Build an Innovation Engine in 90 Days

January 2015
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)

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Of executives say their company’s long-term success is dependent on the ability to innovate.

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

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?

<table>
<thead>
<tr>
<th>Score</th>
<th>Highly Unfriendly</th>
<th>Somewhat Unfriendly</th>
<th>Neutral</th>
<th>Somewhat Friendly</th>
<th>Highly Friendly</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>Red</td>
<td>9</td>
<td>46</td>
<td>39</td>
<td>6</td>
</tr>
</tbody>
</table>

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
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
A thing ...

... is ineffective
DNA transplants ... 

... don’t work
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
The Minimum Viable Innovation System

- CLEAR DEFINITION
- STRATEGIC DIRECTION
- SUFFICIENT RESOURCES
- CAREFUL OVERSIGHT
A. Define Your Innovation Buckets
<table>
<thead>
<tr>
<th>Innovation</th>
<th>Is ...</th>
<th>... something new that creates value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Can ...</td>
<td>... make today better (Core)</td>
<td>... create tomorrow (New)</td>
</tr>
<tr>
<td>By ...</td>
<td>Increasing share</td>
<td>Providing add-on services</td>
</tr>
<tr>
<td></td>
<td>Expanding to new geographies</td>
<td>Increasing effectiveness</td>
</tr>
<tr>
<td></td>
<td>Increasing efficiency</td>
<td></td>
</tr>
</tbody>
</table>
What 2x

How

Optimize

Sustain

Create

How Much

20

50

30
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?
### Immerse

Scan

Diverge

Converge

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**MANILA WATER**

CARE IN EVERY DROP

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**MANILA WATER COMPANY, INC.**

489 Katipunan Road, Balara 1105,
Quezon City, Philippines

TIN 005-038-428-000 VAT

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**SERVICE INFORMATION**

- Contract Account No.: 12345678
- Account Name: Juan Dela Cruz
- Service Address: 123-D Amorsolo St., San Pedro Village, Concepcion 1, Marikina City
- Rate Class: Residential
- Business Area: Marikina

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**BILLING SUMMARY**

- Bill Date: 14 May 2012
- Billing Period: 14 April 2012 to 14 May 2012
- Consumption: 13 cubic meters
- Total Amount Due: P 217.23
- Due Date: 19 May 2012

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**BILLING DETAILS**

- **CURRENT CHARGES**
  - Basic Charge: 157.82
  - FCDA: 2.70
  - Environmental Charge: 32.10

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**IMMERSE**

**SCAN**

**DIVERGE**

**CONVERGE**

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### Image

- **Immerse:** A group of people imbedded in water, representing immersion in a task.
- **Scan:** A magnifying glass scanning a document, representing analysis and scrutiny.
- **Diverge:** A globe with beams of light spreading out, representing separation or branching.
- **Converge:** A beam of light coming together, representing coming together or convergence.
C. Form a Small Dedicated Team
John Button
Jul 1
Hi Tod, How's the hiking going? John

Kathleen Chen
Jun 29
Costume party
I'm thinking of dressing up as a big pine tree.

Paul McDonald
Jun 29
Fun Hike Yesterday!
Thanks for the great hike yesterday, it was:

Arielle Reinstein
Jun 28
July 4th weekend
Hi there: I heard you’ll be around this week.

JS Bach
Jun 22
Tonhalle concert Friday
Hey man, there's a great concert this Friday.

Christine Chiu
Jun 10
Hi Hiking. Looking for opinion on my diet/tfr
Hi Hiking, I bumped into your profile page:

Yan Tseytlin
Mar 28
Hey there!
I heard you found a great place to go hiking.

Kenneth, me (2)
Mar 25
Group dinner?
Sushi sounds great! On Fri, Mar 25, 2011 a
We are running flat out, and don’t have any spare capacity for innovation

Our people don’t have the skills to successfully innovate

This sounds great, but …
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
- 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
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
How do I go 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