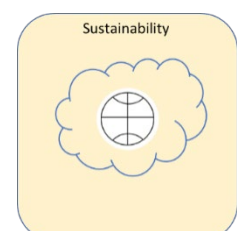# How to create a
# sustainable innovation culture?

**Opening Statement** from Henning Breuer (UXBerlin and Media University, Germany): In this round table discussion we want to share some good (or bad) practices and methods to establish sustainable innovation culture.

There is broad consensus among political and commercial actors that more consistent efforts are needed for fostering sustainable innovation and transformation. A major issue is that only few companies are successful in translating sustainability strategies into daily practices integrated on the level of organisational culture. There are many green, social innovations coming up in response to stakeholder demands and public regulations that require more sustainable innovations. But only product and service innovations are not enough to address the grand challenges of sustainable development. Companies need to harness their whole culture to create sustainable value on a regular and reliable basis

Within the IMPACT project, universities from Florence, Madrid, Kraków, Leipzig and Berlin collaborated with European firms that already have a sustainability strategy in place to explore how values-based innovation cultures can be established and contribute to sustainable business IMPACT. For example, we explored the organisational culture of TÜV NORD, a company originally founded with the purpose to ensure safety of steam engines that has always been operated and managed based on values. In 2018, TÜV NORD officially established sustainability as one of its six core values and a natural extension of its preexisting values of safety and trust. TÜV NORD's history and safety culture create powerful preconditions for establishing a values-based innovation culture but also barriers to learning from failure and to establish a sustainable innovation culture.

## Disambiguation of key terms

**Sustainability** is context-dependent on carrying capacity and fair allocation of resources among stakeholder. As a „process of change to meet human needs and aspirations"[1] sustainable development is based on values of intergenerational and intragenerational equity. It is specific to each organisation's normative guidelines and strategies for extended (economic, social ecological) value-creation.



Sustainability

1

**Innovation** as a "new or changed entity [product, service, process, model and method], realizing or redistributing value"[2], is an outcome of innovation activities or processes. Sustainable innovation: Changes an organization's values to create and realize economic, social and environmental value[3].
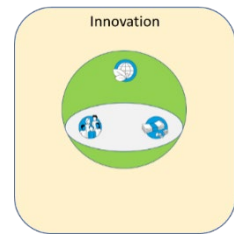
**Culture** consists of the „shared values, beliefs and behaviours of an organization or community" [4] To some extent unconsciously they "define an organization's view of its self and its environment"[5]. The notion of culture indicates a holistic approach to shared or patterned notions, practices and artefacts that make up an organisation. Culture is generative in that it translates values into innovation as outcomes and value creation.
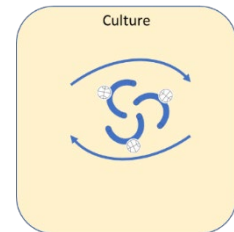
**Sustainable Innovation Culture:** A deliberate approach to turn organisation-specific values of equity into economically, socially and ecologically beneficial outcomes, in a repeatedly and reliably manner, despite of unforeseen barriers or resistance, against the odds of unintended consequences. Sustainable Innovation cultures can be established through virtuous cycles of understanding, co-creating, cultivating practices to deal with sustainability challenges and contribute to sustainable development.
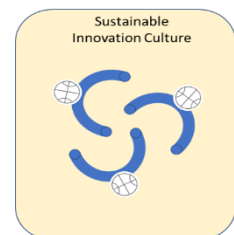
**An agile framework allows to distinguish between phase-dependant methods to translate sustainable innovation strategies into practice in three steps.**

**1. Conceive** (understand) and review the current culture to identify tensions and gaps As Seneca once said, "People don't live as they want to but as they started to." It is essential to step back and understand the culture, identifying tensions and discrepancies between stated values and actions. For instance, a company might promote collaboration in its official values, but upon closer observation, you may find that employees work in isolated cubicles with no collaborative spaces.

**2. Co-Create**, design and validate novel methods to foster a sustainable innovation culture, and redesign proven interventions on tensions and values-action gaps.

**3. Cultivate**, mainstream and sustain (sustainability-oriented) proven new insights and practices across the organisation based on understanding and knowing-how to step ahead (towards sustainable development or resilience in post-collapse scenarios).

**Questions for discussion:** What have been your experiences with using methods across the three framework steps, in companies, as consultants, through case research, or in working with students? Consider the challenges, effective strategies and instances of failure (e.g., no managerial support or a common understanding about the introduced intervention methods).

**Contributions from participants and discussion**

**Experiences from a former innovation manager at Adidas** highlight several best practices and intervention methods. Adidas was the first company to be listed in the Dow Jones Sustainability Indices. To achieve this accomplishment, Adidas introduced several good practices and interventions, such as appointing a responsible *manager for sustainability in every major team, tracking innovation projects' status monthly, and fostering inter-departmental collaboration* to reduce CO2 emissions. For example, innovation mangers worked with facility management to achieve ambitious *CO2 reduction KPIs*. Monthly *governance board meetings* were held to compare results and communicate progress. Additionally, each department organized special events e.g. to *celebrate Earth Day* and raise awareness about sustainability challenges. Starting with clear KPIs for each individual department, management encourages creativity in how to achieve them and allows departments to personalize their sustainability goals.

**Experiences from a public development cooperation agency** remarked that sustainability is often taken for granted. Although no organization would reject sustainable development, there is a lot of empty talk. There is need to move beyond buzzwords to avoid inertia and superficiality. To address this, the employees at the agency created a game called "*bullshit bingo*". Whenever someone at the meeting used a cliché word like "sustainability" or "European Union" without further explanation participants would lift their coffee cups, suggesting to replace or specify these terms. Profound cultural change toward sustainability requires long-term cultivation and consistent effort (also on the level of corporate language), not just sporadic interventions. It is a significant responsibility.

The moderator refers to another exemplary method to clarify and specify ambiguous terms with a "*Cultural Dictionary*" that fosters sustainability literacy and raises awareness through clear and direct communication[6].

**Insights on sustainable innovation culture in SMEs** reveal the importance of integrating a future perspective into sustainability efforts. To achieve long-term sustainable innovation, it is crucial to associate sustainability with a forward-looking orientation and fostering future-readiness of the SME. Without this future-focused approach, SMEs, in particular, have little motivation to direct a large part of their limited budgets toward sustainability investments. They need not only gain a shared understanding of the concept of sustainability but gain *tangible benefits of investing* in sustainable innovation. If they do not grasp these benefits, they are unlikely to invest. A potential intervention method is to *reframe the corporate narratives* around sustainability. When SMEs recognize that sustainability regulations are on the future horizon, they can start addressing them as opportunities for gaining a first-mover advantage, and leading the industry rather than following up on regulation.

**Insights from research on corporate values in industrial versus social companies and solidarity organizations** offers valuable insights into cultivating sustainable innovation. In social and solidarity organizations, senior leaders are often deeply dedicated to core values,

and employees are highly committed. However, the role of *middle management* if often overlooked and sometimes middle managers miss an authentic approach to the core values and how to mediate between top management and employees. Industrial firms face a different challenge. Their employees focus more on technology and their personal area of expertise, being less influenced by managerial deviations from stated values. Industrial firms often prioritize short-term perspectives, hiring and firing rapidly, which hinders long-term cultural cultivation.

To address short termism, it is crucial to emphasize innovation management *frameworks and procedures* that support long-term cultural development. Strategy, managerial commitment, and values need to be communicated throughout all levels of the hierarchy and operationalized into concrete procedures in order to establish new routines, such as innovation assessments and sustainability KPIs that inform stage-gate decisions. Many existing frameworks lack explicit integration of sustainability dimensions. Thus, innovations that become successful on the market are not necessarily sustainable. *Empowering employees to share values* with their colleagues is essential, but leadership often fails to delegate power effectively, limiting the potential *for peer-to-peer coaching and mentorship*.

The moderator adds that implicit values (such as having to get things done on time) and cultural practices sometimes undermine formal frameworks, processes and KPIs. While many companies have KPIs for safety and sustainability, they often tweak these metrics merely to meet requirements. In such cases, implicit (as opposed to official) values, such as efficiency and profitability, tend to dominate and guide the actual practices. Thus, cultivating sustainable innovation requires reviewing both formalized and informally established values and practices.

**Lessons learned from the past decades of changes in sustainable innovation cultures within Bangladeshi firms** highlight the importance of cohesive narratives to ensure agency. For some time, Bangladeshi companies relied heavily on NGOs and external funding, believing that sustainability required outside initiative and financial support. *Dedicated effort* helps *to shift this narrative* over the past 15 years. Now more entrepreneurs and companies recognize the potential of business cases for sustainability and initiate sustainable innovation projects. Despite this progress, the narrative of taking initiative and prioritizing sustainability over other values often clashed with the cultures and business objectives of conventional Bangladeshi businesses. This indicated the need for aligning global narratives with individual stakeholder priorities and needs.

The moderator sums up that all stakeholders need to be involved in taking responsibility for shaping the future. This requires a deep understanding of the individual stakeholder values, and of resistances to ensure alignment and empower stakeholders to take responsibility. Organisations need to establish a clear and shared understanding of the concept of sustainability and effective mechanisms to track and measure progress. Currently, the *discourse* shifts towards resilience and post-collapse readiness and rather than contributions to a desirable future. This raises concerns that ambitions might be set too low to meet

today's challenges. Aligning business objectives with sustainability values and fostering a cohesive narrative among all stakeholders is essential for cultivating sustainable innovation.

**Distinctions between big corporations and rural community enterprises** provide further lessons on the cultivation of a long-term sustainability-oriented mindset. Big corporations pursuing large sustainable innovation projects do benefit from economies of scale and respond to regulatory or customer demand to comply with sustainability criteria. In contrast, entrepreneurship in rural communities focuses on achieving a r*easonable scale within the community* rather than rapid growth and scaling. These rural enterprises are more inclined to adopt circularity principles, such as reusing resources and promoting communal use. They prioritize sustainable practices that align with maintaining a manageable scale, rather than the rapid expansion typical of larger corporations. This approach underscores the importance of *context-specific strategies* in fostering sustainable innovation, highlighting that smaller, *community-oriented enterprises* can serve *as role models* for integrating sustainability into business operations through a focus on circularity and reasonable (de)growth.

**Further examples highlight the need to clarify the relevance of sustainability initiatives for every role**, rather than as isolated activities. Often, sustainable innovation is seen as an additional requirement imposed to employees without providing them with the necessary *resources and incentives* that create a sense of ownership. For example, an equipment engineer at a manufacturing firm changed equipment every two years, operating under the assumption that sustainability is not part of his responsibility. This case highlights a critical issue: *communicating who and in what way is accountable* for sustainable innovation within the organization. Furthermore, directing attention to the right topics within the broad field of sustainable innovation is essential. It is easy to become *overwhelmed or distracted* by less relevant initiatives. For instance, in another organization, a sustainability initiative directed employees' attention to the variety of animals living on campus. While well-intentioned and grabbing attention, the relevance and impact of this initiative were unclear, and it may have distracted from more substantial contributions the highly educated workforce would have been capable of. Another example highlights the need to *educate technical professionals* and engineers on sustainability, moving beyond a simplistic understanding to explain what sustainability means for their specific roles.

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[1] Brundtlandt Report (1987). Our Common Future.

[2] ISO (2020). ISO 56000:2020(en). Innovation management — fundamentals and vocabulary. https://www.iso.org

[3] Adams, R., Jeanrenaud, S., Bessant, J., Denyer, D., Overy, P. (2016). Sustainability- oriented innovation: A systematic review. International Journal of Management Reviews, 18(2):180-205.

[4] ISO (2020). ISO 56000:2020(en). Innovation management — fundamentals and vocabulary. https://www.iso.org

[5] Schein, E. (2010). Organizational culture and leadership (Vol. 2). John Wiley & Sons.

[6] Case of Oil & Gas Corporation in R. Montera, A. Monti, M. Rapaccini. (2022). Ethnographic study for the IMPACT project.