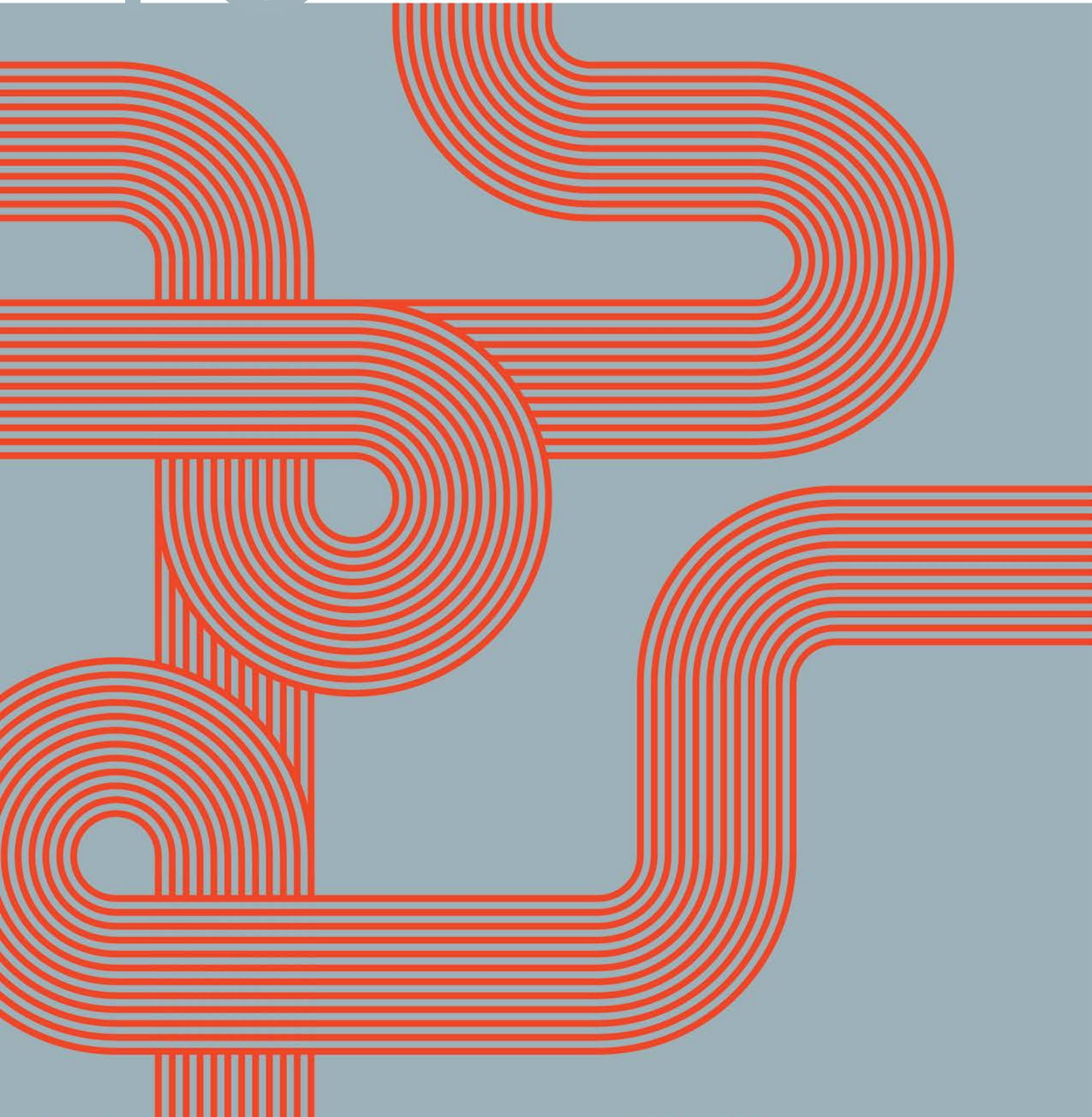16

Don't let the Future leave you behind

How to continuously manage innovation that powers
the products you sell and the businesses you run

Philosophy in the boardroom and the changing role of innovation

Innovation is one of the primary drivers for growth and profitability in business today, sitting at the top of many corporate agendas.

Why? Innovation creates competitive differentiation and value that can provide a platform for sustainable growth in the long term. Innovation has matured from the bastion of R&D to become the CEO's strategy for the entire organization. Innovation is a strategy that encompasses the best of any organization; its people.

Many organizations recognize the need to evolve by recruiting people who have an mindset of creativity and innovation to focus beyond just product design to include business models, services, and digital experiences that differentiate and expand their capabilities and assets. In this environment, "return on innovation" is the new ROI."

Organizations have recognized that efficiency and world-class operational performance alone are not enough to create a sustainable advantage in today's challenging, global markets. Instead, consumers and businesses alike reward and respect innovation.

So how can organizations improve innovation?

Leading organizations recognize that a repeatable and managed approach to innovation increases its speed and frequency which helps realize the potential with their people, customers, and partners. Innovation can be the cornerstone of a company's culture and herald a new era. Managing innovation is not just for companies that wish to break free from legacy. Its also for those that wish to forge new ground with a higher degree of predictability.

Improving innovation starts with executive strategy, sanction and support.

It means making innovation the core of how the business executes rather than separate, isolated or disparate activities. It means embracing change, evolution, and experimentation throughout the organization. Making innovation open to every person and encouraged in every role. Establishing processes - both informal and formal - to solicit great new ideas and test, assess, develop, and ultimately commercialize them in a manageable and efficient way.

The world is changing at a rapid pace, more than any other time or ever imagined. Today's challenges cannot be solved with the same thinking, practice and tools that were used in the past. As organizations strive for a competitive edge, people are the central facilitators. Enabling the creativity, ideas and feedback from within their own employee base is essential but crucially their contributions but be converted in to customer value in order to create a true competitive advantage. Innovation is the key to realizing a palpable competitive edge.

Where is my organization today?

Where does it need to be?

How do we get there?

When opportunity knocks will you know how to respond?

01

Innovation

How can we...

Infuse market insight into ideation?

Reduce time to market?

Increase return on investment?

Lower environmental impact?

Ensure compliance?

02

Brand

How can we...

Create a bond between our customers and our brand?

Improve market penetration?

Attract and retain customers?

Increase customer experience with differentiated products and services?

People

How can we...

Increase time spent on value creation activities?

Infuse innovation into day-to-day thinking and actions.

Seamless idea sharing and collaborative development between individuals and teams?

03

Culture

How can we...

Foster innovation and creativity?

Celebrate successes and failures the same?

Optimize employee productivity?

Accelerate innovation?

04

The poles of innovation

Few businesses survive long term without embracing both disruptive, radical innovation and incremental innovation.

Every successful business needs to continuously innovate or it will surpassed by competition in the longer term.

Every organization needs to maintain a balance between the two poles of innovation.

INCREMENTAL INNOVATION is the functional extension of a current product, service, or process improvement, by relying on an existing business or technology platform. Mature businesses tend to innovate incrementally to address the needs of their existing customers so they may retain them in the longer term. Often a product or service line with a large and growing customer base will be the cash-cow that enables necessary experimentation and risk taking to create entirely new or transformative offerings.

Most large organizations are biased towards incremental innovation, which has narrower objectives, quantitative goals, and takes advantage of market research, focus groups, and prototyping. They focus on continuous improvement, work toward defined milestones, and rely upon internal sources of information to fill knowledge gaps.
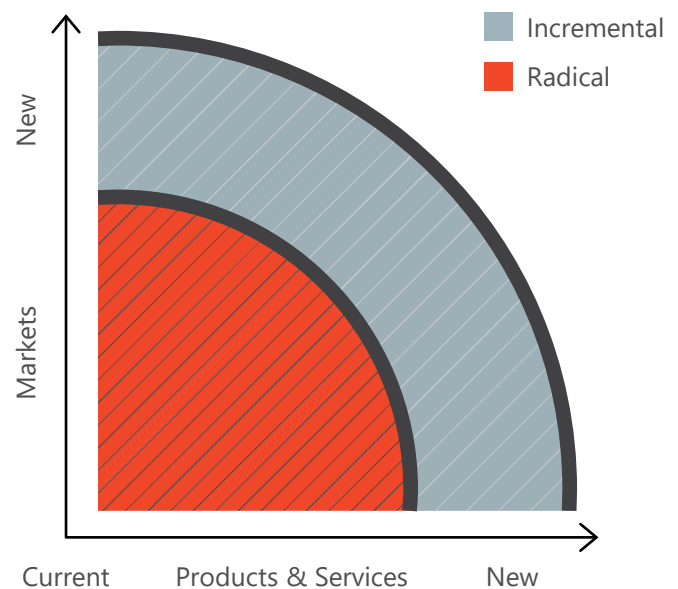
RADICAL INNOVATION presents higher risks but offers higher returns. Radical innovation requires the ability to envision and treat failure as a step forward not a step backward or reason to disengage. Radical innovation targets new opportunity within existing or new markets or customers and relies on new business models, services and technologies to form a complete solution.

Most startups are heavily biased toward radical innovation. Companies that innovate radically tend to have broadly inspirational objectives, qualitative goals, a focus on the bigger picture, and a willingness to experiment and rethink plans. They often rely on recognition as a reward, and they use bridging - external sources of information to fill knowledge gaps.

Building a portfolio of risk

The Pathfinders

Building a portfolio of varying risk levels helps you to better manage innovation. Using this approach, you can execute on both sides of the risk continuum. Classic examples of this in industry include the infamous industrial revolutionists, such as: Rail (Cornelius Vanderbilt), Oil (John D Rockefeller), Steel (Andrew Carnegie), Automotive (Henry Ford), and Electricity (Thomas Edison).

They all created their own industry and invented something entirely disruptive that people actually needed and eventually could not live without. Spurred on by the enterprising American mindset, their businesses endured, and they made billions in the process.

After disruptively inventing their industries, they often applied incremental innovations and associated business tactics to sustain their businesses on an upward growth trajectory.

Venture-like multi-disciplinary teams

Many large organizations look at ways to innovate by increasing market share or diversifying, and using innovation incubators. While the risk of innovation is reduced when innovators have "skin in the game," or a portion of their own personal wealth of experience and business guidance from a host company can increase the success rate of innovators.

Creating venture strategy units typically involves a mature organization that establishes new ventures that focus on one market or area of technology. This unit can often be "ring-fenced" from the larger parts of the organization and managed with a light hand.

Obviously, this is applied innovation, and the venture is time boxed. Ventures developed in this unit are often later absorbed into the greater organization to maximize their return on innovation. Another approach is to form an alliance with an academic institution.

The benefits of this approach include accessing the energy and focus of graduate students, tapping into the esoteric thinking of well-connected professors, and subtly importing the "low governance" culture of academia.

Farmers Law: Governance x Innovation = 1

Executives' feelings about innovation tend to fall into a continuum. On one end of the continuum is the willingness is to create a tightly governed culture, obsess about risks, pass stern judgments on proposals for new products and services, and demand greater return on investment on hard-earned money in well-defined time lines.

This approach stifles innovation as an unnecessary risk, gives off the wrong signals when it comes to creativity, and creates less risk in the short term but more risk in the long term for the business.

On the other end of the continuum is the willingness is to watch over a comparatively more loosely governed culture that accepts risks as an unavoidable part of doing business, is open to proposals for new products and services, and is more concerned about return on innovation than return on investment.

Within this operating culture, innovation is welcomed as a necessary risk, creativity is celebrated, and risk is more accepted in the short term but less in the long term. Innovation is risky, but no more risky than other business activities.

Survivor bias

One of the biggest barriers to innovation is survivor bias — the error of remembering only what survived some process and forgetting or ignoring what didn't.

A great example of survivor bias is when the allies in World War II tried to fortify their bombers against German fighter planes. Allied bombers often returned riddled with bullet holes after bombing runs.

Engineers studied the bullet hole patterns and noticed that few holes were found in the cockpit or fuel tanks; most were on the wings, tail, and rear gunner's station.

The engineers decided to place heavy armor where the planes were hit most often.

Alas, they were biased by the surviving bombers. The bombers that the engineers didn't study—those that didn't survive—had bullet holes in their cockpits and fuel tanks, so armor elsewhere on the planes did little to prevent more bombers from crashing.

When executives identify what was innovative and beneficial to their business, they often forget its costs or the many would be innovations that failed en route to success of the business.

This bias can make executives overly optimistic that an innovation will succeed or overly pessimistic if an innovation fails.

Aloof banker and the fellow traveller

There seems to be two positions that the Executive team can take when it comes to innovation; that of the "aloof banker" or they can become a "fellow traveler".

Should they decide to be the aloof banker; they are likely to create a highly governed culture of assessing risk, making judgment on the proposals put before them and demanding greater ROI on their hard earned money within a defined time line.

This type of organization tends to stifle innovation as an unnecessary risk, and give off all the wrong signals when it comes to innovating and creativity. This position may be less risky, in the short term, but it ultimately stifles the desired outcome.

Innovation is risky, but no more risky than any other elements of an organization's business. The perception of innovation's higher level of risk comes from the lack of understanding of innovation.

Most organizations and their executives do not understand innovation or managing it compared to other elements of the business such as selling a product or building a factory.

If understood, innovation risks can be managed and the rewards of innovation can be reaped.

The risks are not just technical, they stem from organizational gaps such as absence of support and leadership, management of disruptions to innovation, too many ideas being developed at once, sunk costs on killer technologies without first solving other problems such as monetizing or bringing products to market.

Continuous innovation

Most people get used to things too quickly.

When you first come to a place, you notice all the little details. You notice everything. The design of buildings. The sky. The streets. The fashion. The cars. The smells. The way people look. Everything. Then you get used to the place, and usually don't notice those things anymore.

This is like the economic term diminishing marginal returns. So unless organizations can continuously innovative and provide differentiated or sustained improved products, services, or experiences, to encapsulate and wow, customers and employees will soon become disinterested and will go elsewhere for the next best thing, or to meet their self-fulfillment needs.

The only way to ensure continuous innovation is to instill innovation as part of the culture and not just specialist and insulated teams.

The process of managing innovation has to be about divergence and convergence of innovation around product, service or business model innovation in support customers. Such focused innovation is critical in achieving a return on innovation investment.

Focused innovation can only be achieved with the right leadership accountable for innovation and management of innovation to support this objective. With this approach in place, creativity can come from everywhere and not just from traditional R&D and be converted successfully.

**How is innovation orchestrated within your organization?**

How is technology being used to better enable the creation and realization of new business models and to do things differently?

How is innovation being managed from idea to execution?

Creativity can't be subscribed to or bought off the shelf

It's a social system about values, skills, craftmanship and a way of doing. It isn't simply a mandate that gets handed down
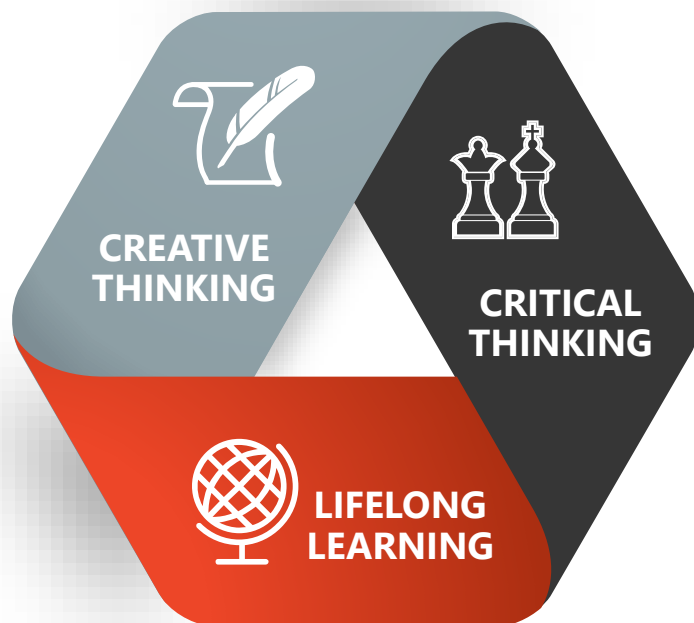
It needs to be embraced to allow people to create without fear. It's something that is nurtured, imparted and practiced at throughout an organization. It takes skill, practice and persistence, and the results pay off.

It requires instilling a growth mindset where the organization is designed and managed to learn from constructive criticism, always improving, and developing value. Embrace challenges with agility, persist against setbacks and adversity, and value the success of others. Celebrate risks, small and large – as failure leads to mastery. Give and get feedback - reflection, iteration. Persist in the face of setbacks

It is about having the ability to capture a novel idea, technology or other piece of knowledge and converting this into a business model change, solution, product or service in the market place.

It is about conceiving and implementing better ways of delivering existing products or services in better ways, at lower costs, delivering better performance, and lowering the environmental impact.

All the while instilling innovation as a core component of an organization growth strategy. As such, it needs to be managed like any other process within the organization, with targets, funding, resources and accountability.

Success is determined by setting the right leadership and management tone by fostering a culture of innovation and creativity, giving people and teams the right level of autonomy, by encouraging collaboration and team work, and risk-taking within the organization.
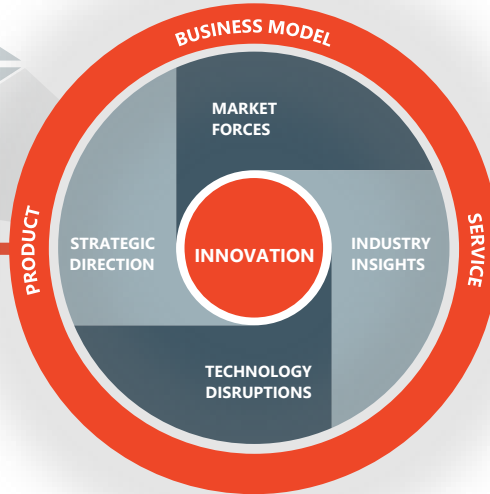
CREATIVE THINKING

CRITICAL THINKING

LIFELONG LEARNING

Chaos to culture

Venture-like teams

Autonomy and flexibility enabled through growth minded values and behaviours

MISSION DRIVEN | BUSINESS FOCUSED

AGILE | COMPETENCE

BUSINESS MODEL

PRODUCT

SERVICE

MARKET FORCES

STRATEGIC DIRECTION

INNOVATION

INDUSTRY INSIGHTS

TECHNOLOGY DISRUPTIONS

**BUREAUCRACY
HIERARCHY
ORDER
STRUCTURE**

**ANARCHY
FRAGMENTATION
CHAOS
NO STRUCTURE**

People in organizations are rational. They may not seem to be most of the time. But they are all self-contained economic engines applying their brand of rationality all of the time to every situation:

What is in it for them? Why should they innovate?

Motivating people within an organization to innovate isn't always so much about offering cash rewards. It may be a mechanism to get more people to put forward ideas, but that isn't really innovation in terms of applied practical creativity.

What is required to achieve valuable results is providing a way to motivate the drive and commitment needed to succeed and see the idea through to implementation. That process needs resource, and offering the resources would be enough to tease out the real innovators; the truly driven and committed innovators.

This is the logic behind the TV show; The Dragons Den and The Sharks Tank. What is motivating the entrepreneurs isn't the cash. It's the involvement and resources of the Dragons or Sharks to make their ideas a reality. So reward isn't enough, if the right resources are not forthcoming to make an innovation program work.

It's crucial that organizations have the process and infrastructure to be able to promote, enable, incentivize and facilitate creativity and ideation. Otherwise, the organizational risks of not doing so through lost opportunities and no framework or process for capturing, ideating and enabling the realization of great ideas are potentially enormous.

Breaking down decaying organizational silo's from rigid functional and operational structures, to highly skilled, focused and nimble transdisciplinary venture-like teams, that gravitate towards a common sense of purpose, curiosity and will to do something worthwhile for the greater good.

It's about people and execution. This involves having the right skills mix blended into the right team system and dynamics, and capitalizing on people's strengths and desires.

Manchester United and Real Madrid have been able to sustain repeatable success for many years due to their strong team ethics and value system. These are teams where the sum is better than the individual parts.

Finding balance as the situation demands, to achieve peak performance by building and motivating trans-disciplinary teams by given them the autonomy and flexibility to deliver on the mission at hand quickly and effectively.

What it takes to manage innovation

Executive Leadership

Get commitment and support for this initiative all up across the organization, and to make the right expertise and funding available to help bring the best ideas to life.

People and Culture

Foster a culture of creativity and entrepreneurial zeal. Rewarding and recognizing the right innovative practices, values and behaviors.

Process and Social System

Provide the ability for every single employee to submit, collaborate, develop, evaluate, incubate, accelerate or eliminate ideas in the most appropriate manner. Support people in the creation ideas and concepts as many are time constrained and may not have the necessary aptitude to be build and execute ideas.

Technology

Leverage social networking and collaborative technologies to enable the ideation process and knowledge management. Making it engaging, simplistic and consistent.

The 7 Key Principles

1	Find the future
2	Start with people, customer, and explore the art of the possible of what technology can do to make dreams real
3	Keep your eyes and mind wide-open
4	Focus on relevance, quality, substance and execution
5	Give support to help people develop novel ideas and concepts
6	Never under-estimate the power of the crowd over the elite few
7	Continuously learn and innovate

How to manage innovation

Having a growth mindset by challenging the convention and imagining the art of the possible by generating ideas and envisioning the potential "What if...?" "Imagine if...?" to unlock innovating on new business models, products or services at the intersection of business performance improvement, differentiated experiences, and technology integration – whilst aligning to the strategic direction and business strategy of an organization, understanding the forces driving change in the market, industry insights, and technology disruptions.

Executed with a growth mindset and applying a mission-driven research, envisioning, design-centric and market making approach that focuses on the organization's unique business goals to surface innovative scenarios and solutions that will achieve them.

How can we create more value and be more successful?

How can we do things better and in innovative ways?

How can we better deliver differentiating experiences to our customers?

How can use innovative technology as a well to enable business innovation and accelerate time to market in ways we didn't think possible previously?
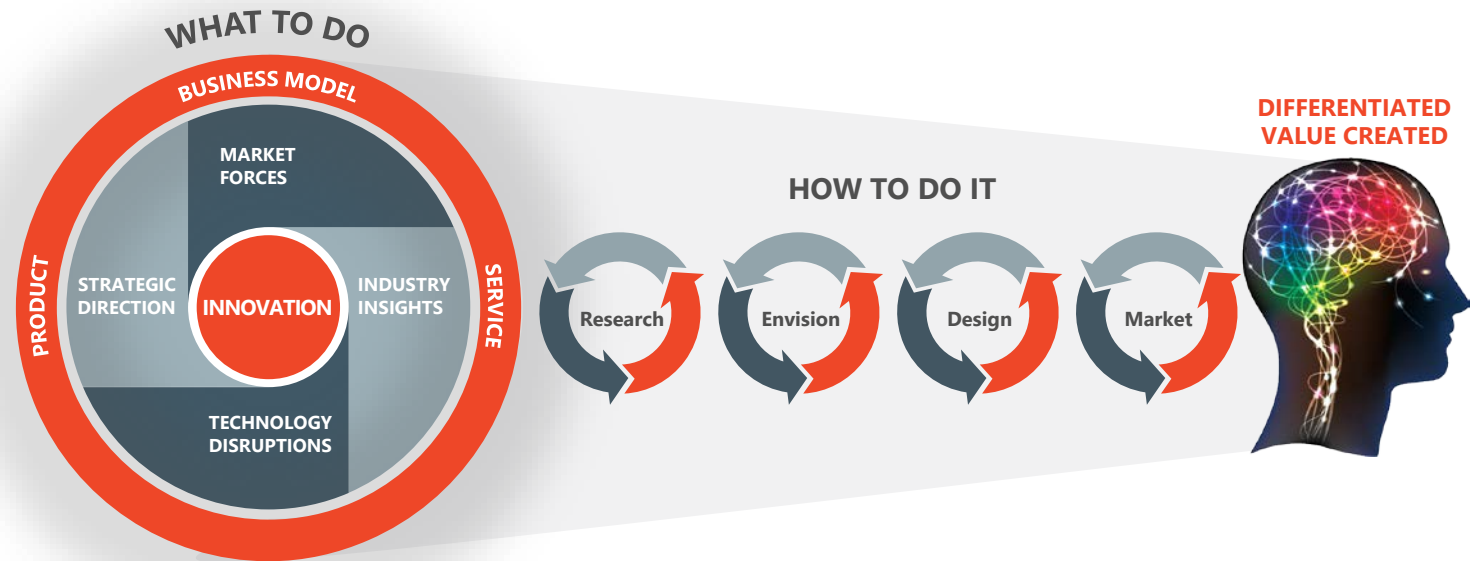
The Research, Envision, Design & Market approach is geared towards ensuring the successful start-up, management and accelerated execution of innovation throughout an organization:

| RESEARCH	ENVISION	DESIGN	MARKET
Engage and connect with customers, partners, industry influencers and employees through multidisciplinary research by synthesizing novel insights into IP and usage, craft innovative scenarios.	Generate ideas and envision the art of the possible – "Imagine if?" "What if?" "How could we..?" that expand organizational capabilities and strategic assets to be more innovative.	Rapidly prototype and design products, services or business models from a business, experience and technology perspective in parallel.	Bring to market new business models, products or services profitably, quickly and effectively.

13

What difference does it make?

PROCESS

TECHNOLOGY

INCENTIVES

CULTURE

FUNDING

EXECUTIVE SPONSORSHIP
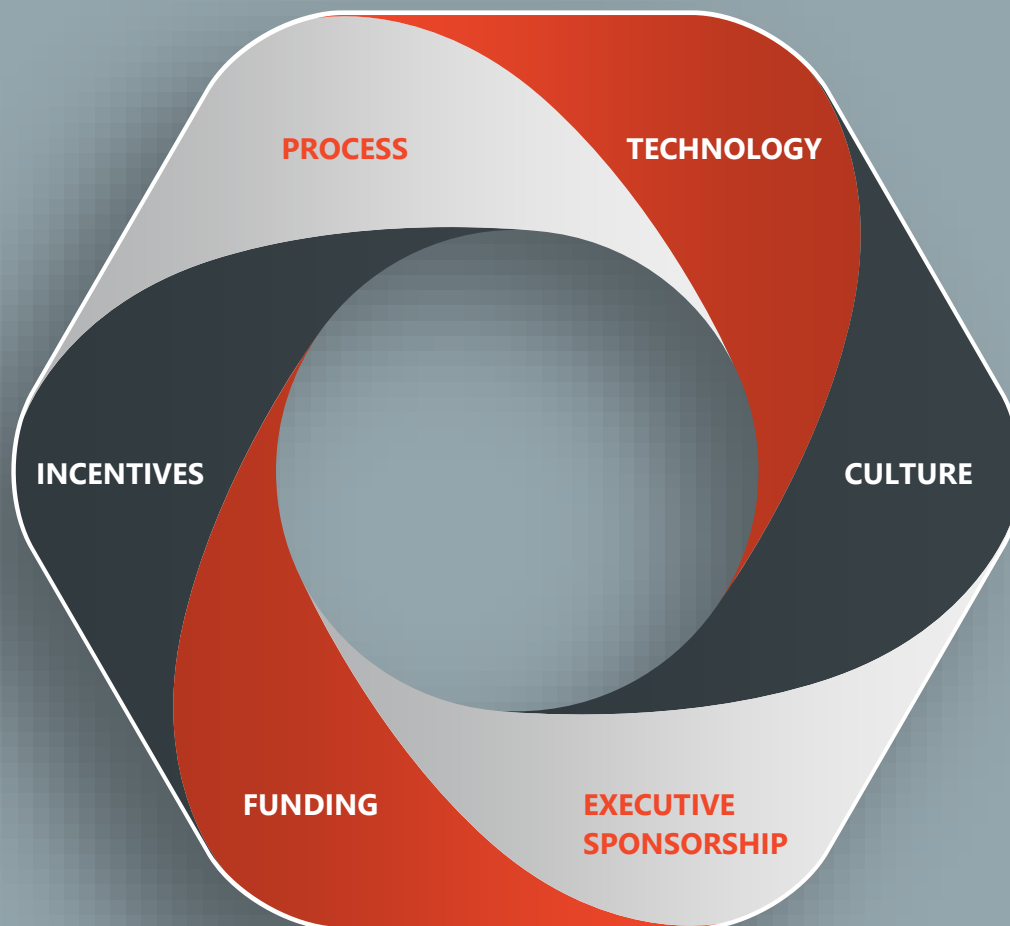
Curate a culture that inspires creativity and innovation, and minimize on the multiple frameworks, processes and tools, silo' d nature of innovation.

Dedicated leadership to drive the design, development and introduction of innovations, both incremental and radical, that support continued growth of the existing businesses.

Move the innovation agenda into new spaces through managing the development of new products, services, processes, capabilities and business model change that may take an organization into adjacent sectors or by preparing for a major change.

Seed the future, identify and explore options to develop new businesses for the longer term, be that five, ten or even twenty years down the line.

Leverage collaboration and communication technologies to connect communities of practice throughout the enterprise.

Empowering people to contribute and discover new ideas in a consistent way.

Analyze and optimize the investment portfolio, and execute with discipline.

Measure and track the return on innovation investments.

How to get started

Perhaps the biggest thing to remember, though, is that implementing new processes, culture, and technology requires skill, tact and persistence to effectively manage continuous change.

1

Executive sponsorship
Gain executive support for your innovation strategy, if this does not already exist.

2

Cultural readiness
Address culture by instilling a growth mindset by moving from know it all to learn it all. From fear of failure to taking risks. Market the innovation initiative and ensure proper rewards and recognition are put in place.

3

Process leadership
Try out new agile processes before introducing new systems.

4

Collaborative tools
Use existing collaborative technologies you have in place, and augment those technologies with complementary solutions to enable an integrated platform and experience for managing innovation.

5

Adopt quickly
Get things started by providing directions and samples, and ensure continued use by providing visibility to process. Celebrate successes and reward those involved publicly.

You are reinventing what it means to digitize your business. We're committed to creating the right solutions for you—solutions that are disruptive but robust, delivering real results at speed. Together we can reimagine the art of the possible.

Makers

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