INTRODUCTION

THERE IS ALREADY LOTS OF GOOD WORK HAPPENING TO PROMOTE INNOVATION IN THE UK RAIL SECTOR, BUT THERE IS A GREAT DEAL MORE STILL TO BE DONE.

FutureRailway initiated a research study to better understand from what can be done to help encourage an environment in which rail innovation can flourish. This document outlines our resulting perspective on meeting this challenge by suggesting:

- A vision for a culture of innovation
- What a culture of innovation looks like
- How to implement a culture of innovation

The insights within this document have been taken from the pockets of excellence that already exist within the UK rail sector, from the best practices of the world’s leading innovators such as General Electric, Apple and Proctor & Gamble, and from extensive research utilising a wide variety of literature and one-to-one interviews.

WHY DOES THE UK RAIL SECTOR NEED TO INNOVATE?

Transport is becoming increasingly competitive and the railway sector is seeing the largest growth in passenger numbers and freight levels of the last 100 years. To meet these challenges the UK rail sector needs to innovate to attract new investors, to realise the significant cost savings set out in the 2010 Rail Value for Money Study, and to successfully achieve the longer-term 4 C challenges regarding Customer, Capacity, Carbon & Cost.

“THE HEROES, THE WINNERS, WILL BE COMPANIES THAT HAVE DEVELOPED CULTURES THAT INSTEAD OF FEARING THE PACE OF INNOVATION AND CHANGE, RELISH IT.”

JACK WELSH, GENERAL ELECTRIC
WHAT IS THE MISSION STATEMENT FOR INNOVATION OF THE UK RAIL SECTOR?

“A dynamic industry that innovates to evolve, grow and attract the best entrepreneurial talent.” - The FutureRailway: The Industry’s Technical Strategy 2012

This statement has four associated objectives:

• That innovation makes a significant and continuing contribution to rail business success
• That the UK rail sector becomes an industry with an international reputation for innovation, which contributes to an expanding export market
• That the UK rail sector has an integrated cross-industry system for innovation
• That innovation requirements are fully supported

To begin, it is worth articulating that what this mission statement and associated objectives are advocating is a major business change towards a culture of innovation, and so a good starting place is to define exactly what this means.

WHAT IS CULTURE?

Culture is usually seen simply as ‘the way we do things round here’, but there is a bit more to it than that. Importantly culture is not the values referred to in corporate vision statements; in fact these may actually run counter to the reality of an organisation’s current culture.

Instead, culture can be defined as a shared form of social control that exists both in visible tangible artefacts and less visible intangible attitudes. It is learned by a process of socialisation. In other words, culture can be influenced and shaped.

Successful companies, such as General Electric, Apple, 3M and Proctor & Gamble, all have a culture of innovation embedded deeply within their organisational DNA.

A study carried out by Booz & Co into culture (sample 2200 executives, managers & employees) concluded that culture remains a persistently underused lever for innovation and change with 84% agreeing that culture is critical to business success and 60% saying that culture is more important than strategy or operating model.

WHAT IS INNOVATION?

One definition of innovation is the successful exploitation of new ideas to produce functional commercial products, processes and services.

Breaking it down further, there are in fact, four types of innovation:

• Business (for example, the new business model created by Apple iTunes)
• Product (for example, Dyson vacuum cleaners)
• Process (for example, Toyota Lean)
• Service (for example, Starbucks)

And three levels of innovation, bracketed by Continuous Improvement (for example, better staff utilisation) at one end of the scale and Pure Invention (for example, the discovery of Penicillin) at the other:

• Incremental innovation (product enhancements such as software upgrades)
• Evolutionary innovation (next generation solutions such as the introduction of laptop computers)
• Radical innovation (new products such as the first ATM machine)

However, it is imperative to understand that two profoundly different organisational cultures and contexts exist between companies that exploit existing capabilities for profit (operations) and those that explore new opportunities for growth (innovation). Both will need to be nurtured to become a truly ambidextrous organisation.
So, why is innovation so important?

*Innovation is a matter of survival:* Of the top 500 companies in 1970 over 60% have vanished – acquired, merged or broken into pieces. (Source: Tidd, J., Bessant, J., Pavitt, K., (2001) Managing Innovation). The message is clear - if organisations and industries are not to befall the same fate as the dinosaurs, they need to continuously innovate in order to survive.

Innovation enables sustainable success: Many studies and industry surveys have consistently shown that the vast majority of organisations believe both their short-term success and long-term sustainability will be driven by innovation. Innovation is the driving force in the growth of companies and industries.

**WHAT IS CHANGE?**

Change is now the norm, but the inability to deliver it is growing. A 2008 IBM survey ‘Making Change Work’ (sample 1,500 change practitioners across 15 markets) revealed that 60% of change initiatives fail to meet their objectives, others believe this figure could be as high as 70%.

Many believe this is because organisations often lack a holistic view and so fail to combine all of the following approaches required to see the change through:

- **Top Down:** an intellectual and emotional approach driven and modelled by the organisation’s Leadership team
- **Bottom Up:** a behavioural and attitudinal approach designed to enable change within individuals
- **Middle Out:** an institutional and physical organisational change approach that focuses on both the ‘hard’ elements such as process & structure, and the ‘soft’ elements such as people & culture

Business transformation is a fundamental change in the beliefs, attitudes and behaviours of employees. Hence, if the UK rail sector is seeking to become a more innovative industry, it will require comprehensive Business Transformation that integrates different types of change initiatives across many different organisations. It will have a prolonged timescale, lasting many months and, in some cases, years.
How innovation friendly is the UK rail sector?

To move to a culture of innovation, the UK rail sector has much work to do. The McNulty Report; Realising the Potential of GB Rail stated that the current culture of the UK rail sector has:

- A disinclination to look outside the rail industry for new ideas
- A focus limited to continuous improvement
- A lack of openness and transparency
- A tendency to be somewhat adversarial
- A weak capability in terms of partnership
- A perceived lack of leadership within the industry
- Problems in relationships

(Source: McNulty; Realising the Potential of GB Rail: Rail Value for Money Study; May 2011)

This is supported by output collected from internal interviews and workshops as part of this study which found that the strongest cultural values coming through, in terms of innovation for the UK rail sector, are that it is: complex and fragmented, old-fashioned and conservative, risk averse, slow and resistant to change (See Figure 1). In short, overwhelmingly innovation negative.

![Figure 1: Current Rail Industry Culture Word Cloud (Spontaneous)](Source: Respondent Feedback, 2014)
So, what does the culture of a truly innovative organisation look like? To answer this question it’s important to understand that there are two stages to innovation:

Innovation creation has a culture of idea generation, curiosity, considered risk taking, a tolerance of mistakes and uncertainty, and total support of the change process.

Innovation implementation has a culture of team work, good conflict handling, speed and urgency, adaptability and flexibility, and autonomy and empowerment.

Figure 2 illustrates an ideal culture for innovation and highlights the significant gap between this ideal culture needed to support innovation and the present culture of the majority of the rail sector in the UK.

Based on the long list of ideal cultural values put forward by this study, FutureRailway has identified those values that they felt were most appropriate for the UK rail sector. Table 1 below shows the (working) recommendations for the beginnings of a vision for a culture of innovation within the UK rail sector.
Table 1: Vision for a Culture of Innovation within the Rail Sector

**Creating**
- **Curious**: External and customer focus, in tune with environment, industry and market, shares knowledge

**Collaborating**
- **Collaborative**: Team player, respectful, inclusive and integrates multidiscipline perspectives

**Creative**: Makes time to develop ideas, encourages and nurtures one anothers ideas, seeks stimulation

**Empathetic**: People person, good communicator, constructively challenge one another and handle conflict

**Challenger**: Questions assumptions, takes risks on ideas and people, makes decisions in face of uncertainty

**Dynamic**: Self confident, enthusiastic, creates excitement, drives engagement, builds loyalty

**Changing**
- **Change**: Positive towards change, comfortable with ambiguity and uncertainty

**Doing**
- **Momentum**: Decisive, focused, manage people, resources and energy to make innovation happen quickly

**Brave**: Displays courage in trying new things, tolerant of mistakes, learn from pitfalls

**Adaptable**: Resourceful in coping with unexpected events and tight deadlines, tenacity

One Sector, Many Cultures

This report recognises that it is a misnomer to refer to a single rail industry culture as it is evident that a multitude of different cultures exist across the various organisations making up the sector. In addition, for the UK rail sector to achieve its ambition to become more innovative, it may not be appropriate for all organisations to fully adopt the same type of cultural norms. This decision will be based on the primary focus of the individual organisation.

As a result, any cultural transformation program will need to be multi-faceted and individually targeted for the various organisations involved.
WHAT DOES A CULTURE OF INNOVATION LOOK LIKE?

A SIMPLE FRAMEWORK FOR A CULTURE OF INNOVATION

To develop a culture of innovation five key elements need to be considered and addressed:

1. Leadership & Vision
2. Structure & Networks
3. Process & Systems
4. People & Skills
5. Culture & Climate

It should be noted that it would be wrong to assume that if one, a handful or all of the suggestions outlined below were adopted by an organisation, that innovation success would automatically follow. Rather it requires a collection of appropriate initiatives, which are customised to an organisation's unique context, capabilities and culture.

LEADERSHIP & VISION

The following elements would be present in an organisation with a culture of innovation:

Visible, vocal and active top management commitment to innovation is required along with senior team who continuously model the expected behaviours.

Key is that leadership should provide:

• An aspirational vision that challenges the current complacency and demands a move towards innovation
• A strategy for innovation, particularly a commitment to provide the resources, capability, processes and systems to support the strategy and deliver innovation
• Leadership by example
• A culture receptive and supportive of innovation
• A leadership capability for innovation - if top managers do not understand the challenge of innovation and change, the effort is doomed to failure before it starts.

★ World-class innovation firms define the traits required for effective innovation leaders and develop their executive teams capability in innovation and change.

1. LEADERSHIP & VISION
2. STRUCTURE & NETWORKS
3. PROCESS & SYSTEMS
4. PEOPLE & SKILLS
5. CULTURE & CLIMATE
There is a clearly articulated and inspiring vision for innovation that motivates a higher sense of purpose.

Vision defines an organisation’s overarching purpose and captures the reason for its existence. It reflects the aspirations of an organisation or industry with regard to innovation. Where a good strategy and objectives engage people intellectually, a vision for innovation engages people emotionally.

Some pre-eminent innovation companies articulate their vision through anecdotes and stories, which illustrate the future vision, and demonstrate the benefits of innovation to customers, colleagues and the organisation.

The strategy defines the focus, capability and culture for innovation and creates synergy within and across organisations.

It is critical to have clearly defined innovation objectives, identified strategic platforms for innovation, a portfolio of projects for each platform, a roadmap of major innovation initiatives with capability and resource defined and with financial and long-term commitment in place.

High performing innovation organisations host innovation strategy synergy events to identify and prioritise synergy opportunities for innovation across all disciplines, departments and divisions.

Clear and simple metrics support the hard (deliverables) and soft (behavioural) aspects of innovation. These are cascaded to all levels.

The accepted maxim is that, ‘If something is not measured, it will not happen.’ To that could be added, ‘If you can’t measure it, you can’t manage it’ and, ‘If you don’t measure it, you can’t improve it’. Innovation performance needs to be measured and reported in the same way as any other key business indicators.

The leading innovation businesses have detailed metrics to track the progress and balance of initiatives in their innovation pipeline. Connected to this they have carefully constructed leadership measures for those responsible for innovation.

In summary: a culture of innovation can be promoted by the behaviours leaders model, by how emotionally engaged and motivated by the vision for innovation staff are, and by the metrics which measure the desired behaviours that need to be encouraged.

STRUCTURE & NETWORKS

These determine how activities are controlled and coordinated, and how information flows. Innovation structures can be analysed at a number of levels including external networks, internal structures, teams and individual roles.

The following elements would be present in an organisation with a culture of innovation:

External networks create connections, conversations and collaboration, which prompts new perspectives on innovation.

Open innovation is about bridging internal and external resources, creating networks with all sources of potential innovation opportunities – suppliers and academics, even customers and competitors. To do this via the most appropriate mechanism, ranging from consortiums to communities from contests to crowdsourcing, all of which have various advantages and disadvantages.

World-class innovators actively participate in industry wide consortiums, coordinate their suppliers to nurture promising innovation, create knowledge partnerships with academia and operate online open innovation channels.
Internal structures are designed to encourage organisation-wide participation, contribution and high involvement in innovation.

One of the main approaches that can be used to support a culture of innovation is to develop an internal market place for ideas where innovation can flourish. Options for internal structures to encourage innovation include mechanisms for company wide participation, inter-department collaboration, dedicated innovation units and centralised innovation structures.

Leading innovation firms have well managed (physical and virtual) ideas schemes, have internal innovation collaboration systems based on familiar social networks, use co-located multi-functional innovation teams on a temporary and permanent basis, and the most senior executives provide both formal governance and informal support for innovation.

Small diverse multi-functional innovation teams are given time and space to create systemic solutions.

Studies show that diversity fuels innovation and that innovation depends on collective differences and ability. What is crucial in creating the preconditions for innovation is the ability to connect people with different perspectives, capabilities and skillsets.

Many pre-eminent innovation companies operate permanent core teams working on innovation supported by part-time extended teams. These teams are often staffed by new recruits willing to challenge the way things are done, but led by an experienced Executive used to managing internal politics surrounding innovation.

Key individuals are given the remit, autonomy and freedom to innovate.

Having the right resource in the right roles is essential to innovation, but resource insufficiency is a major problem in many organisations, specifically a lack of time or people with the right skillset to work on innovation. An important role is played by key individuals who are prepared to champion, and provide the energy and enthusiasm to make innovation happen.

High performing innovation organisations create an internal resource of people who can act as innovation team leaders, innovation process facilitators and innovation experts.

In summary: a culture of innovation can be encouraged by external networks that connect people to prompt new perspectives on innovation, internal networks that create organisation-wide participation in innovation, multi-functional teams that are given time and space to innovate, and individual roles that have the remit and autonomy to innovate.
These are the activities by which innovation gets done. They determine what activities happen and in which sequence, how innovation is prioritised and evaluated.

The following elements would be present in an organisation with a culture of innovation:

**A healthy innovation pipeline, with a wide front end, abundance of ideas and involving many minds early on.**

The funnel and stage gate innovation methodology is generally considered the industry standard and is used by the majority of large organisations. It has three key elements:

- a funnel to ensure ideas are refined over time
- distinct stages with defined activities
- gates to release resource, money and time, based on specific criteria

Most world-class innovators have an explicit end-to-end, idea to launch innovation process; one aligned with but distinct from other existing processes for project management, capital expenditure and technical development.

**A balanced innovation portfolio (types and levels) and fast approval process, based on demonstrating potential.**

Innovation needs to be seen as a management process in the same way as areas such as Operations, HR or Finance because like these other areas, innovation needs to be managed in terms of people, money, assets and time.

Within this managers face the two-fold challenge of balance: choosing the portfolio of types and levels of innovation that will best meet the needs of the organisation or industry; and, value: deciding which solutions within a range of alternatives offer the greatest potential to address the challenge faced.

Leading innovation firms ensure in their approach to innovation management that the right gatekeepers are in place, that the right hurdle rates for each stage in the process are known, and that paperwork is minimised to allow robust, but fast, decision making.

**Tacit innovation knowledge and experience is captured and shared person to person.**

In an ever-changing business environment and expanding digital information era, innovation succeeds on the ability to gather information, knowledge and learning, faster and better than ever before. Many organisations miss innovation opportunities because they underestimate the potential of emerging trends, miss possibilities from related industries, and fail to learn from past mistakes. Innovative companies highlight the importance of knowledge for innovation and find ways to promote company communication and acquisition of external information.

Pre-eminent innovation companies commoditise and distribute their knowledge on innovation throughout the organisation, create innovation peer assist networks, capture learning histories on successful and failed innovation, and have IT systems designed to manage ideas.

**A problem solving toolbox that challenges norms, drives customer insight and develops radical ideas.**

There are many different problem solving and creativity methodologies, but for the purposes of this study, and to ensure a good fit with UK rail sector, we would point towards more formal methodologies adopted by a number of organisations. These methodologies use relatively similar, multi-step processes:

Step 1 Define the objectives and problem
Step 2 Discover alternatives and ideas
Step 3 Develop concepts
Step 4 Demonstrate solutions and gain acceptance
High performing innovation organisations develop a tool box of problem solving techniques suitable for their industry, business, type of problem faced, and people tasked with using them. These are then made available throughout the company.

In summary: the importance of a healthy innovation pipeline, stimulated by external knowledge and constantly being filled with new ideas, cannot be over-emphasized. A key management challenge is to create a culture and environment to nurture the generation of large quantities of great ideas.

The process and activities associated with innovation leads to the development of daily work routines and individual patterns of behaviour, or put another way it becomes, “the way we do things round here.” As articulated earlier in this report, it is these behaviours that both determine and influence an organisation’s culture, beliefs and attitudes.

PEOPLE & SKILLS

The influence of people on innovation is fundamental, yet many companies do not recognise their importance. It is the people in an organisation who ultimately adopt, adhere to, change or reject a culture. They are the vehicles through which a culture has impact and through which innovation happens.

The following elements would be present in an organisation with a culture of innovation:

Defined capability set for innovation.

Some innovation competencies frequently quoted include the ability to:

- view things holistically from a cross functional and cross industry perspective
- influence without formal authority or positional power
- build relationships and networks through informal channels
- exhibit flexibility and conflict resolution skills
- make decisions in situations of ambiguity and change
- guide and motivate teams during difficult periods
- communicate with a range of people from technical spheres to business.

Some world-class innovators define their ideal people characteristics and behaviours for innovation, either by internal or external benchmarking, and then use them to drive recruitment, development, assessment, promotion and reward.

Hire diversity – fresh eyes, fresh blood fuels innovation.

To foster innovation in your organisation, you need to attract and recruit, identify and promote, people who will be innovative. Some advocate hiring literal or figurative ‘outsiders’ because they will challenge the status quo, bring increased diversity and, hopefully, higher levels of innovation. Some hire staff based primarily on personality and attitude, rather than best job skills; the rationale being that is it is easier to teach job skills than to change mindset or personality. Most put a lot of effort into finding the right candidate because in the long term these individuals will be the champions of innovation and change.

Leading innovation firms promote their organisation as being innovative within the employment space, assess recruits for creativity and innovation in a work context, and put in substantial efforts into inducting new employees so they understand what innovation means in terms of behaviour, attitudes and culture.

Long-term, continuous and stretching individual development in line with defined innovation career path.

A core characteristic of innovative organisations is their commitment to learning and development. Studies repeatedly stress the relationship between investment of this kind and innovation.
capability. Training should be continuous, stretching and targeted at cross discipline, cross division, cross company participation. Its purpose is to simultaneously build ‘know-how’ and ‘know-who’.

★ Learning and Development plays a powerful part in organisational change. Training, in addition to ‘know how’ and ‘know who’, can provide ‘know why’. For example, education on the strategic rational and necessity for innovation.

★ Pre-eminent innovation firms train their entire workforce in innovation to various degrees – beginner, intermediate and mastery levels

Innovation targets are part of personal performance, with symbolic recognition (and rewards) for innovators.

Although most organisations perceive the importance of innovation, studies have shown that few include innovation as criteria in their appraisal system, even though many human resources studies show a strong correlation between rewards and recognition and the achievement of strategic goals.

Behaviours are an element of appraisal often overlooked, which can and should be made explicit, as they are the manifestation of culture. Reward and recognition needs to be linked with the behaviours that will support a culture of innovation (for example, promoting teamwork and collaboration) and are a public signal of the importance placed by the company on innovation.

High performance innovation organisations have a combined approach to assessment linking innovation behaviours and deliverables, metrics that cascade and connect the innovation goals of the organisation, project teams and individuals. Recognition is often symbolic, in the form of awards, publicity and praise.

In summary: innovation culture does not exist as a company charter or a poster on a wall. It lives in the people an organisation employs, what it develops them to be capable of, and what it motivates and rewards them to do. In doing this it determines their behaviours and attitudes, which in turn determines the culture of the organisation.

CULTURE & CLIMATE

Climate is distinct from culture in that while the latter defines the intangible values, norms, attitudes and beliefs; the former encompasses the more tangible, observable elements (such as artefacts, behaviours and communication). Although the underlying culture of an organisation must be changed for any business transformation to embed, the starting point is always the more visible ‘climate’, as these elements can be addressed and influenced more easily.

The following elements would be present in an organisation with a culture of innovation:

Values that are a compelling call to arms, that becomes a cause for innovation that is communicated and displayed everywhere.

The ways in which organisations articulate their innovation cultural values are numerous and range from developing a manifesto for change to articulating the norms, behaviours and actions required by all employees.

★ World-class innovators articulate the values for innovation in a way that captures peoples imagination, paints a vivid picture of what could be, inspires, and makes inaction almost tantamount to treason.
A physical environment that stimulates innovation.

Studies are clear that the physical manifestation of culture plays a supporting role in promoting innovation. While the office space may be the largest tangible symbol, other smaller examples such as dress code, names of initiatives, all add up to make a coherent whole.

Shared space is the dominant medium for innovation and collaboration because it takes space to create understanding. Also models, prototypes and images enhance these shared spaces as they allow innovators room to “play”.

Many leading innovations firms have innovation ‘Halls of fame’ which publically display prototypes, models and pictures of new innovation in receptions and corridors. Some have spaces given over to innovation ‘war rooms’, and others have signs and logos prominently displayed to extol the innovation behaviours.

New behaviours that support innovation are encouraged.

Studies show that many successful organisations have put in place symbolic practices to encourage innovative behaviours, and underneath these seemingly light-hearted actions is a serious message – that it’s ok to be creative and innovative.

Pre-eminent innovation firms promote behaviours such as taking time out for creativity and innovation with a 15% policy to encourage personal projects. Others go a step further with a 30% policy for managers - 20% of time to be used investigating evolutionary innovation opportunities and 10% for radical innovation. Some issue awards or hold ceremonies designed to reward and promote the behaviours of risk taking and tolerance of failure.

Innovation is over communicated in impactful formats – upwards, laterally and downwards.

Companies with strong innovation cultures practice ‘corporate storytelling’ - widely told stories that answer the question, “how did we get here?” and spread the word about innovation heroes. These stories can be a source of pride and a natural way to reinforce desired behaviours.

High performance innovation firms create a new language for innovation and, to promote certain behaviours, the company ‘mavericks’ who champion innovation, are celebrated.

In summary: a culture of innovation is influenced by the use of artefacts, behaviours and communication. Through changing these visible elements of an organisation’s ‘climate’, the underlying values, norms, attitudes and beliefs of it’s culture can be reached and transformed.
A HOLISTIC APPROACH TO CHANGE

Change is integral to our lives and is an essential feature of the work environment. To deliver a culture of innovation as specified above, it is necessary to understand the nature of change and how to successfully transform an organisation’s culture.

A common mistake is to emphasise the content of change: painstakingly specifying what the future state looks like, but paying inadequate attention to how change will be implemented.

The majority of change programmes fail, and a consistent lesson is that making piecemeal changes is unhelpful, while using multiple levers to promote change works. So, given the requirement to manage the politics of change (top down), individual resistance to change (bottom up) and organisational issues during change (middle out), it is essential that all fronts are addressed simultaneously across as short a time period as possible.

LEADING CHANGE (TOP DOWN)

In the Making Change Work Survey, 92% of respondents felt that top management sponsorship was key to successful change. Other studies argue that transformation programs critical to the survival of an organisation are, by their very nature, highly politicised, and so will need to be forcefully led and driven by the senior team.

Leading change practitioners create senior teams directly responsible for driving change, senior executives are trained in culture and change management, and each member is tasked with the delivery of extensive communication on change.

INDIVIDUAL CHANGE (BOTTOM UP)

The managing people aspects of change are seen by many studies as the most critical factor and often cited as the primary cause of failed change initiatives. The Making Change Work survey revealed that 58% of respondents felt that changing the mind-sets and attitudes of staff was the number one change challenge. As such the importance of factors such as effective communication, positive employee engagement, and behaviour change is difficult to overstate. There are a number of proven ways to do this, including:

• Create dissatisfaction by ensuring staff understand on both an intellectual and emotional level why they have to change by creating a credible crisis, instilling the fear factor or creating the doomsday scenario.

★ For example, one pre-eminent change practitioner in a multi-national company hired a local TV news team to create a news story about the demise of the company and then played it to all staff.

• Build participation by engaging with the frontline as early and as often as possible. Where this involves large numbers of people and suppliers, geographically dispersed it is even more vital to do this because if staff do not feel valued, the only real alternative is to feel angry, bored and uninvolved – probably the least fertile growing conditions for any degree of change.
World-class change practitioners have various approaches to participation including town hall meetings and workshops, all of which are mechanisms designed to encourage participation which begin at the top, cascade down through the organisation, and have the potential to involve every employee.

- **Celebrate and reward quick wins:** emphasise intrinsic rewards, such as public acknowledgement and senior management attention, and ensure a clear link between rewards and outcomes. Studies show that recognition and smaller, more frequent, rewards are powerful shapers of short-term behaviour.

**ORGANISATIONAL CHANGE (MIDDLE OUT)**

The following are a number of key factors designed to reduce resistance to organisation changes to structures and networks, process and systems, people and skills:

- **Shape coalitions** made up of key players who are affected by the change, control critical resource or hold the necessary expertise. Some have the power to make or break the change effort, others to help change succeed, while others simply let it happen. Once identified, solicit their involvement in planning and directing the program of work.

- **Reinforcing change through the use of mundane behaviours** is essential. Large-scale transformation is often derailed because of the inconsistencies between words and actions.

Leading change practitioners reinforce change through behaviours such as mandating that every meeting begins with a change update, or that change data/information is always reported first.

- **Stability** is important even through a period of change, simply in terms of signalling what is not changing.

**In summary:** the following have been identified as key factors in a successful change or business transformation program:

- **Leadership:** visible and vocal senior management sponsorship and support
- **Resource:** it is possible to develop and roll out resource if priority is given to change
- **Speed:** change programmes can be rolled out quickly if given the necessary priority
- **Focus:** Do one thing well, then become more sophisticated
- **Systemic:** Build the change into everything within a company to make sure it embeds
- **Time:** Cultural transformation requires long-term commitment
- **Commitment:** Transformation that sticks requires the full commitment of all employees
NINE THEMES FOR A CULTURE OF INNOVATION

Throughout the research for this report nine key themes consistently appear:

1. There is no one right way

There is no universal prescription on how best to manage culture, innovation or change.

2. Culture can be influenced

Culture can be influenced if leaders model behaviours, structures encourage collaboration, process gathers ideas across the organisation, people practices reward innovation, and the climate stimulates innovation.

3. Build a systemic capability

Initiatives that promote culture, innovation and change need to be sensitive to the system they operate within. Innovation is about execution, about getting it done; hence it is key to build the capability to innovate. It is critical to consider the alignment of the different elements of Vision and Leadership, Structures and Network, Process and Systems, People and Skill, Culture and Climate.

4. Soft elements are really important

Managing the soft elements of culture (values, beliefs and attitudes) and people (skills, recruitment, development and reward) are simultaneously the most neglected and the highest leverage tools for promoting culture, innovation and change.

5. Manage more than one intervention simultaneously

There are many possible interventions and as such there is no one best solution. Rather, the question is what set or combination of components needs to be activated to achieve a systemic impact on culture and innovation.

6. Long-term commitment needed

As frequently stated in studies, major change in general, and specifically with regard to culture and innovation, is a long-term goal and requires considerable commitment, resource and patience.

7. Be Radical

Managing culture and innovation requires radical disruptive change. Innovation and cultural transformation is implemented in the context of, at best, an indifferent, if not hostile, environment.

8. Live your stated behaviours

Live the behaviours of innovation and change, especially speed and momentum – making things happen quickly – and, bravery and courage – trying new things, learning by doing.

9. Innovation and change need resource

Innovating takes time, so if individuals are swamped by business as usual it will be neglected. Possibly the first piece of innovation that needs to take place is for managers to innovate their existing role to create the space needed for innovation.
SIX CRITICAL SUCCESS FACTORS FOR A CULTURE OF INNOVATION

1. Strong leadership commitment, stretching shared vision and an imperative to innovate

2. Extensive, almost excessive, communication

3. High participation and high involvement in innovation and change at all levels, cross industry

4. A learning organisation pursuing new knowledge and capturing existing data

5. An innovation capability that is appropriate, agile and ambidextrous

6. Supportive culture and climate encouraging external focus, experimentation and a positive approach to new ideas
Critical to creating a culture of innovation for the rail sector is the active participation of every category, organisation and individual.

This is an invitation from the FutureRailway team to get involved.

You can contact us via our website [www.futurerailway.org](http://www.futurerailway.org) or by sending an email to innovations@futurerailway.org.

**Methodology**

This study consisted of two core strands:

**Internal best practice**

Insights were gathered on the current culture of innovation within the UK rail sector, current innovation best practices and approaches to change

Input from approximately 50 people who were consulted and provided a range of views from all parts of the rail sector (suppliers, operators, network rail and government)

Builds on the findings identified in existing documents such as The Rail Technical Strategy, RSSB Enabling Technical Innovation and McNulty Realising the Potential of GB rail.

**External best practice**

Insights were gathered into how leading innovation companies’ manage culture, innovation and change

Input from approximately 30 people who were consulted and provided a range of views from a spectrum of industries (engineering, public service, commercial and technology)

Detailed analysis was made of over 175 articles and more than 40 books, ranging from classic seminal studies to more cutting edge authors, combining the perspectives of practitioners and academics.