type of tech.

Incremental tech innovation

Base: Global population, 24 markets, nr. 5,488

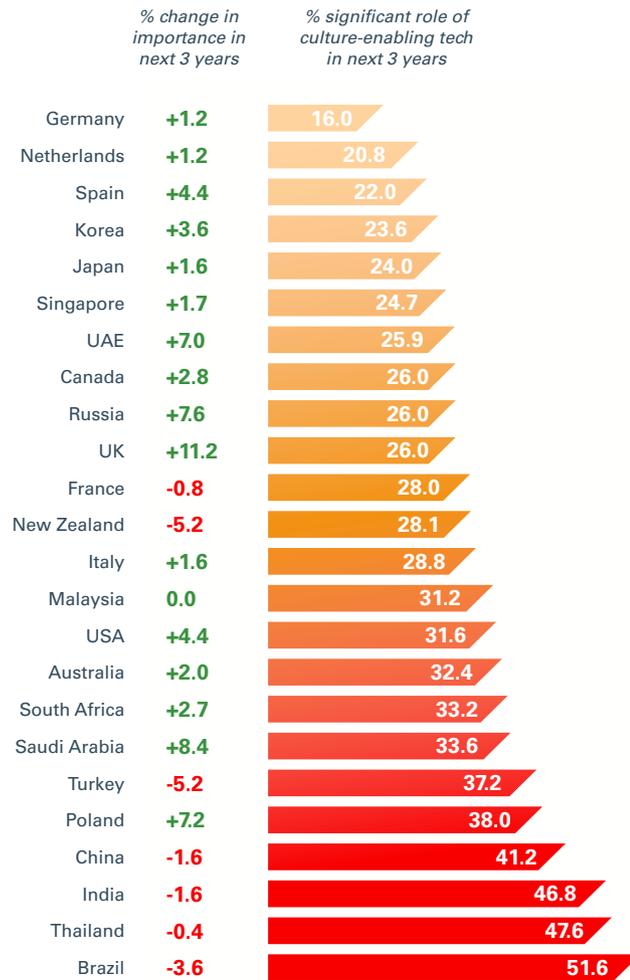


Innovation landscape – Culture-enabling innovation

Looking at culture-enabling innovation, again **Brazil** represents the country where the innovation **plays the most significant role (52%)**, followed by **India and China** – however, on average countries report plans to invest more aggressively in culture-enabling innovation in the next three years than with incremental tech: most notably the **UK (+11%)**, **Saudi Arabia (+8%)**, and **Russia (+8%)**.

Culture-enabling innovation

Base: Global population, 24 markets, nr. 5,488

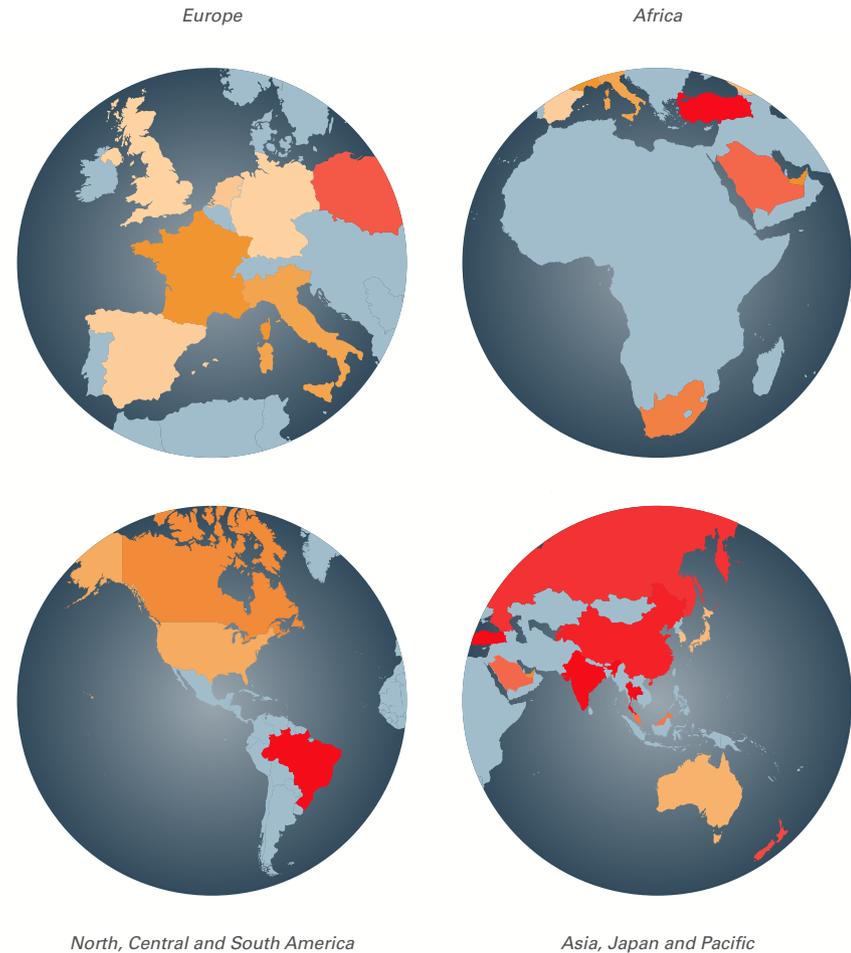
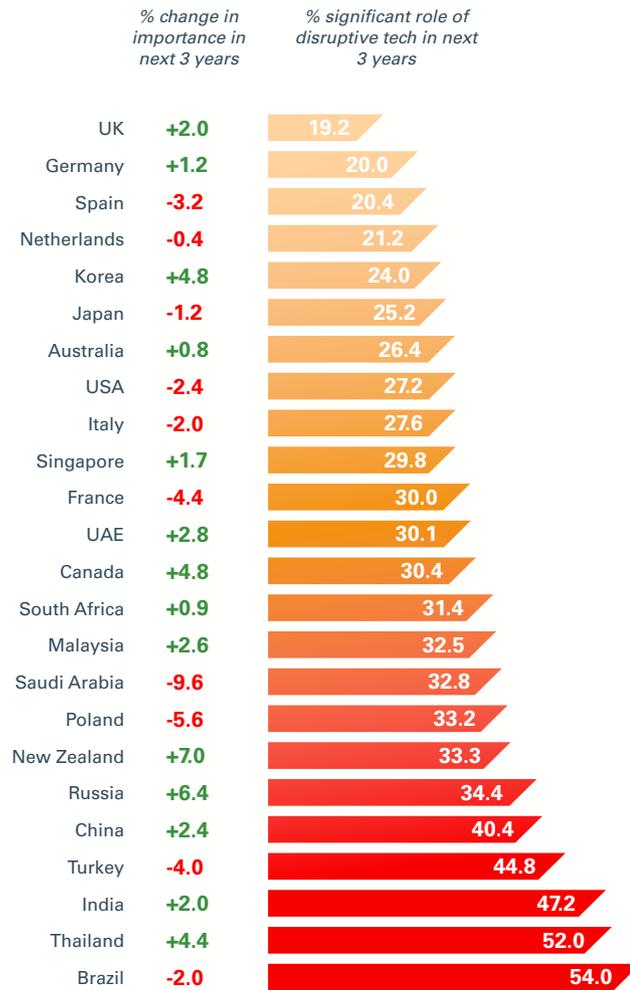


Innovation landscape – Disruptive innovation

Disruptive tech is the most polarising innovation of those discussed – half of the countries surveyed report plans to decrease their organisation’s investment in the innovation, with **Saudi Arabia** and **Poland** leading the charge (~-8%). Meanwhile the other half (particularly **New Zealand** and **Russia**) plan to further invest in disruptive innovation.

Disruptive innovation

Base: Global population, 24 markets, nr. 5,488



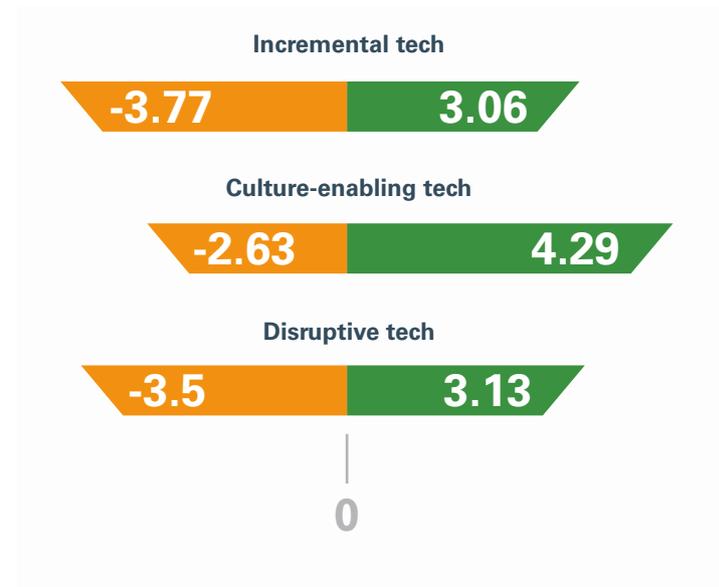
Innovation landscape – Role of innovation

Though more countries report plans to increase the role of incremental tech in their organisation in the next three years over culture-enabling innovation, **culture-enabling innovation has a higher average % increase** – proving individuals plan to invest more aggressively in this innovation than with incremental tech.

Number of countries changing significant role of innovation in organisations in next three years

Nr. of countries	Incremental	Culture-enabling	Disruptive
Increase role	18	16	14
Decrease role	6	7	10
No change		1	

% average change in importance in next three years globally, by innovation



Base: Global population, 24 markets, nr. 5,488

Innovation landscape – Role of innovation (cont.)

Globally, across all audiences, investment in incremental tech is currently more significant than investment in culture-enabling or disruptive tech.

The current focus on incremental tech is not surprising given the lower inherent barriers to the implementation process. HR teams are forecasting

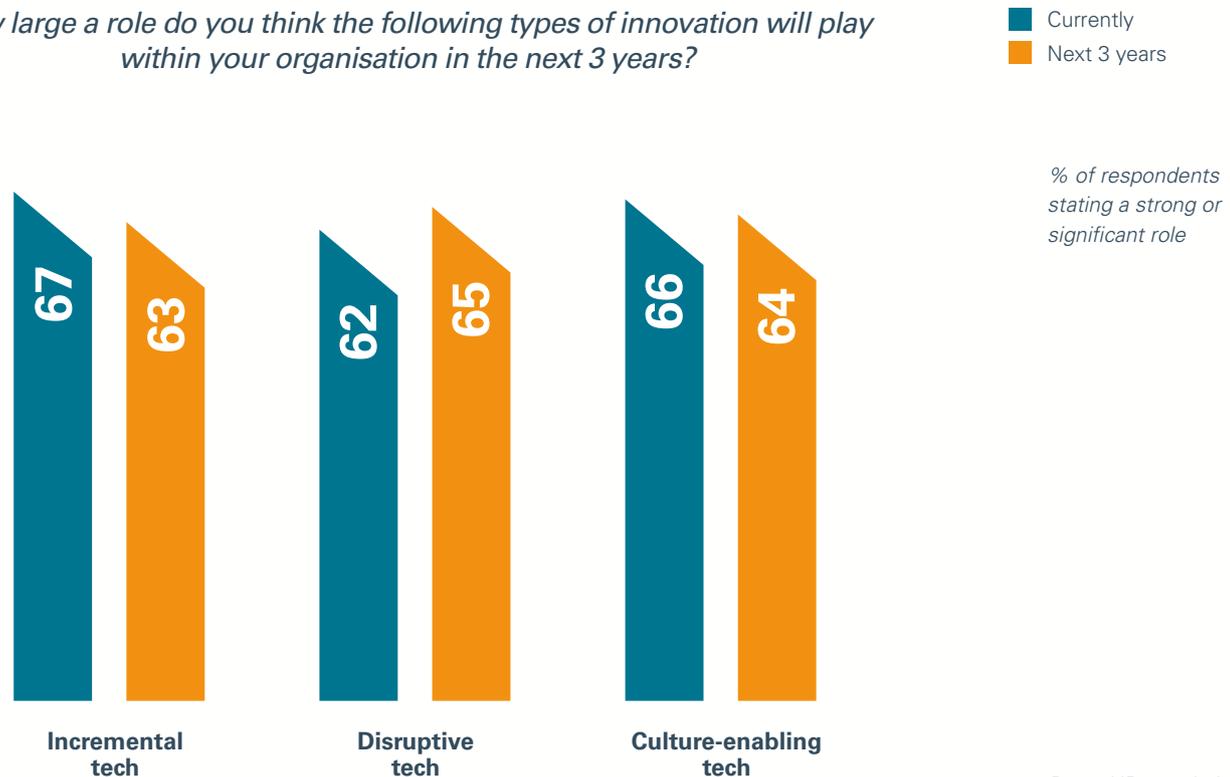
a reduction in investment in incremental tech over the next three years (as pictured below).

While they may be focused on extracting value from innovation already in place, HR teams will need to do more over the coming years to continue to bring innovative ideas to life and move the focus from 'HR systems' to 'people systems' that enhance the employee experience.

84% of boards overall state that innovation is important to the business, so the CHROs understand this is important because tomorrow's revenues are going to largely be coming from digital innovation.

They have to figure out the metrics, the operating model, and some of the other thornier issues that are sitting there in the vague grey area today, because that's where the revenue is coming from tomorrow.

How large a role do you think the following types of innovation will play within your organisation in the next 3 years?

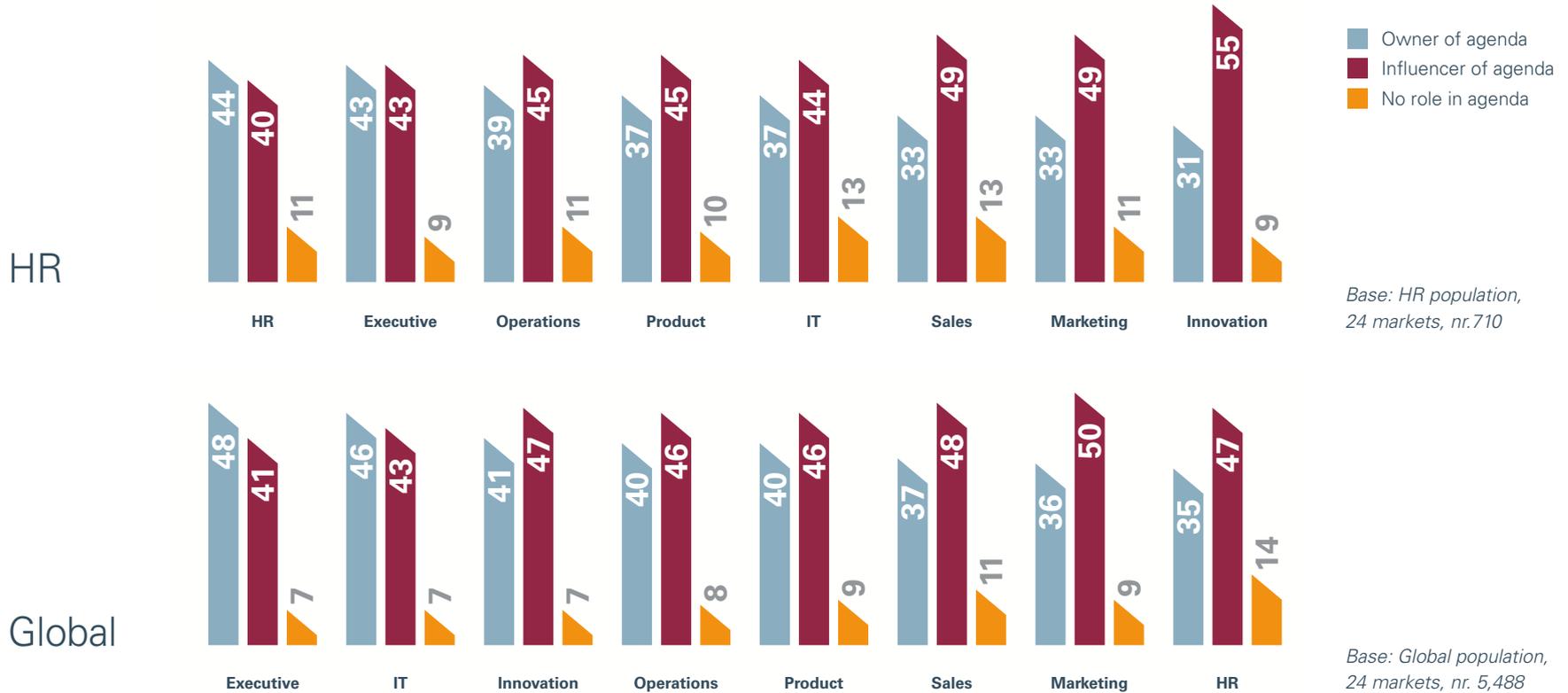


Base: HR population, 24 markets, nr. 710

Building the agile organisation – Who is owning innovation?

Globally, executive teams were perceived to own innovation, followed closely by IT, with HR at the end of the ownership ladder. However, when the same question was posed to HR teams, 44% claimed to be owners of the innovation agenda – ahead of executive, operations and product teams.

What role do the following teams or departments play in the innovation agenda within your organisation?



Building the agile organisation – Who is owning innovation? (cont.)

This perceived difference in innovation ownership is consistent amongst respondents across all lines of business, with each team giving their respective departments stronger ownership than their colleagues do.

While executive teams need to own and influence the agenda, a more collaborative approach is clearly needed, with a clearer sense of partnership between departments. This will allow functions to help define priorities for investment and for the frameworks and platforms that enable innovation to happen.

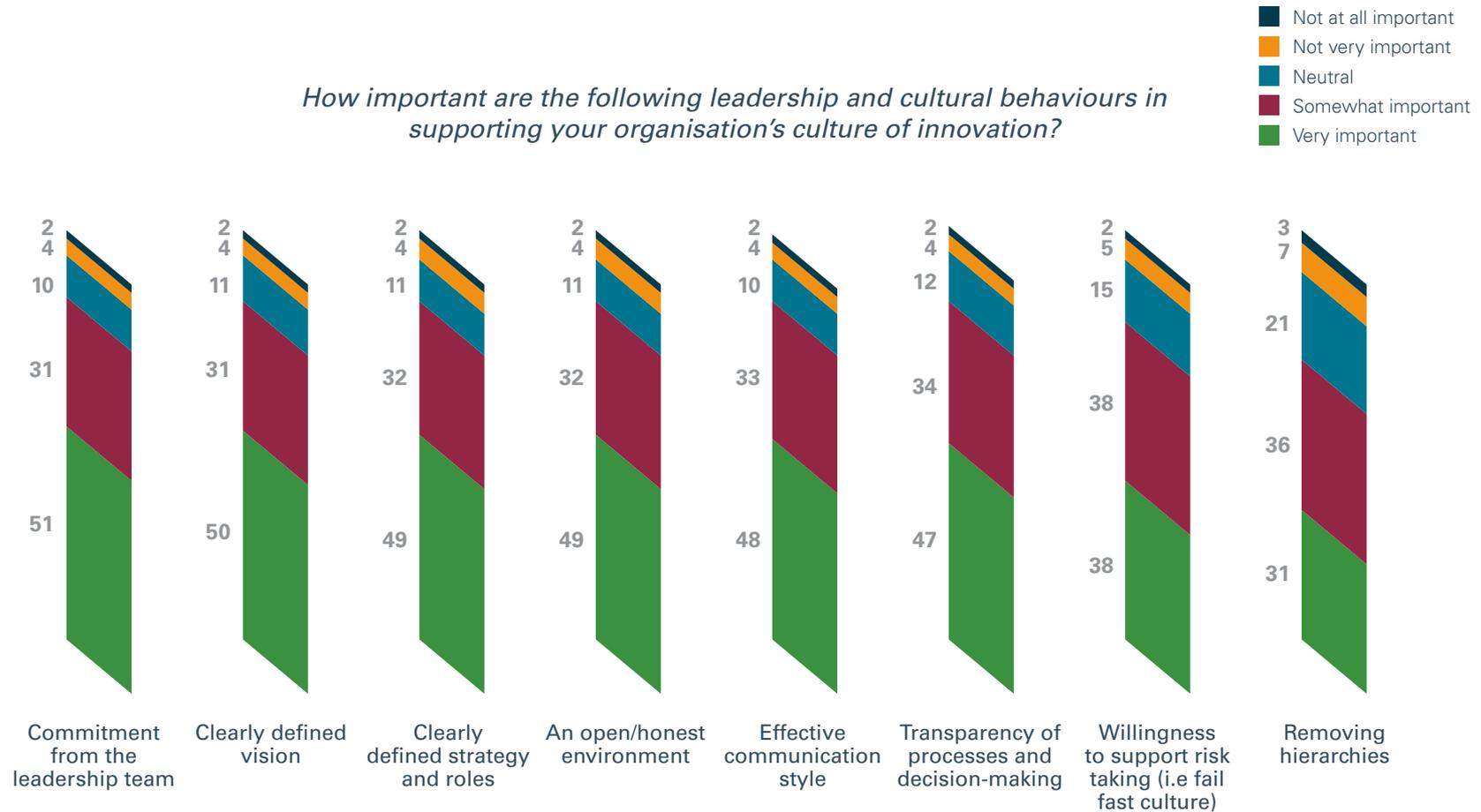
HR teams could then better understand their role alongside that of their peers. Critically, HR must be given the opportunity to play their role in developing innovation culture, and in aligning talent needs to the long-term requirements of the organisation.

What role do the following teams or departments play in the innovation agenda within your organisation?



Building the agile organisation – Leadership and cultural behaviours

In terms of behaviours that support innovation, as global data pictured below **most find than an organisation with a committed leadership team and a clear vision is best positioned for innovative success** – willingness to support risk and removing hierarchies are less of a focus.



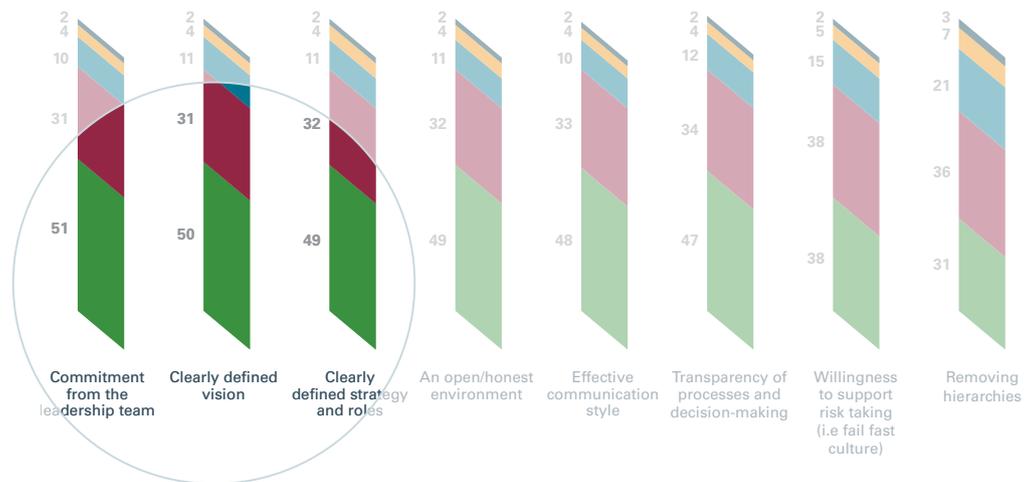
Base: Global population, 24 markets, nr. 5,488

Building the agile organisation – Leadership and cultural behaviours (cont.)

Globally, committed leadership, strategy, vision and clarity of roles top what is needed to make innovation successful.

HR teams are consistent in their need for commitment from leadership. However, it is interesting that HR teams place more value on innovating within an open and honest environment and on effective communication styles.

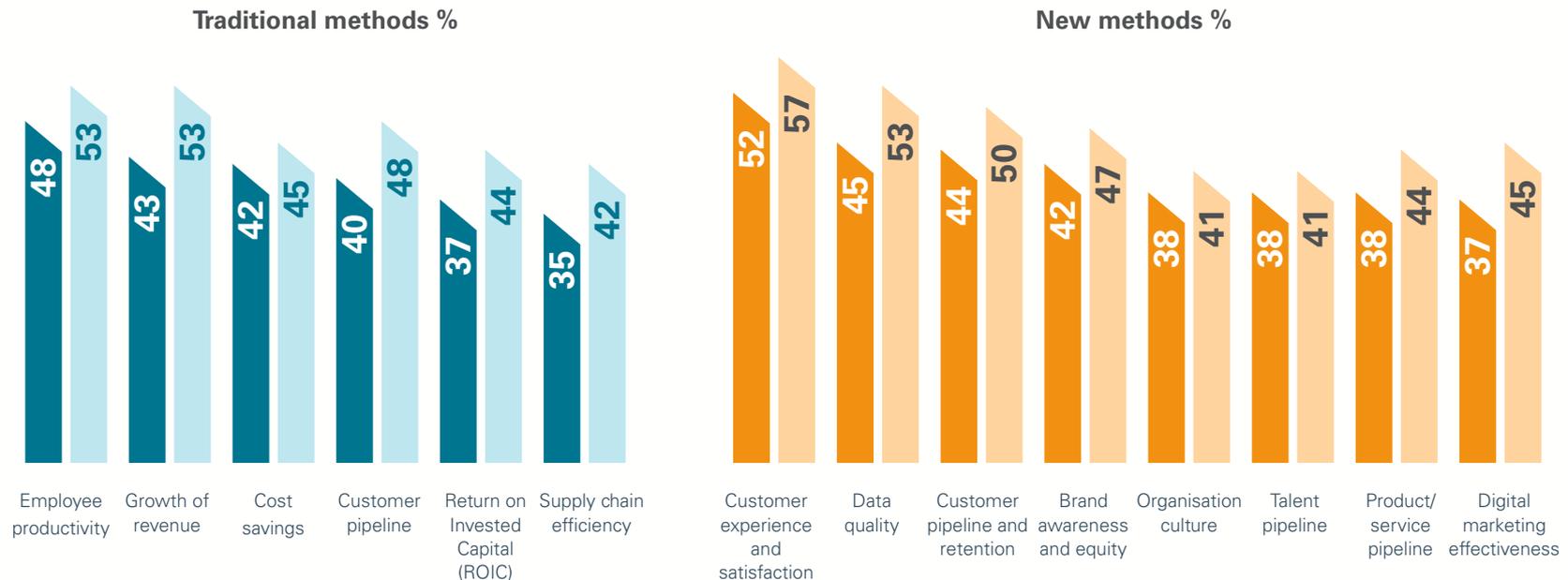
These issues represent essential HR priorities, and reinforce the need for HR to step up and champion the cultural agenda.



Measuring the value – Innovation metrics

Globally and across HR teams, **organisations value KPIs such as employee productivity and customer experience**. However, the fact that global audiences place culture and talent at the bottom of the new KPI list, demonstrates that HR teams prove they have a long way to go to promote the people agenda. HR themselves only place these critical employee-centric metrics slightly higher in the list.

Which of the following KPIs are important in measuring innovation-driven growth within your organisation?



Base: HR population, 24 markets, nr. 710
 Base: Global population, 24 markets, nr. 5,488



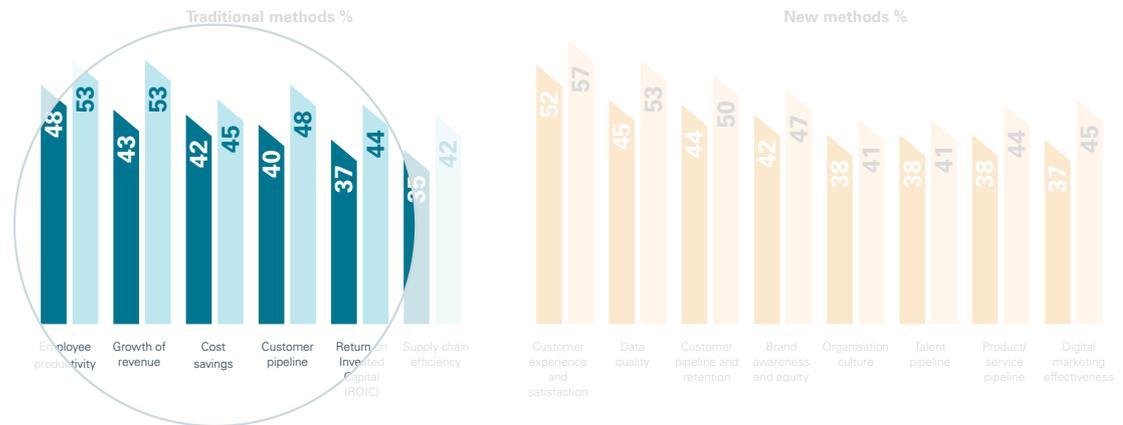
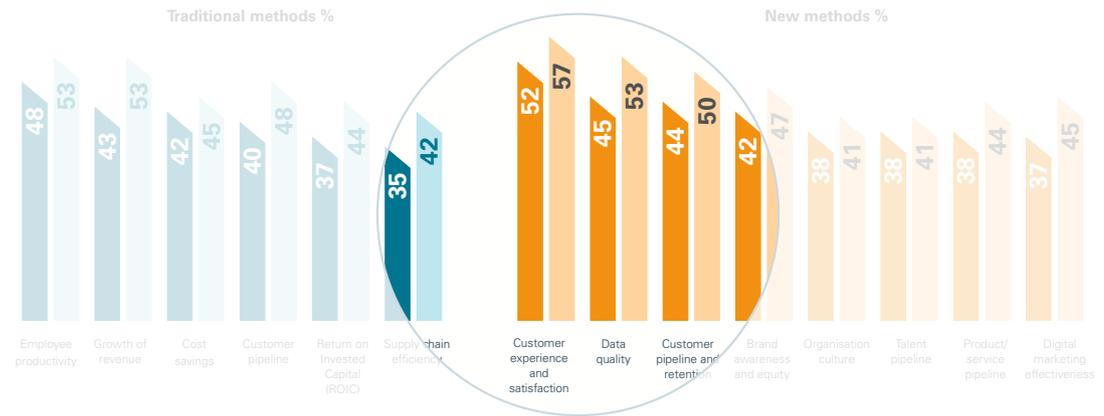
Measuring the value – Innovation metrics (cont.)

Value placed on non-traditional KPIs, such as customer satisfaction and data quality, demonstrate an appreciation of the power of new metrics, with the expectation of value felt through more traditional metrics of customer pipeline and revenue.

Employee metrics should be given the same consideration; if you look after your culture and your employer brand, the positive impact will be felt through productivity.

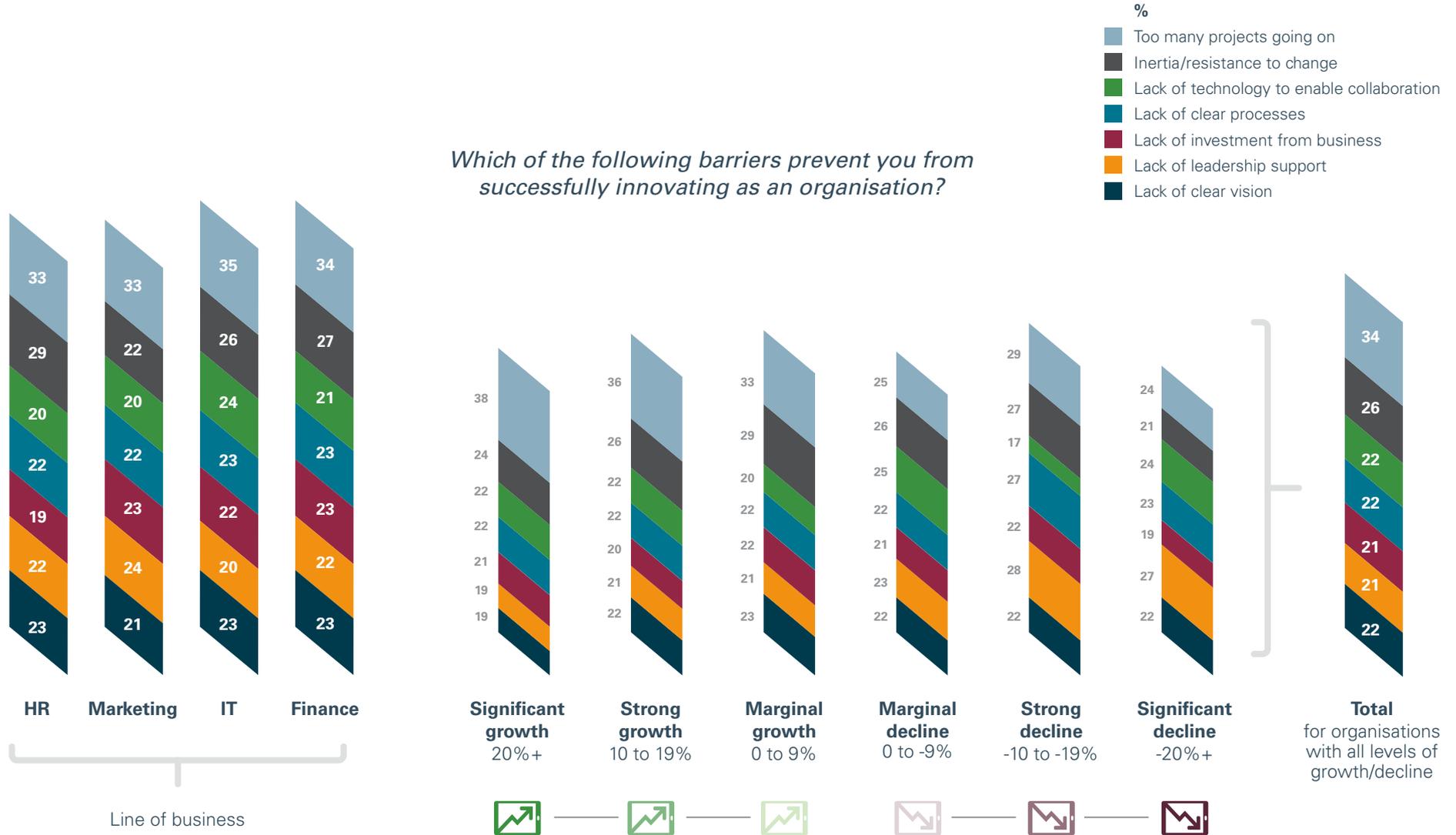
To achieve the value expected from employees, organisations therefore need to measure culture and talent pipelines. Otherwise, they will struggle to compete for skills required for the future, and to offer a cohesive environment that maximises potential.

- HR data
- Global data
- HR data
- Global data



Measuring the value – Barriers to innovation

Globally, and across all lines of business, **project quantity is the primary barrier to innovation**. For HR, IT and finance, this barrier is followed by inertia and resistance to change.



Base 24 markets: HR population, nr. 710; Marketing population, nr. 790; IT population, nr. 2,629; Finance population, nr. 845

Global population, 24 markets, nr. 5,488

Measuring the value – Barriers to innovation (cont.)

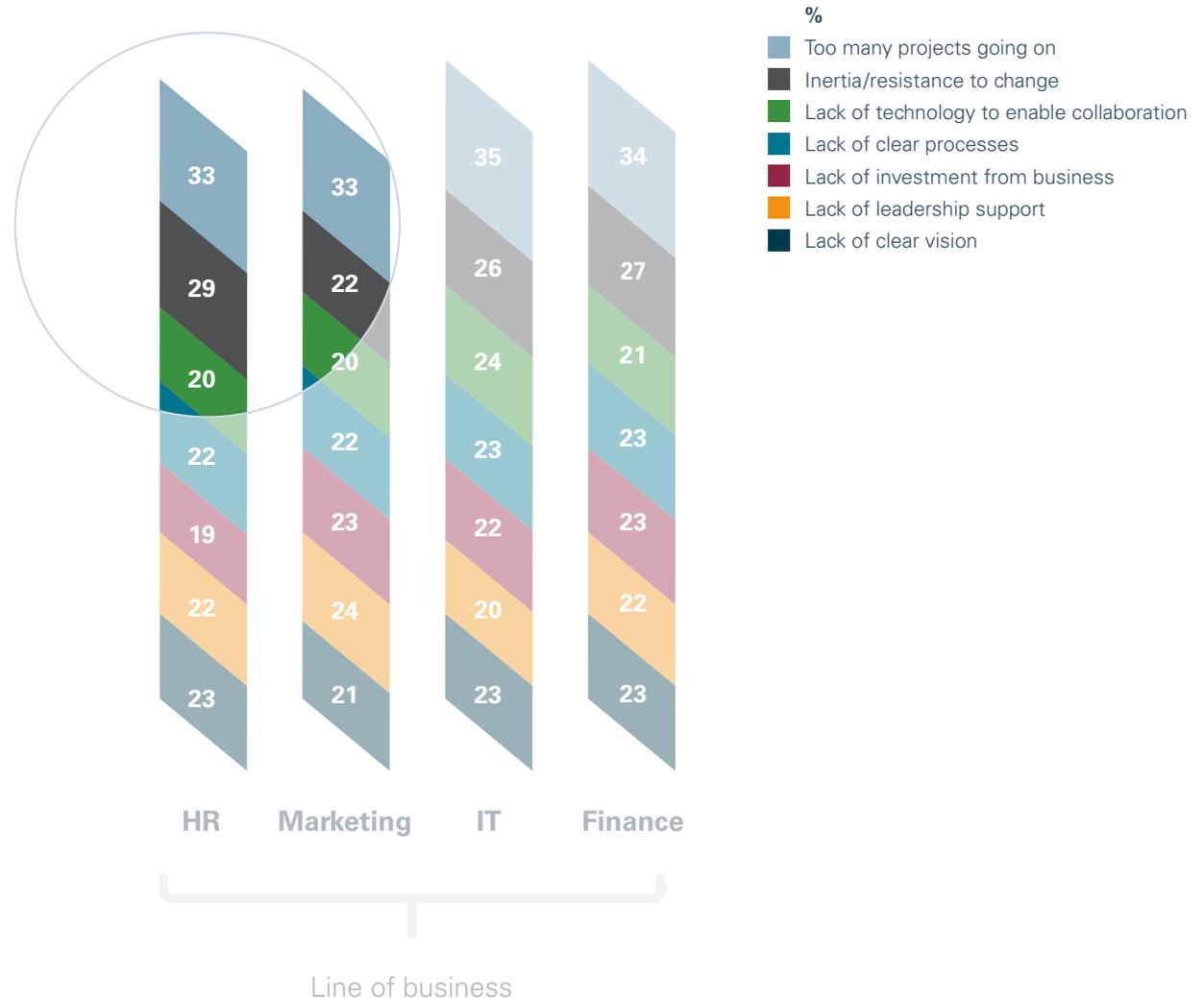
Consistent with global findings, HR teams are hindered by having too many projects. They are also most likely to list inertia and resistance to change as barriers.

HR teams need to prioritise and proactively ensure investments are made in areas that will have the biggest impact, such as talent pipelines and employee productivity.

For organisations with low growth, we see additional challenges occurring around leadership and vision alongside a lack of process. Such issues can be overcome if executive teams find a greater sense of collaboration and clarity of roles.

Challenges in scaling digital transformation strategy are anything people-related, and so, what we're seeing is that HR really needs to come to the table here and help the business better manage these challenges.

This means playing a role on two fronts: less organisational readiness, making sure that the organisation is ready to change with agility; and being able to capture the new talent in the market, particularly these new skills that are required.



The agenda for innovation – Aspiration vs actual action

Across all departments, the difference between aspiration and action is most concerning, with HR experiencing both the largest and most consistent gaps. Across core areas of HR responsibilities, the **significant gaps exist with agile talent redeployment and enabling collaboration and innovation tools** – an aspect which could be considered a functional requirement.

In what areas do you aspire to enable innovation and where are you actually taking action to innovate?

■ Aspiration
■ Actual action



Base: HR population, 24 markets, nr. 710

The agenda for innovation – Aspiration vs actual action (cont.)

It is likely HR is managing two overlapping challenges: visibility of key data and availability of talent.

Alongside this, HR continue to face challenges around enabling a collaborative environment that feeds an innovation culture. For innovation to become part of the DNA, employees need to be enabled to work without friction, share ideas and access data seamlessly.

These findings show that HR teams have the ambition to innovate but are falling short in their ability to do so. Findings also demonstrate that organisations need to work harder to recognise these gaps, as well as provide a culture of innovation for HR teams to succeed.

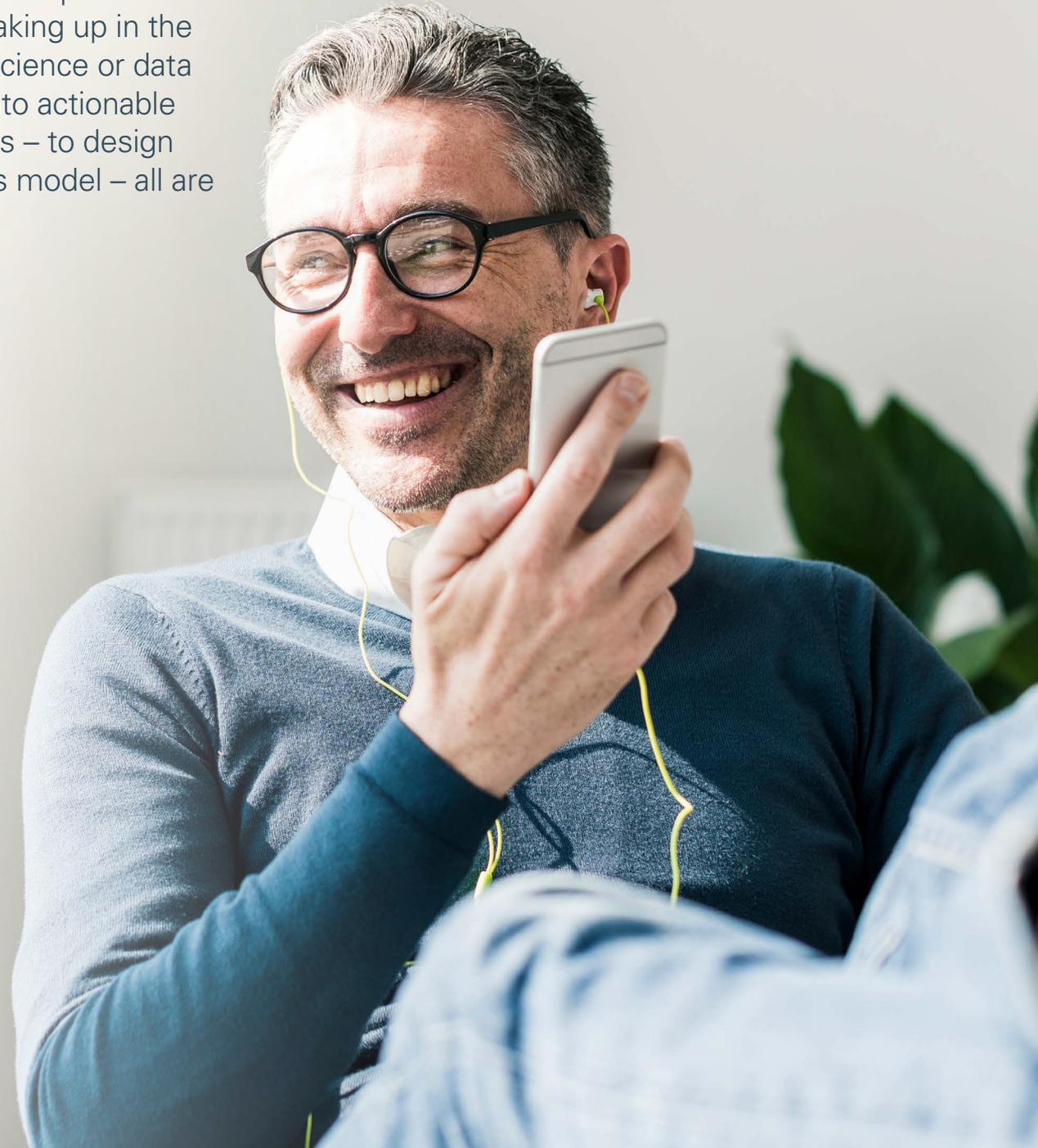


Innovation culture

Acquiring talent is critical – every department is dependent on having skills for the future. Which skills are peaking up in the innovation game? Agile methodologies, data science or data innovation, and transforming large data sets into actionable insights are among them. But also design skills – to design an experience, an organisation, and a business model – all are critical to future agile organisations.

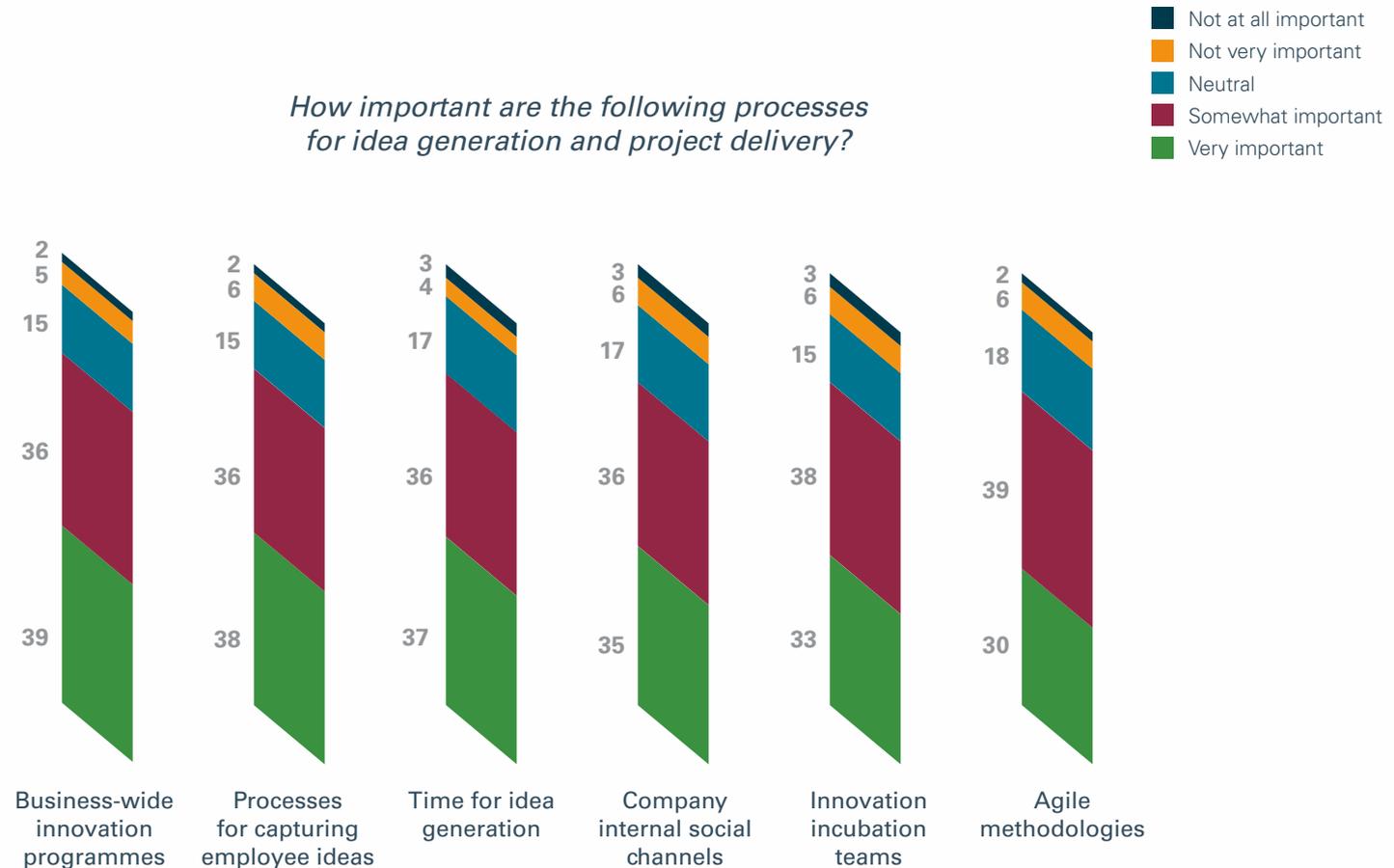
While these needs are consistent, as the following pages demonstrate, no singular process or incentive model has been identified as ‘the’ way forward. However, all organisations agree that the right culture is needed to allow talent to flourish. As such, processes, hierarchies and incentives will be increasingly critical to success.

Organisations need to maximise ideas from their people, and ensure the right ones are successfully executed. HR is not necessarily always driving it, but HR needs to support this approach. When people feel they have a purpose, they tend to perform better. And when you bring in diversity, cool ideas are generated.



Innovation culture – Importance of processes for idea generation

Globally, there is no one outstanding process that stands out. Likewise, among HR respondents, the findings below did not highlight a singular best practice, but instead revealed an experimentation approach to ideation. As with all other departments, business-wide innovation programmes, dedicated processes and time for idea generation are slightly prioritised.



Base: HR population, 24 markets, nr. 710

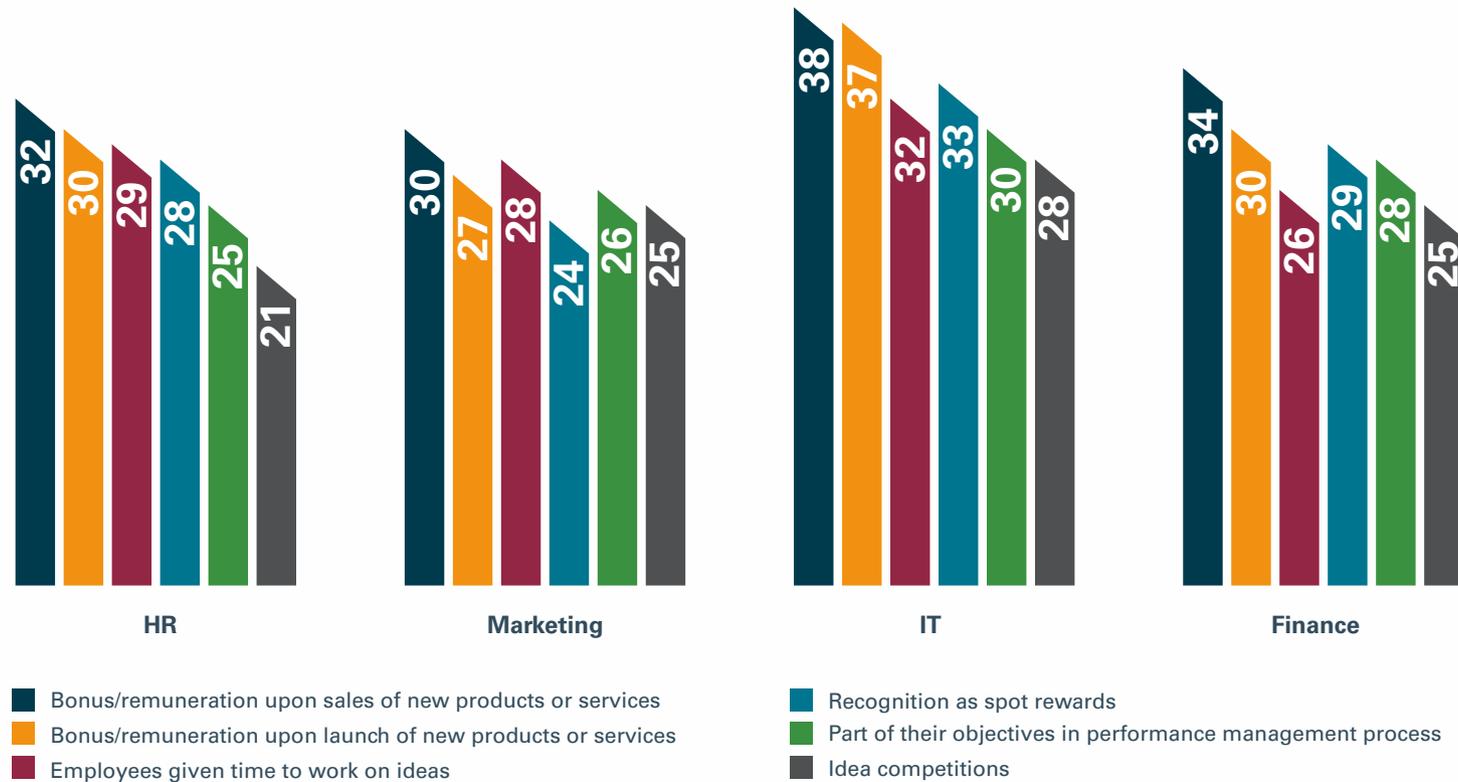


Innovation culture – Employee incentives and rewards

Demonstrating their financial commitment to innovation, **the majority of organisations provide incentives to employees to actively encourage the generation of innovative ideas.** Bonuses upon sales and launch of new products or services are among the top incentives for idea generation across departments.

Consistent with global findings, no one programme stands out as a singularly successful incentive programme; different tactics work for different businesses. It is worth noting that HR teams are far less likely than IT to offer incentives for innovation; this raises the question about how HR motivate to innovate.

How do you incentivise and reward employees for generating ideas for product or service innovations?

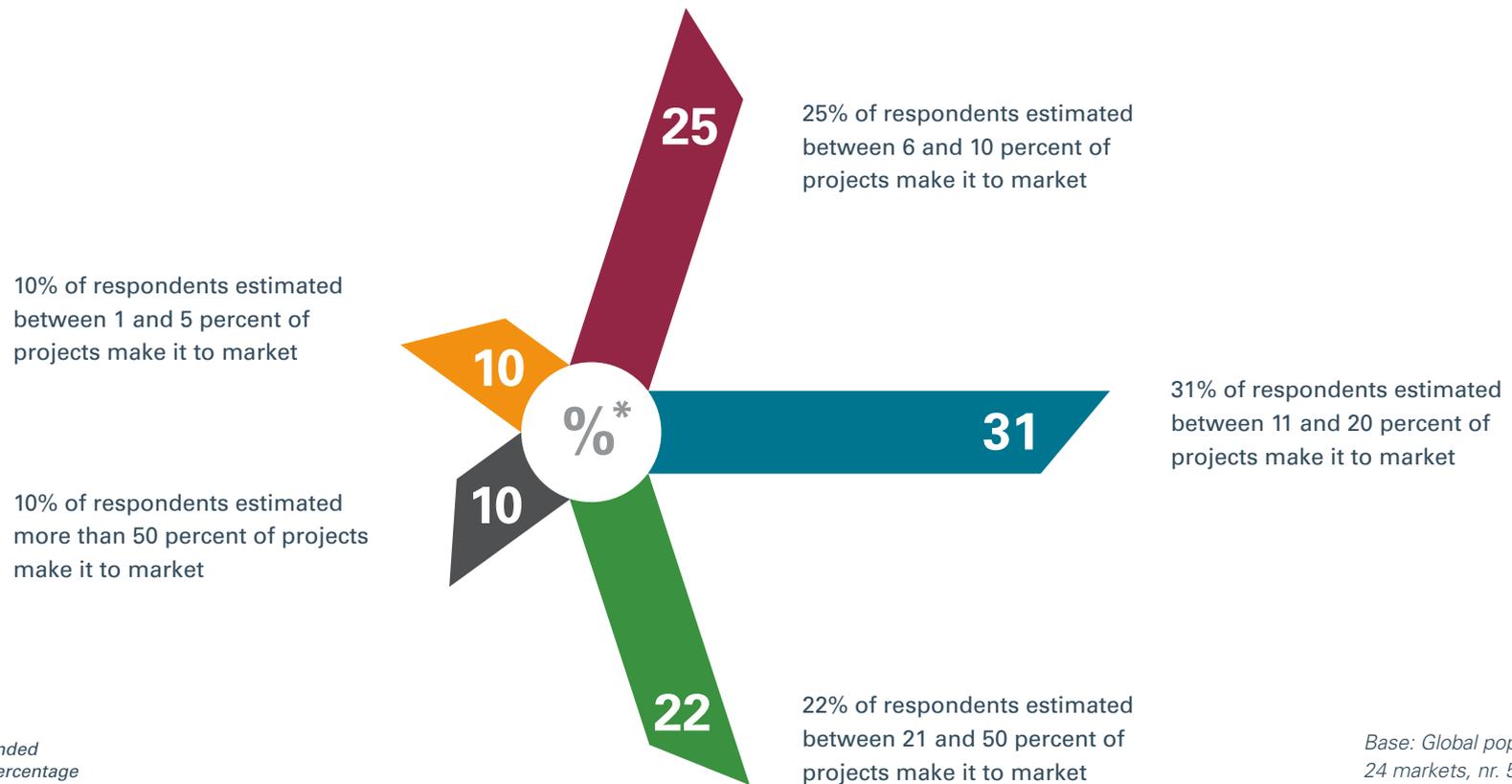


Base: HR population, 24 markets, nr. 710

Innovation culture – Innovation projects making it to market

Despite the processes and incentives in place to support innovation, 90% of respondents within HR teams, and in fact across all teams globally, report that **less than half of their innovation ideas make it to market.**

*Based on your best estimate, what percentage of innovation projects make it into market?**



* Figures have been rounded to the nearest whole percentage

Base: Global population, 24 markets, nr. 5,488

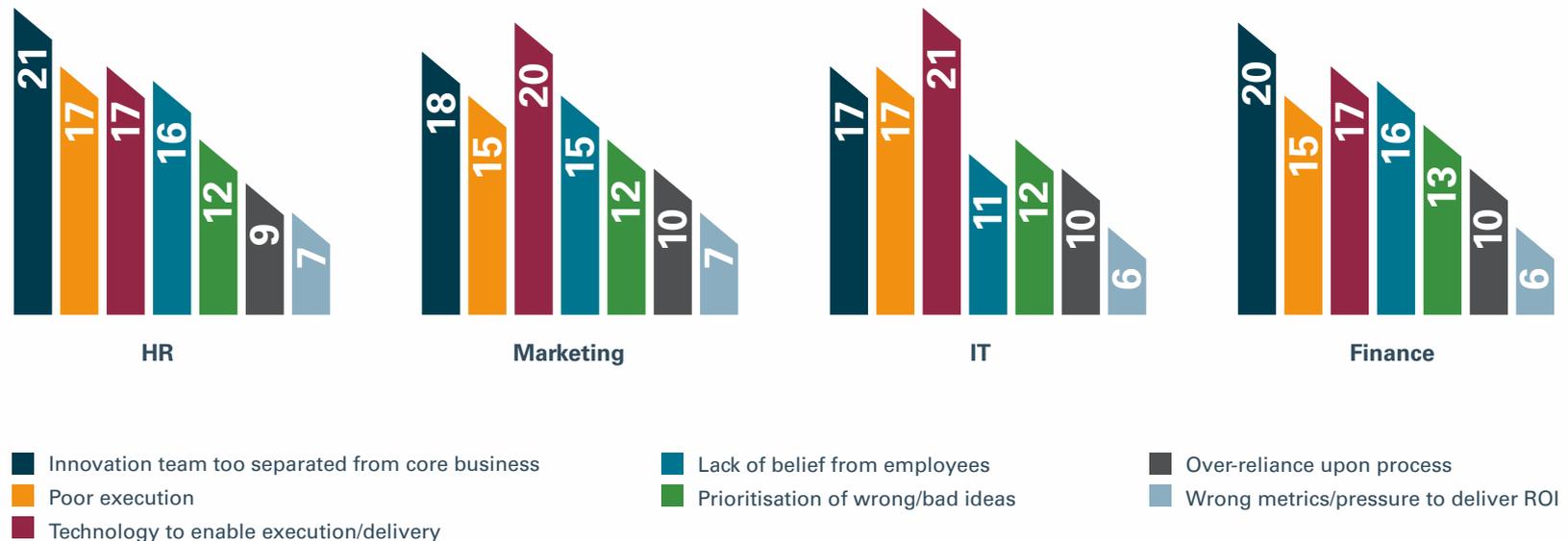
Innovation culture – Barriers to reaching market

Across departments, **the role of innovation teams, quality of execution and technology are the top three barriers for delivery.**

HR teams and finance teams feel most limited by the innovation team being too separate from their organisation's core business which will slow down internal buy-in and roll out.

It is worth noting that when bringing new products, services and customer experiences to market, globally, the (lack of) technology to enable execution or delivery was listed as the main barrier. However, amongst HR teams, ring-fenced innovation teams are the main barrier. This again supports the notion that greater collaboration of innovation is essential.

What is the main barrier that stops new products, services, and customer experiences from reaching the market?



Base 24 markets: HR population, nr. 710; Marketing population, nr. 790; IT population, nr. 2,629; Finance population, nr. 845

Next steps

We can draw a strong conclusion from these findings:

HR needs to be a key driver for transformation.

This means that HR needs to get more involved in innovation. This means preparing for and using technologies like machine-learning, artificial intelligence and autonomous databases. It means applying data and automating a lot of the employee experience.

Today's Chief Human Resources Officer needs to be a digital leader, and passionately so.

They need to be part of the *digital dream team* to cut across finance, IT, marketing and the broader business, and paint a clear picture of gaps across planning, strategy and key initiatives. The wider organisation needs to trust HR to qualify where skills are needed and to identify who can fill them.

HR needs to deliver workforce planning properly – and to start with the end in mind.

Finally, HR teams need to simplify the employee experience.



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