

Building an Innovation Dynasty

How to build an engine that makes innovation more repeatable

By Scott D. Anthony, Mark Johnson and Joe Sinfield

Many of the case studies of established companies that have successfully created new growth businesses detail a single success. The companies that have gotten it right once or a handful of times—such as ING’s creation of its rapidly growing ING Direct offering, Motorola catching the mobile phone market off guard with its ultra-thin RAZR phone, and Procter & Gamble creating new categories with products such as Swiffer, Febreze, and Crest WhiteStrips—surely demand respect and admiration. Managers of the success stories know all too well how hard it is to fend off the forces that make the creation of innovative-driven growth businesses so very tricky for market-leading incumbents.

The punishing thing about innovation, however, is that the contest never ends. Create a new market and other companies flood in. Parry one threat and up pops another attacker hungrily eyeing your core business.

Success, then, requires going beyond winning once to developing deep capabilities that allow a company to repeatedly disarm disruptive threats and seize new growth opportunities. Borrowing a metaphor from the sports (or geopolitical) world, it requires creating an “Innovation Dynasty” that can, year after year, churn out successful growth businesses.

Chapter 10 of *The Innovator’s Solution* by Clayton M. Christensen and Michael E. Raynor (Harvard Business School Publishing: 2003) provides a few pointers about how to create an Innovation Dynasty. It suggests that companies should start before they need to, appoint a senior manager to oversee the resource-allocation process, create a team of movers and shapers, and train the troops to spot disruptive ideas.

This article synthesizes that work with Innosight’s in-the-field experience over the past five years to show how companies that create a blueprint for growth, construct an innovation engine, and support that engine with the right structures and processes can build the pillars of an Innovation Dynasty.

Although building the three pillars described below is hard work, companies that make progress against these elements can significantly increase their ability to create a powerful capability that can create substantial shareholder wealth and put significant space between a company and its competitors.

Pillar 1: Create a growth blueprint

Building the first key pillar of an Innovation Dynasty requires an organization to clearly articulate what it “wants to be” and to allocate resources to achieve that vision. To build this growth blueprint, an organization’s senior management team must define strategic goals and bounds and create a balanced portfolio of growth opportunities that reflects its strategy.

Define strategic goals and boundaries

Business leaders often meet the notion of defining strategic goals and boundaries with skepticism. “Our organization’s strategy is well defined and broadly known,” they will respond. Or they will argue that “removing boundaries is the best way to allow managers to spot or create new growth.”

In contrast to these views, we’ve found it helpful for senior management to come to consensus around two topics: its strategic objectives, and the specific options it will and will not consider to reach those objectives.

What do you want to be?

The first part of the discussion articulates the desired outcome of a company’s innovation efforts and the broad categories from which the company expects growth. Broadly speaking, organic growth can come from natural expansion of the core business, moves into near-in adjacent markets, and the creation of entirely new growth businesses. Companies need to have a rough estimate of their ultimate top-line and bottom-line goals, and how much growth they can reasonably expect to get from each of those three categories.

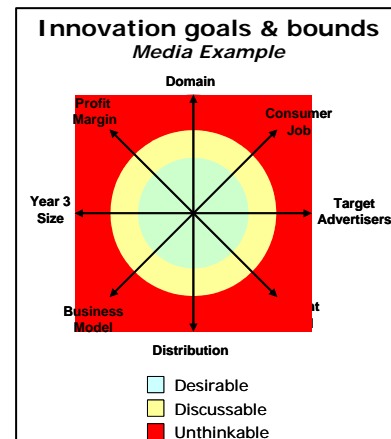
Developing precise estimates of where exactly growth will come from is admittedly difficult. However, even directional findings from the exercise can be telling. Consider the experience of a large consumer products company that Innosight advised. The company spent about a month estimating how much growth it could expect from its core and products in its development pipeline. It was shocked to learn that—even in the most optimistic scenarios—it had to come up with almost a billion dollars in new growth to meet its 10-year strategic objectives.

What are your options?

The second part of the discussion determines the specific types of strategies that the company will—and will not—consider following to achieve its growth objectives. A company needs to come to consensus around what is “desirable,” “discussable,” and “unthinkable” around each of the elements of a growth strategy, such as the target domain, the channel to market, the opportunity’s steady-state size, and, perhaps, most importantly, the *type* of innovation model that is pursued.

We have learned the following key lessons by helping numerous companies conduct these efforts:

- **Misalignment reigns:** Even organizations that go to great lengths to develop strategic plans, define a vision for the company, and coin mission statements, find significant internal misalignment. The classic Peter Drucker question of “What business are you in?” can prompt very different and sometimes contradictory answers. When working with one large chemical company, for example, Innosight found that some leaders saw the company as a “specialty business” while others said that they were “raw materials suppliers for



downstream value-adding industries.” This dichotomy can lead to disjointed pursuits that result in disjointed strategy.

- **Start centrally:** Delegating goal and bound definition to business units without strong corporate context can make innovation efforts easily lead to a diversity of direction and focus that does not ultimately support corporate goals. Too little communication between corporate and business units compounds this problem. As such, we recommend that companies first create goals and bounds at a corporate level. These conditions can then serve as guidelines for the somewhat narrower goals and bounds derived for any sub-unit of the organization.
- **Boundaries can be liberating:** Companies frequently believe that letting chaos reign can unleash a company’s innovative energy. Removing boundaries, the logic goes, helps managers spot or create innovative growth businesses. However, companies often come to realize that blank slates can make it surprisingly hard for managers to make progress. As a senior manager at a leading consumer health company Innosight advised put it, “What are our odds of success if we trawl the ocean, hoping to catch a whale?” What’s worse is a team spending months digging into a strategy that a company just *won’t* commercialize no matter how much evidence the team provides. Somewhat paradoxically, our experience suggests that setting constraints can be liberating. Innovators that know a company’s goals (what it wants to do) and boundaries (what it won’t do) can more sharply focus their creative efforts.
- **Manage the balance:** Companies need to manage a delicate balance when setting goals and boundaries. If you define the boundaries too loosely, managers can wander in the wilderness down fruitless paths. If you define boundaries too tightly, you could run smack dab into the innovator’s dilemma, missing the new growth business that ultimately powers transformation in your industry. Make sure that you instruct teams to prod those boundaries and commit to revisiting those boundaries on a regular basis.

Create—and fund—a balanced portfolio that reflects the strategy

Any good investor knows the value of aligning their portfolio with their investment objectives. If you want to pursue an aggressive growth strategy, you might allocate 50 percent of your funds towards small company stocks, 40 percent towards large company stocks, and 10 percent towards bonds. In any given year, the portfolio could lose money, but in the long run it should produce strong growth. If you want to take less risk, your portfolio might contain 50 percent stocks, 30 percent bonds, and 20 percent cash. Although your upside might be lower, the odds that you lose money in any given year will be lower too.

Companies should similarly think carefully about the mix of projects they pick to satisfy their growth objectives. Organizations that scrutinize their innovation portfolio often find that their investment allocation doesn’t match their intended strategy. Oftentimes, the great majority of their investment lands in close-to-the core, incremental improvements with a single, highly risky new growth initiative that has a large chance of failure.

Try to achieve a stronger balance between the incremental improvements required to sustain the core, logical adjacencies that leverage a key part of the core business, and completely new and novel growth initiatives. The results from your analysis above should provide directional input for how much to invest in each category. While there's no "magic number" for what a desired portfolio looks like, we find that a 50/30/20 split between these three types of initiatives is a reasonable rule of thumb.

It is important to note that this balance is not likely to be achievable in every unit in a large organization. Achieving the desired mix across your corporation may require disproportionate investment in one unit of your organization over another.

Remember, *saying* your portfolio is balanced is meaningless. You need to allocate resources appropriately towards the different types of innovation. Remember, it is not your strategy that determines how you allocate resources; it is how you allocate resources that determines your strategy. Set aside resources—people and dollars—for different types of innovation initiatives in a manner consistent with your strategic objectives.

Creating—and fiercely guarding—separate pools of resources is critically important. Companies that put all of their innovation resources into a single pot often find that low risk (but lower return) core initiatives crowd out investments that might have higher risk and take longer to perform but have greater growth potential.

It takes great discipline to maintain separate buckets of funding and people for different types of initiatives. If the core business begins to face trouble, there is an overwhelming temptation to utilize some of the resources that a company allocated to further-out ventures to save the company. In the short run, these kinds of moves almost always make sense; in the long run they can be disastrous.

This powerful temptation is one reason why it is so vitally important to keep the core business as healthy as possible. In fact, the best time to start investing in creating new growth businesses is paradoxically when a company seemingly *doesn't need* to invest in new growth businesses. When the core gets sick, companies face an overwhelming pressure to make new growth businesses get very big very fast. That pressure can lead new growth efforts to fail.

Consider Delta. As its core business deteriorated in 2005, the airline folded its low-cost Song venture back into its core business and sold its growing Atlantic Southeast Airlines regional jet arm to SkyWest in 2005 to raise desperately needed cash. These kinds of moves can precipitate a "death spiral" as the assets left in the core look progressively weaker on their own.

There's good news for cost-conscious companies just starting their innovation journey. In the early days, the biggest investment that companies need to make is time, not dollars. In fact, you shouldn't spend too much on a new venture too soon, because you risk locking into a failed strategy before you really know the right approach. The best approach is to "invest a little to learn a lot." As such, investing as little as a couple million dollars in the early days can be sufficient—if there are managers specifically tasked with finding and nurturing new growth businesses.

In contrast to 3M's famous 20% rule that suggests that each engineer ought to spend a certain amount of time working on new products, our perspective is that it is better to

fully allocate a few people than to partially allocate many people. This is particularly true when the goal is to develop ideas that are significant departures from the core business. If creating new products is a background task, most managers are likely to default to approaches that have worked before instead of legitimately different approaches.

Pillar 2: Construct an innovation engine

At the core of an Innovation Dynasty sits an innovation engine that powers the rapid creation of new growth businesses. In our experience, the two key components of this engine are a separate screening and development processes that focuses on rigorously reducing uncertainty and a new growth board that helps to shepherd projects with high assumptions and low knowledge. Without these components, invisible corporate forces tend to systematically shape new ideas so they look like things the company has done in the past, denying the company the chance of following highly differentiated strategies.

Create a separate screening and shaping process

Companies have to treat different types of innovation opportunities differently. Companies routinely organize differently to solve fundamentally different problems, yet the area of growth is all too often lumped into one managerial process, governed by one set of metrics.

As an analogy, think about the world of manufacturing. Managers readily recognize that a company like a supercomputer manufacturer that produces low volumes of very specialized products via batch processes could not and should not be managed like Gillette, which produces high volumes of standardized products on an assembly line. Similarly, an incremental improvement in an existing market *has* to be measured, monitored, and managed differently than a completely new strategy that might go into a non-existent market. Trying to pursue fundamentally different opportunities in the same way guarantees that one type of opportunity will be sub-optimized.

Generally speaking, new growth approaches must go through a more iterative development process where the focus is on identifying and addressing the key assumptions and risks behind success. The metrics that guide a new growth idea in an early stage should *not* be the metrics like net present value or return on investment that are favored in the core business; rather, companies need to assess how well a concept fits a more qualitative pattern that typifies success in their target market.

Companies need not throw out their stage-gate processes. Rather, they can follow different paths for different types of innovations at the front end of the innovation process, where they formulate, screen, and shape ideas. As the iterative development process removes key risks from new opportunities, the new business can gradually transition to a company's core launch capability. This transition marks the formalization of a new business that, if successful, will someday become part of the company's core.

The exception to this transition occurs when the new venture follows a business model that the core business would view to be unattractive. The weight of historical evidence suggests that a great deal of organizational autonomy is necessary for companies to successfully create businesses that are disruptive to their core business. One oft-cited example is the retailing industry. In the early 1960s there were hundreds of general merchandise retailers. Almost every one of them failed to make the transition to discount

retailing. Minneapolis-based Dayton-Hudson created a separate subsidiary called Target. Today, people know the name of the subsidiary, not the parent. Other industry leaders such as Hewlett-Packard and IBM have followed similar approaches to create winning disruptive businesses.

Be wary of borrowing assets from the core business when the new venture is internally disruptive. The temptation to do so will be strong. However, those assets carry “DNA” that limits degrees of freedom or takes a team off a disruptive course. For example, borrowing a core brand might cut initial marketing expenditures but could force a new venture to inappropriately conform to the standards of the parent. A sales person expropriated from the core business might call on the customers they know instead of the new customers required to make the business work. A software package that ensures a core process functions flawlessly can be unwieldy for a venture seeking to quickly iterate and change approaches.

Create a new ventures board

Oftentimes, a “new ventures board” can serve as the glue connecting the two different screening and shaping processes described above. The board can make sure that the right ideas follow the right process and can work closely with high assumption, low knowledge ideas.

Innosight has helped numerous companies put in place new ventures board that oversee the identification and early stage development of new growth opportunities. These boards can be a powerful way to build new growth businesses and to involve senior management deeply in the early stages of the innovation process. There are a variety of organizational forms you can utilize (see **sidebar: Structuring for Success**) to create your own new ventures board. Regardless of the approach you take, remember the following principles:

- **Make it easy to get a hearing.** Don’t make it difficult for people to suggest ideas, or they never will. If you believe (as we do) that the first cut of a new strategy is wrong anyway, design an approach that promotes the submission of rough ideas that the board can help shape.
- **Stage investment.** Don’t flood ideas with capital. Instead give teams a small amount of money to test key assumptions. Step up investment as they learn more and re-shape their strategy to increase their chances of success. Remember the curse of too much capital: over-investment can allow teams to run fast and hard in the wrong direction.
- **Involve outsiders.** Innovation almost always comes at the intersections, when people pick up and look at ideas from different perspectives. Outsiders can help you to shape ideas in unanticipated ways. Consider bringing in outside industry experts like professors or venture capitalists, or entrepreneur’s whose “schools of experience” help them identify successful growth strategies.
- **Know what you are looking for.** It is critical to build broad consensus about what a “good” idea is, and communicate that broadly. Some boards use short gut check lists, others use sophisticated screening tools. Regardless of the question list, make sure the board is looking at things the same way and that idea submitters know the evaluation criteria.

- **Make it a pleasant experience.** New venture boards shouldn't seek to tear apart ideas or the managers who submitted ideas. Boards should give constructive feedback to even the seemingly worst ideas, because it is entirely possible that there is a nugget of brilliance that can be reshaped into a powerful growth business.
- **Innovate the approach.** It takes any new group several interactions to hit its rhythm. Be willing to change your approach as you figure out what works and doesn't work.

In early 2006, Scripps Newspapers SVP Mark Contreras allocated more than \$1 million to create a fund for proposals that wouldn't naturally fit the core operations of the company's newspaper properties. Contreras appointed Bob Benz, the GM of Interactive for Scripps Newspapers, to oversee the fund.

Benz, Contreras, two other Scripps representatives, and three outsiders (a former Apple executive, a former Intel executive, and a representative from Innosight) govern the fund.

The fund meets regularly to evaluate new ideas and review progress of funded ideas. Managers who want to submit ideas complete simple "Idea Resumes." Benz has run innovation workshops at each of the company's 14 newspaper properties to help provide thought starters for the sorts of ideas the Fund is seeking.

With initial investments as low as \$5,000, the goal is to invest a little to learn a lot. As of September 2006 the fund had evaluated 40 proposals and funded nine. As Benz describes it:

"These investments aren't big bets. They're small disbursements designed to test key assumptions in the ideas that are being submitted ... If we fail, we want to make sure everyone learns from our missteps. And when we succeed, we want to ensure that all of our papers can leverage that success ... We don't think we have all the answers, not by a long shot. But we believe we're heading in the right direction."

Pillar 3: Support the new growth engine

A clearly defined strategy, allocated resources, and a humming new growth engine can still fail to drive innovation if leadership does not create a supportive climate and lead by example. Companies that successfully generate this environment have senior management that is actively involved in the idea screening and development process, share a common language of innovation, draw on substantial external input, and create policies and incentives that encourage people to take managed risks on the path to innovative growth.

Ensure deep senior management involvement

An Innovation Dynasty simply can't exist without the right actions from a company's very top managers. Senior managers must clearly communicate the strategic importance of innovation. Their commitment must go beyond words to include active participation in many of the elements discussed above.

Additionally and importantly, senior management needs to change the way it interacts with project teams. Too many companies feature adversarial relationships between senior

managers and project teams. Senior managers act as “devil’s advocates” that poke holes in a project team’s plans. When a company is heading in a new direction, senior managers need to be problem solvers, not just problem finders.

A useful way to remember the role of senior management in new growth initiatives is to think of how Sony describes the difference between the television and the computer. You “lean back” to watch television and “lean forward” to interact with the computer. Senior management can lean back and review core improvements, but must lean forward and roll up their sleeves to work on new growth initiatives. Consumer packaged goods giant Procter & Gamble embodies this pillar. CEO A.G. Lafley regularly visits consumers in their homes; very senior managers participate in day-long brainstorming sessions with consumers; top technologists go into the labs to get the real story from the scientists working on novel new solutions.

If your senior management says they don’t have the time to do these kinds of activities, ask what possible activities could be more important than the creation of the new growth businesses that will power the company’s success over the next decade. After all, presumably senior management got to where they are because they have the most wisdom and strategic insight. There is no better place to apply that wisdom than in the pursuit of growth.

Build a common language

Succeeding with disruptive innovation requires taking action that may be at best unfamiliar and at worst antithetical to many corporate managers. Innosight’s experience suggests that a common language helps companies avoid some of the many mindset traps that make the pursuit of disruption difficult, such as pursuing perfection when “good enough” would be sufficient, overestimating knowledge of new markets, and planting big bets when a small start is more appropriate.

It is important that senior managers and middle managers alike break these mindsets. After all, many of the most important resource-allocation decisions are the incremental choices made by on-the-ground project teams. Middle managers who do what they’ve always done can destroy the best intentions of senior managers; senior managers who “don’t get it” can derail a middle manager’s well-designed approach. Companies need to have a common language related to innovation that allows them to work together in new ways.

One of the most well known stories in the disruption literature—how Intel recognized and responded to the threats emerging at the low-end of the microprocessor business—has a huge common language component. Christensen himself went out to Intel about 20 times in the late 1990s, educating about 100 managers at a time on the principles and language of disruptive innovation.

Some time after going through the sessions, Intel launched what is now known as the Celeron processor, a stripped down, low-cost chip to compete in the least-demanding tiers in its industry. The Celeron processor slowed the advances of disruptive attackers such as AMD and Cyrix, and became a substantial business for Intel.

Christensen believes that education played a critical role in helping Intel formulate and execute against the strategy. “At the end of it all, I was talking with [then Intel CEO]

Andy Grove,” Christensen says. “He said, ‘You know, the model didn't give us any answers to any of the problems, but it gave us a common language and a common way to frame the problem so that we could reach consensus around counterintuitive courses of action.’”

“Without that,” Christensen continues, “the only way you can reach consensus is when the numbers make the course of action absolutely clear and the data is only available about the past.”

Seek extensive external insight

In the last five years, companies have begun to realize the real power of what Haas Professor Hank Chesbrough calls “Open Innovation.” P&G is an instructive example. Historically, the company had a reputation of being a highly insular company, yet several years ago CEO Lafley set out a stark challenge: by 2010 at least 50 percent of the company’s innovations should involve some form of outside connection. P&G has augmented its “Research & Development” capability with the ability to “Connect & Develop.” As Larry Huston, who heads the effort, likes to say, the goal is to shift internal mindset from “not invented here” to “proudly found elsewhere.”

Generally speaking, companies should involve external perspectives deeply in the innovation process. They should have well-defined ways to routinely and repeatedly interact with their core customers, learn from non-customers, monitor on-going industry experiments, scan for emerging technologies, and learn from other industries. Setting up regular ways to draw on these kinds of external stimuli (including involving external experts on your new ventures board) can expose previously invisible opportunities for innovation.

Develop enabling HR policies

Companies must consider re-architecting their policies, incentives, and development paths to align them with the needs of their Innovation Dynasty. Instead of looking for “right stuff” managers who have succeeded in core assignments, companies need to look for managers who have attended the right “schools of experience” that will help them spot and nurture new growth businesses. For many companies, finding the right managers might require an external search because even the most capable internal managers haven’t wrestled with challenges related to creating new growth businesses.

Getting incentives for innovation right is clearly a large hurdle for an established company. A startup company can issue equity that allows managers to share in a venture’s upside potential. Following the same approach inside an established company requires some creativity. Companies need to find a way to link managed risk taking with pay structures, bonuses, and/or career progression. It is unlikely that an “intra-preneur” will have the pure upside of an entrepreneur, but that’s appropriate as they also have significantly lower downside risk. Despite the attention showered on the success stories, the vast majority of new ventures fail. If an internal venture fails, managers can easily move to another position instead of having to search for an entirely new job.

Finally, consider creating development paths that make it attractive for high-potential employees to spend time working on promising growth initiatives. Working on risky

ventures can be a great proving ground for emerging leaders, because many of the challenges the venture will face will be general management issues.

As you develop HR structures that will enable your organization to achieve its innovation goals, consider the incentive and learning value offered by rotation programs. Creating the possibility for high potential employees or business unit members with relevant knowledge to participate in innovative growth initiatives can provide them with exposure to new ways of problem solving and provide them with new decision-making challenges. At a minimum their experience working on such initiatives will provide them with a rich set of learning to bring back to their core area after their term of participation. At the extreme, you might just create the leaders of your next new core business.

<i>Check the box that best describes your organization's position</i>	Poor	Average	Good
Pillar 1: A growth blueprint			
1. The goals and boundaries of our business are defined and communicated internally and externally			
2. We have a balanced, funded innovation portfolio that reflects our goals and strategy			
Pillar 2: A growth engine			
3. We have in place an appropriate growth engine to drive organic growth by selecting, funding and guiding innovative ideas			
4. We have distinct innovation processes, tools and metrics for different types of growth opportunities			
Pillar 3: Supporting structures			
5. Senior management is actively involved in strategic innovation			
6. We speak a common language of innovation and avoid mindset traps that will limit growth			
7. External insight informs the generation of growth opportunities			
8. We have different people policies in place (staffing, incentives, development paths) for different types of growth opportunities			

Starting the journey

Just as Rome wasn't built in a day, creating an Innovation Dynasty doesn't happen overnight. Consider taking the following actions to start your own journey:

- Use the checklist TK to conduct an audit to identify how well you do against each of the elements discussed above; develop a 90-day plan to address identified weaknesses
- Hold a one-day senior management workshop to define your company's goals and boundaries
- Call two venture capitalists, two entrepreneurs, and two lead customers in your industry to get their input on interesting developments worth tracking; consider inviting these sources to serve on an external advisory board
- Assess your innovation portfolio along dimensions such as risk, return, target domain, and development stage. Look for signs that your portfolio is out of balance.

None of these activities are time or resource intensive; each can help you make progress towards building your dynasty. And consider the potential payout. Everyone knows how

wonderful it is to create a single new growth business. Just think how much better it would be to create a system that churns out a steady stream of blockbuster growth businesses.

Sidebar: Structuring for Success

We have seen companies use four different structures to shepherd the creation of new growth businesses. Our belief is that there is no one “perfect” structure. Rather, companies should take stock of where they expect innovations to come from, the ultimate desired outcome of their innovation efforts (e.g., building new growth businesses or buying outside ventures), the depth to which they want senior management involved, the amount they plan to rely on core assets, and the number of people they are prepared to dedicate towards working on new growth initiatives.

The growth board

Innosight helped a multi-billion unit in a large conglomerate set up a board to meet on a monthly basis. The board’s goal was to define strategic domains away from the core and to review early-stage opportunities. The board had 10 top managers, including an external consultant and a representative from the parent corporation. A six person “fishing team” supported the board. The team identified promising internal and external ideas in identified domains, worked to address deal killing risks through research and small-scale experiments, and recommended whether the company should license an external technology, make an acquisition, or develop the solution itself.

Source of ideas: Mostly external

Ultimate goal: Buy / license

Level of senior involvement: Moderate/Heavy

Reliance on the core: Low

Dedicated resources: Moderate

The entrepreneur fund

Innosight worked with a media company to set up a centralized body to invest in internally developed businesses that wouldn’t naturally fit within any of the company’s core assets. It formed a seven-person steering committee, consisting of five senior managers, one outside professor, and one outside executive who had experience in the high-tech industry. The committee met every six weeks to decide whether to fund internal proposals and to track performance of funded investments. A two-person, fully dedicated team supported the group, participating in meetings and acting as temporary CEOs of funded proposals. The team could draw on a network of internal representatives who dedicated a portion of their time to helping new growth initiatives

Source of ideas: Mostly internal

Ultimate goal: Build

Level of senior involvement: Moderate

Reliance on the core: Relatively high

Dedicated resources: Low

The idea incubator

A health care company wanted to expose senior management more deeply to innovative ideas and develop a vehicle to rapidly shape high-potential ideas characterized by a great deal of uncertainty. It set up an “idea incubator,” a fully dedicated group with 15 cross-functional representatives. A small group of senior managers formed a screening team that used a short list of questions to quickly evaluate each and every innovation idea (employee submitted ideas, unsolicited business development opportunities, and so on). Those ideas that the group thought had high potential but featured high levels of assumption and low levels of knowledge went to the idea incubator. Each idea that went to the incubator had a designated senior sponsor that would work closely with the group. The incubator team had up to eight weeks and a limited budget to make the idea as big as possible. At the end of that period, a larger group of senior managers decided whether to take the idea forward through its traditional process, shelve it, or send it back for eight more weeks of work.

Source of ideas: Blend of internal and external

Ultimate goal: Blend of build and buy

Level of senior involvement: High

Reliance on the core: Moderate

Dedicated resources: Moderately high

The growth group

Dow Chemical is an example of a company that has a separate, autonomous group chartered with creating new growth businesses. The dedicated group identifies and develops non-core business concepts and responds to requests from the main organization to explore concepts outside the core’s comfort zone. It has a small group of fully dedicated innovation generalists augmented with other high-potential leaders who rotate in from the core business to spend a year working with the group. The group then relies upon partial allocation of functional experts from main organization. The team has a modest budget that allows it to quickly iterate solutions towards success. It ultimately can pass an idea back to the core business or seek additional resources from the CEO to launch the business.

Source of ideas: Blend of internal and external

Ultimate goal: Build

Level of senior involvement: Moderate

Reliance on the core: Low

Dedicated resources: High

The chart below summarizes the four different approaches fit along the five different dimensions.

