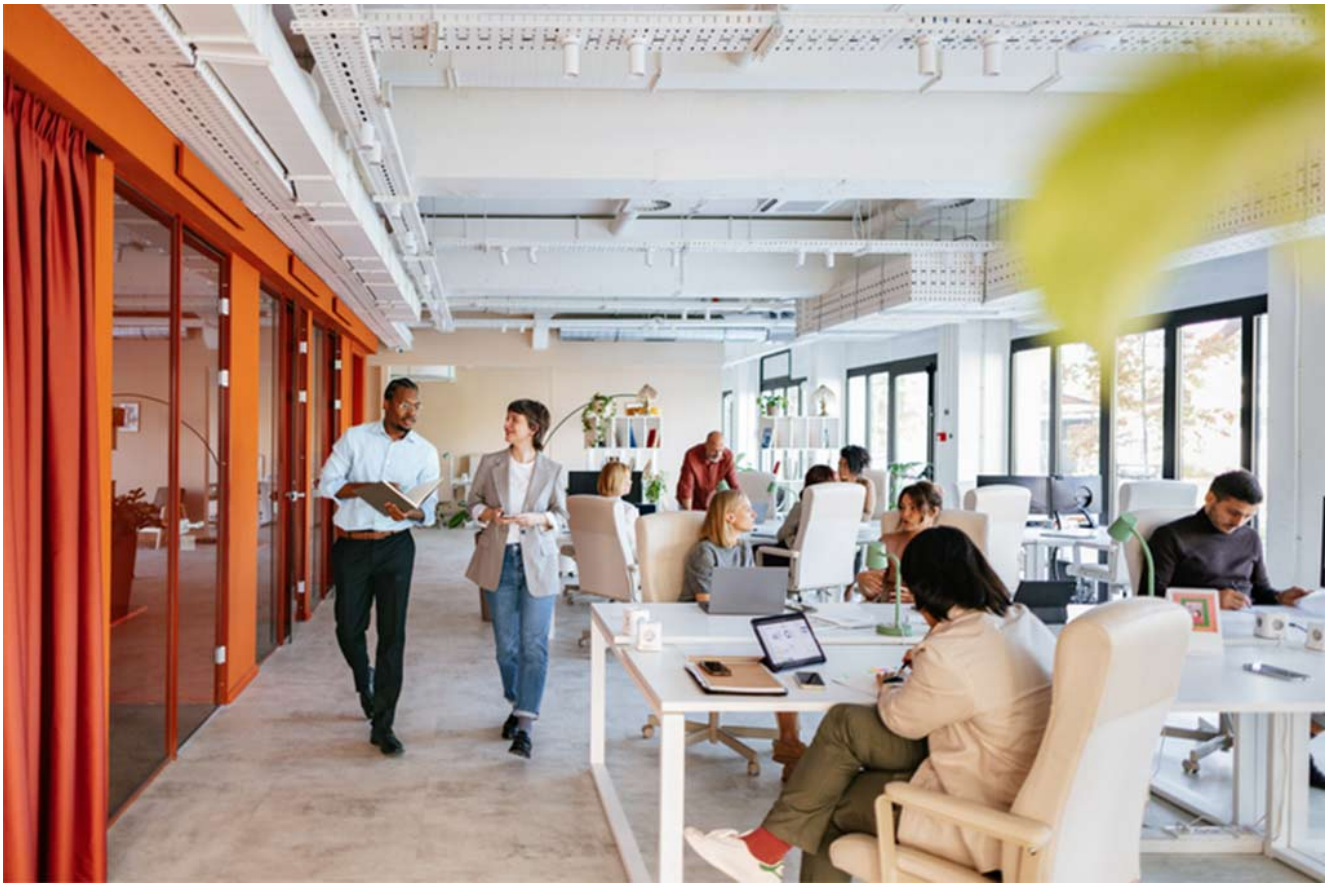
You can’t force creativity, but you can build a culture that helps it grow

Management’s role should be to nudge employees into a supportive culture where innovation can thrive.



June 6, 2025

Any successful company must innovate to continue to grow, and a key concern for managers is how to foster an innovative mindset throughout the organization.

©IESE Business School

But innovation isn't like a regular task that can be delegated: It requires voluntary creativity and time to flourish. It very much depends on the people who make up a company, and how they relate to one another. It depends on how management removes obstacles and what the company culture is like.

IESE's Christoph Loch, with Konstantinos Ladas and Stylianos Kavadias of Cambridge Judge Business School, has created a model to characterize innovation culture and its effects on the organization.

"There's a famous quip attributed to Peter Drucker," says Loch, "that says 'Culture eats strategy for breakfast.' It means that company culture is a force of its own, maybe out of management's control to direct. Yet there's another view that culture is a set of habits designed by management to optimize performance. Where the two ideas overlap is in the understanding that organizational culture does influence performance. It allows innovation to grow, but it can't be micromanaged."

In business, who innovates and how?

Innovation is typically done by knowledge workers who are hired to perform assigned tasks, with the hope that they will exchange information and come up with new ideas. The conversation by the water cooler is a cliché, but it shows how informal interactions often hold the key to news, creativity and change.

A lot of innovation happens in processes, solving problems to arrive at top-down defined outcomes. But a lot of innovation happens spontaneously by employees producing bottom-up ideas that are not preprogrammed. These ideas account for part of the value of innovation, and they have to be volunteered, because otherwise the organization doesn't know about them.

Employees who engage in bottom-up innovation fall into two broad camps: the idea generators and the idea implementers.

Idea generators think about problems and potential solutions. Although they don't always find the best idea, they find *one* idea that works. However, they don't have the resources or tools to make those ideas reality. This is where implementers come in: They take those ideas and make them a reality that generates revenue or reduces costs for an organization.

So far, so clear. But it's here where firm culture starts to play a role. Without guidance,

©IESE Business School

imbalances are likely to form. There may be many ideas with little follow-through, or mediocre ideas that are implemented in the absence of great ones. For example, in online gaming, strong creative energy can lead to many promising ideas, but many of those ideas will never be scaled to impact.

What is the best kind of workplace culture to encourage innovation?

For the best performance results, you need a healthy mix of people who have ideas as well as people who implement them. “However,” says Loch, “it’s hard to get this mix right, because people will shift their behavior in response to both the outside business environment and the perceived social rewards.”

Some companies will deliberately engineer mixed teams of ideas people and implementers, but over time people may drift back into a different role mix.

“It seems like it should be an easy management fix to override this and put people in the places where you need them, but it isn’t so easy, because creativity and innovation are, by their nature, voluntary. For best effects, managers need to interfere, but it needs to be subtle, more of a nudge than an instruction.”

How managers can nudge employees into innovation

“Silo” is practically a dirty word in business. At its simplest, though, it just refers to the well-known process of people choosing to spend time with others who share their group identity. So often when we chat at the water cooler, it isn’t with someone from another floor: We go to catch up with colleagues who are like us. Creative types flock together, for example.

Managers can influence this by encouraging an “open culture.” They can design events where both idea and implementer profiles are likely to rub shoulders, or they can throw different profiles together in teams with shared goals. Think engineering and marketing people working together to come up with innovative ideas.

Managers can also shape culture by making a point of recognizing all contributions, both the flashy new ideas and the hard work of realizing them. The reward system here should not just

©IESE Business School

be financial but include recognition, signaling respect and appreciation, and giving credit where it's due. When people feel equally valued, they keep contributing.

A checklist for building an innovation-ready company culture

Managers should accept that they can't micromanage innovation. That being said, intentionally nudging cultural cues and norms that govern how people collaborate *can* create better conditions for innovation and for creating competitive advantage.

Consider in your organization how you:

- Balance ideas people and doers.
- Create space where different types of people can interact and share knowledge.
- Use nonmonetary rewards such as praise, visibility and symbolic perks.
- Nudge, and then step aside.
- Understand that companies with better innovation cultures often compete better.

READ ALSO: Elevate & Innovate: Transforming the world through entrepreneurial thinking

https://cfvod.kaltura.com/pd/p/1766931/sp/176693100/serveFlavor/entryId/1_h731c0nq/v/1/flavorId/1_i23fzn4a/name/a.mp4

Christoph Loch

Professor of Operations, Information and Technology at IESE Business School. His research examines how organizations can make innovation happen, managing uncertainty and complexity, and managing employee motivation.

©IESE Business School