innov8rs

The Innovator's Handbook

The Best & Latest in Corporate Innovation

2023

Innovation x Uncertainty

You can feel it in the air. Amidst several ongoing crises, the level of uncertainty in our day-to-day lives, global markets, and our organizations hasn't been higher.

The good thing is that *uncertainty* is our domain. As innovators, we know how to translate signals and external feedback into opportunities, and turn those into new business models or products that impact top and bottom line, and ultimately create new value for our stakeholders.

Yet we also know that investments in innovation and anything not critical to today's business are likely to be axed in times of uncertainty (even though it's evident that a solid commitment to innovation in crisis leads to better performance once the crisis is over).

Looking at the year ahead, what should we focus on? What's the best approach for getting results in the short term, whilst staying course for the long term? How can we execute our innovation strategy, even if resources are tight and support from leadership fades? How can we optimize our day to day even further?

You'll find answers to those questions in this handbook, outlining the "what" and "how" for innovation management in 2023.

In the book, we've captured and summarized insights and takeaways from the 100+ online and in-person sessions we've hosted from September 2021 to August 2022.

Some chapters may validate you're on the right track. Others might offer you different ways to achieve objectives. And some might spark a fundamental re-think of your approach.

In any case, you will realize that other innovators are often facing similar challenges and fighting similar battles. That's why everything we do at Innov8rs is driven by our belief that it's crucial for any innovation professional to learn from and collaborate with peers from other companies and industries.

Leading and doing innovaiton in large organzations is not always easy, to say the least. So, I wanted to say thank you for all your efforts and your commitment to innovating for a brighter future, for your organizations and the world at large.

For now, enjoy the read. And I hope to see you within our community soon!

Hans Balmaekers
Innov8rs.co
hans@innov8rs.co

Harness bottom-up innovation and idea execution

Now is the time to invest in a company-wide innovation culture.

The past two years have been filled with ups and downs. Companies have had to navigate the unknown, through economic uncertainties and continuously changing market conditions – all at incredibly rapid pace. And yet, I am convinced that the only way for organizations to ensure not only their survival but also their success, remains investing in a company-wide innovation culture.

rready supports large organisations by enabling their employees to become innovators using a methodology called KICKBOX. Using the KICKBOX program, our clients across the globe can harness bottom-up innovation and idea execution through their employees, to ensure they are fit for the future.

In recent conversations, it has become apparent to me that current times call for adaptability and changes of previously followed processes and operational methods. This holds true for corporate innovation, as companies are facing limited resources across all areas of business while needing to adapt and change rapidly. The current landscape thus calls for a more data-driven approach towards innovation to save resources, and improved efficiency by educating employees and helping them cultivate a lean mindset.

In this handbook, myself and Tatiana from Siemens Energy look at how we together launched the KICKBOX program in their organisation and managed to shape an innovation culture on a global scale. From challenges along the way, to the biggest success stories: this specific case holds valuable lessons for many companies.

Enjoy the read and happy innov8ting!

Reto Wenger
rready

If you have innovation in your title, this is your tribe

Leading and doing innovation in large organizations can feel like being on an island.

From implementing incremental improvements for existing products and services, to launching new business models and building disruptive ventures, the innovation function in large organizations is responsible for creating new value, resulting in top and/or bottom line growth.

That's easier said than done. Innovation sounds sexy and glamorous, but as we all know- in reality, it isn't.

On top of our actual innovation work, which is more than a full-time job already, we have to closely align with business stakeholders and invest a lot of time in trying to change 'how things are done'.

You don't need to go alone. Innov8rs offers you a community of peers to learn from and collaborate with.

It's a space to safely discuss crucial moves and critical decisions with others, facing similar challenges and chasing similar goals.

You'll learn new methods, frameworks and tools. You'll understand what other companies are doing. You'll collaborate with others to solve the many strategic and tactical challenges.

Innov8rs is where you keep up with what's working now and what's coming next, in order to make it happen in your organization.

Our purpose is to advance the field of corporate innovation, to deliver upon the promise of innovation for a better future, for our organizations and the world at large.

We've been bringing innovators together since 2011. We've hosted 25+ conferences in 25+ cities around the world, from Singapore to San Francisco and Sydney to Stockholm.

Since 2017, we're hosting online sessions and events because there was no other way to bring together our "glocal" tribe.

We are curators and conveners, creating an environment for peer learning and collaboration, always on the lookout for what's working now.

Let's look at the different ways you can engage.

Innov8rs CoLab

The Innov8rs CoLab is an invite-only working group of senior innovation leaders of non-competing organizations.

Every year, each member defines one key challenge to focus on within the collaboration, and then they get custom support to help solving that challenge.

Depending on the nature of the challenge, this support typically includes targeted working group sessions, selected peer benchmarking conversations and as well as light advising and coaching from expert members.

Think of the Innov8rs CoLab as your personal advisory board, offering you the real, honest and candid feedback you need to succeed. You'll leave every meeting with more clarity and confidence to lead innovation in your organization.

Membership is by invite only. If you are interested in understanding more details about the group and the application process, reach out to Thomas Knoll via thomas@innov8rs.co

Innov8rs Community

The Innov8rs Community membership is the best learning resource for any corporate innovation professional to learn new approaches, solve challenges and improve outcomes.

There are several ways for you to tap into the experience and expertise of others with "innovation" in their title, facing similar challenges and chasing similar goals.

You can

- Join mastermind groups called "Peer Pods" with others in a similar role, with the same interests, in the same industry and based out of the same region, for targeted and relevant conversations and connections
- Get feedback to address your key challenges in the "Action Accelerator" and other formats of peer to peer roundtables
- Participate in all six topical deep dives called "Learning Labs" as well as our yearly Unconference to upgrade your skill-, tool- and mindset and increase your impact
- Access 800+ hours of content and other resources on-demand, and also discuss topics and connect with other members via our online platform.

Membership is by application only. For more info and to apply, go to innov8rs.co/community.

Innov8rs Conferences

Our conferences have always been designed for diversity, action and collaboration, welcoming typically 200+ innovators to work on actual challenges.

You will

- have in-depth conversations with a select group of other innovation leaders and do-ers who speak the same language
- establish relevant connections that you actually want to follow up with after the conference
- get a full download of best and next practices in just 2 days so you leave with actionable insights to implement once back in the office.

If you can only join ONE conference next year, make sure it's Innov8rs. We'll be in Lisbon and Amsterdam in H1,-2023, with a North America location in H2-2023. Stay tuned for more info via our website.

Participation by application only, with individual and team passes available.

Trusted by brands. Loved by peers.

You'll be in great company. Our members and participants are in roles like:

- Chief Innovation Officer, VP of Innovation
- Head of Innovation, Innovation Program Director, Innovation Lab/Centre Director
- Venture Lead/Innovation Team Lead
- Individual Intrapreneur, Innovation Team Member/Contributor
- Leader/professional in Strategy, IT/Digital, R&D/Product, Marketing, HR/Change/ Transformation

> *"This is my tribe of lifelong learners and do-ers. Innov8rs is the only place were corporate innovators and intrapreneurs get vulnerable and real about the challenges facing disruptors today and work together on creating breakthrough opportunities."*

> *"I am blown away with learnings, reflections and new insights. Such an amazing crowd with a true sharing mentality. I have gathered so many cases for best practice on how to run innovation, how to measure it, etc. Further, people are really down to earth, pragmatic and no-bullshit kind of people that are creating real impact in the companies they work for."*

> *"This was a refreshing reminder that we're not alone. Sometimes working at the front-end of innovation can be a lonely place, especially in a large 100-year-old company. Connecting with so many other innovation professionals acted as a shot of adrenaline reigniting my drive to transform our organization."*

Working for brands like

Join the tribe

Join the #1 glocal community for corporate innovators to learn new approaches, solve challenges and improve outcomes.

Curious to know more? Let's discuss how we can support you and your team throughout 2023.

Talk soon!

Hans Balmaekers
Innov8rs.co
hans@innov8rs.co

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Changing The Definition Of Value (When Facing Increasing Uncertainty)

Rita McGrath
Professor at Columbia Business School and Founder at Valize

In situations of predictable businesses the "normal business practice" makes a lot of sense: you can anticipate the ROI and predict outcomes.

Yet as uncertainty increases, the value created is increasingly "option value", which is the value of the right to make a future choice, as Rita McGrath, best-selling author, professor at Columbia Business School and founder at Valize, outlines.

Changing the definition of value from "present value" to "option value" has significant implications for managing our portfolios across the three stages mentioned above: getting great ideas, nurturing them, and eventually getting them into the mainstream.

Following this new definition, Rita frames "an activity portfolio" in terms of two dimensions of uncertainty:

Across the bottom is uncertainty about markets – i.e., Who is the customer going to be? What's my channel? What's my ecosystem? What are the networks of suppliers that I need to have?

Up beside is uncertainty about technology and capabilities – i.e., How am I going to do this? Do I have the skill set that I need? Can I get the skill set that I need?

Depending on how much uncertainty is prevalent in that situation, different kinds of projects have a different job to do for business leaders:

1. Enhancing The Core

The core business is the top priority because you won't have the resources to do much else if you don't do that well. All these new launches make the core business stronger: expanding customer satisfaction, improving efficiency, taking costs out, being responsive, and investing in quality improvement. You basically know who you're doing the work for, and you know what customers want.

For instance, digitizing your tech infrastructure, moving into the cloud, and embracing different new technologies for serving customers are all very innovative, but you know who you're doing them for, you likely know how to do them. Generally speaking, these innovations are usually easy to implement and don't fall victim to the terrible things happening to new projects.

2. Platforms

Moving up a level of uncertainty, platforms are candidates to be added to your existing core business. But a new platform has much need for commitment and requires that you plan to be there for the immediate term. Indeed, a lot of the failures in the platform space don't actually have that much to do with the business. Yet, they have to do with the internal politics of the organization.

A great example here would be when Adobe decided to completely re-platform

its offerings by moving it to the cloud and making it an on-demand solution. And transforming the company and taking it into new space required a huge commitment; it was a multi-year effort.

Another example is Amazon Web Services which was created because Amazon had run into a bottleneck with their existing technology. Accordingly, they had to completely reformat it to make it much more scalable and divisible into chunks, where each chunk could operate independently. Because before that, if you wanted to make a change to the Amazon software core, you had to make a change to this monolithic thing- and risked the whole system.

Both Adobe and Amazon invented the platforms for themselves. They knew what they were doing- and then they had ended up selling the solution to whoever might have the same problem.

3. Positioning Options

Once you get into high uncertainty on either of these dimensions, you're in the world of options. And an option is a small investment we make today that buys us the right but not the obligation to make a future investment.

What Rita calls a "positioning option" is a case where you're pretty sure there's a demand of some kind. You don't actually know which solution will meet the demand, whether the potential solutions will work, or what the standards will be.

You basically know what matters to your business, and you can place small bets or make some small equity investments accordingly. It's important to remember that these options might be mutually exclusive, warns Rita. And in "option land", that's totally fine. You don't want to do that with platforms and core because there you want to stick to every bet you make. While with options, you can have things that are actually mutually exclusive that work.

4. Scouting Options

A scouting option is a case where you know how to do something, but you're trying to figure out how to get it into the market. This is the business equivalent of an experiment- in this area, the purpose is to test well-developed hypotheses. And even if the test fails, at least you've learned something.

At this point, Rita brings in the example of one of her clients, Varo Bank, whose target market is millennials. Varo Bank is a completely branchless bank, it's all on mobile phones, and it's mediated by a chatbot named Val. The design team fell into two camps about what personality Val should have: conversational and friendly vs. highly formal.

In a typical company, these decisions are often made by the most powerful person in the room. But this is fact-free. Going back to Varo Bank, both of those were reasonable hypotheses. Still, the company had no data to rely on at that time. What's better than an experiment to get some data?

Rita tells how the bank wireframed mock-ups of what the interface would look like and then lured target customers into a conference room (with promises of free pizza) where they played with the mock-ups. And it turns out that when it comes to financial security, people want something more than the "Hey, dude!". And so, through that experiment, Varo Bank learned a lot.

5. Stepping Stones

These are the cases where you think there's a great opportunity, a great market with an

irresistible long-run potential but don't know how to do it nor if anyone wants it. Many really big opportunities start out with this super high level of uncertainty.

Let's take autonomous vehicles as an example. We've been talking about autonomous cars ever since, and technology has improved. But we don't have an ownership regime, we don't know how to make the decision when we all want to get picked up at the same time, and we don't know how insurance works in an accident.

These are not going to be mass-market opportunities until a lot of those issues get resolved". In short, a stepping stone market is a small, highly profitable business niche that you can't actually run today.

Building Confidence in Your Strategy

Jennifer Riel
Partner and Global Head of Strategy at IDEO

Developing and implementing an effective strategy is a crucial part of innovation.

However, many people need more confidence to make effective and decisive choices, especially when the future outcome of a potential strategy needs clarification. Simple methods, like stress testing and storytelling, can help you gain confidence in your designs and choices, as Jennifer Riel, Partner and Global Head of Strategy at IDEO, outlines below.

The Importance of Choice When Implementing Strategy

People often think about strategy in abstract terms, perceiving it as either a thick, untouched binder of rules or as a list of vague initiatives for the year. At its core, a strategy refers to an organization's concrete choices. To succeed, a company must choose to perform some actions rather than others.

Two factors make it difficult for individuals and organizations to make decisions.

The first factor involves uncertainty about the future, the needs of customers, competitors' plans, market trends, and the performance of the innovation. The second factor is due to constraints in the budget, manufacturing, staffing, and other resources.

You bet on an unpredictable future when you make decisions and implement a strategy, and you can never know unequivocally if a strategy will work in advance. In the face of this uncertainty, some people elect to make no choices at all and avoid planning a strategy. However, the failure to make conclusive choices frequently leads to mediocrity and missed opportunities.

Four Tactics To Build Confidence In Your Strategy

It's essential to develop confidence in your strategy to take action and move your organization forward. True belief comes from shifting your strategy from an abstract or conceptual idea to something tangible. Leaders use four crucial tactics to

reconceptualize strategy and build trust.

Tactic 1: Start With a Real Problem To Solve

At the beginning of the strategy process, you must define a real problem to solve. Most strategies address two fundamental issues:

The first issue is the need for a more robust understanding of your playing field.

Second is a desire to dig deeper into how you can gain an advantage over competitors.

Starting with a real problem allows you to generate a set of divergent strategic choices and possibilities. This method will give you the confidence to make bolder and more radical decisions that can shake up the status quo in your organization.

Tactic 2: Get Specific (And Visual) About Your Possibilities

Visualizing specific possibilities is another powerful confidence-building technique. You can tell stories about how customers will experience each potential innovation. For example, envision what a customer would do and feel if you placed a bet in one particular direction and then repeat this exercise for each of the other possibilities.

Your story should address the four questions at the heart of strategy:

- How will we define winning?
- What's our playing field?
- What's our source of competitive advantage?
- What capabilities and systems will we need?

This method will support your team's discussion of the strategy's how and why and make more concrete choices.

Tactic 3: Experiment (Quickly) To Learn About the Possibilities

You may feel tempted to spend a lot of time debating your strategy or trying to create a perfect articulation of your vision. Instead, embrace the design ethos by building a rough, quick experiment or prototype that will allow you to explore the possibilities. Essential questions to ask during this stage include:

- What must be true for us to choose Strategy A or Strategy B?
- What significant risks exist for each strategy?
- What analyses, experiments, or tests could we perform to make a confident choice?

For example, a company that designs an online dating service could envision a couple who go on a first date and have a positive experience due to the platform. This process builds confidence by allowing you to gain a more definite sense of what your product or service would offer to the world and how customers would perceive it.

Tactic 4: Be Honest About the Capabilities and Systems You'll Need

Finally, you must understand the activities and systems needed to transform your strategy into action. You should also analyze your existing capabilities and supporting infrastructures to detect gaps between what you have and what you need to implement your plan.

These crucial questions can help you figure out if you can implement your strategy or if you need to revise your idea:

- What would it take for us to win in this way?
- What would it take in terms of our team's activities?
- What would it take in terms of what we need to build?
- What would we need to stop doing?

Selecting The Right Instrument For Innovation – A New Framework

Dirk Ploss
Senior Innovation Manager at Beiersdorf

Too many innovation projects fail not because the idea was bad, but because they were dealt with the wrong instrument.

Most innovation teams do not know how to decide which instrument should be used and when.

Innovation instruments are not the same as innovation methods. Incubators, intrapreneurship programs, CVC, Venture Clienting, and accelerators are examples of instruments. Design Thinking and Business Model Canvas are examples of methods. The difference is that methods can be applied and used inside the instruments- but not the other way around.

So what determines which instrument is best suited? How to choose between so many instruments? When to build a Task Force rather than an Accelerator, and when to leverage Open Innovation?

Dirk Ploss, Senior Innovation Manager at Beiersdorf, introduces the Instrument Selection Framework (ISF) he has developed to simplify the whole innovation decision process and, ultimately, decide which one of the 12 major innovation instruments will be best suited for the project at hand.

Why A(nother) Framework?

It might take 250-ish different initiatives to come up with one big winning idea. To handle all of this, innovators should be able to decide very quickly which ones to pursue and which not. And you need the right instrument to sort them out. How to pick the best one without a framework that supports you?

Even when innovators decide for or against any instrument, their decision-making process may be tainted by low hanging fruits (choosing not the best instrument but the one at hand), rolling dices (randomly choosing one instrument thinking it'd work, without really having an idea of why it should work or why it should work better than others), or the HIPPO decision (the Highest Paid Person Opinion decides which instrument to use for the innovation project).

A framework helps to fix these gaps. So let's explore its main components.

The Anatomy Of Innovation

Innovation always starts with a source, an ignition- e.g., trends, insights, competitors, inspirations, tech developments, or a problem to be solved.

Innovation can either be an opportunity or a challenge: it's an opportunity when we can gain something from it once on the market- new customers, market shares, etc. If it's a challenge, we should not bring it to market, or we will lose something. Making

this distinction right away is crucial: we must defend our core business before we can grow in other businesses.

To establish whether innovation is an opportunity or not, innovators should consider certain determining factors – aka determinators – that may ultimately sustain the overall innovation journey to its implementation. More specifically, you should consider:

- **Demand, competition, and growth:** how many potential customers want this innovation? How many other companies are competing for the same potential customers? Is the market flat, stagnant, declining, or growing? As innovators, we can't override these questions.
- **Urgency:** you can mathematically determine urgency using the following formula [(D*G)/C * CO], where D is the demand, G is the growth, C is the competition, and CO is the challenge opportunity factor. The CO factor will be 1 if innovation is an opportunity, 1.2 if it's a challenge (because it's slightly more urgent if it's a challenge).
- **Penetration, frequency, and severity:** "is this problem worth solving?" is probably the major question in innovation management. And here you have three different factors to consider:
  - Penetration: how many potential customers have this problem?
  - Frequency: how often do they have it?
  - Severity: is that a real problem?

  Because if it's something that consumers barely care about, there's not a concrete possibility to obtain great returns from it.

  But if it's a burning problem, then even smaller frequency or penetration numbers might justify the innovation project.

- **Feasibility, viability, and desirability:** can it be done? Is it a theme or topic variation, or is it a cutting-edge innovation? Do you have the necessary capabilities and resources internally, or do you have to find external partners who can fill that in? Is it valuable to the company?

- **Proximity:** how close is the innovation project to the core business? You can judge that by considering two factors: effect similarity (does the innovation solve a problem more or less the same way as your current products?) and capabilities (are you experienced and skilled in this topic or business?). Of course, if you neither have the capabilities nor is it something closely related to the products you're already offering, then you're entering a new market.

The Logic Of Innovation: The Instrument Selection Framework

There are twelve major different innovation instruments: basic research (aka applied sciences), innovation labs, open innovation, corporate venture capital (CVC), product development, incubator, company building, and accelerator, intrapreneurship program, task force, venture clienting, and M&A. Naturally, many subsets exist: for example, university collaborations and hackathons find space within open innovation.

What primarily differentiates these instruments is the time horizon and the topology (inside-out vs. outside-in approach).

Basic research, innovation labs, open innovation, and CVC have a long-term approach; in this same order, they range from a more inside-out orientation to a more outside-in one. While intrapreneurship

programs, task force, venture clienting, and leveraging startups or buying something via M&A have a very short time span (and, again, if an intrapreneurship program is an inside-out instrument, M&A is the opposite).

The remaining four instruments (product development, incubator, company building, and accelerator) have a mid-term horizon.

So, how to choose the best instrument? Your decision process should be guided by the following questions:

- Is this something we can do internally? If so, then go on the inside-out branch.
- How urgent is this innovation project or initiative? Decide the time horizon accordingly.
- How close is this to the core business? If it's something that is inside the core business and has a mid-term horizon, then choose product development- because most likely it'd be an incremental innovation that enhances your current solution. If it's edgier, go into incubation. On the other hand, if you're on the outside-in branch and the innovation has a long-term horizon (and it's urgent), then you should choose CVC. If it's very short-term, then you would go with M&A or venture clienting, depending on where the value creation happens.

This framework can help you make specific and best decisions depending on different situations. It's simple and binary but leaves room to move: you always must adapt what comes out of it to your company's needs.

For instance, if you don't have a specific instrument ready to use or if it's too expensive to create the instrument that, according to the flowchart, would be the best fit, you can replace it with something else that's still suitable. The good news is that this same flowchart can help you identify the second (third, etc.) best choice since it also sorts the instruments by order of relevance.

The framework as such is absolutely suitable for every single industry. But you have to be aware of what to expect from it and what to use it for. You won't be able to build a new plane design in six months just because you've started an entrepreneurship program. You have to balance and manage your expectations and outputs.

Much also depends on the company's culture as it defines the toolbox you can use. For instance, if you do not have an entrepreneurial culture and failing is punished, then don't initiate any intrapreneurship program because it won't take off.

The Interface Between R&D And Marketing: Where The Difference Is Made

Nicolas Cudre-Mauroux
Chief Research & Innovation Officer at Solvay

We know that the typical success rate for breakthrough innovation projects is below 10%. In other words, we fail more than we succeed.

How do we manage that? How do we sell disruption inside a company? And how can we motivate people when we know they will fail nine times out of ten (and probably more)?

Here's how Nicolas Cudre-Mauroux, Chief Research and Innovation Officer at Solvay, approaches this dilemma.

Growth Platforms: Here's How Solvay Manages Breakthrough Innovation

If you want to increase the value you create from your innovation efforts, stop working on individual projects. Often, individual projects turn into "big bets" that gets a lot of attention and resources too early. Since these types of projects have a less than 10% chance of success, you often have to deal with painful failures.

At Solvay, the Growth Platforms tool – a combination of Agile methodology and Stage-Gate – has fundamentally changed how innovators identify and manage breakthrough innovation. By analyzing and bringing together the company's growth strategy, market, and technology trends, they define a pool of projects that share common themes or common technologies. As such, every group of projects is identified as a Growth Platform.

In more practical terms, in each Growth Platform, small technical teams work to demonstrate and build confidence and credibility around the several technical concepts, answer critical questions, solve uncertainties, and spot potential killers. At this seed stage, there's no business case yet. The technical concepts then move onto the value assessment team. The idea here is to connect each technical case with market needs, competition, and all the other non-technical factors that come into play.

At Solvay, the value assessment process is called Rapid Value Assessment, and its principal aims are:

- Understand important customer needs and decision-making processes;
- Validate or adapt the value proposition and positioning;
- Identify potential business models and early adopters;
- Identify main risks and barriers and design initial experiments;
- Define product requirements and test methods.

The assessment, which lasts 2-3 months, is performed for every project in the Growth Platforms by two fully dedicated people with marketing and technical backgrounds who interview 20-50 customers along and around the value chain. And the recommendation is clear at the end of the process: kill it, go ahead, or redirect.

The Benefits Of Avoiding Big Bets

Approaching breakthrough innovation with a platform tool that enables you to assess the value of projects based on real data rather than mere opinion reduces the risk companies perceive when it comes to disruption. Furthermore, it helps change how failure is considered and promotes collaboration between R&D and Marketing.

Fear Of Failure: A New Perspective

Around 90% of breakthrough innovation projects fail. One of the main perks of Growth Platforms is that even a killed project has a residual value: the knowledge you can accumulate from it. The learning you get from failed projects increases the probability of success of the other projects in that same

Platform. And that's a relevant part of the total actual value of every project on the Platforms.

And when you learn from killed projects and give them value, you generate a new perception of failure: killing projects equals freeing up resources to work on better opportunities. It may sound basic, but it fundamentally changes the mindset of teams. It helps people get rid of the fear of killing projects. They know that if the project they're working on fails, they'll have something else to work on in the same Platform. So, in other words, they'll be much less hesitant to stop a project because they know their job is not at risk.

Collaboration Between R&D And Marketing

By definition, the value assessment process brings R&D and Marketing people work together and helps them develop a common language. You need their skills and competencies to understand end users deeply and define a correct, coherent value proposition.

Solvay offers a three-day training to make this collaboration easier and help R&D people step out of their comfort zone. Here they develop the value proposition for the end user first and then meet an interview guide. After the training, they go out and have structured, organized time with customers and other key stakeholders in the value chain.

This is an excellent personal development opportunity for R&D people: they learn more about customers, how to talk to customers, how to analyze trade-offs, and how to improve their R&D projects by maintaining regular contact with the customers.

How To Build CFO Support For Your New Venture

Mike Joslin
Director at High Alpha Innovation

Having CFO support is crucial for the success of your new venture. But how to overcome the resistance of a finance team, known to be more process-oriented than learning-oriented?

While the strategic narrative may land emotionally with certain leaders, the vast majority of the employees in the core business are focused on today's tasks. They might see your venture as unimportant, a distraction, a resource drain, a threat.

At some point in your innovation process, you will have to work with finance to build the business case and create a funding request for the CFO to review. Typically, in this moment corporate innovators pitching transformational ventures begin to feel like they're slowly dragging an entire organization uphill, while simultaneously attempting to fend off corporate antibodies.

CFOs manage risk, maximize ROI, and also influence strategy. As such, CFOs have to be involved in defining corporate growth strategy because they ultimately are the ones evaluating the attractiveness of your venture from a financial perspective.

At the end of the day, the secret to success is all about telling a growth story to Wall Street.

Mike Joslin, Director at High Alpha Innovation, shares six actionable tactics to build CFO support for your new venture,

1. Speak Their Language

Becoming an expert on your existing business model allows you to understand the strengths and weaknesses, where you can challenge the status quo, etc. Just acknowledging that the core business pays the bills for a lot of innovation efforts can get you credibility and can help you build relationships.

Take the time to understand the CFO and the financial goals to identify opportunities to align your venture and show a clear link to the corporate growth strategy.

You need to understand the core and respect it in order to win the right to break it or do something that you think is aligned to the growth trajectory of the company.

And once you understand the CFOs language – the why/how behind resource allocation processes, the priorities of the finance team, etc. – you can define the right narrative for your venture.

For instance, 80% of the stock price is driven by EPS for most of the S&P 500 public companies. So that's the metric most CFOs care about and will ask for you to understand what are the implications of your venture on EPS. What type of expansion will your venture have for the stock price? There can be two:

- **Earnings expansion:** incrementing core revenues and reducing costs.
- **Multiple expansion:** accelerating core growth and changing investor perceptions. If you can show that your venture may help the core business grow faster and increase the stock price, your CFO will love you.

2. Tie Experiments to Model Inputs

Sometimes there's a gap between the outputs of an experiment that you run and the inputs to the model that you're required to fill out. How to overcome this?

First, don't lose sight of what's important for your CFO and design your experiments having in mind the things that may move the needle the most.

Also, think about how to deliver the numbers that will give the CFO the confidence that your projections are accurate. From a projection model standpoint, tie the data that is going into those models, and make sure that the finance team has the right formula and logic.

3. Think Big: Focus On Potential Returns

If your new venture won't have the ability to influence and get the CFOs attention, they'll see it as a distraction and try to kill it. Also, another thing that is as difficult as it's crucial is figuring out what scale you need something to get to for the CFO to care.

As such, if you're looking at creating a new venture, think from the CFO's perspective and design it in a way that has a massive potential return. It works just like in the venture capital world: if there's no potential billion-dollar return, venture capitalists don't invest.

In the venture capital world, it's all about the magnitude, not the frequency, of correctness that matters.

Most of the corporate startups won't make it, but it's all about having that 4% of deals that delivers six 60% of the returns. It's undeniable, this power law exists in the corporate world. And if you can have

portfolio-level conversations versus project-level conversations, you've won half the battle.

4. Quantify The Cost Of The Status Quo

Sometimes it's a good strategy to focus on painting a dire picture of what the business looks like beyond the existing strategic planning cycle.

So, for example, five years out, what are the things that would kill the core business? Show how your venture could support the resistance by contrasting the cost of the venture to that of disruption and decline.

One thing that you as an innovator can use to your advantage with the CFO is showing that the world is awash in capital and tons of startups are getting billion-dollar valuations. Frame the rise of venture capital and the amount of funding they're getting with the underlying assumption that the startups are going faster than the corporations and disrupt the slow-moving incumbents.

The status quo will not get us where we need to be. We're not going to get there with incremental initiatives, we need to be placing bets in the disruptive side.

5. Use The Balance Sheet

The balance sheet is a new kind of paradigm in the innovation world, one of the most underutilized tools by corporate innovators as they seem to prefer operating budgets.

But while the latter can be a useful tool for short-term initiatives with more near-term and confident paybacks, the former – the balance sheet – can help you more with any transformational initiative. Think about how you can compete against your weighted average cost of capital (WACC) hurdle rate. If you think about what's a good use of cash, if you include that hurdle rate, the corporation can always borrow more, shore up their balance sheet.

Operating budgets are nearly impossible to get, but balance sheet capital is infinite if it's a good use of cash.

Balance sheet capital can be a plentiful and patient source of capital, if you're able to access it.

When it comes to incremental types of growth with shorter payback and lower uncertainty, you can stick with a P&L. But if it's something like a disruptive new business model that may steal customers or lower margins, you must have that outside the core. And if you are able to capitalize innovation and it doesn't work out, that can be adjusted out of earnings (in most cases). Most Wall Street analysts look at adjusted EPS and take out all the non-recurring items.

If this is a capital investment that didn't go well, and you had to write it off, that becomes a P&L expense, it's still adjusted out. And so the enterprise value of the corporation usually isn't impacted by much by a failed venture that is funded off the balance sheet.

6. Change The Game

The game is often rigged and many corporations just aren't set up to truly support transformational innovation. And so you have to work hard to convince the CFO that new ventures are different – different metrics, different funding mechanisms – and need a different process. But how can you do that? Just think about how you could tell that story and change the game by asking yourself:

- Can I align and influence leaders about the vision of the future that I'm talking about?
- Where (and how) my new venture may support the business?

- (From the infrastructure standpoint) How can my new ventures be supported differently?

If it is possible to engage the CFO or the finance leaders early on in the process, that could massively increase the potential success of your venture. Keep in mind that they tend to be more process-oriented and less learning-focused, and so you may need to go through hard conversations to get the finance team to support your new venture. Make sure you manage their time efficiently, don't overshare all the messiness that is part of the innovation work, and you may just have won a crucial ally... someone who could make or break your efforts.

Setting Your Leadership Up For Success With Disruptive Innovation

Nick Tate
Vice President, Head of NEXT at Haleon

Corporate innovation is hard because it represents the unknown and uncertainty- and that's dangerous for leaders who have built their careers on certainty.

They have managed to climb up to great heights and responsibilities by doing the things that they said that they were going to do for certain. The uncertainty that comes with innovation leads to all kinds of objections, fundamentally questioning the value of innovation.

We see that playing out in setting unrealistic targets, putting in place unsupportive processes, and applying unfit funding and governance mechanisms. In trying to address those items or when we leave them unchecked, we end up with innovation theatre (and a lot of Powerpoint slides). The problem with innovation theatre is that you don't actually make products. You just create fallacy ideas that never create or drive a business impact and never go to market.

So, there is a significant divide between where we set out to go and where we actually are; the intention vs capability gap.

That divide in the middle is full of intention, culture, language, rituals, values, expectations, and relationships. These elements divide the corporate "tribe" and to leapfrog that divide, to cross that bridge it starts with how innovators act, speak and think about their role.

So, what do we do about it? How might we start to do things differently?

Nick Tate, Vice President and Head of NEXT at Haleon, discusses why corporate innovation isn't about ideas, or technologies, or agile processes but sociology and psychology.

It's All About Trust

Innovation doesn't start with a framework or governance procedure. Innovation begins with how we as innovators think about one another, how we think about relationships,

and how we help people include uncertainty in their day-to-day job. Of course, service maps and value frameworks are important, but not as important as the fundamentals of human relationships in setting leaders up for success.

So, how can we do that? In corporations, we're all part of a tribe. And tribes must innovate, otherwise they die. By default, any tribe innovates, communicates, reacts, and responds through trust. And the direct consequences of trust are stronger relationships, greater transparency, better information, better decisions, growth, and survival.

We can have the best data in the world, but if we don't understand or trust where the data comes from, how are we going to move people into a different space? Ultimately, setting up leadership for successful disruptive innovation is all about fostering and creating two-way trust.

Four Drivers Of Trust: Consistency, Compassion, Communication, And Competency

Trust is fundamental in innovation and in driving change. And it's enabled by four facets: consistency, compassion, communication, and competency.

1. Consistency

Consistency is defined as a quality of always behaving the same way or having the same opinions. And to do that, you have to first and foremost resist your inner magpie. We're innovators, and we get very excited about new things- and that's amazing. But leaders want facts, they want to understand what happens when you close the innovation loop. Setting up new projects and never having a return journey doesn't equate to consistency.

Consistency also means valuing and measuring the same things over and over again. That may sound really trite, but how many of us have used slightly different metrics for slightly different things because it was a slightly different project?

Only if and when you consistently measure and value frameworks can you have a broad sense of relative value and consequently make data-driven decisions.

Lastly, consistency has a part of storytelling in it. A consistent story of why you're doing it, what you're doing, and how you're doing it firmly helps you build trust.

2. Compassion

The second area of trust is compassion, which is framed as a strong feeling of sympathy for people or animals who are suffering and a desire to help them. Typically a lot is said about using centered design, putting people at the heart of it, and not designing things for yourself. Yet no one ever does all of that for leaders.

Like all other employees, leaders have other things on their minds. And so, not grounding them into why they're in the meeting, or what you're trying to achieve, or just getting a sense of their feedback on what's important to them, in general, equals losing massive opportunities to build trust.

The second element of compassion is playing to people's strengths and not their weaknesses. Asking leaders the burning questions on our minds doesn't necessarily set them up for success. And if you keep asking them awkward questions, don't be surprised when they give you vague answers or if they just say "no".

We need to build them up to be the best type of leaders and advisors. We need to ask them the right questions.

3. Communication

Communication is about transmitting or exchanging information, knowledge, or ideas. And Nick thinks that communication eventually boils down to language, which is essential because it drives behaviors and expectations.

But language also amplifies our nervousness in not knowing all the answers yet, leading to paranoia and a lack of trust. If you're supposed to deliver a new product pipeline and you keep saying that you don't know something, or that it's too early, or that you haven't got enough information, that's a huge problem. So, instead of spending all your time telling people what you haven't discovered yet, tell them what you have.

It's all about rephrasing things. Learn to present your project by saying, "the data is early, but over the course of many experiments, we've understood 'these things' to be true. And signals keep coming up over and over again with the same information". This completely different way of presenting allows you to take a step back and have a conversation around positive data and makes people see you as innovation leaders who actually know what they're talking about.

The second area of communication is speaking in the language of the business. Business talks about market access, customer demand, gross margin, and cost per acquisition. Yet we often don't speak the language of the business- and Buzzword Bingo around innovation is likely to drive meaningless conversations. We tend to speak the language of management consultancies, which is super interesting and valuable for one aspect. But leaders want a concise discussion around what you know.

And if you spend more time explaining what you mean by disruption and less time talking about the audience that you're going after, the value proposition, what issue you're actually trying to solve, and what data you have to support that, there's a significant problem.

Eventually, you're all on the same side. Leaders want you to win because if you win, they win. Yet too often, innovators talk about the existential threat impacting the business. And if you keep doing that, what you then personify is an existential threat, which makes leaders very nervous- you're actually embodying all of their fears. To overcome this, frame a discussion around opportunities and use clear, focused language again.

4. Competency

Competency is about the ability to do something well. To accomplish that, you should be as excited about the pipes as the idea. After you've gotten past the 'why' we're doing innovation in the first place, the question leaders ask is how to put it into practice. Often they spend a lot of time talking about how we can't do it.

Leaders look at the business today as the assets they have and the ability to go to market. They rely on those things as the way that they can do business now. It follows that they'll look at a new operating model, or a new route to market, or a new capability, not as a growth opportunity but as a cost center; something that is going to be too expensive and too long to do. And that kills your idea.

You need to do the "running upstairs" before they tell you how hard it is. You need to be obsessed with the integration points and the tech stack, you need to understand the capabilities that you might require on board and then test them to see if they actually work, versus just having a tech architecture that the majority of people in the company don't really understand.

The last component of competency is

celebrating iterations and progress in real-time. Don't be scared to share early data. If you don't do that, you're not showing tangible proof points that prove delivery and success.

Leaders don't expect to go to a billion-dollar business overnight- it's just not realistic. But what they do want to see is those small increments. Consistently going on and talking about the competency you've got in delivering what you said you would do and celebrating that team success is incredibly important in building trust.

As innovators, we must innovate our relationships as much as our products. We need to think about how we can become those people who just engender trust in our actions. If we do this, we can help our leaders make better decisions, close that divide between them and us, and ultimately, achieve the success we aim for.

5 Ways To Get The C-Suite On Your Side

Line Lyst
Chief Entrepreneur at GN

Compelling, new, and engaging ideas are not enough- getting the C-suite on your side throughout the journey is essential to succeed with corporate innovation.

But that's easier said than done. Typically, the leaders' first priority is the core business, and for a good reason. For them, investing in innovation ideas equals exposing the company to excessive risk and uncertainty.

Line Lyst (Chief Entrepreneur at GN) shares five tips from her experience you can use to involve the C-suite and succeed with corporate innovation.

1. Invite The C-suite To Set Strategic Direction For Innovation

Setting the stage for leadership innovation support from the very get-go requires mapping out disruption areas and trends and proactively discussing together where to play and where not to from a long-term perspective.

Leaders are completely focused at the core day to day. It might be difficult for them to see the broader picture. But if you wait until you see real changes in the market, it's too late.

Spotting market signals and highlighting opportunity spaces for your company is easier if you use the "Disruption Radar" tool. With the Disruption Radar, you can essentially map out all the startups on the rise based on how much funding they have received, in which year, and in which area they operate.

Needless to say, the considered areas must be relevant to your company. The results you get lay the foundation for a constructive conversation with the C-suite around the strategic direction for innovation.

2. Involve The C-suite In Selecting Ideas

Innovators can't simply decide which ideas are worth considering. Instead, they have to make leaders part of ideas selection, thus creating general feelings of involvement, engagement, and ownership.

Replicating the Dragons' Den or Shark Tank setups for meetings where ideas are selected is incredibly effective in boosting commitment. In short, in these situations, entrepreneurs (innovators) pitch their ideas to a panel of investors (C-suite) and persuade them to invest in (support and fund) their idea.

Of course, you can select ideas in many different ways. Regardless, don't involve the C-suite too early when your ideas are still naked. Every idea needs to mature a bit more before it can even arouse leaders' interest (and deserve their time). Only involve the C-suite in the selection phase after validating those ideas and interacting with potential customers.

3. Ask For Less Until You Have 'Proof In The Pudding'

You need to turn the traditional approval process – asking for a project approval first and then getting funding – upside-down for three fundamental reasons:

- You don't really know upfront which ideas will be successful
- It's difficult to estimate how much money you need
- It's much easier to ask for less

Since innovation brings lots of uncertainty, Line recommends asking the C-suite for less money until you have "proof in the pudding". At first, your main concern should be showing and demonstrating the potential of your idea, and only then asking (and getting) all the funding you need to turn it into a new business.

By asking for less, you also reduce uncertainty and risk. And that's a killer argument because leaders don't like either of them. Nevertheless, don't forget to clarify that you're asking for less just because the idea is at an early stage. Those initial funds will only take you to a stage where you can prove that there is a real business opportunity.

4. Engage More With Key Members

You can spend all your time trying to convince everybody in the organization that innovation is amazing. But, in the end, there will always be someone that isn't as excited as you are.

So instead, focus on who's excited. And the same goes with leaders: it can be tough to convince and get all C-suite members on your side.

To make your life easier, carefully select and involve some supporters or "special guests" and secure that extra aid you'll surely need when presenting your project to the entire C-suite.

5. Constantly Show Results

Consistently showing results and doing it fast is a big challenge because innovation takes time. Yet sooner or later on your journey, you'll have to prove your innovation benefits and impacts. But how can you exhibit results when you haven't developed anything yet?

The tip here is to carry out smoke tests and go live with your idea in the market during the validation phase or, in any case, within the first few months.

There are thousands of different ways to check if anyone out there in the real world is interested in what you're working on and gather data on the market potential for your idea. The point here is that if you're able to collect and show results, nobody can argue against your idea.

However, it's not enough to collect data and show results just at the beginning. Doing this over time and showing progress is paramount to having the C-suite on your side.

In the first stages you will probably communicate a lot and create a lot of excitement. But as soon as you enter the execution mode, people around you – even

though you feel you are communicating regularly – might think the innovation has somehow stopped. As such, make sure you continue to communicate your progress regularly to the C-suite and the entire organization.

The Politics Of Innovation

Rob Haines
Partner and Co-founder of Founders Intelligence

We know most innovations fail- but more often than not, that has nothing to do with consumer needs and market feedback.

Even before being tested in anything resembling a commercial context, ideas stumble because of organizational politics. Indeed: innovation often fails to happen because of obstructions from stakeholders inside the company, rather than because of the actual merits of the idea itself.

While it's difficult to get objective measurements as to how many innovative projects and products are killed because of corporate politics, many of us who work around corporate innovation are all too familiar with the problem.

Rob Haines, Partner and Co-founder of Founders Intelligence, suggests how we should see corporate politics, examines the different types of actors who may oppose innovation in the boardroom and shares tips on how CEOs, CDO's and corporate innovators can navigate political challenges.

Framing "Politics" Properly

With many of us having been burned by corporate politics in the past, it can be quite easy to succumb to rage and resentment. Rob certainly had felt this way in the past when executives killed projects he and his team had worked on.

After a particularly frustrating case, though, Rob realized that there was a question to ask; why do political blockers arise? While it was corporate politics that killed the project, Rob was curious as to what that meant. He ended up considering the relevant definition of "politics" in the Oxford English dictionary: "matters concerned with getting or using power within a particular group or organization."

Ultimately, "politics" often means individual actors acting in their own logical self-interest.

There's something reassuring about this fact, since self-interest is often very understandable and predictable. Rather than being indignant, Rob realized there was a good lesson to learn – maybe through characterizing people's interests, he could make a plan to navigate political issues in the boardroom.

The Five Types of Blockers

Rob profiled stakeholders who may serve as blockers, and came up with five archetypes of anti-innovation stakeholders: the Alpha, the Defensive, the Complacent, the Risk-Averse, and the Unimaginative.

The Alpha

Most of us can probably recognize this sort of character, owing to how common they are in the boardroom. Alphas typically have aspirations to be the CEO, and in today's corporate culture, they know that being seen as the organization's leading innovator is often instrumental to making their case to become the chief executive to the board.

This is a good thing in that Alphas are generally supportive of growth and innovation. But there's a big proviso to this – they usually insist on a given innovation being done in their business unit, allowing them to claim prestige.

If an Alpha can't get what they want, they'll often be willing to kill or undermine a project to deny that prestige to another executive.

The Defensive

The Defensive, unlike the Alpha, isn't drawn to innovation. They just want to deliver what they need to deliver in the near term, keep their bosses happy, and avoid doing anything to avoid being caught in the crosshairs.

Additionally, the Defensive shares with the Alpha the desire to deny other executives prestige – except while the Alpha does this to secure relative prestige from themselves, the Defensive does this to avoid them being seen as a low performer.

Usually, the Defensive will justify their aversion to innovation by making an ambiguous argument, or through framing minor or transitory issues that may arise through the innovation as existential risks to core business functions.

The Complacent

The Complacent often seems very similar to Defensives, in that they usually argue that a business needs to focus on its core business functions. They will often overplay minor or passing challenges and focus on tradition and continuity. But as suggested in their name, the Complacent is doing this from a place of instinctive conservatism and passivity rather than any desire to maintain their relative status. They'll often focus on the positives of a business doing what it has always been good at and minimizing exposure to risk.

The Risk Averse

In turn, the Risk Averse can often seem awfully similar to the Complacent. The Risk Averse will typically focus on the relative risks of a course of innovation as a reason to avoid pursuing it.

Compared to the Complacent, though, the Risk Averse's main problem is difficulty with processing uncertainty. Typically they will focus on a perceived lack of data to justify a course of action, with the Risk Averse placing an incredibly onerous burden of evidence on innovators to persuade them. Given that innovation often requires risk-taking and uncertainty, the Risk Averse's approach is often at odds with many attempts at corporate innovation.

The Literal

Finally, the Literal suffers from a lack of imagination. The Literal will often have trouble appreciating subtle differences between different projects and have real problems with being able to imagine what innovation would look like.

The Literal will often object to a proposed innovation by mistakenly conflating it with another existing project or product, arguing that it's too lacking in concrete details, or they may outright fail to understand the need that an innovation could fulfill.

Needless to say, none of the categories above are mutually exclusive – it's quite likely many blockers will present characteristics from across multiple categories. Additionally,

while you could probably also categorize and profile the supporters of innovation in your organization, it goes without saying that since those people are on board, they won't need as much managing as your blockers.

How To Strategize Around Political Roadblocks

While the profiles above may seem quite negative characterizations, they shouldn't be taken as character assassinations.

The best way to make sense of them is as ways to identify how exactly you should proactively manage the stakeholder in question. When it gets to the planning phase of the project, the above profiles often can serve as good ways to find out who should sit on the governance board and who should be responsible for the funding of it.

Rather than use phrases like "politics" when hitting roadblocks for innovative projects, Rob encourages you to instead look at them through the lens of the logical self-interests of opposing parties.

Once that's set up, start laying the groundwork ahead of time to facilitate a project and ensure that relevant self-interests are either appeased or aligned. It's your job to constantly ask yourself during a project if it remains bold enough to meet your state ambitions. This step is crucial to avoid proposals or innovations being watered down or killed by a thousand cuts or compromises.

So, in short, overcoming political blocks to innovation takes three general steps:

- **Know your enemy:** Use a framework to work out what kind of self-interests you need to manage
- **Do the groundwork:** Structure things to encourage innovation as opposed to self-interest from the get-go
- **Be bold:** Regularly ask yourself if your current plans and actions will be bold enough to meet your overarching ambitions.

Mitigating Not-Invented-Here And Not-Sold-Here Problems

Marie Amann & Gabriel Granström
Management Consultant at PA / Program Manager at The Knowledge Foundation

Innovation hubs often are set up to engage in external ecosystems and bring in new ideas from the outside.

While the number of these "outposts" has grown significantly over the last years, most find that successful collaboration with and knowledge transfer to the mothership is far from easy.

Often, negative attitudes about receiving external knowledge and sharing internal knowledge externally lead to several not-invented-here (NIH) and not-sold-here (NSH) problems.

Marie Amann, Management Consultant at PA Consulting, and Gabriel Granström, Program Manager at The Knowledge Foundation, outline the causes and consequences of these two types of problems, to prevent tensions and misunderstandings proactively. By applying effective mitigating mechanisms, corporate innovation hubs can become more than just innovation theater.

How to Mitigate Not-Invented-Here Problems

The Not-Invented-Here (NIH) problem is where you share an idea, but it's not accepted. You must be aware of common causes and consequences to ensure successful collaboration and innovation.

Causes of NIH Problems

Several NIH problems tend to exist. Those collaborating on innovation projects exhibited exaggerated knowledge valuation, obsessive control, and internal antagonism.

- **Exaggerated Knowledge Valuation:** Exaggerated knowledge valuation is a common problem where people think their knowledge is better than someone else's knowledge. They don't think they learn from others because they already know the best.
- **Obsessive Control:** Obsessive control is commonly found in large corporations that want a safety check for everything before going forward. Not fully trusting what they're being told, they become afraid they'll face many consequences if something goes wrong.
- **Internal Antagonism:** Internal antagonism involves a bit of jealousy or envy between the people working in the innovation hub and the parent company. The parent company may feel that those in the hub are being secretive and not communicating their ideas, and they're left in the hot spot with negative ideas.

Consequences of NIH Problems

When NIH problems aren't recognized and addressed, they are likely to lead to various issues that impede the intended knowledge transfer.

These problems are rooted in resource inefficiency and include knowledge lag, suffocation of external ideas, and sub-optimizations.

- **Lagging Behind in the Knowledge Frontier:** When inflated knowledge valuation happens, the collaborators have difficulties absorbing new ideas and knowledge. In turn, they can't access expertise and keep up with technology. As a result, a knowledge lag they don't realize exists is created.
- **Suffocation of External Ideas:** Obsessive control often leads to the suffocation of external ideas. In this situation, knowledge gained isn't used properly, or ideas are killed in search of perfect ideas. The inefficient use of resources leads to people losing motivation to continue.
- **Sub-Optimizations:** Sub-optimization does nothing but leads to extra work and negative politics. Internal antagonism leads to resistance when a startup fails to sell its idea to the parent company. In response, they look for other ways or become involved in parallel projects.

Mechanisms to Solve NIH Problems

A couple of approaches are effective at mitigating NIH problems. Collaborative participants solved their issues by translating the relevance of ideas and creating mutual ownership.

1. Translate Relevance of Ideas

This approach is to make ideas relevant to startups and organizations. It's one of the most important mechanisms to overcome NIH problems. To translate the relevance of ideas, you must:

- Explain benefits from different actor's perceptions
- Explore technologies from agreed strategic interest
- Figure out the motivation of recipients

2. Creation of Mutual Ownership
The creation of mutual ownership becomes essential, mainly when the one who came up with the idea isn't the same one that implements or commercializes it. Creating ownership helps the idea survive and requires you to:

- Involve technical specialists in scouting activities
- Make fast and small steps together with actors
- Make sure the internal recipient has reliance
- Show results to create publicity internally and externally

Whether for idea relevancy or mutual ownership, the alignment of objectives allows organizations to overcome NIH problems.

How to Mitigate Not-Sold-Here Problems

In contrast, Not-Sold-Here (NSH) problems—or the easier to understand term Not-Shared-Here (NSH) problems—is where you don't want to share your ideas. You're afraid of losing your "crown jewels," or you don't want to appear vulnerable. Unlike NIH problems, NSH problems aren't well represented in the literature. So, information on the causes, consequences, and solutions is relatively new.

Causes of NSH Problems

NSH problems frequently stem from fear of giving knowledge and proving value without receiving it back. The leading causes include confidentiality unawareness, depreciation of knowledge, and desire to monetize knowledge assets.

- **Confidentiality Unawareness:** People who don't know what they're allowed to share will be less inclined to collaborate. That's because they don't want to anger people or violate a non-disclosure agreement (NDA).
- **Depreciation of Knowledge:** In this case, knowledge is shared because one might not think the information is good enough. Rather than being vulnerable, they keep it to themselves.
- **Desire to Monetize Knowledge Assets:** Startups commonly have a strong desire to monetize knowledge assets. They are often afraid of sharing with a large corporation and losing that knowledge, which might be their most significant asset.

Consequences of NSH Problems

NSH problems involve painting oneself into a corner. The consequences include loss of autonomy, constrained problem-solving abilities, and over-protectiveness.

- **Loss of Autonomy:** Often, people aren't sure what they can share, even when they try to find the answers from their manager or elsewhere. Once they choose not to share their knowledge and ideas, they lose their autonomy.
- **Constrained Problem-Solving Abilities:** When people lose autonomy, they stop talking with each other. If they can't describe the issue and the knowledge they have to offer, then collaboration becomes impossible. This lack of communication leads to constraints on the ability to solve problems.
- **Over-Protectiveness:** If someone holds back ideas because they don't know what they're allowed to share, they may also be afraid of losing their only monetizable knowledge. Fear causes them to be overly protective against someone stealing their knowledge, which hinders innovation for projects they're involved in.

Mechanisms to Solve NSH Problems

Mitigating mechanisms of NSH could be achieved with mutual confidentiality understanding and appropriate safeguarding.

1. Mutual Confidentiality Understanding

This mechanism is used early on in a project or collaboration. Mutual confidentiality understanding requires you to:

- Assess confidentiality before engaging in a conversation
- Share the intention of how to use shared knowledge
- Balance the risk and opportunity of sharing

2. Use of Appropriate Safeguarding

Using appropriate safeguards isn't as easy as it sounds. For this mechanism, you're advised to:

- Only protect what is necessary
- Create stepwise NDAs that are a natural part of work
- Have NDA decision-makers close to the conversation

These two mechanisms are ways to mitigate NSH problems. That way, you'll be more comfortable sharing your ideas and knowledge through innovation hubs.

NIH and NSH Scenarios

The following real-life examples of NIH and NSH problems that commonly occur among collaborative partners within a corporate innovation hub give you a clear sense of the specific issues and associated causes, so you can consider how you might work through those problems to avoid consequences if that happened in your hub.

Scenario 1

The Problem: An intelligent machine learning technologist from a startup and a seasoned mechanical engineer from a manufacturing organization need to work together. Instead of collaborating on ideas, they tend to talk past each other. In other words, the technologist may think the engineer's opinion is silly and wrong. So, they say their approach will be replaced and solved by the technologist's way.

The Solution: Innovation managers can take steps to prevent participants from exaggerating the value of their knowledge, resisting other ideas, and causing everyone to become less motivated. First, explain that every participant's views are valuable because they come from different experiences. Second, it's essential to explore the differing ideas from a strategic standpoint so everyone agrees on a common goal. Lastly, participants' motivations may influence behaviors that go against collaborative efforts. Study those motivations and eliminate those rooted in egos, attitudes, and other negative behaviors.

Scenario 2

The Problem: A startup found it extremely difficult to get their ideas through because the parent company didn't participate in the concept development. The parent company lacked context and couldn't understand the design choices being made. As a result, the knowledge was rejected.

The Solution: In this case, your responsibility as an innovation manager is to ensure that all parties take mutual ownership of the project. It doesn't matter who has the original idea or who's the one that puts it on the market. Involve technical experts, take small steps together throughout the process, and improve internal reliance on innovation.

Scenario 3

The Problem: A startup is asked to share their knowledge. They may feel like they're being interrogated to reveal everything they know. At the same time, they may feel vulnerable because they're the only ones

giving. The tricky parts come because they might have 25% they can share, 25% they know they can't share, and 50% not sure. Typically, they turn to their supervisor to confirm what they're allowed to share. In some cases, the supervisor may not even know themselves.

The Solution: This case has to do with confidentiality issues where there's a grey area when it comes to what can and can't be shared. As an innovation manager, you must address confidentiality before discussions ever take place between participants. All involved should understand the intentions of the knowledge shared to balance the risk and benefits. When warranted, NDAs should be used throughout collaborative innovation.

To mitigate the NIH and NSH problems, you must recognize the causes and understand the consequences. There are four key factors in mitigating the not-invented-here and the not-shared-here problems:

- First, you can mitigate NIH problems by translating the relevance of ideas and involving all participants early on in the process.
- Then, create a sense of mutual ownership so they feel included and valued.
- To mitigate NSH problems, be sure to discuss confidentiality before entering into a collaboration.
- Then, use appropriate safeguarding techniques a step at a time without feeling the need to save yourself.

Essentially, whether NIH or NSH problems, it all comes down to communication, communication, communication.

How To Organize Innovation For High Performance

Jesse Nieminen
Co-founder and Chief Growth Officer at Viima

How to organize innovation is one of those questions with no single right answer- yet at the same time, it's one of those big decisions you need to make one way or the other.

How to organize innovation has been a widely discussed topic in the last couple of years. Many big companies have tried to build labs, accelerators, and other programs. And while some have been successful, these organizational structures haven't really lived up to their expectations for several companies.

It doesn't matter if you're starting with innovation or if you've been working at it for some time and aren't getting the results you'd like to see- you will inevitably have to address questions about structure, governance and scope of your innovation function.

Jesse Nieminen, Co-founder and Chief Growth Officer at Viima, outlines the fundamentals for organizing innovation for high performance.

Organizing Innovation: Six Archetypes To Govern Innovation

There's no single correct way of organizing the overall structure of an organization. In this context, the so-called "best practices" don't work well – and that's especially true for large organizations due to their complexity. Structural and organizational problems are nearly inevitable in big corporations.

And when it comes to innovation, the challenges posed by the overall structure become even more evident. Indeed, innovation means constantly introducing change, and most organizations aren't designed for that. Nevertheless, there are six archetypes or common approaches most organizations have at their disposal and can use as the foundation for their efforts to organize and govern innovation.

1. No in-house innovation

The first way to organize innovation is not to do it, or outsource it. This archetype is the simplest and has low fixed costs.

It's definitely not recommended to build an organization that thrives in the long run, as acquiring promising startups is expensive and relying on third parties causes a tremendous lack of differentiation and strategic control.

2. Centralized

The relatively simple centralized model, which can sometimes be referred to as R&D, Innovation Lab, and more, is the most common way large organizations set up innovation.

It's a convenient way to get started, build capabilities, and learn what works (and what doesn't) for the company. And that's especially suitable for small companies that might not have many resources in the first place. Accordingly, we'll refer a lot to this second archetype throughout the article.

Such a centralized department typically serves the innovation needs of the entire organization, including each business unit and support functions. And regardless of what it's called and the different forms it may take, it's a single part of the organization responsible for innovation.

The advantages of this archetype are that it's quick to set up and, since the innovation expertise is built and managed centrally, learning is faster and overall management and reporting are easy to organize. Furthermore, it can benefit from dedicated resources to work on innovation.

However, if all innovation has to go through a single team, that team will inevitably become a bottleneck for innovation –no matter how skilled or experienced it is. In the long run, this approach will severely limit the innovation potential.

Furthermore, often these units might be working on technology, projects, or customer needs not as closely linked to the company's strategy as they should be. And whenever that happens, of course, it's still possible to succeed, but it rarely works well.

3. Dedicated

After Professor Clayton Christensen identified dedicated business units for innovation as a solution to the Innovator's Dilemma, having a dedicated team for innovation has become increasingly popular in large organizations looking for the next stage of their growth.

Setting up a different arm of the organization to care for innovation and separating from the core business allows innovators to focus and work on innovation without the limitations of the existing business.

The downside is that if innovation is the job of a small group of people and it's limited to one part of the organization, it will be tough to build a pro-innovation culture. And again, the innovation unit is likely to become a bottleneck down the road in the long run.

4. Embedded

This model is widespread in Consumer Packaged Goods Companies as they already have distinct brands or product lines committed to meeting consumer and customer needs in different novel ways. And since innovation is already mainly happening within those relatively independent brands or business lines, it can often make sense for innovation to be structured as embedded within these units.

This model enables organizations to have greater control over innovation resources and better focus on what matters to each business, be it strategic projects or emerging market needs. On the other hand, innovation is likely to focus only on immediate business needs and incremental projects, and some effort duplications are plausible.

5. Ambidextrous

Companies usually combine all the previous models. In this case, the resulting archetype is called ambidextrous organization. In this model, existing units use incremental innovation to exploit the current position, whilst new dedicated units are set up to explore and build the future.

This approach can lead to excellent long-term performance, enable companies to communicate the innovation strategy, and build an innovation-oriented culture accordingly. However, it's expensive to make and requires a significant transformation – it can be challenging to align goals and incentives across the organization properly.

6. Decentralized

While not necessarily something to adopt right away, the decentralized model is the one companies should consider moving towards. The main idea here is that innovation should be happening throughout the organization.

In short, the organization decentralizes the responsibility for innovation into individual, cross-functional teams, each of which focuses on understanding how they could help the organization better reach its strategic goals.

When different parts of the organization are responsible for innovation within their own scope, the resulting output is far more than you could ever achieve with the other models. If you succeed, of course, it will take much work to really create the needed capabilities. But still, it's definitely the model with the most significant potential down the road.

This model increases the innovation pace and promotes a strong focus on value creation. Yet it requires a profound transformation for most organizations, firm support, communication, strategic clarity from leadership, and wise talent management.

Why Opt For The Decentralized Model?

None of the world's leading innovators – e.g., Google, Apple, Tesla, Amazon, and Microsoft – operate in a centralized way.

These leading organizations have different parts responsible for driving innovation in their own areas and spheres of control. This is a clear message: if you lead a big organization, many challenges come from trying to do innovation in a non-decentralized way.

Every archetype has pros and cons. Yet the decentralized model is the likeliest to lead to sustained levels of high innovation performance in the 21st century.

Indeed, having a centralized team leads to many practical problems down the road:

- **Decision-making:** because innovation includes lots of uncertainty, planning it the same way as regular operations doesn't work. It just makes the decision-making process more challenging. And running every innovation through a single unit inevitably slows down the entire process. No matter how smart and capable you are, the process will always be detached from reality, whether it's the latest technology or quickly changing customer needs. As a result, doing innovation centrally can easily lead to suboptimal decisions.
- **Bottleneck and handover:** a central innovation team very quickly becomes a huge bottleneck. Regardless of the resources they have, they are likely never to have enough to work on all the good ideas in the organization. In addition, it can be difficult to hand innovation ideas over to the business units and get them to adopt and embrace them.
- **Innovation culture:** if innovation is the job of only a select few people within the entire organization, this could demotivate others from trying to come up with solutions and improve the organization itself. And that consequently makes it hard to create a true innovation culture. For the corporation to build a pro-innovation culture, everyone in the organization needs to know that innovation matters. Everyone must also take ownership of innovation, or at least support it, as part of their work.

On the other side, the decentralized model has a few more unexpected benefits:

- **Small, big opportunities:** whenever you start collecting ideas or problems systematically and every part of the organization starts working on them, the whole organization can run into many opportunities – and the impact of even straightforward ideas can be huge. A few minor problems that no one has really paid attention to can actually be a big deal for customers. And that's an outcome every corporation wants to have.
- **Employee engagement:** in many companies, some employees try to advocate for an idea for years, but they are never heard, or there's never a way to address it, or they never get a reply on what was wrong with their idea. Of course, when the process is centralized, nobody can take the time to review a thousand ideas and answer them all with care and detail. But with a decentralized process, each team has a few dozen ideas to evaluate and focus on, and the team itself can educate employees and help them understand what matters to the business and how the decision-making process works. That helps create that innovation culture and makes employees more valuable to the organization. For more on how to reward employees in innovation programs, click here.
- **Implementation:** the beauty of the decentralized model is that you can start working on innovation systematically with a small team and a simple pilot. Quick results can help convince others about the potential of this model within the organization.

Yet getting all these benefits isn't trivial.

Making Decentralization Work

Shifting control and decision-making down in the organization enables corporations to move quicker, make more informed decisions, respond to changes faster, and

innovate more. However, instead of a big transformation overnight, it's vital to gradually build simple and small capabilities, mindset, and culture toward that decentralized structure.

In most businesses, very few people are used to innovation and know all related processes and ways of working. And talking about all of the latest innovation processes can be quite intimidating for many. Consequently, making innovation the way to understand how to serve customers better or do things more efficiently is paramount to getting people on board.

Only once people get used to it, it's possible to add more nuance, build new capabilities, and get them to work on bigger and more ambitious ideas. Employees within different parts of the organization need to point out problems or opportunities that might lead to those new business ideas. Hence getting them to have the right mindset and adopting innovation as part of their daily work and processes is key.

A premise to this is that the decentralized model is something in between consistency and openness. You want to make things easy for people so they don't have to reinvent the wheel every time on every team. Accordingly, you need to provide them with some form of templates to choose from that seem to be working in other parts of the organization. But if you try to force everyone to use the same process, this just won't work.

The VP, the Chief Innovation Officer, and the Innovation Director roles have specific features in this context.

Having A Centralized Innovation Team Is Still Important

In most large organizations, some form of innovation team already exists. Whatever they are responsible for, there is still someone in charge of innovation.

While not ideal in theory, the journey to becoming a mature leading innovator typically leads to centralization first for most incumbent organizations. This helps them build their innovation strategy, knowledge, and capabilities before successfully decentralizing.

Unfortunately, too often, those people are swamped with administrative work and, at the same time, are called to identify and implement innovation ideas.

A centralized innovation team should instead organize the different practical innovation implementations, including empowering the teams across the corporation with the right tools, mindsets, processes, and best practices, and even coaching them to become better at innovating and developing the business in their own scope.

That's what a centralized innovation team should look like in practice: an enabler for the rest of the corporate where the different parts of the organization are responsible for driving and improving innovations. It follows that is precisely the role of a central innovation team, as part of the central function, to coordinate and work with the different decentralized teams.

The role of a centralized innovation team shouldn't be managing or overseeing innovation but enabling it. This way, their expertise isn't wasted on administrative tasks but can be leveraged to scale innovation across the organization.

Dual Innovation: Principles And Organizational Implementation At Bosch

Ralph-Cristian Ohr & Eva Mitterreiter
Founder and Managing Partner at Dual Innovation / Head of New Business Building & Innovation, Consulting at Bosch Engineering

Companies are striving to turn into "ambidextrous organizations" to become future-proof- sustaining the core business and building new business concurrently, yet still very few know how to make it work.

"Ambidexterity" is the strategic and organizational capability to pursue and optimize the existing business model (exploitative or incremental innovation) and search for new opportunities and business ideas (explorative or radical innovation) simultaneously.

As Steve Blank pointed out, "Ambidexterity was nice to have in the 20th century, but it has become essential in the 21st century".

Building an ambidextrous organization is challenging because exploration and exploitation are usually incompatible and can't be (easily) pursued in the same environment. To accomplish both simultaneously – to be an ambidextrous company – requires not only separate organizations for each function but also diverse operating models, competencies, systems, processes, incentives, and cultures. It requires a different way to manage a company and another way to organize it.

Below, Ralph-Cristian Ohr, Founder and Managing Partner at Dual Innovation, introduces 'Dual Innovation', a forward-looking approach to how ambidexterity can effectively and sustainably be implemented in organizations. Building upon this, Eva Mitterreiter, Head of New Business Building & Innovation, Consulting at Bosch Engineering, shares how Dual Innovation principles have been put into practice at Bosch.

What Does It Take To Make Ambidexterity Work In Organizations?

Making ambidexterity work can be boiled down to three questions: Why – What – How?

Why?

Finding your "whys" equals creating awareness and legitimacy to implement ambidexterity in the broader organization. Without clear reasons, you'll have a hard time getting your organization to accept ambidexterity first and exploration consequently.

And it's a leadership task to legitimate explorative innovation and set the stage for its further implementation throughout the organization. Leaders must define an overarching, compelling vision and values for this "dual challenge". In addition, top management is also responsible for creating a shared identity: all employees, both those operating in the explore field and those working in the exploit field, have to feel like one team.

What?

What does exploration mean to you? What do you want to achieve? How far do you want to move from the core (what's your risk propensity)? How does exploration buy into the future of our core business?

Explorative innovation goes beyond existing markets and capabilities and requires an entirely different strategy. Nevertheless, the "new business strategy" must be aligned to the existing strategy: exploration just makes sense if it buys into the future of the current core business. Otherwise, you operate in a silo and you'll have difficulty getting it adopted throughout the organization.

The new strategy should then highlight strategic search fields or hunting zones. These real guardrails identify which areas companies can explore in alignment with their strategy.

How?

Implementing ambidexterity is an organizational issue that comes down to balancing new business separation from – and integration with – the established core business effectively. On the one hand, you want to protect the new business autonomy. On the other hand, to be fully successful, you must leverage existing assets and integrate the new business with the pre-existing management system (and with its rules and processes).

Yet finding this balance is challenging. The "Dual Innovation" approach can come in handy in such a context. Dual Innovation builds on ambidexterity and adds a layer – Reshape the Core – to Explore and Exploit. The aim is to bring the capabilities of both areas together and create a neutral interface where their characteristics can be combined.

As a result, Dual Innovation requires mastering three (rather than two) Playing Fields:

- **Optimize the Core (Exploit):** driving incremental innovation within existing business units, markets, and capabilities.
- **Create the New (Explore):** exploring non-incremental innovation and new business building. The focus here is separation from the existing business to provide and ensure autonomy and protection to fledgling ventures.
- **Reshape the Core (Exploit/Explore):** integrating and connecting scaling-up ventures with the core business for strategically aligned reshaping. The goal is to generate innovation impact by designing and managing the interplay between the core and exploration.

Dual Innovation is about balancing "separation" and "integration". It reconciles sustaining existing business and building new business. So, how do you implement Dual Innovation successfully?

Implementing Dual Innovation

To ensure new business autonomy and protection (separation) and connection with the core business (integration), you need to have some key measures in place:

Key separation measures:

- It's essential to have a dedicated explore environment – with ad-hoc metrics, processes, cultures, and governance mechanisms – for the exploration unit to have room to discover, validate, and eventually scale up new ideas.
- The exploration unit also needs dedicated resources like full-time staffing with appropriate skills and mindsets, as well as earmarked funding.

Key integration measures:

- Establishing a venture board that protects and guides the ventures along the way while managing the interplay with the core business with respect to shared objectives, priorities, and access to unfair advantage, has proved to be of immense success for many companies.
- Deciding in advance how the scaling-up setting will look helps manage the scaling-up process: will it be integrated into existing business units? Will it be a stand-alone new business unit inside the core business? Will it be a spin-out (i.e., a stand-alone business unit outside the core business)?

By default, exploit and explore systems are incompatible: confronting inherent tensions and conflicts, rather than avoiding them, helps to bridge the gap between exploration and exploitation.

Dual Innovation: Lessons From Bosch

Founded in Stuttgart in 1886, Bosch today operates in over 60 countries and employs more than 35,000 people. Like many other big companies, Bosch has started its journey towards an ambidextrous organization. Eva Mitterreiter shared how they've applied Dual Innovation principles, the measures they've introduced, and some lessons learned.

Why?

Why does Bosch need ambidexterity? Bosch is a big company whose products range from mobility solutions to heating systems, from power tools to appliances. Like many hardware-based companies, Bosch is undergoing massive transformations. And the first lesson Bosch leaders learned is that to sustain its future and face the market's challenges the company needs to introduce new business models.

What?

Strategy and innovation are closely linked at Bosch. So, no matter if it's exploitative or explorative innovation. It always has to be aligned with the overall strategy.

Yet, for sure, explore and exploit describe different ways of innovating, are based on different mindsets, processes, and KPIs, and need to be treated differently. At Bosch, incremental innovation usually happens within the traditional business units frame, whilst explorative innovation finds room within existing business units if it's closer to the core but still refers to new customers or changed customer needs and/or new value propositions. If it's further away from the core, it's arranged in different incubation vehicles. We'll dive more into those in a moment.

How?

To transform a first idea into a successful product – or to stop it early – Bosch has implemented an end-to-end innovation process called the Bosch Innovation Framework (BIF). This framework is based on the entire life cycle of an innovation and consists of eight iterative phases starting with the definition of the strategic framework and the identification of relevant customer problems. In the following phases, initial solutions and ideas are developed and validated.

After successfully validating the concept, the incubation phase begins. A reproducible sales process closes the gap between early adopters and the mass market. After completing the incubation phase, the series development of the new product starts.

BIF is used for exploring innovations. But not all the ideas that make it to the incubation phase show the same level of strategic fit to the core. Furthermore, Bosch constantly incrementally innovates its core. So, how does

the company manage Dual Innovation and bridge exploration and exploitation? In other words, what does their "Reshape the Core" field look like? The interplay between the two takes the form of four incubation vehicles in which innovations converge according to their proximity level to the core:

- **Business Area:** innovation very close to the core with technology and strategy fit to a specific business unit.
- **Project House:** ideas promoted by top management that supposedly have great future potential for Bosch. These ideas are further away from business and require high investments, new talents, technology, and partnerships.
- **Grow Platform:** radical, bottom-up innovations that don't fit into daily business or development areas. New competencies, own space, and processes are frequently required to incubate quickly
- **Spin-off:** radical innovations that don't fit into core activities because of branding, strategic, or financial reasons.

Putting into practice Dual Innovation principles has given Bosch the needed capabilities to start the journey towards an ambidextrous organization.

Horizon Planning Is Wrong

Brant Cooper
CEO at Moves The Needle

The current way most corporations and innovation groups use the Horizon Planning Model is fundamentally wrong.

This model comes from the book "The Alchemy of Growth" published in 1999 by Stephen Coley, Mehrdad Baghai, and David White. The original purpose of the Horizon Model was to help businesses find ways to protect their existing revenue sources and develop new future ones. A lot of this model holds up today pretty well, but things have inevitably changed quite a bit- so it needs updating.

In the concept of "Horizon Planning", there are three horizons that we should be developing products for. Yet too often, innovation teams are expected to deliver breakthrough innovations (that should come with a longer time horizon) and ROI within a short period of time. This just isn't feasible.

Brant Cooper, author of "The Lean Entrepreneur" and CEO at Moves the Needle, proposes why the (current) Horizon Planning Model is wrong and offers a new way to think about (investing in) corporate innovation.

Why Is The (Current) Horizon Planning Model Broken?

"The Alchemy Of Growth" is not a book about innovation per se. It's about growth, and the three "horizons" are the time horizons for various growth initiatives:

- Horizon 1 (H1) is about extending and defending the core business and existing revenue sources. Returns are near-term (0-3 years).
- Horizon 2 (H2) defines new revenue streams that come from sources which likely require 3-5 years to scale.
- Horizon 3 (H3) describes initiatives today that will create future opportunities. Profits are 10 years away (if they ever appear). H3 ultimate goal is to replace existing revenue streams.

At some point, innovators co-opted the original model and equated H3 to "disruptive" or "breakthrough" innovation. Yet innovation was not ever part of the initial core concept. Furthermore, this rarely produces any value because most companies will never do or need disruptive innovation.

And then, H2 became incremental or sustaining innovation that belongs to no one and happens only by accident or through aggressive sales, marketing, or cost-cutting. This typically means modifying existing products or technology to create new markets or applying external technology in new ways.

H1 devolved into continuously improving the core business from a financial efficiency point of view. It's viewed purely as an execution exercise, and it's all about operational efficiency.

The current model of Horizon Planning has diverged from its original thesis. Instead of focusing on growth or new revenues, it has been molded into three-time horizons depending on how far out the returns for the projects were projected to be and based on "level of innovation".

Such a model rationalizes not funding innovation and has caused a sad state of affairs:

- Innovation teams are charged with breakthrough innovation but measured by immediate ROI
- Companies arbitrarily use a 70-20-10 rule for horizon investing
- Companies believe that they can determine what kinds of people work best in each horizon
- Business Units don't consider innovation to be their job

This corrupted version of Horizon Planning doesn't work for one fundamental reason: innovation is not predictable. You can't lay it out on a time horizon. You don't know if an idea will work, how big the success will be, how long it will take, and who will come up with the big idea or who will validate or scale it.

And growth can come from anywhere, at any time. It's not determined by the time horizon, how far away we guessed it was, or the model itself. In other words, growth doesn't necessarily come from innovation. Companies that prioritize their projects based on the "time to ROI" allocate their resources inefficiently.

Visibility Planning: Fixing The Horizon Planning Model

Thinking of horizons based on "visibility" can help fix the Horizon Model. In organizations, visibility is a measure of the distance into the future at which outcomes can be clearly discerned. Visibility varies according to initiative and how soon the outcome is needed. It's heavily affected by emerging technology, demographic trends, economic trends, and ongoing disruptions (e.g., pandemic, war, supply chain, labor constraints, etc.).

Visibility Planning helps determine the proper allocation of resources such that

organizations meet their short-term priorities, while also making progress on longer-term objectives, all based upon evidence.

The difference is that Horizon Planning arbitrarily assigns a time variable and an innovation level to initiatives even though the timing and outcome is unknown. Instead, Visibility Planning measures initiatives by uncertainty and evidence, where time and impact are outputs.

This alternative model – through a 2×2 matrix "the Project Prioritization tool" – helps estimate the likelihood of achieving desired outcomes based on market data and insights. It helps visualize where to invest resources based on evidence and impact.

And when your planning includes visibility, you can prioritize your projects on four different levels:

- **V1:** initiatives, or "execution" endeavors, with high impact and high evidence for success that are known to have a positive impact. Your resources should already be concentrated here.
- **V2a**: low-impact projects that have a high degree of confidence about what needs to be delivered. Resources should also be allocated to these projects, but they can be scheduled over a longer period of time since they are expected to have lower impact.
- **V2b:** this level is rarely, if ever, considered. These projects, with high impact and low evidence, are often funded and resourced, but rarely achieve the desired outcomes. And when an execution mindset dominates even though there's much uncertainty, the risk of wasting resources is high. Balancing execution with "exploration" activities to learn what value needs to be created for stakeholders (and the level of effort required to get there) can be a better solution.
- **V3:** This is usually where all ideas start- little to no evidence of their impact and level of effort is unknown. Thus how one deals with these can vary widely. Furthermore, these ideas require exploration work and this might be where innovation teams work, but ideally, whoever owns the idea is given the tools and time to generate evidence.

High-performing Venture Boards: Crucial To Establish a Higher ROI From Your Innovation Portfolio

Misha de Sterke & Alceo Rapgna
Senior Partner at Innoleaps & Author '10X Growth Machine' / CEO at Innoleaps Group

Within the consumer packaged goods industry, new growth primarily comes from two directions: small- or mid-brands, and new channels and business models.

Eventually, growth in the core business will decline. To continue generating revenue, organizations must grow beyond the core to new areas, markets, products, and business models, as Misha de Sterke, Senior Partner at Innoleaps & Author '10X Growth Machine', and Alceo Rapagna, CEO at Innoleaps Group.

A venture board can help address the challenges raised by the need to expand. 87% of corporations fail to scale up their innovations beyond their core business.

These failures typically occur due to several issues, such as cultural conflicts, ineffective leadership, and underfunding.

11 Tensions of Beyond-the-Core Innovation

Differences between the core business and new initiatives can lead to 11 tensions within organizations.

Business Model
The core business uses an established and proven model based on predictability and stability. To grow, the core business often focuses on optimizing core products.

By contrast, beyond-the-core initiatives use radically different and more disruptive business models. These models have been validated, but their performance has not yet been proven. These models are based on uncertainty and agility.

Brand/Market
The beyond-the-core business may start developing new brands or altering existing ones. The core business tries to protect the existing brand.

Systems
The core business relies on closed, often outdated legacy systems. Beyond-the-core initiatives use open systems that might have over-the-top features.

Partners
The core business typically receives support from known partners. This allows the core to control business processes and may reduce costs.

However, growing beyond the core often requires innovators to draw on new and unproven supporters. For example, a venture board may decide to look for new channels to leverage or seek talents from another company that's already doing what they're trying to do. This allows the new initiative to have greater speed and adopt new mindsets.

Governance
The core business typically has a top-down hierarchy centered on processes. The CEO occupies the top of the hierarchy, followed by the management board/business units and then core projects.

Early-stage initiatives need a separate, dedicated governance structure that uses lean governance and provides more autonomy. A growth board run by two to three executives should take the leadership role for these projects. The board controls beyond-the-core bets and has a five-year mandate to deliver extra growth using beyond-the-core solutions. Governance can transition from the growth board to the management board when appropriate.

Only 30% of surveyed participants have a venture board in place in their company.

Project Portfolio
The core business's portfolio is typically grouped around a few large projects. Many venture capital firms invest in a large portfolio of many bets because only a few projects will be successful.

For example, 65% of a portfolio may have a 1x return, while only 1% may return 20x to 50x. In other words, the chances of any one project succeeding are small, so it's best to distribute the portfolio widely.

Metrics
Early-stage initiatives use very different metrics from the core business because these processes have different cultures and expectations. The core business is evaluated using a three- to five-year plan and cash flow. When scaling up a new initiative, we talk about engagement ratios, life value, clickthrough rates, and conversion rates.

Funding
The core business has a set budget and prioritizes short-term profit. New initiatives are typically funded by allocated capital and focus on generating mid-term gains.

Organizations often limit the success of new initiatives by not making adequate investments.

For example, the average company invests 85-90% of its total innovation budget in optimizing existing products, while top innovators only fund 50%. And average organizations spend 0-5% creating radically different business models, while top innovators invest 20%.

If you have ambitious plans to scale beyond the core, your organization needs to make appropriate investments like top innovators do to meet these goals.

For example, a company that wants to generate €500M in 5 years through an internal innovation engine should plan to assess 50 ideas per year, incubate 20 of these ideas, launch 4 ideas, and scale 2 ideas per year to €80M in year 5.

Rewards
In the core business, employees earn a salary. Innovators who participate in a new initiative may have the opportunity to earn equity or other rewards.

Culture
If you are scaling up a new initiative, you will still test and learn. In the core business, it's not smart to fail, so there's much less room for mistakes.

People
In the core business, senior managers tend to make investment decisions. New initiatives are helmed by intrapreneurs who have access to a pool of external entrepreneurs.

Intrapreneurs must work to project the new initiative from the "corporate immune system." They also must face a lack of senior management commitment to these projects. It may be unclear which units and strategies the beyond-the-core initiative should align with.

Using a Venture Board To Govern Beyond-the-Core Initiatives

An organization's core business units often struggle to scale innovations unrelated to their core capabilities. More disruptive innovations also enter a gray area between incubating in the innovation lab and getting scaled up by a business unit. During this period, it can be unclear who is responsible for guiding the project. This is where a venture board comes in.

Venture boards have several names, including growth boards and innovation investment committees. They are dedicated governance teams that manage two items:

1. Tensions between the core business and new initiatives
2. Resource allocation

To operate effectively, all venture boards should have these basic characteristics:

- Run by two to three executives at most
- Have a five-year mandate to deliver extra growth using beyond-the-core solutions
- Committed funding to pay for the underlying "bets"
- Access to a pool of intrapreneurs from within the organization and external entrepreneurs

The core responsibilities of any venture board should include:

- Manage an innovation portfolio of initiatives
- Develop innovation growth strategies and goals
- Ensure adequate portfolio funding for staff and resources
- Foster an agile environment
- Fund and judge new innovations from idea to scale
- Provide coaching
- Protect the new business

If run well, venture boards could establish new power balances and allow new formal positions to evolve. They have the power to choose between mainting old processes, or shifting to new ones, more prone to support innovation.

Innovation Accounting 101: Measuring Innovation Progress And Reporting on Innovation Investment

Dan Toma & Esther Gons
Co-authors of Innovation Accounting

Financial accounting is crucial to examine how well an established company performs. Yet when it comes to new ventures and early stage innovation projects, innovation accounting can answer the questions that financial accounting simply cannot.

Dan Toma and Esther Gons, co-authors of the book Innovation Accounting, define innovation accounting as an organized system of principles and indicators designed to gather, classify, analyze, and report data about a company's breakthrough and disruptive innovation efforts – working to complement the existing financial accounting system.

Essentially, it's a set of metrics that makes it easier to understand a company's growth beyond what financial accounting can tell you. However, the end of the definition above is crucial. Innovation accounting complements the existing financial accounting system and shouldn't contradict or replace financial accounting in any business.

Innovation accounting provides many advantages for organizations. It:

- Allows organizations to receive feedback from the market much faster than they would by using profit and loss statements
- Can help attract new stakeholders
- Decreases the cost of innovation
- Enables companies to invest in innovation more strategically than their competitors
- Helps companies understand if their innovation strategy works
- Highlights areas overlooked in the product life cycle
- Identifies flaws or failures in the strategy
- Promotes more disruptive innovations

Many experts believe that the organizations that dominate future markets will be the ones that treat strategy as a series of calculated assumptions, not as a static five-year plan. Innovation accounting can support this more daring mindset by allowing companies to validate strategic initiatives quickly.

It's worth noting that successfully conducting innovation accounting requires these prerequisites:

- Teams perform innovation work within the company.
- These teams should use unified approaches and methods.
- The organization can implement a product life cycle framework.
- Internal innovation processes follow the same structures using the same framework for consistency.
- You should understand the connections between certain initiatives and strategic priorities to determine if a strategy is working.

These elements are necessary if you are to obtain tangible data to analyze.

Types of Innovation Accounting

It's impossible to boil down complex, disruptive forms of innovation to a single key performance indicator, so it's vital to look for multiple signs throughout an organization's structure.

Four layers make up the innovation accounting "funnel." Information needs to be transferred in both directions through this funnel to improve decision-making, product design, and the overall performance of the ecosystem.

1. Strategic

This level determines if the innovation strategy you're following has the potential to work with the right team behind it.

This layer evaluates indicators of innovation that mainly interest executives, such as board members, investors, and stakeholders. These indicators include:

- Average conversion rate
- Average time to sustain
- Cost of innovation
- Cost to learn
- Impacts of portfolio governance
- The increasing or decreasing maturity of the organization's ecosystem
- Investment distribution
- A multiplier index of innovations
- A new product vitality index
- Portfolio distribution
- Portfolio face
- Revenue

2. Managerial

Managerial innovation accounting analyzes the confidence managers within your corporation have in innovation. For example, if a decision maker likes the direction of an innovation project, they will likely dedicate more resources toward its success.

With more money and human resources going to a specific innovation project, that project will move through the innovation phases more quickly.

A key indicator of this confidence is the amount of time the project spends in each phase. Shorter innovation phases indicate that those in charge of resource allocation have high confidence in that project's success.

Indicators include:

- Average cost
- Average estimated value/cost ratio
- Average time spent per stage
- Engagement
- Impacts of applying disciplined entrepreneurship
- The level of ecosystem maturity
- The number of ideas currently located in each stage of the innovation process
- The number of innovations progressed to the next stage
- The number of ideas stopped per stage
- The time needed to learn

3. Tactical

Tactical innovation accounting looks at the teams running the projects and ventures within your organization, with indicators like learning velocity, which simply means how well your team members learn as they work. If they learn faster and are knowledgeable in their category of work, they will be far more proficient, resulting in faster-paced innovation.

This layer assesses innovation indicators that appeal to teams and coaches, such as the:

- Amount of ideas generated
- Confidence in critical success factors
- Cost of the venture
- Holistic confidence in the venture
- Learning velocity
- Maturity-specific activities
- Number of innovations tested
- Skills and tools
- Risk-adjusted value/cost ratio
- Time spent in each stage of the innovation life cycle

4. Cultural

Finally, this approach examines how an organization's culture fosters or discourages innovation. These factors heavily influence the other three layers.

Questions to ask during this stage include:

- Do our people have the skills they need to innovate?
- Does the organization promote a culture of innovation?
- How embedded is this culture of innovation in the whole company?
- How long does it take to make decisions about innovations?
- How many ideas does the organization generate?
- How effective are the innovation team's experiments?
- How much knowledge do various groups have of the organization's innovations?

Understanding Innovation Accounting Indicators

Every company is unique, so the indicators that others in your industry track may not be adequate indicators for your organization. You should tailor your innovation accounting process to your company, with a specific set of indicators.

As you decide which indicators are essential to your organization, it's important to remember that innovation accounting complements financial accounting. So, consider indicators that the CFO of the company values.

For example, the CFO may not concern themself with how fast a single project moves from one phase to the next, but they're likely very focused on the average time projects sit in each phase. Make sure to consider both high-level and low-level indicators.

There's no magic number to hit when it comes to accounting indicators. You could have five or fiofty. The number of indicators shouldn't necessarily be the focus. Instead, ensure that every indicator you use tracks a crucial aspect of your innovation process. Any indicator you're tracking that doesn't provide actionable data is one too many.

The Indicators Map

If you seriously want to deploy innovation accounting in your organization, you will soon have many indicators to measure. You can draw connections between many of these indicators, such as the number of decisions made and the number of ideas tested. These links can help you create a visual map that traces connections between indicators throughout the four layers.

An Indicators Map provides several benefits. For instance, it:

- Helps you get a better sense of how innovation fits into the organization's ecosystem
- Reveals how different groups within your organization perceive innovation
- You can also use an indicators map to identify gaps or weaknesses in your innovation system

Some indicators may only track to a particular layer of the map and have no connection with lower or upper levels. These missing links indicate that the system is not complete and that you need to put additional indicators in place to help each layer connect to what's happening downstream or upstream from them.

Using the Indicators Map To Solve Innovation Problems

An Indicators Map is a powerful tool that can help address problems in the innovation process. You can influence a target problem indicator by identifying related factors and changing these areas.

You can work through the map from the highest to the lowest layer if you have an executive or management role. Alternatively, a lower-ranking team member can start by making changes at the bottom of the map.

Here are two practical examples of how this process can improve innovation.

Example #1: Decreasing Average Time From Ideation To Execution

Imagine that you want to decrease the average amount of time that innovations spend in each stage of the product lifestyle. You can reduce this time by altering associated indicators, like: The confidence that a venture board or innovation council feels when evaluating an idea.

Key success factors at each respective stage:

- The team's learning velocity
- Decision speed
- Experimental efficacy
- Knowledgeability

In other words, if you want ideas to move quickly through the innovation life cycle, you need to help your teams learn faster and validate that learning more rapidly. These changes will influence how quickly the venture board makes a decision and, by extension, how long the idea stays in one phase of the pipeline.

Example #2: Lowering the Cost of Innovation
Suppose that an organization wants to decrease the cost of innovation. Starting at the bottom of the indicators map, an innovation coach could make these changes:

- Increase the learning velocity of the teams you're working with
- Determine what outcomes you'll promise executives, like an impact on the average conversion rate of the funnel or portfolio distribution

Examples of Indicators

Learning Velocity
Learning Velocity is the single most important innovation accounting indicator and one that every company should use. Your team's capabilities will directly relate to your innovation programs' success or lack thereof.

That means your innovation programs' success pivots on your team's ability to learn and incorporate what they learn into their day-to-day activities.

Your team should quickly become proficient at validating and invalidating ideas. They must understand the end goal and competently articulate ways to help achieve that end goal. This indicator comes from education systems within your organization and is measurable using learning velocity metrics.

Time Spent in Each Stage
Every idea must pass through multiple stages to make it from idea to market. The longer ideas sit in each stage, the longer it takes them to become self-sustaining and eventually make it to profitability.

Your development process is unique, and your development process will likely vary wildly from the stages of another company's development process.

Think about the different stages you send your innovations through to make it from idea to market and track the time each product stays in each stage.

As tends to be the rule, when those periods are shorter, this innovation accounting indicator suggests you're on the right track. On the other hand, spending significant time in each stage takes value away from the project.

Value/Cost Ratio
First, you must determine the value of your innovation. Consider the size of the market, the competition, and what percentage of the market you expect to capture with your innovation. Afterward, place a dollar value on your innovation.

Now, compare that dollar value of the innovation to the investment you expect to make for the product to come to fruition. This step will give you a better understanding of which innovation projects are most worthwhile.

Number of Ideas Stopped Per Stage
Ideas don't always become products. The truth is that most ideas get stopped at one stage or another in the innovation process. It's crucial to track the number of ideas that get stopped at each innovation stage. This metric shows you where inefficiencies lie in your process and allow you to improve it.

Number of Ideas Progressed Per Stage
As with the number of ideas that get stopped in each stage, you should track those that successfully make it through each stage. This practice gives you an idea of the value your innovation process generates at each innovation stage.

Not only does tracking the number of ideas that progress per stage provide a picture of the value your innovation team generates, but it can also show you which stages are most efficient.

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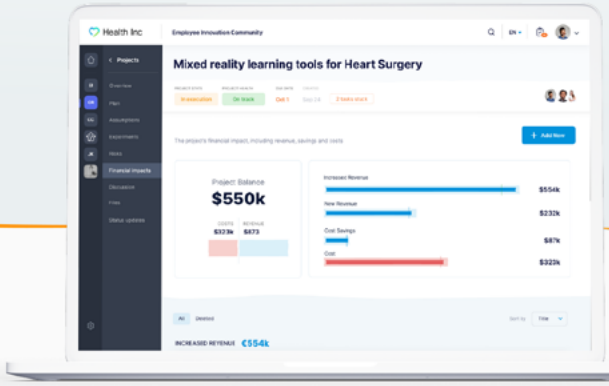

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Unblock, Unlock, Unleash: From Business As Usual To Business Unusual

Scott Morrison
Founder of the Boom! and Co-founder at Loops

We've been told for years that we can predict the future. The reality is, we can't.

The world is changing rapidly, and there is absolutely no way to keep up with this level of change. The only thing we can do is create our own future and make it happen. And that's our job as innovators, suggests Scott Morrison, Founder of the Boom! and Co-founder at Loops.

The Gap Between "Business As Usual" And "Business Unusual"

Imagine plotting consumer expectations over time on a graph. Not so long ago, those exact expectations plotted along quite linearly- just think about how many years it took to create a new terrestrial channel, while today, with a click of the fingers, you can subscribe to Netflix and have access to thousands of shows. Things were progressing slowly, and consumers were all happy. Yet something happened around 15 years ago: the smartphone was invented and consumer expectations skyrocketed.

Today we all are "Uber's children", we hold unreasonable, demanding expectations and we want to have everything on our terms instantly.

Consumers want their lives to be seamless. And that creates a huge gap between businesses as usual and businesses unusual. The former know that consumer expectations are growing exponentially and are thinking differently to innovate and create value. Everyone else who's not doing that is doing business as usual. The gap between these two is an actual mindset gap called "positive disruption".

When an organization harnesses the power of positive disruption, it can go from being business as usual to being business unusual. However, if you are an innovator and consider yourself a business unusual person, you certainly know how hard it is to get leaders and the rest of the organization to come along with you on this path.

9 Behaviors to Inspire Innovative Thinking

As innovators, we have to unblock, unlock, and unleash positive disruption within our organizations. We must support leaders in understanding why this change needs to happen, how it needs to happen, and what the results will be.

The unblock (the old thinking), unlock (new ideas), and unleash (with action) phases include nine behaviors innovators should adopt to foster this change from within.

Unblock: Killing The Way We Used to Work

The first step to unblocking positive disruption in your organization is to get

rid of the old thinking and the way you do things, and then engage the business to think differently about solving the new rising challenges. Three core behaviors will help you:

1. Rebelling. Rebelling equals thinking differently about how we approach the challenges we engage the business with by going straight to the nub of those challenges. To do that, ask heresy questions- i.e., the questions that everybody knows must be solved, but nobody – including leaders – does it. And everybody knows that if we don't do something about it, and if we don't answer those questions correctly, that will kill our business. And still, we never talk about it.

A heresy question for a music business a few years back would certainly have been: "What happens if nobody wants to consume music and buy CDs anymore?"

Probably, only those who dared to ask that question survived and got to a solution that helped innovate their business in new and different ways. There's definitely something like this happening in your own business right now. And only if you ask a heresy question will you discover a rich and fertile ground on which to innovate.

Don't waste time asking obvious or difficult or awkward questions- instead, go beyond and ask heresy questions.

2. Reframing. What often happens in business as usual organizations is that we simply do the same thing repeatedly while expecting a different result, which we will never get. The actual challenge and opportunity with innovation is to reframe that brief whenever possible. "Let's innovate smartly and reframe what we do. Let's not just follow the business as usual approach", advises Scott.

3. Recasting. The power of having different voices in the room is incredible. And so, be sure the team you're working in (and with) is cognitively diverse. This means you need people with different mindsets, perspectives, and viewpoints on board. Because if they all have the same mentality, you'll keep getting business as usual responses.

Accordingly:

- Identify all of the obstructionisms and obstructionists that thwarted transformation in the past and get rid of it.
- Find the executive punk(s) who care more about change than status, and give them all the resources and autonomy they need to never let obstructionism win ever again.
- Every time they get stuck, and it's not because of reasonable invalidation but rather because of unreasonable obstructionism, make it your job to remove the obstructionists.

Unlock: Learning, Unlearning, and Relearning

Unlocking isn't about individuals. It is more about a cultural element behind the broader organization and its ability to be self-aware and know that many things we've learned so far deliver business as usual. To switch to business unusual, we need to stop doing things that don't work and don't create value- we have to unlearn them. And when we do that, it leaves space for us to relearn, to think about what's new and what needs to replace the old. The unlocking behaviors are:

1. Connection. Innovators should create a connection to the principle of learning, unlearning, and relearning. Start from you and ask yourself what in the business has got you so far but it's not helping you anymore and you'd rather unlearn it. Then think about what you can learn and relearn.

Next, define how you can do the same for your team and your organization and enable them to understand why unlearning and relearning. Explain to them that's the way to create countless new opportunities to transform innovation within the organization.

2. Collection. Make sure you're bringing stakeholders along and helping them understand what innovation – the innovative thinking, the insights, the ideas – that's being generated around the world looks like and how it can relate back to your organization. When it comes to innovation, sometimes we forget that we don't always have to create something new- we can just elegantly steal from others.

Great Ormond Street Hospital of London takes care of more than 600 young people daily. A few years ago, they noticed several complications sometimes occurred in operations handover. Of course, the hospital knew they needed to do something about this, but no one knew how to solve this puzzle. One night the lead surgeon was watching Formula One and noticed that the pit stop where they change tires and top up the fuel was identical in concept to what they do in operations handover. Not to mention that Formula One cars are actually really delicate, and the pit stop team must complete complex tasks in seconds.

And so the surgeon rang Ferrari, which then helped the hospital reconfigure a brand new handover. Immediately after that, complications dropped to relatively 0%. Formula One had fundamentally helped save children's lives.

Herein lies a precious lesson: innovation is constantly happening around us and can be applied to your business with a simple rethink and re-proposition. But it takes a collection of thinking and ideas to do that.

3. Conviction. The myth of failing fast works brilliantly in Silicon Valley, yet it doesn't work so well in corporates and through the chain of your teams. Organizations and people are not programmed to fail (and to fail fast): if in traditional businesses you fail, you lose your job. Therefore, we should change our conviction and shift from a fail fast to a learn fast culture.

Research on employee satisfaction shows that the biggest motivator for people to come to work is learning, growing, and taking responsibility and ownership (money only ranks sixth). So when you start building a learn fast culture, it suddenly taps into that number one need for work. And it also embraces the fact that even if you eventually fail, you succeed anyway because you're constantly learning and moving towards business unusual. It follows that a conviction to a learn fast culture is critical.

Unleash: Creating Action in Our Organizations

Unleash is arguably the most crucial phase as here things get actually rolled out and pushed into the organization. And the process to make this happen is really simple and consists of three actions:

1. Adopt. As mentioned in the collection paragraph, organizations frequently waste time and money trying to invent something wholly new and different. Instead, they should commit to creating a learn fast culture and adopting what others have already invented.

2. Adapt. You may need to adapt others' innovation to your organization (for instance, your culture may have specific needs)- and that's completely fine!

3. Invent. Only invent something new if and when what you've borrowed doesn't work for you or doesn't add any value.

What's even more interesting about the adopt-adapt-invent process is that organizations always tend to do it the other way around. Business as usual constantly invents something new without measuring or checking whether it's fit for purpose or not. But if we adopt first, we also learn how to identify the most crucial challenges we want to solve and can better prepare ourselves to invent something on our own.

Igniting Innovation: How To Quickly Go From "What If" To "Here's How"

David Lederhendler
VP of Innovation at Disruptive Edge

What if...

What if your competitors are releasing things faster than you? What if a new startup creates a service that disrupts your core business? What if you can't keep up with your customers' expectations? What if a new technology comes in and makes your own business obsolete? What if you don't evolve fast enough to adapt to change?

All these "what ifs" are keeping you awake at night. Chances are you realize you need to make some changes but don't know where to start.

Here's David Lederhendler, VP of Innovation at Disruptive Edge, sharing a six-step process you can use to ignite your next innovation domain and go from all your "what ifs" to "here's how" in a matter of minutes.

From "What If" To "How To": The Process

There's no way for companies to innovate successfully and not fall behind unless they play and invest in all three different levels of innovation:

- **Core:** innovation focused on optimizing existing products and assets for existing markets and customers.
- **Adjacent:** innovation focused on moving from existing businesses into "new to the company" businesses and adding incremental products and assets to enter adjacent markets and serve adjacent customers.
- **Disruptive:** innovation focused on developing breakthroughs and inventing new products and assets for markets that don't yet exist. In a nutshell, disruptive innovation enables companies to create new white spaces and target new customer needs.

How can you deploy core, adjacent, and disruptive innovation and prepare your company for the next innovation domain ignition? How can you move that "what ifs" mountain? Here's a scalable six-step process used by Walmart, Mattel, and other Fortune 500s. to go from "What If" to "Here's How".

1. Understand "why" and "how" the company needs to innovate. A clear understanding of both the corporate strategy and how

innovation will enable that strategy is fundamental to the long-term success of innovation. In other words, strategy and innovation must work hand in hand to define some innovation criteria, i.e., "why" and "how" the company needs to innovate. For example: if the corporate strategy is to increase revenue through new business lines over the next few years, innovation is expected to support revenue generation by creating new product(s) you don't offer today.

2. Understand the customer and ideate. Exploring what your customers need and what your competitors are doing will help you identify new opportunities and understand how you might better serve your stakeholders.

This is where you need to think out of the box and generate ideas to build an "idea bank". Idea banks are meant to list as many plausible business ideas as possible that solve a unique or underserved customer gain, pain, or job to be done. The goal here is to come up with several ideas at once and set the tone for your innovation approach. Make sure you have a diversified portfolio: different problems need different solutions.

3. Prioritize ideas. You can't pick a winning idea. And so, once you've listed your ideas, you need to thoroughly prioritize them leveraging the criteria identified in Step 1, along with the customer pain points and market research completed in Step 2. Making a decision on what you think are the best ideas is important but not permanent. As such, focus on a few ideas your gut tells you are the best, but keep the "idea bank" alive (your treasure bank) as more ideas can be added later. The key here is to not fall in love with a solution, but to fall in love with the problems to be solved.

4. Prototype the business model and generate hypotheses. At this point, you need to craft and prototype, from your top ideas, the value proposition that resonates with your customers. And then, you have to design the business model accordingly. The nine-step Business Model Canvas can help you rapidly discuss any good new prioritized idea and, as such, identify and hypothesize key components of your business model.

5. Test (and validate) hypotheses. Designing a proper test to validate or invalidate your hypotheses consistently is critical. Testing your hypotheses with customers and other stakeholders and measuring your results and gaps in a sandbox will make you understand if there's desirability and/or how to improve accordingly.

6. Review evidence and learn. Testing is always followed by learning. Now that you have conducted some rapid tests, what have you learned? How will you iterate your idea? In this last step, you have to review the evidence you've collected and determine how to move forward.

As an innovator, you can be "imperfect" as long as you're agile. You have to test, validate, and learn both from successes and failures until that innovation becomes core to the organization, until it flies by itself.

Doing things differently, meeting evolving customer needs, and navigating complex internal agendas, the world's largest companies are juggling competing priorities while trying to inspire their team to build future-proof business models.

From them, we learn that innovation starts with understanding customer needs. As an innovator, you must never design or test in a vacuum: go talk to real customers; their voice is stronger than anything else. Thus develop ideas and prioritize them to stay in line with the overall company's strategy: strategy and innovation are like Yin and Yang, they have to be in sync.

And innovation can't succeed if it's seen just as a side-of-desk activity. Instead, it needs a structured process as well as a budget, resources, and parameters. Yet you need to cultivate an innovation mindset in your company before creating such a process.

It all starts with deploying core, adjacent, and disruptive innovation simultaneously, preferring long-term wins over short-term gains, and normalizing failing and learning from it quickly.

The What & Why Of Continuous Discovery

Teresa Torres
Author of Continuous Discovery habits and Product Coach

The best teams recognize that digital products are never finished- they constantly improve.

There's a need to have continuous product discovery in the digital world, and as such, it's important to create a regular cadence of interaction between the product team and the customers they're building for, suggests Teresa Torres, author of Continuous Discovery habits and Product Coach.

What is Continuous Discovery?

Continuous discovery can be summed up in four sentences:

- Weekly touchpoints with customers,
- By the team building the product,
- Where you conduct small research activities,
- In pursuit of a desired product outcome

The best way to understand continuous discovery is to go through this definition sentence by sentence.

Weekly Touchpoints with Customers

Continuous feedback aims to get regular customer input to see the gap in how you see things compared to your customers' points of view. With regular weekly feedback, your company doesn't fall into two things: the curse of knowledge and getting feedback too early or too late.

As companies work on their products, they develop product expertise. However, there is a risk that this creates the "curse of knowledge" – you make decisions from your expert point of view, forgetting that your customers don't have your expertise. As a result, your research falls short, and your products don't work.

Traditionally, companies get feedback at the beginning or the end of a project. The problem with this method is that you don't know which questions to ask initially. If you ask for it at the end of the project, it's too late, and you might not be able to fix the product.

The easy fix to these is to get feedback from your customers continuously. You need to see your products from the point of view of your customers. One of the significant benefits of weekly cadence with customers is co-creation. Co-creating means combining your customer's knowledge of their world with your company's knowledge of what's possible and how to build the right solution.

By the Team Building the Product

To get regular feedback and co-creators with your customers, your company usually tends to outsource data through market research or a business intelligence team. However, often these studies are not timely. They have highly generic answers and are not usable. The main reason is that your team is not involved in the research.

The ideal way is to have your team building the product engage with the customers weekly to get fast answers to your daily questions. However, this isn't always possible, especially with big groups. To bridge this gap, the digital world has the concept of a "product trio".

The product trio comprises the product manager, design lead, and tech lead in the digital world. The concept of a product trio is simple: to get the right people in the room working together and engage the customers so the right product gets built. The product trio leads the discovery, and although they are not the only ones involved in product discovery or talking to customers, they are the leadership team.

The product trio bridges the gap between quantity over quality when it comes to decision-making. Remember, the more people involved, the slower you will make any decision. However, the more key personnel involved, the better the decision.

The product trio makes sure the minimum number of people are involved in making a good decision. The concept of the product trio is flexible, and critical people can be added when the situation entails their expertise.

Conducting Small Research Activities in Pursuit of a Desired Outcome

How do you stay focused on your outcomes while continuously conducting these small research activities? The solution is the Opportunity Solution Tree, a non-linear visual aid that allows the product team to reach the desired outcome and achieve this. The Opportunity Solution Tree Diagram can be summarized into four key areas: a clear desired outcome, opportunities that emerged from your research, solutions, and experiments to evaluate your solutions and the assumptions behind them.

Define a Clear Desired Outcome

The desired outcome is what your company wants to achieve or the business value. This outcome is usually a metric. This metric can be anything from increased revenue, increased retention, engagement, to name a few.

An important thing to remember is that it is challenging to influence customer outcomes, but you can influence product outcomes. Over the years, especially during the pandemic, there has been a shift from the output (what we will build) to the outcome (what impact will the product have). This shift was primarily because of the uncertain future and ever-changing technology landscape. Engaging in this outcome-based model makes you more agile. Product outcome is the behavior in the product you believe is a leading indicator of a business outcome.

In formulating your desired outcome, you usually need to have a theory. To illustrate, let's use Netflix as an example. The theory with Netflix is The more they entertain you, the longer you'll stick around. With this theory, you can use viewing engagement as metric driving retention.

When you've formulated your desired outcome, the next step is to identify the tasks of the pain points you need to resolve to reach your desired outcome. Addressing the customer's unmet needs is the best way to create value for your customer. Look at only

the unmet needs that can drive your desired outcome. Going back to the Netflix example, you want to discover what keeps people from engaging with Netflix, the pain points, and the problems and desires they run into. From there, you can map out opportunities.

Interview Your Customers to Discover Opportunities

To understand your customers' desires and pain points, you need to establish a weekly cadence with your customers. Weekly cadence is an ideal situation, but only a few companies do this because it's challenging to recruit customers. One viable solution to this problem is automation. You can achieve this by:

- Recruiting people who visit your website. You can offer a survey and offer a gift in exchange for your customer's opinion
- Define triggers for your support team. You can ask key people in your team to engage the customers when it falls on their specific area of study
- Create a customer advisory board to create a relationship with your customers and make them your design partners. You'll work closely with a select few of your customers and, in the process, make them co-creators

Asking the right questions

In conducting interviews, it's crucial to ask the right questions to get the right answers. The best way to do this is to avoid direct and speculative questions. Don't ask questions like "Do you watch Netflix?" or "Do you like Netflix?"

This is because human beings, in general, are terrible at answering direct questions. Direct your energy instead of focusing on the specific stories of your customers in the past. You can ask questions like "Have you watched Netflix in the last week?" In doing so, you're allowing your customers to tell their stories. Through these stories, you'll see customer pain points, desires, and needs.

Discover the Solutions that Deliver on Those Opportunities

When you've identified your customers' pain points and desires (opportunities), you then need to identify the ways your product can solve these. You can have many opportunities, but you need to work with one option at a time. The ideal process is to choose one opportunity, solve it, ship it, and repeat the process with the other opportunities.

In working with an opportunity, it's best to consider more than one solution at a time. However, in considering solutions, avoid ones that lead to a whether or not decision. Whether or not decisions come from questions framed as "Is this idea good, or not?" Whether or not questions are not ideal because they can give rise to two things: Escalation Commitment Bias and Confirmation Bias.

In escalation and commitment bias, the more you commit to an idea, the more you identify with it, the more you think it's a good idea. On the other hand, a confirmation bias will have you looking at evidence to confirm your excellent idea but miss the ones that say it's flawed. These two can lead to a flawed solution.

A better way to frame your idea is to set up a compare and contrast decision. In this type of decision, you compare a few ideas, and you ask yourself which of these ideas can solve the problem.

To illustrate, compare the following questions:

- Is Usain Bolt fast? (Whether or Not Question)

- Is Usain Bolt fast compared to a cheetah? To a Tesla? To other human beings? (Compare and Contrast)

Which of these questions gives you a clearer answer?

Assumptions Behind Solutions
In every solution, some assumptions drive it. These often fall into the following categories:

- Desirable assumptions. This answers the question, "Does anyone want it?"
- Viable Assumptions. This answers the question, "Should you build it?"
- Usability assumptions. This answers the question," Can anyone use it?"
- Ethical assumptions This answers the question," Is there any potential harm?"

If you feel the need to make your assumptions clearer, you can create a Story Map to visualize your premises.

Experimentation
The bottom level of the opportunity solution tree is about experimentation. In this stage, you want to test the solutions or assumptions you've made. It helps to ask the following questions for each solution:

- Does the solution address the opportunity in a way that drives the desired outcomes?
- Does the opportunity address a real pain point, need and desire?
- Do these solutions address the opportunity?
- Is this solution usable? Feasible?

The next step is to test the assumptions. There are several ways you can test hypotheses:

- Create a one-question survey to evaluate past behavior
- Ask if your customers are already exhibiting the behavior you want them to see, or suggest that?
- Research spikes to help assess feasibility. This is where you ask your engineers to identify a particular thing

Continuous discovery is a process that helps your product team include customer input in their product decisions, making customers a co-creator in the constant product discovery. In this way, you continuously refine your products to deliver most value to your company and your customers.

Your Market Is Bigger Than Your Product

Tony Ulwick
Founder and CEO at Strategyn

Most growth-minded organizations want to expand their core markets and reach new demographics of customers.

A new market portfolio is one valuable tool to help you meet these goals, suggests Tony Ulwick, Founder and CEO at Strategyn.

This portfolio consists of a prioritized list of additional markets that can generate incremental revenue and support an

organization's growth objectives.

Creating a new market portfolio involves three steps:

1. Define the markets you're currently serving
2. Investigate other markets you could enter
3. Rank the additional markets to develop a roadmap that will guide your investments

This process may appear easy on the surface, but organizations who want to enter new markets face one significant challenge: no definitive definition of a market exists. 80% of surveyed managers report that their team doesn't have a shared understanding of this concept.

Defining a Market

A coherent definition can make it easier for organizations to compare potential markets. A market should meet these criteria:

- Be unique from all other markets to eliminate ambiguity
- Center on a problem, not a product or solution
- Provide a framework to discover adjacent markets more efficiently
- Remain stable over time to serve as a valid long-term focal point for value creation
- Serve as a consistent basis for evaluation

You can evaluate market attractiveness more effectively by defining each market in the same way.

Using Job Theory To Enhance the Market Definition

Using the jobs-to-be-done lens, we can define a market more precisely as a group of people who buy products and services to accomplish a particular job. The customer's job is a stable focal point for value creation because the job and underlying market stay the same even as individual products become obsolete.

For instance, listening to music is one job that has remained constant even as technology has evolved from CDs to MP3 players to streaming services.

Identifying Your Current Market

Before you can identify new markets, you must understand the jobs you're already getting done. Consider these questions:

- What markets are you currently serving?
- What product do you plan to innovate?
- What job does the product or service that you want to innovate get done?

Locating New Markets

Once you've identified your current core markets, you can look for new areas with great company-market fit. These markets align closely with your organization's existing capabilities, branding, goals, and strategies. Your company will already have a competitive advantage in these territories.

Effective ways to expand into adjacent markets include:

- Help current customers get more jobs done by adding new products or services to your portfolio
- Use existing services and products to reach new customers who need to get the same jobs done

You can also attempt to expand into a completely novel space with a brand-new product. However, this step can be more difficult because there's no established company-market fit. This process also requires companies to learn a new customer and a new technology to get the job done, creating more risk.

Identifying New Markets With a Specific Technology in Mind

Some companies already have an innovation in mind and want to find markets to enter with this product or service. In this scenario, the markets open for consideration are constrained by the jobs that the technology can address.

The innovator can use these steps to identify suitable markets for their technology:

- Reverse engineer what jobs the technology can get done
- Find groups of people who are trying to address these jobs
- Selecting the most attractive opportunities

Identifying New Markets For a Group of People

Other organizations have a specific audience that they want to target, such as parents with young children. The jobs that these people are trying to get done determine the markets open for consideration.

To select specific markets within the target population, the innovator should:

- Explore what jobs the targeted group of people most need to get done
- Analyze each job for company-market fit
- Choose the most promising market(s)

Prioritizing and Selecting Additional Markets To Enter

After you identify your current and adjacent markets, you can choose additional markets to enter. These criteria can help you evaluate each market's attractiveness:

- Customers' willingness to spend more money to get the job done better or faster
- The degree to which the job is over- or underserved
- Frequency of job execution
- Market size
- Percent of underserved customers
- Potential for growth
- Rate of growth of job executors

You can use tools like customer surveys to help gather this data. After you evaluate each market's attractiveness and viability, you can execute these final steps to select your new target market(s):

- Confirm that the top markets will repay your investment
- Choose the order in which you'll enter your selected markets
- Create a timeline for market entry
- Create a coherent market portfolio strategy

The Human Element – Overcoming People's Resistance To Innovation And Change

David Schonthal
Clinical Professor and Director of Entrepreneurship Programs at the Kellogg School of Management and author of The Human Element

How do you get people to say "yes" to a new idea?

Most innovators believe fueling innovation with extra features and benefits is enough to get more people on board.

However, by only focusing on how to enhance attraction, they often neglect the other half of the equation- the frictions that work against the desired behavior we seek in others.

From inertia to negative emotions to the impulse to resist change, frictions are defined as the psychological forces that oppose and undermine innovation. And so, how can we minimize the forces of resistance that work against any new idea?

David Schonthal, Clinical Professor and Director of Entrepreneurship Programs at the Kellogg School of Management and author of The Human Element, highlights the four main frictions that operate against innovation and explained how to reduce their impact.

What Makes An Idea Take Flight?

When a bullet is fired from a gun, it travels at 1300 feet per second, breaking the sound barrier. It can travel nearly two miles if shot at the ideal angle. In addition to being powerful, a bullet is also precise: in a steady hand, a bullet can hit its target with pinpoint accuracy, time and time again.

Gunpowder is a bullet's primary fuel source and propels it toward its target. However, no matter how high-quality and excellent the gunpowder is. Along its trajectory, the bullet will inevitably encounter all sorts of challenges, such as gravity, constantly pulling the projectile down to the ground, and wind drag. And for that bullet to accurately hit its target, it needs to be aerodynamic and shaped to minimize all forces acting upon it in the opposite direction.

This is a powerful metaphor for change and innovation. As innovators, we strive to make our ideas more magnetic and our sales pitches more attractive. And when people don't adopt our innovation, we tend to think there's something wrong with the product or service, its features, or the way we've marketed it. But what actually makes an idea take flight?

Like a bullet, two forces simultaneously work in favor and against ideas: fuel and friction. Fuel is the sum of all the forces that incite change and make an idea more attractive and powerful. But just like a bullet traveling towards a target, new ideas also encounter friction, namely the forces that oppose

change or stifle innovation efforts. Fuel and friction go hand in hand; they're the two sides of the innovation equation. And to bring our ideas to life, we should first and foremost minimize the forces of resistance that work against them.

Fuel vs. Friction: The Innovation Equation

As human beings, we have evolved to resist change. We're creatures of habit, and fuel is our default mindset. We tend to think about things through our own lens and in the context of our own behavior instead, and we tend to minimize situational causes. As innovators, it's up to us to understand and consider this natural, profound phenomenon of the human mind. Otherwise, we'll never stop wondering why people interested in buying what we offer eventually fail to adopt our idea.

In particular, four frictions, or primary sources of psychological resistance, work against innovation and change: Inertia, Effort, Emotion, and Reactance. The amount of opposition new ideas face in the marketplace depends on the degree to which these four frictions show up. And the earlier we predict them and develop some "mitigation strategies", the more successful we'll be in our innovation efforts. Let's dive into these four frictions and some remedies we can use to weaken them.

Inertia: The Powerful Desire To Stick With What We Know, Despite The Limitations

Does the new idea or change represent a major break from the status quo? Have people had a chance to acclimate to the change? Does the proposed change happen gradually over time or in one big step? The answers to these three questions determine the magnitude of inertia – or "the status quo bias" – innovation will likely face.

People may strongly desire to hold on to what they've known for a long time despite evident limitations. As such, some inertia is always present in any change we try to implement. When it comes to this first friction, there are two solutions we can adopt: starting small and making unfamiliar ideas more familiar.

- **Starting small:** to explain this concept, David shares the example of Public Digital. This UK-based consultancy company helps public organizations with digital transformation. When rolling out a transformation program, Public Digital never calls it "digital transformation", as this might evoke a sense of imminent, brutal change throughout the organization. And while that may be true over time, you should never start presenting the enormity of the task.

  Public Digital usually starts with defining a digital transformation around their clients' next critical project. This can serve as an example of the power of the change you're trying to create. Then they assemble a small team of both Public Digital designers and employees of the company to work on this specific project.

  Only when this single transformation begins to bring results, they show its success to the rest of the organization. In short, although the goal is to eventually transform the whole organization, it all starts with creating small projects that warm people up to the idea and allow the organization to gradually get used to digital transformation.

- **Making unfamiliar ideas more familiar:** one of the temptations we have as innovators is to highlight the newness with all the new features and benefits.

And that makes a lot of sense because there are many exciting things to discuss.

But sometimes, that newness is its own greatest source of resistance in the market because people aren't sure how to use the innovation and/or how to relate to it. A great example of how to overcome some of this inertia comes from the computer interface design.

Back in the 80s, Jobs and Wozniak wanted every home in America to have a Macintosh computer. They soon realized that the best way to achieve this was to create an intuitive computer interface able to meet people and their level of comfort and familiarity (and not expect people to learn how to use the innovation). And they succeeded brilliantly.

Effort: The Energy (Real And Perceived) Needed To Make Change Happen

How much physical, mental, and economic exertion is required to implement the change? Do people know how to implement that change or is the path ambiguous? The answers to these questions determine the amount of effort friction in place.

As human beings typically follow the path of least resistance, effort can actually be a significant friction that stands in the way of a new idea. We can rely on two solutions to minimize it: streamlining and roadmapping.

- **Streamlining:** to explain this first antidote to effort friction, David brings to the table an interesting example. Oftentimes, beautifully manicured paved paths in public parks are ruined by human-made footpaths connecting different parts of the paved trail. These human-made footpaths are signaling to the park's designers how people would have preferred to walk around. In the innovation context, we refer to these paths as "desire paths", or ways people would choose to follow if it were up to them.

  David recommends that innovators take time to observe how people streamline their behaviors, if they skip steps, and if they create workarounds and use hacks to try to navigate the complexity of the offer. And if they signal to you that there's a more simple, elegant way to come to the same result, listen to them and adapt your innovation accordingly. Watching for these desire paths through ethnography and other types of user research can be very influential.

- **Roadmapping:** effort stymies us in ways that we almost never expect. The solution is often easier than you think. A few years ago, David helped a startup understand why thousands of visitors to their website daily spent hours filling their carts and customizing products to eventually not completing the order.

  This startup creates custom furniture for a fraction of the price of other custom furniture manufacturers. Per se, the idea was already very magnetic, and their problem had nothing to do with making it more attractive.

  David interviewed several customers and found out that the thing that held them back was not knowing what to do with their existing furniture. And so, just by helping them get rid of the old stuff to make room for the new, the startup was able to remove the friction of effort.

Emotion: The Unintended Negative Emotions Created By The Very Change We Seek

What negative feelings might our new idea cause in others? Might members of your audience feel threatened by the proposed idea or change? Does the idea have the potential to undermine people's needs? The answers to these questions determine the level of emotional friction present in any change.

Anytime we try to get somebody to change from what they're doing today to what we'd like them to do in the future, there's always some degree of anxiety, trepidation, intimidation, and fear.

Emotion is probably the trickiest of the frictions to spot because people don't voice their feelings. To pull some of this friction out, consider: focusing on "why" and bringing the outside in.

- **Focusing on "why":** emotional friction is usually identified by why people do the things they do, not what they do. And unless we can identify what's underneath people's behavior, our ideas will have hard times.

- **Bringing the outside in:** often, we innovate for people who are very different from us. How can we possibly understand what emotional friction might stand in the way of some individuals we're trying to serve? Engaging in empathy exercises and ethnography helps, but that doesn't get you any closer to what your target people have experienced.

  One of David's former colleagues at IDEO is a woman named Barbara Baskin. She joined the company's project team when she was 90. Barbara has helped them understand not only what are the functional features that products for the elderly must have but also figure out the emotional needs and, conversely, the emotional friction that might hinder new ideas. You'll never get to this level of depth through ethnographic research. Having the people you're designing for on the team can really make a world of difference.

Reactance: The Impulse To Resist Being Changed

Does the idea threaten people's core beliefs? Does the audience feel pressured to change? Was the audience excluded from the idea generation and planning process? The answers to these questions determine the amount of reactance present in any change. People typically push back with equal, if not greater, force on something they feel is being imposed upon them. And this has everything to do with losing their sense of autonomy.

- When it comes to remedying reactance, it's important to ask instead of telling. Typically, people don't like to be told what to do. Instead, they like to be invited into a conversation where they can even get into the process of persuading themselves. And so, invite your customers, clients, and end users to engage in discussions and participate in the design processes.

New ideas face friction. Innovation needs to be attractive but, at the end of the day, it will only be successful if it can overcome consumers' resistance. Frictions are typically much easier to address when caught in or spotted in advance than after they become a real problem.

Removing friction is often more powerful than increasing all the other attractive features.

Think about how much time and effort it requires to add a benefit, change marketing campaigns, engine advertising campaigns, and so on. Those are very laborious, cost-intensive actions. Yet sometimes, it's not the idea at all. It's the audience. And when we understand the human element, the reasons they resist change, solving for that is much more straightforward and effective.

The Problem With Lean Startup... And Solution To Its Fatal Flaw

Milan Samani
Partner at TIL Ventures

A business is a system- and when it comes to systems, optimizing only parts will pessimize the whole.

That's the reason why applying principles of – "start small, solve for Product-Market Fit, and build iteratively in the market" – to new, unimagined market spaces often creates ventures with no path to profitability, argues Milan Samani, Partner at TIL Ventures.

Integrated Venture Engineering (IVE) is the emerging practice of engineering new business systems that addresses this through a three-step approach: blueprinting the business system, enacting the business system, and then calibrating it in the market.

At all three stages, the business system is engineered to fulfill all three functions of creating, exchanging, and capturing value.

Lean Startup: A Paradigm That Mis-Defines The Problem To Solve

In the context of new market creation – i.e., new products with new business models targeting entirely new customers – new ventures are created to bring transformation functionalities to large groups of people. Over the last decades, business founders, investors, and academics have defined the central challenge of entrepreneurship in the startup world as managing complexity and uncertainty and have coalesced around a 'Lean Startup paradigm'.

This 'Lean Startup' paradigm defines complexity and uncertainty as the main challenges of creating blue ocean ventures. And there is a lot of truth to that: building new products with new business models for new customers is complex. And complexity does breed uncertainty. The Lean Startup proposes a seemingly sensible solution to complexity and uncertainty: start small, solve for Product-Market fit, build iteratively in the market.

In a nutshell, the paradigm suggests picking a part of the business, making it work, then figuring out the rest. It encourages the rapid creation of an MVP and iteratively building it based upon what customers actually do/buy

(because what they say will do/buy and what they actually do/buy rarely matches up).

However, businesses are, in fact, 'systems' – i.e., complex arrangements of parts, people, and processes by which the three emergent functions of value creation, exchange, and capture are performed. As such, complexity and uncertainty are not the central challenge of entrepreneurship.

If to manage a business is to manage a system, then to create a business is to create a system. And the central challenge of entrepreneurship is therefore creating a new business as a system.

When it comes to creating new systems, the "start small, solve for Product-Market Fit, build iteratively in the market" approach violates some fundamental principles of system engineering. And the result is that three anomalies, or repeated effects, manifest.

A Mis-definition Of The Problem Results In The Wrong Solution. The Result Are 'Anomalies'

To introduce the anomalies, Milan draws on a car as an example.

If I lay all the parts of a car out on the table in front of me, I have no emergent function of mobility. I have to assemble all the parts in just the right way for that function to manifest. Mobility does not exist in any one part. That's what a system is: parts coming together in just the right arrangement for an emergent property to manifest. And a business is the same: thousands of parts, people, and processes that must be arranged in the right way for the three emerging functions of value creation, exchange, and capture to be fulfilled. Just as a car is a system, a business is a system.

The approach that Lean Startup proposes – "start small, solve for Product-market fit, build iteratively in the market" – is sequential in nature. It violates systems engineering principles – where the system must be defined and created 'as a whole'. When a system is built up piece-by-piece, it invariably fails, and we observe this as three repeated effects, or anomalies:

Whac-a-mole. Every system engineer knows that determining one part of a system limits the options to the other parts and changes how they perform. Engineers know that a system should never be built up piece by piece. A system is made up of interdependent parts – and the pattern of arrangement must be defined at the outset. The unique challenge of creating any system is interaction effects. If you as an innovation leader start a new venture with an MVP, which is just a part of the larger business system, you'll limit the design of all subsequent parts of the business model – i.e., the way it's produced, distributed, sales, marketed, priced, and so on. Seeking to optimize these later causes a cascade of interaction effects – and the innovation leader is constantly changing one part of the business, only to observe unintended consequences in other parts.

Testing Treadmill. Every systems engineer knows the importance of having a logic model. For example, a car will accelerate when power exceeds resistance. There's no need to test that; it can be logically proven. But if you define the principal challenge of entrepreneurship as complexity and uncertainty, you don't allow yourselves room for a logic model.

Without a logic model, you only know if the customer wants the product when they buy it. So all you can do is test and experiment. And inevitably, research and experiments prompt more and more questions. Without a logic model, the only way to answer the rising questions is to perform more tests, which

will continue until the money runs out. It's interesting to note that 80% of IPO companies were unprofitable last year. The money hasn't run out for them yet, but how many are still on that testing treadmill?

Dead-end Venture. The first thing every systems engineer does where there's the need to innovate a new system is to perform 'root cause analysis' on existing systems. This helps identify the key constraint in the current systems, i.e., the critical limiting activity.When entrepreneurs directly focus on an MVP and grow sales, they will invariably import in the current business model's critical limiting activity.

Why? Because these are not obvious and without a root cause analysis, they slip in unnoticed. And when this happens, you have a dead-end venture that can grow to billions of dollars of revenue but will never be profitable without a hard pivot.

Integrated Venture Engineering: A Solution To Lean Startup That Builds Up a Business As A System

The solution to the fatal flaw of The Lean Startup is to adopt a systems engineering approach to venture creation – called Integrated Venture Engineering (IVE).

IVE is grounded in the insight that a business is a system made of hundreds of parts, people, processes arranged in such a way that what emerges is a product and an operational model that fulfills the functions of value creation, exchange, and capture simultaneously.

IVE uses the Business Architecture Plan as a logic model to:

- **Define minimum business system specifications and synthesize a 'Business System Blueprint'.** This involves using careful logic to solve for system interaction effects on paper through setting out the requirements that every business must fulfill and the mechanisms to meet those requirements.

- **Simulate, stress-test, and evolve a Business System Blueprint.** This involves performing at-scale venture simulation – where the business activities are modeled at scale. The whole-cost structure of the business is established using activity drivers, which in turn determines the price that must be charged for profitability.

- **Physically enact (build) and calibrate (through pilot) the Minimum Viable Business System.** Just as a physical prototype of a car is tweaked and calibrated on the road, the venture is calibrated through a physical build and pilot. But just as no car company would build a car that they weren't sure would actually move, the venture engineer does not start building a venture that cannot be logically determined to create, exchange, and capture value. Hard pivots become the exception, not the norm.

The described process requires practice and skill – just like learning how to engineer a car. Steps one and two take several months to do properly and don't involve physically building anything, and little to no cost investment occurs. If those are performed well, in step three the investor has a far higher degree of confidence that the venture will generate profits in the long run.

Below are three actionable tips you as an innovation leader can start applying:

1. **Switch your focus from 'getting the product right first' to defining the business 'as a whole' in the first place**. Starting a new venture with an MVP, which is just a single part of the larger business system, will limit the design of all subsequent parts of the business model. Instead, you should define the minimum specifications for the entire 'business system' from the outset – being mindful of interaction effects.

2. **Identify the key constraint in current business models.** 'Critical limiting activities' are activities in current business models that are essential to the business 'working' but also carry a cost that cannot be lowered beneath a certain floor. These should be identified at the outset and the new business model that is created must eliminate that 'critical limiting activity', i.e., achieve its objective but using an entirely new mechanism. Absent that mechanism, the new business model will likely never be profitable – regardless of scale.

3. **Use the logic model of the Business Architecture Plan.** The principal challenge of entrepreneurship is not complexity or uncertainty. It is creating a business that can simultaneously create, exchange, and capture value. The Business Architecture Plan allows such a business to be designed from the outset.

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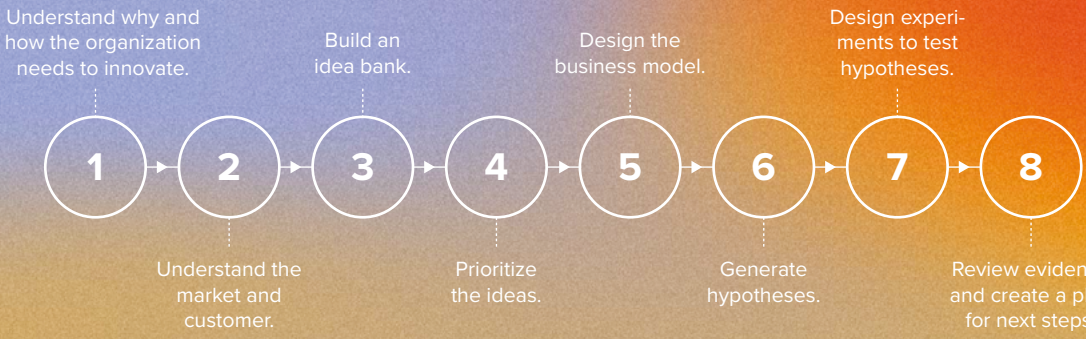

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Venture Building & Scaling

From Scratch To Scale: The Ideal Setup For A Successful Corporate Venture Journey

Thomas an Halewyck
Founding Partner at Bundl

Building a venture from scratch and taking it to scale is challenging.

Too many corporate ventures get stuck in what's called the "land of the living dead": unsuccessful, unvalidated corporate ventures that, at the same time, eat all the venturing budgets and take away corporate venturing confidence.

And that's due to a lack of a well-defined customer need, validated propositions ahead, and corporate skills to leverage. But it's also due to not choosing the right success metrics and having the wrong entrepreneurial team, an incompatible ownership structure, and an unstructured legal setup.

Thomas Van Halewyck, Founding Partner at Bundl, shares the pathway to scale for corporate ventures that currently holds the most potential for success that you can follow with your own ventures.

1. Process: Defining Clear Venturing Milestones And Metrics

In order to set up a successful corporate venture, you need to start by defining the process – i.e., the main procedures you go through from scratch to scale – and having the right metrics that affect decision-making in place. As such:

- In the venture creation – discovery and pilot – your metrics should be, among others, market-sizing, buyer-intent, retention, feasibility.
- In the venture growth – launch and scale – you should focus, for instance, on cost structure, operational efficiency, MoM/YoY growth, ROI.

There are three key actions you need to take within your process and metrics before you scale:

- Based on data, kill or pivot faster: many projects are being taken to pilot and into launch, while they should have been validated (and possibly killed) much earlier. The longer you wait, the higher the cost. As such, push as much as possible to validate and kill or pivot faster in the creation phase by running data-driven validation experiments. Last but not least, along with collecting data from customers, map connections to strategy and available assets needs to be ready to leverage them later in the process.
- Don't skip the pilot: too often, business leaders look to build the "perfect" product, pumping valuable resources into a "full offering" that isn't even validated. MVPs are necessary for validation and are an essential step in the journey to scale.
- Time your integration/leverage wisely: trying to connect the venture to the internal systems – e.g., CRM, IT, and others – could slow it down. As such,

wait until after the launch to find out its potential integration/leverage point. Timing wisely your integration will let the venture explore enough on its own in its agile way.

2. Team: Recruiting An Effective Venturing Squad

There's a significant difference between venture creation and venture growth in terms of people that you should work with. In a nutshell, validation and scaling require a completely different set of skills:

- Venture creation requires an in-depth knowledge of ideation, validation, and pivot methodologies. The "Validation Lead" is an internal profile and provides continuous ideation and validation. Ideally, they should be able to lead multiple venture-creation tracks.
- Venture growth requires an entrepreneurial, scaling mindset with specific domain expertise. "Scaling Lead" is an entrepreneurial profile difficult to find internally: they're open to risk, comfortable with uncertainty, driven by a grand vision, and incentivized by equity.

Once you start going towards venture growth, recruit a different team able to take the venture further and open to taking the risk. However, building from scratch to scale requires more than a prolific individual. It requires several different teams and a support system. As such, you should define a multi-team setup built around the venture:

- Venture board: corporate strategy, funding, and clear "go/no go" decisions.
- Internal team: quality and roadmap ownership, supporting venture teams.
- Venture team: execution, validation, and traction ownership.
- Ad-hoc expertise: specific support.

Another crucial element is creating a continuous and transparent feedback loop. It might sound cliché, but open communication and attention to insights, questions, and problems strengthen large teams. Encouraging transparency is a key success factor for the venture team.

3. Ownership: Selecting An Entity Format That Suits Growth Path

The entity setup and the partnership choices can make the difference between the life and death of a venture, which has nothing to do with the product, business model or the team. It's all about two crucial decisions for the venture itself (after the pilot):

- Spin-in or spin-off? Spin-in means creating new business units, while spin-off means creating a separate legal entity. Some criteria impact your spin-in or spin-off decision: strategy, governance, legal and procurement, people in operations, finance and text, branding and marketing. And the decision depends on how aligned you want to stay with the mother company and how much you want to leverage the existing brand portfolio, channels, and departments. The more you go outside your core, the more sense it makes to do a spin-off structure.
- Build, buy, or partner? To decide between building, buying, or partnering, first assess your capabilities and scale needs: do you have the needed capabilities in-house? What's the speed of scale you want to have? For instance, buying or partnering is the best perspective if you have limited capabilities and want immediate access to them. If you have the capabilities at hand and you're a bit more flexible in time, then definitely look at building and integrating the capabilities in your corporation.

Many business leaders tend to look at buying as the ideal solution initially. In this case, be mindful of other aspects that also play a crucial role: culture, legal governance, synergies, risk tolerance, regulations.

Overall, partnerships, which can come into quite different formats, are key elements in scaling quicker, entering a new market a lot faster, hedging your bets by participating in more than one company, and lowering your investment requirements. Partnerships are often critical leverage in scaling and should be tailored to your needs.

Scaling Corporate Ventures: 7 Key Success Factors

Sigrid Hellberg
Partner and Venture Builder at Desifer

Scaling is challenging for all startups, not just corporate ventures, and failure is a natural part of innovation.

However, many business ventures successfully create and validate new ideas but then get shut down on the verge of scaling. Many corporates struggle when they come to the point where they have ventures that should accelerate and scale their growth.

There are a few common reasons why corporate ventures fail to scale, such as:

- Financing processes not ready for the bigger teams, longer timeframes, and more significant investments that scaling ventures need
- Sales approach too different from the current offering
- Unclear strategic direction and political problems concerning internal recruitment, which can cause both friction and brain drain
- Steering committee too focused on internal perspective and on replicating mother company mindset
- Lack of motivation

Sigrid Hellberg, Partner and Venture Builder at Desifer, shares seven key success factors that can help you overcome these issues and set your corporate ventures up for scaling.

1. Leadership Buy-In And Long-Term Commitment

Having leadership buy-in and long-term commitment is absolutely crucial for anything you want to do. Indeed, you won't see any result from a venture-building process unless you do it with a long-term commitment. But also, when it comes to scaling, you're unlikely to get the funding you need for it unless you have proper leadership buy-in.

2. Clear Innovation Hypothesis

Especially early in the venture process, there are a lot of great ideas that don't actually show any connection to the mother company's strategic direction. And you can fix this by defining a clear innovation hypothesis in line with the corporate direction from the start, which should be the guideline of your

venture building. The innovation hypothesis should also contain several guardrails to state which areas you're not allowed to go into.

3. Venturing Process And Investment Committee

Your venturing process has to clearly state the investment committee's decision points from ideation to incubation to scaling. Also, you should have an investment committee appointed explicitly to that job, consisting of skilled people from within the organization and/or external sensitives. Indeed, externals may have experience in judging and evaluating business ideas at different stages that can really bring in extra efficiency.

4. Venture Board And Metrics Suitable For Exploration

Steering committees and venture boards are essential when you go into scaling as they can provide you with competence and guidance. However, they might tend to be too internally focused. As such, you should leverage the venture boards to get in all the external competencies you need and hire people with the right network.

Last but not least, your exploration for innovation needs suitable metrics you can review over time

5. Legal Structure

Having a legal structure becomes crucial when it comes to scaling as it allows you to give ownership to externals. But it also allows you to make the incentives to motivate your team: indeed, one thing that creates extra motivation is having certain ownership of the company and its success.

6. Key Strengths Of The Mother Company

A key benefit of being a corporate venture is being able to leverage the assets of the mother company. And especially when it comes to scaling, having access to specific infrastructures or assets that the company has might be what really helps you scale properly. But you have to identify these strengths from the very beginning and plan how to use them.

7. Enablers On The Team

Many large corporations are afraid to bring in externals. But the externals – i.e., enablers or people who have worked within large corporations for a long time – have the networks, know everyone, and know how to navigate. They are super important to help the team leverage the mother company's strength quickly and efficiently.

Business-building Excellence At Work: A Roundtable With Two Serial Business-builders

Frank Mattes, Younes Souilmi & Christopher McLachlan
Author of Lean Scaleup / Head of portfolio Amadeus Nexwave at Amadeus / former Head of Company Builder at EnBW

For an incubator to build successful ventures, support from the mother company is essential.

Frank Mattes, author of Lean Scaleup, Younes Souilmi, Head of portfolio Amadeus Nexwave at Amadeus, and Christopher McLachlan, former Head of Company Builder at EnBW, explored the ins and outs of running a separate business building entity.

Pursuing Business-building: Insurance Against Disruption Or Diversification?

Creating new businesses from innovation, while potentially more successful and profitable than M&As and other types of organic growth, is still challenging for companies. On average, they have about a 1-in-8 chance of creating viable, prosperous new businesses.

In such a context, two problems arise: first, what drives companies to pursue a business-building strategy? Consequently, is there an organization setup that can increase the odds for corporate ventures to thrive and scale?

Why are companies urging to build new businesses: is it a mere growth strategy, or is there something more?

Enbw: Rethinking Business On A Day-To-Day Basis

At EnBW, business-building is insurance against disruption, says Christopher. For instance, right after the Fukushima disaster, EnBW's business leaders decided to invest in innovation to build new businesses outside the core and typical growth areas. Indeed, having huge nuclear power plants, they felt the need to innovate, to reconstruct the entire business model. And that has translated into investing in renewables.

However, while restructuring the business, there's also the need to think ahead and beyond. Indeed, many other companies are trying to disrupt their business model towards renewables. Accordingly, there's the need to invest and build new businesses beyond the adjacencies and thus seize opportunities – e.g., digital business models.

At EnBW, they strongly believe that just acquiring external startups and doing trend scouting is not good enough. As such, companies need to have a structured process, an innovation muscle, able to identify new ideas and make them stronger.

Amadeus: Getting The Business Ready For Emerging Opportunities

Amadeus has several complementary business lines. However, the overall growth has slowed down due to the pandemic, particularly in the airline industry, where around 80% of Amadeus's business got almost shut down. Business leaders are looking for new opportunities and new markets to react and go back to pre-COVID profit levels. So today, there's also a diversification goal in Amadeus' missions, says Younes.

Through Amadeus Nexwave – a business incubator within the Strategic Growth Businesses Unit that helps identify, incubate, and grow transformational ideas – the company is committed to shaping the travel experience of today and tomorrow. One example is Traveler ID. The venture aims to streamline the traveler documents verification process by introducing more digitalization. When COVID slowed down the overall growth at Amadeus, particularly in the airline industry, Traveler ID had a setback.

However, because of the widely embraced awareness about how innovation works and that success rates are typically low, instead of killing the venture, they saw an exciting new application for Traveler ID. Due to COVID, many new documents now must be verified when traveling: PCR tests, vaccines, etc.

Today, Traveler ID is a successful platform already used by 20+ airlines. The platform digitalizes identity and health document verifications at every stage of the traveler's journey and provides all travel partners

the means to perform identification and document verification at any travel checkpoint.

Arranging An Effective Organizational Setup: Business Incubator Vs. Company Builder

What's an effective organizational setup for building new businesses from innovation?

Younes firmly states that support from the mother company is vital for an incubator and for the incubated ventures to succeed. At Amadeus, the corporate executive board meets every quarter to understand, in full transparency, what kind of learnings and progress is being achieved at Nexwave.

This continuous check from the company is crucial to ensure that the strategy and progress that a given Nexwave project is pursuing or achieving is coherent with corporate strategy.

Amadeus Nexwave is a business incubator within the Strategic Growth Businesses Unit of around 100 people with a diverse mix of skills, from former startup entrepreneurs to software developers. Their efforts are mainly towards three areas with different yet complementary goals:

- **"Go Informed":** provide travelers with relevant and contextualized information and services to ensure stress-less and smooth journeys.
- **"Go Safe":** ensure travelers benefit from safe journeys with minimal friction and unnecessary contacts.
- **"Go Local":** offer travelers authentic, local, and sustainable experiences and activities at their destination.

The whole incubator structure is based on four fundamental pillars:

- Ring fenced budget
- Empowered project team with the autonomy to take and make tactical decisions and choices
- Leaders who embrace and accept that the innovation success rate can be low
- Stage gate process to govern the investments and the portfolio.

To better illustrate the role of the EnBW's Company Builder he lead, Christopher first illustrates how the company has structured the innovation management.

In a nutshell, to develop new business models outside of its core business, EnBW's innovation strategy focuses on two main approaches: the internal generation and scaling up of new business models in internal projects and investments in external startups through EnBW New Ventures.

Following the successful development of new business models, the EnBW venture teams always face new challenges in the growth and scaling up phases. In order to effectively support them during these phases, innovation management has established Company Builder, a "venture scaling unit". Company Builder provides ventures with additional skills in various forms so that the startups can optimize and position their products on the market.

Along with the Company Builder, there's also an incubation program that deals with the business model development – from the concept testing to the pilot phase to market validation and launch – while the Company Builder deals with growth and scaling phases.

Thanks to this combined innovation management that supports venture projects throughout the incubation phases – from the initial idea to market launch to scale – more than 30 venture projects have already been set up, put to the test, refined (and in some cases also rejected) in the past four years.

Unlike Amadeus Nexwave, at EnBW, the

executive team doesn't take decisions in the early incubation stages.

Christopher adds that, as a venture builder, you should have your eyes and ears out there in the market to see what's happening and when new disruptive trends may come in. But your role can't be "limited" to this. Nothing should be taken for granted in building ventures, not even how information is transmitted internally. Indeed, it is precisely the information that guarantees or not the venture's success.

Accordingly, venture builders should act as a buffer, a translator between the traditional corporate and the startup world. And this role is even more crucial when it comes to go beyond adjacent markets.

Navigating the Obstacle Course of Scaling Innovation Successfully

Marika Reis
Chief Innovation Officer at Maersk Drilling

There is no one-size-fits-all when it comes to scaling innovation.

However, many problems and challenges are the same from company to company. Learning from others' successes and failures can aid your scaling efforts. Marika Reis, Chief Innovation Officer at Maersk Drilling, shares three real-world examples from different industries with similar scaling innovation challenges.

What emerges is that to be successful at innovating, building, and scaling ventures, you need to be clear about the objective of your innovation journey from the start. Indeed, improvements to the core, growth in new business areas, and building new ventures from scratch are not the same. You will need different approaches – in terms of strategies, skills, systems, and processes – if you want to have a higher chance of success.

How to deal with a new business that looks similar to core business but is different?

The following are two different examples with the same lessons learned in scaling ventures. Both E.ON Solar and Drilling Process Platform started as internal business ideas for two very different companies and eventually became separate businesses outside their mother companies. Why did that happen?

E.ON Solar was a combined software and hardware product designed for private customers by E.ON. In 2010, the Product Development Department saw a growing opportunity around solar panels. So they set up a value proposition and did an MVP supply chain. What started as a small business was then placed to grow within the core business.

After many failed attempts to get this to scale, the business was still not doing well. Whilst the market had really started to take off, and competitors were popping up everywhere. What was E.ON doing wrong?

E.ON has always sold relatively simple energy contracts for consumers to sign. However, the customer journey became more complex with solar panels: not only did E.ON need to get customers to sign a quote, but they also had to deliver hardware and offer aftercare services.

E.ON Solar might look like a new core business for an energy company, but from a customer journey perspective, that was nothing like the core business. Suddenly, E.ON was dealing with both a very different product and customer journey. And that requires new skills, new systems, and new processes.

After six years, E.ON solar became a separate business, still under the E.ON umbrella and name, but it now has its own management team, employees, marketing and sales channels, and business processes. Today, E.ON Solar has 14 million happy customers only in Germany.

The same happened with the Drilling Process Platform (DPP) at Maersk Drilling. DPP started as a core solution to digitize the information flow between the company's operations.

The company's customers became interested in this digital solution. But to use it, as DPP was designed for the mother company's processes, customers needed to adapt their processes to get full value out of the solution. The problem was that when customers decided to change their processes for this digital solution with Maersk Drilling, which is a service provider, they wanted the process to be changed for every other single service provider they operated with. And that also means competitors.

So this product had to pivot from an internal optimization product to a software as a service offering to be sold to a whole new set of customers, many of whom were competitors. Therefore, the company quickly pivoted the solution to be something valuable for them and something that could scale across the industry.

And of course, this was great as it gave the product much greater potential. But it also increased the complexity as DPP was suddenly not a core business anymore. Therefore, it was evident that they quickly needed a different setup outside of the current company with new skills, processes, and systems. Two and a half years after the DPP started, it became a venture, and it's now called Horizon 56.

How to deal with a new business area closely related to core business?

Scaling innovation that integrates back in the business – a new product, service, or business line – is also challenging. In these cases, you should be able to leverage some of the current company competencies, like systems and processes. But one of the biggest issues when you try to scale a new business concept in a company is the handover.

At E.ON, the product development team created a product that was an add-on to heating equipment. It would allow E.ON to predict when there were issues. In a nutshell, this innovation was a spin on predictive maintenance. The business case looked phenomenal, and the product was thrown over to marketing and sales.

However, sales and marketing had no idea how to sell that product because they had not been involved from the beginning. And no matter what they tried, customers didn't seem to be interested. So, as a result, there were a lot of long internal discussions on this product.

Accordingly, business leaders created a new cross-functional team to develop heating

products together without handovers. Product development, sales, customer insights, finance, and innovation worked together on validating and selling the new heating product.

This team became part of the heating business area and continued working together – there was essentially no handover within the team, only handover when it came to ownership of the product. And it worked out successfully.

Scaling Corporate Startups: Getting The Collaboration With Core Right

Frank Mattes & Sören Lauinger
Author of Lean Scaleup / Vice President Cooperations, Innovations, Partnerships at B. Braun

More than one-fifth of business leaders name building new businesses as their companies' top strategic priority.

However, corporates are not good at creating new businesses from innovation: 85-90% of corporate startups die after the MVP stage.

Despite all their assets – customer base, brand, reputation, working supply chains, functional expertise – the corporates' success rate in building sizable, profitable businesses is not higher than the success rate of VC-backed greenfield startups.

Corporates fail to create an unfair advantage from leveraging their assets.

One of the deeper root causes of this low success rate is that corporations struggle to establish a productive collaboration between Core and Innovation, as Frank Mattes, author of Lean Scaleup, and Sören Lauinger, Vice President Cooperations, Innovations, Partnerships at B. Braun, discuss.

"The Blind Men And The Elephant"- A Tale To Eradicate

The old tale about the elephant and the blind man tells that, sometimes, different voices talk about the same issue: one man touches the side of the elephant and thinks he's touching a wall, the other one touches the trunk and thinks it's a snake, another one touches a leg and thinks it's a pillar. However, they all are talking about the same thing, the same issue. And that's exactly what happens within companies: the issue "red shirts" and "blue shirts" are talking about is business building. But they do it from different perspectives and are unable to find a way to work around the problem.

The "red shirts" are the people working in the running business, like CEOs and CFOs. They work with a lot of knowns – customers, value proposition, value chain, partners – and have a three-month to one-year horizon.

They exploit the existing business model to maintain its relevance and focus on processes, repeatability, efficiency, productivity to eliminate the variance and

the mistakes. Their systems, procedures, and management approaches are not adequate for exploring new business models.

The "blue shirts" – e.g., heads of innovation centers, leaders of corporate startups, corporate ventures CEOs – are the people looking for new, repeatable, and profitable business models. They face a lot of unknowns and have three to five-year horizons.

These two factions are under the same corporate roof and don't fit well together. They have different metrics and governance schemes. For instance, the red shirts have silos and cross-silo committees, whereas the blue ones have a flat and lean hierarchy. In a nutshell, they have different DNAs.

A lack of collaboration between the red and blue faction, between core and innovation, explains the many fundamental tensions that arise when you try to take innovation to scale in the corporate context. It's one of the deeper root causes of the success rate to be only 10-15% for the new businesses. And the incompatibility shows up even more when it comes to corporate sales.

Corporate Sales Is Where The Business Building Problem Shows Up Most

Corporates have a lot of assets and capabilities – brand, reputation, technology, customer base, channels, partners, value chains – which should be leveraged to create an unfair advantage for the new company business model. Most of these capabilities directly relate to sales function: people working in sales know how to sell, have a customer base, and know how to create value. And innovators need sales support to take their new business to scale.

However, corporate sales is a prime example of red shirts. Salespeople are too rational and focused on small improvements, although they constantly ask for innovation. And whenever innovation leaders deliver innovation, it might not be the exact fitting taste of sales. That's one of the main stopping points for innovation.

To explain this issue, Sören draws on the Lego world: "sales usually asks for the next Lego brick to build another layer of Lego bricks. Sales doesn't really appreciate the big non-incremental solution".

Aligning Corporate Sales With The Selling Ambition Of The Scaleup: Lessons Learned From werk_39

How to make red and blue shirts collaborate? Involving corporate sales as soon as possible in the innovation process and creating an ad-hoc unit where sales and innovation can interlink are two paramount actions that have greatly helped Aesculap sell innovations.

Aesculap, the surgical division of B. Braun since 1972, is a global leader in medical technology products. Of course, innovation on surgical instruments is limited by definition. Wisely, Aesculap leaders decided to focus on building around surgical instruments to help customers do their job in a better and more efficient way. That means helping customers improve their processes to have data analytics in place.

And this was the reason why, in early 2016, the innovation team moved out and founded werk_39, an innovation lab that turns ideas into better running hospitals. Like any other innovation lab, werk_39 can innovate "beyond the product," unlike the corporate R&D too often product-focused. Going beyond the product also means combining products with services to create digital solutions to form new business models.

In a nutshell, established as an innovation lab, werk_39 delivers sellable solutions, creates connections to external co-innovators, and strengthens the company's innovation muscle.

However, werk_39 had to face some tensions: they were seen as a divisional experiment. As such, they didn't have a true strategic back-up from the board. Also, only a few pioneers from the business side dared to take part and sent people to the lab. Last but not least, sales did not participate.

From their experience, werk_39 leaders derived a few lessons.

- "Most companies are not Google", says Sören. As such, the innovation labs should not focus on moonshot projects. Rather, they should start with searching meaningful fields for the core business. And then be ambitious but not over-ambitious.
- Business innovators should involve corporate sales as early as possible since discovering opportunities and building new businesses.
- Building a Digital Operations Unit where innovation labs and sales can interlink can be useful.
- Sales Senior Management performance metrics have to be adjusted towards innovation sell-in.
- Establishing strategic co-innovation partnerships with customers is crucial to paving the way for successful scaling.

Thanks to a constant cross-functional collaboration, werk_39 today develops valuable solutions that go "beyond the product". Their added value goes beyond the existing product range in areas of services, digital solutions, and new business models

Spin-Out/Spin-In: Building Corporate Businesses Beyond the Core

Ralph-Christian Ohr, Manfred Tropper & Christian Lindener
Founder and Managing Partner at Dual Innovation / CEO at mantro / former EVP Innovation & Company Building at Airbus

When companies seek to build corporate businesses, they are often faced with a choice: do they operate inside the company, or outside of it?

Both choices have their pros and cons, and depending upon a company's circumstances the best choice may not be clear. But according to Ralph-Christian Ohr, Manfred Tropper and Christian Lindener, companies may not have to make the choice.

Rather, companies have the option of spinning out and spinning in. By combining internal and external business building, companies can work within their uncertainty threshold and build corporate businesses beyond their core. The process of building corporate businesses usually comes down to the question of building the businesses inside or outside of the company. For many companies, building new corporate businesses is important for innovation and development.

However, the choice between building corporate businesses inside or outside the company can often be a tough decision.

Given the stakes of innovation, the choice between building inside and building outside carries both risk and reward. Companies often find themselves stuck between a cluster of pros and cons for both options.

Building Businesses From the Inside

Building corporate businesses from the inside of a company can be seen in recent examples, such as Fleet management from Hilti, Power by the Hour from Rolls Royce, and BP Launchpad.

The inside-the-company approach offers businesses a few key benefits. For example, companies that build corporate businesses from the inside have a greater degree of ownership and control over the business. They also have greater access to the incumbency advantage, as well as a built-up innovation capability. Finally, companies that build from the inside can better integrate the corporation with the core business.

Building Businesses From the Outside

Recent examples of companies building corporate businesses from the outside include Nespresso from Nestle, Roku from Netflix, and 1886Ventures from Daimler. In contrast to building from the inside, building from the outside can offer companies much greater speed, autonomy, and leeway in the business development process. This option also presents much greater opportunities for external funding than if the corporation were developed from the inside of the company. Finally, the build-from-the-outside approach also offers companies much greater access to new talent.

The Uncertainty Threshold

Much of the process of corporate business building being caught up with a company's uncertainty threshold. Each company has a particular threshold for how much uncertainty it is willing to accept during a business-building venture. When the uncertainty in a corporate-building enterprise exceeds that company's uncertainty threshold, the company may hesitate to invest money and resources in corporate ventures or even decline a corporate venture entirely. This uncertainty can stem from both internal and external factors.

Generally, if a business venture falls within a company's uncertainty threshold, the company will be more likely to build that corporation internally. If, however, the business venture exceeds the company's uncertainty threshold, it will likely go the outside route.

The reason for this is the scaling of corporate ventures. If a particular business venture goes beyond a company's uncertainty threshold, it will be much more difficult for the company to scale the financial and personal resource requirements from the inside. This core scaling issue leaves the company more likely to seek outside development of the business venture.

Recent research has shown that companies' uncertainty threshold has been narrowing in recent years. Related to this is the recent trend by which companies are more and more promoting innovation and mentoring activities that are much closer to their core. With companies more hesitant to invest financial and personal resources in corporate innovation, any innovation that does occur is much more likely to be near a company's core business, rather than outside of it.

Inside Versus Outside: Criteria

Uncertainty

Uncertainty as a criterion is defined as the level of clarity there is regarding how a business venture will contribute to a company's core business, either financially, transformationally, or otherwise. Uncertainty has a moderate degree of salience for

outside business development, though only a moderate degree of salience for inside development.

Relevance
Relevance is defined specifically as the pertinent of a business venture to a company's current corporate strategy. Relevance has high significance for inside approaches to business ventures, but the low or unclear significance for outside approaches.

Conflict Potential
Conflict potential is the level of foreseeable conflict with a company's core business. When building corporate businesses with an inside approach, conflict potential has low significance. But, in an outside approach, conflict potential ranks as a much higher criterion.

Risks
These are any risks that a company may take on with a business venture, largely regulatory or political risks. Risks have low significance for inside development approaches, but a high significance for outside development approaches.

Access
Finally, access to resources, competencies, and capabilities is another important criterion for business ventures. Access has high significance for inside approaches to business ventures, but low or unclear significance for outside approaches.

The Spin-Out/Spin-In Approach

The spin-out/spin-in approach as a solution for integrating the inside and outside approaches to business venture development. With this system, companies may spin out business ventures to give the venture greater autonomy, and reduce potentially burdensome corporate involvement.

However, if an outside business venture appears to be a good fit based on predetermined criteria, the company may spin the venture in closer to its core. With a spin-in approach, companies can leverage previous employment ties to more efficiently integrate the business into the company's core business model.

Both internal and external business building can be combined when a company takes on parallel levels of integration. Internal business building allows companies to innovate much closer to their core, while external business building offers innovation that goes beyond the core.

For companies to effectively interplay both internal and external business building, they need to combine lightweight governance with a comprehensive periodic assessment to determine whether to spin in or spin out a particular business venture. These decisions will be based on criteria such as whether a business venture is a strategic fit, the available resources, the company's absorptive capacity, and the company's uncertainty threshold.

Startup Collaboration and Ecosystem Engagement

How to Build a Startup Accelerator That Drives Incredible Partnership Value

Ben Yoskovitz
Founding Partner at Highline Beta

Traditional innovation programs have two major problems.

They typically focus on:

- **Innovation theater:** Most innovation programs spend too much time and money hosting big parties and events and too little time getting things done. Innovation theater can be valuable from a brand-building perspective, but keep your investments in this space minimal.
- **Sensing what's happening:** Several leaders of innovation programs have a need to know what's going on in innovation, and they spend countless hours working to be connected to the ecosystem. Sure, it's a good idea to know what's happening in the market, but you shouldn't dedicate the majority of your time to "being connected."

The real reason to run a corporate startup accelerator is to solve problems. Rather than focusing on innovation theater and getting a sense of what's happening externally, spend most of your time working with startups to execute meaningful pilots.

100+ Accelerator With AB InBev

AB InBev's 100+ Accelerator program is a prime example of how things go when you focus on the factors that matter. The program has: had successful pilots with nearly 100% of the 72 startups it works with, engaged with just over 50% of startups post-pilot in some kind of corporate deal, and oartnered with Coca-Cola, Unilever, and Colgate-Palmolive to expand its innovation program's capabilities (as can you read later in this handbook)

Several startups have had significant success as a result of their relationships with the AB InBev 100+ Accelerator, as per some of the success stories below.

Baswood

Baswood aimed to solve the problem of water waste in brewery operations. The company innovated a solution that resulted in the treatment of 75,000 gallons of wastewater using energy efficiency in brewery operations during the pilot.

The end product of innovation here was a system that removes 94% of biochemical oxygen demand from wastewater, resulting in highly efficient reuse of water in brewery operations.

Green Mining

Green Mining wanted to solve the problem of mounting glass bottles in landfills. To do so, the startup installed 200 Green Mining hubs in Brazil. In the end, the program diverted 45,000 kilograms of glass waste from landfills in just 90 days.

Yushuo Energy

Yushuo Energy is working to solve the

ongoing problem of ever-increasing energy costs. The pilot resulted in innovative chemical storage capabilities that reduced energy prices by 15%.

Banqu

Banqu aimed to develop a way to serve global farmers without a financial identity. The startup gave more than 4,000 farmers a financial identity, which resulted in these farmers now having the ability to participate in the global economy.

EW Tech

EW Tech aimed its efforts at solving a major problem in the brewing industry: keeping clean lines. The startup produced green cleaning solutions that ultimately reduced water usage by 60%. The company went on to work with many breweries across the AB InBev supply chain.

Playbook for Systematically Partnering With Startups Successfully

How did AB InBev find so much success with the AB InBev 100+ Accelerator program? The key was creating, implementing, and sticking to a playbook for systematically partnering with startups.

There were four phases involved in doing so: design, launch, run pilots, and evaluate.

Design

The first phase of the process is the design phase, which should take about two months. During this phase, you and your team will take part in several activities relating to the design of a successful innovation program. These activities include:

- **Figuring out key challenges:** Think about your industry and the key challenges you're interested in finding solutions for. Make a list of real problems within your organization that your organization won't solve alone.
- **Designing the brand:** Brand design can be tricky because it's important for your brand to give the accelerator a life of its own. On the other hand, you want your brand to also have identity value from being associated with your organization. Think of how AB InBev tackled this problem. It branded its program "AB InBev 100+ Accelerator." That name gave the accelerator its own identity while keeping the core strength that comes with the AB InBev brand.
- **Identifying key stakeholders:** Identify your champions, or your executive leaders who believe in what the program is doing and the solutions it will create. You'll also want to identify pilot leads. These are the members of your team that will be on the ground executing pilots.
- **Having mentors:** Mentors help to build trust between your brand and startups, and they come from varied areas. It's wise to have mentors from departments like marketing, branding, PR, procurement, legal, and project management who will help build connections with and guide your startups.
- **Minimizing roadblocks:** Minimize roadblocks by creating standards for agreements, payments, and other foreseeable problems in advance.
- **Maximizing exposure:** Engage your marketing and communications teams to get the word out about your program and build your incubator's brand.
- **Defining selection criteria:** Define the size, stage, and solutions of startups you'll accept into the program.
- **Defining deal terms for working with startups:** Take an equity-free approach to keep valuations low for future deals, and consider how you will create deals with startups.

Launch

The launch phase should take about three months and includes the following:

- **Develop and implement marketing and PR:** Don't focus on innovation theater. Focus on genuine brand building that matters.
- **Engage internally to build a buzz:** Build a buzz within your organization by getting leadership talking about the program.
- **Source startups:** You'll likely get hundreds of startup applications, but the best startups are typically those you need to scout to find.
- **Select the cohort:** Choose 5 to 10 startups to work with. Keep the number manageable, but also keep in mind that it's a portfolio game. Diversification brings success.

Run Pilots

This phase typically takes about six months, but it could take longer, depending on the pilots. Here are the key activities in this phase:

- **Onboard internal people and startups:** Spend time making sure both sides understand what they're getting themselves into. Those within your organization may take a different approach than those involved in startups, which could cause a communication barrier.
- **Design pilots:** Design your pilots with deliverables, KPIs, and costs in mind. However, take the simple approach. Don't invest too much into making the pilot design perfect; it's better to focus on getting the pilot working.
- **Implement programming:** This is all about value creation beyond the pilots. Create webinars and mentorship programs and determine how you'll help the startups, regardless of how the pilots get executed. This ultimately results in better relationships regardless of the pilot's success.
- **Execute pilots:** This is where the long game starts. Some larger pilots may take longer than six months to execute. That's OK too, as long as the value proposition matches the investment in time and money.

Evaluate

The evaluation process typically takes a month and involves:

- **Running demo day experiences:** Give startups the ability to demonstrate products.
- **Evaluating the success of pilots:** Consider the end product the pilot resulted in, and evaluate that product's potential in the open market.
- **Scaling successful pilots:** Work with startups that produced successful pilots to scale their products to the next level.
- **Evaluate co-investment opportunities:** Think about how a co-investment with the startups behind successful pilots will benefit all parties involved.
- **Rinse and repeat:** This is the end of the cohort. Plan for your next cohort to keep innovation alive.

A Checklist For Maximizing Your Corporate-Startup Relationship

Like any relationship, it takes work to make the best out of your startup collaborations.

Often, these relationships start with excitement and optimism, but once that honeymoon period is over, frustration can set in as one or both partners wake up to the reality that they are not achieving all of their goals and expectations.

Here's a checklist you can follow to understand how you're doing now and how you could improve, to make the most out of your corporate-startup relationships.

1. A Fundamentally Different Approach

Alex Bastos, Head of Front End Innovation at Givaudan, begins by sharing that Givaudan invests around 8 to 10% of revenue in technology and innovation. And that's because they see innovation as one of the main sources of differentiation in their industry.

To maximize the returns on those investments, given the pace of change happening around the world, they realized they couldn't hold on to outdated paradigms of managing innovation. As Alex explains, they have shifted from making a few big bets to making lots of small bets, and from making decisions based on in-depth business cases to relying on "reasons to believe".

For this relationship to work, before you even start – know that it requires a fundamentally different approach.

2. Forge A Two-Way Relationship

You might be "the big corporate", but that in and of itself is no longer enough to attract the right startups. In fact, it might just be enough to keep your potentially best matches far away.

Corporates no longer dominate the relationship because of their history or size. They need startups at least as much as they might need you.

Simon Boonen, FinTech Partnership Lead for ING Neo, is clear about the benefits. "There's a lot beyond the boundaries of your corporate's walls these days. So why limit yourself to the organization's restrictions?", he wonders.

Simon outlines that the collaborations ING establishes with Fintechs precisely serve that purpose. Through these relationships, ING makes the banking experience more personal and also as relevant and seamless as possible.

Working with startups allows large corporates to identify actual customers' pain points and take targeted actions to address them. Startups typically have the ability to work tirelessly and stay focused on providing a specific solution to real, rising needs.

3. Be Clear About What You Want To Get Out Of It

Both corporates and startups benefit from building a relationship: the former gain agility, the latter stability. And Ilanit Kabessa – Agrifood Tech & Corporate Venturing Expert – believes that the first step to making them work is that corporates define what they want to achieve, outline what challenges they want to solve and, above all, understand why they want to innovate. All of this before embarking on collaborations with external partners.

4. Commit Before You Commit

Søren Nielsen, Author of "Death by Innovation Theater" and COO at Subaio, explains that the biggest issue of this relationship is that the parties frequently waste each other's time – simply because both the startup and the corporate are not ready to work together.

Søren remembers when he, his startup, and five other Fintechs were presenting their products to different types of banks in Canada. While they were pitching their product, lunch came in, and the corporates

suddenly were no longer interested- a clear sign of indifference. Accordingly, before you even start dating, make sure you are ready to commit when you've got your first match.

5. Balance Both Parties' Needs

And this directly reflects the need to balance both the corporate and startup needs. Typically, startups operate outside that kind of corporate culture that contrasts failures. They have the ability and the willingness to constantly ideate, try, fail, and repeat pivots until they find a way to win. On their side, corporates are risk-averse and act in highly-regulated industries. They're slow and scared to explore disruptive innovation.

Menno van der Zalm, Director Incubation & Venturing at AkzoNobel, believes that getting and managing the stakeholders' engagement throughout the process is the biggest challenge to handle. And corporate innovators – or the 'middlemen' as he defines this role – have to balance both the corporations' and the startups' interests.

6. Be Vocal About Differences And Expectations

Setting mutual ambitions and aligning languages and expectations up front is probably one of the most crucial keys to maximizing the corporate-startup relationship.

For your relationship to be successful, ambitions, differences, and specific needs must be clear from the beginning, suggests Artem Khlebnikov, Strategic Partnerships Director at Danone Nutricia Research.

It's normal to "speak different languages", to have different purposes. But problems arise when you can't bridge that gap and act in the same ecosystem accordingly. And if you fail to understand the other side, any great idea may risk dying an early death. As mentioned, you should try to build that kind of mutual understanding so that both parties can communicate.

It would help if you translated what you hear from the organization to the outside innovators – the startups or any other external counterparty – and then you have to translate back internally what the innovators have said in a language that your organization understands.

7 Open Up The Relationship To Other Partners (Even Competitors)

Allowing competitors as partners in your relationship can be tough, blurry, and time-consuming. But, it can help address some of the biggest challenges of today's world – e.g., sustainability – states Ilanit. And even some startups you're partnering with today can become competitors over time. Is that a concern, something to prevent, or could there be anything else?

When new entrants come into your market, it actually raises the sense of urgency to pick up the innovation pace of your company. And this even speeds up innovation within corporations not directly threatened (or at least not threatened in the short run).

The wisest thing to do when disruption is coming your way, says Alex, is to stay close to it, engage with those startups, and co-create – not avoid or contrast them. Nothing works better in motivating corporates when an unknown competitor starts to nibble away at their market. And this happens a lot, especially in the digital industry.

The Best Corporate Strategy to Work with Startups? Add Value First

Illai Gescheit
Siemens Energy Ventures

While corporations and startups are generally willing to work together, there's typically some reluctance from the latter.

Startups may say that corporations are not transparent and that they do not understand the startup world. In addition, corporations may not be willing to take risks and innovate when working with startups.

More importantly, startups are scared that corporations will copy their ideas and become a competition they cannot match. At the same time, corporations also have their reservations. They see startups as inexperienced, have no trust in them, and find it difficult to agree on a long-term vision. So, how can you bridge this gap?

Two Ways to Build Trust

According to Illai Gescheit, Partner at Siemens Energy Ventures, trust is the key to a successful partnership between corporates and startups. Once a startup finds value in your proposition, it may also tell other startups about you. That's how you build your reputation in the industry.

There are two steps to going about it. The first is to build a mechanism to bridge the gap between corporations and startups. It could be done through accelerators, incubators, or venture funds.

These initiatives will help both parties understand each other and create mutual trust.

The second step is to develop the right mindset. When working with startups, it is important to understand that they have different needs. For example, they may require more flexible payment terms or seek different resources. Typically, there are three types of ecosystems in such a relationship:

- **Startup takers:** These are corporations that look to gain an advantage over startups. The relationship is a quick win and only has short-term potential. The startup might get a return on investment, while the corporation might get a product or idea.
- **Startup givers:** These are corporations that look to give back to the ecosystem. They understand that startups need guidance and resources. Corporations in this group are typically more patient and willing to take a longer-term approach.
- **Startup matchers:** The matches are looking for an equal partnership with startups. They want to collaborate and share resources, knowledge, and ideas. This group wants to offer value to the startup. As a result, this partnership results in sustainable growth.

The key to success in working with startups is to provide mutual value. For instance, you could offer resources like mentorship, capital, or investor access. You'll need three teams for this:

- **Venture building team:** These people understand the startup world and can

help build products or services. They'll be able to provide guidance to startups on how to scale their business.

- **Venture climbing team:** With this team, you'll be able to provide access to corporate networks or resources. It would help startups tap on existing customer bases or industry expertise that may be valuable for their business.
- **Venture capital team:** The team provides resources, such as capital or access to investors.

Cultivating a Generosity Culture With An Organization

For a corporation to work with startups, it's essential to cultivate a generous culture within the organization. Everyone in your organization should be open to new ideas and be willing to share resources with startups.

You should also create an environment that is conducive to collaboration. It could include creating a culture of trust, providing resources to startups, and creating a platform for dialogue.

Doing this becomes hard when you have to match hard-and-fast KPIs. Thus, it becomes even more important to understand the startup ecosystem. How do they work?

It's best to sit with the CEO and come up with shared KPIs that benefit both parties. The goal is to align the corporate and startup goals so both sides benefit from the partnership.

In most cases, when you reach out to a startup, they're scared to share their secret with a large corporation. You must establish trust by ensuring that the shared data is kept confidential. Create a system that allows startups to access resources without fear of the corporation stealing their ideas.

At the same time, when a corporation is providing mentorship to a startup, the conversation can simply revolve around the challenges faced by the startup. It doesn't have to include anything that comes with legal risks, since no VC would sign an NDA on the first engagement.

Finally, remember to be patient with startups. Building a successful partnership takes time, and there are no guarantees of success. But with the right resources, attitude, and effort, creating a successful partnership with a startup is possible.

Venturing Into The Future Of Mobility At Goodyear

Erin Spring
Senior Director, New Ventures at The Goodyear Tire & Rubber Company

Goodyear – a 124-year old company – continues to evolve its business and adapt to the changing expectations of customers in the new mobility space.

Within its lab, Goodyear's innovators build strategic relationships with startups aimed at creating knowledge and ultimately digitizing the existing assets to develop successful innovations like AndGo. On its side, the CVC arm is committed to investing in promising startups to align incentives with the mother company further.

Thanks to these new ventures entities, Goodyear sources deals, invests in visionary technologies, launches its own new ventures, and leads the revolution of the future of mobility.

Erin Spring, Senior Director, New Ventures at The Goodyear Tire & Rubber Company, outlines how the company sources deals, collaborates with startups effectively, and launches its own new ventures through its Innovation Labs and the CVC arm.

Make The Most Of Your Industry's Inflection Points

Founded in 1898, Goodyear Tire and Rubber Company today employs over 70,000 people and is the fourth largest tire manufacturer in the world. Goodyear evolves its business by leveraging new advancements in technology and adapting to its customers' changing behaviors and expectations. Since the beginning, their products have been closely tied to milestones in human history – from the first transport fleets to intelligent tires.

The mobility sector is experiencing many inflection points due to the drastic changes caused by the shift to different transportation systems. These trends are also known as "new mobility" and span from the electrification of vehicles and connectivity to shared models and more autonomous driving.

As an industry-leading company, Goodyear is constantly working to establish new standards for mobility. And to achieve that, the company needs to be aware of what's happening in the market– which startups are disrupting the industry and what the new pain points of consumers are – and invest in new technologies and knowledge accordingly.

Today Goodyear manufactures and produces tires that are delivering a great value proposition. And the company firmly believes tires are going to be used in the future as well – that's why Goodyear keeps differentiating in that marketplace. Yet the corporation also recognizes that opportunities beyond the core business rise continually. And they want to lead these inflection points.

In order to keep delivering a great value proposition and differentiating in the marketplace in the years to come, Goodyear wants to know what opportunities are beyond the core business. As such, it launched two new venture organizations: on one side, an open innovation platform, called the Goodyear Innovation Lab; on the other, a CVC arm, Goodyear Ventures.

Innovation Lab: Building Strategic Partnerships to Learn

Along with two R&D Centres in Akron and Luxembourg, Goodyear has set up two Innovation Labs, one in San Francisco and one in Shanghai. Within these labs, innovators build to learn and build to earn. They incubate new ventures from scratch next to partnering with startups that may already exist in the ecosystem.

Together with startups, they look at framing up new opportunities to identify the problem to solve for a specific customer segment and understand how to create more value. The startups they work with must be active in the new mobility area and have their priorities aligned with Goodyear's, to be potential partners. Furthermore, their activities must accelerate the strategies Goodyear already has in place. Size and proven ability to scale are not crucial prerequisites for startups to collaborate with Goodyear. The company is willing and able to step in earlier, and operates stage-agnostic.

For the startup, a partnership with a large corporation like Goodyear means much more than capital. Partner startups have the unique opportunity to leverage some crucial corporate's core assets such as an iconic, well-known brand, potential access to a wide customer base, retail and services footprint supporting autonomous and electric vehicles, and intelligent tires supporting autonomous and electric vehicles.

AndGo by Goodyear: Digitizing the Connection With the Road

One example of how this approach comes to live is AndGo by Goodyear, a predictive vehicle servicing platform that offers full vehicle readiness, keeping your cars safer, serviced, and ready to go wherever they're needed. AndGo combines predictive software, skilled technicians, and national service hubs. The mission is to be the top choice vehicle services facilitator for leading players in the emerging mobility space.

The AndGo new business was born out of the Goodyear Innovation Lab in Silicon Valley as a response to new mobility trends. After lots of customer research through partnering with several startups already operating within that area, Goodyear's innovators realized and recognized that there was a big pain point in how those startups were managing their fleets of shared vehicles that Goodyear, thanks to its expertise, could help solve for.

By combining Goodyear's assets with startups' capabilities on the digital side, they successfully launched AndGo. Today, backed by more than 120 years of Goodyear experience, AndGo keeps accelerating and creating new standards for mobility.

CVC: Aligning Incentives for The Longer Term

Launched in 2020 in a significant effort to help the corporate anticipate what's next, Goodyear Ventures is the company's CVC arm. It's committed to fueling the future of mobility by partnering and investing in seed-to-growth-stage startups in emerging mobility technology.

While Goodyear was already learning and achieving strategic goals through partnerships and open innovation, business leaders still felt the urge to complement the Innovation Labs' partnering approach with the option to invest, in order to align incentives. Typically, startups are eager initially, but without a long-term perspective and without being able to see the corporation as a partner, they could lose steam and engagement- and a CVC can help address this.

Eventually, establishing Goodyear Ventures has also helped change the corporate mindset. Frequently, when working with a startup, big organizations focus primarily on what they can get from that startup. Instead, thanks to the CVC, the company becomes an investor and strives to help startups succeed – "if we help them succeed, we're going to succeed as well", notes Erin.

Lessons Learned

From Goodyear's journey so far, we can draw several lessons

How to Avoid Duplication of Innovation Efforts

Within Goodyear are two separate entities committed to pushing the future of mobility. On one side, the Innovation Labs are running and building strategic relationships. On the other side, the CVC focuses on understanding the deal dynamics, doing due diligence during negotiations, and having a broader view of how different areas are developing, and where to invest.

Every Goodyear's deal has to have a strategic angle and make financial sense. Accordingly, Labs and CVC must go hand in hand as much as possible. And this interplay between two different approaches to innovation within the same company can potentially lead to duplication efforts.

In order to avoid wasting time and each other's efforts by, for instance, accidentally having the same conversation with the same startup, business leaders have to foster collaboration between the two groups. At Goodyear, the two entities work with each regularly: for instance, the scouts sit on investment partner meetings every week.

And thanks to the separation of those two teams, even if the CVC might suggest not investing in a startup for some reason, the company can continue the strategic relationship and work with that startup through the Labs.

Creating Connection With the Mothership

At Goodyear, both the Labs and the CVC have the ability and responsibility to understand what is happening externally and potentially integrate it into their solution and business. But these entities are not completely separate from the mother company. There are actually a lot of relationships to manage regularly. As Erin suggests, the support, feedback, and input on strategies from the c-suite are what eventually allow innovators to be game-changers and do many things within the organization.

Erin has also witnessed that understanding and being clear about the overlapping and collaborating points between those entities and the mother company greatly helps to set clear expectations.

Measuring Success: Different Metrics for Different Purposes

Success might not have the strongest numbers behind it. What actually matters for an innovation lab is "building to learn" and the overall pace of learning. And that includes how often the lab interacts outside the organization's four walls, the number of startups screened, the number of customer interviews done, the numbers of prototypes built with customers, and the lesson learned from them.

On the other hand, for the CVC it's important to "earn while building". Accordingly, the main success metric would be the number of new ventures invested in.

Learning from failure

Over time, Goodyear has built a repository of their failures called "garden". Every once in a while, anyone in the organization can go over there and "water the garden". And watering the garden means getting lessons out of failures in terms of what were the assumptions that probably killed the innovation idea and then refreshing the knowledge on what has changed.

Often you learn that the reason for failure can be timing..Circularity and sustainability are a key part of Goodyear's strategy today. Already in 2011, the company was developing a platform opportunity around these topics, which never took off because the economy and the market were not ready for it yet.

When you as a business leader experience a failure because something didn't work out the way you expected in the exact timeframe you expected, reframe the story internally: as long as the whole company learns something new about the market, that is not a failure. It's just a timing problem that ultimately helps inform your strategy.

Orchestrating Internal And External Innovation Ecosystems

Eric Acton, Veronica Ogeto-Tchoketch, Simon Maechling & Lilac Ilan
Head of Innovation Ecosystems at R2 Data Labs – Rolls Royce / Head of Strategic Partnerships and Ventures at Safaricom / Innovation Manager at Bayer Crop Science / AVP, Innovation and Partner Ecosystem at AT&T

As innovators, we sometimes feel like we are living in two separate worlds simultaneously.

There's so much happening at a high pace outside of our organization – we need to stay on top of developments to play the desired role in those ecosystems.

Internally, things seem to move less fast, yet you can't afford to miss being part of the right conversations with the right stakeholders, not in the least to keep getting the necessary support and resources.

How to find balance and orchestrate what's happening outside and inside your organization?

Here's how Eric Acton, Head of Innovation Ecosystems at R2 Data Labs – Rolls Royce, Veronica Ogeto-Tchoketch, Head of Strategic Partnerships and Ventures at Safaricom, Simon Maechling, Innovation Manager at Bayer Crop Science and Lilac Ilan, AVP, Innovation and Partner Ecosystem at AT&T tackle this challenge.

Why Partnerships?

Bayer, Safaricom, Rolls-Royce, and AT&T are leading companies in different industries. But Simon, Veronica, Eric, and Lilac share the same opinion: no business exists in isolation – most promising ideas exist outside the company. That's the main reason why to engage in partnerships.

Rolls-Royce and R2 Data Labs: partnering to unlock new opportunities

R2 Data Labs is the data innovation catalyst for Rolls-Royce. Applying advanced data analytics, industrial Artificial Intelligence, and Machine Learning, the Labs accelerates the development of new data insights, services, and apps. And the Labs' working model is made exponentially more powerful by the collaborative approach adopted by the company.

When Rolls-Royce recognized that some of the best digital capabilities exist outside of their business, they created their own ecosystem to work with innovative startups, educational institutions, industrial partners, public sector bodies and customers, and build on one another's technological expertise.

Working with this community, the corporation can engage with new data streams, ideas, and techniques to accelerate data innovation and develop the needed expertise to solve industry challenges and meet the demands.

Safaricom: partnering to solve new rising customer problems

Safaricom is a mobile telecommunications company based out of Nairobi and committed to transforming lives. Their products and services, including voice, SMS, data, and payments solutions, play a central role in the

daily lives of more than 29 million customers.

The company continuously seeks to extend the innovative approach to problem-solving and meeting the needs of customers and society at large. As the head of strategic partnerships and corporate ventures, Veronica acts as a catalyst to link strategic partners with Safaricom to fuel both telco and non-telco innovations that solve customer problems at speed.

Furthermore, through the Safaricom Spark Fund, the company invests in promising startups to bring external innovation in.

Bayer Crop Science: partnering to create positive change

Bayer's leaders have realized that turning today's impossibilities into tomorrow's breakthroughs requires strong collaboration with scientists, innovators, regulators, and other stakeholders. And this requires open, transparent dialogue that builds trust with consumers.

The Crop Science division at Bayer is committed to improving lives through a better food system for farmers, consumers, and the planet. It's the conductor of the innovation ecosystem and interacts with different groups of experts within Bayer's ecosystem, finds out which technologies are missing, searches for those technologies, and conducts how they interact with each other to drive maximum value for the whole organization.

AT&T: partnering to accelerate the adoption of new technologies and create unique expertise

Lilac begins by assessing that partnering for purpose is key. She explains that for AT&T, partnering and engaging within the ecosystem is about igniting innovation within and outside the company in order to accelerate the adoption of new technologies and develop new conductivity expertise to ultimately connect the world.

How To Make The Orchestration Work?

It's the innovators' role to act as matchmakers and create connections between internal business and the ecosystem partners (or potential ecosystem partners).

It all starts from understanding the problem you're trying to solve internally and having the right conversations outside. It follows that communication is crucial to help orchestration between internal and external ecosystems work. Yet it's not enough.

Lilac shares some practices to take into consideration when building an ecosystem:

- **Know your market:** as an innovator, you need to know where you add value and who are the key players in your marketplace.
- **Build trust over time:** don't hold on to your ideas when it comes to partnerships. Instead, build a personal relationship with your partners. One you start with a personal relationship, the ideas start to flow. And when the ideas flow, that's when you know that it works.
- **Partner outside of the box:** don't stay in your lane. An illustrative story is the 5G Smart City created by AT&T together with a real estate developer – definitely an unexpected partnership.
- **Define the purpose, outcome, the process of the partnership:** don't be strict, but be clear about what you're doing and what you want to achieve.
- **Communicate with your partners throughout the process:** communication can't be a one-shot activity.

How To Measure The Orchestration?

Is there a way to measure and ensure that the orchestration between the two ecosystems is actually working?

On the one hand, we need to have targets and goals to run and clearly know what we want to achieve in a given period of time before we start.

Yet we can't use traditional KPIs in the innovation context. Today's competitive environment is totally and radically different from the industrial environment where traditional KPIs like "growth" and "revenue" were created. Thinking about innovation and measuring it in a different way is paramount.

Innovation is not only about bringing new ideas. It's also about defining new ways to measure yourself against the traditional metrics – e.g., the percent of new products that you get to market (versus your existing product lines). Last but not least, it's essential to give relevance to the market feedback and pivot accordingly.

In some cases, it may be hard to avoid tracking vanity metrics like the number of companies in the ecosystem.Other metrics are certainly more crucial to measure and yet more difficult to frame. An example is the impact or the influence innovators may have on the mindset and culture of the legacy organization, which usually is very inward-looking.

Every time innovators manage to make the legacy organization accept building a new solution to complex problems with other partners, it's a sign that the orchestration is going well. And that's a new kind of KPI to take into account.

Avoiding Double Development And Silo Mentality

How to leverage the synergies between the people from the external and internal ecosystems in order to avoid either double development or silo mentality and ensure sharing of resources?

Prior to going outside and looking for partners, as an innovator you should have an in-depth understanding of both your company goals and what the different teams across the organization are working on.

Once you know that, clearly identify the critical gaps your company can't fulfill and only then engage externally to identify best-in-class partners that can successfully address those critical gaps. That way, you can be sure you're not trying to address the same gap internally.

Silos and duplication may occur either way. The most effective way to minimize the resulting negative effects is to foster communication between parts and encourage sharing information about who is doing what.

It's all about systematically going through the organization and making silos talk, share success stories, and not necessarily expect anything directly in return.

In this regard, Bayer uses a platform that enables the company to make all the information about innovation projects, as well as all of the interactions that they're having with third parties, available to anybody from the organization.

With the platform, Bayer has facilitated cross-regional and cross-functional fertilization on partnerships. The company has also noticed a significant increase in operational excellence amongst the innovation and technology scouting teams.

As all teams are enabled to share information and evaluate opportunities on the platform, this resulted in a significant reduction of emails, calls, and meetings, hence boosting efficiency, productivity and motivation by creating a common ground and a shared goal across the organization.

How To Build A Corporate Innovation Ecosystem

Sam de Smedt
Venture Architect at Bundl

Stepping away from the habit of isolated innovation and shifting towards an ecosystem thinking is a fundamental mindshift.

Simply put, an ecosystem is a network of interacting entities. In an ecosystem, each player delivers one piece of the customer solution or contributes a necessary capability to build towards a shared vision.

In order to make these concepts as tangible as possible, Sam de Smedt, Venture Architect at Bundl, shares the example of Google Nest, a smart digital thermostat that capitalized on the possibilities of digital interconnections by creating the "Works with Nest" ecosystem. This ecosystem has enabled different players like Fitbit, Mercedes Benz, and Lifx to tap on that existing ecosystem and build products they could not create themselves.

For instance, Fitbit, the wearable fitness tracker, can tell Nest if you're asleep or not so that it knows when to start warming your home. The same goes for Mercedes-Benz. Their cars use GPS capabilities to tell Nest to switch on the heat as you are close to your home. Lifx designed a Nest-compatible system that notifies you if smoke or safety alarms are activated.

Accordingly, consumers have a seamless suite of services focused around their needs, not the offerings of individual companies that they must puzzle together themselves.

From MVP To MVE: A New Value Paradigm

The main reasons for setting up an ecosystem are an identified new customer need, a validated problem statement, or an innovation solution ready to be built. What companies tend to do at this point is build an MVP, a Minimum Viable Product, the first version of a product that has just enough features to be usable by early consumers. MVP's primary goal is to collect as much feedback as possible for future product development.

Sam suggests building an MVE, a Minimum Viable Ecosystem, linked to the MVP. An MVE is a composition of the least complex ecosystem setup needed to deliver the MVP to early customers.

To give this new paradigm greater emphasis, Sam introduces the example of Nespresso. The company wanted to build a world where espresso is readily available at home. Their basic goal was quality coffee at home. Accordingly, they made a prototype of an

easy-to-use machine in which consumers can place sealed pots filled with ground coffee.

At first, only one manufacturer was allowed to produce home machines for Nespresso, Turmix. In this setup, Nespresso tested what people liked and disliked and defined what they needed to change.

Over time, Nespresso expanded this patent to other machine brands – e.g., DeLonghi, Braun, Krups – all fierce competitors, but they stepped into the Nespresso ecosystem and gained a massive database of customers, as well as a way of recording consumer preferences to then offer a wide variety of coffee flavors.

Building A Solid Ecosystem Strategy: 3 Crucial Elements

For an ecosystem to work, an underlying strategy is needed built on three essential parts. They refer to capturing and sharing the ecosystem value, defining all the possible roles in the ecosystem, and establishing terms and conditions on which the ecosystem can grow.

1. Value Exchange: What Can You Gain? What Can You Offer?

Before capturing value in the ecosystem, you have to create it. It all starts with defining a value proposition and identifying your assets, that is spelling out what you want to deliver to your customers and what you can put on the table to understand if it's even necessary to set up an ecosystem in the end. If critical assets or capabilities are missing, setting up an ecosystem is mandatory. Yet, once an MVE is defined, you have to find a way to translate the benefits that the ecosystem creates for customers into value for participants.

The actual success in an ecosystem is as much about helping other firms create value as it is about creating value yourself.

Referring once more to the Nespresso example can help. The company's initial value proposition was focused on enabling consumers to easily make premium quality espresso coffee at home with great variety. Consequently, they looked at their own assets: capsule and machine technology, strong brand positioning, network, visibility, and high-quality coffee. But of course, Nespresso isn't a coffee machine manufacturer, and they needed coffee machines to be specifically designed to work with the pots. That's where the ecosystem setup entered the room.

But how did they capture and translate value for the manufacturers? The company licensed the technology to the manufacturers, enabling them to reach new audiences through access to all the distribution channels of Nespresso. Manufacturers also get a share of the sales revenue.

2. Defining Roles: How Would You Act?

Within ecosystems there are different roles, and each of them delivers a piece of the puzzle. For simplicity, Sam lists three main functions: the architects (e.g., Nespresso), the enablers (e.g., coffee machine manufacturers and coffee producers), and the participants (e.g., Nespresso club members, official Nespresso stores, bars, or licensees).

- The architect, or the orchestrator of the ecosystem, defines the standards and the rules, safeguards the fair value sharing among members, and often owns the unfair advantage of the ecosystem (e.g., the patented technology of Nespresso). Architects are the key ecosystem players, they pull the ropes and influence final and core decisions. Yet with great power comes huge responsibility. Indeed, architects have to make significant investments and upfront efforts to kickstart the ecosystem.
- The enablers have no direct contact

with the end-user. They are mostly B2B companies with unique skills and domain expertise and develop goods and services for other companies accordingly. What's in it for them? Of course, they can surf on the wave of big companies. But, on the contrary, they have restricted decision-making power.

- The participants have direct contact with the end-user. Thanks to such a close relationship, they deliver solutions aligned to the customer's expectations. They can either be businesses or individuals. It's relatively painless for participants to access the ecosystem but, of course, they have no real decision-making power. Eventually, they are easily replaceable.

3. Terms: Under which conditions is the ecosystem developed?

Acknowledging the configuration of an ecosystem is an important first step to answering these questions. Indeed, the new accesses depend on how the ecosystem's structure:

- **Open access:** partners join, leave, and adjust their offering as customer demand and technologies evolve. For instance, Airbnb allows anyone to become a host simply by logging into the platform. The resulting benefits are diversity in the offering and type of participants and decentralized innovation – it's people who offer experiences and try to make people stay as pleasant as possible to create innovation. On the downside, it's more difficult to capture long-term value within this structure. People listed on the Airbnb platform can quickly move away to another ecosystem.
- **Managed access:** there are clear standards to access the ecosystem (e.g., limits on the number, specific guidelines on functionality, pricing). Apple, for example, imposes clear criteria, rules, and guidelines for developers to make the app available in its App Store. This structure has many benefits: the offer is broad, yet standards are aligned; the ecosystem architect has more control over what is happening; the quality is typically higher. The downside is that it may restrict certain innovations. It also requires a lot of management resources.
- **Closed access:** it involves a restricted circle of complementors where approval and rules of participation are tightly controlled. Within such an ecosystem, the control on partners is high and the quality check is accurate. It follows that the speed of innovation is a lot slower. For instance, Nespresso doesn't allow any manufacturer to make their compatible coffee machines without permission.

However, there's one last aspect to consider: the attachments. Next to access configurations, defining the ecosystem attachments answers the question, "Can I be linked to multiple ecosystems?".

- When the ecosystem is exclusive, members are only allowed to be in one ecosystem at a time due to regulations and restrictions. A good example here is Netflix: the label "Netflix Original" means that they either produce or own the exclusive rights to stream a given series in a given country.
- When the ecosystem is non-exclusive, members are linked through a network designed by one company but are free to be part of more than one ecosystem. For instance, restaurants can offer their dishes on multiple food-delivery platforms.

An ecosystem is a network of interacting players – architects, enablers, and participants – all creating value for one another. Accordingly, success in an ecosystem is more about helping others create value than creating value only for

yourself. In order to efficiently manage an ecosystem, a clear strategy is needed, and it's all about exchanging value, defining roles, and setting up terms and conditions to join the ecosystem.

How Healthy Is Your Business Ecosystem?

Ulrich Pidun
Partner and Director at Boston Consulting Group

Businesses are changing the way they're organized, moving from the more traditional model of hierarchical supply chains to business ecosystems- a dynamic group of independent partners that work together to deliver integrated products and services.

The main reasons for the ecosystem-model becoming popular is that an ecosystem provides quick and cheap access to capabilities that may be too expensive or time-consuming to build for a single firm, and it can scale fast thanks to its modular structure that makes it easy to add partners. Moreover, ecosystems are flexible and resilient, able to adapt and pivot according to consumers' needs.

Yet 85% of business ecosystems fail. Furthermore, corporates get frustrated when the ecosystems don't produce large profits after a few years of engagement.

To understand how to improve the odds of success and define appropriate metrics to detect if the ecosystem is still on track and healthy, Ulrich Pidun, together with other experts within the BCG Henderson Institute, analyzed more than 100 failed ecosystems in a variety of industries and compared them with their more successful industry peers, using a systematic quantitative and qualitative analysis.

Their database contains B2C, C2C, and B2B ecosystems and includes social networks, marketplaces, software solutions, and payment, mobility, entertainment, and health care services. On average, the ecosystems studied had existed for 6,8 years and had raised funding of $185 million.

Below, Ulrich highlights the success metrics and red flags to consider to determine whether an ecosystem is still on track to success in its different lifecycle phases.

What's the Definition of Ecosystem?

It's of course important to clarify what we mean when we talk about "ecosystem". While this may seem like a straightforward question, defining what an ecosystem is can be complicated, and it's usually difficult to find common ground. There are two basic definitions:

Ecosystems as affiliation: ecosystems as communities of associated players defined by their networks and affiliation (e.g., Google and its network of partners, clusters like Silicon Valley or the Boston biotech cluster). In this case, an ecosystem is a group of partners, a community of associated players, mainly defined by the network they constitute and the affiliations they have.

Ecosystems as structure: ecosystems are configurations of activities defined by their value propositions. In this second case, the ecosystem is a structure organized to achieve a certain value proposition, a specific purpose. Mobile operating systems and their application development partners fall into this (e.g., Android, Apple iOS), but also marketplaces like eBay, Uber, and Airbnb.

Below, Ulrich focuses on the second definition. There's no more correct definition, but "ecosystem as a structure" is a more narrow concept and makes it more distinct from other ways of organizing. In a nutshell, it's more useful. Accordingly, Ulrich defines a business ecosystem as a dynamic group of largely independent economic players that create products and services that together constitute a coherent solution. A business ecosystem is a dynamic group (which can change in composition) of independent players who work together to create something bigger than the sum of the parts.

Thus, ecosystems are just one way of organizing a business – they compete with other ways of organizing.

When is an ecosystem the preferred way to organize a business (and when is it not)?

The ecosystem is the preferred governance model when high modularity comes together with a high need for coordination. And so, if the solution to a business problem can be broken down into reasonably independent and easy-to-combine modules and, at the same time, coordination is needed to find the best combination, this is the sweet spot for ecosystems.

Otherwise, with high modularity but a low need for coordination, an open market model (i.e., a model where every player works independently and the consumer decides how to combine the different elements) is more likely to succeed. Low modularity and high need for coordination call for a vertically integrated model, while low measures on both drivers work best in a more hierarchical organization.

The Benefits of an Ecosystem

There are several clear benefits associated with an ecosystem, such as:

- **Access to new capabilities:** thanks to ecosystems, access to capabilities is quicker and cheaper. That's how Apple succeeded with the iPhone. Initially, Steve Jobs was very clear that he wouldn't allow external developers to develop applications. Only nine months after its launch, Apple opened the App Store and the iPhone really took off. "It's this access to new capability, positive surprises, decentral innovation that make the ecosystem attractive", says Ulrich.
- **Ability to scale fast:** thanks to the modular structure of ecosystems, it's easy to add additional, light modules and grow this way. That's how Airbnb became larger in offering overnight stays than all hotel chains combined within just a period of 10 years. And that's only possible in an ecosystem model.
- **Flexibility and resilience:** due to their modular nature, it's easy to add and remove elements if customer preferences change. During the COVID crisis, Airbnb performed much better than the average hotel chain because it was much quicker in adapting to moving from urban to rural offerings and also offering virtual events on the platform. That's definitely easier in an ecosystem context.

Ecosystems are different in their economics too. Most traditional models are characterized by diminishing returns: the value per user decreases as the number of users grows. The overall value may still increase, but the

marginal user has smaller benefits than the initial users. Yet this doesn't apply to ecosystems that typically have increasing returns: the value per user increases as additional users join the ecosystem.

What drives these increasing return are, its three flywheels effects:

- **Network effects:** more users generate more partners, thus improving the value proposition and attracting more users.
- **Learning (or data) effects:** that's the secret sauce of many very successful ecosystems – the more users, the more the data, the deeper and better the insights, the more promising the value proposition, which will again attract more users.
- **Economies of scale (cost flywheel)**: this third flywheel is sometimes forgotten, but it's essential. More users help spread the fixed costs and get unit costs down, allowing participants to lower prices and improve the value proposition, which will then attract more users.

Interestingly, many seemingly successful ecosystems get the first two flywheels going but not the third one. It follows that they can grow and maybe even dominate their markets but have a hard time earning a decent profit. A striking example is the online food delivery players: they benefit from network and learning effects but have difficulty getting costs down.

Unlike more traditional businesses, there's usually a long period where the value is not as apparent in most ecosystem ventures. In their analysis, Ulrich and the other experts have seen that the average time to achieve a critical mass and benefit commercially is 6,8 years, even for the most known and successful ecosystems. For instance, Amazon took more than a decade before they started to earn reasonable profits.

This feature makes joining ecosystems challenging, particularly for many incumbent firms: the ecosystem doesn't look very promising in the first years. That's something to keep in mind when we talk about measuring success because. Obviously, financial metrics are not enough.

Why Do Business Ecosystems Fail?

In their research, Ulrich and colleagues looked at a large number of ecosystems and tried to find as many positive and negative examples. And they concluded that only 15% of ecosystems were sustainable in the long run, while the others failed sooner or later, either because they never took off or didn't evolve the model. And while this is not an unusual number for venture efforts, the problem with ecosystems is that they tend to fail late.

The analysis shows that only 30% of the ecosystem failed during the launch phase, which means that more than two-thirds made it into the scale phase, and even a quarter made it beyond the scale phase into the maturity and evolution phase before they actually failed. And there, it becomes expensive to fail.

At this point, a dilemma arises: does it pay to wait to reach the point of critical mass and take off or instead pull the plug earlier than later? Answering this question is complex. Yet the first step if you manage, invest in, or join an ecosystem model, is to understand if that ecosystem is still healthy and on track.

If we want to understand if we are at risk, we need to understand why ecosystems fail and the key reasons for failure first. And the analysis based on 100+ failed ecosystems shows that:

- 34% fail because of wrong governance choices in terms of either being too

open and losing your quality or being too closed and killing your growth. Finding an acceptable balance between being open and being closed is critical.
- 18% fail because of wrong ecosystem configuration: it's challenging to convince all the critical partners to join your ecosystem. Unlike more traditional ways of organizing, ecosystems need not only a strong customer value proposition but also a strong partner value proposition.
- 10% fail because of insufficient problems to solve: customer value proposition is just not big enough to justify such an ecosystem investment. As the orchestrator of an ecosystem, you need to be profitable yourself and allow all the other partners to be profitable.
- 10% fail because of weak defensibility: achieving a substantial market position also means having the ability to defend it.
- Minor reasons to fail are inadequate monetization (5%) and wrong launch strategy (8%)

To avoid these strategic mistakes in designing an ecosystem, you need to identify the problems early enough to react.

Metrics to Assess Ecosystems

Typically two types of metrics are used to assess ecosystems, but both are mostly useless:

- Traditional financial metrics – e.g., revenues, cash burn rate, profitability, ROI. Since they are backward-looking, they're not very useful for assessing prospects and future probability of success of ecosystems.
- Vanity metrics – e.g., market size, number of subscribers, click rate, social media mentions. These can be misleading because they're more related to the size of the opportunity and not necessarily linked to value creation or extraction.

Ecosystems' success metrics should focus on their lifecycle phases. Depending on the stage you are in, very different success factors, ambitions, and metrics are needed:

1. Launch phase

During the launch phase, the aim should be to prove the concept's viability and start establishing the ecosystem in the market by developing a strong value proposition for all participants (customers and partners) and finding the right initial ecosystem design. The key success metrics to understand the difference between successful and less thriving players in this first phase are:

- **Number and engagement level of partners:** it's not so much the number of partners; it's about the number of the most relevant partners. It's crucial to focus on the opinion leaders, the "stars" in their industry because they can attract other partners into the ecosystem. You shouldn't be complacent if the number of partners just grows if it's the wrong type of partner.
- **Number and engagement level of high-value customers:** similarly, it's not just the number of customers; it's the number of customers who will benefit most from the value proposition. For example, if you are a gaming platform, it's crucial to get the most engaged players on your platform – you don't need subscribers, you need engaged subscribers who use your platform.
- **Customer feedback:** getting feedback is important in terms of net promoter score and ratings compared to competitors. And it also gives you a chance to listen to your customers and understand where the issues are with your platform, what they like, what they don't like, or what they miss. Typically, feedback helps pivot and adapt the offering and make it even more attractive. Accordingly, be prepared to push your idea into the market, listen to

the market, and react to what you hear.

Aside from success metrics, some red flags may help understand what's the health level of the ecosystem:

- **Critical partners don't join your platform:** For example, Better Place tried to solve the battery issue for electric vehicles. They offered a battery rent and a monthly subscription, and the interest from customers was high. Although they spent more than 900 million in funding and survived for seven years, the idea eventually failed because one critical partner, the auto manufacturers, didn't join the ecosystem.
- **Some of your users subvert the value proposition:** that's something that YouTube, for instance, experienced in its early days as people were posting copyright content without noticing it. The platform started to have success only when YouTube enforced the copyright laws and defined monetization options for copyright holders.
- **Key opinion leaders begin to leave the ecosystem:** it doesn't matter if the total number of partners and customers grows if marquee partners leave.
- **The ecosystem's core offering and/ or scope is frequently changed:** it's a bad sign because it communicates that the initial core offering wasn't attractive enough. In many cases, it's better to give up rather than try to add additional bells and whistles to make it more attractive.The best way to grow an ecosystem is to keep the initial scope very limited and then add additional scope as the ecosystem grows.

2. Scale Phase

In the scale phase, the focus should be on increasing the number and intensity of interactions and growing the operating model towards profitability. Also, it would help if you focused on reducing the cost per interaction.

Profitability shouldn't be much of a concern during the launch phase, but it becomes relevant during the scale phase. Accordingly, the key success metrics to look at to see if the ecosystem is succeeding during the scale phase are:

- Number of active customers
- Number of active partners
- Number of successful transactions
- Unit cost per transaction

Correspondingly there are a few red flags:

- **Imbalance between participants** on both sides of the market.
- **Ecosystem growth reduces the value for one side of the market:** this was experienced, for example, by Covisint, a B2B marketplace for automotive suppliers, which was heavily funded by the auto industry. As the ecosystem grew and more suppliers joined, their competition became much more severe. And it became much less attractive for them to be on this platform because prices would just be auctioned down. That was a flaw in the design of the ecosystem and, in the end, Covisint went out of business.
- **Increasing number of users misuse** the ecosystem
- **Quality indicators begin to decline:** it's also important to be critical about quality indicators in the scale phase. MySpace, the predecessor of Facebook, allowed users to have anonymous profiles on the platform. That invited a lot of spam and even inappropriate content on the platform. And so, while the platform still scaled nicely in terms of the number of users, the quality went down, and important advertisement partners no longer supported the platform.
- **The operating model does not scale:** complexity increases as you grow, and you must be ready, adapt, and pivot.

Yahoo, the first big search engine, was a manually curated engine with manual categorization of websites. This worked very well when the internet was still small. But when it exploded, there was no way that it could scale. The PageRank algorithm of Google was much stronger.

3. Maturity phase

In the maturity phase, you should focus on increasing customers' and suppliers' loyalty, consolidating your position, and defending your ecosystem against competitors by erecting entry barriers. This phase is about churn rates and retention: you can no longer grow revenues by growing the number of users. You need to grow revenue per user. Accordingly, the key success metrics are:

- Churn rates of customers/partners
- Revenue per customer
- Contribution margin per transaction
- Retention cost for customers/partners
- Acquisition cost for customers/partners

While the red flags to pay attention to (and pivot accordingly) are:

- Engagement level of customers or suppliers declines
- Early ecosystem adopters start to leave.
- Aggressive copycats and/or niche competitors emerge
- Partners begin to create competing platforms of their own
- Successful ecosystems from other sectors expand into your field

4. Evolution phase

In the evolution phase, once you have established yourself as a player and built defenses, you need to focus on how to advance and expand the offering and continuously innovate to thrive and survive in the long term. The major challenge here is that you made it to a point where your partners and customers may depend on you. And so you may become complacent and not reinvent yourself and improve your offering.

In a nutshell, the evolution phase is about reinventing the ecosystem before others do it. The key success metrics in this last phase are straightforward but still not trivial:

- Share of revenue from new products or services
- Customer satisfaction
- Partner satisfaction

On their side, the red flags are:

- The orchestrator's take rate from partners rises.
- Partners increasingly complain about predatory behavior.
- Negative coverage in (social) media begins to accumulate.
- Legal actions against the ecosystem accelerate.

Ecosystems fail because of wrong governance choices, bad configuration, insufficient problems to solve, and weak defensibility. To increase the odds of survival, it's paramount first to understand that measuring the success of an ecosystem requires very different types of metrics compared to more traditional businesses.

As soon as you see a red flag, regardless of the phase you're in, that may be a reason to pivot or exit your ecosystem and admit that you can no longer develop it into something sustainable. The earlier you come to this conclusion, the better.

Managing Intellectual Property In Innovation Ecosystems

Phil Webster
Principal – Technology & Innovation Management at Arthur D. Little

Working together in ecosystems is more than a collaboration between one organization and another- it's about bringing together lots of different companies that previously might not have worked together.

This typically creates new complexities in managing and leveraging underpinning intellectual property (patents, trademarks, and trade secrets). Some of them might be competitors, some might be large, some might be small, and many have their preordained expectations around how to manage (their) IP.

Phil Webster, Principal – Technology & Innovation Management at Arthur D. Little, shares his lessons learned with regards to managing intellectual property in innovation ecosystems.

There are several drivers forcing companies to seek for ecosystem collaboration:

- **Resource constraints:** innovation budgets are not getting any bigger while results are expected to be faster.
- **Intractable problems:** problems are becoming more challenging to deal with and more expensive to solve.
- **Startups disruption:** lots of incredible startups (and scaleups) have started to emerge on the scene more predominantly. They're both a source of ideas and also a source of competitive threats.
- **Convergence whitespaces:** areas and points of industry convergence where established players don't exist yet, and where there's much room for innovation to happen.

Setting Ground Rules (and Expectations) for IP Upfront

All too often, IP is just seen as a reactive R&D support function for filing patents, managing renewal fees, and ensuring competitors don't infringe IP; or as a business support function to identify new technologies and partners. It's not just an administrative activity that gets in the way of innovation, but a strategic asset that can even be monetized.

As such, it's crucial to define ground rules and expectations for who's doing what in terms of ensuring IP integrity, what to do when it comes to disclosing inventions, and how to handle background IP and open-source materials. When it comes to "doing the deal" there's a need for a certain amount of flexibility in provisions around licensing terms, ownership, and assignments to ensure that whoever is best positioned to create value from the IP does so.

Arriving with a completely rigid perspective on what you will and won't do from an IP perspective isn't necessarily the right way forward, particularly when it comes to realizing some of the benefits associated with creating IP in the first place.

The following are key, basic components of an IP policy:

- Who owns the IP?
- How will revenues/benefits be shared?
- Who will manage assets, including negotiation of licenses and royalty-sharing?
- How will the costs of protection and maintenance be paid?
- How should any invention disclosure procedure be managed?

Creating a Special Purpose Vehicle

A special purpose vehicle is an entity to which all IP is licensed that can be independently managed by the different organizations involved. To avoid starting from scratch, it's possible to use existing templates.

Phil brings in some examples from the UK and the Republic of Ireland, where there are a lot of model agreements already in existence – e.g., The Lambert Agreement, a toolkit for universities and companies that wish to undertake collaborative research projects with each other.

The pre-defined models typically comprise decision guides, model research collaboration agreements (including multiparty), heads of terms and collaboration agreements. And the main advantage of using these "starting points for collaborative research negotiations" is reducing the time, money, and effort of contractual negotiations.

You can avoid starting from scratch by also working with some of the incubation and acceleration vehicles. Phil cites MISTA, a food tech accelerator in San Francisco that works with competing companies like Givaudan, Ingredion, Mars, Danone, and many others in a pre-competitive environment. Working with a vehicle like MISTA breaks down many barriers in terms of having expectations set out upfront and what arrangements for sharing IP are needed.

Make It Repeatable

Eventually, a model for multiparty collaboration is inherently successful if it can be repeatedly used over time. It should:

- Rely on trust
- Bring mutually shared benefits and prestige to collaborators
- Be agile and move quickly between testing and learning
- Learn from other stories of success

The Power Of Togetherness

Magnus Björsne
PhD, MBA, Assoc. Prof. & CEO at AstraZeneca BioVentureHub AB

The AstraZeneca Bio Venture Hub offers selected companies a non-competitive catalyst network in which all involved can freely share knowledge, technology, manpower, and more.

The AstraZeneca Bio Venture Hub is the result of a partnership between AstraZeneca and the Swedish government, developed in an effort to catapult innovation in the life sciences industry by implementing a model built on economies of scale and flexibility of resource utilization.

So far, 45 companies have joined the Bio Venture Hub, ranging in expertise from biotechnology to diagnostics, tech, and digital companies.

Replacing Venture Capital With Domain Expertise

At the core of the Bio Venture Hub is the concept of replacing venture capital with domain expertise. Rather than following the traditional methodology of investing in innovation, the Bio Venture Hub places value on the expertise companies have built and how the sharing of that expertise could help the life sciences sector as a whole.

The benefits of this type of relationship are immense. Gaming companies who would have never considered healthcare products are now sharing their technologies with medical companies to maintain compliant patient record-keeping, and that's just one of many examples of how domain expertise can be far more valuable than capital.

In order to create the community-driven innovation hub the Bio Venture Hub has become, AstraZeneca knew it had to remove the competition from the equation. In doing so, companies involved could freely share knowledge, concepts, technology, and manpower without having to consider the competitive disadvantages of doing so.

As a result, AstraZeneca only allows non-competitive companies into the team. That means that the companies involved don't have products that compete with AstraZeneca and they don't compete with other members of the Bio Venture Hub either.

As such, the Bio Venture Hub is largely a culture project. The idea is simple: if the greatest minds in life sciences work together without fear of competition and without a mindset for profitability, they will naturally produce meaningful profits down the road.

There are no managers and nobody telling anybody else what to do with their venture.

Instead, the project mixed experts from four different verticals into the same physical environment to create an environment of free and open communication. .

This makes experimentation the center of attention. Not just with molecules and technology, but also with how the teams worked with one another.

Not For Startups

The Bio Venture Hub isn't an incubator, and it isn't structured for fresh startups. Since the goal is to share valuable knowledge, expertise, technology, and more, those involved must have something to share. Participating companies:

- Already have tested products or services and proven concepts
- Have teams in place consisting of leading experts in their fields
- Have their intellectual property in place
- Are working to solve real word problems that may or may not be in the healthcare industry but have technology and expertise that may prove invaluable in patient care

AstraZeneca takes no ownership of what the companies participating in the hub create. There's no profit share agreement, and the company doesn't even have a first right to refusal in terms of investments.

So, what does AstraZeneca get? .

One of the companies in the Bio Venture Hub Project is Waters. As a result of the hub, AstraZeneca and Waters have formed a partnership centered around AI robotics for chemistry-related applications. This was never an area of focus for AstraZeneca in the past,.

Since inception of the hub, AstraZeneca has teamed up with more than 70 companies. It has formed relationships with gaming companies to use gaming technologies for work in patient compliance. It has also teamed up with cybersecurity companies to better track patient data.

So for AstraZeneca, the value of the Bio Venture Hub is the ability to realize new opportunities that would not have been realized in the past.

Culture, Talent & Teams

Corporate Explorer: How Corporations Beat Startups At The Innovation Game

Andrew Binns
Director and Co-Founder of Change Logic and Co-Author of Corporate Explorer

There's a general assumption that radical innovation is something that large corporations can't do- yet research by Andrew Binns, Charles O'Reilly, and Michael Tushman shows there are countless examples of corporations beating startups at their own game.

These initiatives are driven by what they call Corporate Explorers. As example, Andrew shares the story of Krisztian Kurtisz, the Corporate Explorer behind Cherrisk.

In 2018, two-hundred-year-old Austrian insurance company UNIQA launched Cherrisk in Hungary, turning the established insurance industry on its head. Cherrisk today is a low-cost, people-centric, and lean insurance offering sold on the basis of a monthly digital subscription. Its default is to approve all claims first and ask questions later.

Krisztian Kurtisz, who was sitting as a business unit manager at UNIQA in Budapest at that time, recognized that the insurance industry had lost its core reason. This industry started as a community of risk-sharing – i.e., many people covering one another in times of hardship – and this pooling of risk was associated with the community. But now, according to Krisztian, the insurance industry is all about a tower block of people administering policies and trying to find out where customers are attempting to defraud them.

Krisztian wanted to get back to that different concept. And so, he created Cherrisk, which is now poised to disrupt insurance from a traditionally burdensome and bureaucratic offering to a streamlined one that is designed to delight customers and serve the community. It is the "Spotify of Insurance" and gives consumers control over their insurance products.

But Krisztian is not alone. Yoky Matsuoka from Panasonic and Kevin Carlin from Analog Devices are two other examples of Corporate Explorers. They have built multibillion-dollar companies inside existing corporations.

As you can tell from these examples, you can find stories of successful Corporate Explorers in different places around the world, in distinct industries, and both in large and small companies.

1. Why Innovate As An Insider?

The innovation process it's about three phases: ideation, incubation, and scaling.

Phase 1: Ideation

Ideation is all about solving a major customer problem the Corporate Explorers have pinpointed in their industries. Krisztian Kurtisz knew that customers found insurance products complicated and expensive. And he also saw that many of their best customers did not make claims as they found that experience time-consuming and frustrating.

Eventually, this stopped them from buying insurance (unless they were forced to). So Krisztian responded to these pain points with Cherrisk- a digital insurance community with low cost to serve and excellent customer experience.

At Panasonic, Yoky Matsuoka was looking at how to ease people's lives and reduce the time they spend on unnecessary tasks. To this end, she created Yohana, an AI-enabled concierge for working parents in the USA and Japan.

Most entrepreneurs in venture-backed firms are similarly driven by some observation and problem they want to solve. At this point, there's nothing fundamentally different between the work of a Corporate Explorer and the work of the startup entrepreneur.

Phase 2: Incubation

Similarly, after ideation, Corporate Explorers go on to incubation to test and do lots of experiments in order to deliver an outstanding value proposition. Corporate Explorers in the incubation phase have to challenge themselves with uncomfortable answers and constantly force themselves to test the assumptions upon which they are building their ideas.

Phase 3: Scaling

In the third phase of the process, Corporate Explorers need to scale and turn ideas into revenue. And in each of the scaling stories we've mentioned, the corporate explorers used the core business assets to go faster.

These assets fall into three different categories:

- **Customer:** access to install base, channels, sales, team, and brand
- **Capabilities:** ability to draw on technologies, products, skills, and business.
- **Capacity:** ability to do something at scale for an ever-expanding market. It's the ability to manage volume- fulfillment, manufacturing, customer service, and call centers.

As you can tell, being able to leverage core assets is why Corporate Explorers choose to stay inside. Taking their idea out into a small company that starts with very few of these assets may not give the same results.

2. How Do They Succeed?

We all know that as soon as you leverage the core assets, you bump into a beast. And that beast is a legacy business. In the case of UNIQA, the beast is a 200-year-old company with established routines, practices, and ways of getting things done.

As you might guess, next to stories of success are some famous failures. GE Digital, Havas Media, and UDA Today are three examples of very determined efforts to build a new venture inside a corporation that miserably failed.

Every and each corporate venture inevitably faces what Andrew calls "the silent killers of exploration". In short, they face risk aversion and the tendency to optimize for the short term. They also must deal with the routines and practices of the core business, which are set up to manage a stable and well-ordered machine that delivers the results that exist today- i.e., the so-called "professional competence of the past".

If you're a 200-year-old insurance company, you have a lot of people who've grown up as actuaries, who know how to get things done. There's a professional identity that exists within your legacy business, which often is one of the most pernicious and difficult to challenge sources of resistance that exists for the Corporate Explorer to face down.

For research purposes, they interviewed a person who was building a new venture in a large bank. She came in from another company to run this new venture- and after a year, she got nowhere as nobody around her wanted to help. They were all very polite, but they wouldn't lift a finger to help this outsider do something new. For her it felt trying to build this new venture was like trying to navigate the Amazon with a butter knife. There's no way she's going to make progress because of the sheer weight of inertia that exists.

The ambidextrous organization is certainly a part of a solution: undoubtedly, the degree to which you can separate out the explore venture from the operating core business is critical to your success because the former needs some degree of autonomy. However, as we've already referenced in the scaling discussion, you've still got to access those assets to go faster. So how do you do it?

Letting go of the way we think formal organizations work is key. We think about structure, org charts, roles, and responsibilities. Yet organizations are really informal networks. They're a massive who-talks-to-whom-about-what, who has influence in the social network, who speaks most loudly and most influentially. And sometimes these are technical leaders, sometimes product leaders, often people who've been around a long time. And they're not necessarily exerting malicious intent, but they are used to the way things are done.

And so, if you're a Corporate Explorer, you have to figure out your own way through this set of stakeholders and have an influence plan so that everybody thinks they helped make you succeed. It's not good enough to rely simply on the hierarchy to do your work. As Andrew suggests, any Corporate Explorer should at least look (and collaborate with) for:

- **Angels:** somebody who can support them, probably in the senior team. Allies: those who can give them early access to critical assets- e.g., channels, R&D, etc.
- **Advocates:** somebody who helps them manage their reputation. Corporate Explorers' reputation can be very fragile, and they have to manage it with much care.
- **Blockers:** people from central casting who run the core business. They want to drive profit, and they're not too pleased with this new venture coming in. A Corporate Explorer has to identify them and find ways to involve them in the innovation process.
- **Ambassadors:** somebody who can go behind "enemy lines" and help them understand what the Corporate Explorer is doing. They can help move their way of thinking and even find ways to become helpful.

Since innovation is not simply an isolated incident, Corporate Explorers must build a movement behind innovation. Innovation for them is about shifting something in the corporation overall.

Very often, as a corporate explorer, you not only carry the burden of innovating in a new area, market, or area of opportunity. You're also a cultural incubator who shows the company a new way of working and getting things done. And so, you do bear this burden of needing to build social support inside the organization.

3. What Can We Learn?

The first lesson is that the role of a Corporate Explorer is always about bringing the outside in and getting the pace of change inside an organization. This role is about exposing the organization to the pressures of the outside world. And you essentially are as much a

change leader (who builds a leadership movement that supports exploration) as an innovation leader (who ideates, incubates, and scales new businesses).

It's not enough to simply either incubate and scale. You've got to do the change work as well. And that is different from being an entrepreneur, and it requires a different skill set.

Corporate Explorers are always running against the stream. They're always the odd fish in an organization struggling to figure out the future. And they are the ones that are taking us somewhere else. And that's why this silent killer problem is so serious: for a long time, it feels like you're the only one in the story.

But they know it's more than an individual effort, achievement, or success. What characterizes these Corporate Explorers is that they are socially connected and able to create more connections. They're also humble and willing to talk much more about the company and the innovation impact on the customer and less about their own achievement.

Corporate Explorers are typically insiders with strong social capital, not entrepreneurs coming in from the outside. Not to say that that isn't useful and that doesn't add some value, specifies Andrew, but usually that is a condition of failure. People coming in from the outside struggle most because they lack knowledge of what assets to leverage, how to use the core business, and don't have the network support in the organization.

To some extent, explorers are always unpopular. Even when the Apollo lunar landing started, they were opposed by 75% of the American public. Many scientists thought that was a crazy plan. And now, it is one of the landmarks of human history. Explorers never start out popular. And you've got to live with that reality and work through it. If it's a popularity contest, you will lose from the start. Only the most successful explorers are willing to accept that and work through it.

Innovation is a Team Sport – How to Design High-Performing Innovation Teams

Suzan Briganti
CEO at Swarm Vision

Despite the imperative to innovate and the ubiquitous nature of teams today, little is known about designing and managing innovation teams- and this is a severe gap in innovation management.

Time spent on teams has increased by 50% in the last ten years. Collaborative work takes up 80% of our time. And, as most companies use a team-based approach, we're all on twice as many teams as we were five years ago. The study of designing and managing teams is relatively unexplored. And in the context of innovation management, this

knowledge deficit is even more significant as innovation relies heavily on teamwork.

Indeed, innovation is a team sport, concludes Suzan Briganti, CEO at Swarm Vision. So, what skills do innovation teams need? And what's the role of innovation leaders?

What Skills Do Innovation Teams Need?

Innovation teams are different from other teams in terms of:

- **Role:** ordinary teams' role is to sustain and maximize existing products and revenue streams for as long as possible. Whereas innovation teams, by definition, are trying to create something new; thus, they operate in greater uncertainty.
- **Structure:** innovation teams often work outside of the everyday operations of the core, and this can limit their access to resources, customer base, and rapid feedback. And then, they face barriers to acceptance because change inevitably threatens that status quo. So their structure, their position in the organization is very challenging.
- **Process:** innovation teams don't really follow a step-by-step, linear approach; rather, they tend to oscillate between inductive and deductive processes.

These major differences lead to the realization that innovation teams need specific skills in addition to relevant functional skills. At Swarm, they studied dozens of successful serial innovators and found that teams with high coverage of all the following eight skills perform better than others:

- **Drive:** problems and challenging opportunities enable innovators to feel alive, make a difference, and grow. Without such drive, they would not have the persistence to overcome obstacles or the energy to persevere. Elements of Drive are: ambition, initiative, intensity, and persistence.
- **Disrupt:** innovators press ahead and try new things, while others are still calculating the risks. To them, realizing their vision is more important than anything else. Elements of Disrupt are: boundary-breaking, thriving in uncertainty, and self-confidence.
- **Create:** innovators, above all, are known for creating and bringing new ideas into the world. Elements of Create are: novelty-seeking, problem-solving, uncommon connections, and a growth mindset.
- **Connect:** innovators can't do without highly developed social skills, which are necessary for innovations to meet real needs and thrive in the market. Elements of Connect are: relating, persuading, team-building, and social intelligence.
- **Control:** innovators control and nurture new ventures, products, or businesses from every angle- from production to sales to HR. Elements of Control are: 360-degree involvement, competitiveness, and financial orientation.
- **Think:** "Think" is not about conventional logic or deductive reasoning (it's no secret that innovators often go against the grain and disregard all caution and reason). Yet they have a vast capacity for information and the ability to detect emerging patterns before others do. Reflecting perpetually on the background also helps them gain wisdom. Elements of Think are: information capacity, rapid pattern recognition, and reflection.
- **Deliver:** there's a huge difference between delivering innovations and regular products. That's why innovators must constantly assess the context and how to use their strengths and

limited resources while adapting to contingencies. Bringing ideas to life would be impossible without these "Deliver" skills. Elements of Deliver are: contextual goal orientation, resourcefulness, and adaptability.
- **Give:** innovators want their innovations to make life better for others, even if in some small way. Elements of Give are: benefiting others and making the world better.

Practical Tips For Innovation Leaders

How to inspire innovation teams?

Innovators, more than regular employees, tend to be mission-driven. An inspiring mission ignites teams' ambition to reach 10x better goals and increases their persistence. In order to inspire them, consider to:

- Ask them to state and explain their Massive Transformation Purpose (or MTP) in ten words or less.
- Mirror that MTP back to them when they are at a crossroads about a feature or business model and ask them which decision aligns best with their MTP.
- Push them to be not 5% better but 10x better than the competition or any substitute- not only in their product but also in their business model, marketing, and culture.

How to coach innovation teams?

A coach is more of a peer or a mentor than a top-down manager. As a coach, it's better to ask the innovation team questions than to tell them what to do. For example:

- Ask them what experiments they've conducted, what they've learned from them, and which stakeholder groups they did those experiments with (do they tend to talk to the usual suspects or do they go the extra mile and get outside their patch?)
- Ask them what product-market fit will look like and what metrics they are using to detect if they are approaching this fit.
- Ask questions that lead them to think through their assumptions.
- Encourage them to pay attention to real data.

How to empower innovation teams?

Innovation teams do not perform well under tight, top-down management and demands for frequent, conventional reporting. And this is not because they are unbridled, free spirits. It's because innovation teams often operate in greater ambiguity, at accelerated speeds, and on different metrics than the main business.

For instance, if you ask an innovation team for a 10-year inflation-adjusted revenue projection of their new product when they only have a Minimum Viable Product (MVP), you are wasting your time and theirs. You take them away from the more important work of testing the MVP with potential customers. And even if they comply with your request, there is about a 2% chance those projections will be accurate.

The overarching tip for empowering innovation teams is to ask yourself: "Am I managing and conveying a sense of control over them or am I empowering them to make customer-centric decisions, stating their hypotheses, testing, and iterating?"

How much diversity should innovation teams have?

What kind of diversity really matters for innovation teams? As we all know, mental diversity can increase team creativity. As a result of that belief, many organizations try to form teams with much demographic diversity. Yet there is debate about whether gender, age, and ethnicity deliver mental diversity.

Apparently, that's not enough.

A study published in Harvard Business Review found a difference between "inherent" and "acquired" diversity: the former involves traits you are born with, such as gender, ethnicity, and sexual orientation; the latter involves qualities you gain from experience.

Having both inherent and acquired diversity is called "2-D diversity". Companies with 2-D diversity out-innovate and out-perform others by a lot. Employees at these companies are 45% more likely to report that their firm's market share grew over the previous year and 70% more likely to note that the firm captured a new market. As an innovation leader, it's up to you to have both types of diversity in your team and ensure mental diversity.

How much conflict is good for innovation teams?

By generating more flexible thinking, deeper consideration of options, new approaches, and a better understanding of issues, divergent opinions and perspectives can increase the creative performance of innovation teams. But this is not always the case, and a clarification is necessary.

Research on the impact of conflict (or "team polarity") on innovation team performance found that in the upfront, or conceptualization phase of innovation, polarity positively influences the creative performance of innovation teams. However, in the backend, or commercialization phase, and in tasks with lower complexity, polarity negatively impacts that performance.

Polarity hinders efficiency and teams doing tasks with a low product or process change. At the same time, when a high degree of product or process change is involved, polarity improves team performance. But this is true up to a certain threshold. In more scientific terms, the relationship is an inverted U-shaped curve where too little and too much conflict hurts innovation teams. And this has clear implications for you as a leader. In short, you should constantly monitor your developmental stage to assess when to tolerate conflict and when not. However, you must never accept interpersonal conflict.

How do networks affect innovation teams?

This last point concerns diversity of information: do teams tend to go to the nearest source for information, or do they seek out varied sources? It's been proven that teams that take the closest and most easily accessible information do not perform as well as teams that seek out diverse sources of information, even if that's a little less efficient.

The more creative innovation teams used more diverse sources of information, not only the shortest, most direct route to information.

The Mindsets Needed For High-Performing Innovation Teams

Viv Goldstein
Vice President, Product Innovation and Transformation at Accenture Song

As innovation absorbs money and resources and needs investment and protection, corporates must shift from thinking about growth and innovation as a project to creating a system, an infrastructure for growth to ultimately considering innovation and growth as a state of being.

That "state of being" requires a mindset shift, a new way of thinking about talent and skills to create the ecosystem and the environment for innovators to succeed, as Viv Goldstein, Vice President, Product Innovation and Transformation at Accenture Song, outlines.

Skills and Mindsets for Innovators

For any innovation role, it requires specific knowledge and skills to get the job done. However, for a company to be successful with innovation it primarily requires high-performing teams of people with the right mindsets and behaviors.

Typically, there are three cohorts within an organization. At the top, the executives, or leadership cohort, make resource allocation and investment decisions. In the middle are the innovators and intrapreneurs, who do the hard work of innovating. At the bottom is the operating system, which supports and surrounds the organization.

Many leaders have difficulty grasping the concept of mindsets, let alone how to recognize when they have the right people. That's especially true when it comes to working with innovators.

Entrepreneurial people have a different kind of DNA — as Viv put it, "they're scrappy, and they're gritty" — but by default, one must be more structured in large organizations.

There are 3 key skills and 9 critical mindsets innovators must exhibit.

Deliver Impact

First, they must be able to deliver impact. There is no point in doing innovation work unless it's actually going to deliver impact. And delivering impact means truly understanding the marketplace, deeply knowing what's going on in the competitive space around innovation, and even having the courage to stop working on things that don't create value.

Growth Mechanics And Tools

Second, innovators don't always know all the answers – they need to run experiments to find solutions. Experiments typically start small, inexpensive, and with low fidelity until they reach higher fidelity levels that warrant investing more money. In a nutshell, cofounders are expected to know and learn how to run experimentation engines.

Growth Mindsets And Behaviors

Eventually, the third, most critical skill expected of great innovators is having growth

mindsets and behaviors. These include being a learner, a team player, and obsessed – and nine related and specific mindsets.

1. Growth Behavior: Learner
The best innovators are firstly expected to be learners. And that means they should be:

- **Curious:** innovation is about curiosity, asking questions, valuing discovery over certainty, challenging everything – particularly something that everybody thinks is obvious (as it might not be that obvious).
- **Adaptable:** innovators should be agile, versatile, not wedded to a way of doing things, and comfortable with ambiguity and change. They should prioritize making progress over perfection.
- **Humble:** humility is critical in the innovation context. Being humble means being aware that not all answers are known and that holding biases is normal. Indeed, the first stage to address a bias is recognizing that it exists. Humility enables innovators to focus even on something that might be unpleasant.

2. Growth Behavior: Team Player
Innovation and growth is a team sport. As team players, innovators should be:

- **Collaborative:** put team success over and above their own and address difficult issues with grace (humility and respect). Collaboration is about helping everybody get better.
- **Driven by trust:** engaging in constructive conflicts is possible when anyone is driven by trust. True innovators give their perspectives but are always willing to trust the team's decision.
- **Visionary:** the best entrepreneurs have unbelievable visions and big ideas. But, as part of that, they also have to be able to simplify their vision and communicate it in a clear, simple way.

3. Growth Behavior: Obsessed
Obsession may sound like a negative trait to look for, but it's a crucial trait for those driving the innovation. Accordingly, innovators should be:

- **Passionate:** leaders have to look for people who go to bed at night or wake up in the morning wanting to innovate because all they want to do is solve consumer or customer problems. That has to be their personal obsession.
- **Focused:** every innovation effort must be committed to solving the consumer pain points.
- **Learn from failure:** it's so hard to fail – nobody wants to fail. However, look for people who dwell on learning rather than not wanting to fail.

8 Critical Mindsets For Leaders

Leaders also need to be on board- there is no point in just having employees do the work with a different mindset. Here's the critical mindsets leaders need to exhibit and develop"

- **Turn outside in:** probably one of the more obvious ones, it means focusing on customers' problems rather than on internal problems, having a look at what's going on the outside to focus on solving their issues continuously.
- **End the addiction to being right:** as well as innovators, leaders know all the answers. Accordingly, they have to move on and ask better questions with humility and courage.
- **Expire outdated data:** old data are not good to make decisions. According to Viv, they shouldn't be older than six months. She suggests revisiting the data you're using continually.
- **Do versus say:** this specific mindset has two parts to it. First, if you're a leader, you can't just tell people what to do. You need

to role model those behaviors. That's what your employees are looking for. Second, measure innovators' activity.
- **Embrace productive failure:** it's healthy to create an area, a space of "psychological safety" where innovators can invalidate a hypothesis.
- **No silver bullets:** there's no magic about innovation – it's a hard way of working and thinking.
- **Don't love to death:** avoid saying, "We don't need to experiment because it's my idea". Even leaders' ideas can be unsuccessful.
- **Be an ambidextrous leader:** leaders today have to solve both for the quarter and the future and hold those two potentially conflicting ideas in mind at any one time. If you don't solve for the quarter, there's not going to be a future. And if you don't think about solving for the future, your quarters will run out.

Finding The Right Talent – Internal Vs. External Approach

If you already have an innovation team in place, you can focus on shifting their mindsets by providing training and development. However, when gaps exist and need to be filled, it pays to identify carefully, research, and network with potential external candidates.

Ideally, it's possible to find the right people in all places. Whether you're going internal or whether you're going external, be clear about what you as a business leader are looking for and how you might help develop the needed skills and knowledge.

There are several considerations when sourcing internal and external talent.

Sourcing internal talent

If you've got it, use it. Sourcing internal candidates is the quickest and easiest way to build an innovation team. You spend less time contacting and assessing them. It's also a more cost-effective way to recruit. Internal teams help promote loyalty, as well as reduce employee turnover. As you source new internal talent, consider these fundamentals:

- Focus on behavior versus functional or domain expertise
- Find those who "self-identify" and are "natural disruptors"
- Recognize that they're unlikely to be the "high potentials"
- Be agnostic to the candidate's band or level
- Ensure absolute clarity on the role of the HRBP in the process
- Be aware of engineering and Black Belt/ Six Sigma backgrounds

Sourcing External Talent

Finding team members externally is more of a challenge. It takes more time, energy, and money. However, external candidates can increase the diversity of the innovation culture you're trying to build. External recruitment is a way to add fresh talent with new skills and ideas necessary for taking an organization to the next level. When sourcing external talent, contemplate the following:

- It's okay to use traditional recruitment channels
- Leverage LinkedIn's advanced keyword search features
- Explore referrals through connections and professional organizations
- Seek one who can navigate a large-scale organization
- Ensure candidate demonstrates and articulates consistent customer passion

When seeking new talent, think about the way they're going to work. You'll likely find them in a slightly different place, whether internal or external.

Once the right talent with the right mindset has been recruited, it's about continuous development. Skill building is essential as markets change and technology becomes the driver of success. Along with skill-building, leaders must track progress and address issues accordingly.

You can't just tell people to behave in different ways and not provide proper support- that wouldn't be fair.

Leaders hold teams accountable by telling them what's expected and then measuring their performance against those expectations. Measurement and accountability are not to be done as a pejorative term or as a corporate bonus. It's purely for developmental purposes.

Entrepreneurs need to break some of the rules and go fast and stand up experiments quickly. Accordingly, if there's no proper ecosystem set up to support them, in the best case, it will be hard for them; in the worst case, they fail and "they will be squashed like a bug".

Innovators need different mindsets, skills, and behaviors. However, they also need permission to work differently. Without that permission, you can't have a high-performing team.

The most important factor that innovation leaders must keep in mind? Without a change in mindset, mechanics just don't matter.

What Makes For Effective Innovation Teams?

Selen Mussi, Layal Nammour Baaklini & Eleftheria Karyoti
Specialized Nutrition's Innovation Pipeline Director at Danone / Global Disruptive Innovation Managing Director – Next gen Idea Lab Director at Bacardi / Innovation Coach and Value Proposition Designer – Innovation Factory at Rabobank

Having the right processes and systems in place to manage your innovation programs and portfolio is key. But in the end, it's the people leading and doing the actual work that will make all the difference.

Given the unique dynamics of the role, and the special skills required, it's not easy to find the right people for your innovation teams.

As we all know, putting a bunch of people together doesn't make for a high-performing team out of the blue.

Choosing people who naturally are more curious, open, and with a growth mindset already helps build an effective innovation team. Yet it's very far from being enough.

As an innovation team leader, you definitely need more ingredients to prepare your team for success and, at the same time, you should be ready to take on all the challenges that inevitably surface at the different stages of your team's lifecycle.

Here's what Selen Mussi, Specialized Nutrition's Innovation Pipeline Director at Danone, Layal Nammour Baaklini, Global Disruptive Innovation Managing Director – Next gen Idea Lab Director at Bacardi, and Eleftheria Karyoti, Innovation Coach and Value Proposition Designer – Innovation Factory at Rabobank, learned about building effective innovation teams.

What Are The Key Ingredients For A Successful Innovation Team?

Even if there is no one-size-fits-all solution, some "ingredients" are key to setting up a team for success right from the start. And the elements that make up a strong innovation team range from selecting the right people to creating an environment where everyone feels free to express their creativity.

Diversity
In Selen's opinion, picking the right talent starts with prioritizing diversity in terms of background, gender, age, and culture. And diversity also includes personality types (introverts vs. extroverts). People with different backgrounds always bring more, diverse perspectives to the table.

And organizations must encourage and support diversity. Layal reports that Bacardi has established a program called "Belonging" whose main purpose is to create an environment where everyone can unleash their potential and show their true colors without putting a mask on.

As part of this program, Bacardi also promotes cultural sensitivity training events whenever a multicultural team is formed to explain the different nuances of culture to every single member.

Empathy
According to Layal, empathy is a must-have ingredient for a successful innovation team. As innovators, we've probably heard this so many times before but, honestly, innovation without empathy is not real innovation. How can we come up with desirable value propositions and solutions for our customers if we don't fully understand what problems they are struggling with?

And so Layal encourages innovation teams to ask, observe, listen generously, and immerse themselves in their customers' world to unpack and understand the profound insights of those problems. After all, it's never about what they say or do– rather, it's about what they think and feel.

Experiments
Layal also suggests adopting a Business Scientist Mindset. In sum, success (from an innovation team point of view) doesn't come down to being right. Proving and providing evidence that whatever you're doing is actually working is far more noteworthy. Borrowing this concept from the book "Think Again" by Adam Grant, Layal explains that when we start working on something, we inevitably have many unknown elements to deal with. And every experiment ideally takes us a step closer to what we want to learn.

Reliability and Clarity
Counting on each other as well as having clarity on the goals, roles, responsibilities, and action plans are two other paramount ingredients. Being in such a positive context will also help members understand their unique contribution to the overall process and the impact of their job. And that's where the need for a psychologically safe environment emerges.

Psychological Safety
Eleftheria echoes Selen and remarks how diversity is extremely important, especially in small teams, for people to complement each other. Yet diversity is not enough. At the end of the day, innovation teams need to operate in a safe space.

Creating psychological safety means making failures openly discussable- i.e., talking about what went wrong with a project, what happens next, and how to adapt and come back to the marketplace stronger. If we could do all of this, we probably wouldn't call it failure anymore.

The idea here is that no one needs to feel all the pressure of delivering one big project independently. They're all part of a community that is learning, experimenting, and delivering value.

What Are The Main Challenges An Innovation Team Faces?

Selecting the right people is a big first challenge. And so is checking the quality of team members' work. Clearly, listing all the possible hardships an innovation team might encounter would be nearly impossible.

The concepts of Forming, Storming, Norming, and Performing (FSNP) can help us describe the four stages of psychological development and group dynamics a team goes through while working on a project. And each phase involves specific challenges that the innovation team leaders want to be aware of to act accordingly:

- **Forming:** in this first stage, the innovation team comes together to address a problem and propose solutions. Each member is oriented to the project task, and diversity plays a crucial role. Forming a strong, diverse team is essential but can pose new challenges as the innovation project moves on.
- **Storming:** this is probably the most dangerous phase. Here team leaders establish roles for each member and define the goal and the shared vision. All of this may bring out some negative aspects of group behavior. Promoting a fearless culture and providing psychological safety (as already described in the previous paragraph) can help your team be more engaged and ready to learn from failure.
- **Norming:** at this stage, team members begin working together effectively and developing mutual trust despite differences. But that's possible only if each member agrees on the greater importance of the collective dimension than the individual one. Otherwise, you'll have multiple "idea creators" fighting with each other.
- **Performing:** in the last phase, the team is ready to focus on a shared goal and find ways to solve any problems. The challenge here is to incentivize creative efforts in ways other than (just) financial growth.

Team Canvas And Team Dysfunctions: Two Useful Tools

Eleftheria proposes two useful tools to address the challenges mentioned.

The Team Canvas, probably the easiest tool for anyone to use, helps touch upon the most important topics for a team – no matter if it's a starting team or even later stage team – including vision, roles, responsibilities, strengths, weaknesses, rules, rituals, and values.

A more advanced tool she suggests using is inspired by the book "The Five Dysfunctions of a Team" by Patrick Lencioni. In short,

team leaders should collect all possible dysfunctions through a survey filled in by members and then set up workshops where the most critical spotted dysfunctions are discussed first in small groups and then in gradually larger groups. The ultimate goal is to touch upon five elements or dysfunctions and find common solutions:

- **Absence of trust:** the fear of being vulnerable prevents the building of trust within the team. Promoting psychological safety, sharing problems, admitting mistakes, and assisting each other can create a solid and successful team free from vulnerability-based issues.
- **Fear of conflict:** trying to preserve an artificial harmony where everything seems to be under control actually stifles productive conflict, new ideas, and different perspectives. And this leads to suboptimal decision-making. The best way to address this second dysfunction is to welcome constructive conflict in your team, encourage the members to speak out, and be open to input and feedback. But again, trust is crucial: productive and constructive conflict can't occur without trust.
- **Lack of commitment:** this happens when there's a general lack of clarity and ambiguity, and team members can't make informed decisions. Avoiding this dysfunction is easy in theory but can be challenging to practice. Aligning your team on common objectives, directions, and priorities is the first step towards a team culture built on trust and healthy conflict.
- **Avoidance of accountability:** holding one another accountable for their behaviors and performance can be frustrating for many. But suppose you've already built trust and promoted productive conflict and commitment in your team. In that case, accountability is the natural next step. Implementing the same standard for everyone can encourage members to hold each other accountable for high and low performance.
- **Inattention to results:** pursuing individual goals and personal status erodes the focus on collective success. And if you don't collectively focus on results, you're more likely to see poor team performance. But when trust, healthy conflict, commitment, and accountability are solid pillars, teams will likely be more focused on common results and more motivated.

Patrick Lencioni depicts these five dysfunctions as a pyramid where the "Absence of trust" is the base and the "Inattention to results" is the tip. According to the author, the flip side of each are the characteristics that a high-performative team should have:

- High levels of trust
- Constructive and productive conflict
- Deep commitment and engagement with the overall strategy
- Willingness to hold each other accountable
- Strong results orientation

Measuring The Success Of An Innovation Team

When it comes to metrics, we all tend to think about KPIs. And that's great because seeing the benefit we've created in the market is rewarding. Yet Selen doesn't believe that taking KPIs into account is enough to see or measure a team's success.

Layal thinks measuring the engagement of each team member is a great starting point. Easier said than done, that's true, but some metrics may come in handy. For instance, retention is an excellent indicator. And the same goes for developing new capabilities.

Every job has to be regenerative. We must build organizations where employees feel that, like the soil, they're receiving more than is being extracted from them.

Lastly, delivering financial value is paramount, but you shouldn't look at it as the primary reason behind the innovation process. Instead, it's an outcome that happens because all the other gears function well together.

How To Build and Run an Internal Community of Practice

Miikka Leinonen, Sabrina Weymiens, Miki Ion & Suzanne Balima
Business Design Method Creator and Community Builder at Ghost

A community of practice is a group of people who have defined a problem and work together to create a solution..

These communities give members a sense of ownership, often leading to concrete changes that can help your corporation reach a new level of success.

A community of practice must be cause-led. Members of the community sacrifice their time and social value in an attempt to create change. If the cause at the center of the community is strong enough, those who have strong feelings about the cause are willing to commit their time and knowledge to create solutions.

So the first step of creating an effective community of practice is to develop, define, and figure out how to relay the cause upon which the community will focus.

Miikka Leinonen, Business Design Method Creator and Community Builder at Ghost, Sabrina Weymiens, Head of Commercial Innovation at Svitzer, Miki Ion, former Innovation Community manager at ING, and Suzanne Balima, Open Innovation Lead at Vale share lessons learned from building an internal community of innovators across an organization.

Turn Audience Into Community

A community of practice is designed to be impactful. To do so, it turns an audience into a community. There's a clear path for doing so:

- **Audience.** The path to an impactful community of practice starts with an audience. At this stage, there is controlled ownership, the process is very linear, and the system is result-driven. This is the general corporate structure. Upper-level management maintains ownership, defines goals, and holds team members accountable.
- **Network.** The next step in the evolution from audience to community is building a network. A network has fragmented ownership under which people feel free to share thoughts. It also includes individual connections that get team members working with each other, and it provides a benefit.
- **Community.** The final step in the evolution is a community. A community of practice answers to itself, rather than to a central party. All members of the community share ownership. This shared ownership creates an environment for

organic discussions to take place, leading to purpose-driven improvements in your organization.

Build Trust

The most important aspect of developing and running an internal community of practice is building trust. The ultimate goal of a community like this is to have people share their honest feelings and opinions and have opportunities to act.

As you build trust, members of your community are more willing to open up, share ideas, and assume a more human than employee role within your organization.

Trust-building doesn't happen overnight. It starts with the first step of this process, begins taking effect as your audience becomes a network, and helps transition your network into a community.

Five Pillars of an Internal Community of Practice

There are five pillars to consider as you build and run a community of practice in your organization.

- **Knowledge sharing:** Building a community is all about sharing knowledge. You're able to share your ideas, concepts, and solutions with other members within your organization, and they're willing to share theirs.
- **Engagement:** When a community thrives, there's constant engagement between the members of the community. Take action to encourage members of your community to interact with one another and co-create solutions.
- **Small events:** Communities are more effective when members within those communities actively take part in events together. Start with small events like local meetups or limited-member online conferences to help foster engagement within your community.
- **Large events:** Consider hosting a few larger events per year. During these events, community members who don't often get to interact on a personal level can do so, fostering knowledge-sharing and engagement within the community.
- **Producing concrete outcomes:** Finally, a community must produce concrete outcomes. Although a community of practice may not make significant changes in short order, it should always be working to innovate, test, and produce results.

Grassroots or Corporate Led?

To build an effective community of practice, most corporations must be willing to unlearn what they believe about business in general.

The traditional corporate structure with management in control and employees following guidelines, is an audience-led one that can inhibit innovation and productivity within an organization.

Building a community of practice within your organization requires a grassroots approach. With this approach, nobody in the community feels more or less important than anyone else. The community and members within it are self-accountable. This is what makes communities of practice so effective.

Transparency, Recognition And Self-Appointed Teams: Fostering Employee-Driven Innovation At Scale

Morten Benn
Partner at Nosco

Most companies have a large and powerful source for innovation that, to a large extent, is left unused – their employees.

Tapping into your employees' collective genius can create a potent pipeline that delivers growth, and it also raises engagement within your company.

Looking inward to get started is not only the 'right' thing to do- it also produces more solid solutions that are easier to implement and realize. And mobilizing and engaging employees to share their ideas creates growth and better financial performance for corporations. A McKinsey research study shows that companies that engage employees in innovation activities report up to 2.4x better financial results.

Of course, there's much more to employee-driven innovation than just opening up a (digital) idea box. Morten Benn, Partner at Nosco, outlines the core elements of fostering employee-driven innovation at scale.

Thousands of Employees "Cracking Hard Nuts"

Employees are the intellectual capital of a company. They are the ones that most likely know the company's products and markets better than anyone else. For a small company, it's natural to involve employees in solving the company's most critical challenges. It's natural to ask the employees if they have good ideas for increasing growth or efficiency.

However, the larger the size of the company, the more complex it is perceived to ask everyone. Indeed, distance from top to bottom increases, and the intellectual capital becomes more distributed around the globe. And if there is no infrastructure to tap into this abundance of knowledge, it's almost impossible to know what the company really knows.

That's why, according to Morten, it's a big mistake not to ask employees, especially in large organizations. Digitalization has solved the problem of engaging with all of them. There are many platforms nowadays that make it easy to ask thousands of employees for ideas and to involve middle managers and internal experts to evaluate and choose the ideas to invest in, without drowning in answers and arduous, time-consuming processes.

Some might argue that ideas coming from employees are too close to the core, and as such, there's not much value in them- but Morten has a different view.

"I really do not like the popular use of the term 'disruptive' ideas. It is widely misused. In my experience, a lot of great and valuable

innovation has come from close to the core ideas. One of my clients with 20+ years of R&D experience once said that increasing the speed of one production component by 50% was the most valuable idea he had ever worked on. And it was also the hardest nut to crack".

Morten believes that "working on cracking hard nuts" is, in essence, what Clayton Christensen was aiming at in his famous HBR article about the theory of disruptive innovation. In short, typically, ideas close to the core are far more profitable to be realized, and they may also potentially have a real, significant impact. Whereas ideas outside the capabilities or too far away from the core are way more likely to fail, they are way more difficult to implement or validate, and they often require a lot more investment. Disruptive innovation is both more risky and expensive.

At Nosco, they call new ideas 'transformative' if they have the power to reshape and transform the current business. And, more often than not, what companies need is indeed to transform their business, not disrupt it.

Running global innovation challenges or idea campaigns are also effective in supporting your company's transformation in other ways.

Typically, at the "other side of the transformation", companies want to have developed certain capabilities. They may not know that many people with the required skills are already in the company. They may have different roles than one might expect, or in other parts of the organization than internal recruitment would look, and as such, leaders don't know about them, because there's no effective way to identify these people. Through innovation challenges and idea campaigns, employees with future-ready skills sets supporting your company's transformation will become visible.

What Are The Parameters For Success?

You never know what and where the best ideas are in your organization, until you ask everyone. Yet it might not always be a good option to just involve anyone for your next challenge or campaign.

To tap into the abundance of knowledge and ideas efficiently, Morten highlights what he has found to be parameters for success:

- **Build a digital infrastructure** for innovation. It needs to be collaborative, transparent, and offer a simple and appealing user experience.
- **Solve an important business challenge** and define it narrowly. There's no use in asking broad questions like "what should our company work on next?", even though many people might have all kinds of answers. The more relevant a topic, the greater the engagement will be around it. Also, provide access to information so that they have a clear idea of what is essential for the company and why it is so.
- **Get the attention** of as many employees as possible. Like many things, this is a numbers game so the more people you involve, the higher the chances of success at the end.
- **Design your process** so that executives, middle managers, and subject matter experts can easily contribute, with minimal use of their time. When leadership is engaged, this gives relevance and importance to the call for ideas, as employees may feel a greater urge to come up with good answers. Over his career, Morten has noticed that top management often asks for innovation, while the middle management is disconnected and disengaged.

  Like it or not, this is how organizations are designed- the middle management is responsible for running the day-to-day

business and as such, is measured on how that's performing, not on innovation. But they manage crucial resources and, as innovation is a resource game, you need to engage and connect the middle management in your innovation challenges and idea campaigns.
- **Ensure that the best ideas** go into a fast incubation process for validation. Morten recommends agreeing on a fixed three-month incubator program with your business challenge owner, before even running the idea campaign.
- **Communicate** results and benefits widely and consistently.
- **Do it again** and again! This way, you start building and fostering an internal ecosystem of intrapreneurs.

Transparency, Recognition and Self-Appointed Teams

Of course, the most critical success factor for all of this to work are the employees and their willingness to put forward their ideas.

We all know too many stories of idea campaigns or hackathons where a lot of time and energy was spent exploring problems and identifying solutions, but once the campaign or event was over, the employees that contributed or participated never heard back about all those great ideas they worked. Guess what happens if you ask for their involvement next time...

Or maybe, on the flipside, the follow up from such campaign or event was that an idea was chosen as winner, and as a reward, the individual(s) originally proposing that idea were asked to start working on that idea in their own time, on top of their more than full-time day jobs, with no extra time, basic resources and or other support offered. Guess how winning the competition feels then...

So, how to avoid the disappointment or the frustration of either scenario?

Morten recognizes those scenarios, and adds that also here, the platform you use for your campaign should support properly managing expectations and communication. You will have put in objective evaluation criteria beforehand, so they have been clear all along, and once all ideas have come in, you can easily rate ideas and decide about progressing them based on those criteria.

Morten remembers a shiftworker in a factory in Czech Republic. The idea he submitted in itself didn't appear to help solving the challenge as put forward, but the illustrations he used to make the case were great, making a complex issue look simple. As a follow up, he was invited to the HQ R&D Centre for a debrief with business management, which eventually informed several improvements in internal processes. Knowing about the exposure their colleague got from his idea submission, many factory workers got engaged in the next campaign.

Yet maybe even more important for keeping employees engaged in innovation is their ability to create what Mortens calls "self-appointed teams". This has proven to be an effective way to transfer the power of entrepreneurs – pursuing their own idea with "fire in their eyes" – to intrapreneurs within the company.

Essentially, it's like dating for ideas, where people interested in working on specific ideas can connect, share and collaborate across the organization, and any employee can apply to become a team member for the projects in ideation and incubation stages.

This helps to create more diverse teams, especially mixing up senior and newer employees – these always perform the best because the former have the network and the experience of how the organization works, and the latter fresh energy and new perspectives.

For Morten, on top of building the proper digital infrastructure, enabling self-appointed teams is by far the most powerful thing a corporation can do to foster employee-driven innovation.

What's The Role Of The Innovation Function?

Now, you might ask- if employees come up with new ideas, and even form teams to lead those ideas through an incubation program, what's left for the innovation function?

Morten has a clear view: the role of the innovation function is to make innovation everyone's business.

As innovation function, we define the "rules" regarding how to create an engaging call for ideas, how ideas are validated, and what happens after the campaigns, and thus facilitate the end to end innovation process for the whole company. The role of the innovation function, the innovation team, and the innovation department is to stimulate and orchestrate this engagement by giving directions, providing working forms, and facilitating it. The innovation function has the validation methods, tools, and criteria, while the company owns the ideas and harvests the benefits.

When an innovation function of a few people manages to support thousands of employees around the world in filling their business unit's innovation pipeline with highly investable ideas, that's when we call it innovation at scale.

Driving Culture Change By Shaping Day-To-Day Behaviors

Natalie Painchaud, Jessica Schenck & Justin Kaster
Associate Partner at Innosight and Co-Author of Eat, Sleep, Innovate / Former Director of Surgical Research and Development at Hologic / Growth Strategist and Business Designer at General Mills

Want to drive an innovation culture change within your organization but don't know where to start?

You don't need to rely on lone geniuses or bet the house on breakthrough ideas. In the right circumstances, normal people and normal organizations can do extraordinary things. And it all comes down to the culture. Organizations must foster one where the behaviors that drive innovation success are habits, as explained in the book "Eat, Sleep, Innovate", co-authored by Scott D. Anthony, Andy Parker, and Natalie Painchaud.

Of course, intentionally creating a culture of innovation is not an overnight transformation. It takes practice, investment, and time.

Hologic and General Mills are two major companies in two different industries. They started to use the approach as codified in "Eat, Sleep, Innovate" to unleash the potential of their people and cultures to ultimately achieve strategic and organizational goals.

Here's Jessica Schenck, former Director of Surgical Research and Development at Hologic, and Justin Kaster, Growth Strategist and Business Designer at General Mills, comparing experiences and sharing lessons learned.

Bringing Innovation Culture To The Rest Of The Organization At Hologic

A few years ago, in order to move into adjacent spaces and find transformational solutions, Hologic leaders created an innovation team by bringing together marketers and engineers.

The team adopted several innovation behaviors (which we'll come back to shortly) and built a very different-looking sub-portfolio of new products.

But when the moment came to bring that sub-portfolio to life and the team got pulled back into the new product development unit, the reality hit hard.

The innovation team was no longer used to operating as before. And, even worse, Hologic was not placing value on what the innovation team was creating. Jessica realized that even if that innovation team was set out to create innovation for our customers, what we were doing by bringing those projects in-house was creating organizational capabilities that weren't considered innovation for Hologic.

The question naturally arises: how to bring that same innovation culture you might have within an innovation team to the rest of the organization?

The first step is to acknowledge that innovation affects the entire organization. Leaders should promote the adoption of the following five behaviors to make an innovation culture work (and reduce the friction between the whole organization and the innovation team):

- **Curiosity:** Question the status quo and consistently search for different and better ways to do things.
- **Customer obsession:** Relentlessly seek to develop an ever-deeper understanding of the jobs to be done of customers, employees, and stakeholders.
- **Collaboration:** Incorporate cross-functional expertise resourcefully, recognizing that the smartest person in the room is often the room itself.
- **Adeptness in ambiguity:** Act confidently, despite incomplete information, expect iteration and change, excel at experimentation, and celebrate judicious risk-taking.
- **Empowerment:** Exercise initiative, seek out and leverage resources, and make confident decisions.

A Common Language At General Mills

Relentlessly Innovating is a fundamental pillar of General Mills' Accelerate Strategy, defining the path for the next chapter of General Mills' growth, leveraging the company's historical strengths and deploying them in ways that are relevant for today's consumers and marketplace. This strategy guides the company's choices on how to win and where to play to drive profitable growth and top-tier shareholder returns over the long term. Relentlessly Innovating means creating new solutions to real consumer problems, leveraging greater speed to market on core platform innovation and finding new areas of growth through experimentation and in-market learning to ultimately become the most innovative food company in the world.

But how does General Mills manage all of this without too much trouble?

Justin states that orienting organizational culture towards innovation is the primary building block that enables the Accelerate Strategy to come to fruition. To this end, General Mills makes innovation an everyday

habit across the organization by essentially creating a common language through activities that foster employees' curiosity, customer obsession, and empowerment.

Book clubs, culture sprints (interactive programs focused on leading founders, executives, and their teams through the methods and foundational elements that drive higher levels of success within organizations), and innovation summits (programs aimed at helping people think differently about innovation) are the main activities the company promotes. Combining these activities with daily work also teaches employees to collaborate and adapt in ambiguity.

These practices can be easily replicated in all companies. Start by borrowing from others- yuour behaviors don't have to be original; they just have to work.

The Role Of Leadership

For sure, driving culture change is a process that takes much investment on the leadership side, in order to create the right conditions and enablers.

Creating a big change in the culture takes a long time. You can literally see it happening day after day. Leaders must create a strong connection between strategy and culture of innovation by encouraging conversations about what innovation means for the company first and foremost.

But leaders should also be flexible and create a psychologically safe environment where people can be curious and ask questions to deeply investigate customer needs. Giving flexibility means having the opportunity to listen to customers better and even realize that the course of things was not correct. And hence adapt and adjust the direction.

Even if we have to change course, it's a success because we realize we were not listening to the customer originally, concludes Jessica. Jessica also warns about respecting people's natural tendencies. Forcing them to be comfortable with all the changes related to innovation culture might often be counterproductive, at least initially. She suggests focusing on the people who already show desired behaviors inherently and bringing the rest along- this will avoid much friction.

Finally, another effective tool is to take the time to pause and think about all the possible reasons why what you're working on could be a spectacular failure, and what this would look like. Once your team has done this "pre-mortem" for your initiative, think about how you can mitigate these identified risks and what you want to test early on.

Sometimes we want to be really positive and only see the good, but it is important to have an explicit conversation around the things that can go wrong.

Courageous Cultures: How To Build Teams Of Micro-Innovators, Problem Solvers And Customer Advocates

Karin Hurt & David Dye
Co-Authors of Courageous Cultures

Employees have ideas, and most leaders really want to hear them. And yet somehow, there is a disconnect.

When Karin Hurt and David Dye work with clients all over the world, they always hear the same complaints form business leaders:

- Why am I the only one that sees these issues? What's wrong with my managers? Why can't they see this stuff and fix it?
- We've got so many ways for people to submit their ideas. Why don't more people use them?
- My direct reports are always out talking to employees. But all we get is a bunch of fluff.

What's even more interesting is that, when they do training at the frontline of these same organizations, this is what they hear:

- The only way to get the customer what they need is to use this workaround. I have been doing it for years, which is why my customers love me so much. It's not standard procedure, though. So I just keep my head down, so my boss doesn't notice.
- They say they want our ideas, but nothing ever changes. I've stopped bothering.
- Whenever a big WIG comes down from HQ to do a focus group, my boss warns us to only talk about the good stuff, so it doesn't look like we're complaining.

Karen and David set out to partner on an extensive research study in collaboration with the University of North Colorado in order to answer these questions. When employees hold back ideas, what kinds of ideas are they holding back? Why are they holding back these ideas?

What Is A Courageous Culture?

To explain what a courageous culture is, Karen and David borrow the definition of culture from the marketing guru Seth Godin, who simply says, "Culture is people like us, do things like this".

In a courageous culture people like us speak up and share ideas. In a courageous culture, the default is to contribute.

How does courage work? What are the main and most frequent reasons for not speaking up with solutions or ideas?

The research offers four major answers to this straightforward yet not trivial question:

- **No one asked:** 49% of respondents said that they don't share because they're not regularly asked for ideas by their leaders. And an open door policy or sophisticated

suggestion system is not enough for most employees to feel that they've been genuinely invited to contribute, warn the experts.

- **Nothing happens:** 50% of respondents said that if they were to contribute an idea, it would not be taken seriously. Leaders may be asking for ideas and even doing something with them, but employees will assume nothing is happening if there's no feedback loop.
- **Feeling stuck:** 67% of respondents said that their manager operates according to the notion "this is the way we've always done it" – and, therefore, employees think leaders don't want new ideas. It also emerged that, in many cases, their boss agreed their concepts would work and are doable, but then the same employees were told to go back and do things "the old way".
- **Fear:** people fear speaking up. And this fear, concern, and reluctance comes out in the research in a number of different ways. But one of them is that 40% of respondents said they don't feel confident in sharing their ideas. In a nutshell, employees don't lack ideas – they lack confidence. As a business leader, you should understand what's crushing people's courage and work to eliminate the real and imagined barriers preventing contribution.

Karen and David refer to the concept of "fear of speaking up" as F.O.S.U. And borrowing some psychological safety concepts from Dr. Amy Edmondson, who wrote The Fearless Organization, they point out that:

- People are more likely to hold on to a negative experience with speaking up than a positive experience. Accordingly, even if you're the most human-centered leader and you proactively ask your employees for their ideas, it is statistically probable that there is someone on your team who has had a negative experience in the past with speaking up that they are holding on to and are reluctant to share their ideas.
- People are likely to discount the future, which means they will underweight the future benefits of speaking up and overweight the fear that they're having.

7 Steps To Building A Courageous Culture

In order to help you find ways to go out and ask people for their ideas proactively, Karen and David share seven steps you can take to build a courageous culture:

1. **Navigate the narratives:** Courage starts with you. Be courageous, get real with yourself, acknowledge your internal stories, and ground yourself in the experiences that give you and your team confidence and courage. Get comfortable with your own comfort level of speaking up. Leaders always go first – be a role model for your team.
2. **Create clarity:** Be clear around two things. First, be clear that you really want people's ideas. And, second, be clear about what a good idea would accomplish. Make sure people understand where you're headed strategically, so they know what kinds of ideas to bring forward.
3. **Cultivate curiosity:** proactively go out and invite people to contribute their ideas. Later in the article, we'll give you a couple of practical ways to do that.
4. **Respond with regard:** what do you do with an idea you can't use? Don't overlook this step and give feedback to not-so-great ideas as well. If you want a consistent stream of ideas to be shared consistently, be sure you respond to all of them with regard.

5. **Practice the principle:** find the core idea within best practices and help your team localize best practices for their unique circumstances. In short, take an idea from one market or customer and commit to customizing it.
6. **Galvanize the genius:** use advanced communication techniques to spread your ideas throughout the organization so that everyone is aware and knows what is important.
7. **Build an infrastructure for courage:** make sure all your HR systems and processes, including onboarding, performance management systems, etc., support your courageous culture.

Although all seven points are crucial, the first four can really help you build a courageous culture in your organization in the near future.

1. Navigate your narrative

Executives are too frequently afraid to be who they are at work. But if you're afraid, all you do is incomplete. Your team is watching you – you have the responsibility to be a role model. And if you want to create a courageous culture, i.e., an environment where people are encouraged to share their truth and where they feel comfortable speaking up, start with you.

Because no matter what you're saying about wanting people's ideas, if they are watching you and you are holding back, that is the message they'll receive.

Navigating the narrative is about your relationship with courage. It's about being aware of your own stories and the stories of your team. And the reason that navigating the narrative is the foundation of courageous cultures is because there's a paradox at the heart of a courageous culture itself. That is: if people speak up, if people like us raise their hand on behalf of their customers to micro-innovate and solve problems, and if that's what everyone's doing, it takes less daily courage for anyone in the organization to do that – because that's what people like us do.

Courage starts because leaders go first – as a leader, you must lead by example. Accordingly, when it comes to talking about navigating the narrative, that paradox is why it's so important that leaders master their own relationships first.

The other reality at the heart of navigating the narrative is that everyone asked for their moment of courage. Indeed, when we think about being courageous in the future, if we've already done so, we can ground ourselves in the foundation of the places we have already been courageous and use that energy to power us going forward.

A helpful, simple technique to navigate the narrative is to surface the fears to speak up for a specific project upfront. And you can do that by publicly asking anyone involved to share their fears anonymously. This is what is called "visible anonymity", meaning everybody can see that people are contributing by sharing their thoughts, they don't know who's saying what, and then having conversations around the various topics all together.

Yet visible anonymity doesn't always open up the appropriate nuance of concerns. You should look at it as a tool to use in a transition phase. Ultimately, in a courageous culture, we want to get to the point where we can speak up and candidly with one another. But if you're not there yet, the act of visible anonymity is a way to help get valuable information into the room.

2. Create clarity

When it comes to having a courageous culture, the second phase is to make it clear that you want people's ideas, define what area you need the ideas in, and make sure

people really understand where the whole organization is headed strategically so they can bring you better ideas.

One good conversation about expectations can prevent 14 "Why didn't you?" conversations.. Long story short, creating clarity serves the primary purpose of not completely missing the big picture.

3. Cultivate curiosity

A courageous culture particularly enables micro-innovations, which are most of the innovations out there. They add up to truly transform cultures, organizations, and business realities – they're definitely not the blue ocean innovations. Micro innovations are the small enhancements in day-to-day processes, products, and services that improve workplace efficiencies and employee and customer experience. They add up to competitive advantage and make a major difference.

How to find and surface them? For this purpose, Karen and Davide share three tools.

1st Tool: Courageous Question

The first one – which leverages the clarity – is something called a "courageous question". A courageous question differs from a normal "how can we improve?" question because it's specific, it dives very narrowly into a topic. In addition, a courageous question is vulnerable, meaning that it assumes that improvement is possible. And when you ask that kind of a question with an intent to listen, as opposed to responding right away, it's amazing what people can start to contribute. Here are a few examples:

- What is one way we can improve the efficiency of this process? (this question is very specific and humble, it's asking for one way to improve the efficiency of the process, assuming that there is something you can do to improve)
- What is the greatest obstacle to your productivity right now? (again, this question assumes that something is standing in the way)
- What's one policy of ours that you just don't like? (this question assumes that some policies are driving people crazy)

2nd Tool: U.G.L.Y.

Another tool that can enable people to quickly generate good, valuable ideas and insights is the U.G.L.Y. technique, a strategic conversation starter to help you and your team fast identify and prioritize strategic opportunities.

It starts with clearly identifying an area where you need a great idea – e.g., How do we maintain our productivity as we move into a hybrid working environment? How to take care of employees' mental health? – and then asking the following strategic questions:

- **U: What are we Underestimating?** What are you not thinking about? Likely answers could be that you're underestimating your employees' skill sets or how excited people would be about something.
- **G: What's got to Go?** What do you need to stop doing in order to implement and focus on this new idea? This point is really important because when people have an idea, there is a tendency to lay it on top of all the other things that are happening, and that's one of the reasons people get exhausted with change.
- **L: Where are we Losing?** You should be able to answer questions like: Where are we losing to the competition? Where are we losing key talent?
- **Y: Where are we missing the Yes?** Understand if there is a totally different way to look at that opportunity that you might not be thinking about.

3rd Tool: I.D.E.A.
Of course, as you go through that process, you'll generate many ideas as it's a good way to surface them quickly. Yet sometimes, it can be too many. Using the I.D.E.A. model, you can help your team bring you better ideas that can get traction. All you need to do is share the following criteria with your team and be clear that the idea to submit needs to be:

- **I – Interesting:** Why is this idea interesting? What strategic problem does it solve? How will results be made better by this idea?
- **D – Doable:** Is this idea something we could actually do? How would we make it happen? What would make it easier or more difficult?
- **E – Engaging:** Who are the key stakeholders we might need to consider and bring in for this idea? Why should they support it? Where are we most likely to meet resistance?
- **A – Actions:** What are the most recommended actions needed to try this? What is the next step?

4. Respond with regard
What you do and how you respond when you receive a range of different ideas really puts the capstone in this process of leading courageously.

As mentioned, 50% of respondents believe that no one wants their idea, and 67% feel stuck in their ways. Regardless of the kind of ideas you're receiving, the antidote to that is to respond with regard. Responding with regard ensures a consistent flow of innovation and problem solving from your team.

There are three sequential steps to respond with regard:

- **1. Gratitude:** always thank employees for thinking about how the organization can be and do better, even if you can't use that idea.
- **2. Information:** if the idea has already been implemented, give them information to learn more. If the idea is missing something, provide additional information. If you can't use the idea, share the reason.
- **3. Invitation:** invite your employees to keep thinking and contributing, specifically in the areas where you most need a great idea.

Atomic Innovation: Five Tiny Habits To Amplify Your Innovation Culture

Elvin Turner
Executive Coach and author of Be Less Zombie

Success with innovation might have nothing to do with the latest trends. Often, the biggest difference is made by doing the mundane things differently, even if those seem boring or obvious.

Elvin Turner, Executive Coach and author of Be Less Zombie, introduces the concept of "Atomic Innovation" built on five simple habits that cause innovation to spread throughout our organizations.

It can be frustrating for innovators to waste their time and energy on implementing extensive change programs and see no difference afterward. Frequently, that's not what has the most remarkable effect. To ignite atomic innovation – big transformations that come to life from little sparks – consider adopting the following five habits:

Habit 1: Using A Different Language

Most organizations don't have an innovation strategy that is meaningful, aligned, and connected to the overall strategy. In other words, in many organizations, innovation isn't strategically anchored.

Often innovation shows up as a campaign or something we sometimes date or flirt with, but we're not 100% committed. And unless the whole organization is committed to innovation, then it very easily falls off the agenda.

The extent to which an organization can connect innovation to a strategic outcome and make it non-negotiable that's where innovation really sticks. And again, this may sound obvious but, at the end of the day, it doesn't happen in too many contexts. Instead, it's very easy for what seems to be a priority project in the innovation space to suddenly take the backseat.

But why is all this? As innovators, we know that having leaders on board is crucial for innovation to spread throughout the organization. Yet most leaders haven't had very much innovation training in their careers. Accordingly, most don't know where to start when it comes to orchestrating innovation in real life and creating the context that can support it. And so no wonder you get comments like "innovation just slips through our fingers", "there's always something more urgent", and "thinking about the future is a luxury".

So what can innovators do about that? Using specific language seems to help move a conversation in a more strategic direction in the early days. It also helps ground innovation and gives it a strategic landing pad so that it's not so easily removed from the agenda. That being said, Elvin has witnessed that the language of "moving needles" works in almost every setting.

If you're struggling to get leaders on board, ask them what non-negotiable needles you need to move in the organization that aren't going to happen on their own. And then give innovation a real business case to highlight in which areas you have to start working more, what resources, processes, capabilities, culture, and leadership you'll need to move those needles.

Using a different language to talk about innovation and bring it down to the grassroots helps start the conversation. It helps connect with leaders who perhaps feel threatened by innovation because they simply don't have experience in it. So show leaders where you need to get to (i.e., which parts of the organization won't show up without innovation) and compare it with where you'll get to if nothing changes.

The "growth gap" between those two points is nothing but the innovation agenda or the needles you're trying to move.

Habit 2: Mapping The Innovation Process

Especially if there's no innovation strategy, some innovation teams don't even know what they should be innovating around and on, they don't know what matters most, what's top of the list, and what to focus on. In this case,

Elvin recommends mapping the process. It's a simple and effective tool, but you'll be surprised by how much people love mapping processes, and what a helpful too often overlooked starting point for innovation and culture change it is.

Just by identifying priorities, future-facing questions, constraints, frictions, strengths, weaknesses, and opportunities to do things much better, people get an instant map of what they do. And it's easier to connect them to innovation.

When you map the process and see the issues to fix, suddenly, you're vested in it because you can see what matters to your world.

Furthermore, mapping the process is a perfect place to share frustrations, opportunities, and priorities, understand what goes on in one another's lives, connect to purpose, and see the impact everyone makes on the whole.

Habit 3: Reframing And Lowering The Stakes

Leaders want bold ideas. After all, you get much more profit from a big idea that lands than lots of incremental ideas. However, it's not easy to have these ideas. What's the issue? What stops people from having and proposing big, bold ideas?

One thing that is most likely to impede people from putting big ideas forward is that the initial stakes are just too high. The current way of approaching innovation scares people; they have too much to lose, whether it's their time or something else. As such, reframing and lowering those initial stakes is critical. And it all starts with teaching people to dream big, start small, and learn fast.

If everybody knows that the first thing they're going to work on is to clarify, learn, test, and understand if their ideas make sense, then everybody knows that the stakes are low. And this unlocks the appetite for people to bring new ideas to the table "because they know they're not signing up for that half a million euros nightmare like it'd happen in a Shark Tank or Dragon's Den program. They know they're starting small and learning. They're not proving anything", specifies Elvin.

To ultimately help people take responsibility for what they're doing around creativity and innovation, leaders should visit innovation teams regularly and check what experiment they're working on. This is a very powerful cultural symbol that triggers a chain reaction behind it.

Experimentation gains traction throughout the organization. It is often enough that one team starts working on experimentation for other teams to get curious and start rowing in the same direction.

Habit 4: Fostering Team-Level Ownership

Simply having a team-level innovation plan can help you get out of a situation where innovation is not very aligned and organized, it's hard to measure, sporadic, patchy, an evening job for most, and no one knows what the ROI is. Again, the secret is to keep the plan straightforward and involve team members in defining it. The key points to clarify are essentially four:

- **Team objectives (the "why"):** the team should be aligned on how they will be measured and the key objectives.
- **Innovation priorities (the "what"):** to achieve the objectives, what are the performance needles to move?

As accurately as possible, list the performance shifts the innovation team must deliver.

- **Innovation projects (the "how"):** add basic details of the priority projects that will help you achieve the innovation objectives.
- **Ways of working improvements (the "who"):** define what projects to prioritize and the "who" of them. This means that, as a team, you must clarify who you need to be for one another to deliver that level of innovation.

Clarifying all of this will at least help you start to have more rich conversations about how to work together as a team. And on this path, you can then make some choices innovating the team culture as moving forward. This is a really simple way of developing a rhythm and giving them a team process that ensures innovation is straightforward and there's no mystery to it, that it's aligned to what the organization is doing, and that everybody gets why they're doing it and taking responsibility for it.

Habit 5: Defining A New Rhythm For Innovation

Making innovation stick, making it the "new" ordinary, is simple and is the ultimate game changer. It boils down to taking innovation strategy, bringing it down to a team level, then operationalizing it, and putting it on the (weekly) team meeting agenda. Only if and when this happens you're going to talk about innovation and take it into account. Accordingly, take a few minutes to regularly understand how people's experiments and projects are going and what to recalibrate and remove.

Measuring Innovation Culture

Cris Beswick & Dan Toma
Co-Founders at Outcome

For long, it has been said that measuring innovation culture can't be done.

Culture is often described as a set of common values, beliefs, habits, attitudes, and behaviors attributable to a group of people or, to a larger extent, the whole organization.

Most, if not all, organizations already measure culture yet as soon as we throw innovation into the mix, we instantly make it more complex. There's still no common and shared understanding of the components of "what good looks like", which makes it hard to define what to measure and how to measure it.

That doesn't mean it can't be done. Cris Beswick and Dan Toma, Co-founders at Outcome, share a process you can follow to measure the attributes of an innovation culture and your effort to develop those desired attributes.

What's The Definition Of Innovation?

According to Cris and Dan, innovation is an outcome. It's not something you have by default, or you can buy and somehow get more of it. Innovation is not a tangible

thing. Instead, it's an outcome of all the work an organization does to pursue something different, new, or better for its customers.

Innovation is not a badge that we can bestow upon ourselves. Innovation is a badge only bestowed upon us by our customers.

Innovation is meant to solve a problem and deliver value, and it must also be doable and drive growth for its creator.We innovate when we create new or different solutions that solve genuine problems, which also add demonstrable value and return growth to us as creators.

You can even use this definition to sense-check your new ideas as soon as you go through the innovation process.

The definition of innovation should be a usable tool, not just a bland statement. The definition itself should be unique to a company, and it should be able to be used as a sense-check mechanism as you're going through the innovation process.

Measuring Culture Vs. Measuring Innovation Culture

It's crucial to understand that measuring culture and measuring innovation culture are two different things.

Measuring innovation culture means taking into account how embedded innovation is in the organization as a subject, endeavor, practice, process, strategy, and day-to-day activity.

Accordingly, what business leaders need to consider when it comes to measuring innovation culture is how mature their organization is from both a cultural as well as a capability perspective – which is typically referred to as innovation maturity. That's the crucial leap that most organizations don't make.

Yet it's impossible to measure the innovation maturity of an organization if you only measure culture components, whether it's values, behaviors, habits, or all of the things that generically make up culture. A complete measure also includes the innovation components, i.e., clarity around strategy, tools, processes, and governance and their use, adoption, and how sophisticated they are.

Having a great culture with no embedded tools, clear strategy, processes, governance, etc., isn't going to get you very far down the road to innovation. Similarly, having a brilliant strategy, really clear metrics, and a brilliant innovation accounting system, but a poor culture or a culture that doesn't embrace innovation across all organizational levels, you're not going to get the results you want either.

Ultimately, measuring the components that innovation requires and then how embedded they are into culture is key. And that's what's being referred to as innovation maturity.

Pinpoint Your Starting Point First

One of the biggest barriers to organizations shifting their culture towards an innovation-led one is not pinpointing their starting point (or not identifying it accurately enough).

To explain, Cris introduces the "Sat Nav Approach". The same way you put your destination into your satellite navigation system as soon as you get in your car and don't set off before your journey is plotted, an organization that begins a transformation journey to build a culture of innovation must pinpoint its starting point first.

Triangulating the exact position will make it clear what direction to set off in, what the timeframe it's likely to be, what the waypoints along that journey are likely to be, and also at what pace you need along that journey to get to the endpoint by a certain time. On the

other side, not measuring the starting point or not measuring it accurately makes lots of change and transformation programs around building a culture of innovation fail.

When you're on the road with your car and there's a roadblock, a crash, or something else, your sat nav (constantly looking at all those hurdles) will promptly reroute and get you back on course. This is the type of feedback you want as well during your culture change journey.

Measuring (The Attributes Of An) Innovation Culture

By default, culture is very much specific and connected to the organization – you can't copy a culture from one company to the other. Accordingly, it's nearly impossible to put some KPIs in place and define a unique way to measure innovation culture.

Measuring innovation culture is not like measuring the progress of teams, or the performance of the innovation funnel, or the performance of a portfolio, where you can transfer indicators from one company to the other and even from one industry to the other.

Culture is like a cloud. You can see it exists, and you can feel its effects. However, you can't touch it. Yet you can recognize the culture by looking at various attributes and the effects those attributes have on the results of the company itself. As such, they built a simple process to measure the attributes of an innovation-focused culture and the effort to develop those desired attributes.

Once you have carefully defined your starting point, you should:

- Understand your company's result indicators and see how many of these are directly impacted by culture.
- Then, create a list of cultural attributes that impact these results and measure the presence of these attributes in your company.
- Once you have a good idea of the current attributes the culture in your company has, you can start measuring them.
- Take actions in order to improve those attributes.
- Go back and reanalyze the particular result where you started from.
- Do it again.

Concretely, examples of desired cultural attributes for breakthrough innovation are

- Tolerance to failure
- Diversity (cognitive, background, gender, opinion)
- The practice and encouragement of continuous improvement
- Ethics (honesty, integrity, promise-keeping and trustworthiness, fairness, concern for others, respect for others, law-abiding, accountability)
- Frictionless collaboration
- Adaptability
- Empathy
- Psychological safety

The Chicken And The Egg Dilemma

Many companies find it difficult to identify their starting point as only a few genuinely and objectively know their culture. Research has shown that 78% of senior leaders believe they already have a culture of creativity, entrepreneurship, and innovation. Yet only 28% of employees agree. That "polarization" is a big deal because if senior teams believe innovation initiatives are already in place, they don't put in interventions to change those particular attributes.

It's pretty much the chicken and the egg dilemma. Do we start with building a governance framework and then the culture results from that, or will we build a culture

and then have a governance framework to support it? The answer is that you actually need both.

You can't just do one and totally ignore the other – it's like saying that you want to become an Olympic athlete, but you're only going to train the upper body.

Obviously, one aspect might be more important in some organizations than the other. But, in general, there's no way that you can focus only on one and then wait for a miracle to happen, i.e., a governance framework that emerges out of the culture or a culture that magically appears out of a governance structure.

That means company leaders must own the innovation agenda, developing an understanding of how they need to navigate and lead for innovation to become a core capability of their organization. Despite their overwhelming passion for innovation it's almost impossible for a few people down the org chart to shift an organizational culture, if that ownership isn't there at the leadership level.

Yet whilst many senior executives have had hundreds of thousands of dollars invested in developing their leadership skills over their careers, in most cases they haven't learned how to lead for innovation, shape the future, and shift the culture in pursuit of innovation.

So, while they're asked to drive innovation, build a culture of innovation, and even measure it, most of them lack the "basic tool kit" needed. This is why we as innovation leaders play a crucial role in educating them.

Hyperscaling Innovation at Amazon

Jacqueline Krain
Global Head of Business Innovation at Amazon

With over 1,600,000 employees, Amazon is the world's largest online retailer.

At first glance, we might think such a large company doesn't have the time to focus on the pain points and needs of its end users, it's actually an intense "customer obsession" that has contributed to its enormous success.

At Amazon, innovation is a two-way door. This means they always form and run experiments involving customers as early as possible, continuously validating what they think is desirable for the end user.

Along with 15 other Leadership Principles, Customer Obsession is so strong that a chair is often left empty for the hypothetical customer in any given in-person meeting.

This way, everyone can remember the most important stakeholder: the customer. This Amazon's mindset has three main blocks, as Jacqueline Krain, Global Head of Business Innovation at Amazon, outlines.

Generating Desirability

As innovators, we're all familiar with concepts like Minimum Viable Products (MVP) or Minimum Viable Experiences (MVE). Yet sometimes that "viability" well suffices to solve the problem but, at the end of the day, the overall experience isn't desirable and lovable. What if we could turn the tables?

At Amazon, innovation starts with building Minimum Lovable experiences, businesses, processes, commercial deals, and products. For this company, successful innovation is all about desirability and lovability. To them, the experience has to be great in addition to having utility. And as you can imagine, you deal with different standards when discussing desirability and lovability. Some examples will help better put this into context.

Amazon Kindle. The number one feature on which the first version of the Kindle was built wasn't simply being able to access books. It was to have any book available within 60 seconds. From there, the device's desirability and virality really drove the feature set. 90% of features at AWS and Amazon come from customers and what they tell Amazon they want.

The newest version of Amazon Kindle has tons of new features: it stores up to over 1,000 books, it has a special high-contrast screen that allows you to read even in bright sunshine, built-in Wi-Fi or 4G connection, podcast access, and many more. These different features now make the Kindle even more desirable, lovable, and viral.

Amazon Alexa and Echo. The first feature they indexed on for desirability was creating an immersive musical experience without having to press any buttons or touch any of the devices. And so Alexa was born. And when you're solving for that desirable experience and that solution to be able to access the music, then the device creates its own virality, brings other users on board, and allows for other economies of scale to come into play.

Today, Amazon's most recent Echo has a completely different form factor; it provides you recommendations for your shopping list, lets you know that your deliveries have come, and allows you to intercom into other rooms and other homes if you need to do it. And so, building upon that immersive music experience, which was the most delightful initial feature, we can now benefit from all these useful new features.

The main lesson from these stories is that success requires passion and commitment. But how have they achieved such hyperscaling growth in such a short time?

Building Flywheels

Flywheels are rotating mechanisms that provide momentum for machines. At first, getting a flywheel moving can be challenging. But it's over the hump that the magic happens. As the wheel begins to turn, its momentum increases gradually, eventually providing the machine with a steady force.

But why are we talking about flywheels here? Jeff Bezos first introduced the term "flywheel effect" in the early 2000s. The urban legend says that he scribbled the first Amazon flywheel on the back of a napkin. And that then became the basis for what today is Amazon's unique business model, strategy, and value proposition.

Building flywheels is a fundamental part of innovating with Amazon and at Amazon. And it's the customer obsession that drives the energy of motion. How does it work?

As mentioned, customers and their experience, which is mainly affected by

price, are Amazon's top priority. It follows that the lower the prices Amazon can offer, the more appealing the platform will be to consumers, which translates into more traffic and brings more sellers in. And having more sellers equals offering a greater selection that drives lower cost structure and prices. Eventually, it all leads to further price reductions, which adds to the customer experience, the ultimate kinetic energy that drives the flywheel gaining momentum on its own.

Amazon Kindle, Alexa, and Echo are three excellent examples of the flywheel effect. And the same goes for Amazon Prime. In 2007 Prime started with free premium shipping. Then the desirability of that fueled the creation of Prime Video, Prime photos, Premium Access, Prime Music, Amazon Pantry, Prime now, and more. In short, the company gained momentum and created even more value selection and convenience for their customers. And today, you can order consistently from all of these different services, either having same-day delivery or overnight.

That being said, you can't just take Amazon's business model, apply it to your own company, and expect the same results in the same amount of time. That's not how it works.

As a business leader or innovation leader, you should look at the flywheel effect as a mindset, a new way of thinking that can inspire transformation within your own company. As such, start focusing on what your customers really want and solving their pain points. In the next paragraph, we'll share two practical tools that can help you navigate all of this.

Creating The Right Culture

We've come to a crucial point. What does it take to use all the tools and approaches we've discussed and hyperscale innovation in our companies? It all comes down to building the right culture. In this regard, Jacqueline shares the two major Amazon mechanisms that make the company peculiar: the Two Pizza Teams and the Working Backward Method.

Frequently, the way companies are structured – e.g., too many people in one team – creates friction and slows down the decision-making on innovation. To foster ownership and autonomy and drive agility, Amazon is organized into Two Pizza Teams. There are many white papers on the fundamental premise of the Two Pizza Teams. Still, essentially, a team that manages a product should be no larger than a team that two pizzas can feed. And the reason behind this is that, statistically, the more people you have, the more alignment you have to get, and the longer it takes to make a decision.

Amazon's hallmark mechanism is the Working Backwards method. This is a very human-centered product development approach that begins with imagining a ready-to-ship product. In the first step, the product team drafts a press release announcing the product's availability (to the product's customer, of course).

Since desirability and customer obsession are their number one priorities, the questions that inform the press release are very specific, such as: what is that first problem that we're solving? How do we monetize this? How do we operationalize it? How do we deploy this strategy in our first experiment?

They iterate the process to discover solutions, get stakeholder approval, build the high-level roadmap, identify themes, and ultimately create the backlog and assign tasks. The average number of iterations in any single press release is 53.

On one side, drafting a press release is

much easier and cheaper than building an MVP. On the other side, by writing this mock press release, a product team can gauge whether they are passionate enough about the product to pursue it further. Indeed, it's usually a sign that the team has not fully thought through the problems or solutions if they don't feel inspired by the draft.

A crucial element you can take from such a narrative culture is that customers' needs set the stage for your growth. Gathering evidence and using it to create products that address problems effectively and, at the same time, create a lovable experience is key.

How To Build Capabilities For Innovation Company-Wide

Gilda Leicer Avila, Steven Paladino & Prapti Jha
Manager Future Skills Development at Liberty Global / Global Director, Innovation and Continuous Improvement at Baltimore Aircoil Company / Senior Design Strategist at Cisco

The days of thinking that innovation equals running around with post-its and sitting on bean bags in fancy offices are over..

We have started to realize that specific sets of company-wide capabilities and competencies are required for our companies to continuously innovate. So, how to build these capabilities and make innovation accessible to everyone across the organization?

Here's what Gilda Leicer Avila, Senior Manager Future Skills Development at Liberty Global, Steven Paladino, Global Director, Innovation and Continuous Improvement at Baltimore Aircoil Company, and Prapti Jha, Senior Design Strategist at Cisco, suggest.

What Does Capability Building Mean In Practice?

Building capabilities for innovation company-wide equals democratizing innovation, i.e., making it accessible to everyone across the organization. And it's not just about allowing ideas to come from all organization sides; it's about embedding innovation as part of the company's DNA.

Democratizing innovation means giving employees an opportunity, not convincing them to be part of a journey.

To explain these concepts, Steven brings in the perspective of an 84-year-old company. When Baltimore Aircoil Company started its journey of democratizing innovation five years ago, leaders set out to build an innovation ecosystem to educate, align, and empower all of their employees. The main reason for this choice is that the company wants to delight its customers, provide them with valuable solutions- and also surprise and catch its competitors off guard.

And so, building capabilities for innovation company-wide means:

- **Educate on the "whys":** if the whole

organization understands why innovation is key, they begin to engage. The more you expose employees to the "innovator mindset", the more they challenge orthodoxies, face challenges, and contribute.

- **Align:** it's crucial to align innovation with the strategic, operational objectives and not innovate for inventing sake.
- **Empower:** a company-wide innovation needs to be supported by a "culture of try". Leaders must not only allow innovation- they have to encourage it. This kind of culture is all about creating psychological safety, unfreezing the middle, celebrating learnings, and recognizing that ROI can't drive everything.

What Are The Most Important Capabilities?

According to Steven, establishing and maintaining the innovation structure is an essential capability. You don't need a bureaucratic structure, but you definitely need a leader, frameworks, and processes that give you sustainability and governance.

Another capability is the ability to finish. It might sound trivial, but if you're not capable of finishing the innovation process, if you're not capable of keeping your executive sponsors engaged, and if you don't have the accountability mechanisms to get you through the finish line, then innovation becomes almost a "dreamer exercise".

At this point, Gilda introduces the "people capability" concept. According to her, you definitely need a structure and mindset in place for innovation to flow across the company. Yet people's capability is equally essential. And over her career, she has witnessed how organizations struggle to give their employees time and resources to innovate.

When you really want to take your innovation capability to the next step, the "people capability" is extremely important. To this end, leaders should create a safe environment where people can spend time being creative.

Prapti echoes Gilda and adds that you need a collaborative mindset to create innovation capabilities. But if the organization doesn't make the systems, the process, and the opportunities, then that mindset rests alone. Accordingly, as a leader, provide the structure for your employees to collaborate cross-functionally.

Prapti states that whatever capability you're building and trying to introduce, it's very important to be able to unlearn and relearn the systems and processes your company has been implementing for decades. Easier said than done, but this will definitely help you move on faster.

If you don't allocate resources (time, talent, and even money) to your innovation, then it becomes purely theater. From cross-functional collaboration to knowing your whys to actually allocating resources to unlearn and relearn, these are some of the capabilities that we need to embed within organizations.

Unfortunately, company-wide innovation and building the needed capabilities is not a road free of hurdles.

What Is The Biggest Impediment To Building These Capabilities?

Without a doubt, a culture that favors a disconnection between the different organizational layers impedes acquiring the capabilities necessary to innovate company-wide.

All too often, strategy and execution get lost and stuck in the middle layer. And a few

things contribute to that:

- The innovation strategy is not well understood and translated into action
- Lack of clarity on how to measure innovation success
- The overall innovation strategy doesn't support people with the proper safe environment to actually create, experiment, and execute innovation

The Frozen Middle- a Metaphor

The frozen middle is a hot topic in this context. And to explain this dilemma, Steven uses a metaphor:

Think of the collective genius of your organization as the water on the high side of a dam. This is all of the potential energy of your ideas, your energy, and the actual potential of the organization. On the low side of the dam, there's the c-suite and your customers staring at this trickle of water that goes by.

In this metaphor, the dam represents the company's middle management. And they're frozen. They're stifling and blocking that potential energy from coming downstream.

Now, do you want to remove the dam? No- you'll drown your customer. Yet you can open the gates enough for that good flow of relevant stuff to pass by your customer and c-suite and delight them. To this end, you have to educate the middle management layer on why they have to create a strategic connection with the customer.

And then leaders also have to practice what they preach with this culture of try. You can't beat middle managers up when their team fails; you can't be punitive. Instead, you have to encourage them and praise them when their team does well. Whether, along with successes, you also celebrate learnings from failures, the culture of innovation will flow throughout the company.

Ultimately, if you want to get this collective genius to spread – if you want the water on the top of the dam to flow down the stream – look in the middle and start working there.

How To Gain (Learn And Adopt) These Capabilities?

There are several ways you can follow to acquire the capabilities you need. The most immediate one, as Gilda suggests, is to look externally and learn from others. For instance, companies like Google and Amazon share a lot of valuable materials about how they have actually built their own culture.

Of course, you can also acquire capabilities through partnerships.

In Prapti's opinion, you should treat your innovation journey as an innovation itself. After all, looking internally and "learning by doing" can enable you and your company to gain all the key capabilities we've discussed.

Steven believes that a clear, powerful mandate from the organization and a good structure are paramount to the scope. Again, having a structured process doesn't mean being bureaucratic. Yet it definitely means speaking the same vernacular, understanding what everyone is doing, and what the tasks are. We all know that a lack of shared knowledge and language can slow innovation down.

To start building up your capability, make sure you get the foundation built strong first.

Oh No! We Have A Rebel In Our Team

Simone van Neerven
Founder at reBella

Rebels are the misfits, the crazy ones, the troublemakers. But are they really?

What if rebels are actually your agents of change, the ones who see things differently, bring creative solutions to long-lasting problems, and are brave enough to commit themselves and get things done?

It's about time we acknowledge the power of rebels, and create a supportive environment for them to unleash their talent, suggests Simone van Neerven, now Founder at reBella and Innovation Catalyst, and former innovator at KLM Royal Dutch Airlines.

Who's A Rebel? (And Why We Need More Rebels In Our Companies)

Rebels are non-conformist people who are not scared to go against the flow and be unpopular. In fact, their urge to speak up is stronger than the will to fit in. As human beings, we want to belong to a group. Still, rebels often battle against this DNA trait because they can't just stay and watch- especially when they think something is going wrong or people are not treated honestly.

Rebels have a solid moral compass; somehow, they're more in touch with what's right or wrong within the company.

Rebels want to create something new rather than extend the current perspective. At the same time, both the status quo and essential capabilities that need improvement make rebels feel uncomfortable. That's why it's not unusual to see them working on something when they're troubled about it, most likely without asking for permission.

It's not rebels that make trouble, but trouble that makes rebels. This is what rebels have in common, and that's why the world needs more rebels: we have lots of problems right now, and we need rebels to work on them.

Rebels see things with a fresh mindset. Even if they're in their jobs for years and years, they can still do that. They don't blindly follow established wisdom, which can sometimes bring some friction. And rebels are also excellent "friction hunters" and can come up with good solutions to make things better.

Rebels care about work more than anyone else. That's why they're even willing to engage in a conflict: they want to improve things, even if that means speaking up. In a nutshell, rebels don't want to rebel for the sake of it, they want to create an impact.

In case you wonder... spotting rebels in your team is easier than it looks. Three common traits characterize them:

- **They're curious.** They ask a lot of questions, even to the point of being annoying. But don't be scared! Those questions come from a very good heart. In fact, thanks to their curiosity and willingness to learn new things, rebels are open to more, different perspectives and tend to judge less.
- **They're creative, can cultivate serendipity, and can easily merge even those dots that look very strange and far away to others.** For them, it's pretty logical to connect different ideas,

connect ideas with people, and connect people with people. They have the ability to turn problems into opportunities.
- **They have a lot of courage.** They're brave enough to speak up and dare to be authentic and themselves.

How To Empower The Rebels You Have In Your Team?

Although they're rebels and don't need to ask for permission to start working on something, they still need leaders to support them and make things happen. Unfortunately, many organizations overlook the rebels' power and don't help them properly.

As a leader, you may very well need a rebel in your team if you want to take your innovation to the next level. It's up to you to foster rebelliousness.

As such, don't rush into a defensive reflex over rebels. Instead, focus on embracing and using their potential and changing your perspective. Start looking at rebels as people who aren't out of control or crazy. Their actions don't aim to undermine the current regime but to improve it. After all, breaking the rules is not something they want to do but something they feel compelled to do.

It is paramount to create a space where it's safe for them to disagree and challenge the status quo and where they can run experiments. Challenge rebels with your most demanding problems where they can also expect the necessary resistance and let them bring you magical solutions.

Of course, rebels may not be like you, and the same goes for their ideas. And that's a good thing because it brings in diversity and inclusion. You can't do anything but accept and appreciate their differences and quirks.

As soon as you begin to value them and their ideas, and as soon as you find a good way to treat and appreciate them, rebels will move mountains for you. If you treat your people well, they will probably give you back more. But don't ever give rebels lipservice. Instead, be transparent and tell them as it is. They can handle that, really.

Ultimately, learning how to co-live with rebels takes much empathy from both parties. People in the teams need to understand and respect that leadership can't move too far away from the specific goals they need to achieve. On their side, leaders need to be ready to be flexible on their goals and find compromises to eventually realize the change anyone in the company is waiting for.

Rebels, You're Not Alone

Coco Chanel, Freddy Mercury, Dirk Fosbury: many things would have been different today if it wasn't for these (and many, many other) rebels.

Coco Chanel has always been considered a style icon, but she was a rebel too. At a time when the colour black was associated with servants and mourners, she introduced the "little black dress".

Today all of this may sound obvious – every woman in the world has at least one black dress in her closet – but it was pretty rebellious in those days. Yet she didn't care and lived differently: she used to wear pants, cut her hair short, didn't get married, never had children, and it was her goal to design clothing that was as comfortable as sportswear while still looking elegant. Coco Chanel made women's clothing easier to wear.

When a record producer first listened to Bohemian Rhapsody, Queen's iconic 1975 song, he thought a six-minute tune would never play on the radio and rejected it. Little did he know that that song was to become the greatest of all time. If today we can listen to Bohemian Rhapsody, it's only because

Freddie Mercury believed in it and didn't give up.

Dick Fosbury was only 14 years old when he and his little brother were biking and got hit by a drunk driver. His brother died, and Dick found his safety valve in athletics. After many attempts, he started to experiment with different ways of jumping. He figured out that you can jump much higher if you do a backward jump.

Even though everybody tried to stop him, he won the high jump gold medal at the 1968 Mexico City Olympics thanks to this new technique. Eight years later, the Fosbury Flop – the backward high jump – had become the standard way of jumping. And this would never have happened if Dick Fosbury hadn't worried about the then-standard high jump style.

These stories certainly don't stand alone, nor do all rebel stories have such great resonance. But do remember that rebels are in every organization- you're definitely not alone!

The Design Thinking Law Firm: Innovating In A Delivery-Driven, Risk-Averse Culture

Jana Blount & Adam Billing
Change Maker at DLA Piper / Founder at Treehouse Innovation

In 2021, global law firm DLA Piper was named the Most Innovative Law Firm in Europe by the Financial Times in recognition of their innovative approach to client engagement and their work in building a uniquely client-focused, inclusive culture across the firm.

At the heart of their transformation effort have been the principles of human-centered design such as leading with empathy, client co-creation, ideation with diverse teams, rapid prototyping, and experimentation.

As innovators, we know that implementing these practices can be challenging for any organization, regardless of industry.

So, what happens when they're introduced into the delivery-driven culture of legal services where precision, risk aversion, and "having the right answer" are typically paramount?

Here's Jana Blount, DLA Piper's Lead Change Maker, and Adam Billing, Founder at Treehouse Innovation, exploring the forces that compelled DLA Piper to pursue this Radical Change initiative, the strategies and tactics they've used, as well as some of the successes and lessons learned along the way that can benefit anyone seeking to create a more innovative culture in their organization, regardless of industry.

Why Design Thinking?

Like many industries, the legal sector is facing a variety of disruptive challenges- from

digital transformation to ever changing client expectations.

It's never easy to bring in rapid prototyping, or leading with empathy, or experimentation- in short, all that is fundamentally different from the business as usual. And that's even more true for law firms as they are highly risk-averse, and their delivery-driven culture is all about getting things done and having the right answer.

However, DLA Piper saw an opportunity not only to address these disruptive challenges head-on, but to capitalize on them by rolling out design thinking to shift the internal mindset and build stronger and more innovative relationships with clients. The result is the organization-wide Radical Change program, designed to change the way DLA Piper tackles unique business challenges for themselves and their clients.

This transformation didn't happen overnight. Three specific pillars have made it successful: having engaged leaders, building awareness and capability across the organization, and focusing on real work outcomes.

1. Engaged Leaders: Modeling Behaviors and Creating the Space for Design Thinking to Flourish

The genesis of the Radical Change journey at DLA Piper started with Simon Levine, the global co-CEO, who wrote a manifesto about change on his reelection as the managing partner.

"As the Change Maker, I soon realized that we would never come up with 'radical' change ideas if we used our same old ways of working. And so we brought in design thinking techniques to see if it took our thinking in a different direction", says Jana.

They saw great results, and everyone in the leadership team really enjoyed those preliminary sessions. Through this process, they experienced an aha moment: they all noticed it had been quite uncomfortable. That approach deeply challenged their mindsets and how they usually do things- but that's precisely the point of introducing design thinking.

If everyone across DLA Piper could experience this moment, could ask better questions, could think about the "why", and could be more creative, only then would that be the radical change the organization was seeking.

The drive to shift mindsets and participate in the radical change agenda came directly from the top and, throughout the entire three-and-a-half-year journey to embed design thinking across the firm, that consistent messaging from leadership has kept people interested and thinking about how they can apply design thinking to their day-to-day job.

Regardless of the organization or the industry, when you're asking people to do something that's different from the thing that they're most comfortable with and confident in, you're asking them to take a risk. And if you don't have that leadership engagement and support to try things out to take some of those risks, a radical change is unlikely to take place. Ultimately, engaged leaders allow the momentum to keep moving.

The other thing DLA Piper has learned is that even leaders need a safe space when it comes to radical changes. That might sound a little contradictory, but it's fair to suppose that also Partners might not know the answer or be experts in this new scenario.

Accordingly, DLA Piper developed a program that would allow everyone within the firm to learn, experience, and practice design thinking in a 'safe' way.

2. Awareness and Capability: Spreading Understanding and Knowledge Throughout the Organization

Along with engaged leaders, you also need people broadly across the organization to know what it's happening, why it's happening, and why it's important to effectively drive this transformation.

It doesn't mean that everyone needs to be a frontline innovator- but you definitely don't want the rest of the organization becoming white blood cells that identify the thing that's different and attack it. Creating that broad awareness is essential. But how to get people skilled in using design thinking framework and tools?

DLA Piper created a customized global rollout plan to provide each of their 90 offices in 40 countries around the world with a 30-minute training session on what design thinking is and why it matters.

They realized that just using a design thinking framework or courses that already exist is not the appropriate way to help people across the firm see how design thinking could help them provide a better service for clients. Maybe this holds true for law firms in particular, but words are crucial. "Lawyers love words. Words can change the whole meaning of a contract. Our lives and our livelihoods depend on words", says Jana.

Basically, the words used to explain the change must resonate and make sense, and everyone in the company must feel comfortable using those same words with and for clients.

So, after a long time spent making sure that they had the right words and the right kind of framework, DLA Piper and Treehouse as a joint team came up with a bespoke Methodology Framework: DLA Design. This framework comprises three main phases: understand, create, and implement. The underlying methodology encourages questions and provides tools to broaden thinking around possible solutions, with a fail-fast approach through experimentation and prototypes.

3. Real Work Outcomes: Capturing Everyday Improvements to Make Change Relatable

Radical Change at DLA Piper is ongoing and keeping momentum is vital. That primarily involves ongoing communication around the benefits the firm is seeing from DLA Design. It's great to have leaders engaged and supportive. And it's wonderful to have everyone aware. But unless you start getting (and sharing) some outcomes, these initiatives tend to stall out or, even worse, fail.

It's fabulous to hear of all the great stories of human-centered design from Google and other companies. But unless those stories start coming from your organization, it starts to feel a little bit empty. So capturing those real work outcomes is critical to keep this virtuous cycle flowing. And it doesn't have to be the big, disruptive solutions. Some of the small little improvements that people have been able to make will suffice.

Through the "Design your day" campaign, DLA Piper has helped people to make that connection between design thinking techniques and their day-to-day jobs even stronger by simply collecting and sharing (small) successful stories about how colleagues have been using the DLA Design to tackle problems, approach challenges, ask new questions, and interact with internal and external clients.

Simple, relatable, inspiring day-to-day stories that make it real. They are the fuel that keeps validating and driving that momentum- even for those who may not be engaged immediately.

Employee-Driven Innovation With Kickbox

David Hengartner, Tatiana Londono, Jeremy Martins & Pawel Skarul
CEO at rready / Global Innovation Program Manager at Siemens Energy / Innovation Kickbox Program Manager at Roche / Innovation Community Manager at Roche

Kickbox is many things: an empowerment tool for employees, a blueprint for innovation, an applied MBA, and a proven framework for validating ideas.

The Kickbox method has become well-known as a program that can be implemented just about anywhere, but it began as an internal project at Adobe, as David Hengartner, CEO at rready, shares. Chief Strategist Mark Randall came up with the plan to foster a more innovative culture by giving employees a physical toolkit that helps them incubate and test their own idea.

Regardless of whether or not they managed to come up with a successful project, the Kickbox experience provided employees with an enriching challenge and a wealth of valuable new skills. Crucially, they also walked away with a more intrapreneurial mindset, making Kickbox a very effective tool for driving lasting cultural change.

In 2015, Adobe open-sourced Kickbox and shared it with other organizations looking to support employee-driven innovation. That's how the program made its way to Swisscom, the largest telecom provider in Switzerland, where it was embraced, adapted, and ultimately turned into a digital platform. The Kickbox software developed at Swisscom, uses technology to reduce administrative work and provide employees with a lot more resources. The added software component also makes Kickbox scalable and quantifiable like never before, with an easy way to track how employees are engaging with the program and how many ideas are progressing to an actual product.

Swisscom's Kickbox software was eventually spun out into rready, a VC-backed startup on a mission to help large organizations start, manage and automate their own Kickbox initiatives. One of the many success stories for rready's Kickbox methodology is Siemens Energy, which is using the program's tools to upskill, engage and inspire employees in 50+ locations around the world.

The Kickbox Method

The Kickbox method was designed to provide both a lot of freedom and a lot of structure, with a sequence of steps that guide employees to refine their initial concept into a tangible product that provides value for the company in some way. The idea can solve an existing problem, create a new product for customers, or focus on something totally different.

The RedBox Stage

All employees begin in the same place: a budget of around $1,000, a physical innovation box, an internal coach, and a curriculum to systematically validate their ideas through small-scale tests. Kickboxers spend two months in this phase and, ideally, should have around 20 percent of their work time to focus on the project.

The online intrapreneurship platform helps employees along at every turn, while also linking them to an innovation ecosystem of people and services they might need, both within and outside of the company. These resources can include lawyers, marketing experts, prototype makers, no-code developers, and other specialists, who can all be accessed with "coins" within the system.

Not only does this structure make innovation less intimidating, it's also a way to make projects as enjoyable and engaging as possible. The final step to "beat the box" at this stage, is presenting the idea to executives and finding a sponsor willing to invest resources to develop the product further. Of course, failing to reach this stage is not actually considered a failure. Kickbox is all about the lessons that are learned along the way.

The BlueBox Stage

Projects that advance to this phase are essentially in a pilot program. Here the Kickboxers can spend four to six months building a basic prototype and gathering market research with real customers. Together with the support of a coach and a budget of around $10,000, Kickboxers can consult with technical experts and bring their idea to fruition.

If you gather enough data points to prove that there is potential in your idea, you talk to customers, you build the first prototype, you evaluated the market, you can convince management to reallocate their budget towards your idea.

The GoldBox Stage

The most successful ideas will make it to the big leagues of Kickbox, the GoldBox stage. Here, the goal is to build a minimum viable product (or MVP) over the course of six to eight months, bring it to market, and test its viability. Kickboxers at this stage have a lot of institutional support, including a team and a much larger budget.

Some of the notable ideas that have made it to the GoldBox Stage in Swisscom's Kickbox program include:

- Help2Type, an idea of a visually-impaired employee, which is a physical keyboard that helps visually-impaired people better navigate their smartphones.
- A tracker that finds out when laundry machines are finished with a cycle, which is now being used as an office space management solution
- A system to film amateur sports and make the post-production process easier, which helps content creators working in this niche get better footage of live games

Applying Kickbox at Siemens Energy

Siemens Energy wanted to launch a program that would boost internal innovation by helping employees develop a more agile mindset, learn to apply new methods, and gain practical experience in validating ideas. These are all essential skills in the culture Siemens Energy was trying to build and they're also so integral to the Kickbox process.

Tatiana Londono is the Global Innovation Program Manager at Siemens Energy and she explains the value of launching an effective intrapreneurship campaign.

"We have seen how hard early-stage innovation is and why the methods and the support are so important. Because people can waste a lot of money and resources, just walking in a lot of directions, without the structure and the methods to validate."

Kickbox helped bring in the cultural transformation that we needed to allow

intrapreneurs to act differently. They're told, 'As of now, you're the CEO for the next two months and no one can tell you what to do".

Kickboxers at Siemens Energy were asked to create value for the company in one of three ways.

- New sources of income: Lay the foundation for a new product or service that Siemens Energy can offer customers
- Increase Revenue: Improve an existing business model in a way that creates more profit
- Save Money: Leverage new methods or technologies to help Siemens Energy lower costs

Since its launch at the beginning of 2020, the Siemens Energy Kickbox initiative has distributed 220 Red boxes within the organization. 57 of the projects received the approval and funding to commence to the BlueBox stage and build a prototype. 12 of the ideas made it all the way to the GoldBox phase, which means there are currently 12 Kickbox innovations that are either generating revenue or saving money for the company.

As of 2021, every single employee in every department at Siemens Energy can come up with an idea and gain access to all the resources and enriching challenges of the Kickbox process. Tatiana Londono is part of a small core team of five people managing projects in 50+ locations across dozens of countries and over 60,000 employees.

How do they do it? By orchestrating the infrastructure of many regional Kickbox teams. This includes recruiting and training ambassadors and coaches that volunteer to provide leadership for their offices and support Kickboxers at every stage of the process. The digital platform is essential for keeping track of all the projects, while identifying gaps and potential bottlenecks across the system.

How Kickbox Facilitates Cultural Change at Roche

Roche, headquartered in Basel, Switzerland, is a multinational company active in over 100 countries that employs over 100,000 people worldwide and with a revenue of CHF 58 billion.

For over 125 years, Roche has delivered excellent medicines and diagnostic solutions. Innovation is part of Roche's DNA. The company continually tests various new solutions to ensure all customers' issues are addressed efficiently and at the right time. And in this context, just like other companies globally, Roche is on a journey to digitize all the services, processes, and even all the "beyond the pill" solutions they deliver to their customers.

To solve the challenges posed by digitalization and leverage opportunities for the future accordingly, the company has successfully started using Kickbox for grassroots innovation.

"Everybody, no matter what their role is, can be on the field and be an innovator, a kickboxer, and bring more solutions to customers faster", says Jeremy Martins, Innovation Kickbox Program Manager at Roche.

Doing grassroots innovation also means demystifying innovation, making it part of the daily business, and ensuring it's not complex. "You don't need to be a guru in design thinking or lean startup to follow this program. This great methodology is well-explained in a Kickbook with straightforward, easy-to-understand language", adds Pawel Skarul, Innovation Community Manager at Roche.

Rolling KICKBOX out to more than one country and more than one business unit, Roche has started creating a common

language so that everybody can speak the same language and process innovation in the same way. Creating a common language makes it easier (and significantly cheaper) to make decisions and deliver innovation faster.

In a nutshell, this is the idea of shifting from a decentralized model where every country has its own coach, process, platform, and methodologies to a centralized model that unifies them all and creates a universal way of doing innovation.

Lessons Learned in Fostering a Culture of Innovation

Hanna Phan, Hao Dinh & Michael McCathren
Head of Innovation Culture & Communication Strategy at VMware / Vice President of Technology at Enpro / Sr. Principal, Enterprise Innovation at Chick-fil-A

Most companies want to build a culture of innovation, and some already have it – or are at least on the way there.

Building such a culture requires new organizational mindsets and new leadership approaches, making the whole process even more difficult, realize Hanna Phan, Head of Innovation Culture & Communication Strategy at VMware, Hao Dinh, Vice President of Technology at Enpro, and Michael McCathren, Sr. Principal, Enterprise Innovation at Chick-fil-A, as they reflect on their journey so far.

Be Intentional From Start to Finish

Many companies embarking on the journey haven't pinpointed their starting point, which makes it harder to know where they want it to move to.

Generally, there are many good things in today's culture that a company should cherish. Also, Michael suggests leaders need to take time to understand the many different stakeholders within their company thoroughly.

Too often, senior executives feel the urge to make their mark: since innovation is what shareholders and stakeholders want, leaders try to force the company to be innovative. But they may not even know what their employees believe about innovation.

Hao states that every company is innovative in its own way, and even the most innovative companies must adapt as the market changes. Knowing the best practices that have made a company successfully innovate so far allows you to leverage those as you define a new way of innovating.

Leaders Must Own The Innovation Agenda

Most organizations already have a huge amount of ingredients – e.g., behaviors, habits, rituals, tools, governance, and investment – that, when mixed well, can make innovation happen. Yet the recipe of an innovation-led culture needs a chef, or a team of chefs, to prepare the dish.

The inconvenient truth of building an innovation culture is that leaders need to own the whole agenda. And this means that

leadership has to define, prioritize, and set accountability for the innovation culture.

However, the majority of senior leaders want innovation but aren't prepared to do what it takes to get it. Execution rests mainly with lower levels and middle managers, who already have day-to-day responsibilities. And when leaders do nothing to make it easier for middle managers to execute on innovation, the "Frozen Middle Dilemma" arises.

The good news is that there's a pretty straightforward way to avoid this dilemma: leaders have to focus on their audience. They need to talk to their people and understand how they're feeling, what they're doing, what they're thinking, what do they need, to actually build and design culture of innovation from their perspective (and not making it feel like it's tops down).

The key point is that everyone already has their daily job. Instead of imposing new ways of working, leaders should work with their employees, do innovative things for their functions, and show them how innovation can solve their needs.

The Non-Negotiables

What are some of the non-negotiable ingredients for a culture of innovation that just have to be there daily to enable and maintain that same culture of innovation?

Start small and communicate properly

Building a culture of innovation can be a major transformation for most organizations. Imposing new ways of operating overnight can be counterproductive. Starting small and involving only people who show interest in innovation to ultimately demonstrate to the rest of the organization the value of these different ways of thinking, tools, and frameworks is probably the preferred way to start.

And this comes down to a lot of work around socializing and storytelling, experimenting and failing. Socializing and telling success stories inspire and stimulate people to think about their everyday work differently. It's an essential component of the bottom-up approach. Ultimately, innovation culture is all about language, how leaders communicate the agenda, and what they put on the table.

Think differently about failure

You can't get it right the first time. It's important to create a psychologically safe environment where people can have fun, experiment, and learn from failure.

Over his career, Michael has witnessed that trying to convince people that failure is a good thing is next to impossible. We've been raised and groomed that failure is wrong, while not failing is good. So it's tough to believe that failure is acceptable.

What Michael suggests is to try to shift that narrative away from failure and use the idea of "unexpected outcomes". Unexpected outcomes are opportunities to polish good ideas that may not be great yet, without trying to impose this concept of failure as a positive thing.

When we're prototyping or when we're in a test, we actually want unexpected outcomes. Because as we come up with a solution, we create a list of what we think might be expected outcomes, which helps us identify which outcomes are completely unexpected.

Being Innovative... About Innovation

Dr. Jayshree Seth
Corporate Scientist & Chief Science Advocate at 3M

The pandemic altered the nature of change itself, and we're all still dealing with the impact of the many crises that unfolded.

The good news is that innovators have the unique opportunity to make the best of it and unlock innovative thinking to succeed in the innovation journey.

We must first learn how to be innovative about innovation, thinks Dr. Jayshree Seth, Corporate Scientist & Chief Science Advocate at 3M.

2020: When The Nature Of Change Changed

In 2020 we witnessed a deep change in the very nature of change. We struggled with the Covid-19 crisis itself and also with the rapid transformation that accompanied the emergency. All our systems and mindset – built for gradual, continuous improvement – weren't ready for that disruption, both at an individual and an organizational level.

In other words, the pandemic made the VUCA world of yesterday look very tame and manageable.

"VUCA" stands for volatility, uncertainty, complexity, and ambiguity. It's a military term also used to describe the situation of constant, unpredictable change in the business world. During the pandemic – and we're actually still feeling the effects of that anomalous crisis – the VUCA world reached a new level. In Jayshree's view it now stands for vulnerability, unprecedented, contentious, and amplified.

Volatility	→	Vulnerability
Uncertainty	→	Unprecedented
Complex	→	Contentious
Ambiguous	→	Amplified

In this new VUCA world, vulnerability (of our health, communities, companies, and countries) has completely eclipsed any discussion of volatility. And, of course, this has been truly unprecedented in its wide-ranging impact. Complexity has given way to contentiousness: all subjects are deemed controversial. Lastly, every action, the words, and the abundant rhetoric gets amplified, constantly leading to additional challenges for individuals, leaders, and organizations.

Yet change is an excellent opportunity for innovation. If only you know how to navigate it successfully, especially given the fact that more change is on its way.

We need to bridge to the future; we cannot just take the old workbooks and keep playing with them. We have to get innovative about innovation.

Innovation Is A Journey. Yet Hardly Anyone Can Travel

On March 23, 2021, the Ever Given – one of the world's largest container ships – ran aground in the Suez Canal for almost a week, blocking all traffic. Because of the high demand for goods, speed, efficiency, and low cost, the vessel got piled high with containers and ended up wedged across the waterway.

That single ship, that isolated event, set up a domino of disruption at a global scale.

According to Jayshree, the current state of innovation in many organizations can be compared to the Ever Given. Expectations are usually piled sky-high. The main goal often coincides with productivity, efficiency, and low cost at all costs. The stakeholder community just wants results and has no realization of the travel, the trial, and the travails it takes to get across the finish line. “Eyes are on the destination, on that big pot of gold at the end of the rainbow. There’s no appreciation for the journey”, adds Jayshree. Also, if the one major innovation project we have gets stuck, the cascading impact within the organization can last for years.

Now more than ever before in our lifetime, innovation is a lifesaver for business, inspiration is the lifeblood of innovation, and purpose is the lifeline for inspiration.

And so, there is a need to focus on the “why”, not just on the “what”. The money, the timelines, and the phase gate are important. Still, the context, the story, the community, and the purpose are crucial as well. This is what ultimately inspires innovation.

But we will be unable to inspire innovation if the Ever Given stuck in the Suez Canal represents our innovation engine.

If anything, the pandemic has heightened that something isn’t working with the current model of capitalism. It unearthed that there needs to be authentic compassion for employees, care for customers and suppliers, and concern for society and sustainability. This will lead us into the next era of value creation. And those – companies and people – with a continued focus on traditional metrics will be blindsided.

Today, instead of success, innovation should be directed primarily towards significance, which spells success:

- Significance that
- Underscores
- Customers
- Communities
- Employees
- Shareholders
- Suppliers

A focus on stark individualism is not going to get us where we need to go. It’s evident that we need more collectivism, we need to respect the past generations, have concern for the generations to come, and care for the current generation. We need to strike that harmony and that balance in our relationship with the environment. We need holistic cognition and dialectical thinking to drive purposeful innovation.

What To P.A.C.K. For The Innovation Journey?

Innovation takes a village and it takes people who are inspired to do the needful to drive the innovation. Navigating this journey takes time, effort and skills. And the last thing to do at this time of great change is to set sail with a big vessel like the Ever Given. It’s time to understand what to build and rebuild to be nimble and agile on this journey.

So, let’s unpack what skills does one need to P.A.C.K. on such an expedition. Here are Jayshree’s tips:

- **Pencilsell’ship:** the idea of being able to summarize what is being talked about on a piece of paper. And this involves not just salesmanship but also elements of showmanship. As an innovation leader, you have to know what you’re trying to sell, represent it, and answer the questions- even virtually. And that’s really

tough when you don't have person-to-person, face-to-face, eye-to-eye contact.

- **Allyship:** this skill refers to your social capital and its three key elements, bonds, bridges, and linkages. Bonds are your relationships with others in your own community. Bridges are the relationships with people not in your group, very critical as you socialize a new idea. And the last one is linkages or hierarchical relationships, which are crucial because it's what can often make or break opportunities for your innovation project. And you need good bonds, bridges, and linkages that are well-balanced among the three to succeed.
- **Citizenship:** are you helping others out, or are you just helping your cause? Are you genuinely believing in the cause, or are you just pushing your own agenda and thinking about yourself? Are you truly talking about the company? Do you have an authentic story to tell? People around you are constantly judging you. They want to know if you have paid your dues to be a citizen before they embark on such a journey with you. It's a give and take, and you have to accept it with true sportsmanship.
- **Kingship:** finally, innovation requires you to develop the skills to influence others. It is important to move the needle sometimes to move that giant ship in the right direction. Every little effort counts. As innovators, we have to be the signal, not the noise.

Our Role as Innovators

In 2020 we all had to learn new vocabulary and find new ways of working, living, and worrying. There's no workbook to use or play with when such a change occurs. We had (and still have) to become innovative about innovation.

As an innovation practitioner, there are lots of challenges you have to face. Unfortunately, there are still people in the organization that have a tough time believing that things have changed; they're missing what is playing out in front of their eyes. Others think it's best if everything goes "back to normal". And there are yet others who recognize the change but are scared of its challenges.

It's up to you to open their eyes. You have to become the fact-finder, the storyteller, and the soothsayer in this (new) innovation journey.

Easier said than done? You will be better prepared for the expedition if you authentically embody the cause you are carrying, your knowledge will help inform others and your passion will help you influence them.

Many of the problems that have (re)surfaced during the pandemic time have far-reaching impact and essentially need us to build relationships, create kinship and establish partnerships to arrive at innovative solutions.

8 Power Skills To Boost Your Impact As Corporate Innovator

If you're like most corporate innovators, you're always looking for ways to be more impactful in your organization.

A career in innovations requires a unique mix of several skills. Yet most companies' professional development programs are rarely tailored to your needs.

Let's explore 8 fundamental "power skills" for any corporate innovator to be more effective and resourceful.

1. Purpose

As a partner at LUMAN, Philip Horvath creates immersive, transformational experiences that help executives prepare for the future. His approaches are rooted in emphasizing the importance of purpose.

What is Purpose?
The future holds a lot of uncertainty, so it's essential to be aware of recent years' trends. These include transparency, diversity, values, contracting, consequence, and ecosystems. At the center of many future dynamics lies purpose. Purpose can be defined as "making life-cycles meaningful.

The reason there's purpose is so that you have a clear why. Think about it: Why do anything if you don't know why you're doing it?

When you have purpose, you'll find it creates:

- Urgency
- Resilience
- Enrollment and alignment
- Integration and conflict resolution
- Distributed decision-making
- Foundation for scaling

How to Develop Purpose-Driven Leadership
Purpose comes into play because people must create together. In addition, culture has become an emergent phenomenon in which each individual is creating ripples. You can create a future-ready organization when you optimize your teams' culture.

Purpose-driven leadership requires the following:

- Purpose (a clear why)
- Vision (engaging narrative)
- Portfolio (clear outcomes)
- Progress (defined measures)

In the process, you align and focus around a common purpose to inspire and empower team members by creating rituals and projects that always ask, "Why?" Using collaborative platforms and systems leads to One Truth shared by all. Moving forward, shift how you plan for the future.

2. Political Savvy

Jane Horan, Founder at The Horan Group and Author of Now It's Clear: The Career You Own, points out that political savvy is one of the most misinterpreted or misunderstood words, even though it's a critical leadership skill that drives careers, innovation and organizational efficiency.

What is Political Savvy?
By definition, politics is about building coalitions. When it comes to being political savvy, it's mostly about understanding the interconnections across functions,

departments and networks, along with who's influencing who. However, people can also take a negative side of political savvy as in office politics, which is why many employees leave their jobs.

Political savvy relates to visibility, credibility and, most importantly, informal networks. Everyone should understand the interconnected and social networks inside their organization. To be more political savvy, start by analyzing your network.

- Make a list of your connections
- Identify categories of people
  - Connector
  - Expert advisor
  - Savvy advisor
  - Mentor
- Measure your connections
  - Breadth – ensure diversity among all connections
  - Connectivity – avoid limiting interconnectivity and groupthink
  - Dynamism – use connections to help boost your career

3. Sponsorship

Chloe Williams, Founder of 8th Day and London Chapter Lead at WIN: Women in Innovation, uncovers the secret of the sponsor. Because having a mentor is optional; a sponsor is essential.

Sponsorship can be defined as "a mutually-beneficial relationship between two individuals typically in the same company focused on actively accelerating one's career. A sponsor is vital, because they can fast-track your career by using their seniority, influence and capital (social, political and organizational). Without a sponsor, finding opportunities and making connections can be more challenging.

Although you may have always been told that you'll get ahead if you work hard, that's not always the case when advancing your career becomes highly subjective due to the human element. A sponsor with influence can advocate your behalf, which is more effective than going it alone. The two-way relationship between sponsor and sponsee pays off, pays back and pays for itself.

As an innovation leader, you can be a sponsor, a sponsee or both. Depending on your goals, there are many ways to find a sponsor or sponsee.

If you're looking for a sponsor, first make sure you perform top-notch work. Then find someone who:

- Knows your work and understands your career goals
- Is in a position of power and influence, not just similar
- Continues to add value to your career

If you're looking for someone to sponsor, consider a sponsee who:

- Embodies the same company values and vision
- Can promote your legacy as a future leader
- Doesn't fall under your biases of being similar
- You can communicate with clearly

4. Storytelling

Stephen Taylor and Meredith Singleton, Chief Operations Officer and Training Director at Untold Content, help everyone, from engineers and scientists to clinicians and entrepreneurs convey their best ideas through storytelling.

Innovation storytelling is the art and science of communicating strategic narratives about

new products, systems improvements, groundbreaking new thinking that drive innovative organizational innovation objectives" Storytelling can occur from the time you have an idea to when it's being developed, and beyond.

Internal and external storytelling for innovators offers many benefits that can inspire, motivate and increase buy-in — as well as impact brand perception, trust, and collaboration. Storytelling can serve to share both successes and failures, which is less demoralizing when innovations aren't implemented.

Innovation storytelling has a different structure than fictional stories. A nonfiction story structure involves telling many small stories to make up one storyline. Innovation stories focus on the rise and fall of cognitive tension linked to problems and solutions.

Story development involves different frameworks, patterns, and techniques:

- Frameworks act as a "blueprint," making up the story's basic structure. The phases of an innovation story can be defined using two standard frameworks: the A.B.T. (And, But, Therefore) Story Framework and the C.A.R. (Challenge, Action, Result) Story Framework.
- Patterns are like "decorations in the house." They're interesting pieces in the story that repeatedly appear in innovation processes.
- Techniques are concepts, strategies, templates and exercises designed to create high-impact stories faster.

5. Conversation Design

Daniel Stillman, Lead Facilitator at The Conversation Factory, helps teams, organizations and individuals transform their worlds, one conversation at a time.

We all design conversations all the time. They can take on various forms, including one-on-one conversations, one-person-to-many conversations, many-to-many conversations and conversations with self.

Conversations can be difficult to design, since defining conversations we can or can't have is often a subjective process. Leaders must create conditions to design the shift that transforms conversations.

As a leader, you can create transformative using a tool called The Conversation OS Canvas. It highlights components that are easy to see and shift. These elements of conversation design include people, invitations, power, narrative, turn-taking, interface, cadence, threading, goals and error and repair.

Good conservation design requires being intentional and knowing how to control each aspect of the interaction. Of all elements, Daniel suggested focusing on three based on the MeetING anagram:

- **Invitation** – Consider how someone enters the conversation
- **Narrative** – Consider what shapes the conversation
- **Goals** – Consider where you want to get to

6. Decision-Making

Anne Caspari, Complexity Partner at EZC Partners, helps people make sense of complex environments. Most people don't have a solid decision-making process and rely on intuition or gut feeling. However, research has shown the approach to be mediocre, except in the case of trained intuition.

The best way to make a good decision is by having a solid decision-making process. The decision-making process typically involves

several steps:

- Identify the goal of the decision-maker
- Gather information realistically
- Organize information and perspectives
- Do the actual act of deciding
- Communicate and implement the decision
- Learn from experience

The problem with decision-making often lies in the context; context is king.

To be more effective at the decision-making process, you can use a framework that takes context into account. The Context Analysis with the Cynefin Framework involves five framework domains designed to help guide you on how to make decisions:

- **Clear Domain (known knowns)** – This domain has clear cause-and-effect relationships and involves a process in which you sense what's going on, categorize the gathered information, and respond using a single "best practice" such as a checklist, standard operating procedures, etc.
- **Complicated Domain (unknown knowns)** – In this decision process, you'll sense the problem, analyze it and respond by getting support to fix it. This might involve using "multiple good practices" such as scenario planning, systems thinking, etc.
- **Complex Domain (unknown unknowns)** – Complex domains occur in situations you can't foresee. In this instance, you probe, sense, and respond by experimenting to see what works. This domain often involves an "emergent practice" related to pattern recognition, innovation, etc.
- **Chaotic Domain (unknowable unknowns)** – This domain is common during infrastructure breakdowns and other high-energy states. You act, sense, and respond through a "novel practice" such as crisis intervention, fast actions, etc.
- **Confused Domain** – The confused domain falls in the middle of complex, chaos, and complicated domains. Confusion exists due to a lack of understanding or mistaken context, which can be alleviated through coaching, mentoring, training and similar.

7. Creating Space

When you think of innovation – in your organization's innovation efforts that you've been involved in – what sort of feelings emerge for you?

Leading innovation can evoke a roller coaster of emotions, from feeling like "you've seen the light" to "pulling your hair."

As Susie Braam, Founder at Mulberry Retreats, and Sonja Kresojevic, Founder at Seedtime Collective, suggest, being an innovator leader exposes you to all sorts of uncertainty that can lead to these emotions.

In reality, transformation is more about changing mindsets. That's because visible symptoms appear on the surface like a partially submerged iceberg. Underneath lies three hidden layers: systems and structures, values and beliefs and paradigms of thought. Before something new can emerge, those underlying issues must be understood to create space for innovation.

Most businesses focus only on the visible symptoms, rather than fixing the underlying causes. This keeps leaders from asking the right questions. To create space in your organization, you must focus on the following steps:

1. Uncover what's hidden
2. Let go of what's not needed
3. Find the clearing to create space

4. Generate new insight
5. Build alignment in the organization
6. Arrive at the best questions
7. Let the new emerge

8. Leading Through Risk Ambiguity

Like most innovative leaders, you probably accept the technical challenges you face without question. However, it's rare for innovators to manage the internal and external pressures surrounding them. Instead, leaders tend to focus on what to do while limited on how to do it.

Surprisingly, it's not uncommon to find unrealized potential, missed opportunities, and wasted time even among major players like Amazon and Google. That's because innovation is as social as it is technical. Leading innovation activates deep-seated feelings, thoughts, and behaviors, claims Brett Macfarlane, Founder at Innovation Leadership Map.

Leading innovation can be frustrating, but rewarding too. The main difference between unsuccessful and successful leaders boils down to how they respond to challenges, whether with constructive or destructive frustration. Brett's Innovation Leadership Map is a developmental tool and process that centers on the following four dimensions of a leader:

- Look back at past experiences
- Look within at the behaviors that are drivers and detractors
- Look around at the situation you're in
- Look ahead and start to develop development plans and tangible, concrete actions

The approach lets you map out individual experiences and identify leadership performance drivers and derailers. When scored, mid-range performance zones represent constructive frustration, and the high and low extremes indicate destructive frustration.

Climate & SDG's

Building A Corporate Venture In The Sustainability Space: 6 Key Insights

Sebastian Mueller
Chief Operating Officer and Co-Founder at MING Labs

Today, if you want to launch a new venture, you should design it differently to create a positive and sustainable impact.

You need to look at the venture not as just something that creates a profit but as something that also has tangible benefits for society and the planet. Over 80% of the top 200 corporates are still mainly focused on CSR budgets and business-as-usual innovation, rather than making ESG topics and SDGs action the core of their innovation efforts.

How can we change that? Here's what Sebastian Mueller, Chief Operating Officer and Co-Founder at MING Labs, suggests moving in the right direction.

1. Synergize Your North Star With The Corporate

If you want to create a positive impact, you will face the everyday adversity you may have as an entrepreneur. And so your purpose, your mission, your North Star, has to be something that you're really passionate about to guide you on the journey. You have to feel strongly about your goal and clearly articulate why it's essential to address that issue. The more this North Star overlaps with the corporate's vision and purpose, the easier it will be to secure buy-in and support.

To synergize with the corporate, conduct visioning sessions with the leadership and tell your purpose and vision by identifying aspects of the corporate purpose and vision you can adopt for your venture to bring them closer. And this is essential because, eventually, the leadership determines what happens in the organization.

2. Have A Theory Of Change That Leverages Corporate Assets

New ventures are meant to tackle complex subject matters, which are systemic in nature. And any system will resist change until it has reached a new equilibrium. That's why you need to have a "theory of change" that looks at the whole system and the different yet connected problems.

By looking at corporate assets from a viability lens and an impact lens, you'll be able to map out which part of the system you are addressing and identify points of influence and support within the corporate itself.

3. Find And Shape Asymmetric Impact Opportunities

Every venture will have positive and negative impacts, an asymmetric behavior. As such, you need to work to shape opportunities for impact that minimize potential negative impacts while maximizing potential positive ones.

Great impact ventures find a way – models, matrixes, and so on – to limit the negative impact while leaving the positive impact uncapped, creating an asymmetric impact model. Such a model helps control the

negative impact rate of acceleration as you and your business scale the positive impact.

4. Define And Align Your Business Boundaries

On the one hand, you may want to maximize revenues potential. However, there is a limit to how much you can scale a particular product/ service solution. Indeed, sustainability-driven ventures are launched with the mission to address a specified set of problems, which could also be hyperlocal. As such, scaling may not be a natural pathway for them, and it may not contribute to solving the problem you want to address.

By definition, there are floors and ceilings for various aspects of their operations, which should be established early and communicated with the corporate and not be overshot to remain faithful to the mission. As such, challenge the various aspects of your business model to establish clear boundaries, try to define minimum and maximum states for various input and output factors, and then communicate those boundaries to the corporate to foster alignment.

5. Design A Sustainable Organization

Sustainability progress is not only about the impact you are looking to create, and about launching a new product or service. Sustainability is also about designing your organization, venture, and systems to not scale up unnecessary negative impacts when you expand your mission. And this means, for example, developing your operational procedures to use less energy and material and measuring your footprint.

As such, set clear metrics and regularly review them. Building the organization in that sense is important, but it doesn't mean you have to be a B Corp. The most important thing is that sustainability becomes a key consideration in all your decisions.

6. Measure Your Impact Obsessively

Your ventures are definitely going to be challenged and scrutinized regarding their authenticity to play in the space. Today, there's a lot of greenwashing in corporates' communication. The sustainability space is overrun with founders claiming to create a positive impact, while there's little evidence beyond their ambition.

As such, make sure that your theory of change is put into clear outcome measurements from the beginning, and review them regularly as your north star metrics. Turn your theory of change into a KPI system that you can work with to measure/ review/ course-correct your impact. Last but not least, make sure these KPIs are treated with high priority by the corporate board. Being transparent is extremely important, both internally and externally.

Measuring Impact

Nail Malhotra
Author of Frontiers in Social Innovation and Edith M. Cornell Professor of Political Economy at Stanford Graduate School of Business

Today, the public demands that companies work to make a social impact as well.

That can create several challenges, one of the biggest being reporting the impact your organization is making. Social impact can be difficult to measure, but there are several tools that can help.

Theory of Change

The Theory of Change is a theory that explains the five core principles of operating an impact-centric business. Those five principles include:

- Inputs: Inputs relate to the money and manpower an organization dedicates to creating an impact.
- Activities: Activities include any actions the organization takes to create an impact.
- Outputs: Outputs are the end results of the inputs and activities mentioned above.
- Outcomes: This includes changes resulting from the activity.
- Impact: Impact is measured as the long-term systemic changes resulting from an organization's activities.

Understanding Impact

Several companies report the impact they make to their investors and the public. Unfortunately, the vast majority report it wrong. In most cases, their reports include information on their inputs, activities, and outputs.

For example, a company may report that it invested $1 million to give 100,000 students lessons on coding. That's great news, but that's not actually the impact. Instead, an impact would be that because these 100,000 students had access to lessons, there's a systemic shift that leads more children to realize access is available.

The key here is whether or not you're actually causing long-term systemic changes.

The Impact Lifecycle

An impactful business can generate a larger impact by following the impact lifecycle. The four phases of the impact lifecycle are explained below.

1. Estimating Impact. It's important to start by estimating the impact your organization's efforts are going to have on the social cause you're targeting. You can do so by researching other programs from other companies and the impacts they've had.
2. Planning Impact. Before you start an impact program, it's important to plan every step of the process. Don't just think about the amount of money or manpower the organization will invest in change. Plan for how the money will be invested, and consider the impact of each aspect of your plan.
3. Monitoring & Measuring Impact. It can be difficult to monitor and measure impact, but there are four tools to make the process easier. Those include:
    a. Randomized controlled trials (RCTs)
    b. Meta-analysis
    c. Surveys
    d. Natural experiments
4. Managing Impact. When you monitor and measure the impact your efforts have, you'll likely notice areas where your efforts are doing better than expected and areas where improvements can be made. Use the data to adjust your plan and create the largest impact possible.

Ways to Measure Impact

The impact of your program is a causal measurement, which is difficult in any category. Use the following four tools to accurately measure the change your programs create.

Randomized Controlled Trial (RCT)

The gold standard in measuring impact is a randomized controlled trial. These trials include treatment groups—groups of people that have taken part in your social programs. They also include control groups—groups of people who haven't taken part in your programs.

When you compare data across these groups, you'll clearly see whether or not your programs have created a systemic change.

The problem with the gold standard is that RCTs are expensive and time-consuming, which doesn't align well with today's fast-paced business world.

Meta-Analysis

Meta-analysis is the process of finding external studies about your product or program, or products and programs like yours. Use the data from these studies to estimate the impact your program has.

Be careful though. You'll need multiple studies to create precise data, and you want these studies to be highly correlated with what you're doing.

Surveys (Lean Data)

Another option is to take surveys. This is the fastest way to get user feedback, but there are some challenges:

- Validity: It may be difficult to measure what you think you're measuring accurately.
- Sample: Surveys only target your audience. That means you're not getting data from all demographics and may not generate accurate results.

Even with these challenges, surveys are an increasingly popular model for measuring impact in today's fast-paced business climate.

Natural Experiments

Natural experiments use data you already have to measure the impact your products and programs have on the cause you target. For example, if you make tutors available, you likely have data on test scores from students with and without tutors. Compare this data to determine if the students with tutors earned better grades on their tests.

Partnering With Innovators To Transform Corporate Value Chains

Carolina Garcia Arbeláez
Global Sustainability and Innovation Director at Anheuser-Busch InBev

Collaboration is critical to scale innovation in today's world as no company can solve sustainability challenges alone.

Just ten years ago, corporates weren't even speaking about sustainability, and most of the focus was on Corporate Social Responsibility (CSR). At that time, reputation was the main growth driver, and companies used to have philanthropic agendas.

Yet today, CSR and a philanthropic approach are definitely not enough anymore. We are amid a climate and waste crisis with massive biodiversity loss. In this scenario, the actual enabler of growth has changed and can only be sustainability. In other words, there's no chance for a corporate that doesn't incorporate sustainability within its DNA today to be competitive and successful in this century.

Of course, sustainability brings enormous and complex challenges to the table, e.g., zero waste, zero emissions, and resource efficiency. The only way to successfully face and deal with them is through collaboration-even with competitors. Yet putting the competition aside is anything but easy. How to do that?

Carolina Garcia Arbeláez, Global Sustainability and Innovation Director at Anheuser-Busch InBev, shares how four of the largest corporates in the world have partnered to boost sustainable innovation and build a brighter, more sustainable future together.

Collaborating (And Innovating) For A Better World: The Accelerator 100+

Collaboration with competitors is not impossible as it might seem. When it comes to sustainability, most corporates face the same challenges, e.g., decarbonizing the value chains, reaching zero net emissions, scaling renewable energy, having circular packaging, and so on. In other words, the foundations to collaborate and tackle sustainability-related issues together are already there.

To better understand this point, let's take a look at AB InBev's path to sustainability and the reasons that led this corporate to collaborate with other innovators first and some of its major competitors then. Back in 2018, AB InBev – the world's largest beer brewer by both volume and revenue – set the following four "Global Sustainability Goals":

1. By 2025, 100% of our direct farmers will be skilled, connected, and financially empowered.
2. By 2025, 100% of our communities in high-stress areas will have measurably improved water availability and quality.
3. By 2025, 100% of our product will be in packaging that is returnable or made from majority recycled content.
4. 4. By 2025, 100% of our purchased electricity will be from renewable sources, and we will have a 25% reduction in CO2 emissions across our value chain.

However, although AB InBev employs over 150,000 people, they didn't have all the expertise, solutions, and answers to meet these goals in time, successfully, and efficiently. In order to fill this gap, the company created a specific program to reach out to top-notch innovators and start-ups that could deliver breakthrough advancements across five key sustainability pillars: water stewardship, smart agriculture, circular packaging, climate action, and upcycling.

And so, in 2018, the 100+ Accelerator was built within AB InBev. In its first two cohorts – i.e., calls for applications based on specific challenges – more than half of the start-ups secured long-term contracts with the company. The true turning point came in 2021 when The Coca-Cola Company, Colgate-Palmolive Company, and Unilever joined AB InBev's 100+ Accelerator to boost, fund, and pilot sustainable innovation in their supply chains.

Because of the 100+ Accelerator success, these three corporates decided they didn't

want to reinvent the wheel but wanted to partner with AB InBev. The ultimate goal hasn't changed: collaborating to overhaul supply chains and scale innovative solutions to find solutions for some of the most pressing environmental and social challenges.

Today 100+ Accelerator is equity free and offers expert training, mentorship, preferred payment terms, access to tools, and funding. It gives the most innovative start-ups up to $100,000 to fund a pilot and helps them validate their solution within AB InBev, Coca-Cola Company, Colgate-Palmolive Company, and Unilever value chains. In the third joint cohort, 35 start-ups have been selected, 18 of which are women-founded.

Collaboration: Lessons Learned And Benefits

AB InBev, The Coca-Cola Company, Colgate-Palmolive Company, and Unilever are competitors. There's no doubt about that. Yet they share the same sustainability challenges, which is why they let go of the competition. In other words, they are partnering to deliver on their own sustainability goals faster and eventually become the leading companies they want to be.

The results of their collaboration show that such a mindset shift – i.e., putting aside rivalry and pooling efforts to achieve a higher goal – can lead to at least four benefits: joint innovation, cost efficiencies, leapfrogging, and different use cases. To give us a more precise overview of what these benefits mean for the four companies, Carolina discussed and shared some examples.

1. Joint Innovation

For some, innovation means bringing new products or services to market. For others, innovation is about coming up with radically new ideas and developing them. However, innovation, whatever its form and definition, always benefits from involving partners. Known as "joint innovation", it speeds up the overall innovation process. And the products Nafigate and Mi Terro are working on together with Colgate-Palmolive and Unilever are great examples of how beneficial joint innovation can be:

- Nafigate, a start-up from the Czech Republic, creates a biopolymer out of AB InBev's brewery spent grain, a by-product generated from the beer-brewing process. This spent grain-based biopolymer has both UV protection and deodorant capacities. In its pilot, Nafigate works with Colgate-Palmolive to create a compact powder deodorant and UV protection with zinc oxide.
- On its side, Mi Terro, a Chinese start-up, repurposes spent grain into flexible and rigid packaging materials creating the world's first plant protein thermoplastic. The pilot aims to create a 100% biobased film soluble in water, edible, and home compostable to be used in Unilever's detergent pods.

2. Cost Efficiencies

Joining forces dramatically reduces the costs that a single company would incur if they were piloting on their own. For instance:

V-Chiller, a start-up based in Hungary, produces an eco-friendly, on-demand cooling technology for beverages at the point of sale, offering lower energy consumption and no environmental impact. Thanks to the 100+ Accelerator, AB InBev and Coca-Cola are piloting with V-Chiller and reducing costs by 30%.

Chanzi is an African start-up that uses AB InBev's and Unilever's waste to feed their black soldier flies and produce high-value protein for aquafeed and poultry. The joint pilot that Chanzi is doing with AB InBev and Unilever aims to replicate Chanzi's site design and concept in Tanzania, Kenia, and South

Africa. And this goal is far too ambitious and expensive for a single company.

3. Leapfrogging

If all companies did the same tests with the same start-up, it would be a waste of time. The secret of success is sharing all you have learned during the pilot so that the other partner(s) can test and implement the same innovation quickly:

- H2Ok Innovations is an American IoT-enabled analytics platform providing data-driven optimization of industrial liquid systems for manufacturing. They began their pilot with Unilever, and the learning curve was complex, but now they're piloting smoothly with Coca-Cola.

4 Different Use Cases

Piloting with the same start-up different use cases and sharing learnings afterward is another essential benefit:

- Solutum is an Israeli-based start-up that produces soluble, biodegradable packaging. Solutum material dissolves in water at ambient temperature after a predetermined delay time. It then fully biodegrades in CO2, H20, and biomass, leaving no toxic residue or microplastics. Colgate-Palmolive is testing this technology to design and manufacture eco-friendly, water-soluble, and biodegradable dental kit bags to replace current PE bags. In the meantime, AB InBev is testing this technology's suitability as stretch wrap used as secondary or tertiary packaging for Corona beers.

The good news is that any corporate can replicate such a way of collaborating. Even better, the Accelerator 100+ is not only a platform for Unilever, Coca-Cola, AB InBev, and Colgate-Palmolive. The four companies want it to become a platform of innovation that other corporations can join.

How Employees Become Climate Pioneers

Sven Grave & Sandra Fernholz
former Head of Innovation at Wilo / Head of Sustainability and Social Impact at HYPE Innovation

Combining sustainability and innovation is a company-wide initiative that transforms all employees into climate protection pioneers.

Organizations typically follow three phases to foster collaboration and build and maintain a sustainable innovation ecosystem, according to Sven Grave, Head of Innovation at Wilo, and Sandra Fernholz, Head of Sustainability and Social Impact at HYPE Innovation.

1. Operational Optimization — Doing the Same Things Better

Operational optimization means ensuring your operations are performing as efficiently and effectively as possible, optimizing your processes and updating your operations to comply with the latest and best standards.

Wilo approached operational optimization by changing production materials. They faced unique challenges in Germany, such as the scarcity and heavy regulation of drinking water, so they had to comply with national standards and create products that do not include any lead. Thus, they began producing their own magnets so they would not have to rely on standard magnets, which increased their material efficiency and production by 30% in the long term — something they managed to do while retaining high quality.

2. Organization Transformation — Doing Good by Doing New Things

Organization transformation is the stage when you cease former operations and implement updated operations.

For exmaple, many large chocolate companies in Germany now offer foods increasingly produced from natural sources. They realized that how they sourced their materials and approached agriculture in the past was not reasonable anymore, so they built a product around more eco-friendly, sustainable source goods.

Wilo also implemented this step through the use of partnerships. They partnered with a company that has a water processing app that gives factories and operation sites the information they need to produce their own green energy. Wilo built prototype pumps that they could use as part of their water processing systems. This collaboration brought an entirely new product onto the market that has in turn brought great benefits to both the users and the environment.

3. Systems Building — Doing Good by Doing New Things With Others

Systems building involves collaborating to create organized, repeatable, universal procedures that help handle opportunities and complex problems in the future.

Wilo built a system that involved partnering with other sustainable companies in order to exchange ideas, design products, and build prototypes of water pumps. The system could be the same for every new partnership. For instance, they were able to reproduce their past success with another company: African GreenTec.

African Greentec focuses on providing containers that convert solar energy into usable energy for African villages. Wilo brought their water pump prototype into African Greentec, providing the water supply they need to power their solar energy.

Wilo also aimed at creating a circular economy— keeping materials and products in circulation for as long as possible. Though this was extremely difficult to apply in the case of water pumps that are intended to last for at least 20 years after they are installed, Wilo was able to find certain areas where they could keep products in circulation. They worked with partners along the entire supply chain and retail supply chain to get previously used magnets back to them, then used these to make new magnets or simply put them back on the market.

Helping Colleagues Combine Sustainability and Innovation

Wilo helped their organization to become more sustainable in several ways that you can imitate.

Consider creating opportunities to educate your colleagues on sustainability, such as seminars. This can educate and inspire them, helping them contribute to generating ideas to improve their processes.

You can also host sustainability challenges for your employees to find trends relevant to your industry. You may find that trends come from unexpected sources, and tapping

into them helps you stay ahead of the market and build a niche in areas that other companies overlook.

Wilo hosted this type of challenge and included trend calls. As a result, they pioneered fledgling trends for water pumps in areas with environmental challenges. The Pharma industry in India, Africa, China, and Germany, for example, needed smart watering systems, and Wilo was able to build partnerships with them because of their trend calls.

This made it also easierto obtain funding for their project and successfully launch it on the market.

How To Green Your Digital Footprint

Sebastian Mueller
Chief Operating Officer and Co-Founder at MING Labs

If the internet was a country, it would be the 7th largest emitter.

The use of the internet alone causes emissions of roughly 2,3 million tons of CO2 daily. And these negative impacts will likely increase exponentially over time simply because the global population is growing and many people will still come online over the next few years. What can we do as innovation teams within large companies?

Sebastian Mueller (COO and Co-Founder of MING Labs) shares tangible ways of measuring the environmental impact of our digital systems and how to make them more sustainable.

How Can You Measure The Digital Footprint?

Every company's digital carbon footprint matters, and leaders can do a lot to improve and move towards a more sustainable digital landscape.

The reality is that the digital world is tightly linked with physical resources – including the servers, cables, routers, and end-user devices, the materials and processes used to produce them, and the energy used to power them. In short, everything that happens in the digital world actively consumes energy.

Before delving into concrete actions designed to reduce the footprint, you should measure the total impact of your company in terms of digital emissions- i.e., the energy used for hardware and software utilization and maintenance along with data transmission and storage.

And here is where things get tough. There's no silver bullet solution to measure this correctly and assign it numbers, values, or at least qualitative statements. However, different measures can serve as proxies:

1. Application Usage Rates and Bounce Rates

You can make first qualitative judgments by looking at your Google Analytics and

comparing data, for example, between similar applications you might be running in different countries. This already tells you something- at least about the efficiency of the touchpoint you have designed.

On their side, the sessions by country can help you choose where to host: the further the data travels, the higher the energy consumption, so make sure you host close to your customers. It's not much, but it's a great start.

2. Back-End Infrastructure, Energy Mix, Network Traffic, and Page Weight

Websites are major determinants of energy usage. Some basic tools like Website Carbon Calculator and Ecograder can help estimate your website's carbon footprint. By analyzing the amount of traffic that goes through the website and the energy mix that powers it, they give you a quick take on your website's impact on the planet.

3. Back-End Workload and Data Storage

Typically, if you use public clouds (e.g., AWS, Google Cloud, etc.), you can access data storage information easily. By combining that information with your back-end workload information and translating that into an efficient statement, you should have an overview of energy and carbon intensity, at least from the back-end and storage point of view.

4. Total Back-End Energy Consumption and Back-End Infrastructure Energy Efficiency

The Power Usage Effectiveness (PUE) ratio helps you describe how efficiently a computer data center uses energy; specifically, how much energy is used by the computing equipment (in contrast to cooling and other overhead that supports the equipment).

5. Total End Point Energy Consumption and Total Transmission Energy Consumption

It's tough to get good numbers on end point and total transmission energy consumption because the reality is that customers have different devices. For instance, the carbon footprint is very different between an iPhone 8, an iPhone 12, and a first-generation Android. So making good statements about these measures is challenging.

Nevertheless, you have to be as efficient as you can where you can make the most significant impact. Suppose you have efficient application design, efficient usage of back-end resources, and also pay attention to the energy mix at the back-end. In that case, you're already making the difference. And from there, you can only get better.

How Can You Improve It?

Improving and reducing the carbon footprint can't be an overnight transformation. It takes attempts and time. Sebastian shares some concrete, simple steps that organizations can take in order to cut their energy consumption and carbon emissions:

1. Green UX

A single web page consumes on average 1,76g CO_2 per page view. Every time data is transmitted, and the more it's transmitted, the higher the energy consumption. But it's not enough to only look at the single pages. It's the whole journey that makes up the consumer's total energy footprint. Accordingly, it would be best if you sustainably redesigned the whole UX.

The following are some examples of how to put Green UX into practice (the list is not exhaustive):

- Mobile-First Design: this helps lighten page weight through design asset efficiency.
- Use Web Fonts: the fewer custom fonts need to be loaded, the less energy is used.
- Reuse Assets: reuse assets, ideally coded, throughout the touchpoint. Utilize design systems.
- Click Path Efficiency: iterate on click path efficiency to reduce the energy consumption of customer journeys.
- Accessibility: improve accessibility by following W3C (The World Wide Web Consortium) standards and accessibility best practices.
- Offer Dark Mode Option: Dark Mode can reduce energy usage on the endpoint- if it's an OLED-based display.

2. Grid-Responsive Design

The actual carbon intensity of the energy network may vary throughout the day. And studies have shown that running workloads when carbon intensity is low reduces the carbon footprint by >45% and up to 90%.

The idea with Grid-Responsive Design is to shift heavy computing workloads to less carbon-intensive periods so that you have less carbon emitted for the same energy usage. Yet this is still something the developers are experimenting with.

3. Green Coding

Training a single AI model can emit as much carbon as five cars in their lifetimes. Thus, writing code that produces algorithms with minimal energy consumption – i.e., Green Coding – is another way to cut the digital carbon footprint. How to put Green Coding into practice?

- Modular, Reusable Code: reusable coding and assets ensure lighter code bases.
- Algorithmic Resource Efficiency: benchmark algorithms for energy efficiency and optimize resource usage.
- Follow Web Standards: follow W3C standards to optimize loading speeds, performance, and accessibility.
- Coded Elements Over Images: if you can, create visuals and animations in code as much as possible.
- Minimize Libraries / Third Party Tools: minimize and optimize uses of third-party packages, as they often increase page weight.
- Compress Religiously. Everything. Always.

4. Green IT

Improving your company's digital sustainability also equates to redesigning the IT infrastructure. Accordingly, here are some practical examples you can take inspiration from:

- Server Relocation: bring servers closer to the actual users through geo access analysis.
- Utilize CDNs: bring heavy assets closer to users by leveraging CDNs (Content Delivery Network), geographically dispersed and interconnected groups of servers that provide cached internet content from a network location closest to a user to speed up its delivery.
- Green Hosting: standard electricity emits 475g CO2e/kWh while electricity from renewable resources only emits 33,4g CO2e/kWh. Pick a host that is energy efficient and uses green energy.
- Edge Computing: move heavy computation close to the user.
- Virtual Computing: use virtual machines over physical servers for greater utilization.
- Energy Efficient Infrastructure: ensure to host on servers with high levels of energy efficiency.

5. Green Product Management

Sustainability is not a one-off activity. We can't optimize once. In addition, every system deteriorates over time. Hence, sustainability should be an ongoing commitment to keep doing well and improving. You should then:

- Embed sustainability in product decision-making and make it a key criteria
- Measure achievements regularly and build strong feedback loops that include green assessments of the product. And measure aggregate energy consumption over a lifetime to have reliable baselines for offsets.
- Keep optimizing, set more ambitious targets over time, and reduce your energy budget.

6. Org Maturity

It's only when sustainability becomes part of the company's processes, leadership, strategy, culture, and mindset that it turns into a fundamental practice that everyone across the organization appreciates and commits to. But it's difficult and takes training.

... And There's More

By 2040, the IT sector will account for 14% of the world's carbon footprint. As a business leader, it's your responsibility to take concrete short-, medium-, and long-term actions to green your company's digital footprint.

As such, it's crucial to integrate sustainability into your company's processes, culture, and mindset and turn it into an actual practice so that the entire organization can engage in it. But first, measure how much energy is used for hardware and software utilization and maintenance along with data transmission and storage.

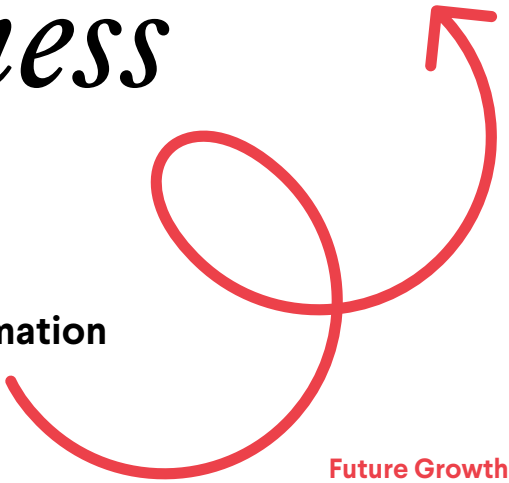
Eventually, define concrete steps to improve your sustainable performance: redesign the whole UX sustainably, shift heavy computing workloads to less carbon-intensive periods, write code that produces algorithms with minimal energy consumption, and choose a green hoster.

These practices might sound like extra work, and some are even a bit tricky to implement. Nevertheless, greening the digital footprint has many additional benefits for companies other than energy and carbon savings. It can help you to:

- Reduce energy and hosting bills: more efficient IT and lower energy usage also lead to significant cost savings.
- Reduce TCO on infrastructure: more modern and better-utilized infrastructure requires less maintenance.
- Reduce loading times: smaller websites and apps load faster and lead to fewer drop-offs correlated with longer loading time.
- Improve SEO: Green UX and Coding practices are very aligned with search engine optimization.
- Improve brand image: greening your IT allows you to communicate tangible progress on your sustainability targets.

Send the right message: sustainability claims delivered on dirty IT are not trustworthy. Considering all of the above, how are you going to green your digital footprint?

Transformative Business



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Circular Business Models
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