

Hyper-growth companies often credit a culture of innovation as their primary driver of success. They deploy creative thinking to attack problems big and small. Here's how you can too.

We live in a business world accelerating at a dizzying speed and teeming with ruthless competition. As most of the tangible advantages of the past have become commoditized, creativity has become the currency of success. A 2010 study of 1,500 CEOs indicated that leaders rank creativity as No. 1 leadership attribute needed for prosperity. It's the one thing that can't be outsourced; the one thing that's the lifeblood of sustainable competitive advantage.

Unfortunately, most companies fail to unleash their most valuable resources: human creativity, imagination, and original thinking. They lack a systematic approach to building a culture of innovation, and then wonder why they keep getting beaten to the punch.

Hyper-growth companies such as Zappos, Groupon, and Zynga credit a culture of innovation as their primary driver of success. They take a deliberate approach to fostering creativity at all levels of their organizations, and deploy creative thinking to attack problems big and small.

Here's what you can—and must—do to develop a culture of innovation at your company:

1. FUEL PASSION

"The most powerful weapon on earth is the human soul on fire," says Ferdinand Foch, the early 20th century French military theorist. Passion is the first—and most essential—ingredient for building a creative culture. Every great invention, every medical breakthrough, and every advance of humankind began with passion. A passion for change—for making the world a better place. A passion to contribute—to make a difference. A passion to discover something new.

With a team full of passion, you can accomplish just about anything. Without it, your employees become mere clock-punching automatons.

One key is to realize that passion alone isn't quite enough: You must also focus that passion into a sense of purpose. Steve Jobs wanted to "put a ding in the universe." Whole Foods Market was founded with the goal of becoming the world's leading natural and organic foods supermarket retailer. Pixar wanted to reinvent the animated film industry. Pfizer is about saving lives. Your specific purpose must be your own, but the bigger and more important your purpose is, the more passion it has the potential to create within your team.

2. CELEBRATE IDEAS

Social norms in any culture are established by what is celebrated and what is punished. Consider more narrowly how they function within an institution. Nearly every business's mission statement includes words about "innovation," yet risk-taking and creativity are often punished instead of rewarded. Rewards come in many forms, and often the monetary ones are the least important.

Celebrating creativity is not only about handing out bonus checks for great ideas—although that is a good start. It should also be celebrated with praise (both public and private), career opportunities, and perks. In short, if you want your team to be creative, you need to establish an environment that rewards them for doing so.

3. FOSTER AUTONOMY

We all want control over our own environments. According to a 2008 study by Harvard University, there is a direct correlation between people who have the ability to call their own shots, and the value of their creative output. An employee who has to run every tiny detail by her boss for approval will quickly become numb to the creative process.

The act of creativity is one of self-expression. Imagine a typical manager hovering over Picasso, barking orders, tapping his watch, questioning the return on investment, and demanding a full report "for the file" on why he chose a certain brushstroke technique. Picasso's creativity would shrivel.

Granting autonomy also involves extending trust. By definition, your team may make decisions you would have made differently. The key is to provide a clear message of what results you are looking for or what problem you want the team to solve.

From there, you need to extend trust and let them do their best work. Let them know you are behind them and value their judgment and creativity. If you show your belief in them, you will likely enjoy both the results you were seeking as well as a highly motivated and more confident team.

4. ENCOURAGE COURAGE

Netflix as a company is known as much for its culture as for its innovative business model. The company has built a business that is growing rapidly by allowing individuals the freedom to take creative risks without that overwhelming sense of fear or judgment. They tell their employees to "Say what you think, even if it is controversial. Make tough decisions without agonizing excessively. Take smart risks. Question actions inconsistent with our values."

Another great example: A software company in Boston gives each team member two "corporate get-out-of-jail-free" cards each year. The cards allow the holder to take risks and suffer no repercussions for mistakes associated with them. At annual reviews, leaders question their team members if the cards are not used. It is a great way to encourage risk taking and experimentation. Risky? Perhaps. Think this company comes up with amazing ideas? Absolutely.

5. FAIL FORWARD

In most companies, people are so afraid of making mistakes that they don't pursue their dreams. They simply follow the rules and keep their heads down, which drives nothing but mediocrity.

James Dyson, the inventor of the Dyson Vacuum cleaner, "failed" at more than 5,100 prototypes before getting it just right. In fact, nearly every breakthrough innovation in history came after countless setbacks, mistakes, and "failures." The great innovators and achievers weren't necessarily smarter or inherently more talented. They simply released their fear of failure and kept trying. They didn't let setbacks or misfires extinguish their curiosity and imagination.

Failing forward means taking risks and increasing the rate of experimentation. Some bets will pay off; some will fail. The key is to fail quickly. The speed of business has increased dramatically and every minute counts. The best businesses try lots of ideas and let the losers go quickly and with no remorse.

6. THINK SMALL

ITW is a diversified manufacturing company that produces a wide array of products from industrial packaging to power systems and electronics to food equipment to construction products. It is a highly profitable \$16-billion company that is nearly 100 years old. Yet this big, old company, which is nestled in a traditional industry, thinks small.

The leaders at ITW believe that being nimble, hungry, and entrepreneurial are the ingredients for business success. As a result, any time a business unit reaches \$200 million in revenue, the division "mutates" into two \$100 million units. Like an amoeba, the unit subdivides so it stays small, hungry and nimble. The company would rather have 10 independently run and innovative \$100 million units than a single, bureaucratic, and clunky \$1 billion unit. Guess what? It's working.

Smaller companies tend to be more curious and nimble. They have a stronger sense of urgency and are not afraid to embrace change. In contrast, larger organizations often exist to protect previous ideas rather than to create new ones.

7. MAXIMIZE DIVERSITY

Ziba, a top innovation-consulting firm in Portland, maximizes the value of a diverse workforce. The company's 120 employees are from 18 different countries and speak 26 languages. According to Sohrab Vossoughi, the firm's founder and president, "genetic diversity breeds creativity, much like it does with biology."

The company also has an "Ambassador Program," which allows employees to spend three months working in other disciplines, known as "tribes." During that time, the ambassador team member really participates as part of those teams.

"This helps to create an understanding of another world," according to Vossoughi. That diversity of thought and perspective, in turn, can fuel creativity. It also translates to business results. Ziba is one of the most prolific and successful innovation firms in the world.

Diversity in all its shapes, colors, and flavors helps build creative cultures. Diversity of people and thought; diversity of work experiences, religions, nationalities, hobbies, political beliefs, races, sexual preference, age, musical tastes, and even favorite sports teams.

The magic really happens when diverse perspectives and experiences come together to form something entirely new. One person's experience working as a college intern on Wall Street may fuse with another person's experience growing up in a small village in Italy to generate a fresh idea that neither would have considered independently. This melting pot approach can drive some of the most creative cultures, thinking, and ultimately business results.