Build an Innovation Engine in 90 Days

December 2014
About Innosight

80 colleagues across the United States, Europe, and Asia united in the mission of helping leaders see what’s next and be what’s next

CREATE GROWTH STRATEGIES
HOW DO I ENSURE MY ORGANIZATION CONTINUES TO ACHIEVE ITS GROWTH GOALS in an ambiguous and changing environment?

BUILD INNOVATION CAPABILITIES
HOW DO I BUILD THE ORGANIZATIONAL CAPABILITIES required to making innovation repeatable and sustainable?

ACCELERATE NEW GROWTH OPPORTUNITIES
HOW DO I SPOT, SEIZE, AND SCALE OPPORTUNITIES to create new growth businesses?

Founded by Harvard Business School Professor Clay Christensen
Awarded the Number 1 Management Thinker in the World in 2011 and 2013 (Thinkers50)
93% Of executives say their company’s long-term success is dependent on the ability to innovate.

85% Of executives in large companies expect they will need to transform their business in the next five years.

75% Of senior executives said innovation is a top three priority for their firms.

Sources: Accenture 2013 Innovation Survey; BCG 2014 Innovation Survey; Innosight 2014 Transformation Survey
18% Of executives believe their own innovation strategy is delivering a competitive advantage

35% Of executives in large companies are confident in their ability to successfully transform their organizations

40% Of companies identified as top innovators by peers consider their capabilities to be “average at best”

Sources: Accenture 2013 Innovation Survey; BCG 2014 Innovation Survey; Innosight 2014 Transformation Survey
How does this group stack up

How supportive is your culture for innovation?

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Biggest strengths
1. Our people have the right skills to spot and seize opportunities for innovation.
2. Our organization views innovation as a strategic capability.
3. We generate good ideas

Opportunity Areas
1. Short-term pressures crowd out space for longer-term thinking.
2. We talk about innovation a lot, but discussions are often unfocused with everyone talking past each other.
3. Good ideas get bogged down in our systems
• Market transition identified early
• CEO and Board declare opportunity “strategic”
• Significant resource allocation
In 2000, before Google married Web search with advertising, Microsoft had a rudimentary system that did the same, called Keywords, running on the Web. Advertisers began signing up. But Microsoft executives, in part fearing the company would cannibalize other revenue streams, shut it down after two months.

Microsoft got a second chance in early 2003 when top executives proposed that the company buy Overture Services Inc., a pioneer in combining search results with ads. Mr. Ballmer and Microsoft co-founder Bill Gates shot down the deal. Instead, Overture was snapped up by Yahoo -- and now forms a cornerstone of the Yahoo unit Mr. Ballmer covets.

In early 2000, a new boss in the online group helped Mr. Partovi get clearance to run a live search-ad trial on the MSN site. But some managers, worried the service would eat into display-ad revenue, had placed restrictions on it. Results appeared low on MSN's search page. Auctions for keywords started at a minimum bid of around $15, which Mr. Partovi believed might deter many potential advertisers.
A thing …

… is ineffective
DNA transplants ...
Building a factory ...

How P&G Tripled Its Innovation Success Rate

inside the company’s new-growth factory by Bruce Brown and Scott D. Anthony

... takes a long time
What is your greatest challenge?

What is the single biggest barrier to innovation within your business and business unit?

1. Developing great ideas
2. Finding time and resources to develop ideas
3. Securing leadership support
4. Commercializing and scaling ideas
5. Managing interfaces with the core business
The Minimum Viable Innovation System

CLEAR DEFINITION

STRATEGIC DIRECTION

SUFFICIENT RESOURCES

CAREFUL OVERSIGHT
A. Define Your Innovation Buckets
Is ...  ... something new that creates value

Can ...  ... make today better (Core)  ... create tomorrow (New)

By ...  
- Increasing share
- Expanding to new geographies
- Increasing efficiency
- Providing add-on services
- Increasing effectiveness
- Entering new markets
- Creating new business models
- Fulfilling new jobs to be done

Innovation
Water Availability (1997) - 26%

Water Availability (2013) - 99%

What next?
B. Zero in on a Few Strategic Opportunity Areas
Strategic Opportunity Areas

Actionable areas of growth intersecting market needs, underlying trends, and company strategy

- WHAT problem will you solve (“job to be done”)?
- WHO struggles to solve this problem today?
- HOW might we uniquely solve this problem?
- WHY are we uniquely positioned to win?
C. Form a Small Dedicated Team
This sounds great, but…

We are running flat out, and don’t have any spare capacity for innovation

Our people don’t have the skills to successfully innovate
1. Pre-determine evaluation criteria
2. Involve non-involved outsiders
3. Codify re-usable learning
4. Celebrate success
5. Communicate widely
6. Provide closure with a symbolic event
CONSOLIDATED 75 PROJECTS INTO 10 SHARPENED FOCUS BY STREAMLINING MOBILE PORTFOLIO

IDENTIFIED 6 OUT OF 30 PROJECTS THAT TRAPPED SEVEN RESOURCES AND 2 YEARS OF FUNDING
- Small, focused team with appropriate skills and mindsets
- Substantial investment in primary research to generate customer empathy
- Exploration of analogous developments in other industries and countries
- Clear definition of first customer and path to reaching others
- Idea fits identified strategic opportunity area
- Detailed business model
- Believable hypothesis about how to make money
- Comprehensive assumption list
- Rigorous plan to test uncertainties
- Low fixed costs
- Bias to action demonstrated by rapid prototyping
D. Create a Mechanism to Shepherd Projects
To OPTIMIZE today...

- Budget annually
- Seek group consensus
- Focus on numbers
- Punish deviations
- Work in conference rooms

To DISCOVER tomorrow...

- Stage investment
- Allow individual champions
- Focus on the story and team
- Expect deviations
- Experience the raw data
Punish If You Play

Reward Learning

Reward Results
“We want our leaders to be coaches and facilitators, not decision makers. The experiments that the team runs should provide the data to help the team make decisions so the leader doesn’t have to.”
Summary

To drive the new and different inside an established organization ...

- Define it clearly
- Direct it strategically
- Resource it intensively
- Nurture it carefully

- It is a **system** – do everything, or do nothing
- Strategy isn’t what you say, it is what you do – master **resource allocation**
- How you treat “failure” is more important than how you reward success
- **Active leadership** is required – particularly around **interfaces with** and **transitions to** the core business
How do I get started?

• Take the quick quiz at bit.ly/MVISQuiz to get a sense as to where you are and what your biggest gap is

• Define your growth target and determine, at least roughly, how much you expect from at least two types of innovation
  – Core: Play the current game better and/or differently
  – New-growth: Play a new game

• Pick a few problems that your team, group, department, or business unit need to solve

• Amnestize a few zombie projects to create space for innovation. Remember the “5Cs” of amnesty: Criteria, Codify, Celebrate, Communicate, Closure

• Starting working through the innovation literature and form your own checklist

• Find and onboard a senior champion
Going beyond the MVIS …

- Develop more granular estimates of growth targets
- Create master plan detailing pace & scale of growth investments
- Create detailed goals and boundaries for growth efforts

- Develop standing capabilities to monitor industry change
- Create “idea supply chain” to source ideas for new growth
- Continually refine strategic opportunity areas

- Develop more robust innovation process detailing activities, inputs and outputs for each step in the innovation process
- Create community of practice to strengthen innovation capabilities

- Build portfolio tracking system to monitor & guide innovation efforts
- Strengthen idea governance systems (e.g., dedicated budgets)
- Align HR measurement & rewards systems with innovation strategy
Inclusive Immersion

Inhabit Intersections

Enable Rapid Experiments

Dare to Try