I t's not hard to come up with clever ideas in business. The challenge is in turning good ideas into successful innovations. And that's about corporate culture. The biggest difference between the culture of innovative companies and their more pedestrian counterparts is their tolerance for risk – the willingness to allow experiments, to take risks and accept failure as part of the process.

So it's disturbing that two recent studies suggest Australian companies don't have what it takes. UTS and other researchers looked at management practices of 439 Australian manufacturers, part of a global study led by the London School of Economics. Their "Management Matters in Australia" report ranks Australia slightly above the global average overall, but as Professor Roy Green, dean of the Faculty of Business at UTS, puts it, "We are a world behind the other nations when it comes to people management and managing creativity in our organisations. We are quite risk-averse. Some companies say they don't want risk,

they don't want conflict, but they end up with the harmony of the graveyard, where they feel very harmonious but nothing is happening."

Business growth and innovation firm think-GROWTH recently conducted its national "Growth Insights 2009-10" survey. It asked more than 60 CEOs and senior business leaders to rank eight capabilities for boosting innovation and growth, including sales, strategy, processes and market insights. "Risk-taking" was ranked lowest.

Australian brand designer Hans Hulsbosch says that compared to Europe, there are seriously conservative business people in Australia, people who want to "stop the world, who aren't open to new ideas because they are scared of them". He links this to "an attitude of 'she'll be right' and living in the lucky country, so people think they don't have to change, they don't have to take risks or do anything new" (see box, page 27).

It's not all bad news. There are companies in Australia who get this stuff and who do what it takes to create a lively corporate culture, where ideas are encouraged, risk is understood and failure is accepted.

Take Australian software company Atlassian, for example. It has a worldwide reputation for its open and creative culture, and was singled out by Dan Pink in a recent TED talk as a top innovator. Atlassian specialises in collaboration and development tools and attracts young software developers. Its mission (co-created with staff) includes "Open company, no bullshit", "Play, as a team" and "Be the change you seek".

Co-founder Mike Cannon-Brookes believes a reluctance to embrace risk is "an Australian psyche thing". He says: "If someone has failed twice in San Francisco you think they have learned a lot of lessons and you invest in their third business. In Australia, if their last business was a failure, you say, 'No way am I giving you money'. [At Atlassian] we acknowledge failure is part of the process. If we're not failing enough then we're not taking

STORY JOANNA MAXWELL ❧

PHOTOGRAPHY ROB HOMER AND LOUIE DOUVIS

▶ DANGEROUS MINDS

A COMPANY'S CULTURE CAN BREATHE LIFE INTO INNOVATION OR IT CAN KILL IT STONE DEAD. WHAT DOES IT TAKE TO FLOURISH AND HOW CAN WE GET BETTER AT IT?

Leading designer Hans Hulsbosch knows exactly what he likes in a client: passion for the process, respect for design and trust in his skills. The man responsible for logos from Foxtel to Qantas, the Australian Ballet and AMP isn't interested in routine corporate briefs – he takes time to get into the DNA of a business, and to listen to the client, to capture the spirit of that business in a logo that will last for 30 or 40 years.

It's about creativity, but not at the expense of the bottom line. "I would love to go all the way out," he says, "but sometimes it has to be brought back a bit because if we draw work that the client cannot use to connect and communicate with the customer because it's too far out, then we've missed the boat." He describes his approach as "a no-nonsense, can-do attitude" and believes that design is a key component – maybe even the key component – in all purchasing decisions.

Hulsbosch is highly disciplined, but he's not into statistics and strategy papers and wordy briefs. He says perhaps this is because English is his second language (he moved to Australia from The Netherlands in 1979). He also thinks very visually and often takes props to meetings – a scrap of cloth, or an object that captures what he wants to say. He admits that he's "always fiddling and drawing things" and when listening to the client. "I don't listen to their words," he says. "I listen to how they tell me, to the words they don't say and I look at their eyes and their body language, for the clues that words on a piece of paper can't say."

This is how the new Woolworths logo was born – a deeply satisfying project for both client and designer. Long discussions with project champion Naum Onikul, then head of supermarkets, and Luke Dunkerley, general manager marketing, resulted in a sense of trust and commitment.

The new logo was launched without warning on the final day of an annual company conference, with 3,500 staff present. The room went dark, strobe lights flashed, the music reached a crescendo, the curtain fell – and there was the logo highlighted on the side of a huge semi-trailer. As Dunkerley tells it: "There was half a heartbeat of dead silence and then … the audience erupted. We could not have asked for a more powerful, or more moving, approval."

enough risk." Atlassian has embedded several practices that foster a risk-tolerant culture, chief amongst them "20 per cent time", where employees spend one fifth of their working week doing their own thing. They also run quarterly sessions when the development engineers put aside their usual tasks and work full steam on their own ideas for a day. Then, after what one Atlassian blogger describes as a lot of "nerdy fun", each has three minutes to present their idea, and staff choose the winner. Cannon-Brookes admits it's hard to quantify results from these initiatives as it's a "faith-based exercise", but he's convinced it's paid off in product innovations, internal improvements and resolving customer bugbears.

David McLean, head of Microsoft Australia's Entertainment and Devices Division (see box, page 29) has a similar approach: "I tell my leaders that 20 per cent of their time should be spent just sitting and thinking about what next, what different and how to change things. If you're constantly running to simply deliver the numbers and not taking the business to the next level you can't compete with Sony, Nintendo and Apple."

Mike Kaye, managing director of think-GROWTH, is clear that it's not just about random risk taking, or "anything goes" chaos. You want your people to be inventive, to improvise like jazz musicians do, says Kaye, but they can't do it without a grounding in theory, a knowledge of the rules of classical music, if you like. Kaye believes the "classical" innovation rules include getting clear on your motive for change, knowing the risks, determining your risk appetite and managing stakeholder expectations about outcomes and failure. Without these, whether it's online suggestion boxes, 20 per cent time, or casual clothes, "it's a ridiculous waste of time and bound to fail".

It's a balancing act, and a paradox. You need structures in order to have unstructured thinking, you need to take risks, but carefully – and you have to get it just right, as Tara Poole, group manager at PR agency, Dec Communications, discovered. Her previous employer proudly trumpeted their creative culture, which was focused on processes, team building exercises, staff surveys, personality tests and performance reviews. The result, says Poole, was "very rigid thinking, auditing of attitudes and behaviours, putting people through mental sieves to colour-code and classify them, which ended up crushing creative thought. It was a bit like clicking your fingers at a monkey and saying 'Be creative – now'".

She stresses that they were trying to do the right thing, but "we were a team of 15 people. You could have walked out in the middle of our room and just said 'Is everybody feeling creative?'". In contrast, says Poole, at Dec Communications processes are a guide and not a stranglehold.

So, if it's about the people, what to do? You need to hire smart people and give them space and latitude to innovate, says Atlassian's Cannon-Brookes. It's about trusting the developers and treating them as adults on the one hand, and on the other, focusing their creativity so that the risk is managed and the end result is useful and commercially viable. It's an ongoing experiment of fine-tuning, discussion and reflection.

In a recent survey of businesses and their creative staff conducted by corporate culture consultants Leading Creatives, 90 per cent of businesses agreed creativity has commercial value, but only 17 per cent felt that they were fully utilising the talents of their creative people. Three quarters of leaders believed their business had a supportive and stimulating culture for creativity, but less than half of creatives agreed. They were frustrated with risk-averse management, red tape and paperwork and a lack of respect or recognition for creativity. Leaders were frustrated too, about trying to communicate with their creative staff, keeping them focused on business goals and meeting client expectations. If you're going to encourage risk, you have to have trust.

THE F WORD

▶ Where there's risk there will also be failure, but it can be very difficult to persuade corporate types to talk about this in public. Search the blogosphere, though, and you'll find stories from the coalface, such as this comment from a former business owner who admitted mismanaging his company into ruin: "Here's where the CEOs I've talked with are different than me. Faced with failure, they stayed in motion. They quit the bad job, they separated from investors they conflicted with, they got up off the sidewalk and went back to work. They suffered as much as I did from doubt and worry, but they kept at it."

Another blogger recounted how she hosted a "failure party" to share what business colleagues had learned from their mistakes: "We recognised the effort that so many people had put into the project over the years and honoured them for making the right, albeit difficult, decision to kill the project."

And this comment from an academic demonstrates that managers are looking for a pain-free route to innovation: "I once asked a class full of senior executives whether they wanted innovation. They all said yes. When I then asked whether they wanted their direct reports to spend time developing and experimenting with new ways of doing their work, they all said no. They wanted innovation-as-outcome but not the process."

▶ "I don't see myself as particularly innovative," says McLean. "But I'm surrounded by people who have brains and can think. So the smart thing for me to do is to leverage that and make it work for the business. The style of innovation where you say 'we are innovative, but the innovation must be invented by me', is wrong."

The real change McLean has influenced is in the corporate culture. Innovation at Microsoft tends to originate at its research headquarters in Redmond, Washington. But McLean has persuaded head office to see Australia as a test market, and to let his division trial new product combinations, pricing and marketing initiatives, some of which have since gone global.

McLean says he fosters "discourse, controversy and debate". He started as an accountant at Microsoft, moving through operations, marketing and sales. "I don't necessarily care where you come from," he says of his attitude towards selecting new recruits. "Most smart people can do most jobs. I let administrators become product managers, product managers become marketers, and marketers become business managers. They all bring this diversity of thinking – it's not the specific skillset, but the diversity of thinking that makes the difference in innovation."

If you create an environment where everybody genuinely feels heard, then anyone can come up with an idea and innovation comes from everywhere, says McLean. "We've been very successful because of that. The leadership team are just so different – they tend not to agree on very much. My role, really, is to throw a casting vote when we have discourse and disagreement. But that's healthy."

Recently, McLean's sponsorship and promotions director wanted to bring American performer MC Hammer to Australia to promote the new Xbox live service with Facebook and Twitter. McLean's reaction: "What a stupid idea. MC Hammer, what's he got to do with anything? I bought his album years ago, who cares?" McLean held firm, despite learning that MC Hammer has 1.6 million Twitter followers. "I didn't support the idea, but I listened to the discourse amongst the team – the sales director didn't agree, but the marketing director sold it in and the category managers finally accepted it. So in comes Hammer, and we had more press than we've ever had for any of our launches. I was wrong."

McLean went further: "As a leader you have to demonstrate vulnerability and humility so I sent an email out that said, 'I want you all to know I was wrong and the team were right. It's been one of the most successful things that we've ever done, thanks to Kumar [a junior team member], so he gets the recognition.' The message is that anybody can come up with an innovative idea – don't feel you can't share based on your station within the organisation."

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